Australian Farm Institute

MEDIA RELEASE

Agriculture and emissions trading - Emission impossible?

Agriculture's potential inclusion in Australia's emissions trading scheme (ETS) from 2015 means that a very complex set of issues and decisions confront the sector, which will require considerable effort to understand and resolve. This is the only clear conclusion arising from papers included in the latest edition of the Australian Farm Institute's November 2008 *Farm Policy Journal.*

The November 2008 edition of the *Farm Policy Journal: Emission impossible- Agriculture's role in emissions trading;* addresses some of the emerging challenges through a series of papers highlighting the diversity and complexity of issues for farmers in Australia and New Zealand.

Mick Keogh, Executive Director of the Farm Institute, said the Australian ETS will have an indirect impact on agricultural businesses immediately, even though the sector won't be required to be a direct participant until 2015 at the earliest.

"Indirect impacts will include higher costs for meat and dairy processors, and competition for land as incentives for carbon sink forestry increase. Preliminary modeling of the indirect impact of the ETS on farm businesses indicates a reduction in farm cash margins of between 3 and 8% by 2015, with the indirect impact progressively increasing as emission permit prices increase. The direct impacts, should agriculture become a covered sector and be required to pay for estimated emissions would be many times greater," said Mr Keogh.

"The results highlight just how critical current policy decisions are for Australian agriculture, not only in terms of international competitiveness, but for national food security and land use competition."

One paper contributed to the Journal identifies that meat and dairy processors required to immediately participate in the ETS will have to pass their additional costs back to farmers in the form of lower farm-gate prices, and the result will be a 'double-whammy' on farmers, who will have to pay both their own, and the processors emission costs.

Other papers included in the Journal identify that there are important lessons which can be learnt from other schemes such as those which have operated in NSW and New Zealand, particularly in relation to potential risks, accreditation requirements and systems to estimate emissions.

"Perhaps the biggest challenge of all is the requirement to comply with international emission accounting methodologies that only recognise gross agricultural emissions without recognising the emissions sequestered by farming systems each year. Changing these to properly account for agricultural emissions will require an enormous acceleration in investment into research and development in this area," said Mick Keogh.

The November 2008 edition of the Farm Policy Journal provides a thorough analysis of major challenges facing Australian agriculture, at a critical time in the development of an emissions trading scheme in Australia.

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