

The Changing Face of Agriculture in Australia and Victoria

Philip Davis MP

Rural Press Club of Victoria

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Today I wish to speak about the changing face of Agriculture and rural communities in Australia and Victoria and how that affects public policy.

It is time to take the short term knee jerk politics out of Agricultural Policy and look at a much broader public policy prescription that is more economically and socially rational in a Victorian context.

Agricultural Policy and Policy decisions need to reflect the changing times.

In 1960, when I was eight years old, the current Victorian Agriculture Minister was not even born and the Beatles had just arrived. There were over 200,000 agricultural establishments in Australia.

Today the picture is very different. I am now older and there are now less than 120,000 farms, that is 40% fewer. (*ABARE Commodity Statics 2002*)

This reflects a climate of declining terms of trade for farmers. Farmers are struggling to survive and keep pace with rising costs and falling returns. Farms are becoming bigger and more efficient.

In today's climate farms must also 'get smart' to survive.

Country Australia has been subsidising the city for years and I refer you to the paper presented by David Trebeck at the Rural Press Club lunch on 27 March.

The NFF recently called for textile industry tariffs to be removed. They argue that agriculture and other industries that have had tariffs removed are incurring the full cost of competition and are subsidising the protected Industries.

Geoff Crick, the VFF Economics Chairman said "Each farm essentially pays \$680 per year to prop up tariff protected manufacturing." (*press release 10th June*)

I am concerned changing demographics in rural Australia, particularly Victoria are not reflected in the current policy debate.

What is the picture of Agriculture in Australia today compared to when I left school and went jackarooing 1970?

- the number of farms has declined by 38%.
 - farm sector and other rural exports have increased over 1400% up from \$2.1 billion to \$ 32.5 billion.
 - the Gross Value of Australian farm production for crops has increased by 1100% from \$1.4 billion to \$18.5 billion, yet the total area of used for crops has only increased by 68% to 11.6 million hectares.
 - the Gross Value of Australian farm production – farm component has increased by over 1100% from \$3.5 billion to \$ 34 billion.
- (*ABARE –publication "Australian Commodities Statistics 2002*)

To put these values in context:

- in 1970 average weekly earnings were \$98 per adult male; and
- by 2000 they had increased eightfold or 700% to \$772.

Therefore the relative value of farm sector exports have doubled compared with weekly wage earnings, but as you will all know, average weekly earnings have increased significantly in real terms.

Also:

- the number of beef cattle have increased by 21% to 24 million;
- the number of dairy cattle has fallen by 21% to 3.2 million, however the Victorian dairy herd has increased by half a million between 1992 and 1999;
- sheep numbers have fallen by 35% since 1970, from 171 million sheep to 110 million sheep, and this year Australian wool production will decline to the lowest level since the second world war. (*AWI wool forecasting*);
- since 1961 the average farm size has increased by almost 50% from 2800 hectares to 4100 hectares in 2001. (*ABARE conference paper 02.12*);
- in 1950, Australian Dairy Corporation figures show that there were 82,500 thousand dairy farms in Australia – by 2001 it was down to just over 11,000. Yet production has leapt to 11 billion litres. (* *Australian 24/10/02*);
- in 1950 the average milk yield per cow was 1,746 litres – now it is 4,624 litres. (* *Australian 24/10/02*)
- in Victoria in 1980, whole milk production was 3,000 million litres that is now over 7,000 million litres. (*Australian Dairy Corporation website*)
- according to ABS yearbook data:
 - the number of Victorian agricultural establishments has declined from 70,000 in 1970 to 37,000 in 2000; and
 - farmers and farm managers have declined from 63,500 in 1971 to 48,000 in 2001;
- in the agriculture, forestry and mining sector in Nov 1984 there were 104,000 employees compared to 75,700 in May 2003. (Victoria ABS stats); and
- Victoria had the third largest agricultural industry, in terms of value of production, in Australia in 1999.

Despite occupying only 3% of Australia's land mass, of which only half of which is farmed, Victoria contributed 22% of the total gross value of agricultural production, 16% of total rural exports and supported 25% of the total number of establishments with agricultural activity in Australia. Currently:

- Victoria has 37,000 farmers who produce over \$15 billion worth of food a year;
- productivity has increased enormously and farmers are producing more with less; and
- socially, agriculture has changed.

So how does all this effect policy?

In this context I would like to discuss off-farm income.

In 1998-99 off-farm income accounted on average for over half of total household income on broadacre farms. This probably accounts for the majority of all farm units in Victoria.

Over the last two decades Australian farming families have become increasingly dependent on off-farm income to maintain their farming lifestyle.

With its high rainfall and therefore relatively dense rural settlement pattern, Victoria is uniquely placed to support this change in traditional farm income.

This change brings with it challenges and opportunities.

The popular image of the husband and wife sitting in the farm kitchen listening to the ABC country hour is no longer relevant. It is more likely that at least one of them will be away at work in town or on a neighbouring farm.

The family view the farm differently and plan alternate environmental and production priorities.

For example, these changes affect eligibility for state and federal drought relief for farmers, as their off-farm income affects the qualifying threshold.

A report from ABARE, *Country Towns – Impact of Farmers Expenditure on Employment and Population* emphasises the symbiotic interdependence of the relationship between farm families and farm expenditure.

“Employment opportunities for town residents and opportunities for off-farm income are likely to be linked to expenditure by farmers in country towns.”

The report says that the economies of small towns are highly dependent on farm expenditure and the smaller the town the greater expenditure by farms per resident. The economies of small towns (those with fewer than 1000 people) are highly dependant on farms – total farm expenditure per town resident is estimated to be \$12,000 compared with only \$200 per resident in towns larger than 50,000.

So public policy including drought policy must reflect this relationship. Farmers need the town, the towns need the farmers.

Unfortunately country issues only hit the headlines when a disaster such as flood, fire or drought occurs. It is otherwise difficult, or near impossible to obtain any oxygen for long term policy debates in the popular media.

Consequently the stakeholders in the policy debate develop a narrow short-term view reacting to current community and media pressure.

Current drought policy is an example of this narrowed policy view.

It does not take into account the changes in off farm income and the increasing importance of farm expenditure in local communities.

Drought should have a long-term policy prescription.

The Federal Government has been unable to reach agreement with the States regarding revised exceptional circumstances arrangements.

Drought funding has fallen off the agenda now we are no longer in an election year.

There is no more State assistance after 30 June. Do we expect the drought to break on the first of July?

Rural counsellors have advised me that many farmers will qualify for assistance next financial year who have not applied before 30 June.

The recovery process will not happen overnight.

Drought is a fact of life in Australia. Policy must look to drought-proofing not only farms but also rural communities as an integrated whole.

This is one of the worst droughts in history and we must learn from it and put in place policy that will help farms and towns plan for the 'bad' years.

The effects of the drought remain a significant threat to jobs reliant on farm gate production.

The drought has had a major impact on agricultural production. There will be significant job losses downstream from the farm gate.

You will all be aware of the recent event in Harrow to attract women to the bush.

There is a significant problem in rural communities with young people moving away from rural communities and the lack of women in the bush. The reality is, that:

- the farming population is ageing – 15% of farmers in farming families are aged 65 years and over in 2001, up from 9% in 1986;
- there are now more farmers over 65 years of age than there are farmers under 35 years of age;
- the median age of farmers in farming families increased from 47 years in 1986 to 51 years in 2001;
- the majority of farm families work 25% more hours than all other self-employed people; and
- in the 5 years to August 2001, three times as many young people left country areas than arrived in these areas.

This is progressively demolishing social infrastructure in the bush, with organisations like the CFA, Rotary, Lions, Young Farmers, football and other sporting clubs struggling to maintain the activities of volunteers and members.

As I said, you will all know of the town of Harrow's attempt to attract women and one of the issues is career disincentives for women in the bush. For example, in natural resources related agencies, of 178 executive officers in the department's declared entities, only 16 are female.

Current policy effort is focussed on generating more dollars per unit of natural resource input – growth with a smaller footprint. However it is important that this smaller footprint does not stamp on farmers.

We must develop policy that promotes the benefits of a rural lifestyle and encourages and assists young people identify employment opportunities in the country.

Current policy parameters are making life tough for farmers and may be discouraging young men and women from returning to the bush.

An essential component of rural policy revolves around health issues. Local hospitals are not just an important service provider, they are also an essential employer for off farm income.

A recent Auditor General's report has found that more and more country hospitals are now operating in the red.

Environmental policy constraints must be balanced against rural lifestyle issues.

Changes in the regulatory environment for environmental and political outcomes are occurring at a cost to farmers and rural communities. You will well know the examples that can be recently recited.

The Box Ironbark Forest debate, the Marine Parks debate, the restructuring of Victoria's forest industry – all of which are progressively denying employment to country communities.

Farmers are busy planting trees and improving their farm ecosystems, but are still being portrayed as the grim reapers of the environment. I am sure that farmers will be delighted with the practical approach being taken by Dr Neil Byron – Leader of the Productivity Commission Inquiry into the Impacts of Native Vegetation and Biodiversity Regulations.

We have all recently seen the disastrous results of departmental regulations restricting fuel reduction burning and fire break clearing. The Department of Sustainability and Environment is responsible for fire prevention and suppression on Victoria's 7.7 million hectares of public land.

The Auditor General has released a damning report that found forest authorities had failed to meet fuel reduction targets on public land for eight years. The report says 'DSE has consistently failed to achieve its own hazard reduction targets'.

The Auditor General also found that in order to achieve fuel reduction targets, a significant increase in resources is needed. Yet the DSE budget was slashed only weeks after the fires were extinguished

A report commissioned by Timber Towns Victoria, a local government association made up of 21 Councils in northeast Victoria to research the effects of the recent bushfires, showed that the economic effect of the fires in four shires was \$121 million dollars. How much of this and the suffering could have been avoided by sound public policy on forest management.

Water is essential for agriculture. Farmers need certainty of resource. It is ridiculous to be flushing water down the Snowy in a drought year. I support increased environmental flows but they must be based on science, commonsense and water savings in the system. It is not appropriate to be borrowing water forward during one of the worst droughts in history just to win votes.

The mining sector is increasingly nervous about the effect of environmental restrictions on their future viability. There is uncertainty about the project approval process following Minister Thwaites' arbitrary rejection of the Environmental Effects Statement in respect of the Stawell gold mine.

It is important we get the policy right. Our country communities are not what they used to be. They have moved on. They are more dependent on up-skilling and off farm income.

The challenge for all of us is to develop the debate that reflects the changing face of agriculture and the way it fits into Australian and Victoria society today.

Public policy must take a holistic approach that recognises the interdependence of agricultural policy and local communities.

Thankyou for the opportunity to speak to you today.