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Australian
Farm Institute

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Welcome to our newest Board member

The Institute welcomes Charles Armstrong as a member of its Board. Charles replaces Michael Nicholls, who resigned from the Board on 12 March 2006.

Charles is the Treasurer of the NSW Farmers' Association and the owner and operator of an extensive broadacre farming enterprise at Nyngan, NSW. He was formerly a director of a number of wool industry bodies and was the President of the Wool Council of Australia.

Michael Nicholls had been a member of the Board since the Institute was founded in December 2003. The Institute would like to thank him for his contribution as a Board member and wish him well in his future pursuits.

Out and about

Mick Keogh, the Institute's Executive Director, continues to attend conferences and other events in order to promote and engage in debate about issues affecting the agricultural sector.

On Friday 30 June Mick spoke at the NSW Farmers' Association's Region 11 Convention at the National Press Club in Canberra. The Convention's theme was 'Facts do not cease to exist because they are ignored'. Mick examined dryland salinity policy as an example of the role of facts in determining policy issues and the inadequacies of Australian natural resource policy processes.

Earlier in June, Mick spoke to the Australian Dried Fruits Association about changes in the global production and consumption of agricultural products, and the challenges and opportunities these changes create for Australian producers.

Many of the Institute's presentations on a range of national and international issues critical to Australian agriculture are now available to view online at www.farminstitute.org.au/publications/conference_papers

In the news

The May edition of the Institute's *Farm Policy Journal* entitled 'drought – developing policy before the inevitable dry' generated considerable public debate and was the subject of media coverage on ABC Radio's Country Hour and in print media including *The Sydney Morning Herald*, *The Land* and *The Weekly Times*.

To view some of the media coverage visit www.farminstitute.org.au/publications/articles

Donations

Becoming a member of or donating money to the Institute is an important way of contributing to the long-term future of agriculture in Australia. To find out more about how your contribution can help influence policy-making visit www.farminstitute.org.au/memberships

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Clearing the Air on Land Clearing

Mick Keogh, Executive Director, Australian Farm Institute

Public debate over Australian land clearing laws is usually highly simplistic, and rarely gets beyond how many football fields are being cleared each hour. Few would realise that native vegetation regrowth rates far exceed clearing rates, or understand the link between land clearing policies and Australia's greenhouse emissions inventory. Agreement on land clearing policies will remain elusive until the complexities of the issue are more widely understood.

Urban streetscapes in selected areas of Sydney have been progressively despoiled by a rash of yellow posters nailed high on wooden electricity poles. The posters contain simple slogans such as 'Land clearing = dust storms, salinity, dead wildlife' and 'Land clearing is un-Australian'. They are yet another phase of a seemingly unending series of campaigns by environmental groups to have governments further tighten bans on what is referred to as 'broad-scale land clearing'.

It is somewhat ironic that the posters are appearing in suburban areas where 'land clearing' removed even the smallest vestiges of native vegetation perhaps 100 years ago, and are attached to wooden electricity poles – a product of land clearing. Invariably, campaigns are accompanied by a media report quantifying the rate of land clearing – the most recent stating that in New South Wales alone, 'farmers are clearing the equivalent of six Sydney Cricket Grounds every hour' (*The Sydney Morning Herald*, 4 February 2006, p. 1).

It should not be a surprise that clearing of native vegetation on farms has remained a contentious issue. Farmers have long recognised the value of conserving limited areas of native vegetation. However, there is a fundamental clash between farm production and the preservation of landscapes in their natural state. Beyond a minimum threshold, the greater the requirement to retain native

plant and animal species, the less productive and profitable a farm can be. As the New South Wales Auditor-General has observed, without land clearing 'Australia would not be the developed economy it is, nor would we enjoy the standard of living that we do' (Audit Office of NSW 2002).

Adding to this fundamental clash is the reality that, except for South Australia, land clearing restrictions have been imposed without any form of compensation. Such harsh regulatory measures – estimated to be forcing farmers in one region of New South Wales to be foregoing \$460 million in income over 15 years (Davidson et al. 2005) – are unprecedented in the farm policy of any other developed economy.

The history of control over native vegetation on Australian farms is a long one. Western Australia was the first state to introduce restrictions on the clearing of native vegetation in the mid 1940s, as concerns increased about dryland salinity. Other states have progressively regulated native vegetation clearing over the past 30 years. Victoria introduced regulations in 1987, followed by South Australia and the Australian Capital Territory (1991), NSW (1995), Queensland (1999), and Tasmania and the Northern Territory (2002).

While concerns about salinity have been advanced by governments as one of the reasons for more recent bans

on land clearing in the eastern states, such concerns do not appear to be logical or credible. In higher rainfall areas where the over-clearing of native vegetation in the past has been linked to dryland salinity, the laws have little effect. In drier western regions where native vegetation regrowth is a major challenge, the low rainfall and generally very deep or non-existent groundwater tables mean that in most cases, no plausible salinity hazard exists. Over time it has become clear that the two main reasons for implementing land clearing controls are biodiversity conservation and greenhouse emissions abatement – both largely public good objectives.

The link between land clearing and greenhouse emissions

One of the most contentious aspects of native vegetation management has been the extent of land clearing that is occurring each year. The standard unit of description has come to be the number of football fields or Sydney Cricket Grounds (actually 1.86 ha) cleared per hour.

A publication produced by the Commonwealth Department of the Environment and Heritage in 1995 (Glanzign 1995) became the basis of major campaigns to impose stringent restrictions on land clearing in New South Wales and Queensland. This publication claimed that the annual

rate of native vegetation clearing Australia-wide in 1989–90 was some 650,000 ha per year – with 450,000 ha of that being cleared in Queensland, and 150,000 ha being cleared in New South Wales. As the publication breathlessly explained, ‘[t]he magnitude of vegetation loss during 1990 equates to over one million rugby football fields, or over two rugby football fields being cleared every minute’.

There were few if any questions about how these figures had been arrived at. That they were published by the Commonwealth Department of the Environment apparently lent them unassailable credibility.

Such was the degree of confidence in these figures that they became the cornerstone of Australia’s negotiating position prior to and during 1997 as the Kyoto Protocol to limit greenhouse gas emissions was negotiated. These negotiations were particularly threatening for Australia, because of the reliance the national energy system has on coal-fired electricity generation, which emits relatively large amounts of greenhouse gases.

Calculations in 1997 indicated that up to 25% of Australia’s total 1990 greenhouse emissions (the baseline year against which Kyoto Protocol future emission targets were set) could be attributed to land clearing. If these could be included in Australia’s 1990 emissions baseline, it would be easier to make relative progress in limiting the growth of emissions in the future.

Australia became a signatory to the Kyoto Protocol on the basis of successfully negotiating the inclusion of the ‘Australia clause’ (Article 3.7 of the Protocol), which recognised greenhouse emissions from land clearing as part of Australia’s baseline 1990 inventory.

To ensure the reduction in land clearing would occur, the Commonwealth Government made National Heritage Trust and National Action Plan for Salinity and Water Quality funding to state governments conditional on each of the states effectively banning land clearing.

The subsequent reduction in emissions from land clearing has become the main way in which Australia can claim to be on track to meet its target of limiting greenhouse emissions over the period from 2008–12 to 108% of its 1990 emissions.

Australia did not ratify the Kyoto Protocol and is therefore not bound by it – although the Commonwealth Government continues to use Kyoto Protocol rules to calculate the annual national emissions inventory and, on the basis of this data, regularly boasts that Australia is meeting its Kyoto Protocol targets.

Rates of land clearing over-estimated

Subsequent detailed research, relying principally on analysis of satellite imagery, revealed the degree of exaggeration inherent in the initial estimates of the annual rate of land clearing occurring in 1990.

The first detailed analysis of rates of land clearing was conducted by the Bureau of Rural Sciences (BRS) in 2000 (Barson et al. 2000). That research used comprehensive satellite imagery of all the agricultural and coastal areas of the Australian continent, collected each year from 1990–95. The research concluded that the average national rate of clearing of native vegetation over the period 1990–95 was 308,000 ha per year – less than half the rate that had earlier been estimated. For New South Wales, the estimated annual rate of clearing over the period was approximately 16,000 ha, about 10% of the rate ‘guessed’ in 1995.

The extent of land clearing occurring in Australia has become an important part of Australia’s annual greenhouse gas emissions inventory, which is compiled by the Australian Greenhouse Office (AGO).

Estimations of rates of land clearing are based on the agreed definition of a ‘forest’ – land greater than 0.2 ha in area, with woody vegetation potentially reaching two metres in height and canopy cover of more than 20% of the total area.

The AGO has published a series of revisions to earlier land clearing estimates, with the most recent (AGO 2005a) revising upwards the national 1990 clearing rate to 468,000 ha, and estimating that during 2002 and 2003, annual land clearing rates were approximately 150,000 ha per year, although these are yet to be finalised.



According to the AGO, the reason for the most recent revision upwards in the estimated clearing rate for 1990 is that the latest analysis includes a more complete national coverage of satellite images and confirmation of the status of some areas previously classified as uncertain. Even these most recent upward revisions suggest 1990 land clearing rates that are significantly less than earlier estimates.

The other side of the ledger

A major limitation of most published land clearing statistics is that they only record one side of the vegetation ledger in Australia. The other side is the rate at which native vegetation is regrowing. This regrowth arises from natural causes, and also a range of different factors including plantation establishment and on-farm tree planting; woody weed encroachment; and vegetation ‘thickening’.

Perhaps for the first time, the BRS analysis (Barson et al. 2000) provided an estimate of the annual rate of increase in woody vegetation cover. This was estimated at approximately 190,000 ha per year, meaning that the net decrease in national native vegetation extent annually over the 1990–95 period was approximately 120,000 ha per year, or less than 0.1% of the nation's total area of native vegetation.

The AGO also uses satellite imagery each year to estimate rates of woody vegetation establishment and regrowth, as these are counted in calculating annual greenhouse emissions under the Kyoto Protocol rules.



Since 1990, the annual rate of increase of areas of woody vegetation in Australia is estimated by the AGO to have been approximately 72,000 ha per year, although it was as high as 120,000 ha in 2002 (AGO 2005b).

Both the BRS and the AGO figures are a substantial under-estimation of the rates of woody vegetation regrowth, although not due to any limitation on the part of those organisations. Due to the rules of the Kyoto Protocol, these estimates include commercial plantations, and areas of tree plantings on farms or other land that are of sufficient scale to be recorded. However, they do not include areas of woody weed encroachment in pastoral regions (generally considered to be less than two metres in height) and the 'thickening' of vegetation cover in areas already classified as woody vegetation because they exceed the 20% canopy cover threshold.

The extent of vegetation thickening in woodland areas has been the subject of detailed studies. Research by the Queensland Department of Primary Industries (Burrows et al. 2002) has shown there has been a progressive increase in the number and size of trees within areas of woody native vegetation in Queensland over the past 20 years. Through on-ground measurements recorded for almost 60 trial sites, the research identified an annual increase of 2–5% per year in the number and amount of woody plants.

If a relatively conservative 3% rate of increase in woody vegetation cover is applied nationally, this progressive thickening of vegetation is adding to the area of Australia covered by woody native vegetation by the equivalent of 4.5 million ha per year, or approximately 280 football fields per hour. None of this woody vegetation growth is recognised in greenhouse accounting or satellite analysis, and it is never mentioned in media reports about the extent of land clearing occurring in Australia.

Similarly, the carbon sequestered in these forested areas each year as a consequence of vegetation thickening is not included in national greenhouse gas emission calculations, although in Queensland alone, it has been estimated this would amount to 35 megatonnes of carbon each year – equal to 25% of Australia's 1990 landuse change emissions.

Limited progress in reform

In recent years some land clearing regulations have been reformed as state governments have slowly come to realise the dynamic nature of native vegetation growth and begun to understand that not all land clearing has negative environmental consequences.

The Commonwealth Government has yet to acknowledge that it's claimed achievements in constraining greenhouse emissions have been

achieved with the cost entirely borne by landholders affected by land clearing regulations. It is perhaps ironic that those same urban voters who support bans on land clearing, have steadily increased energy consumption over recent years and contributed to the significant increase in greenhouse emissions that land clearing restrictions have offset.

Meanwhile, a small number of poorly informed environmental groups persist in regularly wheeling out claims about the number of football fields of native vegetation that are cleared each hour. Perhaps in the not too distant future, the media might start to question the real purpose of such campaigns, and investigate the actual net change in the extent of native vegetation cover nationally, rather than blindly repeating the latest football field estimate of land clearing. It is only when there is better public understanding of the full complexity of land clearing policies that more rational and equitable policies will become politically acceptable.

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Following on – Contract Agriculture

The continuing evolution of arrangements between farmers and markets.

The growth of ‘contract’ agriculture and the policy implications arising for farmers from consolidation in food processing and retailing was the subject of a research report released by the Australian Farm Institute in April 2006.

Contract agriculture is characterised by growers forward contracting the sale of their produce directly with major food processors or retailers, rather than using traditional auction markets. The report concluded that the growth of contract arrangements was not inevitable for all farm commodities. Most of the growth in contract arrangements has occurred in the intensive livestock and horticulture sectors, where control over factors of production allows greater certainty of output.

The report noted that policy initiatives implemented internationally to constrain what some regard as adverse developments in agricultural marketing systems have not achieved their objectives. Rather than regulations, it recommended measures to ensure all marketing systems competed on an equal footing as the best means of ensuring large corporations did not misuse market power in their dealings with farmers.

Several developments in Australia since that time have highlighted the continuing challenge that policy-makers face in relation to these issues, especially in markets, such as food retailing, that are dominated by a small number of large corporations.

The first development involved Australia’s two major food retailers – Woolworths and Coles Myer. The Australian Competition and Consumer Commission (ACCC) recently reported that actions it took against Woolworths and Coles Myer for attempting to reduce competition

had been upheld by the Australian Federal Court. These decisions relate to actions by retailers either to prevent the operation of competing liquor stores by obstructing and delaying licensing approval, or to limit the competition from these outlets by entering into agreements with them on their product range and operations.

A second development involved the Australian Nurseryman’s Fruit Improvement Company (ANFIC), which is a group of twelve commercial plant nurseries that hold exclusive rights to approximately 1,200 fruit tree varieties. The group sought authorisation of a proposed alliance between ANFIC, fruit growers and fruit wholesalers, which the ACCC said would have enabled limits to be placed on the numbers of trees sold to growers, and their marketing options.

The ACCC refused to authorise the proposed arrangement, finding that the likely result would be higher prices and/or less choice for consumers. This decision is significant, in that it appears to place limits on measures available to protect intellectual property rights over plant and animal species.

In a third development, the ACCC authorised the continuation of collective bargaining arrangements between dairy farmers and dairy processors that have been in place over the past four years. The authorisation enables groups of dairy farmers to collectively negotiate milk prices and contract arrangements with processors. The size of the negotiating groups is limited, restrictions are imposed on information sharing, and the groups are required to remain open to new entrants and to be transparent about their membership. In announcing its decision, the ACCC noted that participation in the collective bargaining processes remained entirely voluntary.

In a fourth development, media reports state that proposals to introduce a mandatory Code of Conduct for the horticulture industry have been rejected by the Australian Government.

The aim of the Code was to establish some minimum standards for arrangements between horticulture producers and their selling agents in wholesale fruit and vegetable markets. These markets have been the subject of continuing conflict, because of the lack of clarity on a range of commercial and legal issues. The Code was rejected despite a commitment by the government to implement it within 100 days of being elected in 2004 and despite the exclusion of marketing arrangements between growers and supermarkets from its reach. It is understood the government rejected the Code because it was mandatory rather than voluntary, although a predecessor voluntary code was generally considered by growers to be largely ineffectual.

These developments all highlight that the nature of arrangements between relatively small-scale farmers and food processors and retailers continue to evolve, and that there will be a need for scrutiny, and possible policy responses as these arrangements change. They also highlight that there are a wide variety of non-price factors, such as legal processes and planning laws, which can be utilised by large organisations to restrict competition or extract greater margins. Competition regulators and governments need to consider all these factors in their decision-making.

Copies of the research report ‘Vertical Contracting and Australian Agriculture: Implications for Farmers and Policy-Makers’ are available for purchase from the Institute’s website www.farminstitute.org.au/publications/project_reports 

Farm Policy Progression

A summary of some Australian and international farm policy developments.

National Water Initiative fails to deliver

While the signing of the National Water Initiative (NWI) by Australian Governments in 2004 was considered one of the defining moments in water resource management in Australia, the NSW Irrigators' Council is critical of the lack of progress since that time. The Council's Chief Executive, Doug Miell recently stated that:

'There has been a lot of activity in water reform, but most of it has been a continuation of policy that was already well in train. The NWI really hasn't lived up to its lofty ideals or industry's expectations.'

In a review of the first two years of the initiative, the Council considers that good progress has been made at a state level in New South Wales with the separation of title to land and water, and the subsequent greater security of property rights for water. However, at a national level there has been little rationalisation of government agency responsibilities, and the CSIRO continues to demonstrate a bias against irrigated agriculture in its reports.

Greenhouse emissions policy challenges Australia's agricultural sector

A major challenge facing Australia's agricultural sector is developing a response to the potential development of greenhouse emissions trading systems. To initiate debate on the issue, the National Farmers' Federation (NFF) recently commissioned a discussion paper from the Allen Consulting Group, *Emissions Trading and the Land*. The paper investigates the potential for a carbon emission trading system and assesses the possible impacts of trading systems on individual farm enterprises and the agricultural sector as a whole.

Key questions for the farming sector emerging from the discussion paper include whether to:

- support emissions trading, inclusion of carbon sinks and emission offsets
- engage in discussions on permit allocation to emission entitlements
- examine opportunities for farmers to reduce greenhouse gas emissions
- develop comprehensive emission and carbon sink strategies.

The discussion paper is intended to stimulate debate and will be used by the NFF to consult with its members to formalise a policy position over the coming months. It is available at http://www.nff.org.au/pages/pub/ACG_Emissions%20Trading_April%202006.pdf

Australian cities set sights on rural water

A major scientific report says city water authorities should be allowed to buy water from farmers to sustain growing urban populations. The report, *Without Water: The economics of supplying water to 5 million more Australians*, was produced by the CSIRO and Monash University to help governments and other water managers plan for the likely rise in demand for water by Australian cities. It examines water price implications for each of Australia's main cities and regions in 25 years' time.

The report also highlights the economic effects of water policy decisions that are going to have to be made in the future.

Copies of the report can be downloaded from <http://www.clw.csiro.au/publications/science/2006/>

While farmers could make a lot of money from water trading, the system could change the face of agriculture in Australia with the removal of irrigation water from productive use in some regions leading to reduced economic output according to Victorian Farmers Federation (VFF) President, Simon Ramsay.

Mr Ramsay went on to point out that the removal of irrigation water out of productive use may also lead to the disappearance of rural community jobs and wealth creation, resulting in further urban migration. The VFF has urged urban authorities to first explore potential water savings within their own supply system, before considering the need to purchase water.

Australia's agricultural R&D program dwarfed by China

Australia's agricultural R&D program is dwarfed by China's, which involves over 1,200 agricultural research institutes with more than 120,000 researchers, and 155,000 agricultural technology application agencies employing more than one million staff. Despite establishing the world's largest agricultural R&D group, the program suffers from inefficiency and waste according to China's Agricultural Minister, Du Quinglin.

Du Quinglin said that the problems included redundant organisations; lack of important and relevant research; and inefficiency in the application of new agricultural technology. Agricultural science and technology is estimated to have contributed just 48% of the growth in the Chinese agricultural sector – far behind the level in the US, where technological advancements accounted for 81% of growth. Du Quinglin said that the government will prioritise Chinese agricultural science and technology efforts for the next 15 years.

Global trade talks fail

A last gasp attempt to salvage the Doha Agenda has failed with World Trade Organization (WTO) Director-General, Pascal Lamy, recommending an indefinite suspension of the turbulent five-year round of global trade talks as gaps between key players remain too wide. Mr Lamy recommended the suspension of negotiations to enable time for serious reflection by participants.

The talks collapsed because the G-6 (the six most influential WTO members: the US, the EU, Brazil, India, Australia and Japan) were unable to break a deadlock over farming subsidies. Agreement could not be reached regarding two key agricultural issues: market access and domestic support.

The EU Trade Commissioner, Peter Mandelson, blamed the failure of the current round of negotiations on the US, who were unwilling to lower government subsidies paid to US farmers. Not surprisingly, US officials retaliated, claiming the EU and other WTO members had not done enough to lower tariff barriers on agricultural products.

With no date set for further talks it is unlikely that agreement on global trade talks will be reached any time soon, presenting a severe blow to Australian farmers.

Partial victory for New Zealand farm dog owners

The Federated Farmers of New Zealand achieved a partial victory for farmers owning working dogs. Earlier in the year the New Zealand Government proposed that all dogs (including farm dogs) must be microchipped in future. Federated Farmers have since convinced the Government that compulsory microchipping will do nothing to improve public safety, resulting in a vote to exempt working dogs from the compulsory microchipping.

Urgent action needed by EU-15 to reach Kyoto target

Greenhouse gas emissions from the EU-15 (the 15 Member States of the EU prior to enlargement in 2004) rose by 0.3% between 2003 and 2004, raising questions about whether or not the EU-15 will achieve its Kyoto Protocol emissions target. The European Commission recently reported that EU-15 emissions are currently 0.9% lower than 1990 baseline emission levels, but still well in excess of the trendline required in order to achieve an 8% reduction in greenhouse emissions by the 2008–12 period.

The inventory for 2004 shows an overall increase of 11.5 million tonnes in the EU-15 emissions, mainly due to higher CO₂ emissions from road transport, iron and steel production and oil refining, as well as increased emissions of hydrofluorocarbons from refrigeration and air conditioning.

European Environment Commissioner, Stavros Dimas, recently stated that Member States will need to intensify their efforts to implement the many EU measures to combat climate change. Allocation of the emissions allowances under the EU Emissions Trading Scheme will take place shortly and are expected to be a crucial tool for ensuring Kyoto targets are achieved.

Mandatory country-of-origin labelling for beef in Ireland

The Irish Government has introduced mandatory country-of-origin labelling for beef used by hotels, restaurants, pubs and caterers. This change requires food outlets supplying beef to the public to display the country of origin at the point of advertising, presenting or selling.

The Irish Farmers' Association has welcomed these changes. In 2004, Ireland imported 30,000 tonnes of beef, of which 8,500 tonnes came from Brazil, and there is no information available concerning where this beef ended up or was sold. According to a recent Food Safety Authority report, in 42% of premises audited, labelled products did not comply with the current labelling legislation and beef products labelled as Irish actually originated in South America.

Code creating headaches for Scottish farmers

Scottish Natural Heritage (SNH) has released findings of a study which explores the effectiveness of the Scottish Outdoor Access Code. The Code, implemented on 1 July 2004, imposes a duty on landowners to provide access to and across their land, and gives recreational users freedom to enjoy the countryside.

The three-year SNH study examined the behaviour of both recreational users and land managers. Results from the first year of the study showed that the majority of recreational users and land managers are aware of the Code and its content, but farmers are still reporting problems when it comes to access-taking on their land. Three quarters of all of land managers had problems with visitors in the 2–3 months prior to being surveyed, on a range of issues including litter, gates being left open or closed inappropriately, and trouble with dogs not being kept under appropriate control.

Recreational users were generally positive in their views of land managers, although they did express a desire that land managers conduct land management to minimise interference with people accessing the countryside.

First US Farm Bill analysis papers released

Farm Bill hearings have been held across the US over the past few months. The outcomes of these hearings have been used to formulate a series of analysis papers, which will serve as the foundation for Farm Bill deliberations. The first three papers are on rural development, conservation and the environment and risk management.

The US Agricultural Economics Association magazine *Choices* comments that it is not clear how much the Congress will utilise these papers, but what is clear is that the Secretary of Agriculture, Mike Johanns, intends to be more involved in Farm Bill discussions than his predecessors. The real Farm Bill debate is not likely to occur until after the November 2006 congressional elections.

Intensive livestock farms under pressure in Arizona

The American Farm Bureau reports that there is increasing pressure on intensive livestock enterprises in Arizona, as a campaign gets underway by a group called Arizonans for Humane Farms (AHF) to effectively ban intensive pork and veal production in that state. The AHF is reportedly being backed by national animal rights groups such as the Humane Society and Farm Sanctuary.

The group aims to have an amendment made to the Arizona criminal code within seven years that would make it a criminal offence to tether or confine a pig or calf for all or the majority of a day in a manner that prevents the animal from lying down, fully extending its limbs or turning around. In order to achieve this, AHF is required to collect 122,000 signatures in support of having the proposition listed on a November ballot, and then have the proposition supported by a majority of voters. A similar campaign in 2002 was successful in Florida, and resulted in the closure of the relatively small pork industry in that state.

US farmers trade carbon

US farmers are actively involved in trading carbon credits on the Chicago Climate Exchange (CCX) according to the Iowa Farm Bureau. To be eligible to sell credits, farmers enrol cropland and agree to retain either an accredited no-till production system for a minimum of three years, or to convert cropland to pasture. Exchange Soil Offsets (XSOs) are generated at a rate of 0.5 tonnes of CO₂ equivalent per acre per year for no-till crop areas, and 0.75 tonnes per acre per year for permanent pasture.

The carbon offsets are traded on the CCX to industrial corporations who have undertaken to reduce or offset the greenhouse gas emissions they produce. The standard unit of trade is 100 tonnes of carbon, and these are put together by aggregator organisations that are also responsible for accrediting and verifying the on-farm activities. The Iowa Farm Bureau has enrolled more than 700,000 credits so far, with current prices at around US\$1.70 per tonne per year.

Urgent action needed for Canadian biofuel

The Canadian Federation of Agriculture President, Bob Friesen, has urged Canadian federal and provincial Ministers to develop a Canadian biofuels strategy quickly if they want a domestic biofuel industry. Within 18 months, the US will have biofuels plants under construction along the Canada-US border.

According to Mr Friesen, the development of a domestic biofuels industry would benefit Canadian farmers and all Canadians by building a strong, new and innovative value-added industry in Canada; creating jobs and economic contribution within rural communities; increasing regional tax bases; reducing Canada's greenhouse gases by millions of tonnes; and contributing significantly to improve primary producer incomes from the market place.

Mr Friesen stressed that a fully developed domestic biofuels industry in Canada could have big benefits for Canadian farmers and farm incomes, but the window of opportunity is small. If Canada was not at least breaking ground on facilities, with comprehensive government policies and incentives in place before the US makes its investment decisions, Canada could once again be relegated to the role of provider of raw materials, while the benefits of a value-added industry are realised elsewhere.

Agriculture industry groups are united in their support for a national biofuels strategy urging Canadian Ministers to develop and implement comprehensive policies and incentives before the US makes its investment decisions.

New Zealand water debate

Even in a wet country like New Zealand, water policy generates heated debate. The following is an extract from a speech by the President of the Federated Farmers of New Zealand to the organisation's Annual Conference on July 18:

'There is no shortage of water in this country, there is only a shortage of the commitment, wisdom and dedication required to harvest water in times of plenty, for times of shortage. Nature has a cycle, but humanity has a constant

demand. Early humans learnt to harvest food and store it for the winter. So do clever animals. But modern man is being told to ignore these lessons from nature. Environmentalists are not interested in storage. They want to ignore the lessons from nature, and instead cap water use at summer's low rainfalls and flows.'

Food giants place moratorium on Amazon-grown soya

Leading European supermarkets, food manufacturers and fast-food chains have pledged not to use soya illegally grown in the Amazon region in response to allegations by Greenpeace that large areas of virgin forest are being felled for the crop.

Greenpeace conducted a three-year investigation tracing the movement of soya from illegal plantations in the Amazon through the US-based firms to chicken factories in European countries including Britain. The Amazon-grown soya was found to be going into the supply chain of McDonald's, KFC, Tesco, Sainsbury's, Asda, Morrisons and Unilever. Soon after publication of the report the companies feared a consumer backlash and pushed traders to clean up their supply chain.

Under the moratorium, the big US-based traders, together with the Brazilian firm Grupos Maffi, are expected to pledge not to buy soya from any areas of the rainforest cleared from now on. Where rainforest has already been cleared and land used illegally, they are expected to negotiate new systems to ensure farmers start complying with Brazilian law.

EU wine sector faces reform

Stiff competition from Australia and other developing countries is forcing the EU to undertake substantial reform of its wine sector. Mariann Fischer Boel, European Commissioner for Agriculture and Rural Development, recently stated that:

'Despite our history and the quality of so many EU wines, the sector faces severe problems. Consumption is down, and exports from the New World (i.e. Argentina, Chile and Brazil) are making huge inroads into the market. We in Europe are producing too much wine for which there is no market. We spend far too much money disposing of surpluses instead of building our quality and competitiveness.'

Institute Research and Events

2006 Strategic Roundtable Conference

The Australian Farm Institute will hold its third Strategic Roundtable Conference on 2–3 November 2006. The theme of the 2006 Conference is 'Future Agriculture'. The Conference will be convened at the Sheraton on the Park in Sydney.

The 2006 Strategic Roundtable Conference has the key objective of providing leaders in Australian agriculture with an opportunity to consider and discuss the strategic issues that are likely to shape the future of Australian agriculture over the next decade. The Conference also provides an opportunity for broad industry input into the Institute's 2007 Research Program, which will be determined by the Institute's Research Advisory Committee and Board in early 2007.

The Conference will be limited to approximately 100 participants and is targeted at agribusiness leaders, policy-makers and corporate and family-farm operators.

The Conference will commence on Thursday 2 November with a dinner at the Sheraton on the Park. Guest speaker at the dinner will be **Dr Jim Peacock**, Australia's Chief Scientist and former head of CSIRO Plant Industries. Dr Peacock will provide a valuable insight into scientific developments and their likely future impact on Australian agriculture.

The conference will be formally opened on Friday 3 November with an address by **Joanna Hewitt**, Secretary of the Australian Government Department of Agriculture, Fisheries and Forestry. This will be followed by presentations and panel discussions from invited speakers who will explore four themes:

- **Energy and Agriculture**

A session on the future outlook for world energy supplies and agriculture's role in energy production.

- **China and Other Emerging Challenges**

A session examining future global food supply and demand trends and their implications for Australian farmers.

- **Australian and Global Demographic Trends**

A session exploring global demographic trends, their impact on demand for food and fibre and the implications for Australian agriculture.

- **Climate**

The outlook for climate change and agriculture's policy stance on emissions.

An impressive assembly of speakers have been engaged to present, including:

- **Joanna Hewitt, Secretary, Department of Agriculture, Fisheries and Forestry (DAFF)**

Joanna Hewitt was appointed Secretary of DAFF in October 2004. Prior to her appointment, Joanna was Deputy Secretary of the Department of Foreign Affairs and Trade where, amongst her other responsibilities, she was the lead negotiator for the WTO Doha round. Joanna was Australia's Ambassador in Brussels from 2000–03 and before that Deputy Secretary of the Department of Foreign Affairs and Trade and Australia's APEC Ambassador.

- **John W Longworth, Professor Emeritus of Agricultural Economics, University of Queensland**

Professor Longworth has spent the last decade of his career working as a specialist in trade policy intelligence focusing on Chinese trade in wool and beef. He is the author or co-author of nine books on China, four of which have been published in Chinese.

- **Ashley Waugh, Managing Director, National Foods Ltd**

Appointed as Managing Director in November 2005, Mr Waugh has 10 years' experience with the New Zealand Dairy Board (now Fonterra), most recently as the Regional Managing Director of New Zealand Milk for the Australasian Region.

- **Peter Rogers, Emeritus Professor, The University of NSW**

Professor Rogers' main research interests are in the application of new developments in biotechnology/bioprocess engineering to renewable energy (fuel ethanol) and to enzymatic processes for fine chemicals and pharmaceuticals. He has had extensive experience in consulting in biotechnology to Australian and international companies and agencies, and has published widely.

- **Dr Michael Robinson, Chief Executive Officer, Cooperative Research Centre (CRC) for Greenhouse Accounting**

Dr Robinson joined the CRC as Chief Executive Officer in January 2005. Prior to joining the CRC he was Environmental Products Manager in the Business Development, Communication and Commercialisation group at CSIRO Forestry and Forest Products.

- **Brett Janissen, Senior Manager, The Allen Consulting Group**

Mr Janissen joined The Allen Consulting Group in January 2004, after 18 years with the Australian Government as a professional economist and policy adviser. His career spans a broad range of policy issues, including climate change and the environment, industry development and structural adjustment, higher education, natural resources, energy efficiency and use of market approaches.

- **The Hon Sussan Ley MP, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry and Federal Member for Farrer (NSW)**

Sussan was first elected to the House of Representatives in the seat of Farrer in 2001. Returning in 2004 with a resounding majority, she was subsequently promoted to the position of Parliamentary Secretary (Children and Youth Affairs) but has since changed portfolios and is now the Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry, The Hon Peter McGauran MP.

The 2006 Conference will provide delegates with an excellent opportunity to network with leaders of Australian agriculture. To register, contact the Institute on 61 2 9690 1388. 

Farm Policy Journal

Regional Development – To Intervene or Not to Intervene?

Currently just 8% of Australia's population is classified as rural and 85% of the population lives within 50 kilometres of the coast. Population drift from rural to metropolitan areas is not a recent phenomenon, nor one that is unique to Australia. However, there is still no consensus on the best policy response in terms of the extent to which government should carry out and/or facilitate regional development, and the most effective way in which to do so.

The August edition of the *Farm Policy Journal* will consider issues such as what form, if any, government intervention in regional development should take in order to support the survival of rural communities and to stem the flow of skilled workers to urban areas.

Papers in this edition of the Journal have been written by national and international policy-makers, academics and researchers from a range of perspectives, as outlined below:

- **Miriam Fischer Boel** is the EU Commissioner responsible for Agriculture and Rural Development. Her paper outlines the EU's rural development policy, with a focus on the policy priorities for 2007–13. Fischer Boel highlights key principles of the policy, including the need for balance between rural development policy and agriculture policy, and the need to take into account the overriding objectives of economic and environmental sustainability.
- **Warren Truss** is the Australian Minister for Transport and Regional Services, Deputy Leader of the National Party and a third generation grain farmer. He examines a range of federal government initiatives that are designed to ensure that

regional Australians have access to the same opportunities and services as those living in major urban centres. His paper highlights the government focus on creating a partnership approach between government and the community in order to manage, change and lead their own development. A number of government programs are outlined including the National Water Initiative; the Regional Partnerships and Sustainable Regions programs; AusLink – the integrated land transport plan; and the Connect Australia program for improving regional Australia's access to telecommunications services.

- **Paul Collits** is the Development Officer at the Campion Foundation and was formerly the Regional Policy Manager in the NSW Department of State and Regional Development. His paper examines key constraints on regional policy and argues that, in light of these constraints, limited government intervention in regional development is the soundest policy. He concludes that most governments in Australia currently have the appropriate level of intervention in regional development and suggests principles to guide future development of regional policy.
- **Tom Murphy** is Chief Executive Officer of the Western Research Institute. Together with his colleague Luciana Mazzotti and Graham Apthorpe, Manager of Strategy and Growth with Cowra Shire Council, Murphy examines the application of enterprise zones in Australia to promote employment growth and increase business investment. A model developed earlier this year for the Cowra

Shire is discussed as an example of how an enterprise zone can benefit the Commonwealth Government, businesses and the community.

- **Margaret Alston and Ian Gray** are key researchers at Charles Sturt University's Centre for Rural Social Research. They argue that, in light of current social and demographic trends in rural Australia, there is an urgent need for informed debate about regional development policy. Their paper discusses the ups and downs of regional development as a policy agenda in Australia, and highlights the current influence of neo-liberalism and the importance of balancing efficiency rhetoric with attention to the social sustainability of regions. Alston and Gray also comment on the significance of globalisation and on European policy.
- **Andrew Beer** is Professor in the School of Geography, Population and Environmental Management at Flinders University. Together with his colleague Bridget Kearins and Terry Clower from the University of Texas, he examines changes over the last decade in the demography of regional Australia, with a focus on the impact of economic deregulation on regional industry. The paper argues that innovation and effective regional development are critical to the future development of regional Australia, and provides a case study of grain marketing as an example of an attempt to become more competitive in international markets.

This edition of the *Farm Policy Journal* will be released on 4 September 2006 and can be viewed at www.farminstitute.org.au/publications/journal2 

Australian Farm Institute Publications List

Research Reports

Members A\$44 (Incl. GST) & Non-members A\$66 (Incl. GST)

Vertical Contracting and Australian Agriculture: *Implications for Farmers and Policy-Makers*
 Agricultural Development in Argentina and Brazil: *Emerging Trends and Implications for Australian Agriculture*
 Australian Farm Sector Demography: *Analysis of Current Trends and Future Farm Policy Implications*
 Australia's Farm-Dependent Economy: *Analysis of the Role of Agriculture in the Australian Economy*



Farm Policy Journal

Members A\$27.50 (Incl. GST) & Non-members A\$44 (Incl. GST)

drought – developing policy before the inevitable dry	Vol. 3 No. 2 May Quarter 2006
agricultural research & development – a private future?	Vol. 3 No. 1 February Quarter 2006
salinity and native vegetation – policy solutions required!	Vol. 2 No. 4 November Quarter 2005
marketing on-farm environmental services – any buyers?	Vol. 2 No. 3 August Quarter 2005
EU agricultural policy – reforming or rebadging?	Vol. 2 No. 2 May Quarter 2005
industrial agriculture – farming the food chain	Vol. 2 No. 1 February Quarter 2005
climate change – can agriculture take the heat?	Vol. 1 No. 3 November Quarter 2004
biotechnology - agriculture's gene revolution	Vol. 1 No. 2 August Quarter 2004
the future of farmers and farming	Vol. 1 No. 1 May Quarter 2004



Corporate Membership

The Australian Farm Institute would like to welcome four new corporate members: Auscott, Clyde Agriculture, SunRice and S. Kidman & Co.

Auscott is a major, vertically-integrated agribusiness company that concentrates on irrigated cotton and grains. As well as processing its own production, Auscott gins, markets and ships cotton for many independent growers and family farms.

Clyde Agriculture is a privately owned company that is principally in the business of producing food and fibre. Clyde Agriculture owns and operates nineteen rural holdings in northern NSW and Western Queensland.

SunRice is the world's fourth largest rice food company and one of Australia's largest exporters of processed branded-food products. It operates three mills in southern NSW.

S. Kidman & Co is one of Australia's largest beef producers, with a herd of 200,000 cattle. The company employs 220 staff and specialises in the production of high quality pasture-finished beef, the majority of which is exported to North Asia and North America.

To find out more about Corporate Support contact the Institute on 61 2 9690 1388 or visit our website www.farminstitute.org.au

Gold Corporate Partners:



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The NSW Farmers' Association is the founding member and principal supporter of the Australian Farm Institute.

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