3 FEATURE ARTICLE

The ETS proposals outlined in the Green Paper are designed to give effect to the government’s commitment to reduce annual Australian greenhouse emissions by 60%, so that 2050 emission levels are only 40% of those recorded in 2000. This means that over the next forty years Australia aims to reduce net greenhouse emissions by approximately 1.5% of current levels, or around 8 million tonnes CO2-e per year, every year. This may not sound like a big task, but bear in mind that were it not for the 40% reduction in greenhouse emissions from agriculture over the past eighteen years, current Australian annual greenhouse emissions would be approximately 140% of 1990 emissions, and growing by more than 1.5% every year.

The Green Paper notes the significant difficulties associated with measuring and monitoring the greenhouse emissions that are attributed to agriculture. This is because agricultural emissions arise from a range of different sources including livestock, fertilisers, soils, pasture and crop burning and the breakdown of manure and urine. These emissions are produced on an estimated 150,000 farm businesses, which collectively account for 15.6% of total Australian emissions. In contrast, just 1000 businesses that will be required to be direct participants from the inception of the ETS, collectively account for an estimated 75% of national emissions; and are therefore a much more administratively efficient ‘target’ than businesses in the agriculture sector.

One option canvassed in the Green Paper is that, rather than direct ETS participation by farm businesses, the point of obligation for farm emissions could be transferred upstream (to abattoirs, grain merchants and dairy processors) and downstream to input suppliers such as fertiliser manufacturers. While administratively efficient, this proposal would make it very difficult for farmers and processors alike to find ways to reduce emissions, and would effectively amount to a tax on farm businesses.

2 INSTITUTE ACTIVITIES

A brief overview of the Institute’s key activities from May to July.

7 FOLLOWING ON

A look at further developments on issues the Institute has researched. In this edition, we are following on from the research report Agricultural Development in Argentina and Brazil: Emerging Trends and Implications for Australian Agriculture and assessing how far the two countries have come.

8 FARM POLICY PROGRESS

A review of farm policy developments within Australia and internationally. In this edition: AOAD; African agriculture reforms; Problems within EU ranks; Doomed WTO talks; US and EU must reconsider biofuel policy; World food prices wake-up call for Asian agriculture; Sichuan earthquake devastation; Presidential candidates opinions on US farming.

10 INSTITUTE RESEARCH AND EVENTS

A brief overview of the Institute’s most recently completed Research Report – Estimating the Value of Environmental Services Provided by Australian Farmers, using case studies to quantify the economic value of environmental benefits created by changes in farm management practices.

11 FARM POLICY JOURNAL

The August edition of the Farm Policy Journal examines the current challenge of agriculture training and skills.
Out and about

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

• The Beef Improvement Association (BIA) National Conference in Ballarat
• The Bestwool/ Bestlamb – ‘fEWEture Farming meeting the Challenge Conference’ in Bendigo
• The University of Sydney, Faculty of Agriculture, Food and Natural Resources, Faculty Symposium on Climate Change
• The University of Western Australia’s Institute of Agriculture’s Food and Agriculture Lecture Series.

Corporate Support

The Institute would like to welcome Agricultural Appointments as its newest Corporate Member.

For more information on how you can support the Institute’s work (individual and corporate opportunities available) please contact the Institute on (02) 9690 1388 or visit the website www.farminstitute.org.au

AFI welcomes new Board and Research Advisory Committee Members

One of the Institutes founding Directors, Mal Peters, decided to retire from the Board, and Mr. David Anthony, Managing Director and CEO of Auscott Limited has been appointed to replace him. Mal had an instrumental role in the establishment of the Institute and his enthusiasm and commitment has been a great asset. Other Institute Board members thanked Mal for his efforts over the last five years.

David Anthony brings a wealth of agribusiness and corporate experience to the Institute Board, as well as considerable experience in industry representative and research organisations. He is currently chair of the Cotton Catchment Communities Cooperative Research Centre, and involved in a number of government advisory bodies.

A change has also occurred in the membership of the Institute’s Research Advisory Committee. Shaughn Morgan, CEO of the NSW Farmers’ Association has decided to stand down from his position on the Committee. The Board expressed its thanks and gratitude to Shaughn for his important contribution to the Institute over recent years. Shaughn has been replaced by Alan Brown. Alan is currently a Vice-President of the NSW Farmers’ Association, and involved in a farm business based at Tarcoola in southern NSW. He brings a wealth of practical knowledge and experience to the role.

Call for Papers


If you are interested in submitting a paper, please contact the Institute on (02) 9690 1388 or email info@farminstitute.org.au
The design of the greenhouse emissions trading scheme (ETS) proposed by the Australian Government is by no means finalised, with several iterations of consultation yet to occur, and the necessary legislation facing a somewhat precarious passage through the Senate in 2009. Nevertheless, the conflicting political interests converging on and surrounding the legislation mean that there will only be limited room for design changes, and it is probably more likely than not that the scheme that commences in July 2010 will largely reflect the preferred option spelled out in the recent Green Paper. For Australian agriculture, a large range of uncertainties persist, and it will be some time before these are resolved.

The Green Paper proposal

The ETS proposals outlined in the Green Paper are designed to give effect to the government’s commitment to reduce annual Australian greenhouse emissions by 60%, so that 2050 emission levels are only 40% of those recorded in 2000. This means that, irrespective of the shorter-term targets that will be set, over the next forty years Australia aims to reduce net greenhouse emissions by approximately 1.5% of current levels, or around 8 million tonnes CO2-e per year, every year. This may not sound like a big task, but bear in mind that were it not for the 40% reduction in greenhouse emissions from agriculture over the past eighteen years, current Australian annual greenhouse emissions would be approximately 140% of 1990 emissions, and growing by more than 1.5% every year.

Under the Green Paper proposals, those businesses that are currently estimated to be directly emitting more than 25,000 tonnes of carbon dioxide equivalents per year will be required to participate in the ETS. This means that those businesses, first and foremost, need to prepare and lodge with the government an annual greenhouse emissions statement that details the net emissions generated by that business over the preceding twelve months. The legislation underpinning this requirement was passed by the parliament with little fanfare in August 2007, and that legislation also specifies the standard greenhouse calculation methodologies to be used by those businesses. The Green Paper proposes that large emitters (those emitting more than 125,000 tonnes CO2-e per year) would need to have their returns audited by a third party, while smaller emitters would not face this requirement but would face the potential of random audits, as is the case under current Australian taxation legislation.

There are estimated to be approximately 1000 businesses Australia-wide that will need to comply with this legislation. This group includes electricity generators, metal refiners, cement manufacturers and other large direct users or emitters of energy. Importantly, this group also includes bulk fuel distributors, which will be made responsible for the emissions that the fuel they distribute is estimated to create when it is combusted in motor vehicles and machinery.

The sum total of all the emissions that are estimated to be created by these 1000 direct participants in the ETS provide the government with its starting point in its efforts to reduce these emissions. Based on published data, this group’s total emissions are probably approximately 430 million tonnes CO2-e per annum. The government will enact legislation making it illegal for any of these businesses to emit greenhouse gases without a volume of government-issued emission permits (Australian Emission Units or AEUs) that are equal to their total volume of emissions.

AEUs, which will enable the emission of one tone CO2-e of greenhouse emissions, are the ‘currency’ of the scheme. The government will determine what aggregate volume of emissions will be the upper limit or ‘cap’ for all ETS participants collectively for a particular year, and will then make that volume of AEUs available for sale. For example, if the government determines that a reduction of 1% in total emissions is required in the first year, then it will only make available 426 million AEUs for that year.
It is proposed that ETS participants will be required to bid at quarterly government permit auctions to obtain the AEUs they require each year, and these will also be tradable in the same way that shares in publicly-listed companies are. It is anticipated that futures and options markets will also develop as part of the trading environment for permits.

The Green Paper proposes that up to 30% of annual AEUs will be given for free to the most trade-exposed and emissions-intensive ETS participants to compensate for the reduced international competitiveness of these businesses, but this will be phased out post-2020.

The AEUs will have a single year vintage (ie a specific batch of 2011 AEUs will be issued for use in 2011). These will be able to be banked (ie unused 2011 AEUs carried forward for use in future years) but limits (a suggestion is 5% of total permits surrendered) will be placed on the volume of future-year AEUs able to be borrowed for use in a current year. At the end of each year, ETS participants will have six weeks to complete and submit their annual greenhouse emission return, and surrender a volume of AEUs equivalent to their total emissions.

There has been much commentary about the potential price of an AEU. This is a great unknown aspect of the ETS, and something that will be largely determined by the market rather than by government. Some indication may be obtained from the current price of greenhouse emission permits under the European Union ETS scheme, which are approximately $40 per tonne CO2-e. The proposed Australian ETS will have a broader coverage and will have forestry recognised as sequestration, which is not the case in the European Union ETS. This could mean that permit prices in Australia may be lower during early stages of the scheme. While the price of AEUs will largely be determined in the marketplace, the government has proposed a price-cap in the first two years to keep some upper limit on initial permit prices.

An important determinant of AEU prices will be the emission trajectory established by the government over the initial years of the ETS. As noted earlier, the real trend in Australian emissions over recent years has been annual growth of more than 1.5%, so even an initial emission trajectory that aims to cap total emissions at current levels will be a quite aggressive emission reduction target, and will signal that ETS permit prices are more likely to be closer to $40 than $20 per tonne CO2-e. The Green Paper proposes that scheme caps would be set for a minimum five year period, with forward caps extended by one year, every year, to ensure the market is always aware of caps five years in advance.

Involvement of agriculture

The Green Paper notes the significant difficulties associated with measuring and monitoring the greenhouse emissions that are attributed to agriculture. This is because agricultural emissions arise from a range of different sources including livestock, fertilisers, soils, pasture and crop burning and the breakdown of manure and urine. These emissions are produced on an estimated 150,000 farm businesses, which collectively account for 15.6% of total Australian emissions. In contrast, just 1000 businesses that will be required to be direct participants from the inception of the ETS collectively account for an estimated 75% of national emissions, and are therefore a much more administratively efficient ‘target’ than businesses in the agriculture sector.

Given the administrative requirements of direct ETS participation – in particular the need for each participating business to calculate net annual emissions and submit an annual greenhouse emission statement to government – it is perhaps not surprising that it is not proposed that agricultural businesses will be required to be ETS participants from 2010. However, the Green Paper (and several earlier discussion papers) proposed that agricultural businesses should be required to be ETS participants from 2015, with a final decision to be made in 2013. This timing is significant, as the Kyoto Protocol (and its associated greenhouse emission accounting rules) expires in 2012, and the possibility exists that a subsequent multilateral climate change agreement (Kyoto Protocol 2) may incorporate different greenhouse accounting rules, which is an issue of considerable importance for agriculture.

One option canvassed in the Green Paper is that, rather than direct ETS participation by farm businesses, the point of obligation for farm emissions could be transferred upstream (to abattoirs, grain merchants and dairy processors) and downstream to input suppliers such as fertiliser manufacturers. While administratively efficient, this proposal would make it very difficult for farmers and processors alike to find ways to reduce emissions, and would effectively amount to a tax on farm businesses.

Optional involvement of forestry

The Green Paper proposes that ETS participation will be optional for the forestry sector, and this has important implications for farm businesses. The definition of forestry proposed is that adopted under the Kyoto Protocol (Kyoto forests are land that was not forest on 1 January 1990, which has since been planted to trees and is more than 0.2 ha in extent, has more than 20% crown cover and contains trees capable of growing more than 2 metres in height). The optional involvement of forestry means that owners of existing plantation forest areas can elect not to participate, and those forests
will be able to be harvested without incurring an ETS emission liability. Alternatively, owners of forests planted specifically as permanent carbon sink forests can elect to become ETS participants and be allocated AEUs equivalent in volume to the net volume of greenhouse gases sequestered in the growth of their forest area each year.

The proposed methodology for forestry participation is that those owners of eligible post-1990 forest areas (including forest areas on farms) will be able to elect to become direct participants in the ETS, and operate within the same arrangements as other direct participants – mainly large direct emitters. That is, owners of these businesses would be required to prepare an annual greenhouse emissions statement detailing the calculated net emissions and sequestration of greenhouse gases by that business during the year. In the case of a mixed farm/forestry business, only the forestry-related emissions and sequestrations would need to be counted, with agricultural activities ‘zero-rated’.

As the net emissions from growing forestry areas will usually be negative (ie more greenhouse gases sequestered than emitted) these business owners will be given a volume of AEUs equivalent to the net volume of greenhouse gases sequestered for that year. This volume of AEUs given to owners of carbon sink forests will be in addition to the number of AEUs made available by the government to other ETS participants under the cap.

While ever the forest plantation is actively sequestering greenhouse gases, each successive annual greenhouse return (there is a suggestion in the Green Paper that forestry returns may only need to be submitted every five years unless a major change has occurred) submitted by the owner of the forestry business will result in the allocation of more AEUs to the owner of that business.

If, however, the area of forest is thinned, or harvested, or damaged by fire, and the resulting loss of trees is reflected in net greenhouse emissions in the next annual emissions statement submitted by the business owner, then there will be an obligation to either surrender some of the AEUs generated in earlier years to meet this obligation, or for the forest owner to buy sufficient AEUs in the market to meet this obligation.

Some issues associated with participation by owners of forestry areas are highlighted in Figure 1. In

**Figure 1.**
A scenario for a one-hectare area of forest land, planted in 1990. The red line shows the progressive tonnage of CO2-e being sequestered per hectare, over time. If the owner elects to participate in the ETS in 2010, a total of 101 AEUs per hectare will be generated between 2010 and 2022. If a subsequent event (such as a bushfire) destroys most of the trees, the owner could face a liability of 436 AEUs per hectare, a volume much greater than that accumulated.
this scenario, the owner of an area of forest planted post 1990 becomes a participant in the scheme in 2010, but due to the relative maturity of the plantation is only able to accumulate an additional 101 tonnes CO2-e per hectare (101 AEU s) over the period to 2022. At that time, a large bushfire is assumed to destroy much of the forestry area. Depending on the accounting rules used, as a result the owner of the forestry area could face a liability of 436 tonnes CO2-e per hectare (436 AEU s) as a result, a volume much greater that the volume of AEU s the forestry area has generated. International greenhouse accounting rules prevent emissions liabilities being greater than sequestration for a given area of forest, but whether or not this will be the case for the Australian ETS, and in particular after 2012 is not clear. It is also obvious from Figure 1 that those who planted trees in the early 1990s will be disadvantaged relative to those planting new areas of trees, and it follows that those owners of areas of forested land who can legally clear trees will have an incentive to do so, before entering into the ETS scheme as a new participant. These anomalies will clearly need to be addressed in the further refinement of the design of the ETS, with a logical solution being that all post-1990 forestry areas be credited with the full volume of sequestration that has occurred on that land post-1990.

Implications for agriculture

The design features of the ETS are not yet finalised, however the proposals in the Green Paper confirm most of what has been anticipated in relation to the ETS. The key issues for agriculture are detailed below.

Emission accounting rules. The Green Paper proposes that the ETS should utilise international greenhouse emissions accounting rules including those negotiated under the Kyoto Protocol. This means that for Australian agriculture, gross rather than net emissions are counted, making the sector appear to be a much larger net emitter than is actually the case, and greatly limiting future mitigation options. Unless changes to these rules can be negotiated in international forums, they have the potential to seriously disadvantage Australian agriculture. In addition, these rules mean that there will be only a limited range of agricultural activities that will be able to be recognised as greenhouse mitigation activities.

Forestry incentives. As the above example illustrates, the ETS will create increased incentives for new areas of plantation forestry, and also potentially create perverse incentives to remove any clearable areas of post-1990 trees. This will result in new competition for agricultural land, and unless transaction costs associated with ETS participation are minimised, will create incentives for whole-of-farm plantations, rather than smaller areas. This has significant long-term landuse implications.

Agricultural input costs. The implementation of the ETS will result in increased costs for energy and energy-related farm inputs. The Green Paper indicates, for example, that an AEU price of $20 will result in a 16% increase in electricity prices, and a 9% increase in the cost of gas and other household fuels. Given that $20 per tonne is considered by many to be a relatively low emissions price, it could be anticipated that fuel and energy prices will increase by more than this amount as a consequence of the ETS within a limited number of years, and Australian agricultural businesses have virtually no ability to pass these costs on, given the sector’s exposure to international markets. Many competitors in those international markets are developing nations, where agricultural producers and processors will not incur an emissions price for many years.

The result will be a progressive reduction in Australian agricultural competitiveness, but the Green Paper does not address this issue at all. The only adjustment or compensation measures proposed in the Green Paper relate to those businesses that will be direct participants in the ETS.

Agriculture as a covered sector. The continuing uncertainty about the future direct participation of agriculture in the ETS has a number of implications that require consideration. If agricultural businesses may become future ETS participants, then farmers would have an incentive to immediately participate as a forestry enterprise (with either existing post-1990 plantations or new tree plantings) in 2010, as this will provide some opportunity to accumulate AEU s that may be needed (and which will presumably be more valuable) in the future. Farmers would then have the option of holding these permits against a potential future liability, or selling them if AEU market prices are high. This ‘pool’ of uncommitted AEU s could act as a dampener on future AEU price increases, but will also create an element of uncertainty for governments in defining annual scheme caps.

In conclusion, while the Green Paper has progressed understanding of a number of issues, there is still considerable uncertainty for owners of agricultural businesses, and these will take some time to be resolved.
Argentina and Brazil

In October 2005 the Farm Institute released a Research Report which outlined the rapid economic and agricultural development that saw Argentina and Brazil emerge as significant competitors in global agricultural markets through the previous decade. Potential strategies and responses for the Australian farm sector were also analysed. But have Argentina and Brazil lived up to their export potential?

Argentina

Limitations to farm sector expansion in Argentina identified by the Research Report were disease concerns and economic stability of a national economy still recovering from crisis in 2001. Argentina has been plagued by domestic issues following the introduction of a tax program for agricultural exports, which the government implemented in March 2008; without congressional approval. The measure tied export taxes on crops to global commodity prices, and as a result the tax on soybean exports rose to more than 44%; a move the government insisted was necessary to finance social programs for the poor and help stem inflation.

Argentina’s farmers mounted protests against the taxes claiming they squeezed profit margins. Blockading major roads and cutting off grain exports, they carried out a series of protests which saw food shortages in the provinces; while in Buenos Aires there were reports of government-imposed food restrictions and food prices rising by up to 30 per cent. On 18 July 2008, after nearly 18 hours of debate, the Senate rejected the increases in the agricultural export tax, by a narrow 37 to 36 votes. Earlier in the month, the lower house of Argentina’s Congress approved the export tax system with a 129–122 vote margin. In the wake of the vote, Cabinet Chief Alberto Fernandez resigned as did Argentina’s Agriculture Minister Javier de Urquiza. The unrest has taken its toll on Argentina’s economy; with Barclays Capital lowering its 2008 and 2009 GDP forecasts as slowing investment and accelerating inflation add to the country’s economic issues, stating the economy will grow 5.5 per cent in 2008 and only 2 per cent in 2009. Confidence in Argentina’s government to resolve the economic problems has also been damaged as a result of the conflict, as has its reputation as a reliable supplier in the international market.

Brazil

Brazil’s natural resources, large areas of undeveloped and potentially arable land, and rapid investment in agricultural development make it an obvious source of competition to Australian agricultural products. However the October 2005 Research Report noted significant potential impediments to the continued growth of Brazil’s agriculture sector. Domestic policy was recognised as one of the major factors, with the Report stating without further reforms it is possible that the Real (Brazil’s currency) will collapse. While the 1999 financial collapse has not been repeated, significant government debt in Brazil continues to down grade growth forecasts. High interest rates have long been a feature of Brazil’s economic landscape. Large public debt and associated interest payments weigh heavily on the national budget, and recent rising food costs and record consumer demand have seen inflation accelerate. In June 2008 Brazil’s central bank increased interest rates from 11.75 per cent to 12.25 per cent in an attempt to curb increasing inflation. As a result of the half-point rise, Brazil’s real interest rate is 7 per cent, the highest among the world’s leading economies.

Infrastructure was also noted as one of the major constraints to expansion of Brazil’s agriculture sector. This issue has been somewhat aided through public-private-partnerships, with Brazil the main recipient of foreign direct investment in the Latin American and Caribbean regions; receiving US$34.6 billion in 2007. The major threat posed by Brazil to Australia’s farmers remains its beef production capacity. Currently the two countries are not direct competitors in the global beef market, however given Brazil’s demonstrated ability to overcome production issues, Australian farmers would be wise to monitor the sector’s development.

Conclusion

As identified in the Research Report, Australia’s competitive advantage lies in actions that enhance customer loyalty and reputation of product. Infrastructure, disease and quarantine status, and training and education standards remain Australian agriculture’s greatest weapons in the fight to maintain market share. While Argentina may not be a competitive threat to Australia in the short-term, Brazil will certainly continue to be a formidable player in the international market; particularly for beef.
A summary of international farm policy developments

Arab Organisation for Agricultural Development

An official report released by the Arab Organisation for Agricultural Development (AOAD) has said that Arab states need to agree on a common farm investment policy in order to take advantage of the huge amounts of arable land which are available in the area. Concerns were also raised that the reliance on food imports was a threat to security.

However in order for a common farm investment policy to be achieved there are numerous political rifts within the area that need to be overcome. It is believed that recent high world food prices will provide extra incentives for Arab nations to become self-sufficient, however the likelihood of a unanimous agreement remains uncertain.

The AOAD report revealed that Arab nations currently rely on imports for most farm products, including staples such as wheat, rice and other cereals. This is set to worsen due to Saudi Arabia’s decision to stop growing wheat and instead rely on imports (the country plans to be completely reliant on wheat imports by 2016). This is largely due to the drain on the country’s limited water resources, created when growing wheat.

African agriculture reforms

The Kofi Annan led Alliance for the Green Revolution in Africa (AGRA) met in Nairobi in early July to attempt to develop applicable policies that will help Africa during this time of high fuel and food prices. Small-scale farming was one of the policies discussed in great detail during the two day meeting.

The goal of the meeting was to assist countries to develop policies that encouraged small-scale farmers to grow more food and hopefully ease widespread hunger in the region. Dr Namanga who is the AGRA President said that he hoped the strategic directions outlined at the conference would help to guide countries in the development of policies.

All agreed that the centre of debate on policies for African agriculture needed to move from Washington to Africa. AGRA believed that this was a crucial step in building African policy development.

Problems within the ranks of the EU

European Union Trade Commissioner Peter Mandelson has publicly criticised Nicolas Sarkozy, saying the French President undermined him. This came after President Sarkozy condemned the EU’s current stance on agriculture. Mr Sarkozy disagreed with cutting of the EU’s agricultural subsidies and tariffs, which forms a crucial part of the EU’s common agricultural policy (CAP). The French President’s comments added yet another complication to the world trade talks which Mandelson was engaged in, on behalf of the EU.

The CAP currently accounts for a huge 45% of the EU’s total budget, with most of this paid in subsidies to farmers. The French aren’t the only ones critical of the current EU CAP. The Danish Agriculture Minister Eva Kjer Hansen said in a recent interview with euronews, that the CAP needs to undergo further review. In particular he thought that the EU needed to rethink its position on Genetically Modified Organisms (GMO). He also said that in light of the recent high food prices, all restrictions on production should be lifted. Finally it appears that the Danes also believe current farm subsidies need to undergo change, with many thinking that this money should instead be used to reward farmers for ‘taking care of nature’ (ie using environmentally sustainable farm practices).

Doomed WTO talks

Ministers from 35 key nations began talks in late July in Geneva as part of the multilateral negotiations under the Doha Development Agenda. Many hoped these talks would provide an end to the ongoing deadlock; it was also hoped that rising world food prices would give a new urgency to the situation, thus encouraging some progress to be made.

The US and EU offered to cap their current farm subsidy programs in return for developing nations making concessions in opening up the trade barriers for manufactured goods. Developed and developing nations have repeatedly clashed since to talks began in Doha in 2001. This time round, developing nations argued that they should be allowed to increase their current farm subsidies due to current food security concerns.

India appears to be the main object of criticism from the US and the EU; Indian Prime Minister Manmohan Singh said that whilst India supports free trade, his number one priority was to protect the livelihoods of the country’s millions of small farmers. Prime Minister Singh pointed out that in developed countries it is only 2–3% of the population that is dependent on agriculture. India on the other hand, has
over 60% of its population dependent on agriculture. These conflicts are perhaps reflective of the negotiations in general, with all countries on the surface being committed to free trade, but only as long as the terms are beneficial to them.

After nine days of negotiations talks broke down. At the moment it is unknown when talks will resume, although many believe that it won’t be until a new US President is elected, and even then it will be a long, drawn out process.

US and EU must reconsider biofuel policy

Europe and the US must reconsider their biofuel policies. This was the key message from the international conference on food supplies held at the European Parliament in Brussels on 3 July 2008. Aid officials and food policy experts who attended the conference warned that current biofuel policy is only going to worsen recent high food prices. They also pointed out that current policies by some countries to restrict their country’s agricultural exports will create huge food access issues.

Farming in developing countries was also high on the agenda, with many worried that the current price hike in the world fertiliser market had made it extremely difficult for farmers to increase their agricultural output. Aid officials said that it was the responsibility of developed countries to provide monetary aid to allow developing nations to increase farm productivity.

According to the UN food agency the number of hungry people increased from 50 million to more than 850 million in 2007. John Holmes, UN undersecretary for humanitarian affairs said that the EU needs to look at its plan for biofuels to fuel 10% of cars and trucks by 2020. Joachim von Braun, head of the International Food Policy Research Institute said that the EU and the US must ‘correct political errors’ which they made when implementing current biofuel policies without properly researching the effects they would have on food supplies.

World food prices provide a wake-up call for Asian agriculture

Rising world prices have provided a much needed wake-up call for Asian agricultural policymakers. Agriculture has long been neglected in the region, but current rising food prices have led many governments to look at the problem in detail. Experts in the area have advised governments that the best way to deal with the price rises is to increase agricultural productivity, which will mean that consumption is better satisfied and farmer’s incomes will also increase.

The Philippines, which is the world’s largest rice importer, recognised the need to invest in agriculture by implementing policies that subsidised fertiliser purchase, helped to rehabilitate irrigation systems and post-harvest facilities. Additionally a new high-yielding rice variety has been introduced in the area in another effort to increase productivity.

Sichuan Earthquake has devastating effect on the region’s agriculture

The devastating earthquake in China’s Sichuan province in May caused damage of up to $US6 billion to the region’s agriculture, according to the United Nation’s Food and Agriculture Organisation (FAO).

The FAO went on an assessment mission in June and found that more than 30 million people in rural communities in the area lost most of their assets. In addition to this thousands of hectares of farmland were destroyed and millions of farm animals killed. It is estimated that a rebuilding effort will take three to five years.

Perhaps most worryingly, 20,000 ha of seed growing areas in Sichuan which produce up to 20 per cent of China’s rice have been badly hit by the earthquake. It is likely that the earthquake will have an effect on not only the current food crop within the region but also future ones. In order to get back on track the area will need urgent provision of fertiliser, pesticides, farm tools, machinery and livestock.

Presidential candidates offer opinions on US farming

The American Farm Bureau Federation recently invited presidential candidates Barrack Obama and John McCain to speak by teleconference to their Council of Presidents meeting in Washington.

Mr McCain’s emphasis was on his belief in trade agreements which would open up American agriculture to the world. Mr Obama on the other hand expressed his support for the Farm Bill. He went on to say that he would have liked to have seen further reform with the new Farm Bill, but he did believe that on the whole the Bill did more good than harm. Areas which Mr Obama was particularly happy with included the increased funding within the Bill to fight hunger and increase conservation efforts; additionally he believed that the Bill provided farmers with much needed stability in an increasingly volatile market.

Agriculture’s ability to fulfil America’s energy needs was a topic which was also discussed, with both presidential candidates saying that America was looking to agriculture to help make the country energy independent. Both Mr McCain and Mr Obama agreed that there was a definite need for immigration policy reform in order to overcome the current labour crisis facing agriculture.
Environmental Value Report released

Changes in management practices over recent decades in Australia have made the farm sector more sustainable, and also delivered billions of dollars worth of environmental services for the community, but the value of these environmental services to the community is not recognised.

This is the key finding of research released on Monday 28 July, which was carried out by Gillespie Economics and Professor Jeff Bennett of the Australian National University for the Australian Farm Institute, with joint funding from Dairy Australia and Australian Wool Innovation.

The research aimed to explore the economic value of environmental services provided by farmers for the wider community, by using more than ten case studies of changes in farm management practices to quantify the changes in environmental outcomes and to place an economic value on the benefits of those changes.

Environmental services provided by Australian farmers include: biodiversity conservation; protection of water resources; soil formation and protection; nutrient storage and recycling; pollution breakdown and absorption; climate stabilisation; pest control; and the conservation of potential future bioresources.

A case study examining changes implemented by dairy farmers to revegetate 13,000 kilometres of riverbanks, for example, was estimated to have resulted in improvements in water quality and biodiversity conservation that have an economic value of $4.9 billion.

A second case study examined the environmental service benefits generated by farmers in northern NSW adopting conservation tillage practices. The reduction in siltation and nutrient runoff into major waterways and improved soil conservation was valued at $1.2 billion.

Due to deficiencies in available data, this research was unable to estimate the monetary value of the provision of environmental services across all rural sectors. However, sufficient data is available to be able to identify the significant economic value of environmental services provided by businesses in each of the major industry sectors.

The issues raised by the report were discussed in detail at a half-day seminar in Canberra. Also speaking was Emeritus Professor Bob Douglas, AO, Chair of Australia21, a foundation which examines strategic issues for Australia, and which has recently completed a major project to develop an ecosystem services strategy for Australia.

To get a full copy of the report – Estimating the Value of Environmental Services Provided by Australian Farmers, go to the website or call Tracey Bligh on (02) 9690 1388.

Conference Proceedings for Agriculture, Greenhouse & Emissions Trading Summit

Over 100 participants from the agriculture sector attended a summit convened by the Australian Farm Institute in April, to discuss the role that Australian agriculture should play in the national emissions trading scheme (ETS) that will be implemented by the Australian Government in 2010.

A variety of speakers from many different areas spoke at the summit including: Blair Comley (Department of Climate Change), Dr Brian Fisher (CRA International), Cher Brethour (George Morris Centre, Canada), Charlie Pederson (Federated Farmers of New Zealand), David Crombie (National Farmers Federation), Dr Michael Robinson (Land & Water Australia), Beverley Henry (Meat & Livestock Australia), Dr Richard Eckard (Melbourne University) and Dr Tingsong Jiang (CIE).

The proceedings from the Summit are now available – please call Tracey Bligh at the Institute (02) 9690 1388 or go to www.farminstitute.org.au to find out more.
Agriculture Training and Skills

The mining boom, the drift of the Australian population to the coast and major cities, and the impact of the recent drought have all been cited as factors leading to labour shortages in agriculture. The longer term challenge of finding suitably skilled people to work in agriculture is a growing problem, especially at a time when the level of technology used in agriculture is growing rapidly and giving rise to a need for better trained and educated workers in the sector.

The August 2008 edition of the *Farm Policy Journal* will contain a series of papers seeking to provide answers on these challenging issues.

Professor Jim Pratley, PhD, BSc, is Research Professor of Agriculture at Charles Sturt University and Secretary of the Australian Council of Deans of Agriculture. Employed at CSU since 1972, he was Foundation Dean of Science and Agriculture at from 1990 until 2006. He is a former President of the Australian Society of Agronomy and former Vice President of the International Allelopathy Society. He has served on the Boards of the Cooperative Research Centres of Viticulture, Sustainable Rice Production, Weed Management Systems and Plant Based Management of Dryland Salinity. He is a member of the AFI Research Advisory Committee and the NSW Primary Industries Minister’s Science Council.

In the August edition of the Journal Jim has contributed to two articles. The first looks at the increasing gap between number of jobs available in agriculture and the small number of university graduates who can fill them. The article also examines how wider community perceptions of agriculture influence career choices. The second article, which is written in conjunction with Professor Les Copeland, looks at the declining number of university students enrolling in agricultural related courses, the article looks at the possible effects that this decline may have.

Professor Les Copeland, PhD, BSc, is Professor of Agriculture in the Faculty of Agriculture, Food and Natural Resources in the University of Sydney. At USyd since 1974, he was Head of the Department of Agricultural Chemistry and Soil Science from 1993 to 2000, and Dean of the Faculty of Agriculture, Food and Natural Resources from 2001 to 2007. He is a member of the AFI Research Advisory Committee and of the Editorial Board of Plant Science; he was the inaugural President of the Australian Council of Deans of Agriculture; is a Fellow of the Royal Australian Chemical Institute; a Fulbright Fellow at the University of California; and a Visiting Fellow in the Australian National University.

Dr Sandra Welsman, PhD Law, M.HEd, BSc, is Principal of Frontiers Insight Pty Ltd. Her career has included senior roles and directorships in wool, meat, energy resources, defence, water and electricity industries, and in the education sector as founder of the Australian Centre for Agriculture and Law. Since the 1990s, Dr Welsman has progressed strategic planning and performance reviews, and regulation issues analysis including for agricultural industries and education enterprises. She instigates projects at interfaces of industry, research and tertiary courses, including as Founding Director, The Centre for Regulatory Science, Law and Markets. Her article examines solutions to the current labour shortages, including where labour could be sourced and how training could increase potential workers’ utility.

Garry Tongs is an agrifood National Industry Career Specialist with Rural Skills Australia. His background is in primary industry export inspection human resource development and in policy areas, having been with the Federal Department of Primary Industries through the 70’s, the Bureau of Agricultural Economics and the Export Inspection Service. He also has a background in vocational education and training, from the development of traineeships in the mid-80’s to the introduction of competency-based training and VET in Schools. His article describes ‘actions’ designed to attract young people into agricultural careers and improve perceptions of the industry.

Federated Farmers is New Zealand’s leading rural sector organisation, the organisation represents farmers and rural families around the country. A network of 24 provinces, together with associated area networks or branches, provides a locally based, democratic organisation that gives farmers a collective voice nationally and within each province. With seven industry groups representing the specific interests of meat and fibre, dairy, goats, rural butchers, beekeepers, high country, and grain and seed farmers, the Federation covers a broad spectrum of the rural community. The article which it is contributing talks of the New Zealand experience and solutions which they have created within their country to deal with the lack of suitably skilled labour.

The August edition of the *Farm Policy Journal* will be released in early September. It can be viewed by members and subscribers, or purchased by non-members, at www.farminstitute.org.au/publications/journal2
The Australian Farm Institute is holding its Annual Roundtable Conference at Hotel Realm in Canberra. The Conference provides 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 brings together 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 starts with a dinner on Monday 10th November and will continue the following day (Tuesday 11th November) with a program of speakers from all aspects of the agricultural sector, from policy-makers to those involved in the corporate agriculture sector. As well as providing attendees with expert insights into strategic issues, the Conference also gives the Institute’s research committee valuable guidance on issues for future research.

To register your interest, or to find out more call Tracey Bligh on (02) 9690 1388 or email her at info@farminstitute.org.au

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