

## **Submission to NSW Treasury**

**~ Proposals for the 2010/11 State Budget ~**

**April 2010**

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## **Executive Summary**

1. **Agriculture is a significant contributor to the NSW economy.** The gross value of NSW agricultural commodities production in 2008 was \$8.59 billion. However this value increases to \$27 billion when factoring in the multiplier effect of businesses and industries further down the supply chain.
2. **NSW farmers continue to operate in fluctuating market conditions which significantly impact on the profitability of the sector.** On one hand, NSW agriculture is experiencing one of the worst droughts in recorded history and the Australian dollar has undergone significant appreciation. On the other hand, the Federal Government has been successful in signing Australia's largest ever free trade agreement (FTA).
3. **Revenue earnings from Australian agriculture are expected to contract in 2009-10.** Forecasts suggest that based on less than favorable spring seasonal conditions and the higher average value of the Australian exchange rate, export earnings for farm commodities in Australia will decline by 3 percent. Overall Australian farmers will on average see their terms of trade decrease by 2 percent over 2009/10 compared to the previous year.
4. **Food security is a major issue facing the NSW economy.** Domestically, the impact of the food security crisis will result in increased food costs and will exacerbate fuel price increases. There may also be serious long term issues affecting regional security and stability.
5. **The Association has highlighted a number of policy imperatives to meet the food crisis challenge. These include increased investment in agricultural R&D, increased industry support for farmers, better farming systems for fluctuating environmental conditions and the removal of global trade barriers.** To improve long-term productivity growth, it is important for government and industry to support R&D. Farmers will also need to be provided with adequate incentives to increase their production and productivity and to profit from increased trade opportunities. Meeting the growing demand for food requires prioritising climate change adaptation throughout the food chain.
6. **Enhancing the State's food producing capacity and efficiency is paramount to NSW's contribution to alleviating any future food crisis.** Global food production will need to increase by 70 percent by 2050 in order to feed an additional 2.3 billion more urban and richer population. 90 percent of this required production increase will come from increased yields and cropping intensity.
7. **Climate change continues to be a major influence on agricultural production.** Issues surrounding reduced water availability and greater variations in environmental conditions are all contributing to the uncertainty surrounding future agricultural production.
8. **The NSW Farmers' Association (the Association) has highlighted three priority areas requiring fiscal support.**
  - I. **Food security and Climate Change:** Specific funding requests include:
    - an increase in funding for RD&E services with specific provisions for projects relating to sustainable production and increasing water and nutrient scarcity;
    - the secondment of a climate change liaison and extension officer to the Association; and
    - funding for a five-year extension of the Great Artesian Basin Sustainability Initiative (GABSI) 'Cap and Pipe the Bores' program.
  - II. **Transport and Infrastructure:**

- Funding to progress the development of the Inland Rail Corridor between Brisbane and Melbourne;
- Increased rest stops for Heavy Vehicles;
- Development of a strategic plan for an optimal air services network for country NSW; and
- Implementation of the recommendations of the NSW Grain Freight Review with a specific focus on a 3 year program of investment to stabilise the NSW grain branch lines at a minimum of a Class 5 line.

### III. Rural Services:

- continuation from the State Government for Drought Support measures including Drought Support Workers and drought transport subsidies for an additional 18 months beyond June 2010;
  - a change in the collection method of funding for the Fire and State Emergency Services;
  - a change in the pricing structure for the conversion of Crown roads to freehold;
  - a comprehensive, nil tenure Wild Dog Control program;
  - a research program into effective rabbit control measures;
  - waiving of all charges for the administration, certification and supply of 1080 Liquid Concentrate and Bait products to landholders for pest animal control;
  - a Regulatory Impact Statement regarding the National Livestock Identification Scheme ('NLIS') for sheep and goats;
  - funding to employ two Bilingual Community Relation Officers to facilitate chemical users regarding pesticide use management;
  - an extension to the existing first home owners grant to include farms; and
  - increasing the agricultural content within the NSW education and training framework.
- **The impending food security crisis will offer considerable opportunity for export focused primary producer nations, such as Australia.** This will be in both the form of potential high export commodity prices and the moral obligations of feeding an expanding global population.

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## 1 Introduction

Food security has emerged as one of the major issues facing NSW primary producers today. With overall demand for food expected to more than double by the mid-century, global food production will need to increase by 70 percent by 2050 if we are going to be able to feed a more urban and wealthy global population.<sup>1</sup>

The Association applauds the NSW Government's recognition of the imminency of this issue as reflected in the announcement of the 'Research for Action – Productivity and Food Security' plan (the Plan). At the release of the Plan, the then Minister for Primary Industries stated "now, more than ever, it's time we start working on solutions to sustain our harvest."<sup>2</sup>

While the Association supports the Plan's focus on Research and Development (R&D) to increase food productivity in NSW, NSW must extend its strategic scope to include other solutions to ensure food security. The Association has identified three key funding areas to meet this challenge:

- i. Food security and climate change;
- ii. Transport and Infrastructure; and
- iii. Rural Services.

### **Agriculture in NSW**

Agriculture is a significant contributor to the NSW economy. The gross value of NSW agricultural commodities production in 2008 was \$8.59 billion, representing about 20 percent of total Australian agricultural production.<sup>3</sup> However this figure increases to \$27 billion when factoring in the multiplier effect of businesses and industries further down the supply chain.

Agriculture is a large employer in rural NSW. In August 2009, 87,800 people were directly employed either full time or part time in agriculture in NSW.<sup>4</sup> In addition, agriculture indirectly supports employment in a range of services located in rural and regional areas.

Agriculture is also the biggest land user in NSW and a significant contributor to the State's balance of payments. Agriculture covers an estimated 58.6 million hectares or 73 percent of the land mass of NSW with approximately 40,077 farming establishments.<sup>5</sup> The value of exports of agricultural commodities from NSW amounted to \$1.5 billion in 2004-05, representing approximately 6.5 percent of merchandise exports from NSW.<sup>6</sup>

Like the previous year, farming conditions in 2008/09 were particularly difficult for agriculture given the extremely variable climatic conditions. The year produced NSW's warmest average mean temperatures for spring and winter, the 9th consecutive autumn with above average maximum temperatures and an above average maximum and minimum temperatures for the State over summer.<sup>7</sup>

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<sup>1</sup> Food and Agricultural Organisation of the United Nations Media Centre. *2050: A third more mouths to feed*. 23 September 2009, Rome.

<sup>2</sup> Minister for Primary Industries, the Hon Ian McDonald 'Food Security – action plan to sustain our harvest' released 21 October 2009 (available at [http://www.dpi.nsw.gov.au/data/assets/pdf\\_file/0003/304095/Food-security-action-plan-to-sustain-our-harvest.pdf](http://www.dpi.nsw.gov.au/data/assets/pdf_file/0003/304095/Food-security-action-plan-to-sustain-our-harvest.pdf) (viewed 3 November 2009))

<sup>3</sup> ABS (2009), *Value of Selected Agricultural Commodities Produced, 2007-08*, cat number 7503.0

<sup>4</sup> ABS (2009) *Labour Force, Australia, Detailed, Quarterly August 2009*, cat number 6291.0.55.003

<sup>5</sup> ABS (2008) *Agricultural State Profile, New South Wales, 2006-07*, cat number 7123.1.55.001

<sup>6</sup> ABS (2006) *Agricultural State Profile, New South Wales, 2004-05*, cat number 7123.1.55.001

<sup>7</sup> Bureau of Meteorology, *The Recent Climate - summaries and diagnostics* (available at <http://www.bom.gov.au/climate/current/index.shtml>)

### Economic conditions affecting agriculture

Agricultural commodity prices are heavily influenced by trends in global economic activity and while the impacts stemming from the global financial crisis appears to be slowing, recovery rates are not globally consistent. In 2009, world economic activity is assumed to have declined by 1.4 percent before expecting a recorded growth of 2.9 percent in 2010.<sup>8</sup> Growth in the emerging Asian economies however is expected to strengthen in the next few quarters while the OECD member nations are assumed to remain weak for some time.

Australia's economic position appears to have dodged a lot of the global financial crisis fallout, a position which has had a considerable affect on the value of the domestic dollar. Reflecting an improved outlook for the domestic economy, economic growth in Australia is assumed to average around 0.5 per cent in 2009-10, following an increase of 1 per cent in 2008-09.<sup>9</sup> Confidence has improved and spending has been supported by stimulatory settings for both monetary and fiscal policy. The Australian economy has also benefited from the strong bounce-back in Asia, particularly in China, with export volumes remaining broadly unchanged during a period in which global trade fell markedly.<sup>10</sup>

After depreciating significantly in the second half of 2008, the Australian dollar has appreciated significantly both against the US dollar and on a trade weighted basis. Factors such as the Reserve Bank of Australia's three straight (world leading) interest rate increases in the latter half of 2009 have significantly affected its attractiveness. The Australian dollar was trading at US91c and a Trade Weighted Index (TWI) of 70 in mid-December 2009. This compares with a low of US63c and a TWI of 54 in early March 2009.<sup>11</sup>

### **Key Concerns in Agriculture**

Enhancing the State's food producing capacity and logistical efficiency is paramount to NSW's contribution to alleviating any future food crisis. Reports have indicated that global food production will need to increase by 70 percent by 2050 in order to feed an additional 2.3 billion more urban and wealthy population.<sup>12</sup> 90 percent of this required production increase is expected to come from increased yields and cropping intensity, the remainder coming from expanding arable land.

Climate variability continues to be a major influence on agricultural production. Issues surrounding reduced water availability, changing temperatures and greater variation in conditions are all contributing to the uncertainty surrounding future agricultural production. While agriculture's position in any future Australian climate change policy remains unclear, the sector will at the very least face increased farm input costs. It remains vitally important that any policy directives are able to be justified through rigorous scientific research and backing.

NSW agriculture is experiencing one of the worst droughts in recorded history. Apart from a brief respite in late 2005, over 50 percent of NSW has either been drought declared or marginal since 2002. As detailed in the Premier's media release of 13 December 2009, over 80 percent of NSW is in a drought declared area, 14 percent was considered marginal with only 5 percent of the State considered to be satisfactory.<sup>13</sup> This is placing substantial

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<sup>8</sup> International Monetary Fund, World Economic Outlook Update. *Contractionary Forces Receding But Weak Recovery Ahead*. July 8, 2009

<sup>9</sup> ABARE (2009) Australian Commodities, September quarter 2009, ABARE project 1163

<sup>10</sup> RBA Statement of Monetary Policy November 2009 -

[http://www.rba.gov.au/PublicationsAndResearch/StatementsOnMonetaryPolicy/statement\\_on\\_monetary\\_1109.html](http://www.rba.gov.au/PublicationsAndResearch/StatementsOnMonetaryPolicy/statement_on_monetary_1109.html) (viewed 3 December)

<sup>11</sup> NAB (2009)

<sup>12</sup> Food and Agricultural Organisation of the United Nations Media Centre. *2050: A third more mouths to feed*. 23 September 2009, Rome.

<sup>13</sup> The Hon Kristina Keneally, Premier of NSW 'New drought figures paint bleak picture as Premier visits affected areas' released 13 December 2009

financial and emotional pressure on many of the State's farmers, many of which are currently at the decision point with escalating debts and failed seasons.

The drought will have a significant long term effect on the industry and on rural NSW with the loss of businesses and the effects this has on regional communities. It will also have a flow through effect to the rest of the NSW population with reduced food supplies and pressures on prices. Assisting primary producers through this period will allow farmers to be in a position to take advantage of the change in weather conditions and limit the extent of the damage caused by large fluctuations in supply. Measures that will allow farmers to plant their next crop or sustain their livestock will provide reassurance for farmers to get through the next season.

However the resilience of the sector will largely be dependent on an infrastructure and policy framework which ensures any efficiency gains can be delivered through the chain. This in turn will enable our farmers to remain competitive and continue to provide high quality food to Australian and global markets.

The projects identified in this submission are designed to address the above issues and provide practical means for safeguarding the State from any future food security issues.

### **Structure of the Submission**

This submission is structured to include two main sections. The first part of the submission includes the Association's priority general issues for the 20010/11 NSW State Budget with the second section comprising of specific proposals and funding requests. The Association looks forward to the Government's consideration and implementation of the initiatives identified in this paper. Initiatives that will ensure the sustainability of agriculture and the communities and people that it supports.

## 2 Priority Issues

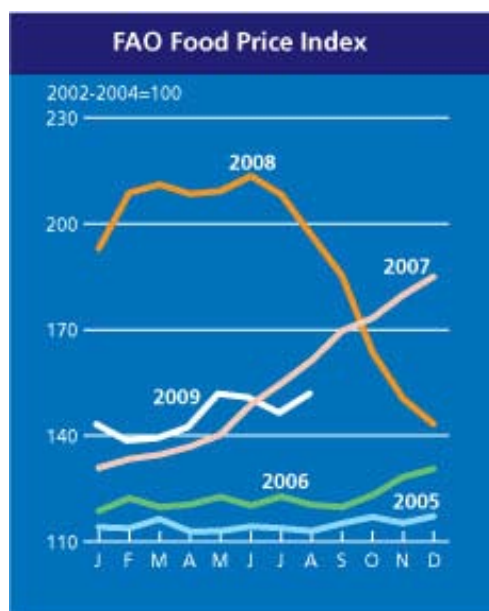
### 2.1 Food Security and Climate Change

Food security is now recognised as the as one of the biggest issues facing our planet. As stated by Adjunct Professor Julian Cribb at the recent NSW Government Food Security Symposium, “overall demand for food is expected to more than double by the mid-century. The main issue confronting humanity in the next 50 years is not climate change – it is whether humanity can achieve and sustain such a harvest.”<sup>14</sup>

Climate and food security are inextricably linked. Food cannot be produced without water. In face of increasing water scarcity, internationally and in NSW, the protection of agricultural water resources, and good agricultural land with access to reliable water, must be a matter of the highest strategic importance. This in turn requires reforms to land use planning policy and natural resources management policy. NSW cannot continue to allow our best agricultural land and water to be threatened by mining or urbanisation. This is also a priority regional development issue. The productivity and economic vitality of regional NSW depends on preparing the agricultural sector to benefit from increasing global demand for food.

Due to a variety of adverse effects on food production, agricultural commodity prices rose sharply between 2006 and the beginning of 2008. The Food and Agriculture Organisation of the United Nations (the FAO) reported a 24 percent increase in the food price index between 2006 and 2007 and 53 percent in the first three months of 2008 compared to the same three months in 2007 (please see Graph 1 below).<sup>15</sup> In real terms, food prices rocketed to their highest levels in nearly 30 years. According to the United Nations, the number of undernourished people in the world increased by 75 million in 2007 and 40 million in 2008, largely due to higher food prices. The world also experienced food shortages-induced riots in 22 countries placing serious strains on government stability.<sup>16</sup>

Graph 1: FAO Food price indices



Source: FAO

While agricultural markets are regularly subject to fluctuating prices, what distinguished the 2006-08 food price hikes was that it did not just affect a select few commodities, but nearly all food markets. As can be seen in Graph 2, agricultural prices have fallen substantially since their 2008 highs, but lower prices have not ended the food crisis in many poor countries. The main problem is food affordability. This is particularly problematic for poor people whose incomes will be reduced by the recession and for poor food importing countries with less favourable fiscal positions and balance of payment constraints.

<sup>14</sup> Adjunct Professor Julian Cribb - The Coming Famine - speaking notes. NSW Department of Primary Industries Productivity and Food Security Symposium.

<sup>15</sup> FAO. *Soaring Food Prices: Facts, perspectives, impacts and actions required*. HLC/08/INF/1 Report from high-level conference on world food security. Rome, 3-5 June 2008 (available at <http://ftp.fao.org/docrep/fao/meeting/013/k2414e.pdf>)

<sup>16</sup> FAO, Number of hungry people rises to 963 million, 9 December 2008 – Electronic media release, viewed 23 September 2009 (available at <http://www.fao.org/news/story/en/item/8836/icode/>)

The FAO have announced that global agricultural production must grow by 70 percent by 2050 in order to feed an additional 2.3 billion more urban and richer population.<sup>17</sup> 90 percent of this required production increase, the FAO state, is projected to come from increased yields and cropping intensity, with only 10 percent by expanding arable land. Specifically, the FAO have stated that annual cereal production will need to rise to about 3 billion tonnes from 2.1 billion today and annual meat production will need to rise by over 200 million tonnes to reach 470 million tonnes.

As specified by a former NSW Minister for Primary Industries, the Hon Ian McDonald, as a net exporter of food, NSW has an obligation to contribute towards the global effort to support food security. "NSW plays a vital role in directly feeding people in developing nations because we export around half of our agricultural produce and our research helps developing nations address food security issues." Minister Macdonald stated.<sup>18</sup>

There are a number of key policy areas to meet the food crisis challenge. Some of these include:

1. **Increased investment in agricultural R&D:** To improve long-term productivity growth, it is important for government and industry to support R&D. Such actions will accelerate the development of new knowledge and technology. Governments then needs to improve the incentives and capability of industry to develop and adopt new knowledge and technology to maintain food production via a comprehensive extension service networks.

Government's need to lift their current investment in agricultural R, D and E. The Adjunct Professor Julian Cribb recently stated that this investment should be increased fourfold with a doubling of the research effort and increasing efforts to disseminate new knowledge to both farmers and consumers.<sup>19</sup> The Australian Bureau of Agricultural and Resource Economics (ABARE) recent publication, *Raising productivity growth in Australian agriculture*, states that Australia will need to lift agricultural productivity growth above its current long-term average to "...continue to play its role as a competitive supplier of food and fibre." The paper highlights that while agricultural productivity growth has averaged 2.8 percent a year over the past two decades (compared with 1.4 percent a year average for the market sector overall) "...higher productivity growth will be required to maintain international competitiveness and farm viability under changing market and environmental conditions."<sup>20</sup>

2. **Trade and support to farmers:** Agriculture policy should play a critical role in providing incentives to stimulate production. This objective should be achieved through support that causes no distortions on the international markets.<sup>21</sup> An open, non-distorted and fair rules-based international agricultural trading system can promote agricultural and rural development and contribute to world food security. Farmers will also need to be provided with adequate incentives to increase their production and productivity and to profit from increased trade opportunities.

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<sup>17</sup> FAO, *2050: Increased investment in agricultural research essential*, 25 September 2009 – Electronic media release, viewed 6 October 2009 (available at <http://www.fao.org/news/story/en/item/35686/icode/>)

<sup>18</sup> Minister for Primary Industries, the Hon Ian McDonald 'Food Security – action plan to sustain our harvest' released 21 October 2009 (available at [http://www.dpi.nsw.gov.au/\\_data/assets/pdf\\_file/0003/304095/Food-security-action-plan-to-sustain-our-harvest.pdf](http://www.dpi.nsw.gov.au/_data/assets/pdf_file/0003/304095/Food-security-action-plan-to-sustain-our-harvest.pdf))

<sup>19</sup> Adjunct Professor Julian Cribb - The Coming Famine - speaking notes. NSW Department of Primary Industries Productivity and Food Security Symposium

<sup>20</sup> ABARE Issues Insight 09.7, *Raising productivity growth in Australian agriculture*. Katarina Nossal and Peter Gooday. November 2009

<sup>21</sup> FAO "Secretariat contribution to defining the objectives and possible decisions of the World Summit on Food Security on 16, 17 and 18 November 2009" - available at [http://www.fao.org/fileadmin/user\\_upload/newsroom/docs/Secretariat\\_Contribution\\_for\\_Summit\\_percent20.pdf](http://www.fao.org/fileadmin/user_upload/newsroom/docs/Secretariat_Contribution_for_Summit_percent20.pdf)

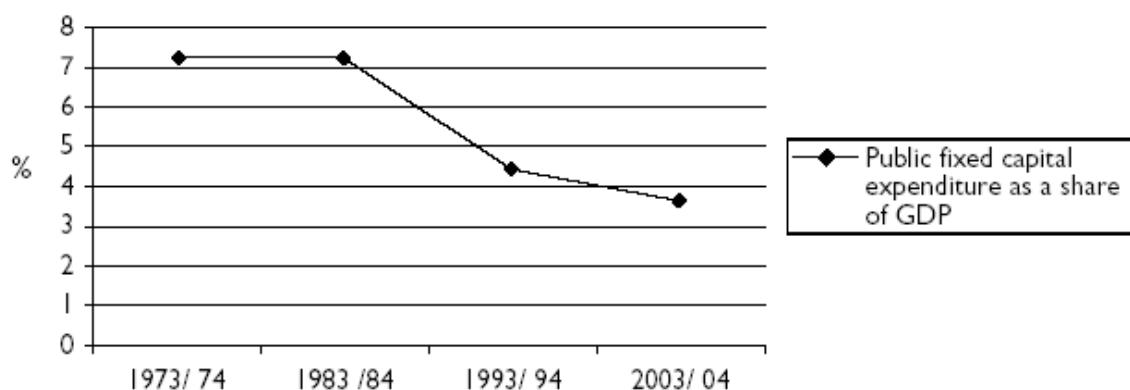
3. **Better farming systems for fluctuating environmental conditions:** Meeting the growing demands for food requires prioritising climate change adaptation throughout the food chain. Investments are required for more efficient irrigation and watershed management, improved land preparation and use, farm, forest and livestock management, and the development of crop varieties and livestock breeds that are adapted to changing and variable climatic conditions. Effective use of climate data and forecasts, particularly through early warning systems, can also assist in reducing the impacts of climate change on agricultural production and the entire food chain.<sup>22</sup>

## 2.2 Transport and Infrastructure

Decentralisation and regional development opportunities are limited without an effective transport network. If the NSW agricultural sector is to remain price competitive in international markets and overcome the wide geographical spread of the State's producers, it must have the support of an efficient transport infrastructure network. Such networks are integral for the movement of agricultural produce to both domestic and export markets with supply chain costs amounting to approximately 20 percent of farm gate returns.<sup>23</sup>

The standard of infrastructure in NSW has been allowed to degrade over a period of time and considerable investment is now required to bring it up to a suitable standard. As shown in Graph 2, since the 1970s national investment in transport infrastructure has declined from about 7 percent to about 3.6 percent of GDP,<sup>24</sup> with investment in roads alone falling from 22 percent of GDP in the 1960s to 10 percent in 2003/04.<sup>25</sup>

Graph 2: Public fixed capital expenditure as a share of GDP



In June 2008 the NSW Government released the State Infrastructure Strategy. The Strategy outlines an infrastructure spending over the following 10 years worth \$140 billion. It was reassuring that the NSW Government's November 2008-09 Mini-Budget announcements included a pledge to infrastructure investment to the amount of \$56.8 billion over the next four years.

The State Infrastructure Strategy covers a range of infrastructure investments in areas of human services, transport, justice, electricity and water. The principle driver of the strategy is the allocation of funding according to population growth and this is reflected in the growth of spending areas such as transport and in the geographical nature of the spending focusing on areas around Sydney and along the coastal corridor.

Unfortunately regional transport infrastructure systems face considerably less funding support than metropolitan areas. The Association acknowledges the strategy and the need to identify areas of population growth and determine funding priorities accordingly. However the

<sup>22</sup> Ibid

<sup>23</sup> Business Council of Australia report, Investing in Australia's future, 1995

<sup>24</sup> Rural and Regional Affairs and Transport Legislation Committee Review, May 2005

<sup>25</sup> Committee for Economic Development of Australia, Infrastructure report April 2005

Association is concerned that such a strategy will lead to insufficient investment in other areas, leading to inefficiencies, reduced competitiveness and higher costs in regional NSW.

### **Effective Rail Infrastructure**

In January 2009 the Cooperative Research Centre (CRC) for Rail Innovation released a final report, 'Transforming Rail: A Key Element in Australia's Low Pollution Future'. The report found that in order to achieve Australia's climate goals sharp reductions in transport emissions are necessary. The report found that a modal shift from road to rail will have large economic, social and environmental benefits

A competitive marketplace for rail services provision will ensure commodity transport costs are minimised. However efficient above-rail services will only be fostered once quality below-rail infrastructure has been provided. A major component of this in NSW is the progression of the North South Rail Corridor. This development would have the result of reducing congestion to the coastal ports of NSW with the corresponding reduction in road transportation over the divide.

Intermodal hubs in regional NSW will ultimately be the most efficient delivery points for commodity movements, joining branch and major rail lines, and the road networks. The North South Rail corridor will play a key role in generating investment in these hubs and enticing private sector investment in above rail service suppliers.

There are major flaws in the current transport system which are leading to significant bottlenecks in commodity movements and lost international cost competitiveness. For instance, grain delivered into receival points are committed to a specific port even if that port is inefficient, congested, or expensive to ship from. Overcoming some of these market power induced flaws can be eliminated by an inland rail link from Melbourne to Brisbane. This link could increase above rail competition, driving down commercial freight rates and in turn make more port terminals available as alternatives to export from.

The NSW Grain Freight Review released a report on October 2009 with a number of recommendations regarding the branchline network in NSW. Some of these included that the NSW grain freight branchline network should remain in public ownership and the NSW Government should make funds available over the next 3 years to stabilise 9 branch lines at a minimum Class 5 level. Increased rail network capacity around the Hunter is also required due to the increase in coal cartage, so that agricultural commodities are not penalised at the expense of coal.

Rail offers significant benefits for bulk commodities such as grain, fodder, wool and cotton including:

- rail freight tends to be more cost competitive compared to road freight on medium or long haul freight routes, with some estimates showing intercapital freight costs are \$26 per thousand net tonne kilometres (ntk), or 2.6c/ntk, below that of road<sup>26</sup> (30 percent cheaper on the North South corridor and 50 percent on the East West corridor),<sup>27</sup>
- one single intermodal train can take up to 280 trucks off the road, which significantly reduces traffic on public roads and therefore improves public safety;<sup>28</sup> and
- rail produces one-third of the CO2 emissions of road.<sup>29</sup>

Rail offers considerably greater social and environmental benefits than other freight transport modes. Table 1 shows that the social and environmental costs of freight transport are estimated at about A\$130 per thousand tonne kilometres. The unit social cost figure for rail is under A\$30 which is one fifth of the figure for all road freight and one quarter of that for large

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<sup>26</sup> NTC Rail Productivity Review Issues Paper, August 2008

<sup>27</sup> ARA Report *The Future for Freight* 2005

<sup>28</sup> <http://thehill.com/op-eds/fuel-efficient-freight-rail-deserves-more-federal-support-2008-07-09.html>

<sup>29</sup> Freightcorp Submission to the inquiry into Infrastructure and the Development of Australia's regional areas. March 2000

trucks, the road mode with which rail freight is most directly competitive. Overall the total social and environmental costs of transport in Australia is estimated at A\$52 billion, or 5.6 percent of GDP, of which rail contributes only about 9 percent<sup>30</sup>.

Table 1: Social and Environmental costs of freight transport (\$A/1000 tonne km)

|                       | Road by vehicle type |       |       |            | Rail | Aviation | Water borne | Overall |
|-----------------------|----------------------|-------|-------|------------|------|----------|-------------|---------|
|                       | LDV                  | MDV   | HDV   | Road Total |      |          |             |         |
| <b>Accidents</b>      | 68.3                 | 38.8  | 9.4   | 14.8       | 0.0  | 0.0      | 0.0         | 12.7    |
| <b>Noise</b>          | 63.2                 | 36.4  | 9.6   | 14.4       | 6.2  | 17.4     | 0.0         | 13.9    |
| <b>Air pollution</b>  | 169.5                | 122.1 | 74.7  | 83.5       | 16.2 | 30.4     | 27.5        | 75.1    |
| <b>Climate Change</b> | 16.0                 | 9.8   | 3.5   | 4.7        | 1.0  | 65.7     | 1.2         | 4.7     |
| <b>Other</b>          | 75.1                 | 47.8  | 20.5  | 25.8       | 6.3  | 21.8     | 8.0         | 23.2    |
| <b>Total</b>          | 392.0                | 254.8 | 117.6 | 143.1      | 29.6 | 135.3    | 36.7        | 129.5   |

Notes: LDV = Light Duty Vehicle. MDV = Medium Duty Vehicle. HDV = Heavy Duty Vehicle

Source: Infrac/IWW (2004)

### **Effective Road Infrastructure**

Rural and regional roads networks continue to lack the required funding to maintain their conditions demanded with their increasing use. With the ongoing use of road as the most efficient if not the preferred mode of commodity transportation, it is imperative the NSW Government supports their continued upkeep. Of the 183,000 km of road in NSW, only approximately 15,000 km is suitable for Higher Mass Limits.

The dependence of NSW on road freight has increased significantly and is expected to continue to grow. In the last 10 years the amount of freight transported on NSW roads has increased by over 65 percent.<sup>31</sup> The increasing demand on road transport has meant that a larger number of heavy vehicles are now traveling on NSW roads. This has both placed increasing pressure on existing infrastructure as well as exacerbating existing safety concerns.

However funding for regional road networks continue to decline. In its submission to the NSW Government Mini-Budget, the Local Government Shires Association of NSW ('LGSA') found that the funding allocation for NSW Government's Block Grants and Repair programs had actually declined in real terms. The LGSA stated that the State Government program had increased by \$3.4 million to total \$149.8 million in 2008-09 budget, an increase of 2.3 percent on the 2007-08 Budget.<sup>32</sup> When this is compared to CPI of 3.75 percent, funding for roads has seen a decline in real terms. This is of particular concern to the Association considering Councils are responsible for about 85 percent of the State's road networks.

Sydney-centric transport initiatives such as the \$50.2 billion Metropolitan Transport Plan, further compound the argument that the NSW Government is failing to support regional NSW. The plan to charge a sliding levy of between \$5 and \$30 for cars heavier than 975kg,<sup>33</sup> which includes primary production carrying vehicles, means NSW farmers will be paying

<sup>30</sup> 'Transforming Rail: A Key Element in Australia's Low Pollution Future': released by the Cooperative Research Centre (CRC) for Rail Innovation

<sup>31</sup> Bureau of Transport and Regional Economics [BTRE] 2006, Freight Measurement and Modeling in Australia. Report 112, BTRE, Canberra ACT.

<sup>32</sup> [http://www.lgsa.org.au/resources/documents/lgsa-submission-to-nsw-government-november-2008-minibudget\\_1008.pdf](http://www.lgsa.org.au/resources/documents/lgsa-submission-to-nsw-government-november-2008-minibudget_1008.pdf)

<sup>33</sup> As announced by Premier Keneally on 21 February 2010:

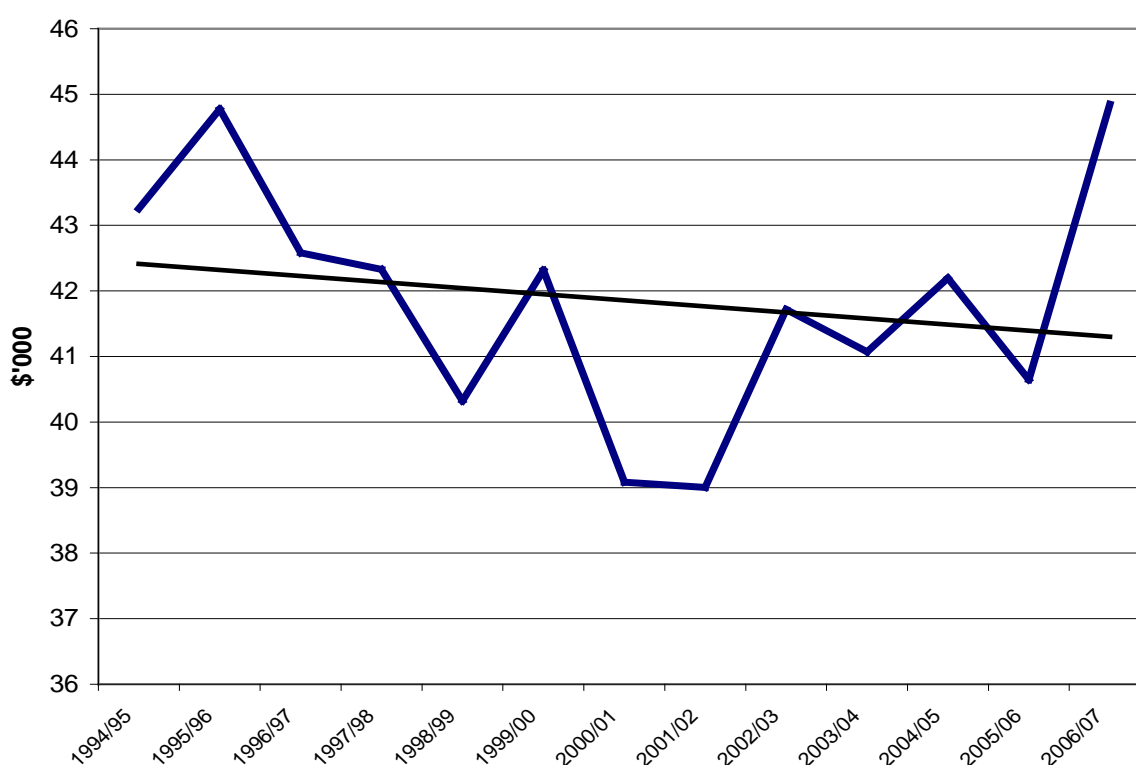
<http://www.premier.nsw.gov.au/sites/default/files/Metropolitan-Transport-Plan.pdf>

for Sydney transport infrastructure projects. This will directly increase the States' farmers' cost base and domestic and international competitiveness, for no direct regional benefit.

Figure 3 provides another example of the decreasing trend in road infrastructure funding. As the 10 year trend line indicates, the capital and maintenance allocated expenditure by the NSW Roads and Traffic Authority ('RTA') on road freight has been decreasing. In light of the expected increase in road freight over the next 15 years, greater investment will be required just to maintain the current infrastructure. However in order to remain competitive further investment will be required to upgrade road infrastructure to enable it to handle improved technologies.

Graph 3: NSW RTA Capital and Maintenance Allocation per Billion Tonne-Kilometre of Road Freight.

(Blue Line – road freight. Black Line – road infrastructure spending).



Source: BTRE, State Budget Papers

The Association is aware that the mix of storage, rail and road transport, and intermodal and port transfer facilities makes the task of developing an efficient and coordinated supply chain complex. However the task is both achievable and vital if the State's farming sector is to remain viable a competitor in global commodity markets. The NSW Government needs to establish a clear and concise long term policy for supply chain logistics in NSW. This will have the effect of:

- providing some certainty to the farming sector that cost effective transport systems will be in place to support the sector for the long term; and
- sending the necessary signals to the private sector to attract investment and competition. More competition will lead to a more efficient and cost competitive transport sector.

### Local Roads

Local roads represent 85 percent of the State's road network and are vitally important in the movement of commodity produce, however a key finding of the Independent Inquiry into the Financial Sustainability of Local Government in NSW was that, based predominantly on data from the financial year 2004/05, NSW Local Government had accumulated a huge infrastructure renewal backlog of \$6.3 billion that continues to grow by \$600 million per annum<sup>34</sup>. This funding is needed urgently to address the problem of local roads and bridges reaching the end of their economic life.

### **Regional Air Services**

The Association is concerned that a market failure is occurring in the provision of regional air services which is adversely affecting an essential mode of public transport for country communities. Air travel has unique advantages and is vital for regional development. The need for a strategic plan for an air services network which will deliver certainty, adequacy and affordability for country NSW.

Historically, Governments have acknowledged this essentiality by accepting responsibility for the provision of air services to both urban and rural Australia on an equitable basis. More recently Governments have progressively withdrawn from involvement in air services with the Federal Government now confining its role to safety and security. The NSW Government has deregulated routes to the larger country centres but retain some degree of regulation on the smaller routes using passenger numbers per year as its criterion.

With the withdrawal of Government intervention, regional centres have been disadvantaged in terms of access and cost and adequacy of air services. Many country centres have lost air services entirely while others have been left with a monopoly operator with the ability to charge uncompetitive prices. Without genuine competition, seating capacity and service levels can drop and fares can rise.

The Association is concerned that there appears to be no strategic involvement by Governments in the regional air services industry. It is significant that the Federal Government's Auslink and the NSW Government's State Plan make no mention of policies for air services in the future. The Association is concerned that a market failure is occurring in the provision of regional air services, adversely affecting an essential mode of public transport for country communities.

### **What the Association is seeking**

The Association is seeking policies which improve access for regional areas to quality infrastructure and address the disadvantages faced by rural communities.

#### Rail Lines

That the NSW Government implement the recommendations of the NSW Grain Freight Review with particular regards to the systematic program of investment to stabilise the:

- North Star to Moree;
- Walgett to Burren Junction;
- Warren to Nevertire;
- Tottenham to Bogan Gate;
- Coonamble to Troy Junction;
- Lake Cargelligo to Temora;
- Naradhan to Ungarie; and

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<sup>34</sup> Local Government Inquiry, *Are Councils Sustainable? Final Report: Findings and Recommendations* (May 2006).

- Hillston to Griffith lines at a minimum of a Class 5 line.

The Association is also calling on funding for the upgrade of these lines to at least Class 3 so that heavier and more efficient locomotives and trains configurations can be used. This in turn would attract more above rail competition, placing downwards pressure upon freight rates.

The Association also seeks the reconsideration of the status of suspended lines. However, if any rural grain branch lines are closed, funding be provided to councils for the extra cost of road maintenance incurred.

More broadly, any further independent studies into the viability of rail lines should not only look at the viability of the line in question, but also consider any resultant limitation to regional development that may arise as a result of the line closing.

#### North South Rail Corridor

The Federal and State Government commit to the proposal to construct a new North-South rail corridor from Melbourne to Brisbane via inland NSW.

#### Local Roads

Identify additional resources and new approaches to local road maintenance and improvement, including exploration of future funding options and assessment of management strategies to ensure the long term viability of local road assets.

#### **Regional Air Services**

That the NSW Government, in collaboration with the Federal Government, develop a strategic plan for an optimal air services network for country NSW, with the aim of delivering certainty, adequacy and affordability for regional NSW.

## **2.3 Rural Services**

The population density, isolation and access to transport infrastructure means rural communities face a number of additional challenges in accessing rural services. Services such as health, education, telecommunications and emergency services are all necessary to support rural communities. However the ability to access these services on an equitable basis to metropolitan communities places compromises the social health of rural communities.

#### **Health Services**

Poor access to health services remains a predominant concern for Members. For this reason, combined with the fact that rural and remote Australians have poorer health than their metropolitan counterparts<sup>35</sup>, the Association is committed to addressing the rural health challenges facing members.

- The Association works closely with a range of rural health organisations in an attempt to develop a more comprehensive approach to addressing the ongoing provision of rural health services.
- Arguably the biggest challenge facing rural communities from a health perspective is the attraction and retention of appropriately skilled health workers, ranging from GPs to Nurse Practitioners to Allied Health Professionals. The Association is also extremely concerned by ongoing closures of rural hospitals and/or specialist units such as obstetrics and oncology.

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<sup>35</sup> Australian Institute of Health and Welfare (2005). Media release "Poorer health, higher risks outside major cities" 13 May 2005.

- The Association is seeking a collaborative approach towards rural health infrastructure and service delivery solutions, including (but not limited to) more appropriate investment in rural health infrastructure; increasing students' rural exposure through rural clinical placements; improving access to rural health training and education in rural areas; and utilisation of incentive programs across all health disciplines.
- The key findings of the Australian Medical Association's ('AMA') *Rural Health Issues Survey*, released in May 2007, regarding the urgent need for better resources for rural hospitals. The AMA also called on the need for consistent national assessment for overseas trained doctors and is a common area of concern for Association Members. The other findings regarding the funding of rural locums, updating equipment in rural hospitals, and improved support and opportunities for doctors in training are also consistent with the rural health concerns expressed by Members.
- The Association has a long history of involvement in issues pertaining to the NSW Patient Assisted Travel Scheme, known as the Isolated Patients Transport and Accommodation Assistance Scheme (IPTAAS). Most recently, this has taken the form of a detailed submission in response to the *Senate Inquiry into the Operation and Effectiveness of Patient Assisted Travel Schemes* and targeted lobbying as part of the 'Less Distance for Assistance Alliance'. The Alliance's lobbying resulted in improvements to the IPTAAS eligibility criteria and a small improvement to the vehicle allowance. However there are a range of outstanding issues, many of which were the subject of recommendations made through the abovementioned Senate Inquiry.
- The Association has supported the Royal Flying Doctors Service ('RFDS') as its preferred provider of the NSW Air Ambulance Service. This support was provided due to the Association's concern that the loss of the Air Ambulance contract to the RFDS would reduce the economies of scale that the service provided it with. This could have resulted in an unavoidable reduction in the important services that the RFDS provides to communities that are beyond the financial or geographical reach of normal health infrastructure. The Association has welcomed the NSW Government's decision to award the tender to the RFDS.

### **Mental Health**

The mental health and wellbeing of rural and remote communities remains of utmost concern to the Association. With 65 percent of Australians missing out on [mental health] care<sup>36</sup> it is imperative that services are improved. While mental health is an ongoing problem in rural areas, the current drought has highlighted the pressures faced by rural communities and the implications this has. Without access to suitable mental health care rural communities will continue to suffer the results of deteriorating mental health.

In recognition of this concern the Association established a Rural Mental Health Network in 2005 to bring together a group of key stakeholders who work together to address rural and remote mental health issues across NSW. The Network has been instrumental in providing a collaborative environment in which to address rural mental health issues.

- The Network has developed the *NSW Farmers Blueprint for Maintaining the Mental Health and Wellbeing of the People on NSW Farms*. The Blueprint is a simplified summary of key issues that need to be addressed and outlines the major actions that need to be taken to address rural mental health priorities.
- The Association received a one-off grant from the NSW Government in 2006 in order to improve the availability of Mental Health First Aid (MHFA) courses to rural communities of NSW. During 2006 and 2007 the Association worked with the Centre for Rural and Remote Mental Health (CRRMH) to plan, deliver and evaluate 12 of these MHFA training programs in rural and remote localities across NSW.

<sup>36</sup> Rosenberg S, Hickie I, Mendoza J (2009) "National mental health reform: less talk, more action' *Medical Journal of Australia* MJA 2009; 190 (4): 193-195

- The Association with the continued support from the Rural Mental Health Network and NSW Health has developed a 3-hour Mental Health Information Session aiming to provide farmers and farming service providers with information about common mental disorders, strategies to help people with these and appropriate local referral options. Over the period September 2008 – March 2009, 32 workshops were presented across NSW with over 640 participants.

### **Dental Health**

- Members are expressing growing concerns about the extreme shortage of rural dental services across rural and remote NSW and have given the Association a mandate to actively pursue more rural dentist services, particularly through rural scholarships.
- Rural and remote communities have less access to preventative care, leading to dental experiences tending to be 'emergency' eg teeth are being extracted rather than filled.
- The Association regularly meets with the Australian Dental Association to discuss rural dental health concerns and recently participated in the Legislative Council Social Issues Committee Inquiry into Dental Services in NSW.

### **Education**

Education, training and up skilling of the rural demographic is a priority issue for the Association. The Association believes that rural and regional students should be provided with the same opportunities for education as metropolitan residents. It is vitally important that the children of today receive the best education to become leaders of tomorrow.

Australia has recognised the right of everyone to education and undertaken to make primary and secondary education available to all.<sup>37</sup> However there continues to remain constraints for rural and regional students to access education. These difficulties are compounded when tertiary education is considered. Regional Australians comprise 36 percent of the nation's population, however only 17 percent of university students are regional.<sup>38</sup> There are a large number of studies indicating the lower level of tertiary education participation of rural and regional students. These lower levels of participation are caused by a number of factors including distance, isolation, culture, identity, and disadvantage.

The Association is seeking a number of developments to support education of rural students and also to support education of metropolitan students about the importance of agriculture, its resource base, and its function within the Australian economy.

- Agriculture should be taught in all schools so that all students understand where and how food is produced, the resources required for production, and the interrelationships between producers and the environment at local, national and global levels.
- That a "sustainable food and fibre production" policy be adopted and implemented into the NSW curriculum from kindergarten to year 12. This would include funding for a dedicated agricultural resource within the Department of Education and Training to ensure the NSW curriculum takes into consideration sustainable food and fibre production.
- Provide additional funding to enable increased access by both city and country schools to allow for the practical study of agriculture.
- That rural students be provided with means to support equitable access to education facilities. This could include boarding or living away from home allowances.

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<sup>37</sup> Human Rights and Equal Opportunities Commission (2000) *Education Access: National Inquiry into Rural and Remote Education*, Available from [http://www.humanrights.gov.au/pdf/human\\_rights/rural\\_remote/Access\\_final.pdf](http://www.humanrights.gov.au/pdf/human_rights/rural_remote/Access_final.pdf) [accessed on 17 August 2009]

<sup>38</sup> Godden N (2007) *Regional Young People and Youth Allowance: Access to Tertiary Education*, Published for the Centre for Rural Social Research (ILWS) Charles Sturt University

- That adequate facilities be provided for students who are required to live away from home for educational purposes.
- To ensure that rural families continue to have access to a high level of education there should be:
  - increased funding for rural schools;
  - access to modern telecommunications;
  - access to specialist services;
  - flexibility in staffing and enrolment; and
  - incentives for teachers to teach in rural areas.

### ***Telecommunications***

Access to affordable, reliable and metro comparable telecommunications services is a key issue for farmers and rural communities, particularly in regional and remote areas. The Association continues to be an extremely active participant in the telecommunications debate, playing a key role in leading the debate about rural and remote telecommunications services, particularly in terms of highlighting key service and market failures.

Currently, the Association's key areas of interest include mobile telephone services, broadband internet (including the relevance and application of National Broadband Network to rural communities, and the Australian Broadband Guarantee), fixed telephone service (including Next G Wireless Link), regulatory mechanisms (such as the Universal Service Obligation and the Customer Service Guarantee) and the availability of future funding for regional telecommunications projects (particularly the Communications Fund).

### ***Emergency Services***

Rural crime costs millions of dollars every year. Theft of livestock, produce and equipment, illegal shooting, trespassing and other crimes affect people's livelihood and well-being. While the most recent figures show that there has been a reduction in the number of criminal incidents for many types of crime in the rural areas, anecdotally the pressures associated with reductions in income will generally lead to increases in the number of thefts. The Association continues to play an active role on the NSW Government Pastoral and Agricultural Crime Working Group.

The Association is opposed to any reduction of operating hours of police stations and the closure of police stations in rural communities. Local police stations provide a critical link between the community and law enforcement. Any action to reduce the number of stations will restrict the ability of the police force to provide a timely response and it may compromise the safety and security of local residents. This is particularly important at the current time as previous economic downturns have been associated with corresponding rises in criminal activity.

The 2009/10 bushfire season is anticipated to be one of the worst for a number of years given the build up of fuel and adverse weather conditions. Coordinated approaches between landholders, authorities and policy makers must be pursued to ensure appropriate use of resources. The Association participates in the Rural Fire Service Bush Fire Coordinating Committee and the Rural Fire Service Advisory Council. The NSW Farmers' Association (the 'Association') is currently working on a number of issues regarding bushfires and rural landholders.

### **3 Proposals for the 2008/09 State Budget**

#### **3.1 Food security and climate change**

##### ***Increase in the RD&E services provided by the NSW Department of Industry and Investment (NSW I&I)***

###### What the Association is seeking

The Association is requesting that funding for RD&E services provided by the NSW I&I are increased, with specific provision for projects relating to sustainable production and increasing water and nutrient scarcity, such as:

- carbon and nutrient recycling: increased sewer mining and industrial and domestic organic waste recycling, investigation of current policy frameworks and constraints and opportunities in this regard, and issues surrounding increased use of compost;
- opportunities for deployment of renewable energy technology in commercial agriculture and food processing (e.g. process steam from solar thermal in canneries);
- examination of supply chain issues with regard to waste minimisation, transport efficiency and energy efficiency; and
- the development of new varieties and new production techniques to support climate change adaptation and increase the resilience of NSW production systems.

The Association is also calling on an increase in the number of extension staff with NSW I&I. A more effective and comprehensive information distribution system is required to ensure all participants in the NSW farming sector can access this vital research.

###### Benefits

RD&E within the agricultural sector is essential to ensure that research is implemented on farm to improve productivity, sustainability and efficiency of farmers in NSW. It also facilitates industry with the necessary tools to adapt to environmental and economic changes.

###### Costings

Costs would involve increases to the current budget within the NSW DPI for RD&E services.

###### Background

RD&E services provide an important contribution to agriculture in NSW. Scientists, agronomists, livestock officers and other extension staff engage in a range of roles to assist producers in achieving environmentally and economically sustainable production systems.

The independent advice and coordinating roles which these service providers undertake needs to be increased to ensure a level of integrity and trust between research and extension in increasingly testing environmental conditions. The implementation of research on farm is crucial to improve productivity and sustainability. This is becoming even more vital in the current environment where agriculture is entering uncertain times with increased costs of production, climate change and emissions trading schemes.

###### Responsible Agency

NSW I&I

## ***Climate Change Adaptation – Liaison and Extension Officer***

### What the Association is Seeking

The Association is seeking funding to have a Climate Change Adaptation Liaison and Extension Officer to be seconded to the Association to help communicate climate change policy/carbon market issues and solutions to rural stakeholders.

### Benefits

- Improving understanding of climate change issues and uptake of solutions
- Facilitating liaison between the farm sector and government bodies working on climate change issues

### Costings

This position would be funded for three years at the appropriate salary for the relevant officer, likely to be in the vicinity of \$180,000 per annum (salary plus on-costs and project expenses).

### Background

There is a pressing need for the NSW agricultural sector to adapt to climate change and to contribute to NSW climate change policy and initiatives.

Extension work is required to help farmers adapt to the impacts of climate change and to effectively engage with Government policy processes in the lead up to the Climate Pollution Reduction Scheme.

An officer seconded full time with the Association would act as a conduit between the State Government and the farming sector. This will ensure any Government activities relating to research and development for climate change mitigation strategies are relayed back to the farming community as well as being able to relay information back to Government from members regarding priority areas and other R&D related issues.

### Responsible Agency

- Department of Environment and Climate Change and Water

## ***Farmers' Market Promotion Project***

### What the Association Is Seeking

Support by the NSW Government to fund the operational costs of running five workshops in regional NSW promoting the opportunity of direct marketing to end consumers by teaching farmers the necessary tools to understand the requirements to supply direct to the marketplace.

### Benefits

Farmers' markets provide a myriad of social benefits provided including:

- providing access to fresh, healthy local produce at competitive prices, and allow consumers to enjoy the atmosphere and experience of farmers' markets;
- providing an important forum for education and the raising of awareness, and to establish links between local producers and consumers;
- providing high quality resources for local cuisine and dining and important links to tourism. There is also an economic benefit to the whole community as more money is spent in the local economy, providing a multiplier effect as money stays locally as it is spent on wages for local people or in buying local produce.

The workshops will aim to:

- highlight alternative supply channels available to farmers;
- understand the benefits of 'farm-to-fork' marketing; and
- educate farmers on both brand building and alternative packaging methods.

### Costings

The Australian Farmers' Market Association (AFMA) has recently ran four workshops in Orange, St Marys, Nowra and Maitland. The Farmers' market promotion project (the Project) would extend these workshops to greater NSW, with indicative locations to include:

1. Armidale/Tamworth;
2. Ballina;
3. Wagga;
4. Dubbo; and
5. a location on the NSW South Coast.

Preliminary budgets suggest the cost of running each of the five projects would include:

- \$500 - travel
- \$100 – accommodation
- \$350 – room hire
- \$500 – food
- \$2,000 – AFMA's consultancy fees
- TOTAL - \$3,450 for each workshop and a total of \$17,250 for the entire project.

### Background

There has been considerable recent media regarding food production in the Sydney basin, food price inflation and how farmers are missing out revenue generating opportunities for these increased prices. The Project would be a collaborative campaign between the Association, AFMA and the NSW Department of Industry and Investment (NSW I&I) to promote the virtues of direct marketing to end consumers for NSW Farmers. The workshops

aim to provide farmers with the tools to understand the requirements to supply a channel in which they would retain a more empowered market position.

Recent discussions between the Association and AFMA indicated that there were a number of impediments to increased presence of farmers' markets in NSW. In summary these include:

- a lack of primary produce suppliers for many farmers markets;
- a lack of farmers with the necessary skills with regards to consumer marketing; and
- a lack of training programs on offer to up-skill farmers with the knowledge to retail their products at farmer markets.

While outside the scope of the Project's aim, it is hoped that in addition to this NSW I&I funding, the Project would receive support from the NSW Government by including:

- the potential for the Government to develop a Market Manager course to train operational staff to manage the markets themselves; and
- support from Local Governments for the promotion of farmers' markets in the form of both marketing assistance and support for the actual establishment of the markets.

AFMA has already developed the human capital and resources to run the workshops. The Association's contribution would include using its established networks and communication tools to:

- Promote the workshops via numerous communication channels including media releases, advertisements on the Association's website, Farm Update and other appropriate local media; and
- Use of the Association's Regional Service Manager networks to promote and organise meetings and assist in the 'on the ground' operation of the workshops.

#### Responsible Agency

- NSW I&I

## ***Great Artesian Basin Sustainability Initiative – Cap and Pipe the Bores***

### What the Association is Seeking

Funding for a five-year extension of the GABSI 'Cap and Pipe the Bores' program from 2009-2014.

### Benefits

- Approximately 50 000 megalitres of water will be saved and Artesian pressure will improve by 5-10 metres.
- Improved water use efficiency, recovery of artesian pressure, re-activation of mound springs, reduced salinity, reduced greenhouse gas emissions, biodiversity conservation, feral animal control and the adoption of improved land management.

### Costings

The Association understands that the NSW Government is currently in negotiations with the Federal Government over the possibility of extending the program by five years. Until the outcomes of these negotiations are announced, it can only be assumed that the total five-year commitment would be commensurate to the previous commitment ie \$32m, shared between the NSW and Federal Governments.

### Background

The GABSI agreement commenced in July 2004 between the Commonwealth and NSW Governments, jointly funding the \$32m 'Cap and Pipe the Bores' program in NSW until June 2009.

The 'Cap and Pipe the Bores' program aims to reduce water loss occurring in open bore drains, improve water use efficiency, and sustainably manage the natural resources of the Great Artesian Basin. A key to meeting these goals is replacing bore drains with efficient piped reticulation schemes. The program provides financial incentives to landholders to offset the cost of rehabilitating bores and installing efficient piped systems.

There remains a significant number of uncontrolled low flow bores in NSW and negotiations have commenced with the Commonwealth Government to extend the program for a further five years from July 2009 to June 2014.

### Responsible Agency

- NSW Office of Water

## 3.2 Transport and Infrastructure

### ***North South Rail Corridor***

#### What the Association is seeking

A funding allocation from the State Government to progress the development of the Inland Rail Corridor between Brisbane and Melbourne through Moree and Toowoomba.

#### Benefits

- The Far Western Sub-Corridor provides the shortest transit journey from north to south at approximately 1,690 km.
- This Sub-Corridor also avoids the impact of Sydney rail traffic congestion as it does not pass through the Sydney metropolitan area;
- It is the fastest possible transit time and cheapest construction cost among the options. The fastest possible transit time along the Sub-Corridor is 20.4 hours via Albury or 21.3 hours via Shepparton at a projected capital cost of \$3.1 billion and \$3.6 billion respectively; and
- Many of the routes through the Sub-Corridor will support trains of greater than 1,800 metres in length as well as double stacking of containers on trains if routed via Shepparton and the current constraint imposed by the Bunbury Street tunnel, in Melbourne, is addressed.

#### Costings

The Far Western route would cost at least \$3.1 billion.

It is estimated that approximately 602 km of track will need to be upgraded or constructed in NSW with an approximate cost of \$2.8 billion. Assuming a coordinated contribution of State and Federal funding it is estimated that a commitment of approximately \$1 billion over the life of the project will be needed.

#### Background

The Federal Government commissioned a report that was released in June 2006 outlining four different options for the Brisbane to Melbourne rail route. Costs and benefits of each option were presented. It was also stated that the current network would reach capacity by 2019 and that any construction of a new network would have to be completed by this date to prevent any deterioration in rail services.

#### Responsible Agency

- Department of Transport

## ***Increased rest stops for Heavy vehicles***

### What the Association is seeking

An increase in the funding for the construction, maintenance and upgrading of heavy vehicle rest areas in NSW in line with the recommendations put forward in Austroads' *Audit of Rest Areas Against National Guidelines*.<sup>39</sup> These include:

- Construction of a major rest area, including adequate capacity for changeovers and decoupling, in proximity to the intersection of the M7 and M4 freeways;
- Construction of a major rest area, including adequate capacity for changeovers and decoupling, on the M5 freeway on approach to the Botany ports precinct;
- Construction of rest areas on the Pacific Highway north (heading northbound) and south (heading southbound) of Grafton;
- Construction of a rest area on the Princess Highway between Kiama and Eden;
- Construction of a rest area southbound on the Newell Highway at Pilliga State Forest;
- Capacity upgrades to the existing rest area infrastructure on the Gwydir Highway between Grafton and Moree;
- Capacity upgrades to the existing rest area infrastructure on the Barrier Highway between Narromine and Cobar; and
- Construction of major rest areas northbound and southbound on the F3 in proximity to the Hawkesbury area.

### Benefits

Truck drivers need places to stop and rest however the lack of rest areas means they are required to continue on when tired or hungry. Furthermore rest areas that are available are often full and occasionally filled with gravel for road maintenance works.

Meeting the above constructions will go some way to meeting the NSW Government's COAG agreements to the provision of additional heavy vehicle rest areas as part of its National Competition Policy Review as well as supporting the newly introduced Heavy Vehicle Driver Fatigue regulations.

### Costings

As the Commonwealth Government funds roads, predominantly on the National Network, but typically requires State Governments to match funding, or at least contribute to infrastructure projects, the Association is of the view that the NSW Government should contribute at least 50 percent of the construction costs. The Association is not able to calculate the total value of these constructions costs.

### Background

Driver fatigue is recognised as a major cause of heavy vehicle accidents. As a result, the National Transport Commission ('NTC') developed a regulatory proposal to address heavy vehicle driver fatigue, including model fatigue legislation. On 29 September 2008, the NSW Government, along with its QLD, VIC and SA counterparts, introduced respective regulations based on the NTC national framework.

One of the key areas of the NTC's regulatory proposal was the requirement for the provision of additional heavy vehicle rest areas to assist truck drivers' ability to abide with the new regulations.<sup>40</sup> The guidelines recommend that rest areas and parking bays should be

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<sup>39</sup> Austroads, 2008, *Audit of Rest Areas against National Guidelines*, Technical Report AP-T95/08.

<sup>40</sup> National Transport Commission. *Heavy Vehicle Driver Fatigue: Final Regulatory Impact Statement*, p.9

provided on both carriageways of divided highways, and on both sides of major undivided highways to eliminate the need for heavy vehicles to turn across oncoming traffic.

In February 2006, the Council of Australian Governments (COAG) agreed to the provision of additional heavy vehicle rest areas as part of its National Competition Policy Review, agreeing that:

- an audit of rest areas against the national guidelines would be completed by mid-2007; and
- the states and territories would provide rest areas to nationally agreed standards by the end of 2008.<sup>41</sup>

Austrroads completed the *Audit of Rest Areas Against National Guidelines* in 2008. The report found that none of the audited routes fully met the spacing recommendations of the national guidelines, with 60 per cent of the audited routes demonstrating substantial deficiencies in the frequency or provision of rest opportunities.

The Australian Government's principal responsibility is the 22,500 kilometres of roads that make up the AusLink National Network. On the basis of the national guidelines, it follows there should be some 2,700 rest areas and parking bays on the network around Australia.

The Austrroads audit identifies 1,111 rest areas on 13,823 kilometres of highway. If this figure is extrapolated to take into account the full AusLink network, it can be reasonably estimated there are currently 1,800 rest areas across the network, with the audit therefore suggesting a shortfall of 900 rest areas across the AusLink National Network.

#### Responsible Agency

- Department of Planning

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<sup>41</sup> Council of Australian Governments, *Communiqué*, 10 February 2006, Attachment B. p.13.

### 3.3 Rural Services

#### ***Fire Service Levy and State Emergency Services Fund***

##### What the Association Is Seeking

A change in the collection method of funding for the Fire and State Emergency Services ('SES') from a levy on insurance policies to a property-based system as supported in the Independent Pricing and Regulatory Tribunal ('IPART') review of State Taxation (October 2008).

As part of the revised system the Association would seek a rebate on the fire service levy for bona-fide rural fire service and SES volunteers.

##### Benefits

- By changing to a property based system the Fire Service Levy and State Emergency Services Fund would have a significantly larger tax base than the current system. This would correct the current inequities and ensure that those that benefit from the fire service are more closely aligned with those that pay for it;
- Local Governments will receive much needed budgetary relief. Under the current system local Governments pay twice through a direct fire service levy and indirectly through their insurance policies;
- Insurance policies would become significantly cheaper, which would benefit all members of the community; and
- Consistency with other states, which are using a "rate" type collection system.

##### Costings

Changing the Fire Service Levy and State Emergency Services Fund to a property based system would have a no budgetary impact. Current Government contributions from the Consolidated fund would remain the same.

##### Background

Both the rural fire and state emergency services in NSW are currently funded by a levy on insurance policies (73 percent), a levy on local Government (13 percent) and NSW Government Consolidated fund (13 percent). This funding method had its origins from the turn of the century when insurance companies had their own fire brigades for their policy holders.

The system is outdated, inequitable, and inefficient and creates an artificial price barrier for purchasing insurance. Such floors were identified in the 2008 Independent Pricing and Review Tribunal ('IPART') Review of State Taxation. The review found that the fire services funding contribution system (at the time of the review, the State Emergency Services were still funded wholly by the Government) was the least efficient State taxation measure.

The Association supports the IPART recommendation that: *"In the short term, the statutory contributions by insurance companies to fund fire services should be replaced by an equivalent, transparent property-based levy collected by local councils. The levy should be separately identified on rates notices, be phased in over time and be excluded from the municipal rates cap. The State Government's contribution to fire services should increase by the amount that the State Government currently contributes to the Fire Services Levy through insurance premiums."*

##### Responsible Agency

- Rural Fire Service
- Office for Emergency Service
- Treasury

## ***Reforming Crown road conversion costs***

### What the Association Is Seeking

A change in the pricing structure for the conversion of Crown roads to freehold to mirror that currently used for the conversion of perpetual leases to freehold. The current Crown road conversion system is based on the Valuer General's determination of land value as shown on the associated property's rate notice. In contrast, perpetual leases can be converted at a purchase price being the lesser of either 3 percent of the value of the land (as the residual interest the Crown holds in the lease) or the notified value recorded in the Departments records (generally the value of the land when it was opened up for settlement).

### Benefits

- Making the conversion costs for land owners more affordable will provide additional certainty to farm business planning operations;
- Expediting a process which, since 2004, the Government has already attempted to streamline via legislative reforms; and
- Demonstrating consistency in freehold conversion policies.

### Costings

The Association recognises the new fee structure and strategy to streamline the costs and time involved in converting Crown roads to freehold by the Land and Property Management Authority however believes additional cost reductions are required to make the conversion process more affordable. The Association is unable to calculate the total cost of this initiative.

### Background

A single application for closing and freeholding all Crown roads held by a landholder can be made with an approximate cost of \$1750 plus the value of the land itself. Of this cost only \$475 will need to be lodged with an application. If the application is unsuccessful any unused portion of the \$475 will be rebated.

Currently, the Department of Lands will take the most productive value of the land as held on the land valuation register at the time of application as the value for the road enclosure. The Association notes that there is the opportunity to renegotiate land values if the farmer does not feel they are appropriate.

In 2007, a 3 year extension on the concessional rent deal for enclosed roads means that farmers have until the end of the 2010/11 financial year to get their applications in to close crown roads at the concessional rates.

Towards the end of the 3 year period in 2010 a review of the enclosure permit rents will be conducted. The Government expects that at the end of this period rents will be revised to reflect market based rents.

### Responsible Agency

- The Land and Property Management Authority

## ***Wild Dog Control Funding***

### What the Association is Seeking

A comprehensive, nil tenure Wild Dog Control program, including coordinated local management and state-wide administration.

### Benefits

- Dramatically reduced stock and native wildlife losses on farms in the vicinity of National Parks and reduced harm on nearby land. The Invasive Animals Cooperative Research Centre estimates that wild dogs cause almost \$50m/year damage in direct costs. This does not consider the environmental or social costs of this invasive animal;
- Reduced productivity losses on farms in the vicinity of national parks, assisting the National Parks and Wildlife Service (NPWS) to meet its legislative obligation to minimise the likelihood of causing harm on adjoining land; and
- Removed fragmentation of wild dog control by placing Pest Animal Controllers under Livestock Health and Pest Authorities (LHPA) administration, publicly funded through the NPWS, with local input from Wild Dog Control Associations.

### Costings

The Association proposes that the nil tenure Wild Dog Control Program be administered by the LHPA in conjunction with local Wild Dog Control Associations, with a state-wide manager employed to coordinate the program. The program would be supported by a NSW Wild Dog Control Steering Committee, which would provide expert advice on locally-appropriate control methods (e.g. aerial baiting vs. mound baiting); baiting rates; regional funding allocations etc, as well as the appropriate locations of pest animal controllers.

Based on recent wild dog reports, the Association believes an additional 15-20 Pest Animal Controllers (PACs) are required across the state, complemented by a strategic aerial baiting program. The Association understands that current funding arrangements for aerial baiting vary from region to region depending on arrangements with local LHPAs.

Without detail on how the purported \$6.7m over four years was allocated (see below), it is difficult to determine the exact costings under the above model. However, based on each PAC costing approximately \$110 000 per annum (kitted out with a vehicle, satellite telephone as required, etc), this aspect of the program would be \$1.5-\$2m per annum. Funding for strategic aerial baiting and the state-wide coordination aspects of the program would bring the annual total to approximately \$3m/annum – a very small price to pay given the devastating impact of this invasive pest to NSW.

### Background

As recognised by the Department of Environment, Climate Change and Water<sup>42</sup>, wild dogs cause “substantial losses of livestock for sheep graziers: up to 30 per cent in some areas... prey[ing] on native mammals and birds and compet[ing] with native predators, such as quolls, for food and other resources”. A \$6.7 million fund was announced in 2003/04 to control wild dog populations. The Association understands from the NSW National Parks and Wildlife Service Annual Report 2002-03 that this funding was to be spread over a four-year period. The Association understands that less than half of this funding was for ‘on-ground’ control programs targeting pest animals (not limited to wild dogs), of which only \$1.2 million was allocated for the control of wild dogs.

### Responsible Agency

- Department of Environment, Climate Change and Water

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<sup>42</sup> Wild Dogs Fact Sheet (January 2006) <http://www.environment.nsw.gov.au/pestsweeds/WildDogFactsheet.htm>

## ***Rabbit Control Funding***

### What the Association is Seeking

A comprehensive research program into effective rabbit control measures, jointly funded by the State and Federal Governments.

### Benefits

- Improved productivity across the agriculture sector. Australian agriculture loses more than \$115m/year because of overgrazing by rabbits;<sup>43</sup> and
- Assisting to address one of the NSW Scientific Committee's key threatening processes (competition and grazing by rabbits), reducing grazing, burrowing and erosion caused by rabbits, improving recruitment and survival of native plants (and hence carbon sequestration), improving survival of native animals and reducing negative impacts on landscape health.

### Costings

Australian Wool Innovation and Meat and Livestock Australia are currently supporting the Invasive Animals Cooperative Research Centre (CRC) to the tune of almost \$1.2 million, enabling the CRC to work on a number of projects with State and Federal agencies.

This funding must be complemented by a significant investment by State and Federal Governments in order to control the increasing rabbit population. The Association understands that the Federal Government recently contributed \$1.5m in funding via the 'Caring for our Country' fund, which will assist NSW scientists to research new strains of the Calicivirus. Matching funding from the NSW Government would significantly improve the likelihood of discovering new control measures in a timely fashion.

### Background

According to the Invasive Animals Cooperative Research Centre, rabbits are considered the biggest feral problem in Australia (in economic terms), estimated to cause about \$200m damage a year.

Whilst feral rabbits live in a wide range of habitats, they can achieve high densities in some farming land, and are most prevalent in arid and semi-arid areas of western NSW.

The release of rabbit haemorrhagic disease (RHD) in 1996-98 reduced populations by more than 50 percent in the arid areas of Australia, however, rabbit numbers have been increasing steadily in the last three years.

### Responsible Agency

- Department of Environment, Climate Change and Water;
- NSW I&I

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<sup>43</sup> Rabbits Fact Sheet (December 2005) <http://www.environment.nsw.gov.au/resources/pestsweeds/factsheetRabbits.pdf>

## ***Flying Fox Exclusion Netting***

### What the Association Is Seeking

The Association is seeking:

- A commitment from the NSW Government, through the provision of financial assistance, to orchardists to implement orchard exclusion netting.

### Benefits

- The industry will no longer require culling as a management tool, thereby protecting the Grey Headed Flying-Fox and avoiding litigation for alleged cruelty.
- There is support for the proposal from animal welfare, scientific and environment groups as well as from affected growers.
- Ongoing savings to the Government are obvious in areas like compliance, legal defence and administration of culling and in development of a Recovery Plan for the threatened flying-fox species.

### Costings

The basic proposal provided by Members of the Association, is that growers in a defined area known as the Sydney Basin, be paid a grant of \$20,000 per hectare, upon their commitment to construct full exclusion netting. In return,

The proposed grant offsets about half of the cost of constructing netting. The balance plus ongoing liabilities for maintenance and depreciation will be the concern of growers. The Association estimates that the scheme is unlikely to exceed a total cost to the Government of \$6 million.

### Background

The Department of Environment, Climate Change and Water appointed Arche Consulting Pty Ltd in August 2009, to undertake an economic study into this and other policy options open to Government, to solve this perennial problem. The Association is aware that the consultant company has finalised its report. In accordance with the timeline previously advised, the Association awaits a decision from the Minister for the Environment and Climate Change.

There is no doubt that culling will need to be retained until the scheme proposed above is underway, but the Association is confident that it represents a way for all interest groups and the Government to finalise this perennial issue.

### Responsible Agency

- Department of Environment, Climate Change and Water;

## ***Pest Animal Control***

### What the Association Is Seeking

The Association is seeking:

- That the NSW Government waive (reimburse) all charges for the administration, certification and supply of 1080 Liquid Concentrate and Bait products to landholders for pest animal control.

### Benefits

- Allows all landholders an opportunity to undertake effective regional baiting to control growing feral animal populations;
- Improved pest animal control reduces productivity losses on adjoining farms and contributes to the improvement of threatened species recovery plans; and
- Effective and ongoing pest animal control in regional baiting programs contributes to biodiversity conservation across the landscape.

### Costings

It is suggested that a fund of \$5 million be established, for use over a five year period, enabling users to apply for the re-imbusement of associated costs for pest animal control in NSW.

These costs include:

- Chemical User Accreditation Certification fees (average \$300 per person);
- Stewardship payment for baiting (\$10.00 per bait). This would cover;
  - 1080 signage fees (average of \$1.50 per sign);
  - 1080 poison bait fees (average of \$1 per bait); and
  - Labour (employing an AQF3 qualified station hand; \$15.63 per hour).

### Background

Many of the States coast and tableland areas are 70 percent - 85 percent public land (National Park and Forest) plus a huge lifestyle small acreage population South Coast Monaro being one of those areas.

The requirement for chemical user certification of AQF3 for the Use of 1080 poison baits has caused many problems for farmers living in highly populated areas or areas that have constant changing demographics.

When the requirement in October 2008, for AQF3 was imposed, participation in fox baiting programs fell up to 85 percent .Most farmers maintained their baiting and pest animal control requirements, but small lifestyle landholders did not continue to use 1080 baits, because they would not do the AQF3 training course, as this had no direct benefit to them and the cost of attending and completing the course is considered too expensive.

The only way to have effective pest animal control programs is to have full community involvement. These programs have to involve Landcare, National Parks and Wildlife, Livestock Health and Pest Authority, farmers and lifestyle blocks landholders.

Foxes impact on all animal producers, for example dairies with cow's teats which are chewed off whilst calving and calves tongue that are chewed off before the cow has given birth, has a huge impact of cost and replacement to a farmer. A cow worth several thousand dollars becomes worthless if it loses one teat from fox attack.

Noespora Caninum cost the beef and dairy industry millions of dollars a year in Australia, foxes and dogs are main vectors of this disease. It is spread because foxes and wild dogs come into the paddocks and feed on the afterbirth of cows calving. Again to be successful in controlling foxes and wild dogs, farmer need lifestyle hobby block landholders to be involved in regional pest animal control programs.

The Association believes the participation in pest animal control programs, will be improved and control of pest animals in NSW increase with use of 1080 poison baits where associated costs are removed for landholders to participate in regional pest animal control programs.

The benefits obtained by this program would not be limited to the agricultural sector. The Red Fox is a well documented threat to a range of endangered species and the environmental benefits from a reduction in their numbers would be substantial. The Red Fox is subject to a NSW Department of Climate Change, Environment and Water Abatement Plan which supports its eradication. The burden and cost of protecting endangered species for public benefit should not be borne solely by the agricultural industry.

#### Responsible Agency

- Department of Climate Change, Environment and Water
- Livestock Health and Pest Authority

## ***NLIS Regulatory Impact Statement***

### What the Association Is Seeking

The Association is seeking:

- That the NSW Government fund a comprehensive Regulatory Impact Statement to be prepared by Industry & Investment NSW in relation to the National Livestock Identification Scheme ('NLIS') for sheep and goats.

### Benefits

- Assist informed debate about the financial cost and benefits of the current and alternative systems; and
- Removal of subjectivity around costs should address the current difference of opinion between national stakeholders.

### Costings

It is suggested that the Regulatory Impact Statement ('RIS') be prepared by Industry & Investment NSW. We estimate the cost of producing the RIS to be roughly \$50,000.00.

### Background

Sheep and goats have been subject to a number of regulations in terms of traceability. These regulations have been introduced with limited comparison of the cost to be borne by industry to the financial benefits derived from maintained international market access and domestic food safety.

In addition to the current regulations, industry are frequently discussing further changes to the system which seek to improve traceability at additional cost to the producer, but with no foreseeable improvement in market access benefits.

The Association is seeking a comprehensive review of the current system to ensure that the current regulations are leading to the best financial outcome for producers and to provide a basis for sound evaluation of proposed changes to the system.

Changes currently being proposed by industry include;

- The introduction of mandatory radio frequency identification ('RFID') tags; and
- The introduction of mandatory transaction tags.

Both of the above are likely to result in a significant increase in the costs of production for sheep and goats.

Farmers are 'price takers' and are unable to pass the cost of these regulatory burdens to their customers. Accordingly, it is crucial that any moves toward mandating the above be based on sound economic rationale with clear and quantifiable benefits for producers.

The proposed RIS should take into account the further costs likely to be passed on to producers by livestock agents, saleyard operators and abattoirs who will look to recover their cost of compliance.

### Responsible Agency

- I&I NSW

## ***Community Relation Officers - Pesticide Use Management***

### What the Association is Seeking

The Association is seeking funding to employ two Bilingual Extension Officers known as 'Community Relation Officers' to:

- a) facilitate chemical users, through extension and interpretation services, with technical and legal compliance requirements, for the use, selection and management of pesticides in agriculture; and
- b) provide research and extension outcomes into improving uptake of chemical use best management practices across Horticulture producers.

### Benefits

- assist horticulture producers with Non English Speaking Backgrounds to meet legal and technical requirements with the use of Chemicals within Horticulture production systems;
- improve and ensure consumer confidence of NSW grown fresh horticulture produce chemical residues and food safety;
- the Association can use its networks to help establish and coordinate local community action to improve chemical use and compliance issues; and
- the position would provide a conduit to facilitate communication and policy development between the farming sector and Government. This would include liaison with the Department of Industry and Investment NSW and Department of Environment, Climate Change and Water.

### Background

The role of the Community Relations Officer would be to: communicate and promote pesticide use policy; liaise with DPI and DECCW to help coordinate community efforts with the correct use and record of pesticide applications in Horticulture; support the Association's effort to raise the profile of Horticulture production in NSW; facilitate the establishment of community action groups to deal with priority pesticide use issues at a local level.

Regulations are complicated enough for the average Horticulture producer to fully manage, especially when it comes to chemical use.

The NSW Farmers' Association Horticulture Committee is acutely aware of a growing problem, whereby non English speaking growers have difficulty to keep up with current chemical label requirements, written in English, complete required spray activity records in fluent English, and have a good grasp of the minor use permit system, again written in English.

Horticulture is a wonderfully multicultural industry in NSW. To help overcome the challenges of regulations written in English, someone needs to be responsible for ensuring growers have the opportunity to comply with the regulations relevant to horticulture sectors, regardless of their grasp of the English language.

Generally, there is a fear of Government support staff involved with chemical regulation, among non English speaking growers, as they believe there will be fines and penalties applying whenever visits are made by such staff.

A project funded by Rural Industries Research and Development Corporation (RIRDC) employed a Vietnamese Project Officer to work with Vietnamese growers, in the Sydney Basin. This project finished approximately 2 years ago, and since then there has been no independent resource from Government, working with Vietnamese growers on crop production and chemical use issues.

The Association is in a position to use its extensive branch networks, that would utilise specialised trained bilingual staff to assist horticulture producers with every day chemical use matters whether this would be completing chemical record entries, maintaining up to date training, impartial assistance with selecting appropriate chemicals for use on specific crops, regular updates on changes to minor use permits and regulations for the of chemicals in NSW.

Several multi trained professional bilingual officers would be required to cover Cantonese, Vietnamese, Afghan, Maltese, Arabic, Cambodian and Italian ethnic backgrounds.

Younger farmers within agriculture from non English speaking Background communities should be targeted to fulfil the roles outlined above.

Funding for the role from Natural Resource and Catchment Management Authority sources is suggested, since the result of improvement in pesticide use practices and overall environmental health, aligns with the Soil and Land health project areas.

#### Costings

Each position would be funded for five years at a total cost of \$130,000 per annum, sourced from the Catchment Management Authority

#### Responsible Agencies

- Catchment Management Authorities;
- Department of Environment, Climate Change and Water; and
- I&I NSW.

## ***Drought Support***

### What the Association is seeking

Funding continuation from the State Government for Drought Support measures including Drought Support Workers and drought transport subsidies for an additional 18 months beyond June 2010.

### Benefits

- Improved animal welfare outcomes
- Improved mental health and wellbeing in rural communities
- Job security for Drought Support Workers, leading to increased employee retention and retention of local and corporate knowledge.
- Reduced anxiety from farmers and the community regarding the availability of local support services during the drought.

### Costings

That the State Government continue to fund drought support at the current rate, taking into account any relevant adjustments for inflation.

NSW Government funding of drought support to date is \$500 million.

### Background

Drought Support Workers provide immediate personal support, basic information and referral to other appropriate services. The NSW Farmers' Association Rural Mental Health Network is extremely supportive of Drought Support Workers and the Farm Family Gatherings they coordinate as important ingredients to improving the mental health and wellbeing in rural communities, particularly in times of stress, recognizing the important community-development role that many Drought Support Workers have adopted. Drought Support Workers have never been in higher demand with the majority of NSW drought-declared. There is a great deal of anxiety within rural communities regarding the availability of drought assistance measures as the drought continues. With Exceptional Circumstances ('EC') drought declarations due to expire for much of the State on 31 December 2009, the demand for services in the January-April 2009 period in particular is likely to be extremely high. It is important to realize that the need for all types of assistance will continue well beyond the breaking of the drought in order to give farmers an opportunity to get back on their feet. This emphasizes the importance of maintaining Drought Support Workers for many years to come.

Drought transport subsidies provide a rebate of 50 percent of the transport costs for movements of; water for domestic use, water and fodder for stock, stock to and from agistment, stock to sale/slaughter.

### Responsible Agency

Industry and Investment NSW

## ***First Farm Buyers Grant***

### What the Association is seeking

Young farmers are the future of agriculture, yet it is extremely hard for young people to break into farm ownership due to the high capital outlay. The Association is proposing the extension to the existing first home owners grant to include farms, in particular allowing for first farm buyers to be eligible for 10 per cent of the land purchase price, to a limit of \$100,000.

### Benefits

- Assist young farmers enter into the agricultural industry
- Support the retention of young people in rural communities

### Costings

Using the \$100,000 cap on individual First Farm Buyer Grant as stipulated in the Association's motion, it is estimated that approximately 65 young farmers (\$6.5m ÷ \$100,000 per farm) will successfully apply for loans to establish their first farms.

The Association therefore recommends that as a start **\$52 million** or \$6.5 million is allocated annually for 'First Farm Buyers Grant' for each State and Territory. The funds to be set aside from the current First Home Grant Funding.

### Background

The NSW Government currently has an Agstart program that is used for:

- the reimbursement of stamp duty on property purchase;
- succession planning and generational change;
- capital improvements/purchases;
- short course training;
- skills acquisition and development in farming;
- business and financial management; and
- professional mentoring or coaching (including professional advisory services).

The Government has announced that it will provide an additional \$2 million for the young farmer AgStart program to enable a further three (3) rounds of direct assistance to young farmers and also ensure the continuation of the AgStart Advisory Board. The previous two (2) rounds of AgStart have provided approximately a hundred (100) young farmers with a total of \$1 million assistance.

Young farmers have expressed that the Agstart program does not provide the support they need to establish in the industry.

### Responsible Agency

NSW I&I

## ***Agriculture Education Officer***

### What the Association is seeking

The placement of an officer within the Department of Education and Training to review the current education curriculum and also provide input in the development of future syllabuses with a view to increasing the agricultural content within the NSW education and training framework.

### Benefits

- Increased agricultural content in the NSW education curriculum
- Improved education of NSW children on the relevance and importance of agriculture to the economy and the community.
- Better understanding within the community of food and fibre production.
- Increased understanding of agricultural career opportunities.

### Costings

It is estimated that a part time staff resource would cost approximately \$50,000

### Background

The Association has been progressing its concept of a sustainable food and fibre policy for incorporation within the NSW education system. Following meetings with Department of Education and Training and Industry and Investment NSW it was identified that for the NSW syllabus to reflect the sustainable food and fibre message a dedicated staff resource would be required to review and provide input into current materials.

The Association in conjunction with Industry and Investment NSW and the Royal Agricultural Society have developed an agricultural education portal called Landlearn NSW. This provides teachers and students with contacts, information and links to various information on agriculture and other primary industries to facilitate in the education of students.

### Responsible Agency

NSW I&I

Department of Education and Training

## Agricultural Forecast

NSW farmers continue to operate in fluctuating market conditions which significantly impact on the viability of the sector. On the one hand the State continues to grapple with the ongoing drought. As of December 2009, over 80 percent of the State was in an EC declared area (with over 50 percent of NSW having either been drought declared or marginal since 2002). Furthermore since March 2009 the Australian dollar has undergone significant appreciation both against the US dollar and on a trade weighted basis. This has significantly impeded on the export competitiveness of the sector.

While positive news can appear rare, oil and in turn fertiliser prices have subsided considerably since their peak in July 2008. Added to this are recent gains by the Federal Government in removing obstacles to trade in overseas markets. Of particular importance is the recently announced ASEAN–Australia–New Zealand Free Trade Area, Australia’s largest ever free trade agreement, a move that will see a considerable reduction in tariffs for a range of overseas agricultural markets.<sup>44</sup>

On balance however, average Australian farm revenues are expected to contract over 2009-10. Export earnings from Australian agriculture is also expected to contract in 2009-10 due to less than favorable spring farming conditions and the higher average value of the Australian exchange rate. ABARE reports suggest export earnings for farm commodities in Australia will be around \$31.1 billion in 2009-10, a decline of 2.5 percent from the 2008-09 value of \$31.9 billion. Farm commodities for which export earnings are forecast to be higher in 2009-10 include barley, chickpeas, lupins, peas, rice, raw cotton and sugar.<sup>45</sup>

Table 2.Outlook for 2009-10 Rural prices and production

Reports suggest that while total farm production in Australia is proposed to increase by 3 per cent in 2009–10, the net value of this output is expected to decrease by \$7.9 billion over the year. The major rural price and production changes are summarised in Table 2.

|        | Production    | Price         |
|--------|---------------|---------------|
| Wheat  | 7 percent •   | -39 percent • |
| Beef   | 0 percent     | 3 percent •   |
| Dairy  | -4 percent •  | -24 percent • |
| Lamb   | -10 percent • | 8 percent •   |
| Wool   | -11 percent • | 9 percent •   |
| Sugar  | 1 percent •   | 26 percent •  |
| Cotton | 15 percent •  | -11 percent • |
| Oil    | -             | -8 percent •  |

Source: NAB Agribusiness Commodities Wrap October 2009

According to ABARE, this will result in Australian farmers seeing their overall terms of trade (the prices received by farmers compared to their costs) decrease by almost 2 percent over 2009/10 compared to the previous year.<sup>46</sup> The same reports go on to forecast that the index of unit export returns will decline by 3.4 percent in 2009-10, after remaining largely unchanged in 2008-09. This, ABARE predicts, is based on forecasted lower world indicator prices for wheat, barley, beef and dairy products which are expected to more than offset forecasted higher wool, cotton and sugar prices on world markets.

- The Australian weighted average saleyard price of cattle is forecast to fall by 3 per cent in 2009-10 due to expected rise in cattle turn-off and the assumed appreciation of the

<sup>44</sup> <http://www.dfat.gov.au/trade/fta/asean/aanzfta/index.html>

<sup>45</sup> ABARE (2009) Australian Commodities, September quarter 2009, ABARE project 1163

<sup>46</sup> ABARE (2009) Australian Commodities, September quarter 2009, ABARE project 1163

Australian dollar which is expected to contract export demand for Australian beef by 3 percent compared to 2008-09.<sup>47</sup>

- The Australian weighted saleyard price of lambs reached an historical high of 502 cents in June 2009. This is expected to encourage producers to increase lamb production in 2009-10 and although slaughterings are expected to increase in the spring, strong export demand for mutton and live sheep is expected to support the average saleyard price for 2009-10 as a whole.<sup>48</sup>
- Increased demand for raw wool from China and supply reductions globally (including from Australia who is expected to see a decline in the national flock of around 3.5 million head in 2009-10 to around 69 million head) underlie the forecast higher average price in 2009-10 relative to previous year (though still relatively low levels by historical standards).
- Given the relatively weak outlook for world dairy prices, the average Australian farm-gate milk price is forecast to decline by 22 per cent to 33 cents a litre in 2009-10 with the total value of Australian dairy exports is forecast to fall by 24 per cent to \$2.04 billion in 2009-10.<sup>49</sup>

At the same time a number of prospects lie on the horizon. The ongoing debate over alternative fuels could have a double effect in rural areas. The competition against traditional fossil fuel suppliers in times of high world oil prices with a cheaper alternative fuel will help reduce the fuel costs to farmers. At the same time, the development of alternative fuels such as ethanol or biodiesel will provide an alternative market for cropping farmers to sell their product into. This alternative market however also raises a possible competitor for the intensive industries requiring grains for fodder. The Association believes that alternative fuels should be made available to consumers, providing them with the choice and allowing the market to determine the demand and supply not through mandating levels of supply in fuels.

The supply of infrastructure to deliver services such as water and electricity and communication will become an increasing concern. Policy needs to be reviewed to take into account changing environments and technological advances to ensure that the most efficient and effective means are available to ensure rural NSW remain competitive and viable.

On the international scene, there are both positive and negative signs to developments in the reduction of trade barriers. While there appears to be little momentum behind the Doha round of multilateral world trade negotiations, Australia's recent signing of the AANZFTA is a clear indication of the Federal Government's intention to pursue FTAs as a means of opening markets for domestic primary producers. The benefits from trade reform and increased access to markets have the potential to provide genuine benefits to Australian agriculture. NSW and Australian farmers are considered amongst some of the most efficient in the world and the Association strongly urges the Federal Government to progress multilateral trade talks and pursue trade liberalisation whenever possible.

The global economy is growing again after contracting sharply late last year and in the early part of 2009. There has been some recovery in world trade and most of the major economies now look to be expanding. The risk aversion that was so evident earlier in the year, particularly in financial markets, has abated and confidence is gradually returning. Looking forward, if global growth is expected to continue on the current trajectory, the NSW Government will need to introduce a variety of policy initiatives, like those outlined in this paper, to mitigate against any potential return to the food price volatility seen between 2006-08. However, if such initiatives are successfully implemented, export focused primary

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<sup>47</sup> ABARE Commodities report September quarter 09.3

[http://www.abare.gov.au/publications\\_html/ac/ac\\_09/ac09\\_Sept\\_a.pdf](http://www.abare.gov.au/publications_html/ac/ac_09/ac09_Sept_a.pdf)

<sup>48</sup> Ibid

<sup>49</sup> Ibid

producer nations will be offered major opportunities to capitalise from both high prices as well as meeting their obligations to feed the world.