

Standing Committee on State Development

Aspects of agriculture

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How to contact the committee

Members of the Standing Committee on State Development can be contacted through the Committee Secretariat. Written correspondence and enquiries should be directed to:

The Director

Standing Committee on State Development

Legislative Council

Parliament House, Macquarie Street

Sydney New South Wales 2000

Internet www.parliament.nsw.gov.au

Email state.development@parliament.nsw.gov.au

Telephone 9230 3311

Facsimile 9230 2981

Terms of Reference

Aspects of agriculture

1. That the Standing Committee on State Development inquire into and report on the agricultural industry in NSW, in particular:
 - (a) The contribution of agriculture and agricultural-based products to the NSW economy
 - (b) Impediments to sustaining appropriate levels of productive capacity and growth in the agricultural industry, and
 - (c) Initiatives to address impediments to sustaining appropriate levels of productive capacity and growth in the agricultural industry, having regard to the NSW State Plan priority areas of *'Growing Prosperity Across NSW'* and *'Environment for Living'*.
2. That the Committee report by 14 December 2007.

Committee Membership

Hon Tony Catanzariti MLC	Australian Labor Party	<i>Chair</i>
Hon Melinda Pavey MLC	The Nationals	<i>Deputy Chair</i>
Hon Matthew Mason-Cox MLC	Liberal Party	
Rev the Hon Fred Nile MLC	Christian Democratic Party	
Hon Christine Robertson MLC	Australian Labor Party	
Hon Michael Veitch	Australian Labor Party	

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Chair's Foreword

Agriculture is the backbone of New South Wales. It supports rural communities and provides economic, environmental and social benefits to the State and to Australia.

At present, the agricultural industry is continuing to battle with the current long running drought – said to be possibly the worst in 100 years. The drought has had a devastating impact on crops and livestock, and has torn at the economic and social fabric of rural communities. All members of this Committee are based in rural or regional areas of New South Wales, and they understand the impact of the drought on agriculture and the communities it supports.

Not only is agriculture dealing with the devastating effect of the drought, it is suffering from a negative image. Evidence gathered at the Inquiry suggests that there is a general lack of pride in the industry within New South Wales, which appears to stem from a common misconception from within the cities that agriculture is causing damage to the environment. However this is far from the truth. Due to significant changes in land management practices over time, farmers are now becoming environmental caretakers of the land, protecting and sustaining it for future generations.

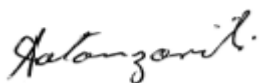
There has been an increasing uptake of innovations by farmers who are continually adopting new farming practices and technologies to overcome environmental constraints to agriculture and improve water use efficiency. The Committee saw a number of these innovative practices being used during our travels around the state, where we met with farmers and members of rural communities to see and hear first hand about the impact of the drought in those areas.

With the looming threat of climate change more needs to be done to assist farmers to be better prepared for droughts and better able to adapt to change. We have therefore made a number of recommendations to extend and enhance drought assistance measures to provide long-term support to farmers and rural communities, and to assist farmers in preparation for future droughts.

This Inquiry saw participants identify 'red tape' as a major impediment to agriculture, particularly the duplication of legislation or regulations, and uncertainty amongst farmers as to which of the multitude of regulations actually apply to them. The NSW State Plan identifies 'Cutting Red Tape' as a priority and in this regard we have made recommendations to help streamline these regulations, including a recommendation to create a 'one-stop shop' for advice and information.

On behalf of the Committee, I extend my gratitude to the many people who contributed to this Inquiry, especially the people who participated in our public hearings and forums in the towns of Tamworth, Narrabri, Leeton and Cootamundra and the people who took the time to show us around their properties or facilities in those regions.

I am grateful to my fellow Committee members for their hard work throughout this Inquiry, and their patience with our sometimes gruelling schedules during our visits to regional areas. My thanks also go to the Committee secretariat Rachel Callinan, Teresa Robinson, Sam Griffith, Simon Johnston and Annie Marshall; Hansard reporters; and the Parliamentary Library Research Service's John Wilkinson, for their efforts in supporting this Inquiry.



Hon Tony Catanzariti MLC

Committee Chair

Executive Summary

Agriculture plays a key role in New South Wales, however the multi-faceted benefits it provides have often been underestimated. Its contribution goes beyond rural communities to the state as a whole, as well as to the rest of Australia. Although the industry is facing a number of significant impediments, such as the current drought, it is resourceful and resilient. It has survived droughts in the past and will survive future challenges that it confronts.

In this Report, the Committee examines the contribution agriculture makes to the NSW economy, impediments to sustaining appropriate levels of growth in the agricultural industry, and initiatives to address those impediments. The Committee's findings are summarised below.

Agriculture and the New South Wales economy (Chapter 2)

Chapter 2 examines the contribution of agriculture and agriculture-based products to NSW. Agriculture is a significant contributor to the NSW and Australian economy. It creates jobs in rural areas, supports communities and makes a substantial contribution to Australia's export earnings. There is also a tremendous non-economic value in agriculture that goes beyond tourism and environmental values.

Agriculture as a proportion of New South Wales' Gross State Product is approximately 2.8% (\$9 billion), or around 6.1% (\$18 billion) when the multiplier effect of agriculture on other industries is considered. Agriculture's proportion of the economy has decreased over time as other sectors of the economy, such as the service industry, have increased, but in absolute terms, it has continued to increase, reflecting improved productivity. Agricultural production is diverse, and the crops and products NSW produces have changed over time in response to international markets and the expansion of high-growth industries. Cattle and calves, wheat for grain and wool from NSW remain major contributors to the export earnings of Australia.

The relatively low contribution that agriculture as an industry makes to the Gross State Product does not adequately reflect the importance that the industry has not just to the communities that are directly reliant on it but to the state as a whole. Despite the continuing drought, rural land prices continue to rise and it would appear that one of the influencing factors has been an increase in corporate investment

Land management and the future of agriculture (Chapter 3)

There have been a number of changes in agricultural land management practices over time to address environmental issues. Chapter 3 discusses the environmental impact of agriculture, challenges facing its sustainability, and future options for the industry – including initiatives to better prepare farmers for future droughts and climate change.

Land management issues

A number of environmental issues impede productive capacity and growth in agriculture, such as salinity, soil degradation and invasive native scrub. Legislation changing land management practices has been introduced to manage these problems, such as the *Native Vegetation Act 2003* (NSW) which regulates broadscale clearing of native vegetation.

Evidence received by the Committee also highlighted noxious weeds as a significant, damaging and widespread issue. Particular concern was expressed to the Committee about one weed – lippia (*Phyla nodiflora*) – which is available as a domestic plant in some parts of NSW. The Committee recommends that the sale or propagation of lippia be prohibited in all areas of NSW.

Sustainable farming practices

Sustainable farming practices protect and restore natural resources and maintain the viability of agricultural land for future generations. Such practices include conservation farming methods and holistic management principles, and are a primary means to better prepare farmers for droughts.

The Committee therefore recommends that the government continue to encourage the adoption of conservation farming practices through the use of incentives, such as those that are currently provided through a number of Catchment Management Authorities. The Committee also recommends that the emphasis on holistic management principles be increased in the NSW Department of Primary Industries' PROfarm training program; and that both conservation farming methods and holistic management principles be incorporated into agricultural education programs through the NSW Department of Education and Training.

Despite evidence of the benefits of conservation farming, there are farmers that are not taking it up. An observation was also made suggesting that many women play a significant role in managing the 'farm office'. Accordingly, in order to increase the uptake of these practices, the Committee recommends that existing methods of information and education dissemination be reviewed to ensure they are reaching the appropriate target audience, including special consideration of the role of women in farm management.

Research and development

Research and development (R&D) in agriculture is essential to achieving gains in productivity and sustainability, and must be maintained into the future to find ways to manage and adapt to droughts and climate change.

The NSW Government provides funding to the Department of Primary Industries for R&D, which is separate from the Commonwealth/industry funding. The Committee recommends that the NSW Government, in conjunction with private industry to establish a baseline level of funding to provide to the Department of Primary Industries, to adequately maintain research projects.

The existing funding formula for Rural Research and Development Corporations (RDCs) between the Commonwealth Government and industries is a cause of concern during periods of low industry productivity, such as during periods of drought. The Committee recommends that a baseline level of funding be established to ensure a minimum level of funding is maintained. This will require the NSW Government to pursue a review of the existing funding formulae by the Commonwealth Government.

Climate change and drought preparedness

Climate change is a potential threat to the agricultural industry, with one major implication being the possible increased frequency of drought. Farmers need to be proactive rather than reactive when it comes to droughts and climate change. While Catchment Management Authorities provide some incentives to assist and encourage farmers to adopt better farm management practices to be better

drought prepared and better able to adapt to climate change, the Committee recommends that more incentives should be provided for such practices.

The Committee therefore recommends that once the current drought has lifted the NSW Government should undertake a leadership role at a national level to persuade the Commonwealth Government to replace the Exceptional Circumstances program with a new 'Drought Preparedness' program. The new program should assist farmers to prepare for droughts and climate change through conservation farming methods. A proportion of the budget allocation for Exceptional Circumstances assistance could be retained to fund the Drought Preparedness program.

Industrial hemp

Industrial hemp has many benefits as an alternative crop. Section 23 of the *Drug Misuse and Trafficking Act 1985* (NSW) (administered by NSW Health) currently prohibits the cultivation of hemp. However, industrial hemp cannot be misused as a drug. The Committee recommends that the NSW Minister for Primary Industries work with the NSW Health Minister to seek an amendment of the legislation to allow for commercialisation of industrial hemp, as is the case in other states, and that responsibility for control of industrial hemp should rest with NSW DPI.

Value adding

Value adding to agricultural products is a significant means of contributing to the local economy. Value adding can create additional income for industries and creates additional job opportunities. The Committee recommends that any existing incentives for value adding be reviewed to ensure they promote more secondary industries to value add to primary agricultural products in NSW, and that additional incentives such as payroll tax concessions be developed where possible. These incentives should aim to encourage processing in rural and regional areas.

Harvesting of native species

The sustainable harvest of native plant and animal species could be a viable addition to future agricultural production. The Committee notes with concern the importation of some native Australian products, such as eucalypt oil, and notes that there is potential for improved marketing and promotion of existing native species production such as kangaroo meat and mallee as an alternative fuel source. While some research has already been conducted into sustainably using native species, the Committee recommends that further research should be undertaken to assess the feasibility of these industries. One of the most important issues for farmers is the availability and development of markets for native products. The Committee therefore recommends that the DPI, in conjunction with the relevant industries, develop marketing and education campaigns for native products, particularly kangaroo meat.

GM crops

The NSW Government has established an independent review to examine the impact of the moratorium on commercial production of GM food crops, which is due to expire in March 2008. The review is still underway. The Committee notes the arguments for and against GM Canola, however believes that the GM Review Committee is best placed to make recommendations regarding GM crops. The Committee therefore awaits the results of that review.

Biofuels

Biofuels are a cheaper, environmentally friendly alternative to oil. However the new industry has sparked a ‘food vs fuel’ debate, with both sides of the debate citing valid arguments. The Committee is of the opinion that until second generation fuels become commercially viable, there will be no quick or easy solution to the problem.

Agriculture and society (Chapter 4)

Strong rural and regional communities are needed to support the agriculture industry, and a strong agricultural industry leads to strong rural communities. The current drought has hit hard in many areas, exacerbating problems such as the labour and skills shortage and declining social and community infrastructure. Chapter 4 examines social issues and their relationship to sustaining appropriate levels of productivity capacity and growth. It also looks at ways to build the profile of agriculture in NSW and raise awareness of the importance of agriculture among urban communities.

Drought Support Workers and Rural Financial Counsellors

Drought Support Workers and Rural Financial Counsellors have filled a much-needed support role in rural communities, however there have been concerns regarding the uncertainty of future funding for these programs. At the very least, funding for both programs should be maintained throughout the entire length of the current drought. Evidence received by the Committee highlighted the need for both programs to also continue once the drought has lifted to assist farmers throughout the drought recovery period, which is expected to take several years.

The Committee recognises that Drought Support Workers provide more than just drought support, they provide general rural community support. Accordingly the Committee recommends that the current Drought Support Worker role be enhanced to provide this support on a permanent basis, and the name be changed to ‘Rural Community Development Worker’. This will encompass more accurately the role of these workers and facilitate support to rural communities at all times, rather than just in times of drought.

The Rural Financial Counsellor Service (RFCS) is jointly funded by the Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF) and participating State Governments. The Committee recommends that the NSW Department of Primary Industries (DPI) ensure it continues funding the service for the same period as the Commonwealth. The Committee also believes that the service could be enhanced and tailored to provide long-term financial planning advice in conjunction with agronomy advice, to better assist farmers to maintain viability.

Exceptional Circumstances assistance

Exceptional Circumstances (EC) assistance should be available for longer periods, and should be available throughout the post-drought recovery period. The Committee recommends that EC declarations be extended for a sufficient time after the drought has lifted, to allow farmers to recover and implement appropriate long-term strategies to ensure viability.

There is an argument that a negative consequence of EC assistance may be to prolong unviable farms. While the Committee believes that the majority of farmers do practice good farm management, it has recommended that the NSW Government inform the Commonwealth Government of the issues raised

during this Inquiry relating to possible unintended consequences of EC funding, so that the Commonwealth may consider them in any future reviews of EC policy.

There have been some problems surrounding delays in assessing EC applications, and there is potential for more. The Committee believes that it is essential for all future applications to be processed in a timely manner, and therefore recommends that the NSW Government establish benchmarks or key performance indicators for the NSW Rural Assistance Authority to comply with, and to report against, in its Annual Report.

Labour and the rural workforce

The agricultural industry faces particular issues relating to labour shortages including a declining rural population, competition for labour against the mining sector, and an ageing rural workforce. With regard to skills, many farmers hold agricultural qualifications but lack essential administrative skills such as in finance and management. While these skills can be obtained through short courses at TAFE, for many people in more rural and remote areas the distance to travel to their nearest education centre is too far to be a feasible option. As such, the Committee recommends that access to short courses in subjects such as finance and management be improved to better enable people in rural and remote areas to attend. This could be achieved by using existing rural and regional training facilities, and through flexible delivery and online learning, with a view to 'keeping local people local'.

Mental health

There is a high rate of depression and suicide in rural areas, which has been exacerbated by the length and severity of the current drought. Major impediments to people seeking help include a perceived stigma associated with mental illness, and the fact that people may not be aware of the mental health services that are available to them.

Frontline workers such as Rural Financial Counsellors hold a unique position in that they may be the only on-farm contact in remote areas. Evidence received by the Committee revealed that these workers are often called upon to provide social and emotional counselling, which is outside the scope of their normal duties or expertise. A NSW Government initiative has been put in place to provide Mental Health First Aid training to these workers. The Committee believe that this training needs to be continued systematically with the aim of training all frontline workers.

The Committee also recommends that GPs, particularly those in more remote areas, be provided with the training needed to recognise the signs and symptoms of mental illness. They should be able to link farmers to mental health services where necessary, and be aware that some patients may not realise that they have depression or may be unwilling to admit that they are feeling depressed.

Recognising the importance of agriculture

Agriculture benefits all of NSW, however there appears to be a lack of pride in agriculture across the State. There is a widening disconnection between metropolitan and rural areas, which seems to stem from a lack of understanding and awareness from within metropolitan areas about the benefits of agriculture.

The Committee believes that NSW needs a shared view of agriculture, and has recommended that a vision statement and core set of values be developed for this purpose. While the NSW Government can facilitate the process to develop this vision statement and values, it is essentially a change in attitude

at a societal level that is required. The Committee therefore suggests that key stakeholders from both rural and metropolitan communities collaborate to develop the statement and values, in order to reach a genuinely shared view of the importance of agriculture.

The NSW State Plan states that ‘Strong rural and regional economies are critical to achieving the overall prosperity of NSW’,¹ however the Committee does not feel that this point is sufficiently emphasised in the State Plan. Accordingly it is recommended that future revisions of the State Plan should reflect this important point more prominently.

It is also important to educate our youth about agriculture. The Committee therefore recommends that a ‘twin city’ initiative be set up between city and country schools within NSW, entailing a billeting exchange and education program with the aim of increasing knowledge and understanding between the two areas. The initiative should be developed in cooperation with existing and future local government ‘twin city’ programs.

Water issues (Chapter 5)

The current drought has had a major impact on water supplies in NSW and across Australia, and the lack of water is an obvious impediment to sustaining appropriate levels of productive capacity in the agriculture industry. Chapter 5 examines the way in which water is used in NSW for agriculture, particularly in the important role of irrigated agriculture; and looks at innovations that offer the promise of improving productivity while reducing water use.

In January 2007 the Commonwealth Government announced a National Plan for Water Security (NPWS). The \$10.5 billion plan will give overall authority for decision making about water use within the Murray Darling Basin to the Commonwealth Government. There is a large degree of uncertainty around the impact that the NPWS will have on arrangements for the allocation of water in NSW, as the detail of the NPWS has not yet been determined.

The funds available under the NPWS represent an opportunity for irrigators to modernise and take irrigated agriculture into the future. The Committee recommends that the NSW Government, during negotiations with the Commonwealth Government over the NPWS, ensure that funds available under the NPWS are directed to a range of innovations in large and small scale irrigation properties and regions, including the use of real-time telemetry to manage water and pressurised water delivery systems to save water. The Committee also recommends that the NSW Government work closely with the irrigated agriculture industry to identify innovations for funding under the NPWS.

Water users are concerned about the impact of the changes that will inevitably occur as a result of the NPWS on the security of their water entitlements. In the absence of detail associated with the NPWS, the Committee can only recommend that the NSW Government ensure that security and certainty of water rights under existing water sharing plans are recognised during negotiations with the Commonwealth Government. Changes to water sharing plans as a result of the NPWS should be made in consultation with the water sharing plan participants, with adjustment to plans made through savings or purchase. In relation to fixed water charges, the Committee recommends that the NSW Department of Water and Energy should work in consultation with water licence holders to investigate long term options to provide flexibility in relation to fixed water charges in situations where there is zero water allocation, for example, through the use of sinking funds and payment deferrals.

¹ NSW Government, *The State Plan, A New Direction for NSW*, November 2006, p 103

There are also concerns from rural communities in irrigation areas about the possible impact of water trading on their towns and livelihoods. As water moves from low value use to high value use through the process of water trading it is likely that there will be re-structuring within irrigation areas. The Committee is concerned about the impact on the agriculture industry, the environment, communities and irrigation infrastructure of the permanent trading of water from catchment areas, particularly in relation to the effects of climate change and predictions of increased potential for frequent low river flows. The Committee therefore recommends that the NSW Department of Water and Energy prepare a full impact statement on the current and future effect of permanent out of catchment water trading, with the impact statement to be completed and made public by June 2008. The Committee believes that this process should be a gradual one, with time to allow adjustments in the distribution of agricultural activity to be made without major disruption to communities. There should also be an extended period of certainty once the reforms have been implemented to allow farmers to consolidate and recover.

The Committee therefore recommends that the existing restrictions on trading between regions of 4% annually be adjusted to 2% annually, to allow time for those regions to adapt to new circumstances. This adjustment should occur as part of the 2009 review.

Regulation and planning issues (Chapter 6)

Regulation and over-regulation

One of the major impediments to sustaining appropriate levels of productive capacity and growth in agriculture is over-regulation, or 'red tape'. Unnecessary regulations should be removed, however it is necessary to review and identify existing regulations and the manner in which they are administered as a first step towards streamlining and reducing the regulatory burden on the agriculture industry.

The Committee therefore recommends that the Better Regulation Office, in consultation with relevant industry bodies, farming organisations and Government agencies, review the range of legislation and regulation impacting on agriculture. The review should identify the purpose for which the legislation or regulation exists and determine areas of duplication.

The review and proposed actions should be made publicly available for comment once completed and should be completed before the end of 2008. An implementation schedule for the proposed actions should be included in the review outlining clear objectives and associated performance indicators and identifying responsible Government agencies.

There will necessarily be some regulatory burden remaining even following a review of existing regulations and actions to reduce duplication. Accordingly, the Committee believes that there is a need for a central web-based 'one-stop shop' that would enable farmers and other workers in the agricultural sector to identify the regulations that apply to them, and would ideally allow for information to be consolidated where the same information is needed for more than one regulatory process. The information should also be available in hard copy for those farmers with limited internet access.

Consistency of transport regulations across State borders

The complaint that road regulations differ between states is a common one, heard in more than just the agricultural industry. States have the right to determine which road regulations should apply within their borders, to address the specific circumstances of each state. However, the Committee believes that there are opportunities for regulatory bodies in various states to work together to bring about

consistency in those road regulations, and thus lessen the burden on those in the agricultural industry whose day to day business is impacted upon.

The Committee therefore recommends that the NSW Minister for Roads take a leadership role in achieving national consistency in road regulations relating to truck loading, weight limits and for the transport and movement of rural machinery.

Property Vegetation Plans (PVPs)

There are a number of problems created by the concurrent processes of development applications and PVPs in some areas. The Minister for the Environment has the opportunity to consider recommendations of a working group intended to resolve the issue.

The time taken to develop a PVP is also a concern as it may act as a disincentive for farmers to enter into them. The Committee recommends that the DPI liaise with the Catchment Management Authorities to make the Catchment Management Authority software used in the assessment of PVPs available to private consultants, subject to any commercial or privacy constraints that might exist, as providing farmers with information may assist in the uptake of PVPs.

Conflicting land use

Conflict of land use is a major problem for the sustainability of agriculture into the future. As urban populations grow and the 'sea change' and 'tree change' trends continue, there will be increasing pressure on local governments to provide residential land for housing. Retaining productive agricultural capacity within these areas is important, as in many of these areas the land that is most desirable to live in is also the most productive land.

The Committee therefore endorses the key recommendations of the Central West Independent Review Panel, particularly the recommendation that a new State Environmental Planning Policy be developed to ensure rural land planning is conducted within a stable strategic framework with clear planning controls and guidelines.

There has also been concern over the centralisation of planning decision making. The current reforms of Local Environmental Plans have resulted in delays for some local councils in the pursuit of their duties. However the reform process represents an attempt to bring about a degree of standardisation across the State in planning matters.

The Committee notes that once the Local Environmental Plan reform process currently underway has been completed, local councils should be in a better situation to make strategic planning decisions at the regional level.

Physical infrastructure

Local governments have expressed concern over funding shortfalls for the maintenance and provision of transport infrastructure, and the likely consequences on road infrastructure of any shift away from rail freight through downgrading of rail networks.

An effective transport network, incorporating rail and road elements, is an essential requirement for the future development of agriculture and for the wellbeing of rural communities. Accordingly, the Committee recommends that the NSW Government conduct a review to develop sustainable

integrated transport networks, including road, rail, sea freight and air, in rural and regional areas, in accordance with NSW State priority P2 'Maintain and invest in infrastructure'.

Payroll tax

The current level of payroll tax in New South Wales is a concern for businesses in rural and regional areas, and may act to discourage investment in the State when compared with payroll tax levels in neighbouring States.

There is scope for payroll tax concessions as part of an overall package to encourage business investment in rural and regional areas. The Committee therefore recommends that NSW Treasury work with the DPI to develop a proposal for targeted payroll tax concessions in rural and regional areas, including in inland NSW, with the proposal to be considered by the NSW Government for implementation in the next financial year.

Summary of Recommendations

- Recommendation 1** **25**
That the NSW Department of Primary Industries ensure that economic information on agriculture is made available by region/catchment areas and by industry, to better enable planning and analysis at local and State government level.
- Recommendation 2** **32**
That the Minister for Primary Industries, through the *Noxious Weed Act 1993* (NSW), prohibit the sale or propagation of lippia in all areas of New South Wales.
- Recommendation 3** **37**
That the NSW Department of Primary Industries continue to work with NSW Catchment Management Authorities to provide incentives for conservation farming practices.
- Recommendation 4** **38**
That the NSW Department of Primary Industries increases its emphasis on holistic management in its PROfarm training program.
- Recommendation 5** **38**
That the NSW Department of Education ensure that future agricultural education programs include comprehensive coverage of conservation farming methods and holistic management.
- Recommendation 6** **41**
That the NSW Government work in conjunction with private industry to establish a baseline level of funding to be provided to the NSW Department of Primary Industries to maintain research and development programs.
- Recommendation 7** **41**
That the NSW Government undertake a leadership role at a national level to persuade the Commonwealth Government to review the existing funding formulae for agricultural industry research and development, and establish a baseline level of funding to be maintained.
- Recommendation 8** **45**
That the NSW Government undertake a leadership role at a national level to persuade the Commonwealth Government to convert a proportion of the budget allocation for Exceptional Circumstances assistance to Drought-Preparedness assistance once the drought has lifted. The Drought-Preparedness assistance should include training and incentives for conservation farming methods and climate-risk management.
- Recommendation 9** **46**
That in order to better promote conservation farming practices, the NSW Department of Primary Industries review existing methods of information and education dissemination to ensure that they are targeted appropriately, with special consideration to the role of women in agriculture.
- Recommendation 10** **47**
That the NSW Minister for Primary Industries work with the NSW Health Minister to seek an amendment of section 23 of the *Drug Misuse and Trafficking Act 1985* (NSW) to allow for

commercialisation of industrial hemp in NSW, as is the case in other states. Responsibility for control of industrial hemp should be placed with the Department of Primary Industries.

- Recommendation 11** **49**
 That the NSW Department of State and Regional Development work with the NSW Department of Primary Industries to review existing and develop additional incentives for secondary industries, such as payroll tax concessions, with the aim of promoting more value adding to agricultural products in rural and regional areas
- Recommendation 12** **50**
 That the NSW Department of Primary Industries, in conjunction with relevant industries, develop marketing and education campaigns for native products, particularly kangaroo meat.
- Recommendation 13** **50**
 That the NSW Department of Primary Industries undertake further research into the harvest of native plant and animal species, with a view to creating a sustainable addition to future agricultural production.
- Recommendation 14** **62**
 That the NSW Government provide funding to develop and enhance the role of Drought Support Workers to enable them to provide long-term community support. The strengths of the Drought Support Worker program should be built upon to create a permanent Rural Community Development Worker program, to provide support to rural communities at all times.
- Recommendation 15** **63**
 That the NSW Department of Primary Industries continue to endorse the Rural Financial Counselling Service by ensuring that its funding contribution to the Service matches the period for which the Commonwealth Government provides the service; and that it look to enhancing the service through the provision of long term financial planning advice in conjunction with agronomy advice to better assist farmers to ensure their viability.
- Recommendation 16** **66**
 That the NSW Government undertake a leadership role at a national level to persuade the Commonwealth Government to extend Exceptional Circumstances declarations for a sufficient time after the lifting of drought to allow farmers to recover and implement appropriate long-term strategies to ensure viability.
- Recommendation 17** **67**
 That the NSW Government inform the Commonwealth Government of issues arising during this Inquiry relating to possible unintended consequences of Exceptional Circumstances funding, to assist in any future revisions of Exceptional Circumstances policy.
- Recommendation 18** **67**
 That the NSW Government establish benchmark or key performance indicator timeframes for the NSW Rural Assistance Authority to comply with when processing applications for interest rate subsidies and other drought assistance. These benchmarks should be reported against in the Annual Report.
- Recommendation 19** **74**
 That the NSW Department of Education and Training increase its commitment to education and training in the rural sector by improving access to short courses, such as finance and

management, for people in rural and remote areas, including through flexible delivery and online learning.

- Recommendation 20** **74**
That the NSW Department of Education and Training identify ways of using existing rural and regional training facilities with a view to retaining skilled people in rural and regional areas following their training.
- Recommendation 21** **82**
That the NSW Department of Health and NSW Department of Primary Industries work together to identify and systematically train frontline workers in rural and regional areas to identify signs and symptoms of depression and link farmers to mental health services where necessary.
- Recommendation 22** **82**
That the NSW Department of Health work in partnership with the Rural Doctor's Association to provide general practitioners working in rural and remote areas with the knowledge needed to recognise the signs and symptoms of depression and link farmers to mental health services where necessary.
- Recommendation 23** **85**
That the NSW Government develop a vision statement and core set of values that enshrine the importance of agriculture to the State as a whole. The NSW Government should work with rural and metropolitan communities to develop genuinely shared and agreed values.
- Recommendation 24** **85**
That the NSW Government ensure that the importance of agriculture and rural communities to New South Wales as a whole is more prominently reflected in future revisions of the NSW State Plan.
- Recommendation 25** **85**
That the NSW Department of Education and Training develop and resource a 'twin city' program between schools in the city and schools in country towns with the objective of enabling students to gain a better understanding of their country and metropolitan counterparts. The program should be developed in conjunction with existing and future local government 'twin city' programs.
- Recommendation 26** **92**
That the NSW Department of Water and Energy work in consultation with water license holders to investigate long term options to provide flexibility in relation to fixed water charges in situations where there is zero water allocation, for example, through the use of sinking funds and payment deferrals.
- Recommendation 27** **100**
That the NSW Government, during negotiations with the Commonwealth Government in relation to the National Plan for Water Security, ensure that funds available for water saving initiatives are directed to a range of innovations across large and small scale irrigation properties, including:
- the use of real-time telemetry in irrigation areas, for the monitoring and management of water allocations; and

- implementation of pressurised water delivery systems, where feasible.

Recommendation 28**100**

That the NSW Department of Primary Industries work actively to assist the irrigated agriculture industry in the development of proposals for funding associated with the National Plan for Water Security.

Recommendation 29**100**

That the NSW Government, during negotiations with the Commonwealth Government in relation to the National Plan for Water Security, ensure that the security and certainty of the water rights of current participants in water sharing plans, such as the irrigation industry, stock and domestic users, town users, industrial users and environmental flows, are recognised. Any changes to water sharing plans should be made in consultation with the participants, with adjustment to plans made through savings or purchase.

Recommendation 30**104**

That the NSW Department of Water and Energy prepare a full impact statement on the current and future (the next five years) effect of permanent out of catchment water trading. The impact statement should be completed and made public by June 2008.

Recommendation 31**105**

That the NSW Government, during the 2009 review of the current restriction on permanent water transfers from irrigation regions of 4% annually, lobby the Commonwealth Government to adjust the restriction on permanent transfers to 2% annually, to allow time for those regions to adapt to the resulting structural changes.

Recommendation 32**112**

That the NSW Government's Better Regulation Office, in consultation with relevant industry bodies, farming organisations and Government agencies, review the range of legislation and regulation impacting on agriculture. The review should identify the purpose for which the legislation or regulation exists and determine areas of duplication.

The review, and proposed actions, should be made publicly available for comment once completed and should be completed before the end of 2008. An implementation schedule for the proposed actions should be included in the review outlining clear objectives and associated performance indicators and identifying responsible Government agencies.

Recommendation 33**113**

That the NSW Government's Better Regulation Office work with the NSW Department of Primary Industries and industry groups to:

- develop a web-based 'one-stop shop' to provide advice on regulations applying to the agriculture industry, with the information also available in hard copy; and
- investigate the potential to consolidate information collection, where the same information is needed for more than one regulatory process, to prevent duplication.

Recommendation 34**116**

That the NSW Minister for Roads take a leadership role in achieving national consistency in road regulations relating to truck loading, weight limits and for the transport and movement of rural machinery.

Recommendation 35**120**

That the Department of Primary Industries liaise with the Catchment Management Authorities to make software used in the preparation of property vegetation plans publicly available, subject to any commercial or privacy constraints.

Recommendation 36**126**

That the NSW Minister for Planning adopt the key recommendations of the Central West Independent Review Panel contained in its 2007 report *Central West rural lands inquiry: review of land use planning in the Central West*.

Recommendation 37**128**

That the NSW Government conduct a review to develop sustainable integrated transport networks, including road, rail, sea freight and air, in rural and regional areas, in accordance with NSW State Plan priority P2 'Maintain and invest in infrastructure'.

Recommendation 38**130**

That NSW Treasury work with the NSW Department of Primary Industries to develop a proposal for targeted payroll tax concessions in rural and regional areas, including in inland NSW, to encourage and stimulate business investment in those areas, with the proposal to be considered by the NSW Government for implementation in the next financial year.

Acronyms

ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
CMA	Catchment Management Authority
DAFF	Department of Agriculture, Fisheries and Forestry (Commonwealth)
DECC	Department of Environment and Climate Change (NSW)
DET	Department of Education and Training (NSW)
DPI	Department of Primary Industries (NSW)
EC	Exceptional circumstances
GDP	Gross Domestic Product
GGAS	Greenhouse Gas Abatement Scheme
GSP	Gross State Product
GVAP	Gross value of agricultural production
INS	Invasive Native Scrub
NPWS	National Plan for Water Security
NSWIC	NSW Irrigators' Council
LEP	Local Environment Plan
PNF	Private Native Forestry
PVP	Property Vegetation Plan
R&D	Research and development
RDC	Research development corporation
RFCS	Rural Financial Counselling Service
RTA	Roads and Traffic Authority (NSW)
SEPP	State Environmental Planning Policy

Chapter 1 Introduction

This chapter provides an overview of the Inquiry process and the structure of this report. It contains information about the Inquiry's terms of reference, submissions, hearings, forums, and site visits. A summary of related reports and inquiries into agriculture is also provided in this chapter.

Terms of reference

- 1.1** The terms of reference for the Inquiry were received on 22 June 2007 from the Minister for Primary Industries, the Hon Ian Macdonald MLC. On the same day, the Minister replaced the original terms with slightly modified terms of reference that included a phrase excluding the citrus industry from the scope of the Inquiry. The Minister modified the terms of reference to satisfy the requirements of Standing Order 210(10), which states:

No member may take part in a committee inquiry where the member has a pecuniary interest in the inquiry of a committee.²

- 1.2** The terms of reference were adopted and the Committee resolved to report them to the Legislative Council on 27 June 2007.³ However, the Committee was concerned that the operation of SO 210(10) might prevent this Committee and other committees from conducting inquiries into broad ranging subjects. At the same meeting, the Committee resolved to write to the President of the Legislative Council to request that the House consider the effect of SO 210(10).⁴

- 1.3** The Legislative Council, on 28 June 2007, amended SO 210(10) to address the concerns expressed by the Committee. The sessional order, which replaces SO 210(10) for the current session of Parliament and unless otherwise ordered, now reads as follows:

No member may take part in a committee inquiry where the member has a direct pecuniary interest in the inquiry of the committee, unless it is in common with the general public, or a class of persons within the general public, or it is on a matter of state policy.⁵

- 1.4** The Committee met on 28 June 2007 to amend the terms of reference back to those originally provided by the Minister by removing the phrase 'with the exception of the citrus industry'.⁶ The Committee resolved to adopt the amended terms of reference and reported them to the

² NSW Legislative Council, *Standing Rules and Orders*, May 2004, SO 210 (10), p 71

³ NSW Legislative Council, Standing Committee on State Development, *Aspects of agriculture*, Report 32, November 2007, p 144

⁴ NSW Legislative Council, Standing Committee on State Development, *Aspects of agriculture*, Report 32, November 2007, p 144

⁵ *LC Minutes (28/6/2007)* 193

⁶ NSW Legislative Council, Standing Committee on State Development, *Aspects of agriculture*, Report 32, November 2007, p 147

House that afternoon. The terms of reference required the Committee to report to the House by 14 December 2007.⁷ The terms of reference are set out on page iv.

Submissions

- 1.5 A call for public submissions was advertised in *The Sydney Morning Herald*, *The Daily Telegraph* and major regional newspapers in July 2007. A media release announcing the Inquiry and the call for submissions was sent to all media outlets in NSW. The Committee also wrote to a large number of relevant stakeholder organisations and individuals inviting them to participate in the Inquiry process. The submission closing date was 15 August 2007.
- 1.6 The Committee received a total of 46 submissions and four supplementary submissions. These are available on the Committee's website. Submissions were received from a range of stakeholders, including government agencies, businesses, community organisations and private citizens.
- 1.7 The Committee appreciates the effort and interest shown by those organisations and individuals who made submissions.
- 1.8 A list of submissions is contained in Appendix 1.

Public hearings and forums

- 1.9 The Committee conducted public forums and hearings in regional areas so as to hear directly from rural communities. The public forums offered a platform for people who work and live on the land to outline the issues that are affecting them.
- 1.10 A total of five public hearings and four public forums were held during this Inquiry. Two hearings were held at Parliament House on 29 August 2007 and 24 September 2007, and three were held in Tamworth, Leeton and Cootamundra on 5, 12 and 13 September 2007 respectively. The forums were held on the same date as the hearings in Tamworth, Leeton and Cootamundra and on 6 September 2007 in Narrabri.
- 1.11 Lists of hearing witnesses and forum speakers are contained in Appendix 2.
- 1.12 The Committee would like to thank all the participants appearing as witnesses or speakers in the public hearings and forums. The Committee greatly appreciates their efforts. The information received has made a valuable contribution to the findings of this report.

Regional visits

- 1.13 Two regional visits, to Tamworth and Narrabri, and to Leeton and Cootamundra, were held as part of this Inquiry to provide the Committee with first hand experience of the current situation for agriculture in NSW. The Committee visited areas that provided exposure to a range of issues affecting agriculture and gave the opportunity to visit research centres and

⁷ *LC Minutes (28/6/2007)* 201

farms. The regional visits included public hearings and forums in the towns, the details of which are provided above, and a number of specific site visits to farms and facilities in the surrounding areas, detailed in the following paragraphs.

- 1.14** On 5 September 2007 the Committee attended the Tamworth Agricultural Institute and was met by the Director, Dr Bob Martin and the Regional Director, Mrs Pam Welsh. The Committee were introduced to staff of the Institute and provided with information on research conducted at the Institute. The visit included a tour of the Institute and a briefing on the progress of efforts to contain and control the equine influenza outbreak.
- 1.15** On 6 September 2007 the Committee attended the AusCott cotton ginning facility and was met by: the Manager, Mr Bernie George; the Chief Executive Officer of Namoi Water, Mr John Clements; and a cotton farmer, Mr Geoff Killen. The Committee also attended the Cotton Catchment Communities Cooperative Research Centre facility (the Australian Cotton Research Institute) and was met by: the Chief Executive Officer, Mr Guy Roth; the Station Manager, Mr Tony Meppem; NSW Department of Primary Industries officer, Ms Helen Scott-Orr; and a research scientist, Dr Mike Bange. A tour of the facilities, introduction to staff and explanation of current research were provided to the Committee.
- 1.16** On 12 September 2007 the Committee, accompanied by the Chairman of Murrumbidgee Irrigation Ltd, Mr Dick Thompson and the General Manager of Leeton Shire Council, Mr Roger Bailey, attended “Ravensborne”, the property of Mr Rob Houghton, Vice-President of the Ricegrowers’ Association, and farmer. The Committee then attended the property of citrus farmers Ralph and Dominic Amato.
- 1.17** On 13 September 2007 the Committee, accompanied by the Regional Manager of NSW Farmers Association, Mr Geoff Knight attended “Dinyah”, the property of Peter and Monica McClintock.
- 1.18** The Committee is greatly appreciative of the organisations and individuals who facilitated the site visits and would like to thank them for their time and effort.

Key stakeholders

- 1.19** The Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF) has national responsibility for policy development and implementation in relation to the agricultural industry. The Department includes the Australian Quarantine and Inspection Service (AQIS) and the Australian Bureau of Agricultural and Resource Economics (ABARE). DAFF administers the Exceptional Circumstances drought assistance program.
- 1.20** Relevant NSW Government departments include the NSW Department of Primary Industries, which ‘acts in partnership with industry and other public sector organisations to foster profitable and sustainable development of primary industries in New South Wales’.⁸ The Department has responsibility for implementing agriculture policy at State level. The NSW Department of Environment and Climate Change, the NSW Department of Water and

⁸ NSW Department of Primary Industries website, available at: <http://www.dpi.nsw.gov.au/aboutus> (accessed 15 October 2007)

Energy and the NSW Department of State and Regional Development also have responsibility for planning and policy decisions which impact on agriculture.

- 1.21** Local governments in rural and remote areas play an important role in supporting agriculture through the administration of Local Environmental Plans that determine land zoning, delineating where agriculture can be practiced and what kinds of agriculture can be practiced. Planning issues, and the interaction of local governments with the Department of Planning and the Department of Environment and Climate Change, are addressed in Chapter 6.
- 1.22** The NSW Farmers Association represents the interests of the majority of commercial farm operations throughout NSW. It has a significant regional network peak body representing farmers across the State, and is affiliated with the National Federation of Farmers. The Rural Alliance is an umbrella group of organisations including the NSW Farmers Association, the Country Women's Association, the Local Government and Shires Associations, the NSW Business Chamber and the Australian Livestock and Property Agent's Association. Both organisations made submissions and gave evidence to this Inquiry.

Recent reports and inquiries into aspects of agriculture

- 1.23** There are a large number of relevant reports and inquiries across the country and within the State. The Committee does not intend to repeat the work of those inquiries. A brief summary of some of the key reports is provided below.

New South Wales

- 1.24** The committees of the NSW Legislative Council have conducted a number of relevant and recent inquiries. In May 2006, this Committee reported on an inquiry into skills shortages in rural and regional areas in NSW, which examined the economic and social impact of the skills shortage in rural and regional areas and the range of strategies and models intended to address the shortage.⁹ That inquiry is briefly discussed in Chapter 4 and the recommendations of the report are attached at Appendix 4.
- 1.25** In June 2005, a report on an inquiry into port infrastructure in NSW, conducted by this Committee, was tabled in Parliament. Among other issues, the report examined limitations of existing port infrastructure in relation to transport needs for all sectors, including the agricultural sector.¹⁰
- 1.26** This Committee has also undertaken inquiries into agriculture related subjects including the international competitiveness of agriculture in New South Wales, opportunities for strengthening rural towns in New South Wales, genetically modified food and the use and management of pesticides.¹¹

⁹ NSW Legislative Council, Standing Committee on State Development, *Inquiry into skills shortages in rural and regional New South Wales*, Report 31, May 2006

¹⁰ NSW Legislative Council, Standing Committee on State Development, *Inquiry into Port Infrastructure in New South Wales*, Report 30, June 2005

¹¹ NSW Legislative Council, Standing Committee on State Development, *European and United Kingdom perspectives on agriculture, genetically modified food and rural development*, Report 26, September 2002; NSW

- 1.27 Other relevant Legislative Council Committee reports include the report of the Select Committee on continued public ownership of Snowy Hydro Limited, which, among other issues, addressed water management and allocation.¹²
- 1.28 In 1994, the Standing Committee on Social Issues conducted an inquiry into suicide in rural NSW. The report noted that many rural communities were experiencing enormous financial and social hardship as a result of rural adjustment, rural recession and drought which, the Committee believed, contributed to a high rate of rural suicide.¹³ The issue of mental health in rural communities is addressed in Chapter 4 of this report.
- 1.29 The NSW Legislative Assembly Select Committee on Salinity, established in August 2000 to assess the Commonwealth and NSW Governments' findings of the Murray-Darling Basin Commission's *Salinity Audit* of 1999, produced a series of short reports from June 2001 onwards, culminating in a final report in December 2002. The Committee's role was to comment on the early stages of implementation of the National Action Plan for Salinity and Water Quality, among other things, and to make suggestions on how that could be strengthened. The Committee did not continue into the 53rd Parliament.¹⁴
- 1.30 The NSW Legislative Assembly's Standing Committee on Natural Resource Management, which expired with the prorogation of the 53rd Parliament on 2 March 2007 and which was replaced by the Standing Committee on Natural Resource Management (Climate Change) in the 54th Parliament, had standing terms of reference 'to inquire into and report from time to time' on the following matters:
- a) current disincentives that exist for ecologically sustainable land and water use in New South Wales;
 - b) options for the removal of such disincentives and any consequences in doing so;
 - c) approaches to land use management on farms which both reduce salinity and mitigate the effects of drought;
 - d) ways of increasing the up-take of such land use management practices;
 - e) the effectiveness of management systems for ensuring that sustainability measures for the management of natural resources in New South Wales are achieved;
 - f) the impact of water management arrangements on the management of salinity in NSW.¹⁵

Legislative Council, Standing Committee on State Development, *The Use and Management of Pesticides in New South Wales*, Report 21, September 1999

¹² NSW Legislative Council, Select Committee on the continued public ownership of Snowy Hydro Limited, *Continued public ownership of Snowy Hydro Limited*, October 2006

¹³ NSW Legislative Council, Standing Committee on Social Issues, *Suicide in Rural New South Wales*, Report 7, November 1994

¹⁴ NSW Legislative Assembly, Select Committee on Salinity, *Report on Visits of Inspection to Deniliquin, Wagga Wagga, Hunter Region, Lower Murray Region*, June 2001; *Report on Local Council Management of Salinity*, May 2002; *Report on Visit of Inspection to Western Australia*, November 2002; *Report on the Study Tour to the USA and UK*, November 2002; *Final Report*, December 2002

¹⁵ *LA Votes and Proceedings* (8/3/2003) 89

- 1.31** The Natural Resource Management Committee tabled a report on *The Impact of Water Management Arrangements on Salinity Management (Final Report)* in October 2004. The report specifically addressed term of reference (f). The report, submissions received and transcripts of public hearings conducted by the Committee, provide substantial detail on the relationship between water management and the management of salinity.¹⁶ The Committee also conducted a range of public hearings into terms of reference (a) and (b), however no final report addressing these terms of reference was adopted by the Committee before the prorogation of Parliament in March 2007.
- 1.32** The current Legislative Assembly Standing Committee on Natural Resource Management (Climate Change) was established on 21 June 2007 to inquire into issues of sustainable natural resource management with particular reference to climate change impacts.¹⁷
- 1.33** The NSW Parliamentary Library Research Service produces briefing papers on a range of issues relevant to the state of NSW. Examples of briefing papers relevant for the purposes of this inquiry include papers on drought, salinity, rural assistance schemes, the dairy industry in NSW, and agribusiness.¹⁸

Commonwealth

- 1.34** Committees of both the Commonwealth Parliament Senate and House of Representatives have conducted inquiries into agriculture.
- 1.35** The Senate Environment, Communications, Information Technology and the Arts References Committee published a report on salinity in 2006 considering the National Action Plan for Salinity and Water Quality, the National Heritage Trust and the National Landcare Program. The Committee concluded that the effects of national programs might not become evident in the landscape for a number of years. The Committee also concluded that the major sustainability challenges facing the future of our rural landscapes remain unresolved, that farmers are facing immediate economic pressures that inhibit them from adopting long-term salinity preventative measures and that what works in one region may not work in another.¹⁹
- 1.36** The same Committee published a report on invasive species and biodiversity in 2004. The committee notes that invasive species are not only those introduced to Australia but also native flora and fauna that threaten biodiversity in areas outside their natural range. The

¹⁶ NSW Legislative Assembly, Standing Committee on Natural Resource Management, *The Impact of Water Management Arrangements on Salinity Management (Final Report)*, October 2004

¹⁷ *LA Votes and Proceedings* (21/6/2007) 170

¹⁸ All briefing papers of the NSW Parliamentary Library Research Service are available on the NSW Parliament website at www.parliament.nsw.gov.au/prod/parlment/publications.nsf/V3ListRPSubject (accessed 1 August 2007)

¹⁹ Parliament of the Commonwealth of Australia, Senate Environment, Communications, Information Technology and the Arts References Committee, *Living with salinity – a report on progress*, March 2006

Committee concluded that the most cost-effective measure for dealing with invasive weeds is prevention and that, theoretically, total eradication should be adopted as the national goal.²⁰

- 1.37** The House of Representatives Standing Committee on Science and Innovation has recently tabled a report on the science of sequestration, in which the majority of the Committee embraced carbon capture and storage as a solution for the future amelioration of greenhouse gases. Methane, one of the major greenhouse gases and by-product of much agricultural activity, is briefly mentioned but the report's main focus is on carbon dioxide as a by-product of energy generation.²¹
- 1.38** In 2004, the House of Representatives Standing Committee on Agriculture, Fisheries and Forestry reported on an inquiry into future water supplies for Australia's rural industries and communities, titled *Getting Water Right(s) – The future of rural Australia*.²² The report addressed the issue of rural water reform, specifically the impact on rural water supplies of water allocations to the environment, water trading, and additional water 'created' through improvements in water use efficiency. The Council of Australian Governments (COAG) 2004 Intergovernmental Agreement on a National Water Initiative (the 2004 National Water Initiative) effectively overtook the inquiry, but the issues discussed remain relevant.
- 1.39** The Senate Rural and Regional Affairs and Transport References Committee is currently conducting an inquiry into Climate Change and the Australian Agricultural Sector that will examine the likely future climate of Australia's key production zones, the need for a national strategy and the adequacy of existing drought assistance and exceptional circumstances programs to cope with long term climate change. The terms of reference were referred to the Committee on 19 September 2007.²³
- 1.40** The Senate Rural and Regional Affairs and Transport References Committee also reported on an inquiry into rural water resource usage in 2004, with a focus on outstanding concerns and likely problems in implementing the 2004 National Water Initiative.²⁴

Other relevant reports and inquiries

- 1.41** In addition to Parliamentary inquiries into various aspects of agriculture, government departments and agencies at State and Commonwealth level and industry organisations conduct inquiries and investigations. There are too many to list comprehensively here, but are

²⁰ Parliament of the Commonwealth of Australia, Senate Environment, Communications, Information Technology and the Arts References Committee, *Turning back the tide – the invasive species challenge*, December 2004

²¹ Parliament of the Commonwealth of Australia, House of Representatives Standing Committee on Science and Innovation, *Between a rock and a hard place, the science of geosequestration*, August 2007

²² Parliament of the Commonwealth of Australia, House of Representatives Standing Committee on Agriculture, Fisheries and Forestry, *Getting Water Right(s) – The future of rural Australia*, June 2004

²³ Senate Rural and Regional Affairs and Transport References Committee website, available at: http://www.aph.gov.au/Senate/committee/rrat_ctte/climate_change/tor.htm (accessed 16 October 2007)

²⁴ Parliament of the Commonwealth of Australia, Senate Rural and Regional Affairs and Transport References Committee, *Rural water resource usage*, August 2004

referred to where appropriate throughout this report. Examples include information made available by the Australian Bureau of Statistics (ABS), the Australian Bureau of Agricultural and Resource Economics (ABARE), and government departments such as the NSW Department of Primary Industries (DPI) and the Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF).

The New South Wales State Plan

- 1.42** The Committee's terms of reference for this Inquiry require it to consider initiatives to address impediments to sustaining appropriate levels of productive capacity and growth in the agriculture industry with regard to priority areas of 'Growing prosperity across NSW' and 'Environment for living' contained in the NSW Government's *State Plan: A New Direction for NSW*, released by the Premier, the Hon Morris Iemma MP, in November 2006.
- 1.43** Some of the most relevant specific priorities within the 'Growing prosperity across NSW' area include: priority P2: Maintain and invest in infrastructure; priority P3: Cutting red tape; priority P6: Increased business investment in rural and regional NSW; and priority P7: Better access to training in rural and regional NSW to support local economies.
- 1.44** Relevant priorities within the 'Environment for living' area include: priority E1: A secure and sustainable water supply for all users; priority E4: Better outcomes for native vegetation, biodiversity, land, rivers, and coastal waterways; and priority E7: Improve the efficiency of the road network.
- 1.45** Throughout this report, the Committee refers to the relevant priorities contained within these two priority areas, where appropriate.

Structure of the report

- 1.46** In **Chapter 2** the Committee defines agriculture and examines the economic contribution of agriculture to the NSW economy, including trends over time and the contribution of agriculture to employment and exports. Consideration is also given to agriculture's contribution to the economy in a broader sense.
- 1.47** In **Chapter 3** the Committee looks at issues associated with the land itself, examining better farm management practices and canvassing strategies for a sustainable future for agriculture.
- 1.48** In **Chapter 4** the Committee examines social issues and their relationship to sustaining appropriate levels of productive capacity and growth. The current drought and the effectiveness of government responses to it are addressed, in the context of the overall challenge to maintain viable, robust rural communities that are a source of pride for the state as a whole.
- 1.49** In **Chapter 5** the Committee considers the extent of water use for agriculture and the role of irrigation in NSW. The impact of water reforms associated with the National Water Initiative and the National Plan for Water Security on the future of irrigated agriculture is examined.

1.50 In **Chapter 6** the Committee considers the regulatory and planning framework for the practice of agriculture, and identifies other potential impediments to agriculture including physical infrastructure.

Chapter 2 Agriculture and the New South Wales economy

After all ... agriculture was the backbone on which this country was built!²⁵

In this chapter the Committee examines the contribution of agriculture and agriculture-based products to the New South Wales economy. Agriculture is defined and a variety of ways of quantifying the contribution agriculture makes to the economy are examined, including as a ratio of Gross State Product and in absolute terms over time. The contribution of agriculture to exports and employment is also considered. Consideration is given to broader ways of defining agriculture's contribution to the economy, including the special and obvious importance agriculture has for regional areas. Issues associated with the accuracy of and access to economic data are also discussed.

Agriculture defined

- 2.1** The terms of reference require the Committee to inquire into and report on the agricultural industry, specifically agriculture and agricultural-based products. While the terms of reference do not exclude any particular component of the agricultural industry from the Inquiry, the Committee has focussed the Inquiry on those areas for which submissions were received, or which are topical and particularly relevant. Consequently, this report is not a comprehensive examination of every aspect of agriculture in New South Wales, it is an overview of agriculture generally with a focus on several specific issues.
- 2.2** The standard definition used by the Australian Bureau of Statistics for agriculture derives from the Australia and New Zealand Standard Industrial Classification, and includes the 'breeding, keeping or cultivation of all kinds of animal or vegetable life'.²⁶ The definition also includes industries as varied as forestry and aquaculture, as well as the more obvious agricultural pursuits associated with broadacre (large scale) farming such as grain and livestock production.
- 2.3** The Rural Alliance, in its submission to this Inquiry, commented that agriculture 'includes the production, processing and marketing of food, fibre and ornamental products'.²⁷ Agricultural activity was further defined as being 'characterised by the widespread adoption of mixed farming techniques' such as raising livestock in conjunction with growing cereals.²⁸
- 2.4** The NSW Department of Primary Industries, in its brochure *The contribution of primary industries to the NSW economy*, categorises primary industries into agriculture, fisheries, forestry and minerals.²⁹ In other sections of this report the Committee briefly discusses forestry (Chapter 3

²⁵ Submission 17, Mr Grant Bunter, Farmer, p 4

²⁶ Australian Bureau of Statistics, *1292.0 Australia and New Zealand Standard Industrial Classification*, p 76, available at: [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/10AD7A6DDB4190BFCA257122001ACD9E/\\$File/12920_2006.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/10AD7A6DDB4190BFCA257122001ACD9E/$File/12920_2006.pdf) (accessed 18 October 2007)

²⁷ Submission 26, Rural Alliance, p 7

²⁸ Submission 26, p 7

²⁹ NSW Department of Primary Industries, *The Contribution of Primary Industries to the NSW Economy*, Orange, 2007

– Land issues) but for the purposes of this chapter, and for the report generally, the Committee will not include figures or detail for forestry and fisheries, due to the lack of submissions received from those industries.

Contribution to the New South Wales economy

2.5 The contribution of agriculture to the NSW economy can be measured in a number of different ways. The following section outlines and explains some of those measurements and examines trends over time.

Agriculture as a proportion of the New South Wales economy

2.6 The standard measure of Australian state economies is Gross State Product (GSP), the state equivalent of the national Gross Domestic Product (GDP). The Australian Bureau of Statistics defines GDP as:

The total market value of goods and services produced in Australia within a given period after deducting the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital. ... It is equivalent to gross national expenditure plus exports of goods and services less imports of goods and services.³⁰

2.7 Australia's GDP for 2004-5 was \$896.568 billion. GSP is calculated in the same way as GDP, on a State basis, and the GSP for New South Wales for 2004-5 was \$305.859 billion.³¹

2.8 One way of measuring the contribution of agriculture to the economy involves using the gross value of agricultural production (GVAP), as an absolute figure and as a proportion of GDP/GSP. The gross value of agricultural production is 'the value placed on recorded production at wholesale prices realised in the market place'.³² For NSW in 2003-4, that figure was \$8.5 billion, or approximately 2.7% of 2003-4 GSP at \$290.746 billion.³³ Figures quoted in a brochure distributed by the NSW Department of Primary Industries cite a 2004-5 figure of 2.9%,³⁴ and in its submission to the Inquiry the Department cited a figure of 2.8% for 2005-6.³⁵

³⁰ Australian Bureau of Statistics, *5220.0 - Australian National Accounts – State Accounts 2005-6*, available at: [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/7DE4FEC8F80F37FACA2572210019B1E6/\\$File/52200_2005-06_\(reissue\).pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/7DE4FEC8F80F37FACA2572210019B1E6/$File/52200_2005-06_(reissue).pdf) (accessed 25 September 2007), p 83

³¹ Australian Bureau of Statistics, *7123.1.55.001 - Agricultural State Profile, New South Wales, 2004-05*, available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/1E563227C3115476CA2571B500768DCE?opendocument> (accessed 25 September 2007)

³² Australian Bureau of Statistics, *7123.1.55.001 - Agricultural State Profile, New South Wales, 2004-05*

³³ Australian Bureau of Statistics, *7123.1.55.001 - Agricultural State Profile, New South Wales, 2004-05*

³⁴ NSW Department of Primary Industries, *The Contribution of Primary Industries to the NSW Economy*, Orange, 2007

³⁵ Submission 27, Department of Primary Industries, p 2

- 2.9** The largest industry contributors to the NSW economy for 2005-2006 were property and business services (15%), finance and insurance (11%) and manufacturing (11%). Accommodation, cafes and restaurants contributed 3% and the retail trade 6%.³⁶
- 2.10** Another common way of measuring the contribution of agriculture to the economy involves using Gross Farm Product (GFP), a measure of the value added in production by farm businesses.³⁷ GFP for 2004-5 was \$5.1 billion, giving a figure of 1.7% as agriculture's contribution to GSP.
- 2.11** Throughout this report, the GVAP figure will be used for consistency, and it is also the figure used most commonly in submissions received.
- 2.12** As a proportion of GSP, the contribution agriculture makes to the NSW economy has declined significantly over time. The Australian Productivity Commission's 2005 Research Paper *Trends in Australian Agriculture* notes that between the early 1960s and early 1980s, the share of GDP fell from 14% to around 6%, using GVAP figures.³⁸ This national trend is mirrored in NSW. Earlier in the century the contribution of agriculture was much greater, accounting for approximately one quarter of the nation's output.³⁹
- 2.13** Commonly cited reasons for the relative decline of agriculture as a proportion of the economy include a shift in consumer demand from agricultural products to services as incomes rise; a decrease in the relative price of agricultural goods and services compared to other sectors; and the high productivity growth of agriculture as a result of technological innovation.⁴⁰
- 2.14** Agriculture's decreasing proportion of the economy is not an indicator of any particular problem inherent to the agricultural industry. It is a common feature of wealthy, developed nations, and reflects a large increase in the relative proportion of other sectors of the economy, particularly the service economy.⁴¹
- 2.15** The Productivity Commission put the decline of agriculture as a proportion of GDP in the context of the success of Australia's economy:

... far from being a sign of systemic weakness, this decline reflects positive factors – principally improved productivity and falling relative prices for food coupled with rising demand for services as incomes rise. These are all features of an efficient, high-income economy.⁴²

³⁶ Australian Bureau of Statistics, 5220.0 - *Australian National Accounts – State Accounts 2005-6*

³⁷ Australian Bureau of Statistics, 7123.1.55.001 - *Agricultural State Profile, New South Wales, 2004-05*

³⁸ Productivity Commission 2005, *Trends in Australian Agriculture*, Research Paper, Canberra, p 7

³⁹ Productivity Commission 2005, *Trends in Australian Agriculture*, p xvi

⁴⁰ Productivity Commission 2005, *Trends in Australian Agriculture*, p 24

⁴¹ Productivity Commission 2005, *Trends in Australian Agriculture*, p 21

⁴² Productivity Commission 2005, *Trends in Australian Agriculture*, p 29

Agriculture in absolute terms

- 2.16** While agriculture as a proportion of the NSW economy has decreased in recent decades, as it has across Australia, in absolute terms real agricultural output has increased, more than doubling since the 1960s. For Australia, the agricultural sector's output increased from around \$10 billion in 1963-64 to \$36.5 billion in 2003-2004.⁴³
- 2.17** New South Wales' \$8.3 billion share of the agricultural output for 2003-2004 represented 23% of the total output, the second largest after Victoria at 24%.⁴⁴
- 2.18** The Australian Farm Institute, in a March 2007 report *Productivity Growth in Australian Agriculture: Trends, Sources, Performance*, citing the Productivity Commission's *Trends in Australian Agriculture*, highlighted the high rate of productivity growth within the agriculture industry:
- The Productivity Commission (2005) found that, for the period 1975-2004, productivity growth in agriculture outstripped growth in all other 'market' sectors of the economy, with the exception of the communications sector. The Commission also observed that while the agricultural sector (including forestry and fisheries) accounted for less than 7% of gross domestic product (GDP) in the market sector, its contribution to growth in TFP [total factor productivity] for the economy as a whole was 16.4% - behind only the manufacturing sector.⁴⁵
- 2.19** High volatility is a characteristic of agricultural output, reflecting the sensitivity of the industry to climatic conditions, particularly droughts. As the Wakool Shire Council succinctly explained in its submission to the Inquiry, agriculture differs from other industries in the degree of its reliance on the environment:
- (W)here the manufacturing industry needs to resource various products and the regular supplier is not able to meet requirements, the option is to source from another supplier, whereas the Agriculture Industry cannot access sun, water and weather conditions from any other source.⁴⁶
- 2.20** The Department of Primary Industries, in its submission to the Inquiry, noted that real State GVAP has remained 'relatively steady' over the past five decades since 1953, at between eight and ten billion dollars, with notable declines as a result of drought experienced in 1982, the early 1990s and from 2001.⁴⁷
- 2.21** Later in this chapter the Committee examines the issue of productivity versus profitability in the context of agricultural production.

⁴³ Productivity Commission 2005, *Trends in Australian Agriculture*, p xvi; and Australian Bureau of Statistics, *7501.0 – Principal agricultural commodities produced, 2003-04*, available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/E703320245B1906ECA25710900725380?opendocument> (accessed 25 October 2007)

⁴⁴ Australian Bureau of Statistics, *7501.0 – Principal agricultural commodities produced, 2003-04*, (accessed 25 October 2007)

⁴⁵ Australian Farm Institute 2007, *Productivity Growth in Australian Agriculture: Trends, Sources, Performance*, Sydney, p 2

⁴⁶ Submission 6, Wakool Shire Council, p 3

⁴⁷ Submission 27, p 2

Agricultural products in New South Wales, and exports

2.22 The table below breaks down the total NSW agricultural production by product for 2004-2005, and provides the percentage of the total Australian agricultural production for that product:

Figure 2.1 Agricultural production in NSW, 2004-2005

Crop/product	Percentage of NSW gross value of agricultural production (approximate)	Percentage of Australian agricultural production for product	Gross value of agricultural product (\$m)
Cattle and calves	19%	21%	\$1,620
Wheat for Grain	16%	33%	\$1,410
Fruit and nuts (inc grapes)	10%	21%	\$842
Wool	9%	35%	\$775
Sheep and lambs	6%	25%	\$493
Cotton	6%	50%	\$471
Poultry	5%	35%	\$450
Milk	5%	13%	\$401
Vegetables	3%	13%	\$275
Barley	3%	20%	\$252
Canola	2%	28%	\$141
Rice	1%	94%	\$95
Other	13%	19%	\$1,085
TOTAL	100%	N/A	\$8,310

Derived from: NSW Department of Primary Industries, 'The Contribution of Primary Industries to the NSW Economy', Orange, 2007

2.23 The crops and products NSW has produced have changed over time, in response to changing international markets and through expansion of high-growth industries. High growth industries such as cotton, grapes, nurseries and dairy have increased their contribution to GVAP, while low growth industries such as wool, pigs and eggs have decreased their contribution to the GVAP.⁴⁸ These changes illustrate the fact that the Australian agricultural industry is constantly changing, with the introduction and success of new crops and markets occurring simultaneously with the decline of others.

⁴⁸ Productivity Commission 2005, *Trends in Australian Agriculture*, p 53 and Australian Bureau of Statistics, 7501.0 – *Principal agricultural commodities produced, 2003-04*

- 2.24** Two thirds of all Australian agricultural products are exported. Goods exported include wool, beef, sugar, wheat, wine and dairy. Proportions within specific sectors of the agriculture industry vary, ranging from 95% of all wool to 50-60% of sheep meat, wine and dairy. Over time, the proportion of agricultural produce exported has increased and become more diverse, with the ‘big three’ products (wool, cereals and meat) declining as a proportion of the whole.⁴⁹
- 2.25** The NSW Department of Primary Industries, in its submission to the Inquiry, described agriculture as a ‘highly export orientated sector’.⁵⁰ Agricultural products comprise a disproportionately large part of Australia’s export industry, with agricultural products comprising 22% of Australia’s total exports in 2003-04.⁵¹ The export dollars earned by agriculture therefore make a large contribution to Australia’s terms of trade. The NSW figure for agricultural exports for 2004-2005 was approximately \$1.5 billion.⁵²
- 2.26** Australia exports to a large number of countries, with the United States of America, China and Japan the three key markets, accounting for 42% of all exports.
- 2.27** The global market for agricultural product is highly competitive. The situation is complicated by the high levels of subsidies provided to agriculture in many of the countries with which Australia directly competes. Agriculture is the most highly protected sector in the global economy, with high levels of import tariffs, domestic subsidies and export subsidies. Australia has the second lowest level of agricultural producer supports in the world, after New Zealand.⁵³ Consequently, the global market is not a level playing field and Australian producers must, by necessity, be efficient and highly productive in order to continue their high levels of exports.
- 2.28** The Department of Primary Industries raised this issue in its submission to the Inquiry, noting that the high dependency of the agriculture industry on export markets results in a high degree of sensitivity to the results of trade agreements:
- (D)evelopments in multilateral trade negotiations will impact significantly on the agricultural sector’s growth prospects. Issues, such as biosecurity, are increasingly being used as non-tariff trade barriers.⁵⁴
- 2.29** The Department noted a lack of outcomes from negotiations as part of the World Trade Organisation’s Doha Round and suggested that all levels of Australian governments should ‘work more closely with key trading partners on progressing domestic policy reform programs’.⁵⁵

⁴⁹ Productivity Commission 2005, *Trends in Australian Agriculture*, pp xxix

⁵⁰ Submission 27, p 4

⁵¹ Productivity Commission 2005, *Trends in Australian Agriculture*, pp xvii, xxxi

⁵² Australian Bureau of Statistics, *7123.1.55.001 - Agricultural State Profile, New South Wales, 2004-05*

⁵³ Productivity Commission 2005, *Trends in Australian Agriculture*, pp 82-83

⁵⁴ Submission 27, p 13

⁵⁵ Submission 27, p 16

Irrigated agriculture

- 2.30** Irrigated agriculture makes a particularly large contribution to the NSW economy for the relatively small amount of agricultural land used. The Australian Bureau of Statistics' Water Account for 2004-2005 gave a gross value of irrigated agricultural production of \$1.864 billion. This figure represents 23% of the gross value of agricultural production for NSW for 2004-05, produced from approximately 1.5% of agricultural land.⁵⁶ In its submission to the Inquiry and on its website, the NSW Irrigators' Council cited a production figure in New South Wales of \$3 billion, using figures deriving from 2001-2002.⁵⁷
- 2.31** Irrigated agriculture produces a wide variety of agricultural products, ranging from citrus trees to canola. In Chapter 5, the Committee examines some of the specific issues associated with irrigated agriculture.

The multiplier effect

- 2.32** The contribution that agriculture makes to the economy can also be considered according to its linkages with, and effect on, other segments of the economy. Agricultural goods and services contribute to the output of other sectors of the economy, and goods and services (inputs) contribute to the output of the agricultural sector. The multiplier coefficient is the amount by which agricultural production is multiplied to calculate the extended impact on the economy of the agricultural sector.
- 2.33** While the multiplier coefficient varies within the agricultural sector (it is much higher for irrigated and intensive agriculture, for example), the Australian Bureau of Statistics multiplier figure for agriculture overall is currently 2.178.⁵⁸
- 2.34** The Department of Primary Industries, in its submission to the Inquiry, commented that 'when further processing is taken into account', the 2005-2006 figure of around \$9 billion (around 2.8% of GSP) becomes around 6.1% of GSP (or approximately \$18 billion).⁵⁹ The NSW Farmers Association cites a slightly higher multiplier figure of \$20 billion in its submission.⁶⁰
- 2.35** In his submission to the Inquiry, Mr Ian Bowie, a former academic specialising in rural geography at Charles Sturt University, commented that the multiplier effect for broadacre agricultural industry, a major contributor to the NSW total agricultural output, was 'low in comparison with those from other sectors of the economy'.⁶¹ Mr Bowie suggested that one

⁵⁶ Australian Bureau of Statistics, *4610.0 - Water Account, Australia, 2004-05*, available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/9F319397D7A98DB9CA256F4D007095D7?opendocument> (accessed 24 October 2007)

⁵⁷ Submission 21, NSW Irrigators' Council, p 1

⁵⁸ Australian Bureau of Statistics, *5246.0 - Information Paper: Australian National Accounts: Introduction to Input-Output Multipliers, 1989-90*, available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5246.01989-90?OpenDocument>, (accessed 23 October 2007), p 22

⁵⁹ Submission 27, p 2

⁶⁰ Submission 25, NSW Farmers Association, p 3

⁶¹ Submission 3, Mr Ian Bowie, pp 2-3

reason for the multiplier being low could be a result of a decline in farm numbers undermining the economies of scale needed for infrastructure and services to survive locally.⁶²

- 2.36** The broadest interpretation of the contribution of agriculture to the economy comes from a report commissioned by the Australian Farm Institute and Horticulture Australia. The 2005 Econtech report, *Australia's farm-dependent economy: analysis of the role of Agriculture in the Australian economy*, broadly defined 'farm dependent' industries and derived a figure of around 12% of Australia's GDP over the six years up to and including 2003-2004.⁶³ This figure was derived by combining the value of the agriculture sector and the values of the farm-input and farm-output sectors. The farm-input sector includes such things as business services, chemicals, transport, while the farm-output sector comprises industries that rely on agriculture for their inputs, such as restaurants, accommodation and clothing manufacturing.

Agriculture and employment

- 2.37** Agriculture in New South Wales in 2001 provided employment for approximately 82,000 people, or 3% of the New South Wales workforce. Using the ABS multiplier figure for agricultural employment of 1.828 gives an extended employment total of approximately 150,000, or 6% of the NSW workforce.⁶⁴
- 2.38** While the total number of people employed in agriculture is relatively low as a proportion of the total workforce in NSW, it is much higher as a proportion of all employment in rural and regional areas, as noted by a number of participants to the Inquiry.⁶⁵
- 2.39** Mr Ian Bowie, in his submission to this Inquiry, commented that the multiplier effect of agricultural production (on employment, and impacting on the broader economy) is lower than other industries:

The great bulk of the state's net agricultural product is from broad-acre agricultural industries which, as various ABARE and ABS data have shows, generate returns on investment that are low in comparison with those from other sectors of the economy and supports relatively few jobs directly. While agriculture may provide (perhaps along with government benefit payments) virtually the whole of the economic bases of many small towns, a cursory glance at census data on employment by sectors in larger towns and regions suggests that the employment multipliers of agriculture are generally quite low at regional level.⁶⁶

⁶² Submission 3, pp 2-3

⁶³ Econtech 2005, *Australia's farm-dependent economy: analysis of the role of Agriculture in the Australian economy*, Australian Farm Institute, Sydney, cited in Productivity Commission 2005, *Trends in Australian Agriculture*, Research Paper, Canberra, p 16

⁶⁴ Australian Bureau of Statistics 2001 census figures cited in: NSW Department of Primary Industries, *The Contribution of Primary Industries to the NSW Economy*, Orange, 2007

⁶⁵ For example, Submission 25, 26 and 27

⁶⁶ Submission 3, p 3

Productivity versus profitability

- 2.40** There have been very large productivity gains for agriculture since the 1950s, with approximately 70% of the real value of Australian agricultural output attributed to productivity growth (rather than attributed to increased quantity of land used for agricultural purposes).⁶⁷
- 2.41** Associate Professor Lyn Fragar, Director of the Australian Centre for Agricultural Health and Safety, told the Committee that she believed NSW ‘is the State that should be proudest, in terms of value of production, in terms of volume of production, and in terms of innovation and diversity in agricultural production’.⁶⁸
- 2.42** The Department of Primary Industries noted the link between research and development and productivity growth, commenting that ‘research and development has been found to be a consistent and significant source of agricultural productivity growth’.⁶⁹
- 2.43** Higher productivity is not necessarily a positive thing, according to Mr Bruce Gardiner, a Farm Management Consultant with The Rural Block, a not-for-profit political lobby organisation established to bring about policy change in relation to agriculture. Mr Gardiner commented in evidence to the Committee that the steady state of GVAP over the last five decades and the large increase in productivity and output reflected a decrease in the profitability of agriculture over time:
- [T]he last 50 years of data for agriculture in Australia shows that over that period production has tripled. The real gross value, which is the actual purchasing power of the total income generated from agriculture, has remained the same. Profitability is now one-third what it was in 1965.⁷⁰
- 2.44** Mr Gardiner told the Committee in evidence that productivity increases did not necessarily benefit farmers directly:
- While it is unambiguously true that increasing productivity in production in the agricultural sector benefits the economy as a whole, there are serious equity issues with the way that benefit is redistributed.⁷¹
- 2.45** One consequence of declining profitability identified by Mr Gardiner is a need to pursue ever-greater productivity from the same resources, which impacts on the sustainability of farming in the long term. Mr Gardiner’s property management planning for farmers is focussed on developing a management plan that enables long term sustainability and maximises profitability:

⁶⁷ Mullen, J.D. & Crean, J. (2007), *Productivity Growth in Australian Agriculture: Trends, Sources and Performance*, Australian Farm Institute, Surry Hills, Australia, cited in: Submission 27, p 6

⁶⁸ Associate Professor Lyn Fragar, Director, Australian Centre for Agricultural Health and Safety, Evidence, 5 September 2007, p 15

⁶⁹ Mullen, J.D. & Crean, J. (2007), *Productivity Growth in Australian Agriculture: Trends, Sources and Performance*, cited in: Submission 27, p 7

⁷⁰ Mr Bruce Gardiner, Liaison Officer, The Rural Block, Evidence, 5 September 2007, p 26

⁷¹ Mr Gardiner, Evidence, 5 September 2007, p 25

The biggest problem we have in agriculture is that we keep pushing the productivity of agriculture and aiming for maximum production whereas the real issue is aiming for some mix that sits us somewhere between long-term sustainability and optimal production, which is the level of production that □ rbanizat the profitability of the business.⁷²

- 2.46 In Chapter 3, the Committee examines some of the issues raised by Mr Gardiner and other participants to the Inquiry in relation to the impact of farming practices on the land.

Change in the structure of agriculture – farm numbers and size

- 2.47 Agriculture in New South Wales is delivered by a combination of large corporate farms and private farms. There has been a trend over time toward larger farms and fewer owners.

- 2.48 Farm size can be measured in at least two different ways. One is the physical size of the farms, and the other is the economic size. The physical size of a farm may not influence the economic size – intensive farming operations in a highly productive area will result in a higher economic size than a very large physical farm in an unproductive area. The Australian Bureau of Statistics currently defines farm numbers in terms of their economic size, with all agricultural establishments having an estimated value of operations (EVAO) of more than \$5000 being counted. Previous measurements used physical farm size. However, statistics exist for changes to both physical and economic sizes of farms over time.

- 2.49 During the Committee’s site visit to ‘Dinyah’ and ‘Amaroo’, the Cootamundra properties of farmers Peter and Monica McClintock, the Committee saw first hand an example of the consolidation of smaller farms into fewer, larger farms:

These properties have allowed for a comfortable but challenging lifestyle for five generations. What you see before you today is the result of significant investment, reinvestment and development by every generation whilst having provided for the needs of siblings choosing not to pursue a career on the land.

Interestingly, the area encompassed by these farms has formerly (less than 50 years ago) supported at least ten farmers, their families and workers.⁷³

- 2.50 The Australian Productivity Commission’s 2005 *Trends in Australian Agriculture* research paper noted that the Australia-wide trend over the twenty years up to 2002-2003 has been for fewer and larger farms, even though the majority of farms (63%) continue to be less than 500 hectares in size. The top 20% of broadacre farms (that is, the largest farms) are responsible for around 60% of production.⁷⁴

- 2.51 From 1982-1983 to 2002-2003, the number of farms in Australia declined from 178,000 to 132,000, at a fairly constant rate which marginally increased in the last decade. Average farm

⁷² Mr Gardiner, Evidence, 5 September 2007, p 27

⁷³ Submission 44, Mr Peter McClintock, p 1

⁷⁴ Productivity Commission 2005, *Trends in Australian Agriculture*, p 31

size, over the same period, has gradually increased. The median farm size is currently within the 100-499 hectare range.⁷⁵

2.52 The Department of Primary Industries' brochure *The Contribution of Primary Industries to the NSW Economy* provides the figure of 40,076 farms in NSW for the 2004-2005 period, from an Australia-wide total of 129,934 farms.⁷⁶

2.53 Mr Ian Bowie, in his submission to the Inquiry, noted that some caution needs to be exercised when examining the decline of farming establishments over time, due to the changing definitions used by the Australian Bureau of Statistics over time. The definition of 'rural holding' used in 1972-1973 was one acre or more; in 1975-1976 that became ten hectares or more, and currently an agricultural 'establishment' is defined as having an EVAO of \$5,000 or more.⁷⁷

2.54 Mr Bowie provided a concise summary of some of the possible consequences of smaller farm sizes for the future practice of agriculture:

Continuing rural subdivision and high rural land prices make it impossible in many areas for commercial agriculture to get acceptable returns on investments. They may also make it increasingly difficult for intensive agriculture (notably dairying and horticulture) to achieve scale economies necessary to enable full-time commercial agricultural businesses to survive and respond to the pressures on farm economies. A particular difficulty is for farmers to enlarge the size of their businesses either by capital injections or by farm enlargement.⁷⁸

2.55 The Committee observes that, despite the continuing drought, rural land prices continue to rise and it would appear that one of the influencing factors has been an increase in corporate investment.⁷⁹

Importance to rural and regional communities

2.56 While the proportion of the total NSW economy represented by the agriculture industry is relatively small, the importance of agriculture to rural communities and economies is disproportionately greater. In its submission to this Inquiry, the NSW Department of Primary Industries commented that 'the contribution of agriculture to regional economies is in most areas much more substantial than that to the State economy as a whole'.⁸⁰

2.57 In its submission, the Wakool Shire Council also emphasised the importance of agriculture to rural communities and organisations:

⁷⁵ Productivity Commission 2005, *Trends in Australian Agriculture*, p 32

⁷⁶ NSW Department of Primary Industries, *The Contribution of Primary Industries to the NSW Economy*, Orange, 2007

⁷⁷ Submission 3, p 4

⁷⁸ Submission 3, p 4

⁷⁹ For example, see figures for country property market available at NSW Department of Lands website www.lands.nsw.gov.au/valuation/nsw_land_values (accessed 21 November 2007)

⁸⁰ Submission 27, p 4

Regional NSW communities are *heavily reliant* on the agriculture industry to provide a crucial link in the economic chain to assist in the survival of these smaller rural communities and organisations.⁸¹

- 2.58** Similarly, Ms Linda Summers, Chair of the Regional Communities Consultative Council, a community advisory body to the Premier, the Minister for Rural Affairs and the Government on rural and regional issues, commented on the likely consequences of any economic decline in rural and regional areas:

The current drought has impacted greatly on communities as a whole; farmers have received limited income so aren't spending money, agricultural businesses have put off staff who then move else where for work and all of a sudden there is a drop in need for services and the community begins to decline. ... Any further decline in agriculture production and/or terms of trade will see a corresponding decline in our communities. What is associated with an economic decline is a loss of jobs and families leave our small towns looking for work. The flow on effect with the loss of teachers, nurses and other services is a pattern only too familiar to rural and regional communities.⁸²

- 2.59** The Rural Alliance stated that, after taking into account the multiplier effect, the contribution of agriculture to rural communities 'is as high as 70 to 80 per cent in most small towns in rural and regional NSW'.⁸³

- 2.60** The relative importance of agriculture to rural and regional economies makes rural communities particularly susceptible to major climate events. The current and recent droughts have had a profound impact on all facets of the rural economy, with associated negative social consequences.

- 2.61** In his submission to the Inquiry, Mr Peter Bartter, Managing Director of Bartter Enterprises, a major poultry processor based in the Riverina region, stated that Bartter Enterprises employed more than 1,200 people and injected more than \$150 million into the local economy 'through the direct purchase of goods and services'.⁸⁴

- 2.62** Ms Joanne Sillince, Chief Executive Officer of the Australian Meat Processor Corporation, a research and development and marketing investment company seeking to overcome 'failure in the red meat processing industry', highlighted the significant contribution meat processing establishments make to the rural economy:

In many towns red meat processors are the largest single employer, and a valuable source of employment and rapid career advancement for young workers.⁸⁵

- 2.63** Ms Sillince described the influence of the highly competitive export market for meat on Australia's meat processing industry, noting that up to 30% of meatworks had closed in the last decade as a consequence of industry rationalisation:

⁸¹ Submission 6, p 1

⁸² Submission 12, Regional Communities Consultative Council, p 2

⁸³ Submission 26, p 7

⁸⁴ Submission 41, Bartter Enterprises, p 1

⁸⁵ Submission 4, Australian Meat Processor Corporation Ltd, p 2

Closure of a major plant can suck the lifeblood out of a country town and has other adverse effects including longer animal transport distances, difficulties sourcing staff, and difficulties accessing supplies for remaining businesses.⁸⁶

- 2.64** The Bartter Enterprises' Riverina operation, which involves breeding operations and a processing plant based in Leeton, and red meat processing establishments are examples of the kind of secondary processing vital to the continued economic health of the rural community. The contribution of processing plants and other major industries to rural communities is greater than similar sized operations would be in metropolitan areas, which have a greater range of industry operating within them.

Contribution to the economy defined broadly

- 2.65** The contribution of agriculture to the economy can be considered more broadly than the quantum of the value of agricultural products. In its submission, the Southern Councils Group commented that a 2004 report commissioned by the Councils Group, *A Sustainable Agricultural Landscape for the South Coast of NSW*, had identified a 'landscape value of agriculture to the region's tourism and social capital, a benefit which greatly increases the traditionally measurable economic contribution of the industry'.⁸⁷

- 2.66** In *A Sustainable Agricultural Landscape for the South Coast of NSW*, agriculture was considered to have a 2% direct contribution to the region's economy, with an indirect multiplier effect broader than that usually considered in economic analyses. The report identified the contribution agriculture makes to other components of the region's economy:

Tourism and housing construction ... are larger contributors to the regional economy than is agriculture but future growth in both of these industries is closely linked (both positively and negatively) with the agricultural character and visual amenity of the region.⁸⁸

- 2.67** This position was reinforced in the evidence given to the Committee by Mr Scott Davenport, Director, Industry Analysis, with the NSW Department of Primary Industries. Mr Davenport commented that there are many 'non-priced' or 'non-market' benefits associated with agriculture, and noted the importance of ensuring they are accounted for:

There are aesthetic values, tourism values and environmental values, and just because they are not in the market place does not mean they are not relevant. ... We need to make sure that those values find their way into the equation. In many cases, I suspect they are not, or that we do not yet have the skills, or we have not thought enough about it.⁸⁹

⁸⁶ Submission 4, p 2

⁸⁷ Submission 8, Southern Councils Group, p 1

⁸⁸ South Coast Agricultural Diversification Project Milestone 6 Report, *A Sustainable Agricultural Landscape for the South Coast of NSW*, (May 2004, prepared by URS Sustainable Development and Griffin nrm for the Southern Councils Group), p 7

⁸⁹ Mr Scott Davenport, Director, Industry Analysis, NSW Department of Primary Industries, Evidence, 29 August 2007, p63

- 2.68** Professor Duncan Brown, Emeritus Professor of Biological Science, in his submission to the Inquiry, suggested that agriculture is more significant than economic figures evidence, commenting that ‘if agriculture is to have a relatively long term future it needs to be assessed primarily by environmental and ecological criteria rather than by economics’.⁹⁰

Committee comment

- 2.69** Agriculture remains a significant contributor to the NSW and Australian economy, despite the devastating impact of the current drought. It creates jobs in rural areas, supports communities and makes a substantial contribution to Australia’s export earnings.
- 2.70** The Committee agrees with participants to this Inquiry who have stated that the contribution of agriculture to NSW is much greater than can be measured in economic terms. There is a tremendous non-economic value in agriculture that goes beyond tourism and environmental values.
- 2.71** The relatively low contribution that agriculture as an industry makes to the Gross State Product of NSW, and Australia more generally, does not adequately reflect the importance that the industry has not just to the communities that are directly reliant upon it but to the state, and nation, as a whole.
- 2.72** As one participant to the Inquiry reminded us, ‘agriculture was the backbone on which this country was built’⁹¹ It remains the backbone of the country, and the Committee believes it is important to build the profile of agriculture across the state, particularly in metropolitan areas. In Chapter 4 of this report, we examine ways in which the contribution of agriculture to the state can be better recognised, and investigate ways of improving the connection between rural and urban communities and the challenge of raising the profile of agriculture in NSW.
- 2.73** The information provided in this chapter is intended to provide a context for the more specific issues addressed in the rest of the report. It is not a comprehensive profile of agriculture in NSW. A large amount of information is available through the statistical collections of the Australian Bureau of Statistics, the Australian Farm Institute, the Australian Bureau of Agricultural and Resource Economics and the Department of Primary Industries. However, the Committee notes the comments of one participant to this Inquiry, Mr Ian Bowie, a former academic specialising in rural geography at Charles Sturt University, who commented on the difficulty of finding data available at the regional level.⁹²
- 2.74** The Committee commends the Department of Primary Industries for the agricultural economic information it produces in easily digestible formats, such as its brochure *The Contribution of Primary Industries to the NSW Economy*. However, the Committee believes that it is important for data to be available not just by industry but also by region, to assist councils and researchers in analysing and planning for agricultural development. We therefore recommend that the Department of Primary Industries collate agricultural economic information by region as well as by industry, to better enable planning and analysis at local and State government level.

⁹⁰ Submission 14, Professor Duncan Brown, Emeritus Professor of Biological Science, p 2

⁹¹ Submission 17, Mr Grant Bunter, Farmer, p 4

⁹² Submission 3, p 2

Recommendation 1

That the NSW Department of Primary Industries ensure that economic information on agriculture is made available by region/catchment areas and by industry, to better enable planning and analysis at local and State government level.

Chapter 3 Land management and the future of agriculture

The environmental impact of agriculture and the challenges facing its sustainability are discussed in this chapter. Changes in land management practices to address these issues are examined; particularly initiatives to better prepare farmers for future droughts and climate change. Recommendations are made to encourage and facilitate better land management practices, and the important role of research and development in agriculture, and future options for the agricultural industry, are explored.

History of agriculture and land management in Australia

3.1 The use of intensive agricultural farming practices in Australia began with the first permanent arrival of Europeans in 1788. It is now the most extensive use of land, with 80% of New South Wales' land devoted to agricultural production.⁹³

3.2 The introduction of farming methods developed in a European context to a vastly different continent inevitably resulted in damage to the environment. The replacement of native vegetation with crops or pasture species and the introduction of domesticated livestock have led to a range of impacts, including 'changes in water availability and salinisation, soil erosion and structural damage, chemical pollution through the use of pesticides and fertilizers, and overgrazing'.⁹⁴

3.3 Mr Bruce Gardiner, Farm Business Management Consultant from the Rural Block, in his submission to the Inquiry, described the history of agriculture in Australia as being a series of 'cultural disturbance events' leading to broad scale 'cultural' changes to the environment:

The influx of livestock to replace the herbivorous marsupials was the first major event and led to the loss of soil structure, changed water cycles and removal of groundcover producing a permanent change in species mix. The disturbances were exacerbated by the introduction and spread of pest animal species such as rabbits, goats and camels, and plants. Broad scale farming and land clearing followed as the capacity of the landscape to support low input grazing diminished.⁹⁵

3.4 Awareness of the impacts that agriculture has had on the Australian environment has grown among the Australian public in recent decades, and there is a general awareness within the agricultural sector that farming practices must change to ensure the long term sustainability of the sector.

3.5 State and Commonwealth Governments have realised that many previous agricultural practices are no longer considered appropriate, and have heeded environmental concerns by

⁹³ Department of State and Regional Development website, available at: <http://www.business.nsw.gov.au/industry/agriculture/> (accessed 31 October 2007)

⁹⁴ Australian Bureau of Statistics, *1301.0 Year Book Australia*, 2002, available at: <http://www.abs.gov.au/ausstats/abs@.nsf/0/F7B136618913C740CA256B35007C2065?Open> (accessed 31 October 2007)

⁹⁵ Submission 28, The Rural Block, p 25

introducing legislation and regulations to better manage and sustain the natural Australian landscape. Not surprisingly, the impact on the agriculture sector of legislation and regulation to protect the environment has itself been described as an impediment to agriculture by participants to this Inquiry, as detailed in Chapter 6 of this report.

- 3.6** Over the years, farming methods have changed, as farmers have adopted more sustainable practices and responded to legislation. However major environmental problems still exist, as noted in evidence to the Committee by the Department of Environment and Climate Change (DECC) and the Department of Primary Industries (DPI).⁹⁶ Professor Mike Archer, Dean of Science, University of NSW, quantified the impact of these problems, stating that ‘current land management practices are resulting in \$3-\$5 billion in land degradation costs every year’.⁹⁷
- 3.7** Within the context of this changed environment, agriculture faces many sustainability challenges. In this next section, the Committee examines these challenges and then considers responses to the challenges through changed land management practices.

Land management issues

Drought

- 3.8** The biggest impediment to agricultural productivity and capacity right now is the current drought. The lack of water, either as rainfall for non-irrigated agriculture or in river systems and storage for irrigated agriculture, represents a huge, though not permanent, barrier to the practice of agriculture. The Committee has seen first hand the devastating effects of the drought during regional visits as part of this Inquiry (as discussed in Chapter 1), and the great majority of participants have described the drought and climatic conditions as the largest impediment to sustaining appropriate levels of productive capacity and growth in the agricultural industry.⁹⁸
- 3.9** The current drought is exacerbating all of the other problems that impact on the agricultural industry, including the social and economic problems discussed in Chapter 4.
- 3.10** Although droughts are not uncommon in Australia, the current drought has been exceptionally severe, resulting in massive crop and livestock losses. This was highlighted in evidence to the Committee by Mr Jock Laurie, Chair of the Rural Alliance:

Obviously we are going through one of the most difficult times that agriculture has seen in the history of Australia. Even in the last day or two I have received phone calls which highlighted very clearly this extraordinary drought and the impact it is having on people. I hear that people have lost about 30,000 acres of wheat in the last week; that is an indication of how bad it is.⁹⁹

⁹⁶ Submission 18, Department of Environment and Climate Change, p 5; Submission 27, p 10

⁹⁷ Submission 32, Professor Mike Archer, p 1

⁹⁸ For example, Submission 3, 12, 18, 27 and 29

⁹⁹ Mr Jock Laurie, Chair, Rural Alliance, Evidence, 29 August 2007, p 10

- 3.11** In its submission, DECC noted that '(e)ven after a drought breaks, the effects will be felt for some time as flocks and herds need to be rebuilt and depleted water storage continues to affect production'.¹⁰⁰

Committee comment

- 3.12** Drought is a recurring feature of agriculture in Australia. Australian farmers have become better managers of drought over time, but this most recent and terrible drought has highlighted that we are a long way from drought-proofing the country. The impact of future droughts is also likely to be intensified by climate change. In later sections of this chapter the Committee examines ways to improve drought preparedness and the possible impact of climate change.

Salinity and soil degradation

- 3.13** Salinity and soil degradation are two significant environmental problems impeding productive capacity and growth in agriculture, as highlighted in the DECC submission to this Inquiry:

Issues such as salinity, acid soils and soil erosion continue to have an impact on agricultural productivity. It is estimated that in NSW the cost on agriculture of salinity is \$24 million/annum and acid soils is \$90-\$225 million/annum.¹⁰¹

- 3.14** There have been a number of recent reports into salinity and acid soils by other parliamentary committees, as detailed in Chapter 1. This report will therefore not go into extensive detail on these issues, but will instead provide a brief overview.
- 3.15** Salinity refers to the salt content of soil or water. Increases in salinity are usually a result of a rise in the level of groundwater, which brings naturally occurring salt to the surface. This concentrates salt and affects the environment dependent on that soil and water. When salinity is excessive it degrades water quality and land productivity.¹⁰²
- 3.16** DECC has described salinity as 'one of the most serious long-term threats to the sustainability of land and water resources in NSW'. Salinity can lead to decreased agricultural production, a decline in ecosystem health, and infrastructure damage (such as damage to buildings, underground electrical equipment, roads, fences, foundations, pipes, water supplies and so on).¹⁰³
- 3.17** In order to address the issue of salinity, Commonwealth, State and Territory governments adopted a 'National Action Plan for Salinity and Water Quality' in 2000 to tackle salinity problems, committing \$1.4 billion over seven years to help develop regional plans to control

¹⁰⁰ Submission 18, p 4

¹⁰¹ Submission 18, p 5

¹⁰² National Action Plan for Water and Salinity, *Australia's salinity problem* factsheet, available at: <http://www.napswq.gov.au/publications/brochures/salinity.html> (accessed 31 October 2007)

¹⁰³ Department of Environment and Climate Change, Environmental Protection Authority, *NSW State of the Environment 2003*, available at: http://www.environment.nsw.gov.au/soe/97/ch2/3_1.htm (accessed 31 October 2007)

salinity and improve water quality. The Plan is delivered through Catchment Management Authorities (CMAs) in priority regions.¹⁰⁴

3.18 Soil acidification is the addition of acidity to the soil, both as a result of natural processes and as a result of agricultural practices.¹⁰⁵ Soil acidity can be treated through liming, the application of calcium to neutralise soil. However, as noted by the NSW Farmers Association, liming is costly, and soil acidity is still a threat.¹⁰⁶

3.19 At the public forum held for this Inquiry in Cootamundra, Ms Rhonda Daly, Proprietor of YLAD Living Soils, raised the issue of the impact of synthetic chemicals on the environment, citing Dr Maarten Stepper, a former CSIRO scientist, in stating that:

... current farming practices have seen an increase in the use of sulphate fertilisers, pesticides and other synthetic chemicals to address our agriculture production, but it has led to soil degradation, animal health problems and resistant insects, diseases and weeds.¹⁰⁷

3.20 Ms Daly added that the overuse of artificial fertilisers has led to leaching of nutrients such as nitrates and phosphorus into our rivers and waterways, which is a major concern to both the environment and economy of Australia.¹⁰⁸

Committee comment

3.21 Awareness of salinity and soil degradation as a serious environmental concern has been widespread across Australia in recent decades. This Committee acknowledges the significant work that has been done in raising awareness of it as an issue by other parliamentary committees. Many of the land management practices discussed later in this chapter aim to manage salinity and soil degradation problems.

Native vegetation and invasive native scrub

3.22 Environmental problems such as salinity, soil acidity, soil erosion and loss of species have largely been caused by widespread clearance of native vegetation for agricultural purposes.¹⁰⁹

3.23 A response to these environmental problems, the *Native Vegetation Act 2003* (NSW) prohibits broadscale clearing of land across the state and ensures that native vegetation is protected. The

¹⁰⁴ Council of Australian Governments, *Our Vital Resources - A National Action Plan for Water and Salinity*, 3 November 2000, p 3

¹⁰⁵ Department of Primary Industries, *Acid soil management in low rainfall farming systems of central western New South Wales*, available at: http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0008/167273/acid-soil-mgt.pdf (accessed 31 October 2007)

¹⁰⁶ Submission 25, NSW Farmers' Association, p 4

¹⁰⁷ Ms Rhonda Daly, Evidence, public forum, 13 September 2007, p 2

¹⁰⁸ Ms Rhonda Daly, Evidence, p 2

¹⁰⁹ Native Vegetation Management in NSW, *How does native vegetation improve farm profitability?* information sheet, available at: http://www.nativevegetation.nsw.gov.au/fs/fs_01.shtml (accessed 31 October 2007)

effect of that Act was highlighted by Mr Richard Sheldrake, Deputy Director General, DECC, in evidence to the Committee:

Data from satellite imagery shows that total woody land-clearing in New South Wales is now only about 30,000 hectares per annum, down from approximately 400,000 hectares per annum in the early 1970s and around 150,000 hectares per annum in the early 1990s. Approvals by Catchment Management Authorities for clearing of native vegetation in 2006 was a total of 3,600 hectares per annum, down from around 90,000 hectares per annum in 2001.¹¹⁰

3.24 Mr Sheldrake also provided information to the Committee on another key issue facing the environment, Invasive Native Scrub (INS). INS (also known as ‘woody weeds’), in general terms, occurs where native species are re-growing or invading areas of open pasture country beyond their natural density.¹¹¹

3.25 As a result of the broadscale clearing now being prohibited by the *Native Vegetation Act*, large areas of NSW have become overrun by INS. This has had a negative environmental and economic impact in many areas, by making vast areas of farming land unproductive. In response to this unforeseen issue, the *Native Vegetation Act* has been amended to allow for more effective management of INS.

3.26 Mr Grosskopf told the Committee that the Department’s response to INS is aimed at restoring the natural mosaic of the landscape through the use of a range of methods:

You can burn, you can rope, you can chain, you can Caterpillar, you can blade plough, and you can even crop. The methodology allows for three cropping cycles over 15 years, in order to break that cycle and the seed store of the invasive native species.¹¹²

Committee comment

3.27 The Committee believes that the prohibition of broadscale clearing in the *Native Vegetation Act* is an effective mechanism toward reducing salinity and soil degradation issues. The Committee notes the unforeseen issue that has arisen with INS, and believes that the amendment of the *Native Vegetation Act* to deal with INS is a necessary step towards managing that problem.

Noxious weeds

3.28 Another impediment to agriculture is noxious weeds, which are defined by the DPI as weeds that have the ‘potential to cause harm to the community and individuals’, able to be ‘controlled by reasonable means’ and that have ‘the potential to spread within an area and to other areas’.¹¹³ Noxious weeds are declared on a list and then controlled under the *Noxious Weed Act 1993* (NSW).

¹¹⁰ Dr Richard Sheldrake, Evidence, 29 August 2007, p 42

¹¹¹ Mr Tom Grosskopf, Director, Vegetation and Biodiversity Management, Department of Environment and Climate Change, Evidence, 29 August 2007, p 44

¹¹² Mr Tom Grosskopf, Evidence, 29 August 2007, p 45

¹¹³ Department of Primary Industries website, available at: <http://www.dpi.nsw.gov.au/agriculture/farm/pest-weeds-management/weeds/definition> (accessed 25 October 2007)

- 3.29** Noxious weeds can pose risks to both plant and animal health, and are the biggest threat to biodiversity after land clearing. Weeds cost \$1.2 billion in NSW alone, increasing to \$2 billion when the impact on water and the natural environment are included.¹¹⁴
- 3.30** In evidence to the Committee, Councillor James Treloar, Mayor of Tamworth Regional Council, commented that local governments are inadequately funded to address noxious weeds. Cllr Treloar stated that in some cases, weeds that are too difficult to control have simply been taken off the noxious weeds list, which ‘does not solve anything’.¹¹⁵
- 3.31** The Committee notes that in October 2007 the NSW Government announced \$8.159 million for noxious weed control activities to be carried out by councils across NSW. Noxious weed grants will be made available to groups and individuals to finance weed control campaigns and community education programs, and to help combat weed incursions and train weed officers.¹¹⁶
- 3.32** One example of a noxious weed provided in the CSIRO submission was lippia (*Phyla nodiflora*), a perennial ground-cover weed primarily dominant in the north-west of NSW. Lippia is essentially unpalatable to livestock and forms vast monocultures in periodically flooded wetlands, to the detriment of the livestock industry and the environment.¹¹⁷

Committee comment

- 3.33** The Committee welcomes the funding announced by the NSW Government in October 2007, however we note that the noxious weed problem is still a significant, damaging and widespread issue.
- 3.34** During the Committee’s visit to the DPI’s Tamworth Agricultural Institute, the Committee heard from staff of that facility about the seriousness of the lippia problem. Particular concern was expressed over the availability of lippia as a domestic plant in some parts of NSW. The Committee notes that the existing legislation to control noxious weeds allows for the prohibition of the sale or propagation of certain plants if considered necessary, and recommends that the sale or propagation of lippia be prohibited in all areas of NSW.

Recommendation 2

That the Minister for Primary Industries, through the *Noxious Weed Act 1993* (NSW), prohibit the sale or propagation of lippia in all areas of New South Wales.

¹¹⁴ Response to question taken during Legislative Council question time by Hon Ian McDonald MLC, Minister for Primary Industries, in *NSWPD (Legislative Council)* 17 October 2007, pp 2684-2685

¹¹⁵ Cllr James Treloar, Mayor, Tamworth Regional Council, Evidence, 12 September 2007, p 6

¹¹⁶ Response to question taken during Legislative Council question time by Hon Ian McDonald MLC, Minister for Primary Industries, in *NSWPD (Legislative Council)* 17 October 2007, pp 2684-2685

¹¹⁷ Submission 35, CSIRO, p 6

Sustainable farming practices

- 3.35** Sustainable farming practices protect and restore natural resources, maintaining the viability of agricultural land for future generations. Such practices include conservation farming and holistic management, which are increasingly being applied by farmers.

Legislating changes to land management practices

- 3.36** In addition to the *Native Vegetation Act 2003* (NSW) mentioned earlier in this chapter, Australian Governments over time have introduced a range of legislation and regulations to better manage and protect the natural Australian landscape. In NSW such legislation includes the *Rivers and Foreshore Act 1948* (NSW), *Soil Conservation Act 1938* (NSW), *Water Management Act 2000* (NSW), *Western Lands Act 1901* (NSW), *Water Act 1912* (NSW) *Threatened Species Act 1995* (NSW), and the *Catchment Management Authorities Act 2003* (NSW).
- 3.37** In its submission, DECC informed the Committee that these Acts impose conditions on landholders with an aim ‘to assist in the better management of our valuable natural resources and to ensure that the resource is managed and used equitably and in a sustainable way to protect the resource for generations to come’.¹¹⁸
- 3.38** Management of native forestry on private land under the *Native Vegetation Regulation 2005* (NSW) was recently amended to bring its activities under the *Native Vegetation Act 2003* (NSW). The changes mean that a private native forestry property vegetation plan (PNF PVP) will now be required to carry out forestry operations on private land. A PNF PVP will require harvesting operations to be carried out in a way that ensures environmental outcomes are improved or maintained.¹¹⁹ Issues associated with PNF PVPs, particularly in relation to the regulatory burden they represent, are addressed in Chapter 6.
- 3.39** The *Catchment Management Authorities Act 2003* (NSW) establishes Catchment Management Authorities (CMAs). CMAs, in addition to their role in water catchment management (discussed in Chapter 5), also play a key role in helping land managers improve agricultural practices.
- 3.40** In evidence to the Committee, Mr Lee O’Brien, Farmer and Chairman, Murrumbidgee Catchment Management Authority, advised that the role of CMAs includes improving agricultural practices, encouraging the adoption of new innovation, protecting and enhancing native vegetation, ameliorating causes of dryland salinity, and achieving biodiversity outcomes.¹²⁰ CMAs also manage incentive programs relating to managing natural resources.

¹¹⁸ Submission 18, p 5

¹¹⁹ NSW Department of Natural Resources website, available at: <http://naturalresources.nsw.gov.au/vegetation/pnf.shtml> (accessed 31 October 2007)

¹²⁰ Mr Lee O’Brien, Chairman, Murrumbidgee Catchment Management Authority, Chair, Community Advisory Committee to the Murray Darling Basin Ministerial Council, Evidence, 13 September 2007, p 21

3.41 Mr O'Brien gave details of specific work being undertaken by the Murrumbidgee CMA in employing local contractors and nurserymen to plant and grow 900,000 trees and shrubs within the area in the 2007/08 year alone.¹²¹

3.42 Mr O'Brien further informed the Committee about programs being run by CMAs to encourage landholders to adopt best farm management practices which also protect the environment, and to assist them in understanding how to better manage their land. Mr O'Brien gave the example of several CMAs that have provided soil testing and training for more than 1,500 farmers, enabling them to test soil themselves, interpret the tests and understand what actions need to be taken to ameliorate any soil problems.¹²²

Committee comment

3.43 The Committee supports the use of legislation as a means of ensuring that natural resources are protected and sustained. The Committee believes that the establishment of Catchment Management Authorities to help landholders improve agricultural practices is a positive step towards agricultural and environmental sustainability.

Better land management practices

3.44 Modern farming methods recognise that better land and vegetation management will increase productivity and sustain the environment. Benefits arising from better land and vegetation management were outlined in the DECC submission:

... improved vegetation management will significantly reduce diffuse sources of sediments and nutrients that currently occur in runoff from agricultural areas, will improve habitats and conservation of native vegetation, and can have productivity benefits for farmers.¹²³

3.45 General soil health is important to retaining water and reducing soil erosion, as noted by Ms Rhonda Daly, Proprietor, YLAD Living Soils, at the Committee's public forum in Cootamundra. Ms Daly remarked that healthy soil also leads to healthy plants and reduced salinity:

Because of a lack of humus and soil biology, that soil is now percolating up to the top and we see this salt effect on top of the soils. If we get the humus back in the soils and the biology it will provide a buffer zone and that salt will not come to the top.¹²⁴

3.46 According to the Rural Alliance, the majority of farmers are moving toward conservation farming,¹²⁵ which involves a range of methods that improve the quality and sustainability of the land and make the soil more fertile.

¹²¹ Mr Lee O'Brien, Evidence, 13 September 2007, p 21

¹²² Mr Lee O'Brien, Evidence, 13 September 2007, p 22

¹²³ Submission 18, p 7

¹²⁴ Ms Daly, Evidence, public forum, 13 September 2007 p 4

¹²⁵ Answers to questions on notice taken during evidence 29 August 2007, Mr Jock Laurie, Rural Alliance, Question 6, pp 16-17

- 3.47** One of the key elements of conservation farming is no-till farming. No-till farming involves sowing a crop without prior cultivation and with very little soil disturbance at seeding. In evidence to the Committee, Dr Bob Martin, Director of the Department of Primary Industries Innovation Centre, said that the original focus of no-till farming was to reduce soil erosion from excessive cultivation, but that it was soon realised that no-tillage could also retain soil moisture.¹²⁶
- 3.48** No-till farming also assists to maintain maximum groundcover, which is another key element of conservation farming. The Committee was advised by Professor Deirdre Lemerle, Director of Research and Development at the EH Graham Centre for Agricultural Innovation, that other factors to assist in groundcover preservation include the introduction of perennial plants and stubble retention. Professor Lemerle discussed the need for more farmers to be informed about stubble retention, stating that ‘something like 70 per cent of farmers still burn their stubble, and that has detrimental consequences for the environment and human health’.¹²⁷
- 3.49** Crop rotation is also an element of conservation farming. Rotating annual crops, or using break crops,¹²⁸ helps to control pests, diseases and weeds, and maintains soil fertility, organic matter levels and soil structure. The CSIRO, in its submission to the Committee, noted the benefits gained from using break crops in a wheat rotation, citing a study which found that break crop research had yielded a benefit-cost ratio of 19:1.¹²⁹
- 3.50** Technology is also increasingly being used for conservation farming methods, as outlined by the Rural Alliance who commented on the uptake of satellite mapping of crop layouts or moisture retention and forecasting.¹³⁰ Technology in agriculture was also discussed by Ms Deb Kerr, Representative from the NSW Irrigators’ Council, who gave an example from the rice industry:
- ... we use satellite imagery to look at the density of the crop to determine if it needs more nitrogen when the plant head is forming. That will be input into the plane, if you like, using GPS so that they can variably rate and apply the fertiliser both at sowing and top dressing.¹³¹
- 3.51** Several Inquiry participants also advocated the benefits of holistic management practices, which are based upon a whole-farm decision making framework.¹³² For example, in evidence

¹²⁶ Dr Bob Martin, Director, Primary Industries Innovation Centre, University of New England, Evidence, 5 September 2007, p 22

¹²⁷ Professor Deirdre Lemerle, Director of Research and Development, EH Graham Centre for Agricultural Innovation, Evidence, 29 August 2007, p 51

¹²⁸ A break crop is a secondary crop used as part of a crop rotation to provide a ‘break’ from the cycle of weeds, pests and diseases encountered with the primary crop.

¹²⁹ Submission 35, CSIRO, p 12

¹³⁰ Answers to questions on notice taken during evidence 29 August 2007, Mr Jock Laurie, Question 6, p 17

¹³¹ Ms Deborah Kerr, Policy Manager, Ricegrowers’ Association of Australia Inc., Evidence, p 38

¹³² Ms Phillipa Morris, Evidence, public forum, 6 September 2007, p 20; Ms Judi Earl, Evidence, public forum, 5 September 2007, p 9; Mr Bruce Gardiner, Farm Business Management Consultant, The Rural Block, Evidence, 5 September 2007, p 27

to the Committee, Ms Judi Earl, Managing Director of Holistic Management Australia, stated that holistic management necessarily considers the triple bottom line: 'It forces us to consider the economic, social and environmental effects of any decisions that are made, both short and long-term'.¹³³

3.52 Ms Earl provided an example of a grazing property in Uralla where holistic management practices have been applied. The property has increased stocking rates from 6 ½ DSE (Dry Sheep Equivalent – a measure used to compare feed requirements of different classes of livestock) per hectare to 13 DSE per hectare, annual pasture productivity from an average of 3 ½ tonnes per hectare to over 10 tonnes per hectare, and doubled water use efficiency – and all 'in five years of drought'.¹³⁴

3.53 The benefits of holistic management practices were also discussed by Mr Gardiner, Farm Business Management Consultant from the Rural Block, who informed the Committee of his own holistic management practice which is based on six principles of best management practice for agriculture. Broadly, these principles are: at least 70 per cent ground cover; at least two □ rban per hectare of litter to slow down rates of evaporation; higher levels of green pasture mass (at least 1,500 kilograms of green, dry matter); diversity of species; shelter; and balance of soil fertility. According to Mr Gardiner, 'if those are not being achieved then we are trying to produce more than the landscape will sustainably produce'.¹³⁵

3.54 Mr Gardiner told the Committee he believed that many farmers currently drive the environment too hard during drought periods by over-producing:

The biggest problem we have in agriculture is that we keep pushing the productivity of agriculture and aiming for maximum production whereas the real issue is aiming for some mix that sits us somewhere between long-term sustainability and optimal production, which is the level of production that □ rbanizat the profitability of the business.¹³⁶

3.55 As part of achieving optimal production, Mr Gardiner suggested that stock numbers should be reduced in times of drought, stating that 'driving a landscape too hard is not making any money for the farmers in the first place because their stock are not putting on any weight, and the chances of the landscape recovering from those conditions are much lower'.¹³⁷ Mr Gardiner further commented that overstocking during bad seasonal conditions, such as the current drought, resulted in 'increasingly serious floggings' for the landscape.¹³⁸

3.56 Mr Gardiner told the Committee a success story of one sheep producer who applied holistic management principles to reduce his stock numbers from 25,000 to 10,000. This dropped his

¹³³ Ms Earl, Evidence, 5 September 2007, p 11

¹³⁴ Ms Earl, Evidence, p 10

¹³⁵ Mr Gardiner, Evidence, 5 September 2007, pp 27-28

¹³⁶ Mr Gardiner, Evidence, 5 September 2007, p 27

¹³⁷ Mr Gardiner, Evidence, 5 September 2007, p 29

¹³⁸ Mr Gardiner, Evidence, 5 September 2007, pp 29-30

production by 40 per cent and costs by 70 per cent, and made him \$40,000 a year more profit.¹³⁹

- 3.57** The view of Mr Gardiner was supported by Ms Phillipa Morris, a landowner who spoke at the Narrabri public forum, who observed that ‘the majority of graziers believe that it is essential to retain livestock during drought in order to have stock when the drought is over’. Ms Morris stated that in many cases ‘lower farm incomes are followed by higher inputs, high levels of risk, and loss of rainfall use efficiency as organic matter and soil carbon and top soil are lost’. According to Ms Morris this results in further degradation of the land, leading to very serious environmental, economic and often social costs such as physical and mental health.¹⁴⁰
- 3.58** Ms Morris commented that holistic management has an essentially different approach to farming, and stated ‘(t)he mantra that is the key to the holistic management approach is that I am a grower of grass, I feed the surplus to livestock and I sell the surplus livestock’.¹⁴¹

Committee comment

- 3.59** The Committee found the information provided by participants in this Inquiry about holistic farm management and conservation management encouraging and inspiring. A focus on optimal rather than maximum production in order to achieve long-term sustainability is a sensible response to the challenges facing agriculture.
- 3.60** The Committee notes the benefits of conservation farming, as a practice that is not only beneficial to the long-term sustainability of agriculture, but also a primary means to better prepare farmers for droughts. The Committee therefore recommends that the government continue to encourage the adoption of conservation farming practices through the use of incentives., such as those that are currently provided through Catchment Management Authorities.

Recommendation 3

That the NSW Department of Primary Industries continue to work with NSW Catchment Management Authorities to provide incentives for conservation farming practices.

- 3.61** The Committee believes that the agricultural industry and the environment could benefit from a broader adoption of the principles implicit in holistic management practices. The Committee is aware that the NSW Department of Primary Industries provides training to farmers under its PROfarm program (as discussed later in this chapter), and recommends that holistic management principles be incorporated into that program.

¹³⁹ Mr Gardiner, Evidence, 5 September 2007, p 28

¹⁴⁰ Ms Morris, Evidence, 6 September 2007, p 20

¹⁴¹ Ms Morris, Evidence, 6 September 2007, p 20

Recommendation 4

That the NSW Department of Primary Industries increases its emphasis on holistic management in its PROfarm training program.

- 3.62** The Committee is also of the opinion that agricultural education programs should focus on conservation farming methods and holistic management principles, and believes that the NSW Department of Education and Training is best placed to do this.
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Recommendation 5

That the NSW Department of Education ensure that future agricultural education programs include comprehensive coverage of conservation farming methods and holistic management.

- 3.63** Other strategies to mainstream elements of these approaches to agriculture are also discussed in the next section of this chapter.

The future of agriculture

Research and development

- 3.64** Research and development (R&D) is a consistent and significant source of productivity growth in agriculture. Primary industries R&D is an important source of economic growth for NSW, with productivity growth for agriculture alone worth around \$500 billion over the last 50 years.¹⁴²
- 3.65** R&D can protect existing – and even create new – markets for agricultural products by eradicating or managing certain pests and diseases.¹⁴³ Other uses for R&D were highlighted by the NSW DPI in its submission to the Inquiry:

One of the highest priorities for agriculture is the continued availability of new information and technologies related to sustainable and profitable farming systems that are also capable of meeting community expectations and supporting regional communities. R&D has been a primary driver of agricultural productivity and, given the increasing challenges confronting the sector in areas such as natural resource management, climate change and biosecurity, insufficient research and educational capacity represent one of the major potential impediments to growth.¹⁴⁴

- 3.66** Several Inquiry participants provided specific examples to the Committee of R&D projects in the agricultural industry.¹⁴⁵ For instance, the CSIRO submission highlighted work undertaken

¹⁴² NSW Department of Primary Industries, *Primary Industries Science and Research Strategy 2005-08*, p 1

¹⁴³ Submission 27, NSW Department of Primary Industries, p 16

¹⁴⁴ Submission 27, p 9

¹⁴⁵ For example, Submission 27, 29, 34 and 35

with the NSW cotton industry to produce research outcomes that have helped productivity and sustainability. Over the last 20 years these outcomes have addressed challenges through:

- Improved cotton varieties with higher yield potential and fibre quality
- Enhanced soil and nutrient management
- Improved on-farm irrigation management, farm design and water storage options
- Ecologically based Integrated Pest Management systems for key pests
- Integrated weed management systems
- Integrated disease management
- Deployment and management of GM cotton varieties to address insect pest and weed issues.¹⁴⁶

3.67 The CSIRO also outlined some of the current research projects it is conducting to improve the productivity of crops. One of these is its wheat breeding research program, aimed at increasing yields, improving drought tolerance, improving salt tolerance and reducing susceptibility to pests and pathogens. Another is its research into improving the frost tolerance in rice, which will result in increased water efficiency in the industry.¹⁴⁷

3.68 The Committee saw evidence of the excellent research work currently being conducted in NSW when it visited the Cotton CRC and the Tamworth Agricultural Institute during its regional visit to Narrabri and Tamworth in September.

3.69 In evidence to the Committee, Dr Bob Martin, Director, Primary Industries Innovation Centre, University of New England, provided some specific examples of research and extension in agriculture being undertaken by the Innovation Centre and the DPI centre at Tamworth. Mr Martin informed the Committee about research into genetic constraints to the productive capacity of durum and chickpea, as well as research into major issues affecting natural resources and the climate:

The other major issues that have concerned our research, particularly over the last 20 or 30 years, is sustaining the natural resource base, declining soil fertility, soil degradation and water use efficiency, particularly in dryland situations. We also have significant programs looking at the risks to agricultural production, in our case particularly in relation to plant diseases. Over the past 10 years a significant component of our work has been addressing climate risk management, climate variability, which is now increasingly concerned with climate change.¹⁴⁸

3.70 Several Inquiry participants raised concern over the lack of funding for R&D,¹⁴⁹ and emphasised the importance of R&D in keeping the agricultural industry profitable, sustainable and competitive.

¹⁴⁶ Submission 35, p 5

¹⁴⁷ Submission 35, p 12

¹⁴⁸ Dr Bob Martin, Evidence, 5 September 2007, p 20

¹⁴⁹ For example, Submission 12, 25, 27 and 29

- 3.71** Agricultural R&D in Australia is commissioned and managed by Rural Research and Development Corporations (RDCs). There are 15 RDCs that cover virtually all of the agricultural industries. They 'bring industry and researchers together to establish research and development strategic directions and to fund projects that provide industry with the innovation and productivity tools to compete in global markets'.¹⁵⁰
- 3.72** Funding for research commissioned by the RDCs comes from both the Commonwealth Government and the RDC industries. The Commonwealth Government matches industry expenditure on R&D dollar for dollar, up to a limit of 0.5 per cent of each industry's Gross Value of Production (GVP). Industry expenditure for R&D comes from industry levies, which are a proportion or percentage of production, varying per industry. For example, the Ricegrowers Association informed the Committee that the annual rice levy for the Rural Industries Research and Development Corporation (RIRDC) rice research and development program is \$3 per tonne, based on a three-year rolling average of grower contributions.¹⁵¹
- 3.73** The NSW Government separately contributes funding for R&D, much of which is conducted through the NSW DPI who receive approximately half of their research budget from the NSW Government and the other half from external sources such as RDCs and stakeholder associations.¹⁵²
- 3.74** The problem with agricultural industry levies being a proportion of production is that during times of drought there are low levels of productivity. This concern was raised by several Inquiry participants, who noted that there has been a reduction of R&D as a result of lower grower levy contributions, which has led to reduced government funding.¹⁵³
- 3.75** Ms Deb Kerr, Policy Manager, Ricegrowers' Association of Australia, stated in evidence to the Committee that with another year of severe drought, the R&D expenditure for rice research will drop from an average of \$2.4 million per annum to less than \$1 million dollars per annum. The impact of this on the NSW DPI's Rice Breeding Programs was outlined in the Ricegrowers Association submission:
- The repercussions for the NSW Government are major, as a large portion of available research funds are directed to the Department of Primary Industries. There is deferral of proposed research programs and a contraction of current programs. This has implications for the resources used by the Department – including infrastructure, plant and equipment and importantly staff. There is now a real risk of the Industry losing critically important researchers.¹⁵⁴
- 3.76** Details of the effect of the prolonged drought on R&D were also provided by the CSIRO, stating that 'in 2007-08 CSIRO is forecasting a significant, drought related reduction

¹⁵⁰ Council of Rural Research & Development Corporations' Chairs website, available at: <http://www.ruralrdc.com.au/> (accessed 31 October 2007)

¹⁵¹ Ms Deborah Kerr, Evidence, 12 September 2007, p 21

¹⁵² Department of Primary Industries, *Primary Industries Science and Research Strategy 2005-08*, p 12

¹⁵³ For example, Submission 29 and 34; Letter from CSIRO to Chair, 28 September 2007

¹⁵⁴ Submission 34, Ricegrowers' Association of NSW, p 9

(estimated at approximately \$10 million) in its external income for the agribusiness sector, forcing a revision of research priorities'.¹⁵⁵

- 3.77** In order to overcome the deficiencies in the current R&D funding formulae, the Ricegrowers Association suggested in its submission that funding by governments during droughts should be kept at pre-drought levels, in order to at least maintain core programs.¹⁵⁶
- 3.78** On 25 September 2007 the Commonwealth Government announced a \$10 million contingency fund to ensure that Rural RDCs have sufficient funds available to continue their research programs during periods of unprecedented low levy collections caused by drought.¹⁵⁷

Committee comment

- 3.79** The Committee notes the importance of R&D to the agricultural industry as well as NSW as a whole. We acknowledge the gains in productivity and sustainability that have been achieved as a result of R&D, and strongly believe that support for R&D must be continued into the future to find ways to manage and adapt to droughts and climate change.
- 3.80** The Committee notes with concern the funding issues that arise during periods of low industry productivity due to the funding formula between the Commonwealth Government and industries. We welcome the additional funding provided in the Commonwealth Government's recently announced contingency fund, however as it is a one-off measure we feel that it is only a temporary solution. The Committee therefore recommends that a baseline level of funding be established to ensure a minimum level of funding is maintained. This will require a review of the existing funding formulae by the Commonwealth Government.
- 3.81** The Committee notes that the NSW Government provides funding to the Department of Primary Industries for R&D, which is separate from the Commonwealth/industry funding. The Committee believes that the NSW Government should also establish a baseline level of funding to provide to the Department of Primary Industries, to adequately maintain research.

Recommendation 6

That the NSW Government work in conjunction with private industry to establish a baseline level of funding to be provided to the NSW Department of Primary Industries to maintain research and development programs.

Recommendation 7

That the NSW Government undertake a leadership role at a national level to persuade the Commonwealth Government to review the existing funding formulae for agricultural industry research and development, and establish a baseline level of funding to be maintained.

¹⁵⁵ Letter from CSIRO to Chair, 28 September 2007

¹⁵⁶ Submission 34, p 9

¹⁵⁷ Hon John Howard MP, 'Australian Government Strengthens Drought Support', *Media Release*, 25 September 2007

Climate change and drought preparedness

- 3.82** There is increasing scientific consensus that climate change is a very real threat, caused by greenhouses gases that are increasing global temperatures. The effect of climate change on the future of agriculture was outlined by DECC:

... there are reasonably high levels of confidence that temperatures, potential evaporation rates, and general climatic variability will increase. These factors are likely to increase water demand for both non-irrigated and irrigated agriculture, as well as place increased demand on managerial capacity to manage risk. It is likely that the demands to adapt to climate change will be higher for agriculture than for other sectors of the economy.¹⁵⁸

- 3.83** This view was echoed by DPI, who also noted the effect climate change could have on the rest of NSW:

Climate change and more variable seasonal conditions ... have the potential to significantly impact on agricultural sector growth and natural resource management, with adverse flow-on impacts to regional communities and the State economy.¹⁵⁹

- 3.84** According to the CSIRO, current predictions suggest there will be an increase in the frequency of droughts in south-eastern Australia.¹⁶⁰ This prediction was echoed in the Australian Water Association submission, which stated that 'Climate change will mean wetter wets and drier dries ...'¹⁶¹

- 3.85** The likelihood of more frequent droughts means that it is essential to develop new technologies and adaptive management skills to assist farmers to be better prepared for, and better able to, manage droughts and climate change.¹⁶²

- 3.86** Mr Ian Bowie, a concerned citizen, observed in his submission that Governments have tended to provide support to farmers once they are already in trouble, rather than providing support to prevent them getting into trouble in the first place:

Rather than supporting schemes that even out farm returns between the good years and bad and provide rural reconstruction assistance for farms that cannot survive in the long term, we allow agriculture to continue in its cycles of boom-and-bust caused by variations in prices and the weather, providing substantially public support (subsidies) to farmers when things go sour.¹⁶³

- 3.87** The DPI submission stated that Australian governments recognise that action needs to be taken to help prepare farmers for future droughts, and have reflected this in the National Drought Policy:

¹⁵⁸ Submission 18, p 4

¹⁵⁹ Submission 27, p 9

¹⁶⁰ Submission 35, p 9

¹⁶¹ Submission 10, Australian Water Association, p 6

¹⁶² Submission 27, p 9

¹⁶³ Submission 3, Mr Ian Bowie, p 4

Given the over-riding impact that seasonal conditions have on agricultural productivity, the recent decision by Australian governments to shift the focus of the National Drought Policy from providing business support during drought, to improving drought preparedness, provides an important opportunity to strengthen and enhance the sustainability of farming systems in NSW.¹⁶⁴

- 3.88** DPI informed the Committee that Australian governments are now reviewing pre-drought preparedness measures and considering new initiatives, such as the National Agricultural Monitoring System (NAMS). NAMS is a database of climatic and agronomic data that will be used to streamline Exceptional Circumstances declarations and improve drought preparedness:

NAMS may ... provide an earlier indication of the onset of drought allowing additional time for farmers and governments to make associated tactical and strategic decisions. Improving preparedness beyond reliance on reactive assistance will require an increased proportion of farmers to develop and manage production systems that are more drought resilient, and more profitable in the intervening 'good' years.¹⁶⁵

- 3.89** As part of the shift in policy focus, NSW DPI will also look at ways to provide farmers with skills in adaptive management decision making to adjust to climate change.¹⁶⁶ For example, NSW DPI currently runs a number of training courses under PROfarm, which is a training program developed by the department to meet the needs of farmers, primary industries, agribusiness and the community. Courses offered through PROfarm include farm planning, managing climate risk, environmental management systems, and Property Management Planning (PMP) for natural resource management. Many of these courses are subsidised by the NSW Government.¹⁶⁷

- 3.90** StockPlan is another program offered under PROfarm, which aims to assist producers and advisors develop flexible drought management plans. In evidence to the Committee, Renata Brooks, Deputy Director General of Agriculture, Fisheries and Regional Relations, DPI, advised that StockPlan assists farmers to work out whole farm strategies involving how to manage their livestock. This strategy is applicable before, during and after drought periods.¹⁶⁸

- 3.91** Ms Brooks also informed the Committee about a current \$4.4 million drought recovery project that DPI has worked in collaboration with CMAs on, which links a four-day training program on whole farm management (looking at livestock, pasture, water and salinity) with incentives that the CMAs have available.¹⁶⁹ The benefit of collaborating with CMAs was commented on by Ms Brooks:

¹⁶⁴ Submission 27, p 12

¹⁶⁵ Submission 27, p 12

¹⁶⁶ Submission 27, p 12

¹⁶⁷ Department of Primary Industries website, available at: <http://www.dpi.nsw.gov.au/agriculture/profarm> (accessed 31 October 2007)

¹⁶⁸ Ms Renata Brooks, Deputy Director General, Agriculture, Fisheries and Regional Relations, Department of Primary Industries, Evidence, 29 August 2007, p 72

¹⁶⁹ Ms Brooks, Evidence, 29 August 2007, p 72

We are seeing some synergies between the sort of natural resource management outcomes that the catchment management authorities are keen to see delivered through their catchment action plans and the kind of productivity outcomes that we and the farmers are keen to see delivered.¹⁷⁰

- 3.92** Another example of a conservation farming program is an incentive project currently being run between the DPI and the Central West CMA. The project provides incentive funding for farmers to test soil and convert machinery. The soil testing incentive aims to help land managers to improve their soil knowledge and soil management skills, and the machinery incentive provides funding to convert equipment or purchase new or second hand equipment used for stubble management, no-till farming and other conservation farming methods.¹⁷¹
- 3.93** Another way to manage drought, noted by Professor Deirdre Lemerle, is to improve products by making drought tolerant crop varieties such as drought tolerant wheats.¹⁷²
- 3.94** The importance of drought-preparedness and being able to continue farming even during severe droughts was raised by Dr Bob Martin, Director, Primary Industries Innovation Centre, University of New England. Dr Martin noted that no-till farming and soil moisture conservation are practices that can be used as a buffer against drought, however the adoption of the technology across NSW is relatively low, varying between 15 to 40 per cent across different regions. Dr Martin stated that '(i)f more farmers adopted no-tillage, which helps store more water in the soil and also reduces surface temperatures in the soil, we would be able to go a long way to dealing with the projected climate change scenarios ...'¹⁷³
- 3.95** The need for more farmers to adopt these types of methods was further outlined in the DPI submission, which stated that '(i)mproving preparedness beyond reliance on reactive assistance will require an increased proportion of farmers to develop and manage production systems that are more drought resilient, and more profitable in the intervening 'good' years'.¹⁷⁴
- 3.96** In response to questioning from the Committee, Mr Bruce Gardiner from the Rural Block was of the opinion that one of the major barriers to farmers adopting new management practices is simply that most people prefer to use farming practices that they are comfortable with. Mr Gardiner stated that this is particularly the case in times of stress, when people tend to revert to habit.¹⁷⁵
- 3.97** To better understand why many farmers have not adopted no-till farming methods, the DPI held a number of focus group meetings with farmers to find out what their constraints were. Farmers listed a range of technical reasons such as rocks or red soil, all of which were physical constraints that the DPI proved can be overcome with no-till farming.¹⁷⁶

¹⁷⁰ Ms Brooks, Evidence, 29 August 2007, p 72

¹⁷¹ Department of Primary Industries website, available at: <http://www.dpi.nsw.gov.au/agriculture/farm/conservation/information/incentive-funding> (accessed 31 October 2007)

¹⁷² Professor Lemerle, Evidence, 29 August 2007, p 54

¹⁷³ Dr Martin, Director, Evidence, 5 September 2007, p 21

¹⁷⁴ Submission 27, p 12

¹⁷⁵ Mr Gardiner, Evidence, 5 September 2007, p 30

¹⁷⁶ Dr Martin, Evidence, 5 September 2007, p 23

3.98 According to Dr Martin, during the focus groups the DPI discovered that most farms had ‘a very significant role played by the female partner in running the business – actually running the farm office’.¹⁷⁷ Dr Martin told the Committee that typical audiences for farm meetings, focus groups and other farm training forums have traditionally been male dominated, and that the DPI is now looking into ways of encouraging women to attend, which may be a way to get more new methodologies adopted.¹⁷⁸

Committee comment

3.99 The Committee acknowledges the very serious threat of climate change, and the implications it will have on the agricultural industry – not least of which includes the threat of more frequent droughts.

3.100 The Committee believes that farmers need to be better prepared for future droughts, and better able to adapt to climate change. We therefore commend the State and Commonwealth Government’s shift in policy focus to be pro-active rather than reactive in managing future droughts.

3.101 We commend the use of incentives to assist farmers adopt better farm management practices, such as those provided through CMAs. We believe that more incentives should be provided for such practices (as per Recommendation 3) in order to assist and encourage farmers to be better drought prepared.

3.102 The Committee believes that once the current drought has lifted, the Exceptional Circumstances program (discussed in Chapter 4) would be better replaced with a new ‘Drought Preparedness’ program. The new program should assist farmers to be better able to manage droughts and climate change through conservation farming methods. A proportion of the budget allocation for Exceptional Circumstances assistance could be retained to fund the Drought Preparedness program.

Recommendation 8

That the NSW Government undertake a leadership role at a national level to persuade the Commonwealth Government to convert a proportion of the budget allocation for Exceptional Circumstances assistance to Drought-Preparedness assistance once the drought has lifted. The Drought-Preparedness assistance should include training and incentives for conservation farming methods and climate-risk management.

3.103 The Committee notes with concern that despite evidence of the benefits of conservation farming, there are farmers that are not taking it up. The Committee also notes the observation by the DPI that many women play a significant role in managing the ‘farm office’. We believe that in order to increase this uptake, existing methods of information and education dissemination should be reviewed to ensure they are reaching the appropriate target audience, including special consideration of the role of women.

¹⁷⁷ Dr Martin, Evidence, 5 September 2007, p 23

¹⁷⁸ Dr Martin, Evidence, 5 September 2007, p 23

Recommendation 9

That in order to better promote conservation farming practices, the NSW Department of Primary Industries review existing methods of information and education dissemination to ensure that they are targeted appropriately, with special consideration to the role of women in agriculture.

Future crops

- 3.104** Agriculture is a diverse industry, and new crops are being introduced by innovative farmers looking to diversify as a strategy to respond to the limitations of traditional crops such as wheat. One such crop is industrial hemp.
- 3.105** In its submission to the Inquiry, Demand Farming Australia stated that industrial hemp 'is estimated to have immediate potential of approximately 30,000 ha of production worth some \$50-100 million farm gate revenue seasonal dependant'.¹⁷⁹
- 3.106** Some of the economic and environmental benefits of growing hemp, outlined by Mr John Larkin, Director, Demand Farming, are that it requires fewer pesticides, is a more efficient water user, has a better gross margin than cotton, can be grown in both dryland and irrigated conditions, and can be rotated with other crops.¹⁸⁰
- 3.107** Another key benefit of hemp, which differs from any other crop, is that it can be grown and harvested at any time:
- The great advantage of industrial hemp, and that is why the cotton farmers up north are particularly excited about this project, [is that] they still get a harvestable crop even if they run out of water. Your yield comes back with every bit of the plant you can process. That is very different to any other crop that you can grow. That is where it has a great advantage.¹⁸¹
- 3.108** Industrial hemp can be used for a variety of products, including wool blended garments, building products, container bumper panelling, seed crushing for cooking and medicinal oils and protein supplement for domestic animals. It can also be blended with PEP (Polypropylene) and used for such products as dash boards and car infill panels for BMW and Mercedes in Germany.¹⁸² The potential of this latter market was commented on by Mr John Clements, Executive Officer, Namoi Water, who observed that '[e]uropean laws demanding biodegradable panels in cars lend themselves to industrial hemp production'.¹⁸³

¹⁷⁹ Submission 2, Demand Farming Australia, p 1

¹⁸⁰ Mr John Larkin, Managing Director, Demand Farming Australia, Evidence, 12 September 2007, p 8

¹⁸¹ Mr Larkin, Evidence, 12 September 2007, p 13

¹⁸² Submission 2a, Demand Farming Australia, p 2

¹⁸³ Mr John Clements, Executive Officer, Namoi Water, Evidence, 5 September 2007, p 12

- 3.109** Currently, NSW is the only state in Australia in which industrial hemp cannot be legally grown. Mr Larkin advised the Committee that industrial hemp is not like cannabis, which has a tetra hydrochloride (THC) level of 10 per cent. Industrial hemp, by comparison, has a THC level of 0.3 per cent, which is too low to enable intoxication. According to Mr Larkin '[y]ou could smoke a truckload of this stuff and all you would get is a headache and a sore throat'.¹⁸⁴

Committee comment

- 3.110** The Committee recognises the benefits of industrial hemp as an alternative crop, and notes that it cannot be misused as a drug.
- 3.111** The Committee notes that the section 23 of the *Drug Misuse and Trafficking Act 1985* (NSW) currently prohibits the cultivation of hemp, and that the Act is administered by NSW Health. The Committee therefore recommends that the NSW Minister for Primary Industries work with the NSW Health Minister to seek an amendment of the legislation to allow for commercialisation of industrial hemp, and that responsibility for control of industrial hemp should rest with NSW DPI.

Recommendation 10

That the NSW Minister for Primary Industries work with the NSW Health Minister to seek an amendment of section 23 of the *Drug Misuse and Trafficking Act 1985* (NSW) to allow for commercialisation of industrial hemp in NSW, as is the case in other states. Responsibility for control of industrial hemp should be placed with the Department of Primary Industries.

Value adding

- 3.112** It was noted by several Inquiry participants¹⁸⁵ that farmers are 'price takers' in that they produce a 'homogenous or undifferentiated product', and are 'unable to pass on input cost increases as they are the bottom link in the supply chain'.¹⁸⁶ According to the NSW Farmers Association, this has resulted in farmers being forced to absorb the cost increases passed on by others in the supply chain'.
- 3.113** One option raised by several Inquiry participants to increase the profitability and viability of agricultural enterprises, and also provide an economic benefit to the State, is through value adding within NSW.¹⁸⁷ For example, the Leeton Shire Council submission stated that more support should be given to 'value adding at the local level rather than merely the production of the raw product'.¹⁸⁸

¹⁸⁴ Mr Larkin, Evidence, 12 September 2007, p 9

¹⁸⁵ For example: Submission 25; Submission 29; Submission 33, New England North West Regional Development Board; Mr Graeme McNair, Evidence, public forum, 6 September 2007

¹⁸⁶ Submission 25, p 14

¹⁸⁷ For example: Submission 29; Submission 24a, Narrabri Shire Council; Mr Clements, Evidence, 5 September 2007, p 12; Professor Deirdre Lemerle, Evidence, 29 August 2007, p 51

¹⁸⁸ Submission 29, Leeton Shire Council, p 12

- 3.114** Some participants in the Inquiry do actively engage in value adding, and informed the Committee about the benefits they had gained as a result. The Ricegrowers Association, in its submission, stated that SunRice is involved in its own milling and packing, and has developed innovative packaging and products (such as ready to eat foods) for the domestic market.¹⁸⁹ Through these innovations the company has increased its income and retained overseas markets.
- 3.115** The Southern Council submission outlined a range of value adding industries in the south coast region, including wine, cheese production, turf, nurseries, cottage industries for jams and preserves, special beef cuts (for local sale and export), dairy animal genetics, and milk products (cows and goats).¹⁹⁰ The Council also highlighted the benefits of a ‘small species abattoir’ that has been developed at Bega:
- A recent example of value adding is the development of the ‘small species abattoir’ at Bega. This facility will support existing producers of specialty animal meats and encourage new farm developments: This is because it allows specialist local processing, overcomes small batch transport issues and introduces other economies of scale for industry support and marketing.¹⁹¹
- 3.116** The Narrabri Shire Council stated that while there is limited scope for value adding to primary products produced within the region, some companies have been able to carry out ginning of cotton, production of wine, and crushing of cotton seed to make cotton oil and niche products such as olive oil, skin products, jojoba and condiments.¹⁹²
- 3.117** Agriculture also represents a significant input into the food processing industry. New South Wales’ processed food industry is highly diversified, and includes manufacturing of meat and poultry products; flour, cereal and bakery products; beverages; snack foods and prepared meals; dairy products; horticultural products and confectionary. In value added terms, the NSW food processing industry contributes \$6.4 billion to national gross domestic product.¹⁹³
- 3.118** In response to questioning about value adding from the Committee, Ms Brooks from the DPI stated that the Department has been interested in developing agricultural products that ‘better meet market needs’. Ms Brooks provided the example of research that the DPI has been involved in to breed and manage beef cattle in order to produce meat suitable for particular markets, such as the Japanese markets, and noted that value adding through supply chain linkages is ‘certainly an area in which we see ourselves continuing to work ...’¹⁹⁴

¹⁸⁹ Submission 34, p 5

¹⁹⁰ Submission 8, Southern Councils Group, pp 8-9

¹⁹¹ Submission 8, p 11

¹⁹² Submission 24, Narrabri Shire Council, p 2

¹⁹³ Department of State and Regional Development website, available at: <http://www.business.nsw.gov.au/industry/foodandbeverage/?PrintMode=1> (accessed 31 October 2007)

¹⁹⁴ Ms Brooks, Evidence, 29 August 2007, p 64

Committee comment

- 3.119** The Committee believes that value adding to agricultural products is a significant means of contributing to the local economy. Value adding can create additional income for industries and creates additional job opportunities.
- 3.120** The Committee did not hear any evidence regarding existing incentives for value adding during this Inquiry, however we rbaniz that some incentives may be in place, such as payroll tax adjustments. As such, we recommend that any existing incentives be reviewed to ensure they promote more secondary industries to value add to primary agricultural products in NSW, and that additional incentives be developed where possible. These incentives should aim to encourage processing in rural and regional areas.

Recommendation 11

That the NSW Department of State and Regional Development work with the NSW Department of Primary Industries to review existing and develop additional incentives for secondary industries, such as payroll tax concessions, with the aim of promoting more value adding to agricultural products in rural and regional areas

Harvesting of native species

- 3.121** Professor Mike Archer, Dean of Science, University of NSW, suggested in his submission to the Committee that the agricultural industry, and Australia as a whole, could benefit through the sustainable harvest of native animals and plants.¹⁹⁵
- 3.122** Professor Archer is of the opinion that graziers do not value native plant and animal species, and that this has led to some negative environmental consequences. Professor Archer gave the example of kangaroos:
- ... Australian graziers do not value kangaroos; most in fact regard them as pests that compete with their sheep and cattle for limited graze. Because they do not value kangaroos or any other native species, they do not value native vegetation/ecosystems that produce those natives. As a consequence there is a positive incentive to clear native vegetation to maximise income from introduced species, with resulting steady loss in biodiversity, declining resilience of the land and hence threats to the future of our [rural and regional] communities.¹⁹⁶
- 3.123** According to Professor Archer, if graziers received a percentage of the profit for the free-range kangaroos obtained from their land for the kangaroo-meat industry, they would value the native habitat that supports the kangaroos rather than want to clear it. This outcome would also benefit graziers economically:

¹⁹⁵ Submission 32, Professor Mike Archer, p 3

¹⁹⁶ Submission 32, p 3

Slightly modifying the base of the industry's structure could provide the same sustainable harvest for the industry while at the same time increasing the economic resilience of graziers through diversification of their income base.¹⁹⁷

- 3.124** In evidence to the Committee, Professor Archer listed a wide range of benefits from sustainable harvest of kangaroos, some of which include increased rural and regional economic resilience and sustainability, increased health of consumers (as kangaroo meat has high antioxidant levels and very little fat), economic benefits to the kangaroo industry (as the price per kilogram will rise with more demand), increased environmental health and resilience of the land (due to conserved biodiversity as well as reduced land degradation), and reduced water usage per hectare (as kangaroos require only one-third of the water that sheep require per kilogram of body weight).¹⁹⁸
- 3.125** In response to questioning from the Committee regarding research into the use of native species and vegetation and the particular proposals outlined by Professor Archer, Dr Martin from the Primary Industries Innovation Centre commented that there had been a 'strong interest in developing domestic native grass species for pasture' within his Centre, but the high cost of seed continued to limit further research.¹⁹⁹

Committee comment

- 3.126** The Committee agrees with the suggestion by Professor Archer that the sustainable harvest of native plant and animal species could be a viable and valuable addition to future agricultural production. The Committee notes with concern the importation of some native Australian products, such as eucalypt oil, and notes that there is potential for improved marketing and promotion of existing native species production in Australia, such as kangaroo meat and mallee as an alternative fuel source. While some research has already been conducted into sustainably using native species, the Committee recommends that further research should be undertaken to assess the feasibility of these industries. The Committee recognises that one of the most important issues is the availability and development of markets for native products.

Recommendation 12

That the NSW Department of Primary Industries, in conjunction with relevant industries, develop marketing and education campaigns for native products, particularly kangaroo meat.

Recommendation 13

That the NSW Department of Primary Industries undertake further research into the harvest of native plant and animal species, with a view to creating a sustainable addition to future agricultural production.

¹⁹⁷ Submission 32, p 3

¹⁹⁸ Submission 32, p 3

¹⁹⁹ Dr Martin, Evidence, 5 September 2007, p 22

Opportunities for farming – Carbon trading

- 3.127** Carbon trading, also referred to as emissions trading, is defined as the trading of certificates representing different ways in which carbon-related emissions reduction targets might be met. Market participants can buy or sell contractual commitments or certificates that represent specified amounts of carbon-related emissions that either:
- are allowed to be emitted;
 - comprise reductions in emissions (achieved through new technology, energy efficiency or renewable energy); or
 - comprise offsets against emissions, such as carbon sequestration (the capture of carbon in biomass).²⁰⁰
- 3.128** Carbon sequestration through forestry relies on the natural process of photosynthesis, which uses carbon dioxide from the atmosphere together with sunlight in a chemical reaction to produce oxygen and glucose. The carbon dioxide from the atmosphere used in photosynthesis is effectively captured in the structure of the tree.²⁰¹
- 3.129** Carbon sequestration is recognised as a natural process that reduces the amount of carbon dioxide existing in the atmosphere.
- 3.130** The significant potential for agriculture to reduce greenhouse gases and contribute to programs associated with climate change, such as carbon trading, was raised by DECC.²⁰² Carbon markets have the potential benefit of providing another potential income stream for farmers.²⁰³
- 3.131** The opportunity of carbon trading as a business for a farmer who has private native forestry, or for a landholder who only engages in private native forestry, was raised by Mr Thomas Grosskopf, Director, Vegetation and Biodiversity Management, DECC, in evidence to the Committee. Mr Grosskopf expressed the view that there is an opportunity for provisions relating to carbon trading to be built into future legislation for private native forestry, and that it is something that the DECC may consider over the next couple of years.²⁰⁴
- 3.132** In evidence to the Committee, Dr Nick Austin, Deputy Director General of Science and Research, DPI, acknowledged that while carbon markets or carbon farming are areas with a lot of potential, there are also a lot of significant risks such as uncertainty about how markets might operate and their long term viability. Dr Austin informed the Committee that the DPI is increasing research into carbon markets to gain a better understanding of how they might

²⁰⁰ Department of Primary Industries website, available at: http://www.forest.nsw.gov.au/env_services/carbon/trading/Default.asp (accessed 31 October 2007)

²⁰¹ Greenhouse Gas Reduction Scheme website, available at: <http://www.greenhousegas.nsw.gov.au/> (accessed 31 October 2007)

²⁰² Submission 18, p 3

²⁰³ Dr Sheldrake, Evidence, 29 August 2007, p 42

²⁰⁴ Mr Grosskopf, Evidence, 29 August 2007, p 48

operate, particularly including research into the long-term implications of carbon sequestration.²⁰⁵

- 3.133** Dr Austin noted that NSW does have a carbon market, which is the Greenhouse Gas Abatement Scheme (GGAS). The scheme, commenced on 1 January 2003, is one of the first mandatory greenhouse gas emissions trading schemes in the world, and the only one in Australia. GGAS aims to reduce greenhouse gas emissions associated with the production and use of electricity.²⁰⁶
- 3.134** GGAS establishes annual statewide greenhouse gas reduction targets, then requires individual electricity retailers and certain other parties who buy or sell electricity in NSW to meet mandatory benchmarks based on the size of their share of the electricity market. If the parties fail to meet their benchmarks, they receive a penalty. Compliance is regulated and monitored by the Independent Pricing and Regulatory Tribunal of NSW (IPART).
- 3.135** Through the GGAS there is opportunity for landholders to create abatement certificates for sequestering carbon. Dr Austin praised the NSW scheme in evidence to the Committee, and suggested that the experience and positives from the scheme could be applied across the rest of Australia.²⁰⁷
- 3.136** On 10 December 2006, the Prime Minister announced the establishment of a joint government-business Task Group on Emissions Trading. The Task Group reported on 31 May 2007, with one of the key proposals being a national carbon market, to commence in 2011 or 2012.
- 3.137** A separate issue relating to carbon sequestration was raised at the Committee's public forum in Cootamundra by Ms Rhonda Daly, Proprietor, YLAD Living Soils. Ms Daly suggested that sequestering carbon in soil – one of the biggest landmasses in Australia – should also be considered, as Australian Governments currently only recognise trees as having any impact on sequestering carbon.²⁰⁸
- 3.138** Ms Daly cited Ms Mandy Stevenson from the Southern Rivers Catchment Management Authority in quoting 'over the past 200 years it is estimated that we have lost 50 to 80 per cent of soil carbon'. According to Ms Daly, this trend must be reversed if agriculture is to become sustainable, stating that the lack of carbon in our soils is impeding the ability for the soil to hold nutrients and water.²⁰⁹
- 3.139** Opinions differ on the viability of soil carbon sequestration. Mr Bruce Gardiner, Farm Business Management Consultant from the Rural Block, was of the opinion that agriculturally productive soils are inefficient at sequestering carbon. Mr Gardiner stated in evidence to the Committee:

²⁰⁵ Dr Nick Austin, Deputy Director General, Science and Research, Department of Primary Industries, Evidence, 29 August 2007, p 71

²⁰⁶ Greenhouse Gas Reduction Scheme website, available at: <http://www.greenhousegas.nsw.gov.au/> (accessed 31 October 2007)

²⁰⁷ Dr Austin, Evidence, 29 August 2007, p 70

²⁰⁸ Ms Daly, Evidence, 13 September 2007, p 2

²⁰⁹ Ms Daly, Evidence, 13 September 2007, p 2

Research ... is showing that once soil temperatures get above about 27 degrees centigrade they will not store carbon anyway. That is to do with straight temperature. The more oxygen your soils have, the less carbon they will sequester, and the more nitrogen your soils have the less carbon they will sequester. So if you are looking at better aerated, fertile soils – which is what you probably want for agriculture – then those are the things that do not sequester carbon very well at all.²¹⁰

- 3.140** Recent research findings at NSW DPI Wollongbar Agricultural Institute have been trialling ‘agrichar’ – a black carbon byproduct of a process called pyrolysis, which involves heating green waste or other biomass without oxygen to generate renewable energy.²¹¹ Agrichar can be used to enhance soil fertility and store carbon for many years longer than carbon applied as compost, mulch or crop residue. The agrichar used in the research trials resulted in double, and in one case even triple, crop growth. Unfortunately the Committee did not hear any evidence on agrichar during this Inquiry.

Committee comment

- 3.141** The Committee acknowledges that carbon trading represents an opportunity for agriculture. We note the economic potential of the new industry for farmers, and also acknowledge that there are still significant unknown risks involved.
- 3.142** We commend the NSW Greenhouse Gas Abatement Scheme as a positive initiative to reduce greenhouse gases, however note that the NSW Scheme will be replaced by the new National Carbon Trading scheme.

Opportunities for farming – GM crops

- 3.143** The production of GM crops, and more particularly GM Canola, is a contentious issue that was raised during the Inquiry, with the Committee hearing strong arguments both for and against the production of the crop within NSW and Australia.
- 3.144** The arguments against GM Canola largely relate to the unknown risks involved, particularly the risk that it may produce substances in the plants that are harmful to humans and animals. Some countries will not buy GM Canola for this reason.
- 3.145** The Network of Concerned Farmers echoed this view in its submission, stating that non-GM Canola is a valued product and therefore Australia should retain its non-GM status to hold a competitive advantage over GM Canola producing countries:

It is essential therefore, that Australia has a commodity which is keenly sought, and which our competitors can no longer supply. Our current non-GM status with regard to canola permits Australia to maintain its small share of world's market (13%). Not one canola buying country in the world has expressed a preference for GM canola, either as meal, oil or seed, nor are there any records of premiums for GM canola.²¹²

²¹⁰ Mr Gardiner, Evidence, 5 September 2007, p 29

²¹¹ Department of Primary Industries website, available at: <http://www.dpi.nsw.gov.au/research/updates/issues/may-2007/soils-offer-new-hope> (accessed 31 October 2007)

²¹² Submission 37, Network of Concerned Farmers, p 4

- 3.146** In their submission to this Inquiry, the NSW Farmers Association stated their support for the removal of the moratorium on GM crops, citing a number of potential benefits arising from GM technology:

GM technology offers substantial potential with respect to either production or consumption benefits. Production benefits may involve yield increases or reductions in input costs such as pesticide, water use, tillage and urbanization. Consumption benefits may include increased nutritional value, health benefits or lifestyle improvements (e.g. longer shelf life). Further, environmental benefits can be obtained through a reduction in chemical usage for example.²¹³

Committee comment

- 3.147** The Committee notes that the NSW Government has established an independent review to examine the impact of the moratorium on commercial production of GM food crops, which is due to expire in March 2008. The review is still underway.
- 3.148** We note the arguments for and against GM Canola, however we believe that the GM review Committee is best placed to make any decisions regarding GM crops. The Committee therefore await the results of that review.

Opportunities for farming – Biofuels

- 3.149** The future potential of biofuels was also raised during the Inquiry. Biofuels are fuels made from renewable biological feedstocks, and ‘have been embraced for their potential to cut greenhouse emissions and protect energy security, while delivering cheaper petrol in an era of soaring oil prices’.²¹⁴ Biofuels are generally blended with petroleum, with the most common biofuels currently being biodiesel and ethanol.²¹⁵ Ethanol is made from crops such as corn, sugar and grain.
- 3.150** At the Committee’s public forum in Narrabri, Mr Daryl Young, Manager, Australian Crop Technologies, advised the Committee of an initiative being developed by his company to enable farmers to produce their own biodiesel. The proposal, partly funded by the Rural Industries Research Development Corporation (RIRDC), aims for farmers to grow their own mustards or feedstocks, then convert them to biodiesel using existing facilities within the community:

You do not need a [biodiesel] plant ... In Narrabri Shire, for example, we have a crushing facility that crushes over a million tonnes of cotton seed a year. With a reduction in cotton, Cargill will be looking to facilitate a shortfall in product to crush, so that automatically presents an opportunity to keep viability and jobs in the area by introducing another crop. In respect of the biodiesel function of taking that oil and turning it into biodiesel, you have the ability to lease or hire equipment to do that

²¹³ Submission 25, p 17

²¹⁴ ‘Energy boost may come a cropper’, *Sydney Morning Herald*, 20 October 2007

²¹⁵ Department of State and Regional Development website, available at: <http://www.business.nsw.gov.au/region/biofuels> (accessed 31 October 2007)

process on a cents per litre basis. You can start off using current utilities, and work your way through to developing specialised models to work with.²¹⁶

- 3.151** On 1 October 2007, the NSW Government put in place legislation to mandate a minimum level of ethanol content in petrol. Primary petrol wholesalers are now required to ensure that two per cent of the total volume of petrol sold in NSW is ethanol, with a plan to take it up to 10 per cent in 2011.²¹⁷
- 3.152** Although the fuel is ‘cheaper, cleaner and greener’,²¹⁸ some groups are opposed to its effect on the market. A recent media report highlighted the ‘food vs fuel’ debate that has arisen as a result of the new biofuels competition with the food market for crops, particularly in light of the shortage in crops as a result of the drought.²¹⁹
- 3.153** Further, the Federal Government is subsidising the biofuels industry to encourage ethanol production. Many Australian grain buyers have opposed this subsidy, arguing that it will force crop prices up even further.²²⁰
- 3.154** In evidence to the Committee, Mr Peter Bartter, Joint Managing Director, Bartter Enterprises, reinforced this view, stating that ethanol subsidies will create an unequal market advantage. Mr Bartter argued that ‘(g)overnments should not be allowed to subsidise people in that [biofuels] industry. If they want to subsidise those guys they should be subsidising chicken farmers as well. We need a lot of grain too’.²²¹
- 3.155** An alternative to ethanol is second generation fuels, made from crops that can be grown on marginal land such as eucalypts, grasses and urbanized artichokes, or existing crop waste materials such as corn cobs, wheat straw and timber thinnings. The advantage of second generation biofuels are that they do not compete with food crops, cost less, are easier to obtain, and have greater potential to reduce greenhouse gases.²²²
- 3.156** According to the media report, the Commonwealth Government is spending \$15 million on the development of second generation biofuels. However, it will be at least five to 10 years before they become commercially viable.²²³

Committee comment

- 3.157** The Committee supports the use of biofuels as a cheaper, environmentally friendly alternative to oil. We note the concerns raised in the ‘food vs fuel’ debate, and believe that both sides

²¹⁶ Mr Daryl Young, Evidence, public forum, 6 September 2007, p 16

²¹⁷ Department of State and Regional Development website, available at: http://www.business.nsw.gov.au/region/biofuels/biofuel_faq.htm (accessed 31 October 2007)

²¹⁸ Department of State and Regional Development website (accessed 31 October 2007)

²¹⁹ ‘Energy boost may come a cropper’, *Sydney Morning Herald*, 20 October 2007

²²⁰ ‘Energy boost may come a cropper’, *Sydney Morning Herald*, 20 October 2007

²²¹ Mr Peter Bartter, Chairman, Bartter Enterprises, Evidence, 12 September 2007, p 16

²²² ‘Energy boost may come a cropper’, *Sydney Morning Herald*, 20 October 2007

²²³ ‘Energy boost may come a cropper’, *Sydney Morning Herald*, 20 October 2007

have a valid argument. The Committee is of the opinion that until second generation fuels become commercially viable, there will be no quick or easy solution to the problem.

Chapter 4 Agriculture and society

The current drought has hit hard in many areas, making existing social infrastructure problems in the country even worse. Strong rural and regional communities are needed to support the agriculture industry, and a strong agricultural industry leads to strong communities. In this chapter the Committee examines this interaction and identifies some of the major obstacles to maintaining healthy and growing communities, as well as initiatives to address those obstacles. Agriculture is not only important for rural and regional communities, it is important for the whole state. The Committee also examines ways to build the profile of agriculture in NSW and raise awareness of the importance of agriculture among urban communities.

Impacts of drought

- 4.1** One of the key concerns identified by Inquiry participants involves the financial and social impact of the drought. Due to the length and severity of the current drought and the impact it has had on crops and livestock, farmers are facing serious financial pressures and associated social stress, which are impediments to sustaining productive capacity and growth.
- 4.2** A 2004 study by Charles Sturt University for the then NSW Department of Agriculture, *Social Impacts of Drought*, found a number of significant social impacts occurring as a result of the drought. Some of these include serious erosion of income for farms and small businesses, increased rural poverty, increased workloads (both on-farm and off), health (including mental health) and welfare issues, and declining educational access.²²⁴
- 4.3** The financial impact of the drought has been brought to the attention of Australians over the past year in media reports.²²⁵ The situation for many farmers has recently deteriorated even more with much of this year's winter crop lost due to ongoing dry conditions.²²⁶ Based on positive forecasts and early rains, many hopeful farmers borrowed heavily to invest additional money into crops, however good rain has not fallen.²²⁷
- 4.4** In evidence to the Committee, Mr Bruce Gardiner, Farm Business Management Consultant from the Rural Block (a not-for-profit political lobby organisation for agriculture), expressed the view that the level of debt in agriculture is nearing a terminal point:

²²⁴ Alston, M and Kent, J, *Social Impacts of Drought – A Report to NSW Agriculture*, Centre for Rural Social Research, Charles Sturt University, February 2004, p xiii

²²⁵ For example, 'Drought puts farmers in debt for the long term', *ABC News*, 14 September 2007, available at: <http://www.abc.net.au/news/stories/2007/09/14/2032605.htm> (accessed 25 October 2007); "Outback depression 'nears crisis'", *ABC News*, 17 May 2007, available at: <http://www.abc.net.au/news/stories/2007/05/17/1925780.htm> (accessed 25 October 2007); 'Big dry cuts winter crops by third', *The Australian*, 19 September 2007, available at: <http://www.theaustralian.news.com.au/story/0,25197,22442354-27652,00.html> (accessed 25 October 2007)

²²⁶ Farmers Info news, *Dry Spring Raises Prices*, available at: <http://www.farmersinfo.com.au/pages/news/newsdisplay.php?article=7100197> (accessed 25 October 2007)

²²⁷ 'Heavy farm borrowers in trouble', *ABC News*, 8 September 2007, available at: <http://www.abc.net.au/rural/breakfast/stories/s2027112.htm> (accessed 25 October 2007)

At the moment debt is about 1.7 times the gross value of production. Most of the research associated with benchmarking indicates that once debt to total income gets to about two in agriculture, that is terminal. We have gone from a situation 20 years ago where debt was about 0.4 of total income to a stage now where it is 1.7 and that debt is increasing very dramatically.²²⁸

4.5 Farmers are facing increased pressure as a result of their financial situation. The Ricegrowers' Association of Australia submission to this Inquiry stated that there are pressures for farmers to sell part of their water entitlements, which will not only have ramifications for drought recovery but will also impede the future profitability of farm businesses.²²⁹ This is a particular concern as drought recovery is expected to take several years.

4.6 The New England North West Regional Development Board commented that the loss of income due to the drought has not only affected the ability of farmers and graziers to meet day to day business debts, but has also affected their ability to pay personal expenses such as 'children's education, clothing and basic commodities such as electricity and food'.²³⁰

4.7 Mrs Gay Commens, representative of the Country Women's Association, reinforced these comments when giving evidence to the Committee on the financial impact of the drought in farms and towns, in the context of support the Country Women's Association is providing:

It is not just the farming community; it is also the townspeople ... we are sending a lot of money now to people in West Wyalong to pay their electricity and phone bills or so that they can buy a pair of shoes for a child to go to school – things like that for which they just do not have the funds.²³¹

4.8 The decline in personal incomes has led to a decline in rural communities as a whole. This was outlined in the Regional Communities Consultative Council's submission which noted that due to financial pressures farmers are no longer spending money, which is leading to businesses being forced to relocate or shut down, a drop in services, and overall decline in communities.²³²

4.9 The negative ramification of business closures on rural communities was also highlighted by Mr Stephen Low, Vice President, Local Government and Shires Associations, in evidence to the Committee:

... we talk about losing workers or services in the bush. When we do that we usually lose something else. If a business closes in the drought because it is not getting enough from agriculture and the one qualified tradesman leaves, there can be no apprentice. It is very hard to start that business up again ... As one goes, people move and on it goes.²³³

²²⁸ Mr Gardiner, 5 September 2007, p 27

²²⁹ Submission 34, Ricegrowers' Association of Australia, p 9

²³⁰ Submission 33, New England North West Regional Development Board, p 2

²³¹ Mrs Gail Commens, Representative, Country Women's Association, Evidence, 13 September 2007, p 28

²³² Submission 12, Regional Communities Consultative Council, p 2

²³³ Mr Stephen Low, Vice President, Local Government and Shires Associations, Evidence, 29 August 2007, p 19

- 4.10** Another issue raised by Inquiry participants was the impact of the drought on saleyards. In NSW there are currently 65 active saleyards that sell on average between 8.5 to 9 million sheep, and around 2 to 2.5 million cattle each year, generating a huge financial turnover.²³⁴ However, the drought has had a severe impact on livestock numbers, and the negative impact of this on saleyards was highlighted by Councillor Paul Braybrooks, Mayor of Cootamundra Shire Council:

The drought has also played a major part in the decline in the sheep and cattle numbers in our district. These, in turn, are reflected in the numbers being sold through our own saleyards...The number of sheep and cattle being sold through Cootamundra saleyards has almost halved between the years 2001 and 2007 ...²³⁵

- 4.11** Mr Ron Penny, CEO, Saleyard Operators of Australia, told the Committee that he expects saleyard selling numbers to continue dropping by half over the next few years. This will force many local yards to close, while regional yards will gain.²³⁶ This will also result in increased costs for farmers who will have to travel to major selling centres to sell their stock. Mr Penny further outlined the negative impact closures will have in towns that depend on saleyards:

There are many in the rural communities who rely on the saleyards, for example livestock agents, transport operators, fuel suppliers, rural merchandise outlets to name a few, and of course those business that in turn they deal with. This drought will have a downward ripple effect on the communities should we continue down the present path and those towns who lose a saleyard will need real, tangible support.²³⁷

- 4.12** The issue of saleyard rationalisation is also connected to the bigger issue of centralisation, which effects the selling of both livestock and crops. Mr Shane Godbee, General Manager, Cootamundra Shire Council, discussed this in evidence to the Committee, noting that centralisation is severely impacting on smaller producers and forcing them either to leave the industry or amalgamate with bigger producers, thereby 'concentrating market power into very few hands'.²³⁸

Drought assistance

- 4.13** Both State and Commonwealth Governments have a number of initiatives in place to provide support to rural and regional communities in NSW during the drought.

Drought Support Workers and Rural Financial Counsellors

- 4.14** The NSW Department of Primary Industries' Drought Support Worker program provides immediate personal support, basic information and referral to other appropriate services for

²³⁴ Submission 45, Mr Ron Penny, Saleyard Operators Australia, p 1

²³⁵ Cllr Paul Braybrooks, Mayor, Cootamundra Shire Council, Evidence, 13 September 2007, p 3

²³⁶ Submission 45, Saleyard Operators Australia, p 1

²³⁷ Submission 45, p 2

²³⁸ Mr Shane Godbee, General Manager, Cootamundra Shire Council, Evidence, 13 September 2007, p 6

members of the rural and regional communities affected by the drought. The Drought Support Worker program originally commenced in 1994. It ceased to operate when the 1994-95 drought ended, and was recommenced soon after the beginning of the current drought. Drought Support Workers play a key role in making people aware of assistance for which they may be eligible.²³⁹

4.15 In evidence to the Committee, Mr Scott Davenport, Director, Industry Analysis, DPI, said that Drought Support Workers have coordinated more than 800 'Farm Family Gatherings' since 2002.²⁴⁰ These gatherings help farming families to come together, share experiences and get important information about drought support.

4.16 Another key initiative is the Rural Financial Counsellor Service (RFCS), jointly funded by the Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF) and participating State Governments. Rural Financial Counsellors provide free and impartial support and referral information to primary producers, fishers and small rural businesses who are suffering financial hardship. They help clients to manage the challenges of industry change and adjustment, and improve financial self-reliance.²⁴¹

4.17 Both programs were highly commended by a number of witnesses in evidence to the Inquiry.²⁴² At the Committee's public forum in Narrabri, Mr Graeme McNair, a local farmer, paid tribute to the effectiveness of the RFCS:

Rural counsellors have been a roaring success; there is no doubt about that...The Rural Counselling Service has been an absolute necessity in our area. The quality of the rural counsellors has been absolutely spot-on. We can only praise them immensely.²⁴³

4.18 The effectiveness of Drought Support Workers was praised by Mr Jock Laurie, Chair of the Rural Alliance, who also discussed the threat of uncertainty regarding the future of these workers:

... the Drought Support Workers...have been an absolutely critical component. We are now getting calls on a regular basis that there is fear around New South Wales that the Drought Support Workers will be removed soon ... The role that they play cannot be underestimated. It is absolutely amazing at the moment.²⁴⁴

²³⁹ Department of Primary Industries website, available at: <http://www.dpi.nsw.gov.au/agriculture/emergency/drought/assistance/support/support-workers> (accessed 25 October 2007)

²⁴⁰ Mr Scott Davenport, Director, Industry Analysis, Department of Primary Industries, Evidence, 29 August 2007, p 69

²⁴¹ Commonwealth Department of Agriculture, Fisheries and Forestry website, available at: <http://www.daff.gov.au/agriculture-food/drought/assistance/rfcs> (accessed 31 October 2007)

²⁴² Mr Laurie, Evidence, 29 August 2007, p 16; Cllr Braybrooks, Evidence, 13 September 2007, p 7; Mrs Commens, Evidence, 13 September 2007, p 32; Mr Davenport, Evidence, 29 August 2007, p 69; Mr McNair, Evidence, 6 September 2007, p 11

²⁴³ Mr McNair, Evidence, public forum, 6 September 2007, p 11

²⁴⁴ Mr Laurie, Evidence, 29 August 2007, p 16

- 4.19** The role of Drought Support Workers was also commended by Councillor Paul Braybrooks, Mayor of Cootamundra Shire Council, who felt that the service they are providing is stretched: ‘They are providing an excellent service – there are no two ways about that – and a much-needed one ... They are meeting a need, but only just’.²⁴⁵
- 4.20** In addition to the stretched resources of Drought Support Workers and Rural Financial Counsellors, there has also been a reduction in other frontline workers in the agricultural industry. This was observed by Mr Laurie in evidence to the Committee who stated that ‘[o]ver the past 10 or 15 years there has undoubtedly been a reduction in frontline departmental services, such as agronomists and beef and sheep officers’.²⁴⁶
- 4.21** The Federal Government has recently announced additional funding for the RFCS,²⁴⁷ however the NSW Government’s funding contribution to the service is due to expire at the end of the year. Likewise, NSW Government funding for the Drought Support Worker program is also due to expire at the end of the year. While recent media reports have speculated that the NSW Government may not continue its funding,²⁴⁸ no such decision has been confirmed by the DPI, which regularly reviews both programs prior to their funding expiring in order to determine whether further funding is warranted.²⁴⁹
- 4.22** While many Inquiry participants called for the NSW Government to ensure it continues funding for these programs throughout the length of the current drought, several participants also believed that the role of Drought Support Workers should continue post-drought.²⁵⁰ The participants felt that Drought Support Workers play a critical role that goes beyond just drought support, to provide much-needed general support to farming communities.
- 4.23** For example, this view was expressed by Professor Brian Kelly, Director, Centre for Rural and Remote Health, in evidence to the Committee. Professor Kelly provided an example of some areas that have changed the name of Drought Support Workers for that very reason:

There is great concern that, while being called Drought Support Workers, there is a belief that they will no longer be needed when the drought is over and there is rain. Although I am not an expert in farming, I understand that recovery from drought is likely to take many, many years ... In some areas they have decided to change the terms and not call them drought workers but farm link workers. We have a major

²⁴⁵ Cllr Braybrooks, Evidence, 13 September 2007, p 7

²⁴⁶ Mr Laurie, Evidence, 29 August 2007, p 17

²⁴⁷ Hon John Howard MP, ‘Australian Government Strengthens Drought Support’, *Media Release*, 25 September 2007

²⁴⁸ For example, ‘State-federal row sees rural financial counselling service facing uncertainty’, *ABC News*, 3 October 2007, available at: <http://www.abc.net.au/news/stories/2007/10/03/2049579.htm> (accessed 25 October 2007); ‘MP seeks ongoing funding for drought support workers’, *ABC News*, 6 September 2007, available at: <http://www.abc.net.au/news/stories/2007/09/06/2025634.htm> (accessed 25 October 2007)

²⁴⁹ Hon Ian Macdonald MLC, Minister for Primary Industries, Evidence, *Budget Estimates 2006-2007*, 19 October 2007, p 4

²⁵⁰ Professor Brian Kelly, Centre for Rural and Remote Mental Health, Evidence, 29 September 2007, p 28; Associate Professor Lyn Fragar, Director, Centre for Agricultural Health and Safety, Evidence, 5 September 2007, p 16; Mrs Commens, Evidence, 13 September 2007, p 33

farm link project that identifies that the needs for continuing support of our farming sector go beyond drought entirely.²⁵¹

- 4.24 This view was echoed by Mrs Gay Commens, a representative from the Country Women's Association, who stated that even 'if it rains tomorrow it will still take years to catch up. So they will still need somebody to support those farmers along the way'.²⁵²

Committee comment

- 4.25 The Committee has seen first hand the devastating impact of the drought on NSW communities during its regional site visits as part of this Inquiry. Rural communities are doing it tough, and they need support.
- 4.26 The Committee notes the shortage in frontline workers who provide drought support and financial and agronomy advice. We commend the excellent work being done by Drought Support Workers and Rural Financial Counsellors, who have clearly filled a much-needed support role in rural communities. We also note with concern the uncertainty surrounding future funding for these programs. It is clear from the range of evidence received during the Inquiry that the workers from both programs have been invaluable to rural and remote communities, and that their services will still be needed once the drought has lifted to assist farmers throughout the drought recovery period (expected to take several years). The Committee believes that funding for both programs should be maintained throughout the current drought, and even extended beyond the lifting of the drought.
- 4.27 The Committee recognises that Drought Support Workers provide much more to the community than just drought support. We therefore recommend that the current Drought Support Worker role be enhanced to provide permanent general rural community support, and the name be changed to 'Rural Community Development Worker'. This will encompass more accurately the role of these workers and facilitate support to rural communities at all times, rather than just in times of drought. Such a role recognises the special challenges that face rural communities in building and maintaining community networks.

Recommendation 14

That the NSW Government provide funding to develop and enhance the role of Drought Support Workers to enable them to provide long-term community support. The strengths of the Drought Support Worker program should be built upon to create a permanent Rural Community Development Worker program, to provide support to rural communities at all times.

- 4.28 With regard to the RFCS, the Committee welcomes the additional funding recently announced by the Commonwealth Government, and urges the NSW DPI to ensure it continues funding for the same period as the Commonwealth. We also believe that the service could be

²⁵¹ Professor Kelly, Evidence, 29 September 2007, p 33

²⁵² Mrs Commens, Evidence, 13 September 2007, p 32

enhanced and tailored to provide long-term financial planning advice in conjunction with agronomy advice, to better assist farmers to maintain viability.

Recommendation 15

That the NSW Department of Primary Industries continue to endorse the Rural Financial Counselling Service by ensuring that its funding contribution to the Service matches the period for which the Commonwealth Government provides the service; and that it look to enhancing the service through the provision of long term financial planning advice in conjunction with agronomy advice to better assist farmers to ensure their viability.

Exceptional circumstances assistance

- 4.29** The Commonwealth Government provides financial assistance to farmers living in ‘exceptional circumstances’ (EC) affected areas who are having difficulty meeting family and personal living expenses. EC assistance is provided directly to farmers in regions that are experiencing a severe downturn due to a rare and severe climatic or other event. The rationale for providing EC support is to ensure that farmers with long-term prospects for viability will not be forced to leave the land due to short-term adverse events that are beyond their ability to manage.²⁵³
- 4.30** To receive EC assistance, an area or region must first become EC ‘declared’. This is done through State or Territory Governments lodging an application for EC assistance with the Australian Government Minister for Agriculture, Fisheries and Forestry. If a preliminary assessment of the application shows that a *prima facie* case exists, it is referred to the National Rural Advisory Council – an independent panel of farmers, agribusiness and industry experts – to determine whether the applying region should be EC declared.²⁵⁴
- 4.31** Once an area in NSW has been given an EC declaration, eligible farmers can receive personal income support in the form of EC Relief Payments through Centrelink. Alternatively, eligible farmers can receive business support through EC Interest Rate Subsidies on new or existing loans via the NSW Rural Assistance Authority.²⁵⁵
- 4.32** The period of time for which an area is EC declared varies for each case. All EC declared areas are reviewed by the National Rural Advisory Council before their expiry date to assess whether an extension is warranted.
- 4.33** At the Committee’s public forum in Leeton, Mr John Chant, a former manager with Murrumbidgee Irrigation Limited and a concerned resident of Leeton, stated that relief

²⁵³ Commonwealth Department of Agriculture, Fisheries and Forestry, *Exceptional Circumstances handbook*, July 2007, p 3

²⁵⁴ Commonwealth Department of Agriculture, Fisheries and Forestry website, available at: <http://www.daff.gov.au/agriculture-food/drought/ec/faqs> (accessed 25 October 2007)

²⁵⁵ Commonwealth Department of Agriculture, Fisheries and Forestry website, (accessed 25 October 2007)

packages such as EC assistance tend to ‘cut out a bit early or they do not start soon enough’.²⁵⁶ Mr Chant was of the opinion that the timeframe for drought assistance measures such as EC should be extended, to prevent communities from ‘crashing down around people who are in trouble’ and prevent towns becoming ‘vacant lots up the main street’.²⁵⁷

- 4.34** The current system of EC declaration periods was also criticised by Mr Jock Laurie, President of the NSW Farmers Association, in evidence to the Committee. Mr Laurie stated that ‘the fear of not knowing’ whether EC declarations will be rolled over, and whether other drought assistance measures will continue while still in the midst of a drought is ‘really frustrating’.²⁵⁸
- 4.35** On 17 September 2007 the Commonwealth Government announced an additional \$430 million in drought assistance, which includes extending the 38 areas of agricultural production currently receiving EC declarations that were due to expire in March 2008 until September 2008.²⁵⁹
- 4.36** On 25 September 2007 the Prime Minister announced a further \$714 million extension to drought assistance to make it easier for farmers and small businesses to access EC assistance, as well as providing direct grants to irrigators and help with social pressures facing farming families across rural and regional Australia. The extension includes exit grants of up to \$150,000 for farmers who choose to leave the land, and another \$20,000 for re-training and the cost of moving.²⁶⁰
- 4.37** The new measures have increased the welfare thresholds for EC assistance, raising the off-farm exemption from \$10,000 to \$20,000, and the off-farm assets limit from \$473,000 to \$750,000. While welcomed by many in the rural sector, this latest expansion has not been universally praised, with some critics arguing that the increased welfare threshold is unfair on pensioners and part-time students.²⁶¹
- 4.38** The measures have also extended the eligibility of small businesses to access EC assistance. It is now available to all small businesses in towns of up to 10,000 population that have a significant reliance on farmers for their income, and that have suffered a downturn.²⁶²
- 4.39** The latest announcement includes greater access to Professional Advice and Planning Grants, which provide eligible farmers with access of up to \$5,000 worth of professional advice and

²⁵⁶ Mr Chant, Evidence, public forum, 12 September 2007, p 6

²⁵⁷ Mr Chant, Evidence, public forum, p 6

²⁵⁸ Mr Laurie, Evidence, p 15

²⁵⁹ Hon Peter McGauran MP, ‘\$430 million in additional drought assistance’, *Media Release*, 17 September 2007

²⁶⁰ Hon John Howard MP, ‘Australian Government Strengthens Drought Support’, *Media Release*, 25 September 2007

²⁶¹ One such critic is Australian National University academic Linda Botterill, who said that the increased welfare threshold for farmers means that they can now earn 13 times more than other Australians before their welfare payments began to be affected. ‘Higher dole for farmers defended’, *Sydney Morning Herald*, 29 September 2007

²⁶² Hon John Howard MP, ‘Australian Government Strengthens Drought Support’, *Media Release*, 25 September 2007

planning assistance. The grant may be used by farmers to obtain a viability assessment if required. The grant also enables farmers to develop a business or drought management plan which incorporates strategies to assist the farming enterprise to recover from the drought.²⁶³

- 4.40** Some people argue that drought relief measures such as EC assistance are distorting the market by propping up unviable farms.²⁶⁴ For example, ANZ's chief economist, Mr Saul Eslake, suggested that drought assistance may be unfairly supporting farmers who make poor investment decisions:

It may be just throwing good money after bad and making it worse for the people and for the community as a whole ... Why should farmers who make a poor investment decision be compensated by taxpayers when people who have lost money on a bunch of internet stocks are not?²⁶⁵

- 4.41** This position was supported by Mr Richard Busby at the Committee's public forum in Narrabri, who commented on the potential for unfairness with drought relief assistance:

The farmer who judges his circumstances accurately and who does not require financial assistance cannot compete against a farmer who takes huge risks by paying too much money for land and machinery and then cropping marginal country and overstocking his property. The bigger the mess a farmer can put himself in, the more money he will get from the Government ... Many people are on financial support mechanisms because they were not viable in the first place.²⁶⁶

- 4.42** In response to questioning from the Committee, Ms Deb Kerr, Policy Manager, Ricegrowers' Association of Australia Inc., acknowledged that where farmers might have been unviable pre-drought then drought assistance could be delaying the structural adjustment of the industry. However Ms Kerr stated that where a business would have been viable pre-drought 'there is every cause to continue assistance to make sure that the businesses are there post-drought ...'²⁶⁷

- 4.43** This view was echoed by Mr Andrew Forrest, a participant in the Committee's Cootamundra public forum, who gave an example of efficient and competent farmers at Weethalle who have nonetheless been unable to escape the impact of the drought:

The farmers at Weethalle have done everything right; they are very good farmers. However, they have had five years of things happening to them over which they have had no control. That has crucified them ... They do not want the debt and handouts

²⁶³ Commonwealth Department of Agriculture, Fisheries and Forestry website, available at: <http://www.daff.gov.au/agriculture-food/drought/assistance/advice> (accessed 25 October 2007)

²⁶⁴ For example, 'Growing irrational', *The Australian*, 26 September 2007; 'Time to walk away', *Sydney Morning Herald*, 29 September 2007; 'Relief package 'makes droughts worse'', *ABC news*, 17 October 2006, available at: <http://www.abc.net.au/news/newsitems/200610/s1766495.htm> (accessed 25 October 2007)

²⁶⁵ 'Time to walk away', *Sydney Morning Herald*, 29 September 2007

²⁶⁶ Mr Richard Busby, Evidence, public forum, 6 September 2007, pp 7-8

²⁶⁷ Ms Deborah Kerr, Policy Manager, Ricegrowers Association of Australia Inc., Evidence, 12 September 2007, p 22

from Government. This [EC] is one of the few things that they look to [in order to] help them stay on the farm.

The majority of farmers are very good farmers who are working at the pointy edge of technology and everything and they need a bit of assistance at the moment to keep them on their farms for just that little bit longer.²⁶⁸

- 4.44** EC applications are assessed on a number of criteria, including average income levels on farms, impacts on crop yields and stock returns compared with historical trends, average debt levels and other financial information. Farm viability is not part of the EC assessment criteria.²⁶⁹
- 4.45** Another concern that has been raised is that in some instances the process for assessment of EC is too slow. In evidence to the Committee, Mr Ian Hay, the National President of Cherry Growers Australia, gave a personal example of inefficiencies at the State level when he had applied for EC, stating that the Rural Assistance Authority had been ‘between three and four months behind in their assessment of applications.’ Mr Hay stated that this delay had caused problems with his bank because he had fallen behind on interest payments. Mr Hay added however that the waiting time has since improved and is now down to five days.²⁷⁰

Committee comment

- 4.46** The Committee commends the Federal Government’s decision to extend EC, and welcomes the additional funding it is providing for additional drought assistance measures. We acknowledge the concern regarding the period of time for which EC assistance is available and believe that it should be made available for longer periods. We particularly believe that it should be available throughout the entire post-drought recovery period. The Committee therefore recommends that EC declarations be extended for a sufficient time after the drought has lifted, to assist farmers to recover and implement long-term strategies to ensure future viability.

Recommendation 16

That the NSW Government undertake a leadership role at a national level to persuade the Commonwealth Government to extend Exceptional Circumstances declarations for a sufficient time after the lifting of drought to allow farmers to recover and implement appropriate long-term strategies to ensure viability.

- 4.47** The Committee acknowledges the argument that a negative consequence of EC assistance may be to prolong unviable farms. However the Committee is of the opinion that the majority of farmers do practice good farm management, and have suffered unduly through no fault of their own as a result of the current drought. Nonetheless, we suggest that the NSW Government inform the Commonwealth Government of the issues raised during this Inquiry

²⁶⁸ Mr Andrew Forrest, Evidence, public forum, 13 September 2007, p 15

²⁶⁹ Commonwealth Department of Agriculture, Fisheries and Forestry, *Exceptional Circumstances handbook*, July 2007, pp 10-11

²⁷⁰ Mr Ian Hay, National President, Cherry Growers of Australia, Evidence, 13 September 2007, p 12

relating to possible unintended consequences of EC funding, so that the Commonwealth may consider them in any future reviews of EC policy.

Recommendation 17

That the NSW Government inform the Commonwealth Government of issues arising during this Inquiry relating to possible unintended consequences of Exceptional Circumstances funding, to assist in any future revisions of Exceptional Circumstances policy.

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- 4.48** The Committee notes with concern the potential problems surrounding delays in assessing EC applications, and believes it is essential for all future applications to be processed in a timely manner. We recommend that the NSW Government establish benchmarks or key performance indicators for the NSW Rural Assistance Authority to comply with, and to report against in its Annual Report.

Recommendation 18

That the NSW Government establish benchmark or key performance indicator timeframes for the NSW Rural Assistance Authority to comply with when processing applications for interest rate subsidies and other drought assistance. These benchmarks should be reported against in the Annual Report.

Other assistance

- 4.49** There are a number of other assistance measures provided by Governments that are available to NSW farmers. One of these is the Commonwealth Government's Farm Management Deposits Scheme, which is a risk management tool to help farmers deal with the uneven income that results from climate and market changes. Under the Scheme farmers can deposit money in a farm management deposit, which will not be counted as taxable income in the year that it was deposited. The deposit is only subject to tax when the money is withdrawn.²⁷¹
- 4.50** Other measures to help reduce costs to primary producers during the drought include the NSW Government's 50% rebate on transport costs for movements of water for domestic use, water and fodder for stock, stock to and from agistment, and stock to sale/slaughter.²⁷²
- 4.51** In addition to Government assistance programs, there are also community-based drought assistance programs that provide financial assistance. These are run through the Salvation Army, Country Women's Association and St. Vincent De Paul Society Centres.²⁷³

²⁷¹ Australian Tax Office website, available at: <http://www.ato.gov.au/businesses/content.asp?doc=/content/33432.htm&pc=001/003/015/001/002&mnu=3359&mfp=001/003&st=&cy=1> (accessed 25 October 2007)

²⁷² Department of Primary Industries website, available at: <http://www.dpi.nsw.gov.au/agriculture/emergency/drought/assistance/financial/transport> (accessed 25 October 2007)

²⁷³ NSW Farmers Association, Drought Assistance fact sheet, available at: http://www.nswfarmers.org.au/__data/assets/pdf_file/0013/40405/NSW_Drought_Assistance_Fact_Sheet_1007.pdf (accessed 25 October 2007)

Committee comment

- 4.52 The Committee commends the good work being done by community organisations on a voluntary basis. The support of these organisations is invaluable to rural communities, and demonstrates the compassion and solidarity of people in NSW during tough times.

Labour and the rural workforce

- 4.53 The Committee first addressed the issue of labour and skills shortages in 2006 with its Inquiry into Skills Shortages in Rural and Regional NSW. Evidence presented during this current Inquiry shows that this issue continues to be a problem.

Declining rural population

- 4.54 The declining population in rural areas was made evident in the recent release of the 2006 census figures. The Rural Alliance's submission outlined some of the decreases in rural communities shown by the census data:

Between the 2001 census and 2006 census, the population of Hay decreased by around 5% with Broken Hill, West Wyalong and Deniliquin suffering similar decreases. Local government areas such as Carrathool, Balranald, Jerilderie and Narrandera suffered bigger decreases while other Riverina LGAs shown by the census as losing population include Tumut, Leeton and Temora. Even a larger centre like Griffith is shown as recording minimal growth of only 0.4% over the five year period.²⁷⁴

- 4.55 People, particularly young people, are leaving rural areas for better social and career options elsewhere. This was reflected by Mr Jock Laurie in evidence to the Committee, who observed the lure of opportunities in the cities:

Many young people have skill levels that we did not have, so they move to the city, where the money and the social life are better and there are many other attractions, especially given what is happening with the drought.²⁷⁵

- 4.56 Many women have also been moving away from rural areas. Mr Laurie suggested that in some parts of NSW there are no medical services available to childbearing women throughout their pregnancy, resulting in many women leaving the area which exacerbates the already existing social decline within those communities.²⁷⁶

- 4.57 The lack of services to the community are largely caused by the financial problems outlined at the start of the chapter. Coupled with declining populations and less social interaction, the result has been an increased feeling of isolation by rural communities. This was reflected by Councillor Paul Braybrook, Mayor of Cootamundra Shire Council:

²⁷⁴ Submission 26, Rural Alliance, p 21

²⁷⁵ Mr Laurie, Evidence, 29 August 2007, p 18

²⁷⁶ Mr Laurie, Evidence, 29 August 2007, p 10

... there is an expectation by the town, as well as the country community, for professional and trade services to be available. Their absence further adds to the feeling of isolation and frustration felt by our whole community.²⁷⁷

- 4.58** Not only are rural communities finding it difficult to retain people, but they are having even more difficulty attracting new people to live and work in rural areas. In its submission, Cotton Australia Ltd said that this was due to the insufficient state of rural community support structures:

... at the moment unfortunately these communities are not supported enough to encourage rural people to stay and work in rural communities, let alone encourage people to leave the cities for a life in the bush.²⁷⁸

- 4.59** The state of social infrastructure in rural communities is discussed later in this chapter.
- 4.60** Other reasons for the difficulty in attracting and retaining people in rural areas identified by Inquiry participants include the remote location to metropolitan areas,²⁷⁹ the rising price of land,²⁸⁰ and a 'negative image of regional NSW'.²⁸¹
- 4.61** The New England North West Regional Development Board raised concerns about succession planning, commenting that the continuing drought has resulted in many older farmers postponing passing on the family business to the next generation. They claim that this has resulted in many young people relocating to other regions, and in many cases not returning.²⁸²
- 4.62** The Griffith City Council submission also commented on the lack of succession planning for farmers, suggesting that it is resulting in a decline in the farming family and more farms moving into the hands of corporations.²⁸³ The Griffith City Council viewed this as a negative outcome, reflecting the opinion that corporate farms do not have the best interests of the community at heart:

Large corporation farms are less likely to purchase product and machinery from local suppliers as they know they can get a better price from bulk purchases straight from the manufacturer, this will impact heavily on agricultural based businesses. Corporate farms are generally not locally based so they do not have any interest in the local community with a profit focus rather than a long term strategy for their farms, which means that there is no real commitment to long term farming.²⁸⁴

²⁷⁷ Cllr Paul Braybrook, Evidence, 13 September 2007, p 3

²⁷⁸ Submission 22, Cotton Australia Ltd, p 3

²⁷⁹ Submission 34, p 10

²⁸⁰ Associate Professor Fragar, Evidence, 5 September 2007, p 18

²⁸¹ Submission 25, NSW Farmers' Association, p 33

²⁸² Submission 33, p 3

²⁸³ Submission 23, Griffith City Council, p 10

²⁸⁴ Submission 23, p 10

- 4.63** This sentiment was echoed by Mr Graeme McNair at the Committee's public forum in Narrabri, who emphasised the importance of the family farm in passing on knowledge that has been accumulated by families over the years. Mr McNair was also of the opinion that family farms are better for the environment than corporate farms:

It is my belief that the family farm is vitally important, especially from an environmental point of view because most corporate farms, no matter how well they are managed, are really profit driven by their shareholders. If in the future corporate farms take over all the family farms, there will be massive losses to the environment because people who own the land will look after it.²⁸⁵

Competition for labour

- 4.64** One major reason for the declining rural population is competition for labour. Many Inquiry participants raised concern over the loss of skilled agricultural employees to the mining industry.²⁸⁶ The agricultural industry is unable to compete with the high rates of pay and benefits being offered by the mining industry, as outlined by Mrs Commens in evidence to the Committee:

A lot of young ones from around here and all over Australia are heading to the mines in droves because that is where the big money is. They get a car and a house and their travel to come home every so often. Farmers cannot compete with that sort of thing.²⁸⁷

- 4.65** The Griffith City Council expressed the view in its submission that there is a real chance that workers will not return to the agricultural industry once the mining boom is over.²⁸⁸ The same view was expressed by the Department of Environment and Climate Change, which stated that the movement of labour out of agriculture 'will not easily be reversed, particularly since the national economy is close to full employment'.²⁸⁹
- 4.66** In its submission, the Department of Education and Training noted that TAFE NSW is working with the NSW Farmers Association and other peak bodies to promote careers in agriculture and agriculture related industries.²⁹⁰

²⁸⁵ Mr McNair, Evidence, public forum, 6 September 2007, p 10

²⁸⁶ Submission 5, NSW Department of Education; Submission 12, Regional Communities Consultative Council; Submission 23; Submission 29; Submission 33; Mr Laurie and Mr Andrew Madigan, Representatives, Rural Alliance, Evidence, 29 August 2007, p 18; Mr Larkin, Evidence, 12 September 2007, p 13; Mrs Commens, Evidence, 13 September 2007, p 31; Mr McNair, public forum, 6 September 2007, p 10; Ms Meryl Dillon, public forum, 6 September 2007, p 18

²⁸⁷ Mrs Commens, Evidence, 13 September 2007, p 31

²⁸⁸ Submission 23, p 9

²⁸⁹ Submission 18, Department of Environment and Climate Change, p 4

²⁹⁰ Submission 5, NSW Department of Education and Training, p 7

Ageing rural workforce

- 4.67** The issue of the inability to attract and retain young people in the agricultural sector becomes compounded when the average age of farmers – which is increasing at an alarming rate – is considered. This concern was raised by a number of Inquiry participants.²⁹¹
- 4.68** At the time of the 2001 census, 50% of people employed in the agriculture, fisheries and forestry sector were over 45 years of age and 27% were over 55, compared to just 34% and 12% respectively of the total workforce.²⁹² The NSW Farmers Association stated that the current median age of Australian farmers is between 50-52.²⁹³
- 4.69** The Rural Alliance advised that while forecasts for agricultural production and exports are expected to continue rising in the coming years, economic forecasters estimate a net employment decline over the next decade.²⁹⁴ The implication of this on ageing farmers is an increased workload, as observed by the Department of Environment and Climate Change:

Given the trend towards a decline in the number of new farmers and farm employees entering the industry, the exit due to age will need to be accompanied by an increase in productivity if production levels are to be maintained.²⁹⁵

- 4.70** A serious issue that stems from this was identified by the Centre for Agricultural Health and Safety, who outlined the physical challenges faced by older farmers. These include reduced stamina and energy, loss of power of concentration, joint pain and stiffness, memory lapses, poor hearing and night vision, and the likelihood of needing prescription medications (therefore adding to risk).²⁹⁶ According to Associate Professor Fragar, the accidental death rate for older farmers and farm managers is more than double than for younger people doing the same work.²⁹⁷

Training and skills shortage

- 4.71** In May 2006, this Committee reported on an Inquiry into Skills Shortages in Rural and Regional areas in NSW. That inquiry examined the economic and social impact of the skills shortage in rural and regional areas, and the range of strategies and models intended to address the shortage.²⁹⁸ The recommendations of that report can be found at Appendix 4.

²⁹¹ Submission 5, 12, 25, 26, 27, 29; Mr Forrest, Evidence, public forum, p 14; Associate Professor Fragar, Evidence, p 14

²⁹² Submission 18, p 4

²⁹³ Submission 25, p 31

²⁹⁴ Submission 26, p 22

²⁹⁵ Submission 18, p 4

²⁹⁶ Submission 38, Centre for Agricultural Health and Safety, p 7

²⁹⁷ Associate Professor Fragar, Evidence, 5 September 2007, p 15

²⁹⁸ NSW Legislative Council, Standing Committee on State Development, *Inquiry into skills shortages in rural and regional New South Wales*, Report 31, May 2006

- 4.72** The Committee reported on the economic and social impacts of the skills shortage on local towns, including the loss of income, loss of essential services and loss of young people to metropolitan areas. The report contained recommendations relating to the vocational education and training system, particularly the TAFE system, as well as recommendations on skilled migration. These issues will therefore only be covered briefly in this report.
- 4.73** Concern was identified by several participants in this Inquiry regarding the significant shortages of both skilled and unskilled workers in the agricultural sector.²⁹⁹ The major reasons for these shortages have already been discussed in this chapter.
- 4.74** Lack of education and training opportunities were also identified as significant impediments to the agricultural industry. Education and training are essential in any farming enterprise, however there has been a decline in the number of training institutions in rural areas, as discussed in the Leeton Shire Council submission:
- Rural education resources have been seriously eroded in NSW and Australia. Few Agricultural Colleges remain and numbers in University Agriculture are declining. This has been partly due to drop in demand. This reflects the structural problems in Agriculture (ageing workforce, poor pay, more competitive industries) and uncertainty – particularly due to drought.³⁰⁰
- 4.75** Exacerbating the problem is the fact that there are now more skills demanded of farmers than ever before. Technological advances mean that farmers need more machinery skills. They are also required to have IT, management and financial skills, as well as compliance skills for OH&S and natural resource management.³⁰¹ The growing need for these skills was outlined by the Department of Primary Industries in its submission:
- ... with increased regulatory requirements being placed on farm businesses in areas such as natural resource managements, occupational health and safety and product integrity, the education and skills development needs of farmers is ongoing and increasing.³⁰²
- 4.76** The NSW Farmers Association highlighted the point that many existing workers in the industry hold agricultural qualifications, but have not had any training in finance and management.³⁰³ They also suggested the need for more cross-occupational and cross-industry vocational training, new farming methods, and more on-farm training – particularly in relation to chemical usage and occupational health and safety.³⁰⁴
- 4.77** The Department of Education and Training (DET) informed the Committee about current community-based employment and training programs being developed and implemented by

²⁹⁹ For example, Submission 5, 25 and 26

³⁰⁰ Submission 29, Leeton Shire Council, p 9

³⁰¹ Submission 29, p 9

³⁰² Submission 27, NSW Department of Primary Industries, p 10

³⁰³ Submission 25, p 15

³⁰⁴ Submission 25, p 15

TAFE NSW. These programs are aimed at providing lifelong skills relevant to working in rural NSW.³⁰⁵

4.78 In addition, DET also informed the Committee about the Strategic Skilling Program that it is managing, which targets funding for identified skills shortage areas and skills gaps in agriculture and related industries. The program aims to address the short, medium and long-term needs of these industries.³⁰⁶

4.79 One problem identified in evidence to the Committee by Mr Jock Laurie, Chair of the Rural Alliance, was the issue of getting vocational educators and trainers out to the more rural and remote areas. According to Mr Laurie, in many instances trainers are only going to the bigger towns as that is where the numbers are, and the costs associated with travel and accommodation are impeding the ability of many people to participate.³⁰⁷

4.80 In evidence to the Committee, Professor Deirdre Lemerle, Director of Research and Development, EH Graham Centre for Agricultural Innovation, suggested that people who study in the country would be more likely to work there afterwards, citing the example of Charles Sturt University:

The university wants to train people in the country so that they will stay in the country when they graduate ... In science, Charles Sturt has very high retention rates of its people in the country and that is very important, at both the undergraduate and post-graduate level.³⁰⁸

4.81 This view was echoed during the Committee's public forum in Cootamundra by Mr Andy Forrest, who informed the Committee of a program run by the Australian National University (ANU) under the same principle.³⁰⁹ The program – a medical course run through the ANU Rural Clinical School – offers students the ability to study in rural NSW in order to 'train doctors in regional Australia for regional Australia'.³¹⁰

4.82 In line with this aim, the Leeton Shire Council's submission to the Inquiry proposed that existing rural facilities, such as the Murrumbidgee Rural Studies Centre, could be better utilised to develop agricultural skills:

The Centre has developed short course expertise and it is believed that this facility has capacity to expand the range of training courses available particularly in house. The Centre previously housed in excess of 200 students. It is believed that now only half of the beds are able to be utilised. The Centre is able to offer unique opportunities with accommodation and infrastructure.³¹¹

³⁰⁵ Submission 5, p 7

³⁰⁶ Submission 5, p 7

³⁰⁷ Mr Laurie, Evidence, 29 August 2007, p 25

³⁰⁸ Professor Lemerle, Evidence, 29 August 2007, p 51

³⁰⁹ Mr Forrest, Evidence, public forum, 13 September 2007, p 14

³¹⁰ Australian National University, 'New rural clinical school in Goulburn', *Media Release*, 25 February 2003

³¹¹ Submission 29, p 9

Committee comment

- 4.83** The Committee notes that the NSW State Plan identifies ‘more people participating in education and training throughout their life’ as a priority (P4), as well as ‘better access to training in rural and regional NSW to support local economies’ (P7).
- 4.84** The Committee also notes the priority area ‘Growing Prosperity Across NSW’, which commits the Government to developing ‘strategies to focus Government attention on high wage, high skilled, export oriented industries that have the greatest potential to thrive in the future in NSW’ (priority P1).
- 4.85** The Committee notes with concern the particular problems faced by the agricultural industry due to the declining rural workforce, competition for labour against the mining sector, and the issues pertaining to an ageing rural workforce. These are major impediments that various NSW Government initiatives have tried to address, however we acknowledge that there is no quick or easy solution.
- 4.86** We urbanize the skills shortage as an ongoing issue that is affecting industries Australia-wide, and refer to the recommendations made in our skills shortage inquiry (see Appendix 4). We note the government response in relation to those recommendations, and acknowledge the action it has taken in this respect. It is critical that these types of initiatives continue, and from the evidence we have received during this inquiry it is clear that much more still needs to be done.
- 4.87** The Committee notes that many farmers hold agricultural qualifications but lack essential administrative skills such as finance and management. While we are aware that these skills can be obtained through short courses at TAFE, we are concerned that for many people in more rural and remote areas, the distance to travel to their nearest education centre is too far to be a feasible option. We therefore recommend that access to short courses such as finance and management be improved, to better enable people in rural and remote areas to attend. We suggest that this could be achieved by using existing rural and regional training facilities, with a view to ‘keeping local people local’.

Recommendation 19

That the NSW Department of Education and Training increase its commitment to education and training in the rural sector by improving access to short courses, such as finance and management, for people in rural and remote areas, including through flexible delivery and online learning.

Recommendation 20

That the NSW Department of Education and Training identify ways of using existing rural and regional training facilities with a view to retaining skilled people in rural and regional areas following their training.

- 4.88** With respect to the labour shortage, on its site visit to the Cotton CRC in Narrabri the Committee was informed about an Aboriginal employment strategy to place aboriginal job seekers in cotton related work. Although the Committee heard little evidence regarding

Aboriginal employment initiatives within this Inquiry, the Committee believes that Aboriginal employment strategies are a significant benefit to both rural employers and the Aboriginal community. We refer back to the recommendation relating to Aboriginal employment in our skills shortage inquiry, maintaining that recommendation and acknowledging the positive initiatives outlined in the NSW Government's response.³¹²

Social and community infrastructure

4.89 The impact of the drought has also affected social and community infrastructures in rural and remote areas, particularly health and education services.

Health and education

4.90 The shortage of skilled labour in the agricultural industry also extends to the shortage of education and health professionals in rural areas. Again, this issue has already been covered by this Committee's 2006 skills shortage inquiry, so will only be briefly discussed here.

4.91 The shortage of health workers in rural and remote areas, particularly doctors, nurses and dentists, was raised by several Inquiry participants.³¹³ The NSW Farmers Association discussed the results of research it has undertaken which show major problems in rural health services:

More than 50% of respondents to the Association's study reported that health services have declined or not changed in the last five years ... Doctor-patient ratios remain a particular problem across much of rural and regional NSW, with most Divisions of General Practice in rural and regional NSW reporting ratios well above the accepted 1:1093 doctor-patient ratio.³¹⁴

4.92 The shortage of health workers has resulted in long waiting lists and the closure of a number of medical centres. The Rural Alliance claim that an overall lack of funding has also led to degraded medical equipment.³¹⁵

4.93 An issue associated with the closure of medical centres was raised by the Rural Alliance, which stated that the result of closures has meant that many people in rural and regional NSW now have to travel long distances to obtain medical services.³¹⁶ NSW Health has taken steps to address this issue by providing 'Transport for Health' subsidies through its Isolated Patients Transport and Accommodation Assistance Scheme (IPTAAS). The scheme provides some

³¹² NSW Government Response to Legislative Council Standing Committee on State Development, *Inquiry into Skills Shortages in Rural and Regional NSW*, 14 November 2006, pp 11-12

³¹³ Submission 25, 26, 34; Mr Geoff Knight, Regional Service Manager, NSW Farmers Association, Evidence, 13 September 2007, p 18; Mr Forrest, Evidence, public forum, 13 September 2007

³¹⁴ Submission 25, p 20

³¹⁵ Submission 26, pp 25-26

³¹⁶ Submission 26, p 26

assistance for people who need to travel long distances to obtain specialist medical or oral surgical treatment which is not available locally.³¹⁷

4.94 Councils in rural and regional NSW have also contributed support to medical and health related services. According to the Rural Alliance, councils have been spending around \$2.2 million per year on ‘subsidies, scholarships and bursaries for doctors’ housing and medical centres, pre-service training, medical equipment and in some cases salaries’.³¹⁸

4.95 Another area that requires support is education for children. As with medical centres, many rural and regional schools have been forced to close down. The NSW Farmers Association suggested that this is a significant contributor to declining rural populations, stating that the ‘lack of educational opportunities is often given as the main reason that families with school-aged children pack up and leave their small town’.³¹⁹

4.96 Many families that do remain suffer from costs on time and finances, as outlined by Mr Andy Forrest during the Committee’s public forum in Cootamundra:

Education is a massive problem in regional New South Wales. I was at Weethalle two nights ago and some of the fellows there said that their kids are on buses for one and a half hours or longer ... They are now moving their children further afield to places like West Wyalong or looking at boarding. As most of us know, boarding is probably out of the question because of the expense.³²⁰

4.97 The Federal Government’s ‘Assistance for Isolated Children Additional Boarding Allowance Scheme’ provides financial support to families with children who need to board away from home to attend school. It also provides a Distance Education Allowance to contribute towards incidental costs incurred by families whose student children are undertaking their education by distance education methods.³²¹

4.98 The Committee notes the position of the Isolated Children’s Parent’s Association of New South Wales Inc., who want the NSW Department of Education and Training to allow access to the ‘Assistance for Isolated Children Additional Boarding Allowance Scheme’ in situations where the nearest school does not offer subjects they want for their children.³²²

³¹⁷ NSW Health website, available at: <http://www.health.nsw.gov.au/living/transport/faqs.html> (accessed 25 October 2007)

³¹⁸ Answers to questions on notice taken during evidence 29 August 2007, Mr Jock Laurie, Chair, Rural Alliance, Question 7, p 17

³¹⁹ Submission 25, p 20

³²⁰ Mr Forrest, Evidence, public forum, 13 September 2007, p 13

³²¹ Commonwealth Department of Education, Science and Training website, available at: http://www.dest.gov.au/sectors/school_education/programmes_funding/programme_categories/rural_and_regional_assistance/aic/assistance_for_isolated_children_scheme.htm (accessed 25 October 2007)

³²² Isolated Children’s Parent’s Association of New South Wales Inc. 2007, *Issues Paper*, p 4

- 4.99 As part of its drought assistance package the Federal Government has recently increased funding for the Assistance for Isolated Children scheme, and has also offered up to an additional \$10,000 per school in Exceptional Circumstances declared areas.³²³

Committee comment

- 4.100 The Committee recognises that a strong agricultural industry will support strong rural communities, and notes that the drought has clearly had a negative effect on social and community infrastructures.
- 4.101 The lack of teachers and particularly health professionals is a major issue that pertains to the entire state, and comes under the broader issue of the skills shortage. We again refer back to the recommendations made in our skills shortage inquiry, noting the NSW Government response, and stressing that much more still needs to be done.
- 4.102 The Committee commends the ‘Transport for Health’ subsidies provided by NSW Health as an indispensable initiative, and welcomes the Federal Government’s additional funding for isolated children’s education and schools in Exceptional Circumstances declared areas.

Mental health

Depression and suicide in rural areas

- 4.103 The economic and social pressures discussed throughout this chapter also lead to stress and often depression among people in rural communities. Depression and suicide have a very serious social impact on individuals, families and communities. They also have a further economic impact on farming enterprises through loss of productivity and inoccupation. Due to the high rate of depression and suicide in rural areas, mental health problems are a significant impediment to agriculture.
- 4.104 In rural areas the high rate of depression and suicide in rural areas is prevalent among men, and even more prevalent among men involved in farming. Studies have shown that ‘NSW has 28.5% of Australian farms, and for the period 1990-2001 had 34.6% of male farmer/manager suicides’.³²⁴ Male farm owners and managers commit suicide at around twice the rate of the national average.³²⁵
- 4.105 The causes of depression and suicide are very complex. Some of the key factors contributing to mental health problems in rural NSW include social isolation, economic pressures and increasing government regulations.³²⁶ The impact of these problems has been magnified as a result of the drought.

³²³ Hon John Howard MP, ‘Australian Government Strengthens Drought Support’, *Media Release*, 25 September 2007

³²⁴ Submission 38, Associate Professor Lyn Fragar, Director, Centre for Agricultural Health and Safety, p 13

³²⁵ Rural Mental Health Network, *The Mental Health Blueprint*, May 2006, p 1

³²⁶ Rural Mental Health Network, *The Mental Health Blueprint*, May 2006, p 2

4.106 The issue of isolation is particularly significant in rural NSW. The 2004 study by Charles Sturt University, *Social Impact of the Drought*, found that farm family members are feeling increasingly isolated, particularly as men are having to work longer hours on the farm as a result of the drought. The increased workload pressures, coupled with the cost of fuel, has led to further social isolation for people in more remote areas, as they are left with little choice but to withdraw from community activities.³²⁷

4.107 In evidence to the Committee, Mr Nick Tolhurst, Senior Program Manager of Public Health for the beyondblue national depression initiative,³²⁸ observed the impact that isolation has on people with depression:

When people who are depressed feel isolated they are less likely to seek help or even to understand what is happening to them, so it becomes a compounding effect. They become more depressed, more unhappy, less able to cope and it spirals ...³²⁹

4.108 Isolation can impact on already existing depression, or it can be a cause of depression. Usually however depression in rural areas is caused by a combination of several factors, as observed by Mr Nevin Holland at the public forum held by the Committee in Cootamundra:

It is not surprising when you see the returns that farmers are getting on their investments. Very often people are in a position where a farm has been handed down from several generations, and a young fellow who is trying to make a go of it finds that he just cannot, very often because of the lack of scale, and he feels that he is letting down the generations before him. This often leads to over-consumption of alcohol, which is a big problem throughout rural areas.³³⁰

4.109 The issue of alcohol as a complicating factor which commonly accompanies depression was also raised by Professor Brian Kelly, Director, Centre for Rural and Remote Mental Health, who noted that 'in some rural areas alcohol misuse is even more of a problem than it is in some city areas'.³³¹

The cost of depression

4.110 As mentioned earlier, in addition to the obvious social impact upon individuals, families and communities, depression also impacts upon businesses. Professor Kelly, in evidence to the Committee, commented on the economic impact of depression in the work force:

³²⁷ Alston, M and Kent, J, *Social Impacts of Drought – A Report to NSW Agriculture*, Centre for Rural Social Research, Charles Sturt University, February 2004, pp xiii-xiv

³²⁸ beyondblue is a national, independent, not-for-profit organisation working to address issues associated with depression, anxiety and related substance misuse disorders in Australia. beyondblue website, available at: http://www.beyondblue.org.au/index.aspx?link_id=2 (accessed 28 September 2007)

³²⁹ Mr Nick Tolhurst, Senior Program Manager of Public Health, beyondblue, Evidence, 29 August 2007, p 32

³³⁰ Mr Nevin Holland, Evidence, public forum, 13 September 2007, p 6

³³¹ Professor Kelly, Evidence, 29 August 2007, p 29

In Australia it is estimated that depression costs the country \$20 billion per year, which includes the cost of loss of participation in the work force ... Depression causes more days lost in work than most other conditions, including physical health conditions, and hence that leads to the loss of productivity and inoccupation.³³²

4.111 In evidence to the Committee, Mr Tolhurst commented that the capacity of a farmer to think clearly and make rational decisions relating to their business enterprise can also be severely compromised when they are suffering from depression.³³³

4.112 This was further supported by Mr Bruce Gardiner, Farm Business Management Consultant of the Rural Block, who stated that people revert to habit under stress and therefore may not make the best the decisions:

... under stress people's IQs fall and they revert to habit. So, if you have farmers under financial stress all the time, then they are making decisions with a sub-optimal capacity to make those decisions and they are reverting to habit.³³⁴

Treating mental illness

4.113 There are many issues which limit both the ability to treat mental illness, and the willingness of people to seek treatment.

4.114 One issue is that often people are not even aware that they are experiencing depression. Some people may not understand that they are feeling tired and sick as a result of depression, and may go to a doctor describing physical symptoms rather than psychological.³³⁵ It is therefore important that at the very least, the medical workforce understands and recognises the signs and symptoms of depression, as noted by Professor Kelly in evidence to the Committee:

... one of the biggest challenges that we need to be realistic about in the rural area is that there is a lot that needs to happen before someone gets to a general practitioner with their problem, and once they get there we hope, of course, that the right questions are asked or the signs are detected.³³⁶

4.115 Even if depression has been recognised, there is a perceived stigma attached to seeking counselling in rural communities. People may be too embarrassed or ashamed to access mental health services, or may be reluctant to ask for help as a result of pride.³³⁷ This stigma remains despite the high-profile depression has recently had as a result of the work of beyondblue and other organisations, and individuals such as former Premiers Jeff Kennett and Geoff Gallop.

³³² Professor Kelly, Evidence, 29 August 2007, p 27

³³³ Mr Tolhurst, Evidence, 29 August 2007, p 32

³³⁴ Mr Gardiner, Evidence, 5 September 2007, p 30

³³⁵ Mr Tolhurst, Evidence, 29 August 2007, p 29

³³⁶ Professor Kelly, Evidence, 29 August 2007, p 29

³³⁷ Alston, M and Kent, J, *Social Impacts of Drought – Report to NSW Agriculture*, Centre for Rural Social Research, Charles Sturt University, Wagga Wagga, 2004, pp 111-12

- 4.116** Another issue is that people may not be aware of the mental health services that exist, or how best to use them. In evidence to the Committee, Professor Kelly noted that the majority of people with a mental health condition do not get any treatment, and that ‘in rural areas there is a lower use of health services for mental health purposes. When people experience mental health problems, they are less likely to get the services that we know they need’.³³⁸
- 4.117** A number of NSW Government initiatives have been introduced in an attempt to increase access to services, overcome the stigma associated with mental health problems, and increase the responsiveness and capacity of health services in rural areas.³³⁹ These initiatives have largely been informed and implemented by the Centre for Rural and Remote Mental Health³⁴⁰ and beyondblue, from whom the Committee took evidence.
- 4.118** One of these is the Rural Mental Health Support Line, an initiative of NSW Health, which operates 24 hours a day, seven days a week. The line was put in place in late 2004 and provides people in rural communities with the opportunity to speak to a trained mental health professional about themselves or about a family member, friend or colleague they are worried about. Support staff can provide on the spot help in an immediate crisis or help refer people to local specialist services.³⁴¹ The number of callers for the line peaked in the period October 2006 – March 2007, matching the period when the drought was most extensive throughout the state. Call numbers peaked at 98 per month within that period.³⁴²
- 4.119** Another major initiative is the Rural Mental Health Network and associated ‘Mental Health Blueprint’ (the Blueprint). The Rural Mental Health Network is a ‘group of agencies and individuals who share a common goal and have agreed to work together to improve the mental health and wellbeing of farming people and farming communities’.³⁴³ The Blueprint is a summary of key issues and major actions to achieve these outcomes.
- 4.120** The Blueprint aims to improve the mental health of rural communities through a range of tasks for people working closely with rural communities, including Drought Support Workers, Rural Financial Counsellors, and stock and station agents, all of whom play a critical social support role in rural communities. In evidence to the Committee, Mr Tolhurst expressed the view that these frontline workers should be trained to recognise depression:

How do we get to those isolated farmers who sometimes have not left their property for a year? Often it is only the Rural Financial Counsellors or a stock agent who has the only contact. It is crucial that these people understand what depression looks like so they can just make the call, not to be counsellors but to say, “Have you talked to

³³⁸ Professor Kelly, Evidence, 29 August 2007, p 27

³³⁹ Submission 30, Professor Brian Kelly, Director, Centre for Rural and Remote Mental Health, p 4

³⁴⁰ The Centre for Rural and Remote Mental Health is a major collaboration between the University of Newcastle and NSW Health that aims to improve the mental health of people in rural areas through academic leadership, partnerships and achievements in research, education, service planning and policy development: Submission 30, pp 5-6

³⁴¹ Submission 30, Centre for Rural And remote mental Health, p 2

³⁴² Answers to questions on notice taken during evidence 29 August 2007, Professor Brian Kelly, Director, Centre for Rural and Remote Mental Health, p 2

³⁴³ Australian Centre for Agricultural Health and Safety, *NSW Farmers Mental Health Network*, available at: <http://www.aghealth.org.au/blueprint/index.html> (accessed 27 September 2007)

anybody? Do you think you should see your GP?" – something that nudges a person along.³⁴⁴

4.121 The 2004 Charles Sturt University study found that where farm families and small business people have sought out Rural Financial Counsellors for financial assistance, these workers have often found themselves called upon to provide social and emotional counselling. As they are not trained to provide such assistance, the study suggests that ‘there is an urgent need to expand these services with social work services’.³⁴⁵

4.122 Professor Kelly echoed this view in evidence to the Committee, observing that as trust and rapport builds between farmers and Rural Financial Counsellors, often farmers begin to confide about stress and strain and sometimes even the depression that they are feeling.³⁴⁶ Professor Kelly suggested that frontline workers are often best placed to link farmers to mental health services:

If we do not work effectively with people who have on-farm contact with farmers and farming families in difficulties, we will not get the right advice to those farmers or be able to help them access the services that they need. ...We need to link up those people who are trusted in the position of being aware of those problems as well as we can to the right services and support so they can give the best advice to farmers about where to go with handling some of these pressures.³⁴⁷

4.123 This need was recognised in the NSW Government’s Drought Mental Health Assistance Package, which includes ‘Mental Health First Aid Workshops’ for frontline service providers to confidently identify and refer a person in crisis to appropriate support. The package also includes ‘Farmers Mental Health Gatherings’, service network meetings and funding for additional mental health workers.³⁴⁸

4.124 The Commonwealth Government has recently also announced additional funding for social and emotional counselling through the establishment of 25 Family Support Drought Response teams, and additional money for its Emergency Relief Program to fund community and charitable organisations to provide emergency assistance.³⁴⁹

Committee comment

4.125 The Committee notes with concern the high rate of depression and suicide in rural areas, and believes that the problem has been exacerbated by the length and severity of the current drought.

³⁴⁴ Mr Tolhurst, Evidence, 29 August 2007, p 32

³⁴⁵ Alston, M and Kent, J, *Social Impacts of Drought – A Report to NSW Agriculture*, Centre for Rural Social Research, Charles Sturt University, February 2004, p xiv

³⁴⁶ Professor Kelly, Evidence, 29 August 2007, p 32

³⁴⁷ Professor Kelly, Evidence, 29 August 2007, p 28

³⁴⁸ Submission 30, p 3

³⁴⁹ Hon John Howard MP, ‘Australian Government Strengthens Drought Support’, *Media Release*, 25 September 2007

- 4.126** We recognise the issue of the perceived stigma associated with mental illness as a major impediment to people seeking help. We also note that people may not be aware of the mental health services that are available to them. The Committee therefore highly commends the initiatives that have been implemented in NSW to increase awareness of and access to mental health services, increase the responsiveness and capacity of health services in rural areas, and overcome the stigma associated with mental health problems.
- 4.127** The Committee acknowledges the unique position that frontline workers, for example Rural Financial Counsellors and pharmacists, hold, and notes that in some cases they may be the only on-farm contact in remote areas. We praise the NSW Government's initiative to provide Mental Health First Aid training to these workers, and believe that this needs to be continued systematically with the aim of training all frontline workers.
- 4.128** The Committee also notes that is important for all GPs, particularly those in more remote areas, to be able to recognise the signs and symptoms of mental health. As part of this, GPs should be aware of the fact that some patients may not realise that they have depression, or may be unwilling to admit that they are feeling depressed.

Recommendation 21

That the NSW Department of Health and NSW Department of Primary Industries work together to identify and systematically train frontline workers in rural and regional areas to identify signs and symptoms of depression and link farmers to mental health services where necessary.

Recommendation 22

That the NSW Department of Health work in partnership with the Rural Doctor's Association to provide general practitioners working in rural and remote areas with the knowledge needed to recognise the signs and symptoms of depression and link farmers to mental health services where necessary.

Recognising the importance of agriculture

- 4.129** Agriculture is a key contributor to New South Wales' economy and society. It provides fresh, affordable, reliable and safe food to the nation, creates jobs, brings in overseas dollars through export, and contributes significantly to other industries such as the food processing industry.
- 4.130** However there appears to be an overall lack of pride in agriculture in NSW, particularly in the metropolitan areas where agriculture suffers from a poor image. This was reflected in evidence to the Committee by Professor Deirdre Lemerle, Director of Research and Development, EH Graham Centre for Agricultural Innovation, who stated that: '[w]e want the people of Sydney to feel proud of the country because at present agriculture has a bad face in the city'.³⁵⁰
- 4.131** A major cause of this negative image is a common misconception in the cities that farmers are causing problems and harming the environment through poor land management practices and

³⁵⁰ Professor Lemerle, Evidence, 29 August 2007, p 55

irrigation. However many people are unaware of the changes in farming practices that have occurred in recent decades which have resulted in many farmers changing the way in which they work the land to focus on sustainability (as discussed in Chapter 3). It has been suggested that many people do not recognise the role that agriculture plays in protecting the environment.³⁵¹

- 4.132** This misconception of agriculture has led to a widening disconnect in NSW between its rural and metropolitan areas. In evidence to the Committee, Associate Professor Lyn Fragar, Director, Centre for Agricultural Health and Safety, commented on the impact this difference in understanding is having on farmers:

We do not have in New South Wales a shared view about the value of agriculture to this State ... every time a problem comes up ... like drought, farmers are feeling that they have to actually justify their existence.³⁵²

- 4.133** This sentiment was echoed in the *Social Impacts of Drought* study by Charles Sturt University, which stated that ‘There are rural Australians on farms and in small communities who feel overlooked, unsupported and forgotten’.³⁵³
- 4.134** Irrigated agriculture in particular suffers from a negative image, especially in times of drought when many people in metropolitan areas consider that there should not be any irrigated agriculture at all. Again, many people are unaware of the benefits of irrigated agriculture to NSW and Australia,³⁵⁴ or the improvements the industry has made by way of water efficiency (discussed further in Chapter 5).
- 4.135** Other states and countries have taken action to bring metropolitan communities and farming populations together by promoting a shared view of agriculture, and a shared understanding of the benefits of agriculture to the state or country as a whole. In evidence to the Committee, Associate Professor Fragar gave an example from Scotland, which has ‘A Forward Strategy for Scottish Agriculture’. The strategy examines the future direction of farming in Scotland and identifies action points to help achieve its stated vision of ‘a prosperous farming industry, one of Scotland’s success stories, which benefits all of the people of Scotland’.³⁵⁵
- 4.136** In evidence to the Committee, Associate Professor Fragar suggested that NSW needs a core set of values for agriculture, developed by farmers, rural and urban communities and decision makers, to create and promote a shared view within the State. Associate Professor Fragar emphasised the need for people to realise the importance of agriculture and the benefit it has

³⁵¹ Professor Lemerle, Evidence, 29 August 2007, p 50

³⁵² Associate Professor Fragar, Evidence, 5 September 2007, p 14

³⁵³ Alston, M and Kent, J, *Social Impacts of Drought – A Report to NSW Agriculture*, Centre for Rural Social Research, Charles Sturt University, February 2004, p xiv

³⁵⁴ Submission 21, NSW Irrigators’ Council, p 5

³⁵⁵ ‘A Forward Strategy for Scottish Agriculture’, Scottish Executive, 2001, available at: http://www.dest.gov.au/sectors/school_education/programmes_funding/programme_categories/rural_and_regional_assistance/aic/assistance_for_isolated_children_scheme.htm (accessed 25 October 2007)

to *all* of NSW, stating that '[w]e need agriculture; agriculture is valuable to us and needs to be sustained; it is not just of value to rural communities'.³⁵⁶

- 4.137** In evidence to the Committee, Ms Deb Kerr, Representative for the New South Wales Irrigators Council, suggested that the Government should play a role in better promoting agriculture for the benefit of the wider community.³⁵⁷ The NSW Farmers Association echoed this view in its submission to the Inquiry, stating that the Government needs to support agriculture and rural communities more:

Rural communities form the economic heart of rural NSW, and the cultural backbone of our State. It is therefore imperative that agriculture and the vibrant rural communities it supports must be embraced and supported by the State Government ...³⁵⁸

- 4.138** Another suggestion to promote agriculture, raised by Mr Andrew Forrest at the public forum in Cootamundra, was to establish an 'adopt a school' program. Mr Forrest suggested that a linkage program between schools in the city and schools in the country might enhance learning and understanding, in order to 'get the message out to the city children that we feed them, and we provide the food cheaply and cleanly'.³⁵⁹

Committee comment

- 4.139** The Committee appreciates the benefits of agriculture to all of NSW, and agrees with the suggestion by Inquiry participants that there appears to be a lack of pride in agriculture across NSW. The Committee believes that this stems from a lack of understanding and awareness from within metropolitan areas about the benefits of agriculture to the State.
- 4.140** We agree that there is a widening disconnection between metropolitan and rural areas, and particularly agree with the comments by Associate Professor Fragar that NSW needs a shared view of agriculture. The Committee has therefore recommended that a vision statement and core set of values should be developed for this purpose.
- 4.141** We recognise that while the NSW Government can facilitate the process to develop the vision statement and values, it is essentially a change in attitude at a societal level that is required. Therefore the Committee suggests that key stakeholders from both rural and metropolitan communities collaborate to develop the statement and values, in order to reach a genuinely shared view of agriculture.
- 4.142** The Committee notes that the NSW State Plan states that 'Strong rural and regional economies are critical to achieving the overall prosperity of NSW',³⁶⁰ however we do not feel that this point is sufficiently emphasised. Therefore we recommend that future revisions of the State Plan should reflect this important point more prominently.

³⁵⁶ Associate Professor Fragar, Evidence, 5 September 2007, p 14

³⁵⁷ Ms Kerr, Evidence, 29 August 2007, p 37

³⁵⁸ Submission 25, p 25

³⁵⁹ Mr Forrest, Evidence, public forum, 13 September 2007, p 14

³⁶⁰ NSW Government, *The State Plan, A New Direction for NSW*, November 2006, p 103

Recommendation 23

That the NSW Government develop a vision statement and core set of values that enshrine the importance of agriculture to the State as a whole. The NSW Government should work with rural and metropolitan communities to develop genuinely shared and agreed values.

Recommendation 24

That the NSW Government ensure that the importance of agriculture and rural communities to New South Wales as a whole is more prominently reflected in future revisions of the NSW State Plan.

- 4.143** The Committee also believes that it is important to educate our youth about agriculture, and considers that a schools exchange program could be an effective way to do this. To our knowledge, current billeting programs between schools are arranged on an ad hoc basis, initiated by individual schools themselves. The Committee therefore recommends that a ‘twin city’ initiative be set up between city and country schools within NSW, entailing a billeting exchange and education program based on increasing knowledge and understanding between the two areas.
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Recommendation 25

That the NSW Department of Education and Training develop and resource a ‘twin city’ program between schools in the city and schools in country towns with the objective of enabling students to gain a better understanding of their country and metropolitan counterparts. The program should be developed in conjunction with existing and future local government ‘twin city’ programs.

Chapter 5 Water issues

A lack of water is an obvious impediment to sustaining appropriate levels of productive capacity in the agriculture industry. Australia is a dry continent, and it appears likely that the water shortages the country has experienced recently will continue into the future. In this context, the challenge is how to use the limited water we have most effectively, efficiently and equitably given the needs of urban communities, the environment and agriculture. In this chapter, the Committee examines the way in which water is used in New South Wales for agriculture, with a focus on irrigated agriculture. The arrangements for the management and control of water within the State and the impact of the National Plan for Water Security on those arrangements are explained, and the implications of water reforms for the future of irrigated agriculture explored.

Water and agriculture

- 5.1** Water is a fundamental element in the production of agricultural crops and the raising of livestock. Consequently, agriculture is New South Wales' and Australia's biggest water consumer. In 2004-2005, the agriculture industry accounted for 65% of water consumption in Australia, 12,191 gigalitres (GL, one GL is one thousand megalitres (ML), or one thousand million litres).³⁶¹ The next largest consumer of water is the household sector, at 2,108 GL (11%) in 2004-2005.³⁶²
- 5.2** The bulk of all water used in Australia is self-extracted, that is, 'extracted directly from the environment for use', including water from rivers, lakes, farm dams, groundwater and other water bodies.³⁶³ Self-extracted water includes water provided through mains systems, and water that is stored in dams on farm properties, but it does not include rainfall that is not stored – rain that falls directly onto crops is not calculated in the water account.
- 5.3** New South Wales is the largest consumer of water for agriculture in Australia. For 2005-2006, NSW consumed 4,473 GL (41%) and Victoria and Queensland approximately 2,471 GL and 2,435 GL respectively (approximately 22%).³⁶⁴
- 5.4** The majority of all water used for agriculture is used for irrigation, with 94% of all agricultural water in NSW in 2005-2006 used for that purpose, and the remainder used for other agricultural purposes such as stock drinking water, dairy and piggery cleaning.³⁶⁵
- 5.5** The Murray Darling Basin, an area of 1,060,000 square kilometres encompassing all of the Australian Capital Territory, most of New South Wales and Victoria and parts of South

³⁶¹ Australian Bureau of Statistics *4610.0 - Water Account Australia 2004-05*, p 2, available at: [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/3494F63DFEE158BFCA257233001CE732/\\$File/46100_2004-05.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/3494F63DFEE158BFCA257233001CE732/$File/46100_2004-05.pdf) (accessed 27 September 2007)

³⁶² Australian Bureau of Statistics *4610.0 - Water Account Australia 2004-05*, p 8

³⁶³ Australian Bureau of Statistics *4610.0 - Water Account Australia 2004-05*, p 4

³⁶⁴ Australian Bureau of Statistics, *4618.0 - Water Use on Australian Farms, 2005-06 (Preliminary)*, p 5, available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/A5A4DA2DF9F997A0CA2571AD007DDFD4?opendocument> (accessed 26 October 2007)

³⁶⁵ Australian Bureau of Statistics, *4618.0 - Water Use on Australian Farms, 2005-06 (Preliminary)*, p 5

Australia and Queensland, is Australia's biggest river system and the largest source of water for irrigation in Australia. The Murray Darling Basin has been the centre of national efforts to address the water shortage in Australia, and is frequently referred to in this chapter.³⁶⁶

Irrigated agriculture water use by crop

- 5.6** In 2005-2006, there were 11,413 irrigating agricultural establishments in NSW, approximately one quarter of all agricultural establishments in the state. A total of 4,472 GL of water was applied across 986,000 hectares at an average application rate of 4.5 ML per hectare.³⁶⁷
- 5.7** The largest users of water for irrigation in 2005-2006 were rice and cotton, at 1,209 GL and 1,120 GL respectively. The application rate for rice was 12.3 ML per hectare and for cotton 6.5 ML per hectare. Other large users of irrigation water include pasture for grazing, 692 ML at 2.8 ML per hectare; cereal crops for grain or seed, 518 ML at 2.5 ML per hectare; grapevines, 177 ML at 4.3 ML per hectare; and fruit trees, nut trees, plantation or berry fruit, 135 ML at 4.5ML per hectare.³⁶⁸
- 5.8** The Committee received a number of submissions and heard extensive evidence from representatives of the cotton and rice industries. These industries attract a great deal of media attention in relation to their intensive use of water. Industry representatives pointed out that while the quantum of water used was greater than other agricultural products, the efficiency with which that water was applied to the crop was world-leading. In its submission to the Inquiry, the Ricegrowers' Association of Australia claimed that 'Australia's rice crop has the lowest water use in the world at 12 ML/ha'.³⁶⁹
- 5.9** In evidence to the Committee, Ms Deborah Kerr, a Policy Manager from the Ricegrowers' Association of Australia Inc., commented that the amount of rice grown varies according to the dryness of the year. She stated that rice is grown 'only when water is available', when there is sufficient water to meet general security water allocations after higher priority water such as domestic and stock, industry and high security use has been met.³⁷⁰ Water used to grow rice during dry times can also be a combination of groundwater and surface water, and other crops such as wheat often follow rice crops to utilise remaining sub-soil moisture. Later in this chapter the Committee explains the different categories of water allocation.

Current water status

- 5.10** The current situation for farmers in NSW is dire. Promising rainfalls at the start of this most recent growing season led to farmers planting large quantities of wheat and other crops in the hope of a good year. However, during this Committee's regional visits in early and mid September, it was abundantly clear that without rainfall in the immediate future many of these

³⁶⁶ Murray-Darling Basin Commission website, available at: www.mdbc.gov.au/about/basin_statistics (accessed 26 October 2007)

³⁶⁷ Australian Bureau of Statistics, *4618.0 – Water Use on Australian Farms, 2005-06 (Preliminary)*, p 8

³⁶⁸ Australian Bureau of Statistics, *4618.0 – Water Use on Australian Farms, 2005-06 (Preliminary)*, p 8

³⁶⁹ Submission 34, Ricegrowers' Association of Australia, p 4

³⁷⁰ Ms Kerr, Evidence, 12 September 2007, p 25

crops would fail. Since then, newspaper and television articles confirm the worst. Across NSW, farmers are writing-off crops and reducing permanent plantings, cutting back citrus trees to the stump to conserve water.³⁷¹

- 5.11** The Committee witnessed the devastating impact of low rainfall directly, visiting properties in Leeton and Cootamundra to see crops that were struggling with lack of water and which shortly after the Committee's visit had been converted to hay or forage for livestock.
- 5.12** Rainfall affects inflows into the river systems, and therefore the amount of water available for irrigation purposes. In evidence to the Committee, Mr Lee O'Brien, Chairman of the Murrumbidgee Catchment Management Authority and Chair of the Community Advisory Committee to the Murray Darling Basin Ministerial Council, painted a bleak picture of the water outlook for the Murray Darling Basin:

The inflows in August were about 470 gigalitres. That compares quite favourably to August of last year, when the inflows were about 150 or 170 gigalitres, which is three times as much. But compare that to the average of 1,190 gigalitres. So we are receiving a little over one-third of our long-term average inflows. When you take into account that we started out this water year with 2,000 gigalitres of water less in storage than we had at about the same time last year, we are 2,000 gigalitres behind the eight ball. So this year, even though we have had higher inflows, it looks like it will be a far worse year for water. It is quite dire.³⁷²

- 5.13** In evidence to the Committee, Mr David Harriss, the Deputy Director General of the Department of Water and Energy's Water Management Division, described the current situation in NSW, where there has been no allocation of general security entitlements in any valley, and only limited high security allocations, as 'unprecedented'.³⁷³
- 5.14** At the time of the Committee's visit to Leeton, the high security allocation for the Murrumbidgee Irrigation Area was 60%, for which Councillor Paul Maytom, Mayor of Leeton Shire Council, expressed his appreciation:

We are very appreciative of the high security allocation that was given because without that losing our permanent plantings would be an absolute disaster.³⁷⁴

- 5.15** In its submission to the Inquiry, the NSW Irrigators' Council commented that other irrigation areas were not in the same relatively fortunate position as the Murrumbidgee. The Lachlan Valley, the Barwon-Darling, the southern Murray-Darling, the Namoi, Gwydir and Border Rivers regions were all described as 'confronting critical water shortages'.³⁷⁵

³⁷¹ For example: 'Hope withers on the vine,' *The Sydney Morning Herald*, 25 September 2007; 'Even the brave despair,' *The Daily Telegraph*, 15 October 2007; 'Button pushed on foreclosure' *The Australian Financial Review*, 1 October 2007

³⁷² Mr Lee O'Brien, Evidence, 13 September 2007, p 27

³⁷³ Mr David Harriss, Deputy Director General, Water Management Division, Department of Water and Energy, Evidence, 29 August 2007, p 58

³⁷⁴ Cllr Maytom, Evidence, 12 September 2007, p 27

³⁷⁵ Submission 21, NSW Irrigators' Council, p 2

Committee comment

- 5.16** The current drought has had a major impact on water supplies in NSW and across Australia. NSW, as the largest user of water in the country, is particularly sensitive to changes in available water. The current low availability of water has a number of significant and negative effects on agriculture, which will be examined in this chapter.

Water management and control

- 5.17** The management and control of water in New South Wales is complicated. At a State level, the NSW Government, through the NSW Department of Water and Energy and the NSW Department of Environment and Climate Change, has authority for making decisions about allocations of water to access licence holders, and responsibility for protecting the environment. State-based Catchment Management Authorities (CMAs) are responsible for making decisions about the care and management of water catchments. State-based water sharing plans, developed within water source areas by agreement between different water users, determine the ratio of water allocation between users.
- 5.18** The NSW State Plan specifies that priority E1 is ‘A secure and sustainable water supply for all users’. The NSW Department of Primary Industries, in its submission to the Inquiry, succinctly outlined the imperatives arising from finite water supplies and the action needed to address them:

The scarcity of water resources and the need to share these appropriately between agriculture, industry, the environment and other users will require ongoing adaptation by agricultural and processing industries. The water reform framework, as encompassed by the National Water Initiative and the proposed \$10 billion National Plan for Water Security will continue to require the irrigated farm sector to adjust their water management practices. This presents challenges and opportunities for increasing business investment in rural and regional NSW.³⁷⁶

- 5.19** At a national level, the Commonwealth Government’s National Plan for Water Security (NPWS), when implemented, will give the overall authority for decision making about water use within the Murray Darling Basin to the Commonwealth Government. The NPWS represents an historic change to the way in which water is managed in the Murray Darling Basin and will result in changes to State level water management processes that have yet to be determined.
- 5.20** In these next sections, the Committee examines the different elements of water management and control and the impact of recent changes on the practice of irrigated agriculture.

Water access licences

- 5.21** To use water for agriculture or other purposes in New South Wales an access licence is required. Access licences are categorised under section 57 of the *Water Management Act 2000* (NSW). There are a large number of categories of licence, but for the purposes of this chapter’s examination of issues associated with irrigated agriculture, the most significant

³⁷⁶ Submission 27, NSW Department of Primary Industries, p 10

categories are high security access licences and general security access licences. Domestic and stock licences and supplementary water access licences are also referred to in this chapter.

- 5.22** In some cases, access licences are held by individual irrigators, in other cases an irrigation corporation holds the access licence on behalf of its customers or shareholders. High security water is typically used for permanent plantings such as vines and citrus crops, while general security water is used for annual crops such as rice, cotton, wheat or corn and for the irrigation of pastureland.
- 5.23** Section 58 of the *Water Management Act 2000* (NSW) determines the priority of access for water. Local water utility, major water utility, and domestic and stock access licences have the highest priority, followed by high security access licences. All other categories, including general security access licences, are of equal priority with supplementary access licences having the lowest priority.
- 5.24** During the 2007-2008 Budget Estimates hearings for the portfolio of the Environment and Climate Change, Mr David Harriss, the Deputy Director General of the Department of Water and Energy's Water Management Division, clarified the priority of water users in NSW:

(T)he domestic component of towns and the domestic component of stock and domestic users, followed by the environment and followed by other users and the priority of generally high security followed by general security.³⁷⁷

Irrigation corporations

- 5.25** Irrigation corporations in NSW were privatised from 1995, as part of water reform initiated by the 1994 Council of Australian Governments, now embodied in the National Water Initiative and National Plan for Water Security. Prior to privatisation, irrigation corporations in NSW were government owned and operated entities. Irrigation corporations are the water access licence holders on behalf of their customers or shareholders, who are irrigating farmers. Not all irrigators are part of an irrigation corporation, however, and there are a variety of differently formatted irrigation structures.
- 5.26** The NSW Department of Water and Energy periodically makes an 'available water determination', which allocates water to access licence holders according to availability.³⁷⁸
- 5.27** Bulk water charges are paid to the NSW Government by all water utilities, which then provide water to their customers at a cost determined by the Independent Pricing and Regulatory Tribunal (IPART). The charges are determined on a cost recovery basis and comprise a fixed component and a variable component. Cost of delivery charges vary across valleys because the infrastructure costs differ between areas, leading to substantially different costs for water in different parts of the state.
- 5.28** In its submission to the Inquiry, the NSW Irrigators' Council (NSWIC) raised as an issue of concern the application of fixed bulk water charges when water allocations are zero.³⁷⁹ In

³⁷⁷ Mr Harriss, Deputy Director General, Water, Department of Water and Energy, *GPSC 5 Budget Estimates 2007-2008 – Climate Change, Water and Energy*, Evidence, 22 October 2007, p 12

³⁷⁸ Mr Harriss, Evidence, 22 October 2007, pp 6-7

particular, the NSWIC commented on the unfairness of the current water pricing structure, which requires licence holders to ‘bear the costs of running the river to provide water for non-customer beneficiaries’:

... e.g., basic rights holders, the environment and recreational users, a cost that should more appropriately be treated as a Community Service Obligation fully funded by Government. The cost of meeting obligation to non-customer beneficiaries rises steeply under severe drought conditions when most of the flow in the river is required to meet these obligations and very little is available for license holders.³⁸⁰

- 5.29** The NSWIC recommended that a drought relief trigger be established for irrigated agriculture, ‘based on objective indicators of the impact of the drought’ for each river system. Once the trigger is activated, fixed charges would be waived, and ‘possibly other measures appropriate to that valley’. The NSWIC also recommended that quarterly billing for water charges be deferred for those valleys with a zero General Security allocation.³⁸¹

Committee comment

- 5.30** The Committee notes the actions of the Victorian Government in relation to providing relief for fixed water charges to water licence holders in situations where there is zero allocation of water. The Committee believes there is merit in the NSW Government investigating ways of providing flexibility for water licence holders in situations where there is zero water allocation, such as sinking funds or deferral of payments.

Recommendation 26

That the NSW Department of Water and Energy work in consultation with water license holders to investigate long term options to provide flexibility in relation to fixed water charges in situations where there is zero water allocation, for example, through the use of sinking funds and payment deferrals.

Catchment Management Authorities

- 5.31** There are 13 Catchment Management Authorities (CMAs) across New South Wales, established under the *Catchment Management Authorities Act 2003* (NSW). CMAs have the responsibility for managing natural resources across a water catchment area by preparing a Catchment Action Plan and managing incentive programs to implement the plan. They are funded jointly from State and Commonwealth sources, with the bulk of funding deriving from the National Action Plan for Salinity and Water Quality and the National Heritage Trust. CMAs are also responsible for administering and managing native vegetation plans (Property

³⁷⁹ Submission 21, p 2

³⁸⁰ Submission 21, Attachment 3

³⁸¹ Submission 21, Attachment 3

Vegetation Plans – PVPs).³⁸² The role of CMAs in land management and in PVPs is addressed in Chapters 3 and 6 respectively.

- 5.32** Mr Lee O'Brien, Chairman of the Murrumbidgee Catchment Management Authority and Chair of the Community Advisory Committee to the Murray Darling Basin Ministerial Council, explained the role of CMAs to the Committee during the public hearing held in Cootamundra. He stressed that the work of the CMAs was 'primarily aimed at protecting and enhancing our natural resource base but they are also delivering agricultural production benefits'.³⁸³

Water sharing plans

- 5.33** Water sharing plans are established under the *Water Management Act 2000* (NSW), and have three main purposes – to preserve the environment, to ensure the sustainability of the source of water and to provide water users with certainty over their water allocation. They are associated with particular water sources. There are currently 37 surface and groundwater sharing plans covering 90% of the State's water use.³⁸⁴
- 5.34** Water sharing plans establish rules for sharing water between the environmental needs of the river or aquifer and water users, and between different types of water users – town supply, rural domestic supply, stock watering, industry and irrigation.³⁸⁵ Allocations against access licences are made in accordance with the rules established in the water sharing plans.
- 5.35** The NSW Government is also currently developing macro water sharing plans, intended for unregulated rivers and groundwater, and intended to 'apply to catchments where there is less intensive water use'.³⁸⁶
- 5.36** The NSW Irrigators' Council, in its submission to this Inquiry, while satisfied with the planning process for the development of water sharing plans, expressed concern over the planning process for macro water sharing plans, citing 'too much secrecy and not a transparent enough process of community and industry engagement'.³⁸⁷

³⁸² Catchment Management Authorities website, available at: www.cma.nsw.gov.au/role_cma.html (accessed 26 October 2007)

³⁸³ Mr O'Brien, Evidence, 13 September 2007, p 21

³⁸⁴ Dr Sheldrake, Evidence, 29 August 2007, p 42

³⁸⁵ Department of Natural Resources website, available at: www.dnr.nsw.gov.au/water/sharing-plans.shtml, (accessed 26 October 2007)

³⁸⁶ Department of Natural Resources website

³⁸⁷ Submission 21, p 4

The National Plan for Water Security

- 5.37** The National Plan for Water Security (NPWS) is a \$10.5 billion Commonwealth Government plan 'to improve water efficiency and address over-allocation of water in rural Australia'.³⁸⁸ The plan was first announced in January 2007.
- 5.38** The *Water Act 2007* (Cth) will commence in 2008 and will regulate the water market in the Murray Darling Basin to address the over-allocation of water. It also establishes the Murray Darling Basin Authority, creates a Commonwealth environmental water holder and has as a further aim the increased availability and quality of information on water through the expansion of the Meteorology Bureau.³⁸⁹
- 5.39** In July 2007 the Prime Minister, John Howard, announced that the Commonwealth would pass legislation to enable the plan to be implemented without the referral of state powers to the Commonwealth, following a failure to reach agreement between Victoria and the Commonwealth over the transfer of state powers from that State to the Commonwealth.
- 5.40** The NPWS is the progression of the National Water Initiative (NWI), agreed between the States and the Commonwealth Government in 2004. The principles of the NWI include:
- a commitment to identifying over-allocated water systems, and restoring those systems to sustainable levels
 - the expansion of the trade in water resulting in more profitable use of water and more cost-effective and flexible recovery of water to achieve environmental outcomes
 - more confidence for those investing in the water industry due to more secure water access entitlements, better registry arrangements, monitoring, reporting and accounting of water use, and improved public access to information
 - more sophisticated, transparent and comprehensive water planning, and
 - better and more efficient management of water in urban environments, for example through the increased use of recycled water and stormwater.³⁹⁰
- 5.41** The \$10.5 billion in funds available to implement the NPWS over the next ten years includes the following components:
- Modernising Irrigation - \$5.9 billion, including \$1.5 billion for the On-Farm Irrigation Efficiency Programme and \$3.6 billion for improving off-farm distribution efficiencies
 - Water Meter Test Facility Upgrading and Accreditation - \$603 million

³⁸⁸ Australian Government 2007, *A National Plan for Water Security*, p 1

³⁸⁹ Commonwealth Department of the Environment website, available at: www.environment.gov.au/water/action/npws.html (accessed 26 October 2007)

³⁹⁰ National Water Commission website, available at: www.nwc.gov.au/NWI/index.cfm (accessed 26 October 2007)

- Addressing over-allocation - \$3.1 billion to purchase water entitlements on the market and provide assistance to irrigators to relocate.³⁹¹

- 5.42 The project to address over-allocation will be guided by information provided through the CSIRO Sustainable Yields project, which will also be used ‘to help develop a new sustainable cap on extractions from the Murray-Darling Basin’.³⁹²
- 5.43 The Murray Darling Basin Authority ‘will be responsible for planning the Basin’s water resources in the interests of the Basin as a whole’ across State and Territory borders.³⁹³
- 5.44 The interaction of the NPWS and other elements of water management and control is addressed later in this chapter.

Competing uses for water

- 5.45 Environmental flows, domestic and stock use, industry and agriculture are all sharing the limited available water. Decisions about the total amount of water that should be available for all these purposes in the Murray Darling Basin will be made by the Murray Darling Basin Authority, established under the NPWS.
- 5.46 The Committee heard many opinions about the need for environmental flows and the relationship with agricultural water needs.
- 5.47 For example, Mr Peter Bartter, Joint Managing Director of Bartter Enterprises Ltd, was critical of the need for environmental flows. He commented that the needs of agriculture should not be outweighed by environmental flows when there was limited water, placing the need for environmental flows in an evolutionary context:

... I believe in nature. If nature says there is no water then there is no water to keep things alive and evolution will take place. Not to allow that to happen is an injustice. As the country dries out as a result of climate change these animals will be affected and we should let nature take its course. Climate change is real.³⁹⁴

- 5.48 Mr John Chant, a former manager with Murrumbidgee Irrigation Limited and a resident of Leeton, advocated a re-visiting of the quantum of environmental flows to support agriculture during difficult times:

I would not advocate suspending environmental flows, but I would certainly advocate the community coming together to talk about ways of dealing with it better and perhaps having a look at whether it might be able to be borrowed in advance of better times for looking after towns and production, particularly high-value production, which we could well lose.³⁹⁵

³⁹¹ Department of the Environment website, available at: www.environment.gov.au/water/action/npws.html#security4 (accessed 26 October 2007)

³⁹² Department of the Environment website, (accessed 26 October 2007)

³⁹³ Department of the Environment website, (accessed 26 October 2007)

³⁹⁴ Mr Bartter, Evidence, 12 September 2007, p 17

³⁹⁵ Mr Chant, Evidence, public forum, 12 September 2007, p 6

5.49 In evidence to the Committee, Mr Matt Linnegar, Corporate Affairs Manager with Murrumbidgee Irrigation Ltd, detailed his corporation's RiverReach proposal, which would see irrigators enter into a contract to provide water for environmental flows once a licence holder has received a certain percentage of their entitlement. Mr Linnegar claimed that environmental flows were needed in wet years, and this arrangement would provide certainty:

... it is agreed upfront, the environment knows what it is getting over the long term and it is getting it in those wetter years.³⁹⁶

5.50 Mr Linnegar explained that the RiverReach program could be one of a suite of options available to support environmental flows, along with permanent and temporary water purchases which could be used in dry years.

5.51 In its submission, NSWIC reflected the broader concern of irrigators that they are subsidising environmental and recreational benefits associated with water, costs that 'would more appropriately be treated as a Community Service Obligation fully funded by Government'.³⁹⁷

5.52 As an example, NSWIC called for 'immediate action' on the infrastructure investment program for Menindee Lakes, as they claimed that 'a disproportionate share of the risk and cost of ensuring that the Menindee Lakes hold sufficient water to met the needs of the Broken Hill community rests with a small number of northern Rivers irrigators and communities'.³⁹⁸

5.53 In its submission to the Inquiry, the Australian Water Association (AWA) recognised the need to balance market and regulatory forces in meeting the competing needs of agriculture and the environment. The AWA favours:

... a State policy framework that provides a judicious mix of regulatory and market forces that will bring about the most innovative, efficient and sustainable use of water for agriculture in NSW, while restoring the health of the stressed rivers.³⁹⁹

Interaction of water sharing plans and the National Plan for Water Security

5.54 There is a large degree of uncertainty around the impact that the NPWS will have on arrangements for the allocation of water in NSW, as the detail of the NPWS has not yet been determined.

5.55 Mr Lee O'Brien, Chairman of the Murrumbidgee Catchment Management Authority and Chair of the Community Advisory Committee to the Murray Darling Basin Ministerial Council, commented that the NPWS 'has positive things about it', particularly the size of the financial commitment at \$10.5 billion and the 10 year duration of the commitment. However, Mr O'Brien noted that 'much of the detail of the plan' was still unknown.⁴⁰⁰

³⁹⁶ Mr Matt Linnegar, Corporate Affairs Manager, Murrumbidgee Irrigation Ltd., Evidence, 12 September 2007, p 2

³⁹⁷ Submission 21, Attachment 3

³⁹⁸ Submission 21, p 4

³⁹⁹ Submission 10, Australian Water Association, p 1

⁴⁰⁰ Mr O'Brien, Evidence, 13 September 2007, pp 22-23

- 5.56** Mr O'Brien considered the CSIRO Sustainable Yields study a positive element of the NPWS, stating that 'you cannot manage what you cannot measure'. Mr O'Brien described the Sustainable Yields study as a hydrology study, estimating the current and future use of water up until 2030, 'taking into account surface and ground water interaction and the impacts of climate change'.⁴⁰¹
- 5.57** Specifically in relation to the impact of the NPWS on CMAs, Mr O'Brien commented that the NPWS represented 'many, many opportunities' to deliver against both national and catchment level priorities.⁴⁰²
- 5.58** In discussing the NPWS, Mr O'Brien noted that the Modernising Irrigation component of the plan would share water savings from irrigation efficiencies between the irrigator and the environment, an important illustration of the balance required into the future:
- We need to find a balance between entering the market to purchase water from willing sales and also providing incentives to upgrade irrigation infrastructure so we maintain productive rural economies.⁴⁰³
- 5.59** Mr John Clements, CEO of Namoi Water, expressed concern that the NPWS has resulted in 'attempts by the Commonwealth to ignore its involvement and approval in the development of Water Sharing Plans, Catchment Action Plans and Sustainable Groundwater Use Plans'.⁴⁰⁴
- 5.60** Ms Kerr, Policy Manager for the Ricegrowers' Association of Australia Inc., also sounded a cautionary note about the future of water sharing plans:

Farmers or irrigators need certainty. We have talked about the end of water sharing plans in 2014. A guaranteed risk assignment process is in place. New South Wales is the only State that has legislated for that. Farmers have a guarantee of what will happen. However, the National Plan for Water Security has overlaid a little uncertainty and that risk assignment gap of uncertainty needs to be dealt with for somewhere between the end of our water sharing plans in 2014 and the start of 2015.⁴⁰⁵

Innovations in irrigation

- 5.61** Irrigated agriculture has high levels of technological innovation. Ms Deborah Kerr, a Representative for the NSW Irrigators' Council, told the Committee that '(t)he irrigation industry is characterised by innovation and a high uptake of technology. It is a global leader in a number of areas including water use efficiency'.⁴⁰⁶

⁴⁰¹ Mr O'Brien, Evidence, 13 September 2007, pp 22-23

⁴⁰² Mr O'Brien, Evidence, 13 September 2007, p 23

⁴⁰³ Mr O'Brien, Evidence, 13 September 2007, p 23

⁴⁰⁴ Submission 39, Namoi Water, p 1

⁴⁰⁵ Ms Kerr, Evidence, 29 August 2007, p 24

⁴⁰⁶ Ms Kerr, Evidence, 29 August 2007, p 36

- 5.62** Innovations in irrigation range from large-scale anti-evaporation projects, such as those examined by the Committee at the AusCott cotton facility in Narrabri, to highly specific water distribution systems for citrus trees, as examined on the citrus farm of the Amato family in Leeton.
- 5.63** A number of participants in this Inquiry noted the role that irrigation technology can play in improving water use efficiency and thus reducing water usage. One large-scale innovation for the efficient application of water in the rice industry involves changes to the shape of the land and the channels and bays that deliver water to the rice paddocks. Ms Kerr explained to the Committee how the system works:
- A farmer will survey that particular paddock, they will put in an irrigation design that has rectangle bays that will cope with what we call bankless channels. So instead of having a single little outlet, there is an outlet across the entire bay. Those bays are terraced so that the water goes on and off very quickly. They will then use that survey design with GPS through the land forming contractor and they will then move the dirt around to where it is needed and cut and fill areas.⁴⁰⁷
- 5.64** In the Murrumbidgee Irrigation Area there is a call for adopting pressurised water delivery systems to deliver water to irrigation properties with minimum wastage. Mr Frank Battistel, President of Griffith Citrus Growers, in a submission to the Inquiry noted that ‘over 50%’ of on-farm water delivery in the Riverina’s citrus farms was pressurised, but the irrigation channels supplying the water remained:
- Conveyance of water to the farm gate needs to be □ rbanizatio and available 365 days of the year.⁴⁰⁸
- 5.65** Pressurised water delivery systems are capital intensive and would require financial assistance to implement on a large scale. The Commonwealth Government’s \$10 billion National Plan for Water Security represents an opportunity to deliver on some of these expensive but necessary innovations.
- 5.66** In its submission to the Inquiry, the CSIRO identified its research into wireless sensor networks in the agriculture industry. The CSIRO Water Resources Observation Network (WRON), for example, is intended to improve the management of irrigation techniques where water is sourced from coastal aquifers.⁴⁰⁹
- 5.67** During the Committee’s site visit to the AusCott cotton facility, Mr Bernie George, manager of the facility, explained the way in which telemetry is being used to provide a level of control and information over water across a large area from a central point, enabling instantaneous and continual monitoring of water levels at all sites. This kind of irrigation technology comes at a considerable cost however, and is not accessible to all farmers.
- 5.68** While the bulk of water used in NSW is on irrigated agriculture and broadacre farming, a significant amount of water is also used in secondary industry related to agriculture, such as abattoirs and processing facilities. The recycling of water by these industries is becoming more

⁴⁰⁷ Ms Kerr, Evidence, 29 August 2007, p 36

⁴⁰⁸ Submission 16, Griffith Citrus Growers Inc., p 2

⁴⁰⁹ Submission 35, CSIRO, p 11

common as water becomes scarcer, just as households across the country are starting to become more water conscious in response to water restrictions and shortages. The Bartter Enterprises Hanwood poultry processing plant, for example, has an on-site water treatment plan that enables water used in the processing of poultry to be used to irrigate the summer crop of corn used to feed the poultry.⁴¹⁰

- 5.69** In its submission to the Committee, NSW Irrigators' Council identified the NPWS as an opportunity to work in partnership with the NSW Government to 'derive maximum benefit from the \$10 billion allocated to support the NPWS'.⁴¹¹
- 5.70** Ms Kerr, Policy Manager for the Ricegrowers' Association of Australia Inc., in evidence to the Committee suggested that an improvement to water management could be brought about through the use of real-time telemetry – metering and analysis of water levels from a central site in real-time, to avoid the current two-weekly announcement that currently exists. Ms Kerr noted the particular problems associated with the dual levels of State and Commonwealth sign-off for water allocations within the Murray Darling Basin. She suggested that funds available under the National Plan for Water Security could be used for this purpose and described it as 'a fantastic opportunity to move some very old systems in New South Wales to twenty-second century technology'.⁴¹²

Committee comment

- 5.71** The lack of water for irrigation is an ongoing concern. Australia as a whole, and NSW as a state, faces unprecedented challenges to the way in which irrigated agriculture is practiced. The major reform currently underway through the National Plan for Water Security represents a serious attempt to tackle the problem in the long term, but the implementation of that plan poses challenges for irrigators.
- 5.72** The Committee notes that the funds available under the National Plan for Water Security represent an opportunity for irrigators to modernise and take irrigated agriculture into the future. To that end, we believe that the NSW Government, and relevant government agencies, need to work with irrigators to make the most of the funding opportunities provided to implement real-time telemetry in the management of water and more efficient water delivery systems that will save water, such as the pressurised delivery of water to farms.
- 5.73** The Committee therefore recommends that the NSW Government, during negotiations with the Commonwealth Government over the NPWS, ensure that funds available under the NPWS are directed to a range of innovations in large and small scale irrigation properties and regions, including the use of real-time telemetry and pressurised water delivery systems. The Committee also recommends that the NSW Government should work closely with the irrigated agriculture industry to identify innovations for funding under the NPWS.

⁴¹⁰ Submission 41, Bartter Enterprises, pp 2-3

⁴¹¹ Submission 21, p 6

⁴¹² Ms Kerr, Evidence, 12 September 2007, p 23

Recommendation 27

That the NSW Government, during negotiations with the Commonwealth Government in relation to the National Plan for Water Security, ensure that funds available for water saving initiatives are directed to a range of innovations across large and small scale irrigation properties, including:

- the use of real-time telemetry in irrigation areas, for the monitoring and management of water allocations; and
- implementation of pressurised water delivery systems, where feasible.

Recommendation 28

That the NSW Department of Primary Industries work actively to assist the irrigated agriculture industry in the development of proposals for funding associated with the National Plan for Water Security.

- 5.74** The Committee acknowledges the concerns of water users over the security associated with their water entitlements in relation to the changes that will inevitably occur as a result of the NPWS. In the absence of detail associated with the NPWS, we can only recommend that the NSW Government ensure that security and certainty of water rights under existing water sharing plans are protected during negotiations with the Commonwealth Government. Changes to water sharing plans as a result of the National Plan for Water Security should be made in consultation with the participants, with adjustment to plans made through savings or purchase.
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Recommendation 29

That the NSW Government, during negotiations with the Commonwealth Government in relation to the National Plan for Water Security, ensure that the security and certainty of the water rights of current participants in water sharing plans, such as the irrigation industry, stock and domestic users, town users, industrial users and environmental flows, are recognised. Any changes to water sharing plans should be made in consultation with the participants, with adjustment to plans made through savings or purchase.

Water trading

- 5.75** The current system of water trading has developed from the 1994 Council of Australian Governments water reform framework, which required the separation of water rights from land rights to facilitate trading between irrigation areas, and the subsequent 2004 National Water Initiative.⁴¹³

⁴¹³ Australian Competition and Consumer Commission 2006, *A regime for the calculation and implementation of exit, access and termination fees charged by irrigation water delivery businesses in the southern*

5.76 A market for water now exists in a much broader area than was previously possible when water rights were associated with the land. One consequence of the separation of water and land rights is that the current water trading system allows the permanent transfer of water from one irrigation area to another. This is currently limited under the National Water Initiative to 4% of the total water area's entitlement but is subject to review in 2009 and will move to full open trade in 2014.⁴¹⁴

5.77 In explaining the water trading market, Mr David Harriss, Deputy Director General of the NSW Department of Water and Energy's Water Management Division, commented that the purpose of water trading is to allow the use of water for its most valuable purpose within the irrigation system, subject to certain physical and environmental impact constraints on the movement of water. The trading system is intended to recognise that water is a finite resource:

Where water is being used in non-economic pursuits and there is some demand for that water by another kind of industry then permanent trade, or even temporary trade, facilitates the movement of that water to another industry. The reason that is so important to New South Wales and, actually, to the rest of the Murray Darling Basing is that we have □ rbanizati that we do not have sufficient water to allocate new resources to other developments.⁴¹⁵

5.78 Mr Harriss explained that there were two types of trading currently available in the water market, a permanent trade where the actual entitlement to water is permanently traded between entities, and a temporary trade on an annual basis – a lease of water.⁴¹⁶

5.79 Mr Harriss commented on the highly variable price of water, which can vary enormously depending on its scarcity:

In a flood year, the price of an annual lease of water in, say, the Murray Valley or the Murrumbidgee Valley might be as low as \$6 per megalitre. Currently in the Murray Valley the annual lease of water is about \$800 per megalitre, because of the seriousness of the drought. Under normal circumstances, three years ago the price of a permanent transfer was only \$1,000 per megalitre; it is now trading at about \$2,000 per megalitre.⁴¹⁷

Impact of water trading on particular regions

5.80 Many Inquiry participants from established irrigation areas, such as the Murrumbidgee Irrigation Area, expressed concern over the possibility that this trading system could lead to a reduction in productive capacity within one irrigation area as water is traded to another.

Murray–Darling Basin, p 5, available at: www.accc.gov.au/content/index.phtml/itemId/771300 (accessed 26 October 2007)

⁴¹⁴ Australian Competition and Consumer Commission 2006, *A regime for the calculation and implementation of exit, access and termination fees charged by irrigation water delivery businesses in the southern Murray–Darling Basin*, p 7

⁴¹⁵ Mr Harriss, Evidence, 29 August 2007, p 65

⁴¹⁶ Mr Harriss, Evidence, 29 August 2007, p 65

⁴¹⁷ Mr Harriss, Evidence, 29 August 2007, p 66

- 5.81** For example, Councillor Paul Maytom, Mayor of Leeton Shire Council, noted that the effect of high prices brought about by the drought could lead to a shift in irrigated agriculture from one region to another:

Water pricing per megalitre would be so high, you effectively could not compete to grow a crop in our region on the value per tonne that you would receive and the value per megalitre that you could trade.⁴¹⁸

- 5.82** In his submission to the Inquiry, Mr Peter Bartter, Joint Managing Director of Bartter Enterprises, called for a quantum of water allocations to remain where they were initially allocated:

The allowance of trading of water licences from within the region to outside the immediate region reduces the certainty of available water as well as potentially impacting on the efficiency and viability of reticulation of the remaining licence holders. Quantum water allocations must remain with defined regions.⁴¹⁹

- 5.83** Mr Bartter, in evidence to the Committee, re-stated this position more clearly:

No water transfers should be allowed outside the Murrumbidgee Irrigation Area. Someone in Goulburn Valley should not be able to come up here and grab thousands of megalitres to grow peanuts, a fruit crop, or whatever. He has to find his water from somewhere else.⁴²⁰

- 5.84** The Carrathool Shire Council similarly expressed concern about the possibility of water trading leading to a decline in agricultural production in areas from which water is traded:

Water trading is seen as detrimental to agricultural production particularly when it is done across river valley and state borders and it has the propensity to devastate small rural communities – the only real beneficiaries of water trading will be the water traders not the communities which will lose the licences and hence the attendant agricultural production!⁴²¹

- 5.85** Mr Harriss acknowledged the concern of irrigation regions when discussing the impact of the water trading scheme:

The likely impact of a full mature water trading scheme is you are going to see water move between valleys, or within valleys and within States in New South Wales where water goes to its highest values. There is always concern by every region when they think water is going to move out of their region, but the reality is that over time we will see water move into and out of particular regions, depending on what is most viable at the particular stage, and that depends a lot on world commodity prices ...⁴²²

⁴¹⁸ Cllr Maytom, Evidence, 12 September 2007, p 27

⁴¹⁹ Submission 41, p 2

⁴²⁰ Mr Bartter, Evidence, 12 September 2007, p 19

⁴²¹ Submission 15, Carrathool Shire Council, p 1

⁴²² Mr Harriss, Evidence, 29 August 2007, pp 65-66

Access, termination and exit fees

- 5.86** One response from irrigation corporations to concerns over the permanent transfer of water allocations out of an irrigation area was the imposition of exit fees. Exit fees were described by Mr Linnegar, Corporate Affairs Manager for Murrumbidgee Irrigation Ltd, as ‘an amount that had to be paid if someone permanently traded water out of one region into another’.⁴²³ Exit fees were imposed by irrigation corporations in an attempt to address the possibility that infrastructure assets might be left stranded as water was traded permanently out of one region.
- 5.87** Exit fees were imposed by infrastructure operators to cover the costs associated with continuing to deliver water to a smaller number of farms. Infrastructure costs for the delivery of irrigation water are high and were not reflected adequately in irrigation corporations’ tariff structures such that remaining farms’ access fees for water would meet the total infrastructure cost to deliver it. The exit fees were calculated ‘to collect the net present value of future revenue that the infrastructure operator would have received to cover fixed costs’.⁴²⁴
- 5.88** The Australian Competition and Consumer Commission (ACCC) reviewed exit, access and termination fees in 2006 at the request of the Commonwealth, South Australia, Victoria, Queensland and New South Wales Governments who were seeking to implement their obligations under the National Water Initiative. The ACCC found that existing exit fees reduced the economic efficiency of the water trading market for a number of reasons, including acting as a ‘barrier to the trade of water from relatively lower to relatively higher value uses’. The ACCC also found that exit fees raised equity issues for exiting irrigators.⁴²⁵
- 5.89** The ACCC’s recommended regime, now adopted by NSW and effective from July 2007, requires the ‘unbundling’ of the water entitlement from the right to have water delivered, with the fixed cost of delivering the water recovered through an access fee, and no fees associated with the sale of the water entitlement. Delivery entitlements attract a termination fee when surrendered, which when paid remove the obligation to continue paying access fees. The access fee is set at a level designed to recover the fixed costs of providing water delivery services – the cost of operating and maintaining infrastructure – and the termination fee has been set at 15 times the access fee.⁴²⁶
- 5.90** Mr Linnegar, commenting on the termination fees and their objective, told the Committee that he believed termination fees perpetuated inefficiency, and suggested a flat fee for gravity-fed or pump systems that would ‘encourage the less efficient to be more efficient’.⁴²⁷

⁴²³ Mr Linnegar, Evidence, 12 September 2007, p 6

⁴²⁴ Australian Competition and Consumer Commission 2006, *A regime for the calculation and implementation of exit, access and termination fees charged by irrigation water delivery businesses in the southern Murray–Darling Basin*, p vi

⁴²⁵ Australian Competition and Consumer Commission 2006, *A regime for the calculation and implementation of exit, access and termination fees charged by irrigation water delivery businesses in the southern Murray–Darling Basin*, p vi

⁴²⁶ Australian Competition and Consumer Commission 2006, *A regime for the calculation and implementation of exit, access and termination fees charged by irrigation water delivery businesses in the southern Murray–Darling Basin*, p vi

⁴²⁷ Mr Linnegar, Evidence, 12 September 2007, p 7

Reform fatigue

- 5.91** Ms Deborah Kerr, Policy Manager for the Ricegrowers' Association of Australia Inc. and Representative for the NSW Irrigators' Council, commented that there had been a considerable amount of reform in the irrigation sector as a result of the National Water Initiative, and would be even more reform as part of the National Plan for Water Security. She called for a period of stability to allow the reforms to settle in and for farmers to recover from drought:

I hope that, during that post-reform period, we have some stability not just to recover from that water reform process but also to recover from the drought. Right now many farm businesses are at critical points of junctioning their financial situations and they have been under severe financial pressure for a number of years. We would like to see a period of stability where those businesses can recover from drought as well as water reform and become viable into the future.⁴²⁸

- 5.92** In its submission to the Inquiry, the NSW Irrigators' Council also commented on the need to consider the amount of reform being undertaken by the industry in the context of the current drought:

There is only so much reform and restructure that can be afforded when an industry had been crippled by drought and low water allocations. Expectations must be tempered with reality, to ensure that individuals are not expected to meet unrealistic restructure targets from a position of financial distress.⁴²⁹

Committee comment

- 5.93** The Committee understands the concerns that rural communities in irrigation areas have about the possible impact of water trading on their towns and livelihoods. As water moves from low value use to high value use through the process of water trading it is likely that there will be re-structuring within irrigation areas. The Committee is concerned about the impact on the agriculture industry, the environment, communities and irrigation infrastructure of the permanent trading of water from catchment areas, particularly in relation to the effects of climate change and predictions of increased potential for frequent low river flows. The Committee believes that this process should be a gradual one, with time to allow adjustments in the distribution of agricultural activity to be made without major disruption to communities.

Recommendation 30

That the NSW Department of Water and Energy prepare a full impact statement on the current and future (the next five years) effect of permanent out of catchment water trading. The impact statement should be completed and made public by June 2008.

- 5.94** The irrigation industry has been through an extensive period of reform and stands on the edge of a further period of reform. While the Committee acknowledges the need for this reform in

⁴²⁸ Ms Kerr, Evidence, 12 September 2007, p 21

⁴²⁹ Submission 21, p 3

the context of ongoing water shortages, we believe it is important that the State and Commonwealth Governments work sensitively with irrigators to bring these reforms about, and provide an extended period of certainty once the reforms have concluded to allow farmers to consolidate and recover.

- 5.95** The Committee therefore recommends that the existing restrictions on trading between regions of 4% annually be adjusted to 2% annually, to allow time for those regions to adapt to new circumstances. This adjustment should occur as part of the 2009 review.

Recommendation 31

That the NSW Government, during the 2009 review of the current restriction on permanent water transfers from irrigation regions of 4% annually, lobby the Commonwealth Government to adjust the restriction on permanent transfers to 2% annually, to allow time for those regions to adapt to the resulting structural changes.

The future of irrigated agriculture

- 5.96** The shortage of water in irrigation areas over recent months as part of the drought has put enormous pressure on irrigated agriculture, and on the communities that are supported by it. Throughout the Inquiry, the Committee heard concerns about the future of irrigated agriculture.

- 5.97** For example, Councillor Paul Maytom, the Mayor of Leeton Shire Council, in evidence to the Committee, expressed concern about the future of agriculture in the Murrumbidgee Irrigation Area:

(W)ill we just continue to suffer a decline and see our economy fall apart? Will we have any other opportunities out here? I do not know.⁴³⁰

- 5.98** Councillor Maytom reflected the broader concern expressed by a number of participants to this Inquiry, and evident in media reports, that rainfall patterns were changing, perhaps as a result of climate change:

I know it has been said to me that it is a drought and we will come out of the drought, but we have to prepare for maybe not quite getting out of the drought because we have had droughts over many years. There is no doubt that they have come and they have gone, but to me the pattern appears to be changing.⁴³¹

- 5.99** One high profile scientific expert who has consistently warned of changes to water patterns in Australia is Professor Peter Cullen, a member of the Wentworth Group of Concerned Scientists and Director of both Land and Water Australia, and Landcare Australia. Rather than

⁴³⁰ Cllr Maytom, Evidence, 12 September 2007, p 28

⁴³¹ Cllr Maytom, Evidence, 12 September 2007, p 29

view drought as the exception, he suggests that it is the wet year that is the exception, and drought the norm.⁴³²

- 5.100** Professor Cullen has also publicly commented that the irrigation systems, and the understanding of how much water can be allocated through them, were developed during a time of heavy rainfall, when in fact we are now in an extended dry period, similar to that in 1900-1950. Professor Cullen suggests, however, that there is reason for optimism – that the wealth produced from irrigation can be doubled with half the water, through increases in productivity and innovations in irrigation technologies.⁴³³

Committee comment

- 5.101** Irrigated agriculture is a very important contributor to the economy of NSW, and represents a significant component of the total contribution of agriculture to the economy, as noted in Chapter 2 of this report.
- 5.102** Australia is a dry continent, and climate change may make it drier, but the Committee believes there will always be an important role for irrigated agriculture into the future. There must, however, be changes to the way in which it is delivered, because the current level of water use, as we have seen in this particularly dry drought year, is not sustainable. The important thing is that the changes we do make are made in a way that enables existing communities to survive and prosper. Our recommendations throughout this chapter have been directed towards that aim.
- 5.103** The Committee is encouraged by the optimism expressed by participants to this Inquiry in relation to the innovations that offer the promise of improving productivity while reducing water use. It can be done and must be done if the future of irrigated agriculture is to be secure.

⁴³² ABC Radio National, Life Matters, *Forum - Yes it is unsustainable but it's not my fault*, 18 October 2007, available at: <http://www.abc.net.au/rn/lifematters/stories/2007/2062104.htm> (accessed 26 October 2007))

⁴³³ ABC Television, 7.30 Report June 2007, available at: <http://www.abc.net.au/7.30/content/2007/s1962703.htm> (accessed 26 October 2007)

Chapter 6 Regulation and planning issues

One of the major impediments to sustaining appropriate levels of productive capacity and growth in agriculture identified by participants in this Inquiry is over-regulation, or 'red tape'. In this chapter, the Committee considers regulations that apply to the agricultural sector and addresses issues relating to their implementation. The Committee also examines the issue of planning for the future of agriculture, including the effect of the interaction of existing planning and regulatory instruments on the agriculture industry, and the existence of and need for strategic planning instruments. Issues associated with physical infrastructure in regional areas required to support agriculture and the issue of payroll tax are also examined.

Regulation and over-regulation

6.1 A large number of participants in this Inquiry identified over-regulation, or 'red tape', as an impediment to sustaining appropriate levels of productive capacity and growth in the agricultural industry. For example, in its submission the Rural Alliance, a grouping of rural representative bodies including the NSW Farmers Association, the NSW Business Chamber, the Country Women's Association, the Local Government and Shires Associations and the Australian Livestock and Property Agent's Association, argued that over-regulation resulted in reduced competitiveness in the global market and, by extension, impacted on rural families:

... Red tape is crippling rural business and farmers within NSW through a reduction in interstate and global competitiveness and this in turn places a huge and unnecessary pressure on rural families.⁴³⁴

6.2 Specific areas of over-regulation identified by the Rural Alliance include Occupational Health and Safety (OH&S), small business administration, environmental regulations, education and training and the cost of compliance.⁴³⁵

6.3 Mr John Clements, Chief Executive Officer of Namoi Water, in evidence to the Committee commented that while the drought and current water shortages were an obvious impediment to productivity and growth, it was the 'perpetual rollercoaster of planning processes' that was the 'most frustrating' impediment to sustaining productive capacity and growth in agriculture.⁴³⁶

6.4 Mr Clements commented specifically on water sharing plans and provided an analogy to explain the frustration of irrigators:

If we were building houses and not growing crops, the corollary would be that each month the zoning rules and OH&S rules would change and we would spend more time discussing why we needed these rules to be workable and not changed regularly to allow confidence in investment than time spent actually building houses.⁴³⁷

⁴³⁴ Submission 26, Rural Alliance, p 3

⁴³⁵ Submission 26, p 3

⁴³⁶ Mr Clements, Evidence, 5 September 2007, p 7

⁴³⁷ Submission 39, Namoi Water, p 1

- 6.5** In its submission to this Inquiry, the Wakool Shire Council similarly identified ‘the regulation of various resources and procedures’⁴³⁸ as being the major impediment to agriculture, after the lack of control over resources such as ‘sun, water and weather conditions’.⁴³⁹
- 6.6** The Carrathool Shire Council’s submission also identified regulations as a major impediment to agriculture, specifically focussing on ‘the increasing restrictions placed on agricultural operations through governmental red tape and bureaucratic restrictions’. The Council gave the example of the need for ‘sixteen different licences to establish a yabbie farm’.⁴⁴⁰
- 6.7** The Pastoralists’ Association of West Darling, in its submission, commented that ‘an increasing number of Government charges and regulations are making running a profitable business more difficult’.⁴⁴¹ The Association identified OH&S requirements as an impediment to the agriculture industry, and commented that although OH&S was ‘very commendable’ it was also ‘extremely onerous, costly and impractical, especially in farming properties’.⁴⁴²
- 6.8** Mr Nevin Holland, a participant in the public forum held in Cootamundra as part of this Inquiry, also identified ‘a fear of occupational health and safety’ regulations among farmers, who he said were concerned about the implications of accidents in the workplace under the OH&S and Workcover regulations.⁴⁴³
- 6.9** Mr Andy Forrest, another participant in the public forum held in Cootamundra, echoed the comments of Mr Holland in relation to the costs associated with OH&S and WorkCover requirements. Mr Forrest suggested a system of incentives would be more effective than a ‘big stick’ approach:
- We as farmers do not want to see our friends, relatives, workers or ourselves injured in the workplace, but we have the most draconian laws in New South Wales. We have a system that tends to take the big-stick approach, which I do not think is helping to get the message about safety on farms across to our farming communities and local people in the towns. An incentive approach would be better and I am sure the farming community would take that on much better than the big-stick approach that WorkCover and others have put in place.⁴⁴⁴
- 6.10** Mr Peter McClintock, a Cootamundra farmer, in his submission demonstrated a common theme heard over the course of this Inquiry about ‘red tape’ – that the frustration experienced by farmers over ‘red tape’ is more to do with the implementation of the regulations than the purpose for which the regulations themselves exist:

438 Submission 6, Wakool Shire Council, p 3

439 Submission 6, p 2

440 Submission 15, Carrathool Shire Council, p 1

441 Submission 13, Pastoralists’ Association of West Darling, p 1

442 Submission 13, p 3

443 Mr Holland, Evidence, Public Forum, 13 September 2007, p 6

444 Mr Forrest, Evidence, Public Forum, 13 September 2007, p 13

I don't appreciate the extra time spent working in the office to satisfy some legal requirement when the end result of the paperwork is unproductive and just ends up filling cupboard space with boxes of archives.⁴⁴⁵

- 6.11** The duplication of information required was an issue raised by Mr Geoff Knight, a NSW Farmers Association Regional Services Manager in the Cootamundra region. He commented that 'various government agencies all want the same information but each has a form to be filled out.' Mr Knight reflected on the extended cost of this duplication:

It is time consuming and costly, not only financially but also socially. Some of these people are stressed out of their brain because they do not understand the need to do this several times over.⁴⁴⁶

- 6.12** In its submission, the Wakool Council commented generally on regulatory requirements and their impact on farmers:

The current regulatory requirements for agriculture have numerous authorities that need to be consulted depending on the issue and in some cases have multiple layers of rbanization. These individual rbanization then govern actions of farmers through layers of regulations and paperwork.⁴⁴⁷

- 6.13** Associate Professor Lyn Fragar, Director of the Centre for Agricultural Health and Safety, also identified the regulatory burden on farmers as an impediment to sustaining productive capacity, stating in her submission that older farmers, in particular, report being 'too tired at the end of the working day to get the paperwork done after dinner, in the way they would have done when they were younger and the red tape was less'.⁴⁴⁸

- 6.14** In September 2007 the Australian Productivity Commission released a draft research report entitled *Annual Review of Regulatory Burdens on Business: Primary Sector* (the *Regulatory Burdens* report). The *Regulatory Burdens* report investigates the regulatory burden on the primary sector, including agriculture, and recommends action be taken by the Commonwealth Government in a number of areas, including:

- removing duplication in applying for drought assistance
- consolidating information requirements in order to reduce time spent by agriculture producers in completing surveys.⁴⁴⁹

- 6.15** The *Regulatory Burdens* report identified regulations at state level as a particular problem, and especially the lack of consistency of regulations between jurisdictions:

... the relative importance of state and territory regulation became evident during the consultation process ... as it is that tier of government that is more closely involved

⁴⁴⁵ Submission 44, Mr Peter McClintock, p 6

⁴⁴⁶ Mr Knight, Evidence, 13 September 2007, p 16

⁴⁴⁷ Submission 6, p 3

⁴⁴⁸ Submission 38, Centre for Agricultural health and Safety, p 9

⁴⁴⁹ Productivity Commission 2007, *Annual Review of Regulatory Burdens on Business: Primary Sector*, Draft Research Report, Canberra, p xxii

with the agriculture sector through its responsibility for land and natural resource management. Reflecting this, many concerns raised by participants focused on the lack of regulatory consistency between jurisdictions. This was of particular concern in relation to transport-related regulation, food standards and certain security sensitive chemicals.⁴⁵⁰

- 6.16** One of the submissions that contributed to the *Regulatory Burdens* report was from the National Farmers Federation, which attached a report it commissioned to examine the ‘expenses and labour costs incurred by family farms in meeting all bureaucratic red tape or regulatory requirements’. The report, which rbanizati that it did not represent the average of the industry as a whole, was based on ‘selected farm businesses ... throughout the sheep-wheat belt of New South Wales, Victoria, South Australia and Tasmania’.⁴⁵¹ The report included expenses such as accounting services, bank fees, legal services, charges and taxes, and labour:

The report found that on average the expenses and labour costs related to these services as a whole accounted for 3 per cent of farm income, 4 per cent of total expenses and 14 per cent of net farm profit each year. The actual time involved in the related tasks accounted for around 18 days per year or 7.5 per cent of the working year.⁴⁵²

- 6.17** In its submission, the Australian Meat Processor Corporation detailed the international market pressures that impact on the meat processing and other agricultural industries reliant on the export market. In that context, the Corporation noted that agricultural industries are particularly sensitive to increases in the cost of production, including ‘any unnecessary impost of regulation, inspection, or administration beyond that which is absolutely necessary for the effective operation of the business’.⁴⁵³

- 6.18** Not all participants in this Inquiry identified over-regulation as a major problem. Councillor Paul Braybrooks, Mayor of Cootamundra Shire Council, told the Committee that while he agreed with the principle that there should not be unnecessary regulation, the Cootamundra Shire Council had not experienced over-regulation, and he had not had complaints from farmers:

... the feeling amongst the staff was that in intensive agricultural areas or in irrigation areas maybe there was more red tape, but certainly in the mixed farming in Cootamundra the staff had not experienced any major impediments.⁴⁵⁴

- 6.19** Cllr Braybrooks attributed the relative lack of complaints about over-regulation to the fact that Cootamundra is a ‘very old established farming district’.⁴⁵⁵

- 6.20** Speaking at the same public hearing in Cootamundra, Mr Ian Hay, President of the Cherry Growers Association of Australia, commented that he was surprised that there had not been

⁴⁵⁰ Productivity Commission 2007, *Annual Review of Regulatory Burdens on Business: Primary Sector*, p 24

⁴⁵¹ Productivity Commission 2007, *Annual Review of Regulatory Burdens on Business: Primary Sector*, p 24

⁴⁵² Productivity Commission 2007, *Annual Review of Regulatory Burdens on Business: Primary Sector*, p 24

⁴⁵³ Submission 4, Australian Meat Processor Corporation, p 2

⁴⁵⁴ Cllr Braybrooks, Evidence, 13 September 2007, p 5

⁴⁵⁵ Cllr Braybrooks, Evidence, 13 September 2007, p 5

complaints from farmers about red tape 'because occupational health and safety activities and workplace issues are huge'.⁴⁵⁶

6.21 The NSW Government has identified 'cutting red tape' as a priority under the NSW State Plan.⁴⁵⁷ To that end, the Better Regulation Office, a branch of the NSW Department of Premier and Cabinet, was established in November 2006 to support the Minister for Regulatory Reform, currently the Hon Joseph Tripodi MP. The Office is 'an advocate for, and source of assistance for, best practice regulation making across government'.⁴⁵⁸

6.22 In submissions to this Inquiry and during public hearings, NSW Government departments acknowledged the burden of regulations on the agricultural industry. The Department of Primary Industries, in its submission, identified the need to 'develop and maintain an increased awareness of the regulatory compliance burden on agriculture and continue to reduce red tape and pursue innovation in regulatory design'.⁴⁵⁹

6.23 In evidence to the Committee, Mr Scott Davenport, Director, Industry Analysis with the Department of Primary Industries (DPI), told the Committee that the Department worked with the Better Regulation Office to develop best-practice principles in legislation and regulation making. Mr Davenport commented that the principles included:

... being very clear about your objectives as government, what is really the problem and going through processes to ensure that you are regulating with the least compliance costs, benefit-cost analysis, consultation with industry to see what the impacts of your proposals might be and so forth.⁴⁶⁰

6.24 The NSW Department of Environment and Climate Change (DECC) similarly acknowledged that some of the legislation and regulation required under their portfolio, particularly the regulations associated with native vegetation management, need to be 'continuously streamlined'.⁴⁶¹

6.25 In evidence to the Committee, Ms Deborah Kerr, Representative for the NSW Irrigators' Council, outlined a rice industry-led example of information streamlining. In relation to chemical storage on farms, Ms Kerr commented that:

... there are multiple jurisdictional requirements under New South Wales and Federal legislation. There are about six different regulations and protocols about chemical use. As an industry, farmers found it difficult to say "Which one do I need to implement?"⁴⁶²

⁴⁵⁶ Mr Hay, Evidence, 13 September 2007, p 15

⁴⁵⁷ NSW Government, *The State Plan, A New Direction for NSW*, November 2006, priority P3, p 96

⁴⁵⁸ NSW Department of Premier and Cabinet, Better Regulation Office website, available at http://www.cabinet.nsw.gov.au/better_regulation_office (accessed 24 September 2007)

⁴⁵⁹ Submission 27, NSW Department of Primary Industries, p 1

⁴⁶⁰ Mr Davenport, Evidence, 29 August 2007, p 59

⁴⁶¹ Submission 18, Department of Environment and Climate Change, p 6

⁴⁶² Ms Kerr, Evidence, 29 August 2007, p 39

- 6.26 Ms Kerr told the Committee that the NSW rice industry, in consultation with WorkCover and a number of other organisations, developed a ‘very small book that provided them with the information they needed for what they had to do’ in ‘plain, simple language’.⁴⁶³

Committee comment

- 6.27 There is no doubt that there continues to be frustration in the agriculture industry over ‘red tape’. The recent establishment of a Minister for Regulatory Reform in the NSW Government, and the explicit priority to reduce ‘red tape’ contained in the State Plan, indicate that the issue has been acknowledged and there is an intention to address it. Government departments have also identified a need to develop more effective regulations and to streamline those that currently exist.
- 6.28 The Committee supports the principle that unnecessary regulations should be removed, however we believe it is important to make the point that regulations do not exist in a vacuum – they are responses to particular issues and are often intended to benefit the agriculture industry. Accordingly, we believe it is necessary to review and identify existing regulations and the manner in which they are administered as a first step towards streamlining and reducing the regulatory burden on the agriculture industry.
- 6.29 Any review should take into account the work of the Australian Productivity Commission in this area, and should be coordinated by the Better Regulation Office, with the Minister for Regulatory Reform being the responsible Minister.
- 6.30 The Committee therefore recommends that the Better Regulation Office, in consultation with relevant industry bodies, farming organisations and Government agencies, should review the range of legislation and regulation impacting on agriculture. The review should identify the purpose for which the legislation or regulation exists and determine areas of duplication.
- 6.31 The review, and proposed actions, should be made publicly available for comment once completed and should be completed before the end of 2008. An implementation schedule for the proposed actions should be included in the review outlining clear objectives and associated performance indicators and identifying responsible Government agencies.

Recommendation 32

That the NSW Government’s Better Regulation Office, in consultation with relevant industry bodies, farming organisations and Government agencies, review the range of legislation and regulation impacting on agriculture. The review should identify the purpose for which the legislation or regulation exists and determine areas of duplication.

The review, and proposed actions, should be made publicly available for comment once completed and should be completed before the end of 2008. An implementation schedule for the proposed actions should be included in the review outlining clear objectives and associated performance indicators and identifying responsible Government agencies.

⁴⁶³ Ms Kerr, Evidence, 29 August 2007, p 39

- 6.32** The Committee notes that, even following a review of existing regulations and actions to reduce duplication, there is likely to be some regulatory burden remaining. Accordingly, the Committee believes that there is a need for a central web-based ‘one-stop shop’ that would enable farmers and other workers in the agricultural sector to identify the regulations that apply to them, and would ideally allow for information to be consolidated where the same information is needed for more than one regulatory process. The information should also be available in hard copy for those farmers with limited internet access. Although outside the scope of this Inquiry, the Committee can see that this concept would be of use for other industries, and suggests that the NSW Government could easily extend this recommendation to them.

Recommendation 33

That the NSW Government’s Better Regulation Office work with the NSW Department of Primary Industries and industry groups to:

- develop a web-based ‘one-stop shop’ to provide advice on regulations applying to the agriculture industry, with the information also available in hard copy; and
 - investigate the potential to consolidate information collection, where the same information is needed for more than one regulatory process, to prevent duplication.
-

Lack of legislation

- 6.33** While most participants in this Inquiry identified over-regulation as an impediment, one participant raised the issue of a lack of legislation as an impediment to agriculture. Mr Bede Burke, an egg farmer from the Tamworth region, told the Committee that a lack of NSW legislation defining cage sizes for egg producers was causing financial uncertainty in his industry. Mr Burke told the Committee during the public forum held in Tamworth that while other states had implemented legislation to define cage sizes and protect the right of producers to use those cage assets for 20 years, NSW was yet to introduce the legislation, with the result that large capital investments in new cage technology cannot be made.⁴⁶⁴
- 6.34** During the 2007-2008 Budget Estimates hearings held in October 2007, the Minister for Primary Industries, the Hon Ian Macdonald MLC, commented that ‘New South Wales will comply with the national framework established in 2001’ in relation to poultry cage sizes, and added that regulations would ‘follow precisely the broad national framework’.⁴⁶⁵
- 6.35** The Committee notes that amendments have now been made to the regulations governing poultry cage sizes under the *Prevention of Cruelty to Animals Act 1979* (NSW), bringing cage sizes

⁴⁶⁴ Mr Bede Burke, Egg farmer, Evidence, 5 September 2007, p 4

⁴⁶⁵ Hon Ian Macdonald MLC, Minister for Primary Industries, *GPSC 5 Budget Estimates Inquiry – Energy, Primary Industries, Mineral Resources and State Development*, Evidence, 19 October 2007, pp 16-17

into line with the Agriculture and Resource Management Council of Australia and New Zealand agreements of 2000-2001.⁴⁶⁶

Consistency of transport regulations across State borders

6.36 A number of submissions to this Inquiry highlighted the inconsistency between the road transport regulations operating in different states. For industries that operate across state borders, these differences can negatively impact on their competitiveness and profitability.

6.37 One example of inconsistency in road regulations relates to weight limits for trucks carrying agricultural produce and livestock. Mr Andrew Madigan, Chief Executive Officer of the Australian Livestock and Property Agents Association, gave an example of the consequences of having different regulations across state boundaries in relation to the transport of livestock from Victoria to Queensland:

(I)f you are going from Victoria, through New South Wales up to Queensland to some of the major works up there, we are legal in Victoria, illegal in New South Wales and if we make it across the border we are legal again when we get to Queensland.⁴⁶⁷

6.38 Mr Jock Laurie, President of the NSW Farmers Association, told the Committee that the different regulations between states had a negative impact on the agricultural industry. Mr Laurie gave an example drawn from the NSW-based meat processing industry:

(I)f you get a reduction of 10 per cent to 15 per cent in the gross weight that you can carry back into works, and you are killing 1,000 cattle a day, then there needs to be more trucks on the road in order to get that there. ... If you have 10 per cent less weight on a truck you have 10 per cent more trucks, basically.⁴⁶⁸

6.39 Mr Laurie acknowledged that within the Rural Alliance there was likely to be a difference in opinion over the appropriate weight limits for trucks on NSW regional roads. Mr Stephen Low, Vice President of the Local Government and Shires Associations, who appeared before the Committee with Mr Laurie as a representative of the Rural Alliance, confirmed that even trucks loaded within existing regulations cause 'the same damage to a road pavement as 10,000 car movements'.⁴⁶⁹ In response to a question taken on notice during the hearing, Mr Low referred to the findings of the 2006 Independent Inquiry into the Financial Sustainability of Local Government (the Allen Report) which found that existing road and bridge funding available to local government from a combination of federal, state and local government sources, was 'unsustainable'.⁴⁷⁰

⁴⁶⁶ Department of Primary Industries, 'New cage standards to improve welfare for layer hens', *Media Release*, 2 November 2007, available at: www.dpi.nsw.gov.au/aboutus/news/recent-news/agriculture-news-releases/new-cage-standards (accessed 13 November 2007)

⁴⁶⁷ Mr Andrew Madigan, Chief Executive Officer, Australian Livestock and Property Agents Association, Evidence, 29 August 2007, p 13

⁴⁶⁸ Mr Laurie, Evidence, 29 August 2007, p 11

⁴⁶⁹ Mr Stephen Low, Evidence, 29 August 2007, p 12

⁴⁷⁰ Answers to questions taken on notice during evidence 29 August 2007, Mr Stephen Low, Vice-President, Local Government and Shires Associations and representative of the Rural Alliance, Question 2, p 9

- 6.40** In its submission to the Inquiry, the NSW Farmers Association outlined the differences between state regulatory applications of the ‘Chain of Responsibility’ provisions intended to bring about consistency across States in relation to overloaded vehicles. The effect of these differences between states, according to the NSW Farmers Association, is that ‘while the QLD and WA Governments will support schemes that permit grain trucks legally being overloaded greater than 5%, NSW and VIC Governments will not’. The Association claimed that without regulatory schemes recognising the difficulty of accurately loading trucks to the correct limit in farm situations, ‘farmers will be forced to systematically under load trucks in order to ensure that they do not accidentally breach mass limits’.⁴⁷¹ The Pastoralists’ Association of West Darling also commented on the difference between States of truck loading regulations.⁴⁷²
- 6.41** A number of participants in this Inquiry identified a lack of flexibility in the application of road regulations by the NSW Roads and Traffic Authority (RTA) as an impediment. In its submission to the Inquiry, the Carrathool Shire Council said that ‘rigid RTA enforcement of minor weight and dimension requirements need to be addressed to ensure that rural operators are not unnecessarily penalised’.⁴⁷³
- 6.42** The McClintock farming family of Cootamundra, whose property the Committee visited during its regional visit to the area, identified RTA inflexibility as a problem, particularly in relation to loading of grain at harvest time:
- There is no consideration by the RTA of the difficulties of correctly loading a truck in the paddock with machinery that can unload up to 12 tonnes per minute of product with highly variable bulk densities.⁴⁷⁴
- 6.43** Mr Geoff Knight gave an extreme example of the RTA’s lack of flexibility in action, citing the situation of a Bourke farmer whose truck and trailer, registered for the previous ten years, was found to not meet regulations:
- Last week he was stopped by the RTA and it was measured and he was told that it was 200 millimetres too wide and that he would have to take off the crate, cut it down the middle and join it again.⁴⁷⁵
- 6.44** Councillor James Treloar, the Mayor of Tamworth Regional Council, raised similar concerns when outlining problems faced by the transport industry in his region:
- When you are loading cattle, stock and grain and you do not have a weighbridge, it is difficult to know exactly what weight is on a vehicle.⁴⁷⁶

⁴⁷¹ Submission 25, NSW Farmers’ Association, pp 18-19

⁴⁷² Submission 13, The Pastoralists’ Association of West Darling, p 3

⁴⁷³ Submission 15, p 2

⁴⁷⁴ Submission 44, p 6

⁴⁷⁵ Mr Geoff Knight, Evidence, 13 September 2007, p 17; and answers to questions taken on notice during evidence, 13 September 2007, Mr Geoff Knight, p 2

⁴⁷⁶ Cllr James Treloar, Mayor, Tamworth Regional Council, Evidence, 5 September 2007, p 3

- 6.45 The Northern Inland Regional Development Board, in its submission to this Inquiry, commented that the different weight restrictions on the transport industry existing between NSW and Queensland gave a competitive advantage to Queensland producers over NSW producers.⁴⁷⁷
- 6.46 The Australian Grain Harvester's Association, in its submission detailed the differences between Victorian and New South Wales road regulations relating to the transport of harvesting machinery. The current difference in regulations impacts on professional contract harvesters travelling to and from Victoria in the course of their business.⁴⁷⁸
- 6.47 The issue of inconsistency across state borders was addressed in the Productivity Commission's *Regulatory Burdens* report, with the Commission concluding that '(a)lthough there are institutional arrangements in place to address inter-jurisdictional inconsistencies in road transport, there remains a large agenda that needs to be progressed in a more timely manner'.⁴⁷⁹

Committee comment

- 6.48 The complaint that road regulations differ between states is a common one, heard in more than just the agricultural industry. The Committee recognises that states have the right to determine which road regulations should apply within their borders, to address the specific circumstances of each state. However, we believe there are opportunities for regulatory bodies in various states to work together to bring about consistency in those road regulations, and thus lessen the burden on those in the agricultural industry whose day to day business is impacted upon.
- 6.49 In relation to the inflexibility of the Roads and Traffic Authority in enforcing truck weight regulations, the Committee acknowledges the difficulties and frustrations raised by participants in this Inquiry, but believes that safety concerns and consideration of the wear and tear on regional roads as a consequence of overloaded trucks are important. The Committee is not willing to recommend that rules be interpreted flexibly in the context of road safety.
- 6.50 It would not be appropriate for the Committee to recommend specific changes to individual regulations. Therefore we recommend that the Roads and Traffic Authority, as the government agency with responsibility for road regulations in New South Wales, should identify and review inconsistencies in road regulations between states and, with the support and direction of the Minister for Roads, work with other state jurisdictions to overcome them.

Recommendation 34

That the NSW Minister for Roads take a leadership role in achieving national consistency in road regulations relating to truck loading, weight limits and for the transport and movement of rural machinery.

⁴⁷⁷ Submission 33, New England North West Regional Development Board, p 4

⁴⁷⁸ Submission 7, Australian Grain Harvester's Association, pp 1-2

⁴⁷⁹ Productivity Commission 2007, *Annual Review of Regulatory Burdens on Business: Primary Sector*, p 64

Interaction and impact of regulatory and planning processes

6.51 The Committee heard evidence from a number of Inquiry participants in relation to the impact and interaction of different regulatory and planning processes.

Property Vegetation Plans

6.52 Property Vegetation Plans (PVPs) are voluntary but legally binding agreements between landowners and Catchment Management Authorities (CMA) governing arrangements for the management of vegetation on private property. Mr Tom Grosskopf, Director of Vegetation and Biodiversity Management for DECC, in evidence to the Committee said that the PVP service provided by the CMAs was free to landholders, but involved the time of the landholder in the preparation of the PVP.⁴⁸⁰

6.53 In a response to a question taken on notice during evidence, Mr Laurie, Chair of the Rural Alliance, advised that the time taken to prepare a PVP varied according to the complexity of the plan. In an average, relatively simple case, the PVP could take two days of liaison between the CMA and the landholder to decide if a PVP should be developed, and a further five days of consultation to finalise it.⁴⁸¹

6.54 Mr Laurie identified a limited understanding among farmers as to what is permitted under the legislation as a 'fundamental problem' with the PVP process. He suggested that there would be a benefit in allowing private consultants access to the software currently used by CMAs to enable them to provide informed advice to farmers before consultation with CMAs.⁴⁸²

6.55 One specific area requiring a PVP is Private Native Forestry (PNF). Changes to the *Native Vegetation Act 2003* (NSW) in August 2007 have resulted in a requirement for a specific PVP for the harvesting of native forests, and the practice is governed by a Code of Practice.⁴⁸³ In responding to suggestions that this requirement was a major problem for landholders, Dr Richard Sheldrake, Deputy Director General, Conservation, Landscapes and Policy Group, DECC, acknowledged that this practice represented a considerable change for many landholders:

We are going from an industry that was approximately 20 per cent regulated through the *Native Vegetation Conservation Act* and the *Soil Conservation Act* to an industry that now is intended to have 100 per cent regulation through the code. We know there will be some people operating within the industry who have not been through this sort of process.⁴⁸⁴

⁴⁸⁰ Mr Grosskopf, Evidence, 29 August 2007, p 47

⁴⁸¹ Answers to questions taken on notice during evidence 29 August 2007, Mr Jock Laurie, Rural Alliance, Question 1, p 1

⁴⁸² Answers to questions taken on notice during evidence 29 August 2007, Mr Jock Laurie, Question 1, p 1

⁴⁸³ Department of Environment and Climate Change Private Native Forestry website; available at: <http://www.environment.nsw.gov.au/pnf/index.htm> (accessed 29 October 2007)

⁴⁸⁴ Dr Sheldrake, Evidence 29 August 2007, p 48

- 6.56** In evidence to the Committee, Mr Laurie commented that the change to the way in which PNF is managed would have an impact on small farms:

Private native forestry is an area where people have been selling some timber into mills off private property for a long period of time without doing an enormous amount of damage, in the views of those people. Now all of a sudden a lot of that private timber will be lost simply because they do not and will not go through the process of putting in a PVP in order to sell off two or three loads of timber.⁴⁸⁵

- 6.57** Dr Sheldrake commented that the PNF PVP is a simple document identifying where logging is allowed to occur and providing property details, and that the Department was available to assist farmers in applying for a PNF PVP:

We have tried to say that this is not a complex task and we are making ourselves as available as possible to help people through, in recognition of that point.⁴⁸⁶

- 6.58** Mr Lee O'Brien, Chairman of the Murrumbidgee Catchment Management Authority, in evidence to the Committee, commented that the Murrumbidgee CMA had 272 of the NSW total of 477 property vegetation plans approved at August 2007, with the majority of these related to incentives and continuing use rather than vegetation clearing. He commented that 'it has taken a lot of effort to deliver that' but that they were receiving a 'lot of positive feedback' from farmers:

... they think it is right because we are using public money on personal land and the landholders are getting a personal benefit along with the public benefit.⁴⁸⁷

- 6.59** Mr O'Brien told the Committee that 'the majority of farmers who are unhappy about the property vegetation plans are in the north west. They appear in the western and central west CMAs'. These are areas where there is a higher proportion of remnant vegetation than in more settled and traditional farming areas such as the Murrumbidgee area.⁴⁸⁸

Duplication

- 6.60** The interaction of activities required under legislation and the consequent impact on development processes at local government level in rural and regional areas was raised as an issue by Mr Stephen Low, Vice President of the Local Government and Shires Association. In evidence to the Committee, Mr Low identified the interaction of processes associated with three pieces of legislation as a problem area:

For over 18 months local government has been struggling over the differences in the *Catchment Management Authorities Act*, the *Native Vegetation Act* and the *Environmental Planning and Assessment Act*. We have duplication in responsibility between local government and the CMA. ... They are duplicitous and disruptive. From the point of view of any agriculture or agriculturally related industry where the DA [development

⁴⁸⁵ Mr Laurie, Evidence, 29 August 2007, p 10

⁴⁸⁶ Mr Laurie, Evidence, 29 August 2007, p 10

⁴⁸⁷ Mr O'Brien, Evidence, 13 September 2007, p 24

⁴⁸⁸ Mr O'Brien, Evidence, 13 September 2007, p 24

application] comes in or a rezoning, those problems occur where the CMA has a different responsibility for vegetation management to local government and they can be counterproductive.⁴⁸⁹

- 6.61** The three pieces of legislation identified by Mr Low are: the *Catchment Management Authorities Act 2003* (NSW); the *Native Vegetation Act 2003* (NSW); and the *Environmental Planning and Assessment Act 1979* (NSW).⁴⁹⁰ The CMA Act establishes Catchment Management Authorities and defines their role. The *Native Vegetation Act* prevents broadscale land clearing and provides the framework for protection of native vegetation and procedures for clearing native vegetation, including Property Vegetation Plans (PVPs). The EP&A Act establishes procedures for the ‘management, development and conservation’ of natural and artificial resources, including Local Environmental Plans (LEPs). LEPs are used by local governments as the framework for strategic planning and development decisions.⁴⁹¹ Issues associated with LEPs are examined in greater detail later in this chapter.
- 6.62** In its response to a question taken on notice during evidence, Dr Sheldrake commented that there would be some situations where dual consents under the *Native Vegetation Act* and the EP&A Act are required for development to occur, but the ‘most usual instrument’ for vegetation consents is the LEP.⁴⁹² Dr Sheldrake noted that a working group with membership from CMAs, the Local Government and Shires Associations and state agencies had been established to address the issue of dual consents, and ‘(f)inal recommendations are expected to be submitted to the Minister for the Environment in October that will streamline the approvals process’.⁴⁹³
- 6.63** Councillor Paul Braybrooks, Mayor of Cootamundra Shire Council, in evidence to the Committee commented that while there has been ‘inevitably an extra amount of paperwork and time for certain agricultural ventures’ associated with PVPs and ‘some duplication of responsibilities’ with the local CMA, the overall impact on local government approval processes was not major:
- ... I am assured by our staff that while this has increased the amount of paperwork, it has not caused significant delays in processing development applications from rural enterprises.⁴⁹⁴
- 6.64** Mr Shane Godbee, the General Manager of Cootamundra Shire Council, echoed the comments of Mr O’Brien when he provided the Committee with his opinion on why Cootamundra in particular had not experienced any issues associated with the interaction of PVPs and local government planning processes:

⁴⁸⁹ Mr Low, Evidence, 29 August 2007, p 14

⁴⁹⁰ Answers to questions taken on notice during evidence 29 August 2007, Dr Richard Sheldrake, Deputy Director General, Conservation, Landscapes and Policy Group, DECC, Question 3, pp 2-3

⁴⁹¹ Answers to questions taken on notice during evidence 29 August 2007, Dr Richard Sheldrake, Question 1, p 1

⁴⁹² Answers to questions taken on notice during evidence 29 August 2007, Dr Richard Sheldrake, Question 2, p 2

⁴⁹³ Answers to questions taken on notice during evidence 29 August 2007, Dr Richard Sheldrake, Question 2, p 3

⁴⁹⁴ Cllr Braybrooks, Evidence, 13 September 2007, p 3

I think a lot of the clearance legislation and all that sort of stuff tends to affect areas that are developing. This is a very old and very wealthy farming area. Farmers here are not clearing land; they are planting trees.⁴⁹⁵

Committee comment

- 6.65** The Committee acknowledges the problems created by the concurrent processes of development applications and PVPs in some areas and notes that the Minister for the Environment has the opportunity to consider recommendations of a working group intended to resolve the issue.
- 6.66** Some of the issues raised in this section relating to PVPs are addressed more generally in the earlier section in this chapter on regulation. Departments, and the State government, have acknowledged the need to ‘cut red tape’ and the Committee’s recommendation 32 is intended to identify over-regulation, including in the area of PVPs.
- 6.67** The time taken to develop a PVP is a concern as it may act as a disincentive for farmers to enter into them. The Committee notes the recommendation of the Rural Alliance to make the Catchment Management Authority software used in the assessment of PVPs available to private consultants and agrees with the principle that providing farmers with information will assist in the uptake of PVPs. Accordingly, the Committee recommends that the Department of Primary Industries liaise with the Catchment Management Authorities to make the software available, subject to any commercial or privacy constraints that might exist.

Recommendation 35

That the Department of Primary Industries liaise with the Catchment Management Authorities to make software used in the preparation of property vegetation plans publicly available, subject to any commercial or privacy constraints.

Planning issues

Local Environment Plans and rezoning decisions

- 6.68** Mr Richard Pearson, the Executive Director, Rural and Regional Planning with the Department of Planning, in evidence to the Committee commented that Local Environment Plans (LEPs) were ‘basic statutory tools that define land use zoning’ and are used by local governments to assess individual Development Applications (Das) against ‘clear and consistently applied criteria’.⁴⁹⁶

⁴⁹⁵ Mr Godbee, Evidence, 13 September 2007, p 3

⁴⁹⁶ Mr Richard Pearson, Executive Director, Rural and Regional Planning, Department of Planning, Evidence, 24 September 2007, p 2

6.69 Mr Pearson told the Committee that the Department had introduced a process to reform LEPs to address concerns that the LEPs were not ‘effectively doing that job’ of providing clear and consistently applied criteria for the assessment of Das. The reform involves the use of a standard LEP format:

(W)e have a program of reform underway at the moment where councils are looking at their plans based on what we call a standard LEP format. That does not mean that we expect, or indeed want, every council to have exactly the same standard and zones. It is about trying to have individual difference but within a reasonably consistent format.⁴⁹⁷

6.70 Mr Pearson commented on the effect of the reform process and the standard LEP on strategic planning within rural and regional communities, including decisions about the location of housing and agriculture-related industry:

(T)he standard LEP has brought with it a need for rural communities to consider the need for rural subdivision and settlement in their areas and to plan for it strategically and to work out over the next 10 years or so how much additional demand they will have for rural residential or rural lifestyle housing and where they should put it strategically so that they can service it with infrastructure so that they do not put it in places where they will have conflict issues with important adjoining agricultural industries.⁴⁹⁸

6.71 The reform process commenced in 2006 and will take five years. Councils are on two, three or five year schedules to produce their new LEPs.⁴⁹⁹

6.72 In evidence to the Committee, Mr Pearson outlined the process for establishing an LEP or changing part of an existing LEP. The local council must resolve under s54 of the EP&A Act to prepare a new LEP. The resolution is sent to the LEP Review Panel, which is convened by the Department of Planning and has a membership that includes senior departmental officials and a representative of the Local Government and Shires Associations. The LEP Review Panel consults with government departments and provides that information and advice to the local council for them to incorporate into the LEP. In some cases an environmental study is required, following which the LEP is exhibited for a minimum of 28 days. After public exhibition the LEP may be amended, and a legal opinion from parliamentary counsel is sought on the validity of the LEP. The plan is then sent to the Department of Planning, reviewed and recommended for approval to the Minister for Planning.⁵⁰⁰

6.73 Some participants in this Inquiry identified this reform process as part of a general centralisation of planning decision making. For example, Mr Stephen Low, Vice-President of the Local Government and Shires Associations (LGSA), told the Committee that the LGSA

⁴⁹⁷ Mr Pearson, Evidence, 24 September 2007, p 2

⁴⁹⁸ Mr Pearson, Evidence, 24 September 2007, p 2

⁴⁹⁹ Answers to questions taken on notice during evidence 24 September 2007, Mr Richard Pearson, Department of Planning, p 1

⁵⁰⁰ Mr Pearson, Evidence, 24 September 2007, pp 2-5; and Department of Planning Circular 2005-2006, *Local environmental plan review panel*, available at: http://www.planning.nsw.gov.au/planning/system/pdf/circulars/ps06_005_lep_panel.pdf (accessed 29 October 2007)

was concerned about the centralisation of decision making in relation to planning and believed planning decisions could and should be conducted at the regional level:

(W)ith a State plan and all the policies we have for any given department, why cannot decisions be made locally by the regional officer according to those policies and plans, instead of having it □ rbanizatio here?⁵⁰¹

- 6.74** In their submission to the Inquiry, the McClintock farming family of Cootamundra exemplified the complexity of developing a suitable planning framework. They called for changes to planning regulations that would allow farmers (or at least local government) to make decisions about their own land but would also protect the ‘right to farm’ of their remaining land from any complaints about noise and disturbance arising from small-lot neighbours:

[I]f we had the opportunity sell off 5 acres to invest the money in developing the 100 acres next door to achieve higher agricultural productivity overall then the decision should be ours, or at least made at a local government level. Likewise, if in the course of succession planning an opportunity arises to sell of a small portion of land so that the remainder of the farm can provide a viable and productive living for the farming sibling then how can this be contrary to the needs of the community?

Alternatively, farmers have run into issues with new owners of small blocks taking legal action to prevent the farmer carrying out his normal activities. We have 36 neighbours, quite a number of whom are on small blocks, yet we have not had any major problems in this regard.⁵⁰²

- 6.75** The Rural Alliance, in its submission to the Inquiry, called for more autonomy for local government in decision making generally, and commented that ‘(i)t is clear to us that communities want more decisions to be made locally or regionally – rather than from Macquarie Street’.⁵⁰³
- 6.76** Mr Pearson responded to the suggestion that there was too much centralisation of planning decisions in relation to LEPs by saying that the Department’s regional offices provided advice to the LEP Review Panel on the council’s LEP, and that most requests (‘four out of five’) for amendments to LEPs were supported. However, Mr Pearson acknowledged that the timeframe for approving amendments to LEPs ‘is not a particularly streamlined part of the Act’ and was ‘overdue for reform’.⁵⁰⁴

Conflicting land use

- 6.77** During this Inquiry, the Committee heard from a number of participants concerned about the conflict between agricultural land use and other uses of land. These issues ranged from concern over definitions of minimum lot sizes for agricultural activity to the consequences arising from locating residential developments near agricultural activity.

⁵⁰¹ Mr Low, Evidence, 29 August 2007, p 23

⁵⁰² Submission 44, p 6

⁵⁰³ Submission 26, p 19

⁵⁰⁴ Mr Pearson, Evidence, 24 September 2007, p 5

- 6.78** In February 2007, the NSW Department of Planning appointed an independent panel, chaired by the Hon Garry West, to conduct the Central West Independent Review to ‘investigate, report and make recommendations on land use planning in the Central West region of the State, giving particular regard to balancing the protection of agricultural lands with other competing interests including ... subdivision and rural residential development’.⁵⁰⁵ The inquiry was established in response to concerns from local councils and communities over the future of agriculture in the Central West.
- 6.79** The Central West Independent Review panel reported to the Minister for Planning in August 2007, commenting that ‘the major threat to the viability of agriculture is the lack of understanding of the changing face of agriculture’. The panel recommended the introduction of a State Environmental Planning Policy (SEPP) to ensure that future planning for rural lands is undertaken within a stable strategic framework with clear planning controls and guidelines.⁵⁰⁶
- 6.80** Mr Pearson told the Committee that the Department had been instructed by the Minister for Planning to ‘carefully examine’ the recommendations of the Central West Independent Review panel and ‘provide advice on how they can be implemented’.⁵⁰⁷
- 6.81** Ms Renata Brooks, Department of Primary Industries Deputy Director General for Agriculture, Fisheries and Regional Relations, told the Committee that while the Government had not yet responded to the Central West Independent Review panel’s report ‘the notion of a plan for agriculture is current, and we would certainly support it’.⁵⁰⁸
- 6.82** The independent panel also concluded that ‘there is no substantial evidence to indicate that the current LEPs are causing any major land use planning threat to the ongoing viability of agriculture in the Central West or that current minimum allotment sizes have resulted in the fragmentation of rural land’.⁵⁰⁹
- 6.83** Mr Pearson commented that the reform process currently underway for LEPs did not involve the imposition of a mandatory minimum lot size on regional council areas:
- The Government is not about trying to impose a standard minimum lot size on regional council areas. It is a process that councils go through to work out what size lot they need to sustain their agricultural industries, but we are not about imposing a standard one size fits all.⁵¹⁰
- 6.84** The issue of minimum lot size is evidently a contentious one. The Committee heard a range of opinions about the correct way of defining the minimum lot size that serve to reinforce the

⁵⁰⁵ NSW Department of Planning, *Central West rural lands inquiry: review of land use planning in the Central West*, Central West Independent Review Panel, August 2007, cover letter

⁵⁰⁶ NSW Department of Planning, *Central West rural lands inquiry: review of land use planning in the Central West*, p 1

⁵⁰⁷ Mr Pearson, Evidence, 24 September 2007, p 3

⁵⁰⁸ Ms Brooks, Evidence, 29 August 2007, p 60

⁵⁰⁹ NSW Department of Planning *Central West rural lands inquiry: review of land use planning in the Central West*, p 1.

⁵¹⁰ Mr Pearson, Evidence, 24 September 2007, p 2

need for a SEPP to provide guidance on these kinds of decisions. For example, Councillor Sevil, Mayor of Narrabri Shire Council, told the Committee that he believed minimum lot sizes should not take into account off-farm income as a factor in determining their viability:

... that is not an argument for chopping up prime agricultural land into small blocks just so they can live there and earn their incomes somewhere else.⁵¹¹

6.85 In evidence to the Committee at the Narrabri public forum, Mr Richard Busby, a local farmer, commented on the effect of rural subdivisions on agricultural land. Mr Busby said that the ‘splitting up and selling off of rural properties’ has ‘sent □ rbanization sprawling across the countryside, changing the primary usage of the land from agriculture to residential and recreational’.⁵¹²

6.86 Mr Busby said the consequences of the change included changes to the value of land and distortions in land valuations:

... firstly, in many large areas land in the general 1A rural zone is becoming too expensive to justify purchasing for agricultural purposes. Secondly, this has resulted in a massive distortion in land valuations for rating purposes, because we now have agricultural properties mixed up with residential properties in the one local government zone.⁵¹³

6.87 However, a different opinion was heard from Councillor James Treloar, the Mayor of Tamworth Regional Council, who suggested that ‘the size of a block of land’ does not determine its viability as a farm. Cllr Treloar suggested that there was a need for an indicative lot size with local governments having the capacity to make merit assessments:

We are starting to see quite clearly, as we move into more intensive forms of agriculture, that we can have quite viable farms on much smaller plots. Also, when you start looking at some of the broadacre farms, 400 hectares is not enough land for some of those broadacre farms to be viable pursuits. So, under the planning regulations, whilst there appears to be no better formula than lot size, maybe we should be looking more at indicative lot sizes, where there is some right of merit assessment in terms of what the lot sizes should be.⁵¹⁴

6.88 Cllr Treloar suggested that there could be more flexibility at local government level under LEPs to make merit assessments on viable lot sizes, but that this flexibility had to be protected under law:

(I)f you are going to allow local councils merit assessment of lot sizes in agriculture, they have to be protected from ongoing legal action against them, because if you give local government merit assessment that can be challenged in the court, we will be there all day trying to resolve those issues, and we do not need to be spending more time in courts trying to justify decisions where merit assessment is involved.⁵¹⁵

⁵¹¹ Cllr George Sevil, Mayor, Narrabri Shire Council, Evidence, Public Forum, 6 September 2007, p 4

⁵¹² Mr Richard Busby, Farmer, Evidence, Public Forum, 6 September 2007, p 7

⁵¹³ Mr Busby, Evidence, Public Forum, 6 September 2007, p 7

⁵¹⁴ Cllr Treloar, Evidence, 5 September 2007, p 4

⁵¹⁵ Cllr Treloar, Evidence, 5 September 2007, p 4

- 6.89** In the urban fringes and on the fringes of expanding regional centres, the pressure on agricultural land from competing land uses, particularly residential land use, is high. In its submission to the Inquiry, Hawkesbury Harvest, a ‘community based association committed to the economic viability and sustainability of local agriculture’,⁵¹⁶ cited statistics demonstrating that 12% of NSW’s agricultural production is grown in the Sydney Statistical Division, which is only 1% of the State’s agricultural land.⁵¹⁷
- 6.90** Mr John Maguire, a farmer and businessman resident in the Kurrajong Hills, identified the Hawkesbury/Nepean Valley as an important current and future agricultural area, and expressed his concern over its future, because ‘(t)he steady encroachment of Sydney and its suburbs threatens to wipe out what is left of the diminishing supply of agricultural land in the Sydney basin’.⁵¹⁸
- 6.91** Commenting on the increasing prevalence of ‘lifestyle farming’ in the Tamworth region, Cllr Treloar noted that such farm properties continued to make an important contribution to agriculture:

Some lifestyle farms are quite productive and contribute significantly to the opportunities of farming and the generation of farm incomes. But just because a person does not work full time on a farm and chooses to have other income does not necessarily destroy farmland. It is quite often overlooked that just because a farm is no longer viable in the sense of providing a sole source of income does not mean that it cannot play a very important role in the agricultural pursuits of the nation.⁵¹⁹

Committee comment

- 6.92** Conflict of land use is a major problem for the sustainability of agriculture into the future. As urban populations grow and the ‘sea change’ and ‘tree change’ trends continue, there will be increasing pressure on local governments to provide residential land for housing. Retaining productive agricultural capacity within these areas is important, as in many of these areas the land that is most desirable to live in is also the most productive land.
- 6.93** The Committee therefore endorses the recommendations of the Central West Independent Review Panel, particularly the recommendation that a new State Environmental Planning Policy be developed to ensure rural land planning is conducted within a stable strategic framework with clear planning controls and guidelines.

⁵¹⁶ Submission 20, Hawkesbury Harvest, p 2

⁵¹⁷ Gillespie, P.D. and Mason, D. (2003) *The Value of Agriculture in the Sydney Region* February 2003, Sydney, NSW Agriculture, cited in Submission 20, p 2

⁵¹⁸ Submission 9, Mr John Maguire, Farmer, p 1

⁵¹⁹ Cllr Treloar, Evidence, 5 September 2007, p 4

Recommendation 36

That the NSW Minister for Planning adopt the key recommendations of the Central West Independent Review Panel contained in its 2007 report *Central West rural lands inquiry: review of land use planning in the Central West*.

- 6.94** Concern over the centralisation of planning decision making has been one of the themes of this Inquiry. The Committee acknowledges that the current reforms of Local Environmental Plans have resulted in delays for some local councils in the pursuit of their duties. However the Committee recognises that the reform process represents an attempt to bring about a degree of standardisation across the State in planning matters.
- 6.95** The Committee notes that once the Local Environmental Plan reform process currently underway has been completed, local councils should be in a better situation to make strategic planning decisions at the regional level.

Physical infrastructure

- 6.96** Infrastructure deficiencies were identified by many participants in this Inquiry as an impediment to sustaining productive capacity and growth in agriculture. The Committee considers social infrastructure needs (for example, health and education) in Chapter 4, and infrastructure associated with water delivery in Chapter 5. Physical infrastructure includes transport infrastructure such as road and rail networks. The emphasis in this section is on transport infrastructure.
- 6.97** Councillor Paul Braybrooks, Mayor of Cootamundra Shire, in raising the issue of infrastructure needs with the Committee in evidence, drew the link between strong country towns and a strong rural economy. He commented that the ‘problem’ of infrastructure was a simple one:

Infrastructure at one level is a very simple problem—it just needs money. It does not need careful thinking; it just needs money. The simple fact is that infrastructure in many country towns, and even regional towns, has reached a level where it is almost unsustainable. My suggestion ... is that there is a very strong correlation between a strong rural economy and a strong country town. It is those country towns that provide social and infrastructure support to the whole of the rural economy—whether it is in town or out of town—that survive. My advice to all levels of government is to take very seriously the declining level of infrastructure in country towns.⁵²⁰

- 6.98** In its submission to the Inquiry, the Rural Alliance named infrastructure as one of six priority issues for rural and regional NSW, stating that ‘(t)he infrastructure deficiencies in rural and regional areas of NSW significantly impact the contribution of agriculture to the NSW economy and the rural communities’.⁵²¹

⁵²⁰ Cllr Braybrooks, Evidence, 13 September 2007, p 7

⁵²¹ Submission 26, p 13

- 6.99** As well as social infrastructure, the Rural Alliance specifically cited roads and transport, and identified a need to improve freight movement efficiencies. Citing research conducted for the 2006 Independent Inquiry into the Financial Sustainability of NSW Local Government, the Rural Alliance identified the scale of the financial problem confronting local government in relation to infrastructure:

Local Government in NSW faces an infrastructure renewal backlog of \$6.3 billion, and an annual renewal gap of \$600 million per annum, mainly to address the problem of local roads and bridges reaching the end of their economic life and replacement and maintenance being beyond their capacity.⁵²²

- 6.100** Responsibility for maintaining regional roads, which comprise 85% of all roads in the State, rests with local governments and is funded through a combination of funds from State, Commonwealth and local government sources. The Rural Alliance stated that 65% of road costs were met through local government funds, and commented that the funds provided by the NSW Government through the Regional Road Block Grant had ‘not been maintained in real terms’.⁵²³
- 6.101** Timber bridges were singled out by the Rural Alliance as a part of the road infrastructure for which the consequences of a lack of maintenance were particularly serious:

Bridge failures can have a devastating and isolating affect on local communities and road connections significantly above and beyond the risk associated with normal road and pavement maintenance requirements.⁵²⁴

- 6.102** Mr Geoff Knight, Regional Services Manager for the NSW Farmers Association, echoed the concerns of the Rural Alliance in relation to timber bridges, and gave an example from the Cootamundra region:

We have problems with a lot of old timber bridges that are now forced to carry extremely heavy weights they were never built or designed to carry. They are constantly being repaired and becoming less and less stable and more and more dangerous. Funding for these bridges is impossible to obtain. A bridge has been closed recently because it is no longer safe for traffic. A bypass cannot be constructed so there is a deviation that will take traffic and transport a further 40 kilometres to get around the bridge.⁵²⁵

- 6.103** Rail networks were also identified by the Rural Alliance as a vital component of the transport network in rural and regional areas of NSW, particularly given the consequences for road networks of a lack of rail options for the movement of heavy freight. The Rural Alliance commented that ‘the closure of rural branch lines will result in a dramatic increase in heavy vehicle traffic on adjacent local roads maintained by councils, i.e. another direct cost-shift’.⁵²⁶

⁵²² Submission 26, p 14

⁵²³ Submission 26, p 14

⁵²⁴ Submission 26, p 14

⁵²⁵ Mr Knight, Evidence, 13 September 2007, p 18

⁵²⁶ Submission 26, p 15

- 6.104** Mr John Clements, CEO of Namoi Water, in evidence to the Committee, suggested that a Regional Infrastructure Development Fund would be a useful way of overcoming impediments to investment in regional areas, with a focus on encouraging specific industries:

Regional development needs a separate Director General and it needs to be regionally based. It needs to get a return of the old Premier's special infrastructure task force but not in Premier's, in Regional Development, with links to the other agencies and a dedicated fund, with a stated purpose to bring some projects online, such as biofuels projects or to look at industrial hemp to see whether it is viable.⁵²⁷

Committee comment

- 6.105** The Committee notes the concerns of local government over funding shortfalls for the maintenance and provision of transport infrastructure, and the likely consequences on road infrastructure of any shift away from rail freight through downgrading of rail networks.
- 6.106** The Committee also notes that the maintenance and provision of infrastructure has been identified as a priority under the NSW State Plan (priority P2).
- 6.107** The Committee believes an effective transport network, incorporating rail and road elements, is an essential requirement for the future development of agriculture and for the wellbeing of rural communities. Accordingly, the Committee recommends that the NSW Government conduct a review to develop sustainable inter-modal transport in rural and regional areas, in accordance with NSW State Plan priority P2 'Maintain and invest in infrastructure'.

Recommendation 37

That the NSW Government conduct a review to develop sustainable integrated transport networks, including road, rail, sea freight and air, in rural and regional areas, in accordance with NSW State Plan priority P2 'Maintain and invest in infrastructure'.

- 6.108** The Committee notes the suggestion that a separate Department of Regional Development be established to ensure regional infrastructure is prioritised, however we believe there are good strategic planning reasons for maintaining the current structure of a combined Department of State and Regional Development with separate Ministers for State Development and Regional Development.

Payroll tax

- 6.109** In its submission to the Inquiry, the Rural Alliance, representing a number of agriculture-related peak body organisations such as the NSW Farmers Association, the NSW Business Chamber, the Country Women's Association, the Local Government and Shires Associations and the Australian Livestock and Property Agent's Association, noted the differences between the payroll tax policies of NSW and neighbouring states Victoria and Queensland. The 6.00% payroll tax rate and \$600,000 threshold of NSW compares with a

⁵²⁷ Mr Clements, Evidence, 5 September 2007, p 9

4.75% payroll tax rate and \$1 million threshold of Queensland and a 5.15% rate in Victoria, with an announced plan to cut payroll tax to 5.00%.⁵²⁸

- 6.110** The Rural Alliance argued that the NSW payroll tax acted as a disincentive to investment in rural and regional areas, and a ‘tax on exports’, as the cost becomes embedded in the prices of exported goods and services. The Rural Alliance called for a reduction in the level of payroll tax to 5.25%.⁵²⁹ Other participants in this Inquiry also identified payroll tax as an impediment to sustaining productive capacity and growth in agriculture.⁵³⁰
- 6.111** Payroll tax is a significant source of State income, with approximately \$5.5 billion collected annually from companies with payrolls of greater than \$600,000 annually. The NSW Government has previously targeted areas of high unemployment with payroll tax concessions, but there has been no specific policy of payroll tax reductions for rural and regional areas.⁵³¹
- 6.112** When questioned about the impact of payroll tax on the agriculture industry, Mr Scott Davenport, Director, Industry Analysis with the Department of Primary Industries, directed the Committee to a 1999 NSW Treasury publication *The case for Payroll Tax*, which refutes the idea that payroll tax is a ‘tax on imports’ or a ‘tax on jobs’ by comparison with other taxation methods.⁵³²

Committee comment

- 6.113** The Committee understands that the current level of payroll tax in New South Wales is a concern for businesses in rural and regional areas, and may act to discourage investment in the State when compared with payroll tax levels in neighbouring States. However, the Committee believes that a simple reduction of payroll tax or a raising of the threshold is a policy decision with implications for the state economy as a whole, and it would not be appropriate for this Committee to recommend such a sweeping reform in the context of this Inquiry.
- 6.114** The Committee believes, however, that there is scope for payroll tax concessions as part of an overall package to encourage business investment in rural and regional areas. We therefore recommend that NSW Treasury work with the Department of Primary Industries to develop a proposal for targeted payroll tax concessions in rural and regional areas, with the proposal to be considered by the NSW Government for implementation in the next financial year.

⁵²⁸ Submission 26, p 17

⁵²⁹ Submission 26, p 17

⁵³⁰ For example, Submission 25 and 29

⁵³¹ Submission 26, p 17

⁵³² Mr Davenport, Evidence, 29 August 2007, p 61; NSW Government 1999 *The case for Payroll Tax*, NSW Treasury Office of Financial Management, Sydney, available at: http://www.treasury.nsw.gov.au/__data/assets/pdf_file/0017/6650/TRP99-3_Pay_Roll_Tax.pdf (accessed 26 October 2007)

Recommendation 38

That NSW Treasury work with the NSW Department of Primary Industries to develop a proposal for targeted payroll tax concessions in rural and regional areas, including in inland NSW, to encourage and stimulate business investment in those areas, with the proposal to be considered by the NSW Government for implementation in the next financial year.

Appendix 1 Submissions

No	Author
1	Mr Quentin Schneider
2, 2a	Mr John LARKIN, Demand Farming Australia
3	Mr Ian BOWIE
4	Ms Joanne SILLINCE, Australian Meat Processor Corporation
5	Mr Michael COUTTS-TROTTER, NSW Department of Education
6	Mr Leo MCMASTERS, Wakool Shire Council
7	Mr Peter BRADLEY, Australian Grain Harvesters Association
8	Mrs Lesley SCARLETT, Southern Council Group
9	Mr John MAGUIRE
10	Mr Tom MOLLENKOPF, Australian Water Association
11	Mr Gordon DAVIES, Australian Wheat Board
12	Ms Linda SUMMERS, Regional Communities Consultative Council
13	Mr Rob SEEKAMP, The Pastoralists' Association of West Darling
14	Emeritus Professor Duncan BROWN
15	Mr Ken CROSKELL, Carrathool Shire Council
16	Mr Frank BATTISTEL, Griffith Citrus Growers Incorporated
17	Mr Grant BUNTER
18	Ms Lisa CORBYN, Department of Environment and Climate Change
19	Mr Michael MURRAY, Gwydir Valley Irrigators Association Incorporated
20	Mr Alan EAGLE, Hawkesbury Harvest
21	Mr Col THOMSON NSW, Irrigators' Council
22	Mr Adam KAY, Cotton Australia Limited
23	Cllr Bernadino ZAPPACOSTA, Griffith City Council
24, 24a	Mr Max KERSHAW, Narrabri Shire Council
25	Mr Jock LAURIE, NSW Farmers' Association
26	Mr Jock LAURIE, Rural Alliance
27	Mr Barry BUFFIER, NSW Department of Primary Industries
28, 28a	Mr Bruce GARDINER, The Rural Block
29, 29a	Cllr Paul MAYTOM, Leeton Shire Council
30	Professor Brian KELLY, Centre for Rural and Remote Mental Health
31	Mr Peter DALE, Riverina Regional Development Board

32	Professor Michael ARCHER, University of New South Wales
33	Mr Don TYDD, New England North West Regional Development Board
34	Ms Deborah KERR, Ricegrowers' Association of Australia
35	Dr Gail REEKIE, CSIRO
36	Mr Ian FIELDING, Richmond River Beef Producers Association
37	Ms Juliet MCFARLANE, Network of Concerned Farmers
38	Associate Professor Lyn FRAGAR, Centre for Agricultural Health and Safety
39	Mr John CLEMENTS, Namoi Water
40	Mr Bede BURKE
41	Mr Peter BARTTER, Bartter Enterprises
42	Ms Rhonda DALY, YLAD Living Soils
43	Mr David POCKLEY
44	Mr Peter MCCLINTOCK
45	Mr Ron PENNY, Saleyard Operators Australia
46	Mr Ian IZON

Appendix 2 Witnesses

A total of five public hearings and four public forums were conducted for this inquiry. Two public hearings were held at Parliament House and a further three were conducted during the Committee's site visits to regional NSW in Tamworth, Leeton and Cootamundra. As part of these site visits the Committee also held public forums in Tamworth, Narrabri, Leeton and Cootamundra. Transcripts are available on the Committee's website at www.parliament.nsw.gov.au/statedevelopment.

Public Hearings

Date	Name	Position and Organisation
29 August 2007	Professor Mike ARCHER	Dean of Science, University of New South Wales
Parliament House	Mr Jock LAURIE	President, Rural Alliance
	Mr Steve LOW	Vice President, Local Government and Shires Association
	Mr Ryan FLETCHER	Director, Policy and Research, Local Government and Shires Association
	Mr David MOFFETT	NSW Farmers' Association
	Mr Andy MADIGAN	President, Australian Livestock and Property Association
	Professor Brian KELLY	Centre for Rural and Remote Mental Health
	Mr Nick TOLLHURST	Senior Program Manager, beyondblue
	Mr Andrew GREGSON	Director General, NSW Irrigators' Council
	Ms Deborah KERR	Representative, NSW Irrigators' Council
	Mr Tom GROSSKOPF	Director, Vegetation and Biodiversity Management, NSW Department of Environment and Climate Change
	Mr Richard SHELDRAKE	Deputy Director General, Conservation, Landscapes and Policy Group, NSW Department of Environment and Climate Change
	Professor Deirdre LEMERLE	Director, EH Graham Centre for Agricultural Innovation
	Dr Nick AUSTIN	Deputy Director General, Science and Research, NSW Department of Primary Industries
Ms Renata BROOKS	Deputy Director General, Agriculture, Fisheries and Regional Relations, NSW Department of Primary Industries	
Mr Scott DAVENPORT	Director, Industry Analysis and Legislation, NSW Department of Primary Industries	
Mr David HARRISS	Deputy Director General, Water Management Division, NSW Department of Water and Energy	

Date	Name	Position and Organisation
5 September 2007	Cllr James TRELOAR	Mayor, Tamworth Council
Wests' Diggers Club, Tamworth	Mr John CLEMENTS	Chief Executive Officer, Namoi Water
	Associate Professor Lyn FRAGAR	Director, Centre for Agricultural Health and Safety
	Dr Bob MARTIN	Director, Tamworth Agricultural Research Institute, Department of Primary Industries
	Mr Bruce GARDINER	Farm Business Management Consultant, The Rural Block
12 September 2007	Mr Brett TUCKER	Operations Manager, Murrumbidgee Irrigation Limited
Leeton Council Chambers, Leeton	Mr John LARKIN	Managing Director, Demand Farming Australia
	Mr Peter BARTTER	Chair, Bartter Enterprises
	Ms Deborah KERR	Policy Manager, Ricegrowers' Association of Australia Inc.
	Cllr Paul MAYTOM	Mayor, Leeton Shire Council
13 September 2007	Cllr Paul BRAYBROOKS	Mayor, Cootamundra Shire Council
Cootamundra Library, Cootamundra	Mr Ian HAY	National Cherry Growers Association
	Mr Geoff KNIGHT	Regional Service Manager, Region 8, NSW Farmers' Association
	Mr Lee O'BRIEN	Chair, Murrumbidgee Catchment Management Authority
	Mrs Gail COMMENS	Representative, Country Women's Association of New South Wales
24 September 2007	Mr Richard PEARSON	Executive Director, Rural and Regional Planning, NSW Department of Planning
Parliament House		

Public Forums

Date	Name	Position and Organisation
5 September 2007 Wests' Diggers Club, Tamworth	Mr Bede BURKE	Egg Farmer
	Ms Judi EARL	Managing Director, Holistic Management Australia
6 September 2007 The Crossing Theatre, Narrabri	Cllr George SEVIL	Mayor, Narrabri Shire Council
	Mr Max KERSHAW	General Manager, Narrabri Shire Council
	Mr Richard BUSBY	Landowner
	Mr Graeme MCNAIR	Farmer
	Mr Malcolm GETT	Pork Farmer
	Mr Daryl YOUNG	Manager, Australian Agricultural Crop Technologies
	Ms Meryl DILLON	Chair, Northland Inland Regional Development Board.
	Ms Phillipa MORRIS	Landowner
12 September 2007 Leeton Soldiers Club, Leeton	Mr Michael FOSTER	Business Manager, Auscott
	Mr John CHANT	Manager, Murrumbidgee Irrigation Ltd
13 September 2007 Cootamundra Library, Cootamundra	Mr John FULTON	Semi-Retired Real Estate agent
	Ms Rhonda DALY	Owner and Business Manager, YLAD Living Soils
	Mr Nevin HOLLAND	Farmer
	Mr David POCKLEY	Farmer
	Mr Andrew FORREST	Board member, New South Wales Farmers' Association

Appendix 3 Site visits

Date	Farm/Institution
Wednesday 5 September 2007	Tamworth Agricultural Institute, Department of Primary Industries
Thursday 6 September 2007	AusCott cotton ginning facility, Narrabri
	The Cotton Catchment Communities Cooperative Research Centre Facility, Narrabri
Wednesday 12 September 2007	“Ravensborne”, the property of Mr Rob Houghton, Vice-President, Ricegrowers’ Association, and farmer, Leeton
	Property of Mr Ralph and Dominic Amato, citrus farmers, Leeton
Thursday 13 September 2007	“Dinyah”, the property of Mr Peter McClintock, farmer, Cootamundra

Appendix 4 Summary of recommendations from the Inquiry into skills shortages in rural and regional NSW

Recommendation 1

That the NSW Government, through The Cabinet Office, coordinate a cross-agency working party that reviews existing data collection processes.

This should be explored in line with current Council of Australian Governments' reforms on skills shortages where the Commonwealth, States and Territories agreed to cooperate more closely in sharing labour market information so as to understand better the extent and location of skills shortages.

Recommendation 2

That the NSW Government, in consultation with the Commonwealth Government, encourage the Regional Development Boards and Area Consultative Committees in each region to produce memoranda of understanding covering cooperation between the two bodies, including their allocation of resources and priorities.

Recommendation 3

That the NSW Government, in consultation with the Commonwealth Government within the current Council of Australian Governments' process, consider adjustments to the number and boundaries of the 13 Regional Development Boards and 17 Area Consultative Committees across the state, with a view to achieving consistent boundaries of responsibility.

Recommendation 4

That the NSW Government look at providing the Regional Development Advisory Council with additional support in coordinating and disseminating information between Regional Development Boards.

Recommendation 5

That the NSW Government procedure for auditing all regional development programs funded by the Department of State and Regional Development evaluate the funding, public awareness, participation in and outcomes of all NSW Government regional development programs, and that the results be published.

Recommendation 6

That the NSW Government continue to participate in the Council of Australian Governments' program relating to the assessment and promotion of skilled migration applications.

Recommendation 7

That the NSW Government, in line with the Council of Australian Governments' reforms on skills shortages data collection methods, consult with the Commonwealth Government on upgrading the information available on the Skills Matching Database, with a view to providing continuous, up-to-date information for employers and regional certifying bodies. The Committee would also support the examination of a single registration process as part of the reforms to allow NSW vacancies to be collated and assessed.

Recommendation 8

That the NSW Government participate in the Council of Australian Governments' strategies to facilitate and encourage skilled migrants to apply for overseas skills recognition in relevant Australian states prior to their arrival in Australia.

Recommendation 9

That the NSW Government continue to consult with the Commonwealth for appropriate resourcing for support and settlement services for skilled migrants.

Recommendation 10

That the NSW Government:

- investigate options for a longer-term funding mechanism for TAFE NSW to replace annual budget allocations, and allow TAFE NSW to roll-over year-end surplus commercial funds to facilitate better strategic planning.
- investigate options that encourage and recognise time spent by TAFE institutes in developing training courses that meet the needs of industry.

Recommendation 11

That the NSW Government review the processes for developing, achieving and maintaining status as a registered training organisation, with a view to encouraging more large companies to assume responsibility for quality training of their own staff.

Recommendation 12

That the NSW Government:

- in light of the low wages paid to apprentices and trainees, initiate discussions with the Commonwealth Government with respect to rates of pay and tax free thresholds for such employees.
- develop and implement a program of education and support for regional and rural employers with respect to the implementation of necessary OH&S and workers' compensation programs and other perceived difficulties for employers of apprentices and trainees.

Recommendation 13

That the NSW Government examine providing additional training to school career advisors in relation to the career opportunities available to young people.

Recommendation 14

That the NSW Government investigate options to ensure that vocational training orders are made efficiently and in a timely manner, and deliver outcomes suited to industry, group training organisations, unions and apprentices.

Recommendation 15

That the Government maintain current registration standards for group training organisations.

Recommendation 16

That the NSW Government examine the range of vocational courses on offer in years 11 and 12 in schools, including the teaching of certain Certificate III courses in schools, and the impact this may have on future study options for students.

Recommendation 17

That the NSW Government examine measures to improve the current mechanisms by which an existing worker's on-the-job experience and prior learning are recognised.

Recommendation 18

That the NSW Government, in collaboration with local businesses, invest in school-to-work programs in Aboriginal communities, to facilitate and promote greater Aboriginal participation in the workforce.

Recommendation 19

That the NSW Government continue its commitment to education and training in the rural sector through programs like PROfarm that have replaced the FarmBiz program.

Recommendation 20

That the NSW Government develop a business friendly kit, that includes case studies, ideas and strategies and a list of resources to assist businesses/communities to deal with skills shortages, and a strategy for its broad distribution.

Appendix 5 Minutes

Minutes No 1

Wednesday, 27 June 2007

Room 1043, Parliament House at 1.45 pm

1. **Members present**

Hon Tony Catanzariti MLC (Chair)
 Hon Melinda Pavey MLC (Deputy Chair)
 Hon Matthew Mason-Cox MLC
 Rev the Hon Fred Nile MLC
 Hon Christine Robertson MLC
 Hon Michael Veitch MLC

2. **Tabling of resolution establishing the Committee**

The Clerk to the Committee tabled the resolution of the House of 10 May 2007 establishing the Committee.

3. **Committee membership**

The Clerk to the Committee tabled the Minutes of the House of 10 and 29 May 2007 reporting the membership of the Committee.

The Chair welcomed new members of the Committee - the Hon Mick Veitch, the Hon Matthew Mason-Cox and Reverend the Hon Fred Nile.

4. **Procedural motions**

Resolved, on the motion of Ms Robertson: That unless the Committee decides otherwise, the following procedures apply for the duration of the 54th Parliament:

Sound and television broadcasting of public proceedings

That the Committee authorise the sound and television broadcasting of its public proceedings, in accordance with the resolution of the Legislative Council of 11 October 1994.

Publishing transcripts of evidence

That the Secretariat be empowered to publish the transcripts of evidence taken at public hearings, in accordance with section 4 of the Parliamentary Papers (Supplementary Provisions) Act 1975 and under the authority of standing orders 223 and 224.

Media statements

That media statements on behalf of the Committee be made only by the Chair.

Inviting witnesses

That arrangements for inviting witnesses be left in the hands of the Chair and the Secretariat after consultation with the Committee.

5. Receipt of Ministerial terms of reference

The Chair tabled correspondence and the following terms of reference received from the Minister for Primary Industries, the Hon Ian Macdonald MLC, on 22 June 2007:

Terms of reference

- 1) That the Standing Committee on State Development inquire into and report on the agricultural industry in NSW (with the exception of the citrus industry), in particular:
 - (a) the contribution of agriculture and agricultural-based products to the NSW economy
 - (b) impediments to sustaining appropriate levels of productive capacity and growth in the agricultural industry, and
 - (c) initiatives to address impediments to sustaining appropriate levels of productive capacity and growth in the agricultural industry, having regard to the NSW State Plan priority areas of 'Growing Prosperity Across NSW' and 'Environment for Living'.
2. That the Committee report by 14 December 2007.

The Chair advised that the terms of reference drafted by the Minister specifically address advice provided to the Chair by the Clerk in relation to Standing Order 210(10).

Resolved, on the motion of Mr Veitch: That the Committee inquire into the terms of reference sent by the Minister.

Resolved, on the motion of Ms Robertson: That, in accordance with paragraph 5(2) of the resolution establishing the Standing Committees dated 10 May 2007, the Chair inform the House of the receipt of the terms of reference for an inquiry into aspects of agriculture in New South Wales from the Minister for Primary Industries on the next sitting day.

Resolved, on the motion of Ms Robertson: That a call for public submissions be advertised in The Sydney Morning Herald, The Daily Telegraph and major regional newspapers at the first available opportunity, with a return date for submissions of 15 August 2007.

Resolved, on the motion of Rev Nile: That a media release announcing the inquiry and the call for submissions be issued by the Chair, incorporating suggestions made by the members during the meeting.

Resolved, on the motion of Rev Nile: That the Chair write to the President to advise of the Committee's concerns regarding the potential impact of Standing Order 210(10) on this and future inquiries of the committee, and asking that consideration be given to this matter at the next meeting of the Procedure Committee.

Resolved, on the motion of Ms Robertson: That invitations to make a submission be sent to the following stakeholders, as well as any additional stakeholders identified by committee members by Friday 29 June 2007:

Producer and agricultural industry organisations

Cattle Council of Australia

Cotton Australia

Country Women's Association (NSW)
 NSW Irrigators' Council
 NSW Wine Industry Association Inc.
 Ricegrowers' Association of Australia Inc.
 Grains Council of Australia
 National Farmer's Federation
 NSW Dairy Farmers Association Ltd.
 NSW Farmer's Association
 Apple and Pear Australia Ltd
 Australian Beef Association
 Australian Wheat Board
 Dairy Industry Association of Australia (NSW branch)
 Australian Water Association (NSW branch)
 Australian Egg Corporation Ltd
 Australian Workers Union (NSW branch)
 Horticulture Australia Council
 Australian Wool Growers Association
 Abattoirs (various)
 Australian Bankers Association
 Elders Rural Bank
 Finance Sector Union (NSW/ACT branch)

Government departments and councils

Commonwealth Department of Agriculture, Fisheries and Forestry
 Rural Financial Counselling Service (DAFF)
 NSW Rural Assistance Authority
 NSW Department of Community Services
 NSW Department of Education (TAFE)
 NSW Department of Primary Industry (NSW Agriculture)
 NSW Department of Environment and Climate Change
 NSW Department of Lands
 NSW Department of State and Regional Development
 NSW Department of Local Government
 NSW Treasury
 NSW Department of Water and Energy
 NSW Health
 Local Government and Shires Associations of NSW
 Regional Organisations of Councils (ROCs)
 Central West Regional Organisation of Councils (WESTROC)
 Namoi ROC
 New England Local Government Group
 Northern Rivers ROC
 Orana ROC
 Riverina Eastern ROC
 Riverina Regional ROC
 Southern Councils Group

Research organisations

Commonwealth Science and Industry Research Organisation

Institute for Land, Water and Society (formerly the Centre for Rural Social Research) Charles Sturt University
Australian Bureau of Agricultural and Resource Economics
Cooperative Research Centre for plant-based management of dryland salinity

NGOs and service providers

beyondblue
Landcare

Other

National Association for Sustainable Agriculture, Australia (NASAA)
Permaculture Research Institute

Resolved, on the motion of Mr Mason-Cox: That the Committee accept the timeline for the inquiry prepared by the secretariat for the Committee as a guide.

Resolved, on the motion of Mr Mason-Cox: That the Committee hold a one day hearing in Sydney in late August, and a number of public hearings and forums in regional areas in the first two weeks of September, on dates to be confirmed by the Secretariat in consultation with the Chair and in consideration of the availability of members and witnesses.

6. Adjournment

The Committee adjourned at 2.25pm *sine die*.

Rachel Callinan
Clerk to the Committee

Minutes No 2

Thursday, 28 May 2007

Member's Lounge, Parliament House at 1.05 pm

1. **Members present**

Hon Tony Catanzariti MLC (Chair)
Hon Melinda Pavey MLC (Deputy Chair)
Hon Matthew Mason-Cox MLC
Rev the Hon Fred Nile MLC
Hon Christine Robertson MLC
Hon Michael Veitch MLC

2. **Confirmation of previous Minutes**

Resolved, on the motion of Ms Robertson: That draft Minutes No. 1 be confirmed.

3. **Receipt of Ministerial terms of reference**

Resolved, on the motion of Mr Veitch: That the terms of reference relating to the Inquiry into aspects of agriculture in NSW, referred by the Minister for Primary Industries on 22 June 2007, and tabled with the Committee on 27 May 2007, be amended to remove the words '(with the exception of the citrus industry)'.

Resolved on the motion of Ms Robertson: That the amended terms of reference be reported to the House in accordance with paragraph 5(2) of the resolution establishing the Standing Committees dated 10 May 2007.

4. **Adjournment**

The Committee adjourned at 1.10pm *sine die*.

Rachel Callinan
Clerk to the Committee

Minutes No 3

Wednesday, 29 August 2007

Jubilee Room, Parliament House, Sydney at 9.22am

1. Members present

Hon Tony Catanzariti MLC (*Chair*)
Hon Melinda Pavey MLC (*Deputy Chair*)
Rev the Hon Fred Nile MLC
Hon Christine Robertson MLC
Hon Michael Veitch MLC

2. Apologies

Hon Matthew Mason-Cox MLC

3. Confirmation of previous minutes

Resolved, on the motion of Mrs Pavey: That draft Minutes No. 2 be confirmed.

4. Correspondence

The Committee noted the following items of correspondence received:

- 15 August 2007 - From Dr Nicole Hight, A/CEO of beyondblue, to Chair regarding the activities of beyondblue in NSW.

The Committee noted the following items of correspondence sent:

- 2 August 2007 – From Chair to the Hon Richard Torbay MP, Speaker, NSW Legislative Assembly, regarding granting secretariat access to unpublished material of the NSW Legislative Assembly's Natural Resource Management Committee
- 21 August 2007 – From Chair to Dr Geoff Garrett, Chief Executive, CSIRO, regarding invitation to appear at public hearing on 29 August 2007.

5. Inquiry into aspects of agriculture in NSW

5.1 Submissions

Resolved, on the motion of Mrs Pavey: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and standing order 223(1), the Committee authorise the publication of submissions no 1-4 and 6-31, received as part of the inquiry into aspects of agriculture in NSW.

5.2 Site visits

Resolved, on the motion of Mrs Pavey: That the Committee conduct a site visit to Tamworth and Narrabri on 5 and 6 September 2007 and Leeton and Cootamundra on 12 and 13 September 2007, and approve the itineraries developed for those site visits by the Secretariat in consultation with the Chair and the Committee.

Resolved, on the motion of Ms Pavey: That the Committee authorise the cost of travel and accommodation to conduct the site visits.

5.3 Public hearing

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Professor Mike Archer, Dean of Science, University of New South Wales.

Professor Archer tendered a summary of his presentation to the Committee.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Mr Jock Laurie, Chair, Rural Alliance and President, NSW Farmers' Association
- Mr Steve Low, Senior Vice President, Local Government and Shires Association
- Mr Ryan Fletcher, Director, Policy and Research, Local Government and Shires Association
- Mr Andy Madigan, CEO, Australian Livestock and Property Association
- Mr David Moffitt, General Manager Policy, New South Wales Farmers Association.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Professor Brian Kelly, Director, Centre for Rural and Remote Mental Health
- Mr Nick Tollhurst, Senior Program Manager of Public Health, beyondblue.

Professor Kelly tendered a summary of Rural and Remote Centre for Mental Health projects to the Committee.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Ms Deborah Kerr, Representative, NSW Irrigators' Council
- Mr Andrew Gregson, CEO, NSW Irrigators' Council.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Dr Richard Sheldrake, Deputy Director General, Conservation, Landscapes and Policy Group, NSW Department of Environment and Climate Change
- Mr Tom Grosskopf, Director, Vegetation and Biodiversity Management, NSW Department of Environment and Climate Change.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Professor Deirdre Lemerle, Director, EH Graham Centre for Agricultural Innovation

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Ms Renata Brooks, Deputy Director General, Agriculture, Fisheries and Regional Relations, NSW Department of Primary Industries
- Dr Nick Austin, Deputy Director General, Science and Research, NSW Department of Primary Industries
- Mr Scott Davenport, Director, Industry Analysis and Legislation, NSW Department of Primary Industries
- Mr David Harriss, Deputy Director General, Water Management Division, NSW Department of Water and Energy.

The evidence concluded and the witnesses withdrew.

The public hearing concluded at 4.45pm. The public and the media withdrew.

5.4 Publication of tendered documents

Resolved, on the motion of Mr Nile: That, the Committee accept and publish, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975*, and standing order 223(1), the following documents tendered at today's hearing, as submissions:

- Summary of Rural and Remote Centre for Mental Health projects, tendered by Professor Brian Kelly;
- Summary of presentation to Committee, tendered by Professor Mike Archer.

6. Adjournment

The Committee adjourned at 4.50pm until 10am on Wednesday 5 September 2007 at the Wests' Diggers Club, Kable Avenue, Tamworth.

Simon Johnston
Clerk to the Committee

Minutes No 4

Wednesday, 5 September 2007
 Tamworth Wests' Diggers Club, at 10:00 am

1. Members present

Hon Tony Catanzariti MLC (*Chair*)
 Hon Melinda Pavey MLC (*Deputy Chair*)
 Rev the Hon Fred Nile MLC
 Hon Christine Robertson MLC
 Hon Michael Veitch MLC

2. Apologies

Hon Matthew Mason-Cox MLC

3. Confirmation of previous minutes

Resolved, on the motion of Ms Robertson: That draft Minutes No. 3 be confirmed.

4. Inquiry into aspects of agriculture in NSW

4.1 Submissions

Resolved, on the motion of Ms Robertson: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and standing order 223(1), the Committee authorise the publication of submissions no 5 and 32-34, received as part of the inquiry into aspects of agriculture in NSW.

4.2 Public hearing

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Cllr James Treloar, Mayor, Tamworth Regional Council.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr John Clements, Chief Executive Officer, Namoi Water

Mr Clements tendered a summary of his presentation to the Committee.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Associate Professor Lyn Frager, Director, Centre for Agricultural Health and Safety.

Associate Professor Frager tendered a summary of her presentation to the Committee.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Dr Bob Martin, Director, Tamworth Agricultural Research Institute.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr Bruce Gardiner, Consultant, The Rural Block.

The evidence concluded and the witness withdrew.

The public hearing concluded at 12.30pm. The public and the media withdrew.

Resolved, on the motion of Ms Robertson: That the Committee accept and publish, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975*, and standing order 223(1), the following documents tendered at today's hearing, as submissions, with the concurrence of the authors:

- Summary of Namoi Water activities and presentation, tendered by Mr John Clements
- Summary of presentation to Committee, tendered by Associate Professor Lynn Frager.

The Committee adjourned until 1.30pm – Tamworth Agricultural Institute.

4.4 Site visit – Tamworth Agricultural Institute, Department of Primary Industries

The Committee attended the Tamworth Agricultural Institute and was met by the following:

- Dr Bob Martin, Director, Tamworth Agricultural Institute
- Mrs Pam Welsh, Regional Director – Relations, Tamworth Agricultural Institute

Dr Martin provided a briefing on the research activities of the Institute and introduced Members to staff of the Institute.

The Committee adjourned at 4.00pm until 5.00pm – Wests' Diggers Club, Tamworth

4.5 Public Forum

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses made a statement and were examined:

- Mr Bede Burke, egg farmer
- Judi Earl, Managing Director, Holistic Management Australia.

The public forum concluded at 6:00pm. The public and the media withdrew.

5. Adjournment

The Committee adjourned at 6.00pm until 10:00am, Thursday 6 September at the AustCott cotton ginning facility, Narrabri.

Simon Johnston
Clerk to the Committee

Minutes No 5

Thursday 6 September 2007

AustCott cotton ginning facility, Narrabri, at 10:00 am

1. Members present

Hon Tony Catanzariti MLC (*Chair*)
Hon Melinda Pavey MLC (*Deputy Chair*)
Rev the Hon Fred Nile MLC
Hon Christine Robertson MLC
Hon Michael Veitch MLC

2. Apologies

Hon Matthew Mason-Cox MLC

3. Inquiry into aspects of agriculture in NSW

3.1 Correspondence

The Committee noted the following item of correspondence received:

- 5 September 2007 - From the Hon Matthew Mason-Cox MLC to Chair seeking leave of the Committee to be absent from three future Committee meetings for medical reasons.

Resolved, on the motion of Rev Nile: That, in accordance with Standing Order 216, the Committee grant leave to Mr Mason-Cox to be absent from the Committee's meetings of 6, 12 and 13 September 2007.

3.2 Site visits – AusCott cotton ginning facility, Narrabri, and the Cotton Catchment Communities Cooperative Research Centre facility, Narrabri

The Committee attended the AusCott cotton ginning facility and was met by the following:

- Mr John Clements, Chief Executive Officer, Namoi Water
- Mr Geoff Killen, cotton farmer
- Mr Bernie George, Manager, AusCott Limited, Narrabri and former Chair, Cotton Australia.

Mr George and Mr Clements provided a briefing on the activities of AusCott Limited and introduced Members to staff of the cotton ginning facility during a tour of inspection.

The Committee attended the Cotton Catchment Communities Cooperative Research Centre facility (the Australian Cotton Research Institute) and was met by the following:

- Mr Guy Roth, Chief Executive Officer, Cotton Catchment Communities Cooperative Research Centre
- Mr Tony Meppem, Station Manager, Australian Cotton Research Institute
- Ms Helen Scott-Orr, Director, NSW Department of Primary Industries
- Dr Mike Bange, Research Scientist.

Mr Meppem provided a briefing on the research activities of the Australian Cotton Research Institute and introduced Members to staff of the facility during a tour of inspection.

The Committee adjourned at 4.00pm until 5.00pm – Wests' Diggers Club, Tamworth.

3.3. Public Forum

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses made a statement and were examined:

- Cllr George Sevil, Mayor, Narrabri Shire Council
- Mr Richard Busby, Farmer
- Mr Graeme McNair, Farmer
- Mr Malcolm Gett, Farmer
- Mr Daryl Young, Manager, Australian Agricultural Crop Technologies
- Ms Meryl Dillon, Chair, Northern Inland Regional Development Board
- Ms Philippa Morris, Farmer
- Mr Mick Foster, private citizen.

The public forum concluded at 7:00pm. The public and the media withdrew.

4. Adjournment

The Committee adjourned at 7.00pm until 10:00am, Wednesday 12 September at the Leeton Council Chambers, Leeton.

Simon Johnston
Clerk to the Committee

Minutes No 6

Wednesday 12 September 2007
Leeton Council Chambers, Leeton
10:00 am

1. **Members present**

Hon Tony Catanzariti MLC (*Chair*)
Hon Melinda Pavey MLC (*Deputy Chair*)
Rev the Hon Fred Nile MLC
Hon Christine Robertson MLC
Hon Michael Veitch MLC

2. **Apologies**

Hon Matthew Mason-Cox MLC

3. **Confirmation of previous minutes**

Resolved, on the motion of Revd Nile: That draft Minutes No. 4 and 5 be confirmed.

4. **Inquiry into aspects of agriculture in NSW**

4.1 Submissions

Resolved, on the motion of Ms Robertson: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and standing order 223(1), the Committee authorise the publication of submissions no 35-37, received as part of the inquiry into aspects of agriculture in NSW.

4.2 Public Hearing

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Mr Matt Linnegar, Manager, Corporate Affairs, Murrumbidgee Irrigation Ltd.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr John Larkin, Managing Director, Demand Farming Pty Ltd.

Mr Larkin tendered a summary of his presentation to the Committee.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr Peter Bartter, Chairman, Bartter Enterprises.

Mr Bartter tendered a summary of his presentation to the Committee.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mrs Deborah Kerr, Policy Manager, Ricegrowers' Association.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Cllr Paul Maytom, Mayor, Leeton Shire Council.
- Mr Roger Bailey, General Manager, Leeton Shire Council.

The evidence concluded and the witnesses withdrew.

The public hearing concluded at 12.30pm. The public and the media withdrew.

Resolved, on the motion of Ms Robertson: That the Committee accept and publish, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975*, and standing order 223(1), the following documents tendered at today's hearing, as submissions, with the concurrence of the authors:

- Summary of Demand Farming Pty Ltd activities and presentation, tendered by Mr John Larkin
- Summary of presentation to Committee, tendered by Mr Peter Bartter.

The Committee adjourned until 1.30pm – “Ravensborne”, property of Mr Rob Houghton, Vice-President, Ricegrowers' Association, and farmer.

4.3 Site visits

During the site visits, the Committee was accompanied by:

- Mr Dick Thompson, Chairman, Murrumbidgee Irrigation Ltd.
- Mr Roger Bailey, General Manager, Leeton Shire Council.

The Committee attended “Ravensborne”, the property of Mr Rob Houghton, Vice-President, Ricegrowers' Association, and farmer, and was met by the following:

- Mr Rob Houghton, Vice-President, Ricegrowers' Association and farmer.

Mr Houghton provided a briefing on the activities conducted on the property during a tour of inspection.

The Committee attended the property of Mr Ralph and Dominic Amato, citrus farmers, and was met by the following:

- Mr Ralph Amato, citrus farmer.

- Mr Dominic Amato, citrus farmer.

Mr Ralph and Dominic Amato provided a briefing on the activities conducted on the property during a tour of inspection.

The Committee adjourned at 4.00pm until 5.00pm – Leeton Soldier's Club, Leeton.

4.5 Public Forum

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses made a statement and were examined:

- Mr John Chant, Manager, Murrumbidgee Irrigation Ltd.
- Mr John Fulton, valuer (retired).

The public forum concluded at 6:00pm. The public and the media withdrew.

Resolved, on the motion of Revd Nile: That the Committee hold a public hearing from 11:00am on Monday 24 September 2007 in the Jubilee Room, Parliament House, with representatives of the NSW Department of Planning invited to appear.

Resolved, on the motion of Ms Robertson: That the Chair write to the Commonwealth Science and Industry Research Organisation requesting further information relating to aspects of their submission.

5. Adjournment

The Committee adjourned at 6.00pm until 10:00am, Thursday 13 September at the Stephen Ward Rooms, Cootamundra Library, Cootamundra.

Simon Johnston
Clerk to the Committee

Minutes No 7

Thursday 13 September 2007

Stephen Ward Rooms, Cootamundra Library, Cootamundra
10:05 am

1. Members present

Hon Tony Catanzariti MLC (*Chair*)
Hon Melinda Pavey MLC (*Deputy Chair*)
Rev the Hon Fred Nile MLC
Hon Christine Robertson MLC
Hon Michael Veitch MLC

2. Apologies

Hon Matthew Mason-Cox MLC

3. Submissions

Resolved, on the motion of Mr Veitch: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and standing order 223(1), the Committee authorise the publication of submissions from Mr David Pockley and Mr Peter McClintock received as part of the inquiry into aspects of agriculture in NSW.

4. Inquiry into aspects of agriculture in NSW

3.1 Public Hearing

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Cllr Paul Braybrooks, Mayor, Cootamundra Shire Council.
- Mr Shande Godbee, General Manager, Cootamundra Shire Council.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Mr Ian Hay, Chair, National Cherry Growers' Association.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr Geoff Knight, Regional Manager, NSW Farmers' Association.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr Lee O'Brien, Chair, Murrumbidgee Catchment Management Authority and Chair, Community Advisory Committee to the Murray Darling Basin Ministerial Council.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mrs Gail Commens, Representative, Country Women's Association.

The evidence concluded and the witness withdrew.

The public hearing concluded at 12.30pm. The public and the media withdrew.

The Committee adjourned until 1.30pm – "Dinyah", the property of Mr Peter McClintock, farmer.

4.3 Site visits

During the site visits, the Committee was accompanied by:

- Mr Geoff Knight, Regional Manager, NSW Farmers' Association.

The Committee attended "Dinyah", the property of Mr Peter McClintock, farmer.

- Mr Peter McClintock, farmer.

Mr McClintock provided a briefing on the activities conducted on the property during a tour of inspection.

The Committee adjourned at 3.00pm until 5.00pm – Stephen Ward Rooms, Cootamundra Library, Cootamundra.

4.5 Public Forum

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses made a statement and were examined:

- Ms Rhonda Daly, Director, YLAD Soils
- Mr Nevin Holland, Farmer
- Mr David Pockley, Willendbeen Farmer
- Mr Andy Forrest, Member, NSW Farmers' Association

Resolved, on the motion of Revd Nile: That the Committee accept and publish, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975*, and standing order 223(1), the following documents tendered at today's hearing, as submissions, with the concurrence of the authors:

- Mrs Rhonda Daly, YLAD Soils

The public forum concluded at 7:00pm. The public and the media withdrew.

Resolved, on the motion of Mr Veitch: That the Chair write to the Department of Primary Industries requesting information relating to the levels of research funding for agricultural activities including horticulture.

Resolved, on the motion of Mr Veitch: That the Chair write to the Saleyard Operator's Association inviting them to make a submission to the inquiry.

5. Adjournment

The Committee adjourned at 7.00pm until 11:00am, Monday 24 September at the Jubilee Room, Parliament House, Sydney.

Simon Johnston
Clerk to the Committee

Minutes No 8

Monday 24 September 2007
Jubilee Room, Parliament House
10:50am

1. Members present

Hon Tony Catanzariti MLC (*Chair*)
Hon Melinda Pavey MLC (*Deputy Chair*)
Rev the Hon Fred Nile MLC
Hon Christine Robertson MLC
Hon Michael Veitch MLC
Hon Matthew Mason-Cox MLC

2. Confirmation of previous Minutes

Resolved, on the motion of Revd Nile: That draft Minutes No. 6 and 7 be confirmed.

3. Correspondence

The Committee noted the following items of correspondence received:

- 9 September 2007 and 14 September 2007 – From Professor Brian Kelly, Director, Centre for Rural and Remote Mental Health, to Secretariat providing answers to questions taken on notice during agriculture inquiry hearing held 29 August 2007.
- 9 September 2007 – From Mr Richard Busby, to the Chair providing answers to questions taken on notice during agriculture inquiry forum held 6 September 2007.
- 14 September 2007 – From Mr Nick Tolhurst, Senior Program Manager, beyondblue, to Secretariat providing answers to questions taken on notice during agriculture inquiry hearing held 29 August 2007.
- 17 September 2007 – From Dr Richard Sheldrake, Deputy Director-General, Department of Environment and Climate Change, to Secretariat providing answers to questions taken on notice during agriculture inquiry hearing held 29 August 2007.
- 17 September 2007 – From Mr Peter Bartter, Chairman, Bartter Enterprises, to Secretariat providing additional information relating to biofuels, and accompanying article.
- 19 September 2007 – From Mr Andrew Gregson, Chief Executive, NSW Irrigators' Council, to Secretariat providing answers to questions taken on notice during agriculture inquiry hearing held 29 August 2007.

The Committee noted the following items of correspondence sent:

- 19 September 2007 – From Chair to Dr Geoff Garrett, Chief Executive, CSIRO, regarding additional questions.
- 19 September 2007 – From Chair to Mr Barry Buffier, Director General, NSW Department of Primary Industries, regarding additional questions.
- 20 September 2007 – From Chair to Dr Bob Martin, Director, Tamworth Agricultural Institute; Mr Bernie George, Manager, AusCott Ltd; Mr Guy Roth, Chief Executive Officer, Cotton Catchment Communities Cooperative Research Centre and Mr Tony Meppem, Station Manager, Australian Cotton Research Institute; Mr Rob Houghton; Mr Ralph Amato; Mr Peter McClintock; Cllr James Treloar, Mayor, Tamworth Regional Council; Cllr George Sevil, Mayor, Narrabri Shire Council; Cllr Paul Maytom, Mayor, Leeton Shire

Council; and Cllr Paul Braybrooks, Mayor, Cootamundra Shire Council regarding appreciation for hosting site visits.

4. Inquiry into aspects of agriculture in NSW

4.1 Submissions

Resolved, on the motion of Mrs Pavey: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and standing order 223(1), the Committee authorise the publication of submission no 28(a), received as part of the inquiry into aspects of agriculture in NSW.

4.2 Publications of answers to questions on notice

Resolved, on the motion of Revd Nile: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and Standing Order 223(1), the Committee authorise the publication of the answers to questions on notice provided by the following witnesses/organisations:

- Professor Brian Kelly, Centre for Rural and Remote Mental Health.
- Mr Nick Tolhurst, beyondblue.
- Dr Richard Sheldrake, Department of Environment and Climate Change.
- Mr Andrew Gregson, NSW Irrigators' Council.

The Committee considered the correspondence of Mr Busby, in relation to the potential for adverse mention.

Resolved, on the motion of Revd Nile: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and Standing Order 223(1), the Committee authorise the publication of the answers to questions on notice provided by Mr Richard Busby, with three paragraphs removed.

4.3 Public hearing

Witnesses, the public and media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Mr Richard Pearson, Executive Director, Regional and Rural, NSW Department of Planning.

The evidence concluded and the witness withdrew.

4.4 Consideration of Chair's draft report – Inquiry into aspects of agriculture in NSW

The Committee considered dates for a meeting to consider the Chair's draft report.

Resolved, on the motion of Revd Fred Nile: That the Committee hold a deliberative meeting to consider the Chair's draft report at 11am on Monday 26 November 2007, subject to confirmation of members' availability.

5. Adjournment

The Committee adjourned at 12.05pm until 11am on Monday 26 November 2007.

Simon Johnston
Clerk to the Committee

Draft Minutes No 9

Wednesday 21 November 2007
Room 1102, Parliament House
10:02am

1. Members present

Hon Tony Catanzariti MLC (*Chair*)
Hon Melinda Pavey MLC (*Deputy Chair*)
Rev the Hon Fred Nile MLC
Hon Christine Robertson MLC
Hon Michael Veitch MLC
Hon Matthew Mason-Cox MLC

2. Confirmation of previous Minutes

Resolved, on the motion of Mr Nile: That draft Minutes No. 8 be confirmed.

3. Correspondence

The Committee noted the following items of correspondence received:

- 13 September 2007 – From Mr Andrew Gregson, Chief Executive, NSW Irrigators' Council, to Secretariat providing answers to questions taken on notice during agriculture inquiry held 29 August 2007.
- 26 September 2007 – From Professor Deirdre Lemerle, EH Graham Centre for Agricultural Innovation, to Secretariat providing answers to questions taken on notice during agriculture inquiry held 29 August 2007.
- 28 September 2007 – From Mr Jock Laurie, Chair, Rural Alliance, to Secretariat providing answers to questions taken on notice during agriculture inquiry held 29 August 2007.
- 28 September 2007 – Dr Gail Reekie, Executive Officer, CSIRO, to Secretariat providing answers to additional questions sent by the Chair on 19 September 2007.
- 4 October 2007 – Mr Richard Pearson, Executive Director, NSW Department of Planning, to Secretariat providing answers to questions taken on notice during agriculture inquiry held 24 September 2007.
- 5 October 2007 – Mr Geoff Knight, Regional Service Manager, NSW Farmer's Association, to Secretariat providing answers to questions taken on notice during agriculture inquiry forum held 13 September 2007.
- 8 October 2007 – Mrs Gay Commens, Representative, Country Women's Association of NSW, to Secretariat providing answers to questions taken on notice during agriculture inquiry forum held 13 September 2007.

4. Inquiry into aspects of agriculture in NSW

4.1 Submissions

Resolved, on the motion of Mr Veitch: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and standing order 223(1), the Committee authorise the

publication of submissions no 45 and 46, received as part of the inquiry into aspects of agriculture in NSW.

4.2 Publications of answers to questions on notice

Resolved, on the motion of Mr Nile: That, according to section 4 of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and Standing Order 223(1), the Committee authorise the publication of the answers to questions on notice provided by the following witnesses/organisations:

- Mr Andrew Gregson, NSW Irrigators' Council
- Professor Deirdre Lemerle, EH Graham Centre for Agricultural Innovation
- Mr Jock Laurie, Rural Alliance
- Dr Gail Reekie, CSIRO
- Mr Richard Pearson, NSW Department of Planning
- Mr Geoff Knight, NSW Farmers Association
- Mrs Gay Commens, Country Women's Association of NSW

4.3 Chair's draft report

The Chair submitted his draft report titled *Aspects of agriculture in NSW*, which, having been circulated, was taken as being read.

The Committee proceeded to consider the draft report in detail.

Chapter 1 read.

Resolved, on the motion of Mrs Pavey: That chapter 1 be adopted.

Chapter 2 read.

Resolved, on the motion of Mrs Pavey: That the words 'due to the lack of submissions received from those industries' be added to the end of paragraph 2.4.

Resolved, on the motion of Mrs Pavey: That paragraph 2.14 be amended to replace the words 'the decline of agriculture as a proportion of the economy' with 'Agriculture's decreasing proportion of the economy.'

Resolved, on the motion of Mrs Pavey: That a new paragraph and quote be inserted after 2.17 to read 'The Australian Farm Institute, in a March 2007 report *Productivity Growth in Australian Agriculture: Trends, Sources, Performance*, citing the Productivity Commission's *Trends in Australian Agriculture*, highlighted the high rate of productivity growth within the agriculture industry:

The Productivity Commission (2005) found that, for the period 1975-2004, productivity growth in agriculture outstripped growth in all other 'market' sectors of the economy, with the exception of the communications sector. The Commission also observed that while the agricultural sector (including forestry and fisheries) accounted for less than 7% of gross domestic product (GDP) in the market sector, its contribution to growth in TFP [total factor productivity] for the economy as a whole was 16.4% - behind only the manufacturing sector.

Resolved, on the motion of Mrs Pavey: That a paragraph be inserted after 2.53 to read 'The Committee observes that despite the continuing drought, rural land prices continue to rise, and it would appear that one of the influencing factors has been an increase in corporate investment'; and that a footnote be added that refers to data from the NSW Department of Lands website.

Resolved, on the motion of Mr Veitch: That recommendation 1 be amended to replace the word 'region' with 'region/catchment areas'.

Resolved, on the motion of Mr Veitch: That recommendation 1, as amended, be adopted.

Resolved, on the motion of Mr Nile: That chapter 2, as amended, be adopted.

Chapter 3 read.

Resolved, on the motion of Ms Robertson: That recommendation 2 be adopted

Resolved, on the motion of Mr Nile: That recommendation 3 be adopted.

Resolved, on the motion of Mr Nile: That recommendation 4 be amended to replace the words 'incorporate elements of' with 'increase its emphasis on'; and replace the word 'into' with 'in'.

Resolved, on the motion of Mr Nile: That recommendation 4, as amended, be adopted.

Resolved, on the motion of Ms Robertson: That recommendation 5 be adopted.

Resolved, on the motion of Ms Robertson: That the order of recommendations 6 and 7 be reversed.

Resolved, on the motion of Mrs Pavey: That the new recommendation 6 be amended to insert the words 'work in conjunction with private industry to' after 'NSW Government'.

Resolved, on the motion of Mr Nile: That the new recommendation 7 be amended to replace the word 'lobby' with 'undertake a leadership role at a national level to persuade'.

Resolved, on the motion of Mrs Pavey: That recommendation 6, as amended, be adopted.

Resolved, on the motion of Mr Nile: That recommendation 7, as amended, be adopted.

Resolved, on the motion of Mr Veitch: That recommendation 8 be amended to replace the word 'lobby' with 'undertake a leadership role at a national level to persuade'.

Resolved, on the motion of Mr Veitch: That recommendation 8, as amended, be adopted.

Resolved, on the motion of Mr Nile: That paragraph 3.103 be amended to replace the words 'the low uptake of conservation farming practices by farmers in NSW, and further notes' with 'that despite evidence of the benefits of conservation farming, there are farmers that are not taking it up. The Committee also notes'.

Resolved, on the motion of Mr Veitch: That recommendation 9 be adopted.

Resolved, on the motion of Mr Veitch: That recommendation 10 be amended to insert the words 'as is the case in other states' after 'allow for commercialisation of industrial hemp in NSW'.

Resolved, on the motion of Mr Veitch: That recommendation 10, as amended, be adopted.

Resolved, on the motion of Mrs Pavey: That recommendation 11 be adopted.

Resolved, on the motion of Mr Nile: That paragraph 3.126 be amended to add the words 'The Committee recognises that one of the most important issues for farmers is the availability and development of markets for native products' at the end of the paragraph.

Resolved, on the motion of Mrs Pavey: That an additional recommendation be inserted before recommendation 12 to read 'That the NSW Government, in conjunction with relevant industries, develop marketing and education campaigns for native products, particularly kangaroo meat.'

Resolved, on the motion of Mrs Pavey: That recommendation 12 be adopted.

Resolved, on the motion of Mr Nile: That paragraph 3.143 be amended to remove the words 'This was commented on by Ms Rhonda Daly, Proprietor of YLAD Living Soils, at the Committee's public forum in Cootamundra, who provided the example of Japan having imposed a ten year ban on GM crops 'because they want to see what they are doing to the next generation'.

Resolved, on the motion of Mr Mason-Cox: That a new paragraph and quote be added after 3.145 to read 'In their submission to this Inquiry, the NSW Farmers Association stated their support for the removal of the moratorium on GM crops, citing a number of potential benefits arising from GM technology:

GM technology offers substantial potential with respect to either production or consumption benefits. Production benefits may involve yield increases or reductions in input costs such as pesticide, water use, tillage and fertiliser. Consumption benefits may include increased nutritional value, health benefits or lifestyle improvements (e.g. longer shelf life). Further, environmental benefits can be obtained through a reduction in chemical usage for example.'

Resolved, on the motion of Mr Veitch: That chapter 3, as amended, be adopted.

Chapter 4 read.

Resolved, on the motion of Mr Nile: That recommendation 13 be adopted.

Resolved, on the motion of Mr Nile: That recommendation 14 be adopted.

Resolved, on the motion of Mr Nile: That recommendation 15 be amended to replace the word 'lobby' with 'undertake a leadership role at a national level to persuade'.

Resolved, on the motion of Mr Nile: That recommendation 15, as amended, be adopted.

Resolved, on the motion of Mr Nile: That recommendation 16 be adopted.

Resolved, on the motion of Mr Nile: That recommendation 17 be adopted.

Resolved, on the motion of Mr Nile: that recommendation 18 be amended to read ‘That the NSW Department of Education increase its commitments to education and training in the rural sector by improving access to short courses, such as finance and management, for people in rural and remote areas, including through flexible delivery and online learning.’

Resolved, on the motion of Mr Nile: That recommendation 18, as amended, be adopted.

Resolved, on the motion of Mr Veitch: That recommendation 19 be adopted.

Resolved, on the motion of Mrs Pavey: That a new paragraph be inserted after 4.97 to read ‘The Committee notes the position of the Isolated Children’s Parent’s Association of New South Wales Inc., who want the NSW Department of Education and Training to allow access to the ‘Assistance for Isolated Children Additional Boarding Allowance Scheme’ in situations where the nearest school does not offer subjects they want for their children.’

Resolved, on the motion of Mr Veitch: That paragraph 4.126 be amended to replace the words ‘such as Rural Financial Counsellors’ with ‘for example, Rural Financial Counsellors and pharmacists’.

Resolved, on the motion of Mr Nile: That recommendation 20 be amended to reverse the order of ‘NSW Department of Primary Industries’ and ‘NSW Department of Health’.

Resolved, on the motion of Mr Nile: That recommendation 20, as amended, be adopted.

Resolved, on the motion of Mr Nile: That recommendation 21 be amended to read ‘That the NSW Department of Health work in partnership with the Rural Doctor’s Association to provide general practitioners working in rural and remote areas with the knowledge needed to recognise the signs and symptoms of depression and link farmers to mental health services where necessary.’

Resolved, on the motion of Mr Nile: That recommendation 21, as amended, be adopted.

Resolved, on the motion of Mr Nile: That recommendation 22 be adopted.

Resolved, on the motion of Mr Nile: That recommendation 23 be adopted.

Resolved, on the motion of Mr Veitch: That recommendation 24 be amended to insert the words ‘and resource’ after ‘develop’; and to add the words ‘The program should be developed in conjunction with existing and future local government ‘twin city’ programs’ at the end of the paragraph.

Resolved, on the motion of Mr Veitch: That recommendation 24, as amended, be adopted.

Resolved, on the motion of Mr Veitch: That chapter 4, as amended, be adopted.

Chapter 5 read.

Resolved, on the motion of Mr Nile: That a committee comment be inserted after 5.29 to read 'The Committee notes the actions of the Victorian Government in relation to providing relief for fixed water charges to water license holders in situations where there is zero allocation of water. The Committee believes there is merit in the NSW Government investigating ways of providing flexibility for water licence holders in situations where there is zero water allocation, such as sinking funds or deferral of payments.'

Resolved, on the motion of Mr Nile: That an additional recommendation be inserted after the new committee comment in 5.30 to read 'That the NSW Department of Water and Energy work in consultation with water license holders to investigate long term options to provide flexibility in relation to fixed water charges in situations where there is zero water allocation, for example, through the use of sinking funds and payment deferrals.'

Resolved, on the motion of Mr Nile: That recommendation 25 be adopted.

Resolved, on the motion of Mr Nile: That recommendation 26 be adopted.

Resolved, on the motion of Ms Robertson: That recommendation 27 be amended to replace the words 'current participants in water sharing plans are protected' with the words 'current participants in water sharing plans such as the irrigation industry, stock and domestic users, town users, industrial users and environmental flows are recognised.'

Resolved, on the motion of Ms Robertson: That recommendation 27, as amended, be adopted.

Resolved, on the motion of Ms Robertson: That paragraph 5.92 be amended to insert the following words after the first two sentences: 'The Committee is concerned about the impact on the agriculture industry, the environment, communities and irrigation infrastructure of the permanent trading of water from catchment areas, particularly in relation to the effects of climate change and predictions of increased potential for frequent low river flows.'

Resolved, on the motion of Mr Nile: That a new recommendation be added after 5.94 to read 'That the NSW Department of Water and Energy prepare a full impact statement on the current and future (the next five years) effect of permanent out of catchment water trading. The impact statement should be completed and made public by June 2008.'

Resolved, on the motion of Mr Nile: That recommendation 28 be amended to insert the words 'the Commonwealth Government' after 'lobby'.

Resolved, on the motion of Mr Nile: That recommendation 28, as amended, be adopted.

Resolved, on the motion of Mr Nile: That chapter 5, as amended, be adopted.

Chapter 6 read.

Resolved, on the motion of Ms Robertson: That recommendation 29 be adopted.

Resolved, on the motion of Ms Robertson: That recommendation 30 be adopted.

Resolved, on the motion of Mr Veitch: That recommendation 31 be amended to read ‘That the NSW Minister for Roads take a leadership role in achieving national consistency in road regulations relating to truck loading, weight limits and for the transport and movement of rural machinery.’

Resolved, on the motion of Mr Veitch: That recommendation 31, as amended, be adopted.

Resolved, on the motion of Mr Nile: That recommendation 32 be adopted.

Resolved, on the motion of Mr Veitch: That recommendation 33 be amended to replace the words ‘the recommendations’ with ‘the key recommendations.’

Resolved, on the motion of Mr Veitch: That recommendation 33, as amended, be adopted.

Mr Nile left the meeting.

Resolved, on the motion of Mr Veitch: That recommendation 34 be amended to replace the word ‘inter-modal’ with ‘integrated transport networks, including road, rail, sea freight and air’.

Resolved, on the motion of Mr Veitch: That recommendation 34, as amended, be adopted.

Resolved, on the motion of Mr Veitch: That recommendation 35 be amended to insert the words ‘including in inland NSW’ after the words ‘rural and regional areas.’

Resolved, on the motion of Mr Veitch: That recommendation 35, as amended, be adopted.

Resolved, on the motion of Mrs Pavey: That chapter 6, as amended, be adopted.

Resolved, on the motion of Ms Robertson: That the Secretariat circulate an amended executive summary to the Committee by 5pm Wednesday 21 November 2007, for Committee members to respond to by 5pm Thursday 22 November 2007. A nil response will be taken to be an acceptance of the executive summary.

Resolved, on the motion of Ms Robertson: That the report, as amended, be the report of the Committee and presented to the House in accordance with Standing Order 226(1).

5. Adjournment

The Committee adjourned at 1.08pm *sine die*.

Simon Johnston
Clerk to the Committee