



# Federal Budget Submission 2010

capacity-building:  
the road to prosperity



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FEDERATION



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FEDERATION

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GROUP



The National Farmers' Federation (NFF)

Federal Budget Submission 2010

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## Message from the President

By 2050, Australia's population will balloon to 35 million mouths to feed and bodies to clothe.

At the same time, the world population will explode by 50%, to nine billion. Half of these people will live in the Asia-Pacific region on Australia's northern doorstep.

Having already entered an era of world food shortage and further shrinking of farm production across the globe, Australia must ensure it can meet its future domestic needs while continuing to make a vital contribution to servicing the global food need.

Indeed, some 93% of the food Australians rely on each day is grown and produced on Australian farms.

We are already seeing even our more affluent international neighbours under mounting pressure to feed and clothe themselves. This is set to become more acute within the next decade. The United Nations says food production will need to increase by 70% just to keep pace with population growth.

As alarming as this trend is, it also presents opportunities for Australia to emerge as an even greater player in world food and fibre production.

In the National Farmers' Federation's (NFF's) Federal Budget Submission last year, I noted:

*"Farmers recognise the Government's 2009 Federal Budget imperative will be to inject economic stimulus. However, careful thought should be given to achieving this spark in short-term spending while, simultaneously, providing for the long-term development necessary to generate long-lasting and self-perpetuating prosperity."*

Some gains have been made but the NFF believes a huge amount of work is still to be done.

Investment to meet Australia's burgeoning freight task, which will double nationally by 2020 and triple along the eastern seaboard, is needed now – lest the choking of our dilapidated ports and fragmented road and rail networks be terminal.

Greater global demand is headed for Australia, our farmers can supply it, but Australia's infrastructure networks are simply not geared to facilitate it.

A National Infrastructure Strategy to upgrade roads, rail and ports – and tie all the loose ends together – is decades overdue.

Further, with productivity growth dependent on advances via research and development, the Government must redress shortfalls in rural R&D funding.

Having pioneered and generated acceptance of the Environmental Stewardship program, which the NFF initiated, the current pilot program (launched under the 2007 Federal Budget) has proven overwhelmingly successful.

Farmers, environmental scientists and community groups universally accept the pilot being expanded to cover all ecological communities and endangered species under the *Environment Protection and Biodiversity Conservation Act 1999*.



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The current Government Review of Australia's Future Tax System must recognise the inherent biases against families and businesses in regional Australia. While the Review is not to report until the end of 2009, its findings will be central to the Government's 2010 Federal Budget thinking.

The NFF will make a detailed response to the Review once its findings are released. However, we urge the Government to be mindful that with the proposed Carbon Pollution Reduction Scheme (CPRS) set to impose yet another economic deterrent to people living and working in regional areas, it must explore options to alleviate the heightened burden on communities at risk.

Finally, transparent, science-based quarantine and biosecurity measures to protect Australia's environment, biodiversity and agricultural systems assume even greater importance in this modern era of global movement of people, animals and goods. Australia's quarantine and biosecurity effort simply has not kept pace with modern demands and will come under even more pressure.

All levels of government need to ensure they have the resources and expertise to meet the responsibilities they are charged with. At present they do not.

The following pages provide the background and specific budgetary responses under each NFF initiative. We trust that this format will assist the Australian Government, MPs and Senators from across the political divide, departmental officials, media and, indeed, the broader community, in understanding the role modern farming plays in the economic, environmental and social wellbeing of Australia... and the essential need to ensure farmers remain a mainstay of Australian enterprise, ingenuity and adaptability.

Kind regards,



**David Crombie**  
President  
National Farmers' Federation

## Introduction

The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises of all Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF has recently implemented a re-structure of the organisation. Through an associate category this has enabled a broader cross section of the agricultural sector to become members of the NFF, including the breadth and the length of the supply chain.

Each of NFF's members deal with state-based 'grass roots' issues or commodity specific issues, respectively, while the NFF represents the agreed imperatives of all at the national and international level.

## Statistics on Australian Agriculture

There are approximately 140,000 farm businesses in Australia (99% of which are family owned and operated), utilising 54% of Australia's landmass. The agricultural sector, at farm-gate, generates approximately 3% of Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2007-08 was \$43.3 billion.<sup>1</sup>

However, when factoring in the 'value adding' activities post farm-gate, and the value of all the economic activities supporting farm production in the farm-input sector, agriculture has averaged a contribution of 12% of GDP (approximately \$137 billion in 2008).<sup>2</sup>

In 2008, Australian farm exports were valued at \$31 billion. This accounts for approximately two-thirds of Australia's agricultural production. Despite deep and widespread drought, over 2007-08, agricultural product accounted for 15% of Australia's merchandise exports.<sup>3</sup>

The future of Australian agriculture depends largely on conditions in overseas markets. However, with declining terms of trade in agricultural commodities, Australian agriculture has been challenged to maintain a low cost base in order to remain globally competitive. Indeed, Australia's balance of payments is strongly dependent on this being the case.

Despite declining terms of trade, Australian farmers have remained internationally competitive, sustaining their businesses largely through productivity growth – with Australian agriculture averaging 2.8% over the last 30 years, consistently out-performing other sectors.<sup>4</sup>

As of November 2008, there were 318,000 people directly employed in Australian agriculture. Due to drought, this number has declined from 385,000 (a fall of 20%) since 2001-02.<sup>5</sup> The complete agricultural supply chain, including affiliated industries, provides over 1.6 million jobs to the Australian economy (or 1-in-6 of all Australian jobs). For every million dollars of agricultural sector GDP, there are 22 jobs in the agricultural sector and an additional 65 jobs in the rest of the value chain.<sup>6</sup>

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<sup>1</sup> ABARE, 2009 Australian Commodity Statistics, Canberra

<sup>2</sup> Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy* and ABARE, *Australian Commodity Statistics 2008*

<sup>3</sup> ABARE, 2009 Australian Commodity Statistics, Canberra

<sup>4</sup> Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

<sup>5</sup> ABARE, 2009 Australian Commodity Statistics, Canberra

<sup>6</sup> Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

## Carbon Mitigation:

### - *Developing market based incentives for farmers*

**Budget need:** The National Farmers' Federation (NFF) calls for funding of a refocussed joint industry-government working group to ensure effective communication, expert analysis and rigorous ground testing of the development of a carbon offset mechanism for Australian agriculture.

The National Farmers' Federation (NFF) is pleased that the Government has adjusted its proposed Carbon Pollution Reduction Scheme (CPRS) legislation by:

- Excluding the direct emissions from agriculture under the CPRS cap,
- Providing assistance to agricultural processors,
- Providing additional research and development (R&D) funding for agricultural abatement, and
- Committing to a carbon offset mechanism to encourage positive action from farmers.

While acknowledging that the CPRS legislation has not yet passed through parliament, the NFF believes that the Australian Government must continue the process of designing offset mechanisms that provide appropriate incentives for Australian farmers to adopt optimal carbon management practices. The NFF seeks to be centrally engaged in the development of the detail around the offset mechanisms.

The NFF has supported the previous joint work program between industry and Government to explore appropriate climate change mitigation policies for agriculture and to inform the Government's future decisions in this area – mainly through the development of the Technical Operational Development Group (TODG), which had been charged with exploring the technical issues faced by the sector in terms of climate mitigation. Clearly, this TODG process now needs to be refocussed to reflect the Government's amended policy in relation to the CPRS.

The communication of this new process to the wider agricultural community must be appropriately funded if it is to achieve optimal outcomes in what is a highly complex area. It is also vital that this process can attain the best information to inform deliberations and access the best expertise when required.

The NFF, therefore, believes that funding should be made available to cover the following:

#### **Funding for a refocussed industry-government working group**

The NFF calls for funding for a refocussed industry-government working group to ensure effective communication, expert analysis and rigorous ground testing of the development of a carbon offset mechanism for Australian agriculture.

In addition, the NFF advocates that to attain optimal outcomes for agricultural greenhouse gas (GHG) mitigation, adequate funding should be provided to examine a suite of complementary measures in addition to a carbon offset mechanism.

These alternative carbon mitigation policy considerations for agriculture should be analysed through this refocussed industry-government working group and may include:

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- Greenhouse best management practices, environmental quality assurance programs, stewardship programs, certification schemes and grant schemes that deliver emissions abatement.
- Additional investment in research and development for technologies that deliver both productivity and emissions abatement.
- Investment in low emissions transport.
- Alignment of water and drought policy programs to support abatement and sequestration goals without jeopardising productivity.
- Examining the potential for utility scale renewable energy as a new business sector in regional Australia.

The NFF recognises that developing a suite of policy mechanisms, in conjunction with an offsets scheme to drive GHG mitigation from the agricultural sector is complex. Appropriate resourcing will be vital to ensure that external and internal development capacity is readily available for this process.

### **Communication with the wider farming community**

The NFF believes that it is integral that the process of developing an offsets mechanism and complementary policies for the agricultural sector is communicated widely and effectively across the Australian farming community.

It is not good enough to expect that Australia's 140,000 farming enterprises should not have sufficient information about vital processes in this area, which will have significant implications on their future farming practices and investment decisions. Despite the best endeavours of Australian farmer representative bodies such as the NFF and its members, the complexity of information surrounding this issue is often difficult to convey effectively with the resources available.

The NFF, therefore, requests that funding be made available to ensure that the wider farming community is consulted, informed and educated about the climate change policy development process and its implications for Australian farmers.

## Strategic Infrastructure Overhaul:

- *more than just nuts and bolts (or dollars)*

**Budget need:** The National Farmers' Federation (NFF) calls for a National Infrastructure Strategy to link more efficient road and rail networks with dramatically upgraded ports to meet Australia's emerging and future freight and export demands.

The Australian Government is overdue for a sweeping strategic overhaul of freight transport infrastructure. Linking efficient road and rail networks to dramatically upgraded metropolitan and regional ports is essential.

Promises of a National Freight Strategy have still not been delivered. News of the development of a National Ports Strategy are welcomed, but the Government risks delivering an infrastructure system which is not "joined-up". Australia needs effective and efficient transport infrastructure, where road, rail and ports mesh together – not a set of separate, disparate reports.

The requirement of the Government is more than money, and much more than the typical *ad hoc* spending on an electorate-by-electorate basis. A National Infrastructure Strategy is essential to meeting the mounting freight task within Australia – often choking cities – while gearing up for greater demand than we have ever experienced before.

This demands a commitment to a long-term plan, inter-connecting regional roads with national highways and upgrading port facilities to not only cope with increasing volumes but generating greatly improved efficiency.

Infrastructure Australia was developed to deliver this integrated approach and NFF applauded its initiation. However, NFF has been disappointed that more has not been done.

Throughout this country's history, the transport network has evolved to account for changes in demands, trends in industries and changes in transport technology. Agriculture has been a pivotal driver of this evolution, developing ports – and the roads and rail to them – focused on the movement of agricultural produce.

Yet, precious little has been done for decades. Infrastructure investment, which focused on corridors, modes or specific project proposals, in the past are now antiquated. This type of investment decision-making will disadvantage Australia's exports (and their growth potential) in the future.

Strategic challenges confront all facets of our transport network. Ports are vital components of Australia's national export infrastructure. They have developed as the nation has grown, evolving to account for growth and changes in national imports and exports.

However, like other aspects of our transport infrastructure, ports are now facing challenges such as land availability, the development and expansion of transport networks in urban areas, as well as fuel costs and the management of emissions. The challenges must be dealt with before 'the horse has bolted'.

### **Agriculture must be considered as part of the national freight strategy**

With global demand for food and fibre expected to continue its meteoric rise, Australian agriculture can be a key player in the global solution to this challenge.

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Australia currently produces 93% all food consumed in Australia and 1% of all food consumed in the world. Our nation is responsible for 3% of global seaborne trade – in total Australia feeds 60 million people each day<sup>7</sup>.

The challenge of moving the increasing volumes of food and fibre required by domestic and international markets will continue to grow. Globally, over the next 50 years, nations will need to produce as much food as has been consumed over our entire human history.

Timely and efficient delivery of agricultural produce, in addition to the greater volumes required, need to be considered and planned for now.

Australian agriculture is responding to changes in market demands, such as increased demand for livestock from south-east Asia. These trends need to be considered and accounted for as part of the new investment in infrastructure.

For example, Australia's port facilities need to become more flexible in their operations to allow new agricultural industries to develop, and support growth in existing industries – such as the livestock industry, particularly in northern Australia where agricultural production is continuing to diversify and grow.

Regional ports need to be a key part of this solution. Integrated, efficient transport networks must be the strategic response. Further, issues of greenhouse gas emissions and rising fuel prices will increasingly need to be considered in delivering these solutions.

The transport sector is one of Australia's major greenhouse gas contributors, and opportunities to increase the efficiency of transport through improved infrastructure provides an opportunity to reduce emissions – and also to reduce the impact of energy price rises.

Australia has reached a critical point in its history and a reactive approach to infrastructure investment is no longer an option. It is time to focus on the future of our ports and develop smart supply chain infrastructure to support them.

Infrastructure Australia was established in April 2008 to:

*“develop a strategic blueprint for our nation's future infrastructure needs and – in partnership with the states, territories, local government and the private sector – facilitate its implementation”.*

Australia needs solutions which work across transport modes and involve all levels of government. To assist in informing the National Freight Strategy, the NFF is working to better understand the freight and infrastructure needs of agriculture, and we invite opportunities to partner with the Government to develop this work.

Central to understanding Australian agriculture's transport needs and identifying strategic priorities is a study to identify:

- the current freight flows of agricultural production (and other freight flows in regional Australia);
- understand how and why these freight flows may change;
- consider deficiencies in existing infrastructure and additional infrastructure requirements; and
- from this analysis, clearly identify priorities and projects not being addressed by the current policy framework.

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<sup>7</sup> Dr Megan Clark, address to the National Press Club 30 September 2009.

## Research & Development:

- *invest today for prosperity tomorrow*

**Budget need:** The National Farmers' Federation (NFF) calls on the Australian Government to commit to a new plan to achieve long-term productivity gains, and stop the cuts to agricultural research and development.

### Australia needs a long term plan and commitment to agricultural R&D

In his foreword to the Government's science and innovation policy 'Powering Ideas', Senator The Hon Kim Carr, Federal Minister for Innovation, Industry, Science and Research, observed that:

*"increasing our capacity to create new knowledge and find new ways of doing business is the key to building a modern economy based on advanced skills and technologies".*

Analysis undertaken by the Rural Research and Development Corporations (RDCs) in 2008 indicated that the return on investment over a sample of projects delivered an average return of \$11 for every dollar spent.

Agriculture is part of Australia's modern economy, and research and development plays a critical role in securing its future.

When considering agricultural research, the Cutler Review, released in August 2008, identified the need for:

*"greater national strategic leadership, a broader framework around prioritization, and coordination across jurisdictions and institutions"<sup>8</sup>.*

A plan for investment in research and development, and a long term commitment to investment, is desperately needed. To be effective, a plan for investment in agricultural research and development must recognise and consider the distinct roles played by organisations including the CSIRO, the CRCs, the Universities, State Governments, the Australian Centre for International Agricultural Research (ACIAR), the Australian Research Council as well as the Rural Research and Development Corporations and the private sector.

The NFF hopes that this issue will be considered in the forthcoming Productivity Commission review as announced by Minister for Agriculture, Fisheries and Forestry, Tony Burke, on 2 December 2009.

The role of the private sector in undertaking research and development to support agriculture has also been poorly appreciated. Governments have been stepping away from work on research extension and aspects of research and development, without strategies to ensure these gaps are filled by the private sector.

The work being done on the new research and development tax incentive is a step that may encourage private industry, and more work needs to be done in this area. However, it is a very small step, and it is not clear if it is a step in the right direction. A strategy which identifies opportunities and seeks to encourage private sector research and development in agriculture is required.

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<sup>8</sup> (Annex 11 to the Review)

Agricultural industries have always embraced innovation, and there is a long history of research, development and extension of these innovations within industries. Australian agricultural industries have been working with science throughout their long history, on areas from understanding and addressing nutrient deficiencies in soils, to plant and animal breeding for Australian conditions to emerging areas of biotechnology.

Much of this research and development has been funded in partnership between agricultural industries and the Australian Government through the Rural RDCs. Australian farmers remain committed to this partnership.

### **Australia needs to reverse the decline in agricultural R&D**

The Australian Government must reverse the decline in agricultural research and development funding, and work with the sector (and across government agencies) on a plan to ensure sustained productivity gains.

Australia's farm community is alarmed at the petering out of the benefits of the 'green revolution' in the 1960s and 70s and the declining trend in productivity growth in many parts of agricultural industries.

A recent ABARE report<sup>9</sup> highlighted the need to lift agricultural productivity further, beyond its long term average, if Australia is to meet the challenges of land and water availability, population aging and long term climate change – and at the same time maintain international competitiveness and farm viability under changing markets and environmental conditions.

The loss of Land & Water Australia (LWA) and reduced funding to the Rural Industries Research and Development Corporation (RIRDC) from the 2008-09 budget were felt by the agricultural industries, and the impact of this decision will remain with the industries for years to come.

The unique elements to the public good research undertaken by LWA was recognised by the Productivity Commission's report in 2007<sup>10</sup>, including the observation that this research would not be undertaken in the absence of the organisation.

Further cuts to research and development spending should not be contemplated, and the Government should commit to a broader strategy to support the achievement of long-term productivity gains in the agricultural industries.

The link between expenditure on research and development and productivity growth is well established; along with the productivity benefits that flow from improving the adoption of knowledge and new technologies by industries<sup>11</sup>. The National Farmers' Federation (NFF) contends that the need for a genuine commitment from the Australian Government is vital to the sector addressing emerging and future challenges to underpin the long-term viability of Australian food and fibre production.

Research is not 'just another line item' in the budget, it represents the future. The RDCs, as well as other programs such as the Cooperative Research Centres (CRC), represent significant components of the agricultural innovation system, with their loss or decline in funding there will be a loss of momentum in Australia's research effort.

Recent Treasury figures indicate that by 2049 the Australian population will reach 35 million, a 65% increase over our current population of 22 million<sup>12</sup>.

<sup>9</sup> "Raising productivity growth in Australian agriculture" ABARE Issues Insights 09.7, November 2009

<sup>10</sup> Public Support for Science and Innovation, Productivity Commission Research Report, 9 March 2007

<sup>11</sup> "Raising productivity growth in Australian agriculture" ABARE Issues Insights 09.7, November 2009

<sup>12</sup> 3rd intergenerational report, released in September 2009 by Treasury.

Evidence and experience shows that it takes 30 to 40 years to bring embryonic research ideas to a point where 95% of the country has adopted the research<sup>13</sup>. The money invested in research and development today represents the food on the table of our children, along with the clothes that they will wear.

Australian agriculture continues to be a major contributor to the Australian economy thanks to the investment made in research and development. Australian farms and their closely related sectors generate \$137 billion-a-year in production, underpinning 12% of GDP.

Despite the worst drought on record, Australia's farm exports earned the country \$31 billion in 2008, which represents 15% of all Australian merchandise exports. In fact, research and development has seen farmers improve productivity throughout drought, as well as meeting market demands for quality products.

### **The benefits of Australian research and development are felt globally**

The global food crisis continues to impact on world markets and affects the livelihoods of millions of people, particularly in developing nations. Australia's investment in research and development in agriculture is a critical part of our contribution to global food security. Benefits from Australian research and development to support the management of greenhouse gases and adaptation to climate change also have global benefits.

The experience and knowledge of the human talent drawn upon in the Australian aid effort to encourage rural development, by organisations such as the ACIAR, was developed through Australia's investment in research and development to underpin domestic agricultural production.

Eroding funding for agricultural research and development reduces Australia's capability to contribute to global food production, reduces Australia's national science capacity and exacerbates the global food security problems of tomorrow.

Reductions in funding to agricultural research and development are out-of-step with global sentiment, which recognises the need to increase food production.

The Food and Agriculture Organization of the United Nations has released figures indicating a 70% increase in global food production is required to feed the additional 2.3 billion people by 2050 while, at the same time, combating poverty and hunger, using scarce natural resources more efficiently and adapting to climate change<sup>14</sup>.

Indeed, the United States has recently announced the establishment of a 'National Institute for Food and Agriculture' to reinvigorate its competitive grants program and generate innovation to address its domestic agricultural challenges and contribute to global agricultural solutions.

Beyond these facts, agricultural research and development is a sound investment. It has been demonstrated to deliver returns, and is a prudent and appropriate strategy for driving growth in the Australian economy.

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<sup>13</sup> Wednesday 29 September 2009, House of Representatives Standing Committee on Primary Industries and Resources hearing into Assisting Australian farmers to adapt to climate change, evidence given by CRC Future Farming Dr Kevin Goss and Mr Mick Poole, citing the example that it took 30 to 40 years to bring no-till farming systems from an embryonic idea to a point where 95 per cent of the country is using those techniques.

<sup>14</sup> "How to Feed the World in 2050" (October 2009)

[http://www.fao.org/fileadmin/templates/wsfs/docs/expert\\_paper/How\\_to\\_Feed\\_the\\_World\\_in\\_2050.pdf](http://www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf)

## Expanding Environmental Stewardship: - *time Government action matched its rhetoric*

**Budget need:** The National Farmers' Federation (NFF) calls on the Australian Government to expand the Environmental Stewardship program to capture all ecological communities and endangered species protected under the *Environment Protection and Biodiversity Conservation Act 1999*.

The National Farmers' Federation's (NFF's) flagship environmental program, Environmental Stewardship, was announced under the 2007 Federal Budget. Subsequently, a four-year budget of \$42.5 million for a pilot program was launched in 2008 as part of the Australian Government's 'Caring for Our Country' initiative.

The objective is to increase the quality and extent of high public value environmental assets on private land or impacted by activities on private land.

Environmental Stewardship is targeting matters of National Environmental Significance (NES) under the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act).

The White Box, Yellow Box and Blakely's Red Gum grassy woodland and derived native grasslands ecological community (Box Gum Grassy Woodland), was selected as the first priority for Environmental Stewardship because of its importance as a critically endangered ecological community that supports a variety of critically endangered and vulnerable species, and because it is largely managed by private landholders.

Environmental Stewardship uses market-based approaches to determine which land managers are recommended to receive contracts. Successful land managers can enter into contracts with the Government for up to 15 years.

As the approach is competitive, land owners/managers who can provide the highest environmental services at least cost to the Australian Government, are most likely to get contracts.

Tender rounds are targeting patches of Box Gum Grassy Woodland of greater than five hectares in size in the Lachlan and Murrumbidgee Catchments in NSW and a tender round targeting Large High Quality Sites of Box Gum Grassy Woodland of greater than 50 hectares have been conducted. The NRM regions targeted under the Large High Quality Site rounds include Central West, Namoi and Border Rivers Gwydir Catchment Management Authority (CMA) regions in NSW and the other the Condamine, Border Rivers-Maranoa-Balonne and South East NRM regions in Queensland.

A competitive auction process evaluated bids submitted by eligible land managers wishing to participate. An environmental benefits index called the 'Conservation Value Measure' was used to evaluate value for money of bids submitted for each round.

Over the past two financial years, a total of 150 land managers have been contracted to manage over 11,000 hectares of the critically endangered Box Gum Grassy Woodland ecological community on their properties.

It is universally recognised that natural resources, including native vegetation and water, generate a diverse range of environmental benefits to the landscape, communities and society as a whole. For instance, the current rounds are also recognised to be enhancing the habitat of at least 19 rare and threatened species.

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As a way of maintaining or increasing the size of these benefits, all Australian Governments continue to impose and strengthen regulatory controls, largely to manage actions on private farms.

But, is regulation the most effective way of achieving outcomes? Not for farmers, and it is becoming increasingly apparent that it's not the best way to achieve environmental outcomes either.

With farmers managing 54% of the Australian landscape, it is recognised that they live and work with the land every day and, over the past three decades, have been increasingly focused on sustainability. In fact, over 94% of Australian farmers actively undertake natural resource management practises on-farm.

The Government is finally coming to recognise these realities. Farmers, environmentalists and scientists have known for some time that working with the people who live, work and care for the land – be they farmers, Indigenous Australians or, indeed, people in regional communities – is the most effective way of delivering environmental benefits.

This is not to mention the benefit of supporting food and fibre production, jobs and the social fabric of communities and regions through Environmental Stewardship.

Now is the time to roll-out Environmental Stewardship to encompass the full suite of ecological communities and endangered species identified under the EPBC Act.

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## Taxation Reform:

### - *take heed of the biases against regional Australians*

**Budget need:** The National Farmers' Federation (NFF) contends that the Review of Australia's Future Tax System must take account of the biases faced by regional families and businesses to alleviate the greater burden they do, and will, carry.

The National Farmers' Federation (NFF) has appreciated its engagement in the Australian Government's Review of Australia's Future Tax System, chaired by Treasury Secretary Ken Henry, to examine the current tax system and make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21<sup>st</sup> century.

Through this process, the NFF has advanced the reality that the farm sector and regional communities as a whole are directly exposed to many of the nation's major policy challenges in the short to medium terms.

There is widespread concern that the pace and direction of reform and mounting pressures around rationalisation have damaged regional interests – with an erosion of populations to the point of where basic and essential services can no longer be provided.

The NFF asserts there are significant and long-standing biases against living in regional Australia. These are likely to be compounded by the proposed implementation of a Carbon Pollution Reduction Scheme (CPRS) or a carbon price through alternate means, which will certainly increase costs, such as of fuel and energy – costs that see regional individuals, families and entire communities disproportionately exposed.

While agriculture underpins 12% of GDP when factoring in flow-on economic activity, it is estimated that the farm sector represents more than 40% of the GDP of regional economies. Once multiplier effects are taken into account, this escalates to 70-80% in many communities.

The majority of regional communities remain 'farming towns' and, as such, the prosperity of those communities are aligned with the productivity and sustainability of the farms surrounding them. This dependence on one industry makes the economic risks of the CPRS significantly higher for regional Australia.

To correct the existing, and likely future, imposts to living and working in regional Australia, the NFF contends that the Review of Australia's Future Tax System must recognise these higher costs and take steps to alleviate such disproportionate pressures.

For example, in the past the NFF has advocated for a review of Tax Zone Rebate Scheme as one way of overcoming these pressures. Without prejudicing the findings of the Review, it is the NFF's fervent desire to see such realities reflected in the Review's findings and, subsequently, adopted by the Australian Government.

Taxation can, and should, play a pivotal role in influencing the behaviour of Australia's farming community and, if used effectively, induce positive outcomes for the economy, the environment and society.

In particular, the NFF has encouraged the Government to put immediate thought towards the development of taxation-based mechanisms that complement and deliver equitable outcomes in areas such as climate change mitigation, drought preparedness and environmental stewardship.

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## Trade Funding:

### - *combating the increase in global protectionism*

**Budget need:** The National Farmers' Federation (NFF) seeks assurances that there will not be additional trade funding cuts and that agricultural exports will not suffer under the new funding arrangements within the Department of Agriculture, Forestry and Fisheries (DAFF) and the Department of Foreign Affairs and Trade (DFAT). We also ask that clearly defined monitoring and evaluation measures are undertaken by Government in regard to its trade support functions.

The National Farmers' Federation (NFF) was very concerned to receive news of the Agricultural Counsellor positions being removed from the postings in Brussels and Washington in early 2009. In addition, we are similarly concerned by the recent announcement that nearly \$90 million will be cut from the Department of Foreign Affairs and Trade (DFAT) over the next four years.

The NFF notes that in response to the Global Financial Crisis, protectionism has emerged as an increasing threat to global trade in agricultural goods. This has often been delivered under the guise of economic stimulus packages. Indeed, the void between hollow rhetoric and genuine leadership has rarely been as stark as that seen in the past 12 months as world leaders promote the virtues of trade reform while shielding their economies from international trade.

The NFF refers to the World Bank analysis which showed that within three months of the G20 meeting in Washington in late 2008, where it was agreed not to impose any new trade-restricting measures for 12 months, 17 of the G20 countries had implemented some form of protectionist measure.

The NFF members note with concern that the global trading environment is becoming more challenging through an escalation of behind-the-border measures and technical trade barriers. It is in such areas that the Agriculture Counsellor positions have been so vital in facilitating the smooth flow of product.

In addition, the NFF notes that the agriculture portfolio is expanding as issues such as climate change, food safety and food security, biosecurity, animal welfare and environmental sustainability require more policy focus – and likely compliance issues for third country suppliers.

In essence, the NFF is looking for assurances that there will not be additional funding cuts and that agricultural exports will not suffer under the new funding arrangements within the DAFF and DFAT.

In addition, we ask that clearly defined monitoring and evaluation measures are undertaken by Government in regard to its trade support functions, in partnership with industry, to ensure that outcomes are not jeopardised by cuts that have already been made in this important area.

Finally, the NFF seeks the Government's commitment that if this monitoring and evaluation process demonstrates a decline in trade servicing within the European and North American markets, the Government will commit additional funds to reinstating the Agriculture Counsellor positions in Brussels and Washington.

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## Quarantine Funding:

### - *protecting Australia's shores from pests and diseases*

**Budget need:** The Australian Government must inject substantial funding into Australia's quarantine and biosecurity regime, as per the recommendations of the Beale Quarantine and Biosecurity Review. To date, insufficient funding has been allocated towards the implementation of the full list of recommendations.

Australia's pest and disease free status is vital for our farming sector – both in production and marketing terms. Fundamental to this country's favourable international position is a robust, efficient and science-based quarantine and biosecurity regime – confidence in which has been rocked by the breakdown that led to equine influenza outbreak.

The National Farmers' Federation (NFF) submission to the Australian Government's Beale Quarantine and Biosecurity Review highlighted glaring failures in proactively protecting Australia's shores from pests and diseases.

These failures were subsequently supported by the Beale Review, released in December 2008. To date, insufficient funding has been allocated towards the implementation of the full list of recommendations.

The NFF welcomed the \$127.4 million industry reform program funding announcement by the Minister for Agriculture, Fisheries and Forestry on 24 November 2009, to fund improvements to the export certification process to ensure it is more effective and efficient. The NFF agrees that these reforms will support the removal of substantial costs from the export supply chain for industry, as well as progressing potential improvement in international market access across all commodities through intensive market access negotiations.

However, while this reform package has focused on the export reform elements of the Beale Review, the NFF is concerned that significant elements of the review recommendations, particularly those relating to Australia's import quarantine reforms, remain unfunded.

Transparent, science-based quarantine and biosecurity measures to protect Australia's environment, biodiversity and agricultural systems assume even greater importance in this modern era of global movement of people, animals and goods. Australia's quarantine and biosecurity effort simply has not kept pace with modern demands and will come under even more pressure.

All levels of government need to ensure they have the resources and expertise to meet the responsibilities they are charged with. At present they do not. A significant funding injection is still needed to fix the existing deficiencies, let alone ensure long-term safeguards are in place to deal with new threats as they arise and ensure policy and operational changes prevent deficiencies from reoccurring.

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## NFF Contact

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