farm institute insights

Australian Farm Institute's quarterly newsletter

Australian Farm Institute

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3 FEATURE ARTICLE

Greenhouse compensation: size obviously matters!

The clear message from the recent recommendations of the Prime Ministerial Task Group on Emissions Trading is that when it comes to greenhouse compensation, it is the size of the business and who owns it that matters.

The proposal to compensate major greenhouse gas emitters as part of the proposed national emissions trading scheme stands in stark contrast to the earlier treatment of farm businesses that have been impacted by government regulations, the prime objective of which has been the reduction in net greenhouse gas emissions by Australia.

Presumably included amongst the group of major greenhouse gas emitters that will be compensated will be some of the world's biggest energy companies, as well as a number of state government-owned energy companies.

Inconsistencies in the approach of Australian and state governments to the question of when assistance or compensation should be paid to businesses affected by their decisions highlight legal uncertainty as to the security of property rights.

Australian farmers' propensity to make long-term investments in improvements to their sustainability and productivity will continue to be limited until governments institute greater security over property rights and provide full rights to compensation in the event that those property rights need to be constrained to achieve community-wide environmental outcomes.

INSTITUTE ACTIVITIES

Australian
Farm Institute

2006 Annual General Meeting

The Institute held its 2006 Annual General Meeting on 31 May.

A copy of the Institute's 2006 Annual Report can be viewed at: www.farminstitute.org.au/about_us/annual_general_meeting

Out and about

Recently the Institute's Executive Director, Mick Keogh, has spoken at:

- the Grassland Society of Southern Australia's 2007 Mac Troup Memorial Lecture, on 'Farming Beyond the Farmgate – Does the gap between the city and the bush matter?'
- the Agforce State Conference in Goondiwindi, on the challenges and opportunities for agriculture of greenhouse gas emissions trading
- the NSW Farmers' Association Annual Conference at Homebush, on emissions trading, and the future education and training needs of agriculture
- the Central Highlands Agribusiness Forum's 2007 Agribusiness Summit, 'Managing Farming Systems in a Changing Climate', in Ballarat.

In the news

The Institute's work continues to make headlines and to encourage debate about issues of strategic importance to the future of agriculture.

The May *Farm Policy Journal* on biofuels prompted vigorous debate about the merits of a domestic biofuels industry, including coverage in *The Weekly Times*, *The Sydney Morning Herald* and on ABC Radio.

Mick Keogh continues to speak to both city and country audiences in order to raise awareness of important farm-related issues, including the water reform debate and the uncompensated contribution of Australian farmers to the reduction of Australia's greenhouse gas emissions.

The Institute is also gaining international recognition, with Mick recently speaking on BBC Radio Scotland about the role of sheep in Australian culture.

Corporate support

The Institute welcomes National Australia Bank as it newest Corporate Member.

The Institute relies on the generosity of individuals and corporate supporters to continue carrying out and promoting its research.

For more information on how you can support the Institute's work, contact the Institute on 02 9690 1388 or visit www.farminstitute.org.au

Call for papers

The November 2007 edition of the *Farm Policy Journal* focuses on animal welfare. The deadline for papers is Tuesday, 2 October 2007.

If you are interested in submitting a paper, please contact Karen Romano on 02 9690 1388 or romanok@farminstitute.org.au

Australian Farm Institute

Suite 73, 61 Marlborough Street
SURRY HILLS NSW 2010
AUSTRALIA
T: 61 2 9690 1388
F: 61 2 9699 7270
E: info@farminstitute.org.au
W: www.farminstitute.org.au

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Australian Farm Institute

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Greenhouse compensation: size obviously matters!

Mick Keogh, Executive Director, Australian Farm Institute

Whether or not governments should compensate businesses that incur losses as a result of regulations aimed at achieving community environmental benefits obviously depends on how big the business is and who owns it.

This is the clear message from the recent recommendations of the Prime Ministerial Task Group on Emissions Trading.

The Task Group, composed of senior bureaucrats and representatives of Australian and multinational mining and energy companies, was asked to make recommendations on the nature and design of a workable greenhouse emissions trading scheme for Australia. It recommended that Australia should implement a national trading scheme, and that the nation's 900 biggest greenhouse gas emitters should be required to be direct participants in that scheme and, as a consequence, be required to progressively reduce their greenhouse emissions.

The Task Group also recommended that any of the firms required to participate in the trading scheme should be compensated if, as a consequence of being required to reduce their emissions, they incur costs in excess of the average costs the scheme would impose on the national economy. The compensation would be in the form of a free allocation of greenhouse emission permits, which all other trading scheme participants would be required to pay for.

The Task Group also proposed that 'trade-exposed, emission-intensive' participants in the emissions trading scheme should also receive assistance, through the ongoing receipt of free greenhouse emission permits. This should continue until other nations also implement similar policies to curb emissions.

At first glance, the proposal to compensate businesses that incur larger losses seems reasonable. These firms will be required to limit their greenhouse emissions to generate a benefit (reduced atmospheric concentrations of greenhouse gases) for the entire community, and therefore it is logical that the entire community should share the costs. That this 'compensation' is to be provided in the form of free greenhouse emission permits does not make it any less valuable, and will mean the Australian Government (taxpayers) will forego revenue that otherwise would have been received.

The Task Group recommended that any of the firms required to participate in the trading scheme should be compensated if, as a consequence of being required to reduce their emissions, they incur costs in excess of the average costs the scheme would impose on the national economy.

There are, however, a number of important and fundamental issues that underlie this compensation proposal:

1. The question of whether firms or individuals should be compensated as a consequence of government policy decisions that impose losses or reduce the value of their businesses.
2. The apparent inequity in compensation being proposed for a small group of very large firms when other firms, and in particular farm businesses, have not received similar compensation.
3. A broader issue of the potential for uncompensated government action that damages property rights to be a significant factor limiting future innovation and investment in the national economy.

When is compensation required?

Whether or not businesses or individuals should be compensated when their businesses are damaged as a consequence of changed government policy is a vexed question in Australia.

Technically, the only situation where government provision of compensation is legally required is those circumstances where the Australian Government acquires a person's ownership or title to property. In such situations, Section 51(xxxi) of the Australian Constitution (the 'just terms' clause) requires that full compensation must be paid. High Court judgments have indicated that this requirement only applies in the case where ownership of property is completely acquired, or property rights have been so substantially limited that the property is no longer of any economic value. However, if the Government simply removes some of the rights previously enjoyed by the property owner, no compensation is required.

This constitutional protection only applies to acts by the Australian Government. State governments in Australia do not have similar constitutional constraints on their powers to acquire property, although most have enacted legislative frameworks that are used for compulsory acquisition of land.

The term ‘property’ is generally defined as the government-recognised right of an owner to hold title to an asset, to use that asset and to dispose of it as seen fit. In the case of major greenhouse emitters, the ‘property’ in question could be considered to be their existing state government planning and environmental approvals and licences, although there may be some debate about whether or not these constitute ‘property’ as considered by the Australian Constitution.

Selective compensation

The proposal to compensate major emitters as part of the proposed national emissions trading scheme stands in stark contrast to the earlier treatment of farm businesses that have been impacted by government regulations, the prime objective of which has been the reduction in net greenhouse gas emissions by Australia.

During the mid-1990s, the Australian Government was embroiled in tense international negotiations over the Kyoto Protocol – the multilateral treaty instigated by the United Nations to limit the greenhouse gas emissions of developed nations. Despite negotiating a relatively generous target, Australia’s fossil-fuel reliant economy made the nation particularly vulnerable if greenhouse gas emissions had to be limited, as appeared likely if the Protocol became legally binding.

Fortuitously, Australia was successful in negotiating a specific clause into the Protocol (referred to as ‘the Australia Clause’) that meant estimated greenhouse emissions arising from land clearing on farms could be included in Australia’s baseline 1990 greenhouse emissions. Maximising Australia’s baseline emissions made subsequent emission reduction targets easier to achieve, especially as state governments were already imposing bans on land clearing. Australia’s Environment Minister at the time, Senator Robert Hill, was reportedly given a standing ovation in the Cabinet Room in recognition of his successful negotiations.

State governments, with enthusiastic support from the Commonwealth, progressively implemented restrictions on land clearing, effectively removing some farmers’ ability to manage their land, and imposing enormous income losses and asset devaluation on the affected landholders.

These bans were initially justified on multiple environmental grounds, including achieving salinity, biodiversity and greenhouse gas benefits. However, in subsequent years both the salinity and biodiversity justifications have faded. The salinity justification would have required water to flow up hill from major land clearing areas to salinity areas on the slopes and tablelands, and unmanaged native vegetation regrowth is now being recognised as reducing, rather than enhancing, biodiversity outcomes in many areas. In any event, both justifications involve public-good outcomes.

Any confusion over the justification for bans on land clearing was dispelled in 2004. During debate in the Queensland Parliament on legislation banning land clearing, the Queensland Minister stated that: ‘… this Bill delivers the Commonwealth exactly what they demanded – 20 to 25 megatons of carbon emission savings’.[1] If any further confirmation was required, this was later provided by the Queensland Premier, Peter Beattie, in a media release in 2005 stating:

> ‘John Howard’s greenhouse gas emission problem has been largely fixed in one fell swoop as a result of our tree clearing laws in Queensland. It means farmers are carrying the Howard Government on their back and paying for John Howard’s greenhouse outcomes.’[2]

Continued agitation by landholders for compensation for the incurred losses was met with indifference by governments and dismissed by environmental groups as unjustified. This was despite Productivity Commission and Australian Bureau of Agricultural and Resource Economics (ABARE) studies identifying that the losses incurred by several hundred farmers in just one affected area were in excess of $500 million, and

Questions without Notice: Greenhouse Emissions

‘The Prime Minister has announced a package of initiatives which will have the effect of further reducing that emission load – a reduction down to about 18 per cent [growth in emissions during the 22 year duration of the Kyoto Protocol]. *If, of course, we are successful in getting land use taken in to account in Kyoto we can do significantly better than that,* because land use made up a significant proportion – I think some 24 per cent – of our 1990 [greenhouse emissions] figure, and gives us great scope at reasonable cost to improve our [greenhouse emissions] performance. Land clearing in Australia is slowing and is anticipated to slow further. So emissions of greenhouse gas to the atmosphere can show very major improvement.’[a]

[a] Kyoto Protocol negotiations concluded in Japan on 11 December 1997.

Source: Senator Robert Hill, Minister for the Environment, Senate Hansard, 3 December 1997 (emphasis added)

[1] Minister Stephen Robertson, Minister for Natural Resources, Mines and Energy, Queensland Parliamentary Hansard, 18 March 2004.

[2] Beattie, P 2005, *Kyoto Target on Track Thanks to Rural Queensland*, media release, Queensland Government, 16 February.

ABARE identifying that bans on land clearing would save the national economy at least $600 million annually, in perpetuity.

Eventually, the Queensland Government announced a $130 million assistance package for affected Queensland landholders in 2003. This was to be matched by a contribution from the Australian Government – a contribution that did not eventuate. The NSW Government constantly rejected calls from affected landholders for compensation or financial assistance, although did eventually make some $27 million of assistance available as part of a 2006 package announced 11 years after the regulations were initially imposed. In both instances, the amounts offered were miniscule in comparison with the estimated financial impact of the land clearing bans on landholders.

The contrast between the much delayed and relatively small amount of financial assistance that was eventually made available for affected farmers, and the proposed up-front compensation of some of Australia's biggest companies and state-owned businesses – both groups being regulated to achieve public-good environmental outcomes – could not be greater.

One group – largely small-scale family businesses located in relatively remote regional areas – had harsh regulations imposed, in some cases overnight and without warning, with only minimal adjustment assistance provided years after the imposition of the bans. The other group, some of which are Australia's biggest companies, receive five years' notice of proposed regulations, and reassurance that any losses or extra costs they might incur as a result will be fully compensated.

Presumably included amongst the group of major greenhouse gas emitters that will be compensated will be some of the world's biggest energy companies, as well as the NSW Government-owned Delta Electricity, Macquarie Generation and Eraring Energy; the Queensland Government-owned CS Energy, Stanwell Corporation and Tarong Energy; and the Western Australian Government-owned Western Power. The proposed up-front compensation of these state government-owned organisations stands in stark contrast to the approach taken towards farmers impacted by greenhouse reduction policies over the past decade.

'John Howard's greenhouse gas emission problem has been largely fixed in one fell swoop as a result of our tree clearing laws in Queensland. It means farmers are carrying the Howard Government on their back and paying for John Howard's greenhouse outcomes.'

QLD Premier, Peter Beattie

The point is not that big businesses or state government-owned businesses should be ineligible for assistance or compensation when governments decide the rules need to be changed to bring about a public good. The point is that the same principles in relation to compensation or assistance should apply to all affected businesses, not just those that are big enough to cause problems or that are owned by governments.

Property rights risk as a major limit to future innovation

Broader implications arise from the inconsistencies in the approaches taken by Australian and state governments to the question of when assistance or compensation should be paid to businesses affected by their decisions, especially as these inconsistencies highlight legal uncertainty as to the security of property rights.

The benefits of investment certainty and secure rights over property, and the need to protect owners of property from undue or unfair damage by government, has been recognised as an essential part of economic development for thousands of years.

The less certain a person's rights are over property (of all kinds), the less likely that person is to make investments or decisions that are of a long-term nature, and the more likely the person is to seek to maximise short-term gains. This applies equally to a farmer managing land and water resources, as it does to the owner of a major manufacturing business or to the owner of a major electricity generator.

This issue is becoming ever more important as Australian governments increasingly favour the use of market-based measures in a desire to achieve improved environmental outcomes at least economic cost.

For example, proposed major reforms to water management place a strong reliance on water markets to achieve improved sustainability and productivity, and the proposed national greenhouse emissions trading scheme is a further example of the use of markets, rather than regulations.

However, recent actions by the NSW Government have highlighted just how insecure water rights are, and will place a major limitation on future investment in more efficient irrigation infrastructure and technology. Similarly, large-scale greenhouse emitters will be unwilling to make major investments in new, low-emission technologies if there remains substantial uncertainty about the security of emissions trading scheme instruments such as emission permits or offset certificates.

More generally, Australian farmers' propensity to make long-term investments in improvements to their sustainability and productivity will continue to be limited until governments institute greater security over property rights and provide full rights to compensation in the event that those property rights need to be constrained to achieve community-wide environmental outcomes.

Getting value from rural research and development

In October 2006, the Australian Farm Institute released a research report entitled *Enhancing the Customer Focus of Australian Agriculture*. The broad thrust of the report's recommendations was that Australian agriculture needs to move away from a commodity mentality, and focus more on higher value markets in which the key to success lies in understanding and meeting the needs of consumers.

The report noted that this did not necessarily mean the focus should shift to niche markets, but rather that Australian agriculture's comparative advantage now lies in the quality of its products, and the integrity of its food safety and other systems, and that these provided Australian produce with an advantage even in large volume markets – especially where those markets service more affluent consumers.

The most immediate example of this change in focus is evident in international beef markets. Disease scares have made affluent consumers in nations such as Japan and Korea cautious about the safety of imported beef, and Australia's strong disease and food safety reputation, in combination with a world-leading product traceback system, has meant Australian beef producers have enjoyed almost exclusive access to these high-value markets and a sustained period of relatively high beef prices.

At its simplest, the research report identified that the policy framework for agriculture in Australia needs to shift from 'maximising volume' to 'maximising value'. A focus on maximising value does not imply that research and development (R&D) activities, for example, should shift entirely away from efforts to increase yields or growth rates, but rather that finding ways to increase the value of products should be an equal priority.

A relevant example might be research priorities in the citrus industry. In the past, the focus of research might have been almost exclusively on ways to increase the yield of fruit from each tree. In the future, the focus may shift to place greater emphasis on the development of varieties that have improved taste or added health benefits.

The new rural R&D priorities identify the need for research activities to pursue both productivity and value outcomes, and specifically to 'add value through improved products and processes that focus on consumer needs and expectations'.

The report's release coincided neatly with a process that the Australian Government initiated to review the priorities of rural R&D corporations. A presentation, based on the findings of the Institute's research, was made to a government workshop convened to discuss and develop future research priorities. The 'value' versus 'volume' question generated considerable debate at the workshop.

When the new priorities were published in late May 2007, it was apparent that the broad thrust of the Institute's research findings, and some of the specific recommendations arising from the research report, had been influential in changing Australian rural R&D priorities. The new priorities identify the need for research activities to pursue both productivity and value outcomes, and specifically to 'add value through improved products and processes that focus on consumer needs and expectations'. Another priority is to 'better understand and respond to domestic and international consumer requirements and improve the flow of such information through the whole supply chain, including to consumers'.

Placing a greater emphasis on product value implies having a better understanding of consumer needs and preferences, and especially those of affluent consumers. This, in turn, will mean a shift in the relationship between rural researchers and their funders. Research priorities will need to be driven more by a strong understanding of consumer trends and preferences, than they will by researchers identifying a potential technological advance. The focus will need to progressively shift to 'research by commission' instead of 'research by submission'.

While the new R&D priorities are obviously the product of a wide range of influences, it is evident that the Institute's research findings were an important one, reinforcing the value of the Institute's strategic approach.

A summary of some Australian and international farm policy developments

US subsides continue to distort world prices

Australia's major agricultural commodities face another five years of distorted global prices if the 2007 United States (US) Farm Bill is passed in its current form.

This was the warning issued by the Australian Minister for Agriculture, Fisheries and Forestry, Peter McGauran, when he met with the US Agriculture Secretary, Mike Johanns, as well as key Congressional and Senate leaders in Washington DC.

Minister McGauran travelled to the US to press Australia's case for reductions in trade-distorting agricultural subsidies provided to US farmers. He said:

> 'It is important to impress upon the US that its domestic support programmes have a significant impact on world agriculture prices and make it difficult for low-cost exporting countries such as Australia to compete.'

As well as pushing for a move away from production-linked support, Minister McGauran also argued against US proposals for a new levy on dairy imports and excessive country-of-origin labelling requirements for blended products like ground beef.

The visit was a key part of a joint Australian industry-government strategy to influence the outcome of the 2007 US Farm Bill. Legislators are moving into the final stages of the development of the Bill, which will replace the current US Farm Bill that expires in September.

Meanwhile, US politicians have delivered what has been described as another slap in the face to Australian farmers by proposing to allow US farmers to earn up to US$1 million before turning off the subsidy tap. Secretary Johanns has failed to convince the powerful House Agriculture Committee to place an income cap of US$200,000 on eligibility for farm subsidies, but is still pushing for the cap to be lowered as the Bill progresses through Congress.

Britain leads the world in bureaucratic barminess

British farmers must now register with the Environmental Agency – the leading public organisation for protecting and improving environment in England and Wales – for a licence to carry out routine waste management activities.

The new agricultural waste regulations affect whether or not farmers can burn, bury, store, use their waste on the farm or send it elsewhere. Farmers had until 15 May to comply with the new rules and to register (free of charge) for any agricultural waste exemptions in relation to activities such as the use of old tyres on silage stacks; the disposal of silage wrap; the use of farm building rubble to repair roads; and even the spreading of mud dredged from ditches on private farmland.

Apparently, the new system has been designed to lighten the regulatory burden on farmers in England and Wales.

US Democrats to enforce country-of-origin labelling laws

The *International Herald Tribune* recently highlighted a striking contradiction on display on US grocery shelves – labels tell shoppers where their imported seafood was caught, but there is no telling where meat, produce or nuts come from.

This is despite the existence of a five-year-old law requiring country-of-origin labelling on beef, pork, lamb, fresh fruits and vegetables, seafood and peanuts.

Until now, lobbyists and members of Congress have successfully blocked the enforcement of this law for all products except seafood.

According to the *Tribune*, the battle over the labelling law comes at a time when US farmers are facing increasing competition from imported produce. During the last decade, the amount of food imported in the US has roughly doubled, to US$65.3 billion in 2006.

Powerful meat lobby groups have been one of the strongest opponents of the mandatory country-of-origin labelling laws. Now, however, with Democrats in control of Congress and questions arising about the safety of food imported from China, proponents of the labelling law believe they finally have momentum on their side.

US farmers encouraged to go organic

In the US, efforts are underway to encourage farmers to switch to organic farming. While organic produce is so mainstream even Wal-Mart stores sell it, US farmers have been slow to switch from conventional crops to organic. Jim Slama, head of a Chicago-based organisation called FamilyFarmed.org, claims the amount of local organic food is not even scratching the surface of demand.

In Minnesota, the state helps pay the cost to certify a farm's organic status. While in Northwest Iowa, Woodbury County has developed a trademarked brand name and offers tax breaks and other incentives to farmers who switch to organic production. The County is also trying to build a farm-to-market infrastructure for organic foods, including processing plants, storage units and shipping links.

India to launch national biofuels policy

India's New and Renewable Energy Minister, Vilas Muttemvar, announced at the European Commission's International Conference on Biofuels in Brussels in early July that his country's national biofuels policy would 'likely be in place in a few months time from now'.

Minister Muttemvar stated that policy needed to balance food security and energy security. He said:

> 'We cannot afford the conversion of cereals and other foods to ethanol, or use edible oils for biodiesel as is being proposed in some countries.'

The Minister explained that the biofuels policy will mandate a 5% renewable component in fuels by 2012, increasing to 10% in 2017, with higher levels to come thereafter. A minimum support price for Jatropha and other non-edible oilseeds will be established. Nine Indian states and the Union Territory already have in place a 5% ethanol blending in gasoline.

India's current feedstock for ethanol production is mainly molasses, and the country has sufficient supplies from its sugar industry to meet the 5% target. However, to increase the blending proportion to 10%, the country will need to develop cellulosic ethanol capabilities.

China imposes moratorium on food-based ethanol

Chinese leaders recently imposed a moratorium on the expansion of production of biofuels from food crops following fears of food shortages and further price inflation.

The decision has been driven entirely by China's own experience of food price inflation. According to the *Xianhua News Agency*, pork – China's staple meat – has risen in price by 43% over the last year. This has been mostly due to the rapidly rising cost of feed.

An expansion of ethanol production in China can continue, but only from non-food crop sources such as cassava and sweet sorghum, used to make various distilled liquors. To counter the demand for food crops, the first cellulosic ethanol plant in China was announced recently and is expected to be in operation by 2008, producing lignocellulosic ethanol.

New EU regulation on organic product labelling

Political agreement was recently reached by European Union (EU) agricultural ministers on a new regulation on organic production and labelling. Mariann Fischer Boel, Commissioner for Agriculture and Rural Development, endorsed the agreement, saying:

> 'This is an excellent agreement which will help consumers to recognise organic products throughout the EU more easily and give them assurances of precisely what they are buying.'

The new rules set out a complete set of objectives, principles and basic rules for organic production, and include a new permanent import regime and a more consistent control regime. Under the regulation, use of the EU organic logo, along with naming the place where the products were farmed, will be mandatory for food products in which at least 95% of the ingredients are organic.

New agreement for wine trade

European Commission and Australian negotiators recently initialled a new bilateral agreement on trade in wine.

Once signed by authorities, the agreement will safeguard the EU's wine labelling regime, give full protection to EU geographical indications, and include a clear Australian commitment to protect EU traditional expressions. It will provide for the phasing out by Australia of the use of a number of important EU names such as 'champagne' and 'port' within one year of the agreement coming into force.

EU wine exports to Australian were worth A$97 million in 2006 and imports from Australia were worth A$1.4 billion.

Doubling of global biofuel output forecast

In mid-July, the International Energy Agency (IEA) released its *Medium-Term Oil Market Report*, in which it forecast that global biofuel output will double from 2006 levels to 1.75 million barrels per day in 2012.

The IEA raised its 2006 biofuel supply baseline by 79,000 barrels per day to 863,000 barrels a day due to stronger-than-expected growth and more accurate knowledge of biofuel production projects. However, it warned that while the forecasts showed a 'considerable rate of growth' for global biofuel production, they were significantly below the manufacturing capacity planned for 2012 of 2.92 million barrels per day.

The IEA has maintained a cautious biofuels stance because high feedstock prices raise doubts over economic viability. It does not expect technology for significant production of second generation biofuels based on lignocellulosic feedstocks to come into play by end of the 2012 outlook period.

Promising Chile-Australia trade agreement negotiations

The Australian Government is currently conducting free trade agreement (FTA) negotiations with Chile.

According to the Minister for Trade, Warren Truss:

> 'These negotiations offer an excellent opportunity to develop a comprehensive and ambitious bilateral FTA which would eliminate barriers to trade in goods, improve conditions for services exports and investment, and offer meaningful commercial opportunities for Australian exporters.'

Chile is Australia's third largest trading partner in South America. Two-way trade in goods and services was valued at A$574 million in 2006.

Wildflower to reduce livestock sector's methane output

The answer to reducing the amount of methane that cows belch, a significant contributor to global warming, may lie with a common wildflower, according to British scientists.

Scientists at the Institute of Grassland and Environmental Research in Aberystwyth, Wales, are studying Birdsfoot trefoil (*Lotus corniculatus*) as a way of making cows digest more efficiently and, hence, increase milk production with lower gas emissions.

Birdsfoot trefoil, in a planted mix of white clover and perennial ryegrass, has been shown by scientists to improve the efficiency with which food was absorbed by the cow's rumen.

Normally, the efficiency of a cow's rumen is very low – at around 20% – with undigested grass coming out as either waste or methane. Feeding a pasture diet that includes Birdsfoot trefoil lifts rumen efficiency to 34%, resulting in production benefits, less methane gas production and less nitrate pollution in agricultural runoff. Birdsfoot trefoil also contains tannin, which make it less likely that the cow will get bloat.

The outcomes of this research hold significant implications for Australian agriculture, since 60% of Australia's total methane gas emissions are produced by agriculture, due to the size of the livestock sector (as compared to 7% in Britain).

Offshore takeovers of Australian agribusinesses

The largest privately-owned beef company in the world, JBS-Friboi, has become the official owner of Queensland-based Australia Meat Holdings, in a deal worth A$1.7 billion.

The South American takeover of Australia's biggest beef processing company has opened new doors, but also raised some concerns according to Landline reporter Peter McCutcheon. While Australian cattle producers have welcomed the takeover, concerns have been expressed about whether it could give South America an advantage in key beef export markets such as Japan.

The Australian Minister for Agriculture, Fisheries and Forestry, Peter McGauran, was due to meet with JBS-Friboi executives to ease concerns about the takeover. Minister McGauran indicated that the acquisition could open up new beef export opportunities:

> 'They may well be very strong allies in pressuring other governments to better open their markets to Australian beef, but, secondly, also to get a better idea of how they want to work with the beef industry to share benefits, whether it be in regard to research and development or market access issues.'

Meanwhile, another prominent Australian agribusiness company, Queensland Cotton Holdings, has been acquired by Singapore commodity giant, Olam – a leading global supply chain manager of agricultural products and food ingredients. Olam has signalled its intention to continue running Queensland Cotton Holdings in its current form, with a view to expanding its position in Australia.

Proposed reintroduction of pure bred dingoes creates stir

A proposal by a New South Wales academic to reintroduce pure bred dingoes into Australia's sheep country has been criticised by Queensland farmer organisation AgForce as 'irresponsible nonsense'.

Professor Chris Dickman, of the Institute of Wildlife Research at the University of Sydney, recently advocated the removal of the dingo fence and the active rebuilding of a predator population through national parks as a way of preserving Australia's native species. He justified his proposal on the basis that Australia holds the record for the most mammal extinctions in the world and that this has happened because Europeans brought with them foxes and cats – the main killers of native mammals.

AgForce Sheep and Wool Policy Director, Jo Hall, said to expect purebred dingoes to restrict their attacks to feral species, such as foxes and cats, was naïve. Ms Hall also pointed out the risk of the dingo population breeding with rogue domestic animals, creating larger, more vicious wild dogs that hunt for the thrill of it, rather than from hunger. Ms Hall described Professor Dickman's proposal as 'fanciful pie in the sky stuff that would be laughable if it wasn't so serious in its implications'.

Consumers support Canadian-grown labelling

The Canadian Federation of Agriculture (CFA) has revealed the results of a cross-country market research study that it commissioned to determine whether a voluntary labelling system that identified food grown in Canada would be of interest to consumers and would influence their shopping habits.

The study concluded that Canadian consumers would support a labelling program that identifies and promotes Canadian-grown foods. The concept of a branding system based on three criteria – grown in Canada, produced to high environmental and food safety standards, and providing a fair return to farmers – was considered a good idea by 83% of respondents. While 95% of respondents said they would buy Canadian products if they could improve the viability of Canadian family farms.

2007 Agriculture Roundtable Conference

The Australian Farm Institute proudly presents its fourth Agriculture Roundtable Conference, to be convened at Aitken Hill, Melbourne, on 8–9 November 2007.

The 2007 Agriculture 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.

Attendance at the Conference is by invitation only, with the number of participants limited to approximately 100. Participants will include invited speakers and leaders of Australian agribusiness companies, corporate and family-farm operators, researchers and policy-makers, as well as members of the Institute's Board and Research Advisory Committee.

The Conference commences on Thursday, 8 November, with a dinner at Aitken Hill. Guest speaker at the dinner will be **Doug Rathbone**, Managing Director and Chief Executive Officer of Nufarm Limited. In November 2006, he was named a Fellow of the Australian Academy of Technological Sciences and Engineering for his leadership in transforming Nufarm from a small Australian company to a top 10 global leader in its field. He will speak about Nufarm's global experiences and the future of agriculture.

Ambassador Bruno Julien of the European Commission (EC) will formally open the Conference on Friday, 9 November. Prior to his appointment as Ambassador in 2005, Ambassador Julien was Environment Directorate-General for the EC, where he provided technical and financial management for the LIFE program – the European Union's financial instrument for the environment. He also spent two years working as the Agriculture Directorate-General monitoring European economic and international affairs. His opening address will be followed by presentations on three themes:

- **Climate Change Policy and Emissions Trading**
  What are the implications of emissions trading for Australian agriculture and the wider economy?
- **Water**
  What should be the objectives of the national reform agenda and how can its success be measured?
- **Labour and Skills in Agriculture**
  The next phase of agricultural productivity growth will require highly skilled people, but will they be available?

Speakers engaged to present at the 2007 Conference, include:

- **Ambassador Bruno Julien**, Head of Delegation of the European Commission to Australia and New Zealand (NZ)
- **Charlie Pedersen**, President, Federated Farmers of NZ
- **Dr Martin Parkinson**, Head of the Secretariat to the Prime Ministerial Task Group on Emissions Trading
- **Professor Peter Cullen AO FTSE**, Commissioner, National Water Commission
- **Dr Arlene Buchan**, Healthy Rivers Campaigner, Australian Conservation Foundation
- **Phillip Glyde**, Executive Director, Australian Bureau of Agricultural Resource Economics (ABARE)
- **Professor David Hughes**, Centre for Food Chain Research, Imperial College, United Kingdom
- **David Crombie**, President, National Farmers' Federation

The 2007 Agriculture Roundtable Conference provides delegates with an excellent opportunity to network with leaders of Australian agriculture, so avoid disappointment, **REGISTER NOW**.

To register for the Conference, please phone 02 9690 1388 or email stewartc@farminstitute.org.au

Four reasons not to miss the Conference:

- gain insights into strategic issues from leading national and international experts
- join other industry leaders to discuss strategic issues likely to shape the future of Australian agriculture
- network with a select group of agribusiness leaders
- influence the Australian Farm Institute's 2008 Research Program.

What results will water reform deliver?

Australian governments have embarked on an ambitious series of policy reforms in water management over the past decade, with more changes to come.

While there has been strong support for the need for reform, there is little if any understanding of what exactly water reform will achieve. In the August edition of the *Farm Policy Journal*, we ask contributors to spell out exactly what they believe should be the objective/s of water reform.

Professor Shahbaz Khan is the Irrigation Systems research leader within the CSIRO's Water for a Healthy Country Flagship, and Director of the International Centre of Water at Charles Sturt University. His paper notes that major changes in practices, policies and institutions, together with sustainable irrigation management tools, are required to ensure that limited water resources are appropriately managed to increase the productivity of water in irrigated agriculture. The paper provides a generic framework for sustainable management and development of water resources, both to boost the productivity of land and water resources and to conserve the quality of the natural environment. It examines future investment scenarios to meet both food demand and to achieve strategic regional and global food security goals. The paper concludes with an overview of emerging challenges, and the approaches and investment needed to address those challenges.

Leith Boully and her family operate a grazing, dryland farming and irrigation property in Queensland. She is also an Adjunct Professor with the School of Natural Rural Systems Management at the University of Queensland and has a long involvement in water resource management at the local, state and national levels. Her paper notes that since people hold diverse values for water as a resource, water policy and reform in Australia must meet multiple objectives to be seen as successful across communities. The paper argues that these multiple objectives will only be met if there are effective processes to enable people to discover, debate and find solutions to complex problems in water resource management. It concludes that the overarching objective for water reform should be the development of rigorous, adaptive, inclusive, informed and fair processes for managing complex water resource systems.

John Madden is Manager and Senior Economist with Hassall & Associates Australia, an agricultural and policy consulting firm. Together with his colleagues Arthur Buckingham and Jack Knowles, he discusses proposed government investment in irrigation infrastructure to improve the 'efficiency' of irrigation. The paper reviews the objective of the National Plan for Water Security and examines its practical implications for irrigators. It notes that, for the irrigated agricultural sector, the new policy framework means that investment in water delivery infrastructure projects will carry a higher level of risk than in the past, because of the new water trading and pricing frameworks. The paper considers key information requirements to enable government and program participants to make informed investment decisions. It also highlights possible challenges to be explicitly addressed in the planning and assessment processes if the objectives of government and agriculture are to be met.

Alistair Watson is a freelance agricultural economist and former Chief Research Economist of the Australian Bureau of Agricultural and Resource Economics. His paper reviews recent water management reform in Australia and critiques the National Plan for Water Security announced in January 2007. The paper emphasises the difficulties of policy implementation because of the history of irrigation, drought and the powerful interests at play. It also highlights problems caused by carelessness about the meaning of water use efficiency and wishful thinking about expensive engineering solutions, as well as a failure to distinguish on-farm and off-farm effects of irrigation, resulting in unproductive rivalries between states and industries.

Mick Keogh is Executive Director of the Australian Farm Institute. His paper discusses trends in water quality data for the Murray River and their implications for water reform. The paper notes that there is not much objective information as to what 'improving the sustainability of water resources' means in practice, and suggests that, in the absence of more objective targets, there is a real danger that politically-motivated water reform policies could impose enormous economic cost on the nation, and bring about little environmental gain.

The August edition of the *Farm Policy Journal* will be released on 3 September. It can be viewed by members and subscribers, or purchased by non-members, at www.farminstitute.org.au/publications/journal2

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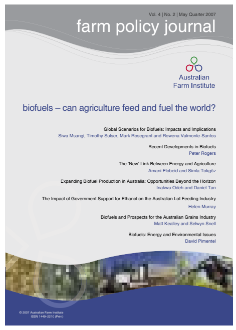

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The New Challenge for Australian Agriculture

The implementation of a greenhouse emissions trading scheme for Australia by either 2010 or 2012 (depending on the outcome of the next Federal election) presents potential challenges and opportunities for Australian farmers and the agriculture sector.

While the exact design of an emissions trading scheme is yet to be developed, sufficient is known to be able to predict with some certainty that farm input prices, particularly fuel and electricity, will increase progressively, and a wide range of other energy-price sensitive inputs (such as chemicals, freight and contracting costs) will also increase in price. The result will be a reduction in the international competitiveness of Australian farming.

There are, however, potential opportunities that may arise for the farm sector to provide greenhouse offsets that may generate income to counteract the anticipated additional costs. To have these offsets recognised within a national emissions trading scheme will, however, require concerted action by farmers and their leaders over the next year.

The Australian Farm Institute has prepared a discussion paper on the subject – *The New Challenge for Australian Agriculture: How do you muster a paddock of carbon?*. This discussion paper has been prepared with the objective of providing Australian farmers with a comprehensive collection of relevant information about this issue, so that they can participate fully in forthcoming debates and ensure that Australian agriculture's international competitiveness is retained. The discussion paper was released on 17 July at the NSW Farmers' Association Annual Conference and is available for purchase by Institute Members for A$33 (Incl. GST) and Non-members for A$55 (Incl. GST).

To place an order, phone Cate Stewart on (02) 9690 1388 or email stewartc@farminstitute.org.au

Australian Farm Institute

Suite 73, 61 Marlborough Street
Surry Hills NSW 2010
T 61 2 9690 1388
F 61 2 9699 7270
E info@farminstitute.org.au
W www.farminstitute.org.au