Global farm support levels: Australians get a great deal from their farm sector

If the smallest hint emerges that Australian Government policy might provide even the slightest concession to Australian agriculture, media commentators, opinion writers and economic pundits emerge out of the woodwork to pen lengthy diatribes about the flood of taxpayer money being wasted on farmers.

Yet the reality, as measured by countless international comparisons, is that Australians get a very good deal out of their farm sector. The level of support provided by taxpayers and consumers to Australian farmers is virtually the lowest of any nation around the world. The Organisation for Economic Cooperation and Development (OECD), for example, reports that Australian farmers receive approximately 6 per cent of their annual income as a consequence of government support measures – the second lowest level of farm support of any developed nation, and a level of support that is lower than that received by farmers in many developing nations.

During the last few years the OECD reports that farm support levels in Australia have increased slightly – a result that’s hardly surprising given the extended drought that has been experienced in south-eastern Australia. Yet a detailed analysis of the OECD data suggests that reported farm support levels for Australia may be overstated by as much as a third, further reinforcing the notion that Australian farmers are amongst the least subsidised of any farmers around the world.

The feature article in this edition of Insights takes a closer look at comparisons of farm support levels around the world.
Out and about

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

- Australian Pork Limited Delegates’ Forum, Sydney
- Clyde Agriculture – Board presentation
- Cotton CRDC CPRS day
- Cotton Industry Forum, Haymarket
- Eastern Riverina Landcare Network – Carbon in temperate farming systems, Henty & Lockhart
- Edge Management – CPRS Conference & workshop, Dubbo
- Liberal Party Rural Committee, Canberra
- Marcus Oldham College
- Monaro Farming Systems Climate Change conference, Nimmitabel
- NFF National Conference, Brisbane
- NSW Dairy Industry Conference, Manly
- NSW DPI webinar on emissions trading
- NSW Farmers’ Association Annual Conference
- NSW Farmers’ wool forum, Queanbeyan
- PAWD Annual Conference (Pastoralists’ Association of West Darling), Broken Hill
- RIRDC, Canberra
- RIRDC Rural Womens Conference, Canberra
- Victorian Stud Merino Breeders, Bendigo

Corporate support

The Institute would like to welcome AgForce as our 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

In the news

A presentation by the Institute at the National Farmers Federation’s National Congress on the issue of food security prompted stories in The Age, The Weekly Times and Rural Press. Matt Cawood from Rural Press also featured the May quarter edition of the Farm Policy Journal in his article ‘Farmers told go north, but not with wheat’.

The Institute’s online forum discussing climate change policy and agriculture has attracted strong interest. The Australian Financial Review featured a comparison of US and Australian proposals for emission trading quoting the AFI website post on the topic.

In addition, the Institute has been quoted in The Weekly Times regarding the farmers’ basket website to reveal prices paid to farmers for fruit and vegetables, ABC Radio regarding US emission trading plans, and Rural Press on the topic of forestry plantations and climate policy.

Call for papers

The November 2009 edition of the Farm Policy Journal focuses on eco-marketing. The deadline for papers is 5 October 2009.
Global farm support levels: Australians get a great deal from their farm sector

Mick Keogh, Executive Director, Australian Farm Institute

A recent OECD report on world farm subsidies estimated that Australian farmers received approximately 6 per cent of their average income in 2008 as a result of government support measures. However close analysis of the OECD farm support estimates reveals that reported levels for Australia are overstated, and are equal to 3.9 per cent of average farm incomes, and will decrease further in 2009. Amongst developed nations only New Zealand has a lower level of farm support. These figures confirm that Australians currently get a very good deal from their farm sector.

Introduction

While global trade in agricultural products has increased substantially over recent decades, the agriculture sector is still recognised as having the most distorted international trading environment, with many nations maintaining a mix of domestic subsidies and trade restrictions that have the result of increasing farmer incomes while restricting international competition in domestic markets, and imposing extra costs on consumers and taxpayers.

For Australian farmers, who sell two-thirds of all they produce into international markets, the persistence of agricultural trade restrictions and the lack of progress in multilateral agreements to free up agricultural trade are a continuing source of frustration.

It is not just Australian farmers, however, who recognise the importance of creating a less restrictive global trading environment for agriculture. Policymakers around the globe acknowledge that a reduction in government interference and distortionary support for agriculture has the potential to assist in solving problems such as developing nation poverty, global food insecurity, and environmental degradation. For the last twenty years, the Organisation for Economic Cooperation and Development (OECD) has maintained a program that monitors (based on data provided by members) the agricultural policies of developed, and more recently developing nations, the outcome of which are annual publications that provide an enormous amount of detail on the specific policies adopted by various nations. These reports also convert this information into some index measures of farm support levels, to enable comparisons to be made between nations and over time.1 2

OECD estimates of national farm support levels

The main index measure of farm support provided by the OECD is termed the ‘Producer Support Estimate’ (PSE). According to the OECD, the PSE estimates the value of annual monetary transfers to farmers from three broad categories of policy measures that:

1. Maintain domestic prices for farm goods at levels higher (and occasionally lower) than those at the country’s border
2. Provide payments to farmers based on, for example, the quantity of a commodity produced, the amount of inputs used, the number of animals kept, the area farmed, an historical (fixed) reference period, or farmers’ revenue or income (budgetary payments).
3. Provide implicit budgetary support through tax or fee reductions that lower farm input costs, for example for investment credit, energy, and water (budgetary revenue foregone estimation).

The PSE measure used by the OECD is not just a measure of budgetary outlays to the sector, but it also includes an estimate of the extent to which trade barriers (for example) result in agricultural commodity prices that are higher than those prevailing in international markets. When a nation’s PSE estimate is expressed as a percentage of gross farm receipts (including government payments to farmers) it provides an estimate of the per cent of annual farm incomes within the nation that are effectively provided by government support measures.

In more recent years, the OECD has extended its analysis to some agriculturally important developing nations, as these nations have emerged as major players in global agricultural markets. Figure 1 shows national PSE estimates for the nations included in the two recent OECD reports using 2007 data for developing nations, and 2008 data for developed nations.

As can be observed, New Zealand is the only developed nation with a lower level of government support for its agriculture sector than Australia, and a number of developing nations that are major competitors for Australian farmers are also estimated to receive similar or higher levels of government support.

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As can be observed, New Zealand is the only developed nation with a lower level of government support for its agriculture sector than Australia, and a number of developing nations that are major competitors for Australian farmers are also estimated to receive similar or higher levels of government support.
There are a number of factors that require consideration when examining these results. The first is that as a consequence of recent drought years, estimated support levels for Australian farmers have trended upwards over the last few years (see Figure 2). This has occurred due to the increase in drought exceptional circumstances payments made to Australian farmers in response to repeated poor seasons, but also because drought has depressed the total value of farm receipts, therefore the PSE calculation utilises a smaller denominator than would otherwise be the case.

At the same time, estimates of farm support measures (in PSE terms) have apparently declined quite considerably in both the USA and the EU since around 2001. This appears to be as a result of some policy changes, but more generally higher farm commodity prices since that time, which has meant that price support measures for specific commodities have not been triggered; and therefore payments have not been made to farmers under these policies.

An important element in both USA and EU farm policy over the past decade has been an increase in payments to farmers for voluntary land retirement (USA), or for the provision of environmental services (EU). These payments have a range of different compliance requirements for farmers (associated with environmental outcomes, energy efficiency, quality certification etc.) and are recorded as part of the PSE support measure. While less market distorting than farm support linked directly to production, they provide a significant additional element of farm income that is independent of seasons and markets. Concerning the lack of such programs in Australia and New Zealand, the OECD report diplomatically notes ‘Some OECD countries (Australia, New Zealand) rely mostly on regulations to address environmental issues in agriculture.’

The OECD report notes that the current relatively lower levels of agricultural support in both the USA and the EU are partly as a consequence of limited policy reform, and partly a result of higher commodity prices. A future period of lower agricultural commodity prices would be expected to trigger a return to higher levels of measured support. This is especially the case in the USA where the most recent Farm Bill did not include any fundamental policy changes. The recent reintroduction of dairy export subsidies in both the USA and the EU as a consequence of lower dairy prices (a change that occurred after the OECD figures were compiled) is a reminder that what currently appears to be a reduction in farm support measures in both these locations may only be a temporary phenomenon.

Another measure of government support for the farm sector that is compiled and published by the OECD is termed the Total Support Estimate (TSE). In addition to the support measures included in the PSE measure, this measure includes government expenditure on items such as agricultural research and development, agricultural education, quarantine and inspection services, agricultural infrastructure, and agricultural marketing and promotion expenditure.

As Figure 3 shows, the level of expenditure by USA and EU governments on these items is much higher than is the case in Australia, and while the total expenditure as a proportion of gross farm production in the USA and the EU has declined since 2000, this is a reflection of an increase in the value of agricultural output as a consequence of higher agricultural commodity prices, rather than a reduction in total agriculture sector expenditure.
On the Australian figures, the OECD report notes that the total support provided to agriculture as a percentage of total national GDP has declined from 0.4 per cent in 1986–88 to 0.3 per cent in 2006–08, a level which is one of the lowest in the OECD, and around one-third of the OECD average.

Some farm support not included in OECD estimates

Not included in estimates of farm support in either the USA or the EU is the indirect effect of biofuel mandates on agricultural commodity prices. In the USA (and Canada) the main focus has been on the production of ethanol utilising corn or wheat, while in the EU the focus has been on the production of biodiesel from a number of different feedstocks, including oilseeds.

The overall impact of these policies on farm incomes is not easy to calculate, due to complex interactions through other sub-sectors of agriculture both domestically and internationally. Corn, wheat and oilseed producers in both North America and the EU have benefited from higher prices, with a recent study projecting that prices of corn, vegetable oils and wheat will be 45 per cent, 17 per cent and 9 per cent higher respectively as a result of biofuels policies. On the other hand, as a result of these policies livestock feed costs have increased and are projected to result in reduced output and profitability for farmers in those sub-sectors of agriculture.

The impact of these biofuels policies also extends internationally, because these policy measures mean lower availability of grain and oilseed exports from North America and the EU, and therefore higher prices in international markets.

These biofuels policies are attractive from a government budget perspective in both the EU and the USA, in that the resulting higher grain and oilseed prices mean that agricultural commodity price support thresholds are breached less often, and there is less need for direct payments to be made to farmers under farm support policies.

A detailed analysis of the specific items that make up the estimated total level of government support to Australian agriculture highlights that a relatively small number of items make up the total amount of support provided to the sector. The following table summarises the main items.

As could be anticipated, drought support measures (both interest rate subsidy payments and relief payments) constitute a major item of farmer support, making up 28.7 per cent of the total. The amount of drought support was significantly less in 2008 than in 2007, as drought conditions moderated and specific regional areas became ineligible for these measures.

Perhaps the most surprising inclusion in estimates of support to agriculture is the ‘Fuel Tax Credit’ item, which makes up almost 33 per cent of the estimated support. The fuel tax credit scheme was introduced in 2006 to replace the Energy Grants (Credits) Scheme, which in-turn replaced the Diesel Fuel Rebate Scheme in 2003. These schemes were implemented in recognition of the fact that all purchasers of fuel pay fuel tax, a major portion of which is a road user charge that is allocated to the construction and maintenance of roads. The government recognised that this tax should not be

Table 1

<table>
<thead>
<tr>
<th>Item</th>
<th>2008 estimate ($ millions)</th>
<th>% of PSE total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drought support</td>
<td></td>
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<tr>
<td>EC interest subsidy</td>
<td>$524</td>
<td>19.8</td>
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<tr>
<td>EC relief payments</td>
<td>$237</td>
<td>8.9</td>
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<tr>
<td>Fuel Tax Credit</td>
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<td>Dairy industry restructure</td>
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<td>State Government Services</td>
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<tr>
<td>Advisory services</td>
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<td>4.5</td>
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<tr>
<td>Disease and pest control</td>
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<td>4.9</td>
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<td>Training services</td>
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<tr>
<td>Farm Management Deposit Scheme</td>
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<tr>
<td>Livestock valuation – natural increase</td>
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<tr>
<td>Income tax averaging</td>
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<td>2.1</td>
</tr>
<tr>
<td>Environmental programs (State Governments)</td>
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<td>2.5</td>
</tr>
<tr>
<td>Other small programs</td>
<td>$238</td>
<td>8.9</td>
</tr>
<tr>
<td>Producer Support Estimate</td>
<td>$2651</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: OECD PSE database – Australia.
paid by fuel users who use the fuel for ‘off-road’ purposes, such as in mining, farming, fishing, forestry, quarrying, construction, manufacturing and power generation. To address this inequity, a rebate system was established, and this was later converted to a fuel tax credit scheme to repay fuel tax payments to off-road users.

Since 2006, the fuel tax credit scheme has been available to all business users of fuel, and more particularly to all users of fuel for off-road purposes. The fact that it is widely available to eligible business in all sectors of the economy means that the measure is not an agriculture-specific measure, and should not be included in any assessment of the level of support provided to Australian farmers.

This is reinforced by the principles that are detailed by the OECD for the calculation of national farm support measures. Specifically, Principles 1 and 3 of the OECD farm support calculation methodology are as follows:

**Principle 1**: generation of transfers to agricultural producers as a key criterion for inclusion of policy in the measurement of support. Policy measures generate explicit or implicit transfers to supported individuals or groups. A policy measure is considered for measurement if agricultural producers, individually or collectively, are the only, or the principal, intended recipients of economic transfers generated by it. This is sufficient criterion for inclusion of a policy measure in the estimation of agricultural support.

**Principle 3**: general policy measures available throughout the entire economy are not considered in the estimation of agricultural support, even if such measures create policy transfers to/from the agriculture. Thus, a situation of zero support to agriculture would occur when there are only general economy-wide policies in place with no policies specifically altering the economic conditions for agriculture.

It is evident from both these principles that the fuel tax credit should not be included as a specific support measure for Australian agriculture. The removal of this item from the calculation of Australian farm support would result in a calculated PSE of 4.26 per cent, rather than the 5.85 per cent reported for 2008.

The 2008 estimate of Australian farm support measures also contains several other line items for which the calculation methodology is not evident, and it is therefore difficult to determine whether or not the reported figure is justified.

The ‘Livestock valuation – natural increase’ item presumably refers to the arrangement whereby for taxation purposes, natural increases in livestock numbers can be valued a number of different ways, including the use of nominal values. It is difficult to understand how this arrangement could be classified as a farm support measure. Irrespective of the valuation system used, the same amount of tax is likely to be paid, with the measure simply providing farmers with an opportunity to pay the tax at the time actual income is received. The tax will either be paid when the livestock are first recognised in farm accounts, or when they are eventually sold.

It is also questionable whether the line item ‘Income tax averaging’ should be considered as a farm support measure. As the Australian Tax Office explains ‘Tax averaging enables you to even out your income and tax payable over a maximum of five years, to allow for good and bad years. This ensures that you do not pay more tax over a number of years than taxpayers on comparable but steady incomes.’ Tax averaging means that farmers pay less tax in high income years, but pay more tax in low income years, and the net result is tax payments that are equivalent to those of others in the community on a similar average income. Why this is considered to be a support measure for the farm sector is unclear, as is the method of calculating the value of this measure to the farm sector.

The removal of these three items from the estimation of farm support levels for Australia would result in a calculated PSE of 3.9 per cent, rather than the 5.85 per cent that is reported.

Future Australian farm support levels are likely to be further reduced due to the cessation of the dairy industry restructure scheme, and the winding back of drought support payments as seasonal conditions improve. This means that the estimated level of government support for Australian agriculture in 2009 could be very close to the level reported for New Zealand, and will confirm that Australian (and New Zealand) farmers receive the lowest level of government support of virtually any farmers around the world.

These OECD results highlight that Australian media commentators, taxpayers and consumers should perhaps be a lot more generous in their praise for Australian farmers, who operate their businesses in one of the world’s most variable climates, and compete successfully in global markets against farmers from other nations who receive much higher levels of taxpayer support.

**Endnotes**


Australian agriculture’s role in global food security

Concerns about food ‘insecurity’ reached fever pitch at the end of 2008 – they haven’t hit the headlines as frequently or as urgently in 2009 – but has anything actually changed? In February 2009 the Farm Policy Journal examined the challenge of global food security. ‘Following On’ looks at global food needs now and into the future, and asks if Australian agriculture has the fundamental elements to really make a difference.

During a period of global economic slowdown, theory tells us that commodity prices respond in kind by falling on the international market, and for the farm sector this would surely indicate a drop in profitability. Yet the current situation is one where agriculture appears relatively resilient in a period of weak economic activity.

Despite the global economic downturn, Australia’s farm export earnings are forecast to rise in both 2008–09 and 2009–10 according to ABARE. The June 2009 edition of Commodity Outlook forecasts export earnings for farm commodities will be about $32.5 billion in 2009–10, a rise of 2 per cent. Farm products for which export earnings are forecast to increase in 2009–10 include wheat, barley, canola, lupins, peas, rice, raw cotton and sugar.

Part of the reason for the positive outlook is improved seasonal conditions, but recent high commodity prices also have a role. Food prices have retreated from their peak in 2008, but remain well above levels that prevailed before the spike. These high food prices have seen unrest in developing nations and protectionist trade policies implemented in some nations trying to secure domestic supply. In the longer term, however, high food prices are potentially good news for the world’s undernourished people. Why? Because farmers respond to opportunities for better profits by sowing more crops and investing in increased capacity.

There are limits to the ability of farmers to respond to these price signals, including a decline in the amount of land available for agricultural use, increasing competition for water from non-agriculture uses, persistent trade restrictions, growing demand for animal protein and the diversion of agricultural production to non-food uses. These limitations are not without importance, yet recent trends in global crop areas and grain prices show the correlation between commodity prices and area of crops sown.

In their article for the February quarter Journal, Luther Tweeten and Stanley Thompson conclude that global farm output will need to double in the first half of the 21st century to meet demand without substantially increasing food prices. But what role can Australian agriculture play in feeding an expanding global population?

As a source of food for hungry nations, Australian agriculture is very important. Of the world’s net agricultural exporters, Australia ranks fourth behind Brazil, Argentina and the Netherlands, and is ranked well above nations such as China and the USA that have enormous agricultural sectors, but in net terms import just as much as they export. In fact, every Australian farm business is responsible for providing food for about 600 people every year – 150 in Australia and 450 overseas. However, before we begin to think the job is done, in the future it’s not unrealistic to think Australian farms will be called on to feed 800 or 1000 people.

There are three key features of Australian agriculture that make it seem possible this goal could be achieved. The first is Australia’s importance as a net exporter, secondly the low-input production systems that are unique to Australia; and thirdly Australian research and development capability.

Food produced in Australia is an important source of nutrition for many people in developing nations, and also for people in developed nations such as Japan and Korea that have relatively low levels of food self-sufficiency. Anyone reading international grain market commentaries over the last two years cannot fail to have noticed how frequently crop prospects in Australia were referenced as a key factor in future price trends.

In a future where energy costs are likely to increase substantially, Australian production systems which have developed down low-input pathways provide a potential model for boosting food self-sufficiency in other nations. In particular, these systems appear ideally suited for adoption in developing countries in Asia, the Middle East and Africa, which have similar agronomic and climatic conditions.

Finally, decades of past investment by government and industry in agricultural research and development in Australia has been a major factor in the sustained high productivity growth rates of Australian farm businesses over the past four decades. Past investment in agricultural research has been important in delivering productivity performance improvements, but also developing the infrastructure and personnel to enable that R&D effort to continue into the future. Yet in the past three decades slowing rates of increase in crop yields and multi-factor farm productivity have coincided with declining rates of investment in agricultural research.

The almost unanimous agreement in articles contained in the February quarter Journal is on the critical need for increased agricultural research and development investment as a key response to the challenge of global food security. And this is doubly important because R&D capacity, spinoffs and technology transfer assist the growth of agriculture in developing nations.
A summary of international farm policy developments

Wal-Mart to rate environmental impact of products

The world’s biggest retailer Wal-Mart has announced plans to develop a worldwide sustainable product index as a single source of data for evaluating the sustainability of products. Mike Duke, President and Chief Executive Officer of Wal-Mart Stores said:

The index will bring about a more transparent supply chain, drive product innovation and, ultimately, provide consumers the information they need to assess the sustainability of products.

The company will begin the initiative with a survey of its more than 100,000 suppliers around the world. The survey will involve 15 questions that will serve as a tool for Walmart’s suppliers to evaluate their own sustainability efforts. The questions will focus on four areas: energy and climate; material efficiency; natural resources; and, people and community.

The second step will be the development of a global database of information on the lifecycle of products, from raw materials to disposal. The final step will be the provision of information to consumers in a form of labelling, the details of which is yet to be determined.

China introduces import permits

From the 1st of August 2009, Chinese importers of fresh milk, milk powder and whey will have to apply for import permits from the commerce ministry. Imports surged last year by 156.6 per cent in the wake of the tainted milk scandal, when melamine was found in some domestic dairy products. Chinese buyers of dairy products will also have to report their cargoes to the China Chamber of Commerce of Import and Export of Foodstuffs.

Monsanto back in wheat

In 2004 Monsanto abandoned a project developing Roundup Ready wheat, citing marketability concerns and declining spring wheat acreage in the US. But in July it bought assets in the order of $US45 million for WestBred, LLC, a Montana-based company that specialises in wheat germplasm.

Using WestBred’s germplasm as a foundation, the initial focus will be on development of new biotechnology traits, which will include drought tolerance, nitrogen use and higher yield. Monsanto won’t pursue the further development of the Roundup Ready trait in this venture.

EU to extend intervention in dairy markets

European Union (EU) public storage and buying of butter and skimmed milk powder, known as intervention, is due to run out at the end of August. However, EU farm ministers have agreed to extend this by six months to prop up dairy markets hit by oversupply and poor demand.

EU dairy markets have deteriorated in the past year, and since the start of 2009 the European Commission has initiated aid for private storage of butter and reintroduced export refunds for dairy products. Prices for milk delivered to dairies have come down from 0.30–0.40 €/litre to an average of 0.24 €/litre, with prices for many producers at 0.20–0.21 €/litre or less. Normally the intervention is limited to 30,000 tonnes of butter and 109,000 tonnes of skim milk powder bought at a pre-determined price, but the period and tonnage of buying has been extended.

An in-depth analysis of the dairy market situation including possible options to stabilise the market in the EU was published on 22 July, setting out a catalogue of measures available to alleviate the market situation.

Brazil’s agriculture gets 42 per cent boost in funding

The President of Brazil, Luiz Inácio Lula da Silva has launched the 2009–2010 Agriculture and Livestock Plan (PAP), which sets aside 107.5 billion reais (US$54.8 billion) for the sector, 37 per cent more than the amount allocated in 2008–2009. Commercial agriculture should receive 92.5 billion reais (US$47.2 billion) and family farming, 15 billion reais (US$7.6 billion). The distribution of funding is
a source of criticism, given that there are between 100,000 and 200,000 commercial farms, and approximately 5.5 million family farms.

The funding goes to a variety of different subsidy and concessional finance programs for the agriculture sector, and continues a recent trend whereby government subsidies paid to Brazilian agriculture have been increasing. The most recent OECD assessment of farm subsidy levels in Brazil concluded that subsidies represented 5 per cent of farmer’s gross annual income, and this most recent funding increase would lift subsidy levels above that figure.

Canada to implement mandatory national livestock ID system

Canadian State and Federal Agriculture Ministers recently agreed to the implementation of a mandatory livestock identification system. Much of the impetus for the scheme arose from a number of food safety incidents that have recently occurred in Canada.

At their meeting on July 10th, Agriculture Ministers committed to move forward on a comprehensive national traceability system for livestock and poultry, which is critical for managing animal health and food safety issues, as well as expanding market access and driving efficiencies. They agreed that a mandatory comprehensive national system for livestock will be in place by 2011 and that implementation will be supported by national funding and regulatory framework. Ministers committed to engage key industry groups on the timing of implementation for each species. The Growing Forward policy framework and Agricultural Flexibility Fund will provide support for key elements of the national system. Ministers also discussed the need for traceability for all sectors.

The Tasmanian Government has announced a new policy in response to continuing concerns about the conversion of agricultural land to urban uses or to forestry plantations.

OECD and FAO positive about agricultural market prospects

The OECD and FAO have released quite positive forecasts on the outlook for global agricultural markets, noting that the agriculture sector has proved much more resilient than almost all other sectors in the face of the global financial crisis.

In a report released on June 16th, they noted:

- Food prices have come down from the record peak of early 2008 but they remain high in many poor countries. Over the coming decade prices for all farm commodities except beef and pigmeat – even when adjusted for inflation – are unlikely to fall back to their average levels before the 2007–08 peaks.
- Average crop prices are projected to be 10–20 per cent higher in real terms (adjusted for inflation) for the next 10 years compared with the average for the period 1997–2006. Prices for vegetable oils are expected to be more than 30 per cent higher. An expected economic recovery, renewed food demand growth from developing countries and the emerging biofuel markets are the key drivers underpinning agricultural commodity prices and markets over the medium term.

Tasmania moves to protect ‘prime agricultural land’

The Tasmanian Government has announced a new policy in response to continuing concerns about the conversion of agricultural land to urban uses or to forestry plantations.

The policy was announced on June 26th, by the Tasmanian Premier David Bartlett.

Mr Bartlett said specific aspects of the new policy include clarifying under what circumstances residential development in rural areas was appropriate; allowing the limited development of new ‘controlled environment’ agricultural enterprises, such as greenhouse-based agriculture; extractive industries, like mining and quarrying; and utilities on prime agricultural land.

The policy also reinforces the government’s foodbowl strategy by requiring the protection of land within proclaimed irrigation districts.

Mr Bartlett said the Tasmanian Government has acknowledged community concerns about the spread of plantations onto prime agricultural land and will limit further expansion while acknowledging the operational practicalities of plantation and farm management:

Further controls on plantations will also be possible where a local council can demonstrate that its entire economy is dependent on reserving its agricultural land for specific purposes, such as the dairy and beef industries on King Island.

The controls will not affect a farmer’s right to grow trees for other purposes such as shelter belts or wood lots.

The decision to limit further plantations on prime agricultural land strikes the right balance in keeping the small areas of the very best soils for other crops.
FarmGAS Calculator launch

The Australian Farm Institute will launch the FarmGAS Calculator this month. The Calculator is an online application which enables farmers to model both the financial and greenhouse gas outputs of farm activities and the implications of changes in enterprises. The FarmGAS Calculator will be available free online for anyone to access, through the Australian Farm Institute’s website: www.farminstitute.org.au

The FarmGAS Calculator includes individual calculators for the major livestock and cropping enterprises, and any combination of these enterprises can be added to create an individual farm business. Farmers can come back to the calculator at any time to update or change their production data, or complete the process in stages. All they need to do is login online, and remember to save!

The Calculator applies the same methodology that is used by the Department of Climate Change in the estimation of Australia’s National Greenhouse Gas Accounts; and provides reports on the annual amount of methane and nitrous oxide emitted by each enterprise expressed as carbon dioxide equivalents (CO2-e). Farmers enter details of their enterprises (both financial and production) to calculate enterprise gross margins.

The following enterprise types can be analysed using FarmGAS: beef production (both breeding of progeny and fattening), sheep production, broadacre cropping, irrigated cropping, intensive livestock systems (beef feedlot and piggery), perennial horticulture crops and environmental tree plantings.

FarmGAS is the result of an Australian Farm Institute research project on greenhouse gas mitigation options for Australian farmers. Funding for the project was provided by the Australian Government Department of Agriculture, Fisheries and Forestry under the National Agriculture and Climate Change Action Plan: Implementation Program. The Calculator will be available on the Farm Institute website before the end of August 2009.

Annual Roundtable Conference

The Australian Farm Institute will hold its Agriculture Roundtable Conference in Victoria at the Aitken Hill Conference Centre on Thursday 8th and Friday 9th October 2009. This is an important event that brings together Australian agribusiness and farm leaders, and agricultural policy-makers to discuss the strategic issues that are likely to shape the future of Australian agriculture over the next decade.

Confirmed speakers include:

- Nick Burton-Taylor – Boardmember, AAco, and agribusiness investor
- Dr Conall O’Connell – Secretary, Australian Government Department of Agriculture, Fisheries and Forestry
- Terry O’Brien – Managing Director, Simplot Australia
- Guy Kingwill – Chief Executive Officer and Managing Director, Tandou Limited
- Rob Freeman – Chief Executive, Murray-Darling Basin Authority
- Dr Bruce Kefford – Deputy Secretary, Victorian Department of Primary Industries
- Jane Bennett – Managing Director, Ashgrove Cheese

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
World agricultural trade policy analysed

During the recent period of high food prices on the world market, many nations imposed new trade restrictions on agricultural products, or re-imposed distortionary agricultural policies. For example, the European Union and the United States both reintroduced export subsidies on dairy products, and Argentina imposed taxes on agricultural exports. What impact will this new era of agricultural protectionism have on global agricultural markets? How are these policies influenced by a changing global political landscape? What hope do trade negotiations such as Doha hold?

The August 2009 edition of the Farm Policy Journal will contain a collection of papers discussing these questions and others associated with the challenges confronting agriculture in this period of political change.

Articles in the August quarter Journal include Dr Brett Williams’ analysis of what the Doha Round holds, that asks if Australia should support an agreement based on a rather unsatisfactory draft agreement; or advocate discarding it and starting again. The US Farm Bill is put under the microscope by Daniel Griswold and Sallie James from the Cato Institute in Washington, DC; who also examine President Barack Obama’s record on agricultural trade.

The upcoming Journal also includes a discussion with Gilles Mettetal, Director for Agribusiness of the European Bank for Reconstruction and Development. Gilles joined the EBRD in 1993, its clients range from large multinationals such as Cargill, Danone, Parmalat, and Carlsberg, to local companies and local banks. Previously, Gilles worked as a mission leader with the FAO/Investment Centre, where he supervised the identification and preparation of projects to be financed by major international financing institutions such as the World Bank or the International Fund of Agriculture (IFAD).

Julio J Nogués holds a PhD in economics from the University of Minnesota. Julio currently works as a consultant and as Professor of ‘International Trade Policies and Institutions’ at Universidad Di Tella. He is also a member of the National Academy of Economy and has been Trade Representative of Argentina to the US, Executive Director to the Board of the World Bank Group, Undersecretary for Economic Policy and Undersecretary for Trade Policy.

Dr Caroline Saunders has 25 years research expertise in the UK and New Zealand. She has over 100 publications specialising on sustainable economic development. Her current research includes evaluating trade and the environment including assessment of international markets policies and their impact on development.

Daniel Griswold is director of the Center for Trade Policy Studies at the Cato Institute in Washington, DC. Since joining Cato in 1997, Daniel has authored or co-authored major studies on globalisation, trade, and immigration, including the upcoming Cato book, Mad about trade: why main street america should embrace globalization.

Sallie James is a policy analyst with Cato’s Center for Trade Policy Studies. Sallie writes and speaks on a variety of trade topics, with a research emphasis on the subject of agricultural trade policy. Before joining Cato in 2006, she was an executive officer in the Office of Trade Negotiations in the Australian Government’s Department of Foreign Affairs and Trade, working on industrials market access negotiations. Prior to that she was a Senior Policy Adviser in the Australian Government’s Department of Agriculture, Fisheries and Forestry.

Dr Brett Williams is a Senior Lecturer at the University of Sydney Law School, specialising in the World Trade Organization. He has taught WTO law for the Ausaid Australia-China WTO Training Project, teaching officials from the PRC Ministry of Foreign Trade and Economic Cooperation and Ministry of Agriculture and has taught on the economics of the WTO system for the International Development Law Institute.

The August Farm Policy Journal will be released in early September. It can be viewed, by members and subscribers, or purchased at farminstitute.org.au/publications/farm-policy-journal.html
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Preliminary Modelling of the Farm-Level Impacts of the Australian Greenhouse Emissions Trading Scheme
Value in Value Chains: Collaborative Business Models and Farm Accreditation Systems Examined
Conference Proceedings: Agriculture, Greenhouse and Emissions Trading Summit
Australia’s Emissions Trading Scheme: Knowledge Gaps and Research Needs for Primary Industries
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Developing a Good Regulatory Practice Model for Environmental Regulations Impacting on Farmers
Productivity Growth in Australian Agriculture: Trends, Sources, Performance
Enhancing the Customer Focus of Australian Agriculture
Vertical Contracting and Australian Agriculture: Implications for farmers and policy-makers
Agricultural Development in Argentina and Brazil: Emerging trends and implications for Australian agriculture
Australian Farm Sector Demography: Analysis of current trends and future farm policy implications
Australia’s Farm-Dependent Economy: Analysis of the role of agriculture in the Australian economy

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(on greenhouse policy and emissions trading)

Farm Policy Journal

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

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