

SE opinion
HD **The challenge ahead for the bush**
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It is a great honour to be here. I have been to plenty of ABARES conferences in my time, but always as one of the pointy heads not the ones with the Akubras on their heads.

I am an economist myself and I have spent most of my career working for a place called the Productivity Commission, which is a very similar kind of place to ABARES, in that it provides independent advice to government. At the outset today I want to give credit to the good work that ABARES, work that I have often used and referred to in my professional career.

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I also want to give them credit for coming out here to Goondiwindi to listen to what people in the sector want and need.

A few years ago I was getting bored at the Commission and wanted a change. I couldn't think of much of a bigger change than going to work for a bloke called Barnaby Joyce. Barnaby was the Shadow Water Minister, and very early on I remember coming up to St George and going to see Ian Todd to discuss the Murray-Darling Basin Plan. The Productivity Commission had just done a big report on the issue that I had read, and I was impressed that he had read it too. We used to always just think those 400 or 500 page reports were only good to be used as doorstops.

Barnaby too was impressed and his own style decided to tell a business conference in Sydney that farmers know their stuff, they actually read these big reports, but that he just uses them for "toilet paper". Well, the joke didn't go down too well with the Canberra commentariat and he was in hot water for departing from the script again.

That is the great thing about Barnaby though, he will tell you what he is really feeling. So in his tradition today too, and apologies to my and his staff, who have worked on a great speech today, I am just going to tell you what I really feel and depart from their script.

And, I am going to start with something that might surprise you coming from an economist. I am going to start with why family and small farms are and should remain the backbone of our agricultural sector.

Now there are some that look at the stats and say big farms make more money and the days of "Mum and Dad" farms are over. Well, I am not one of them. I want to encourage small farms, because the more small farmers there are, the more farmers there are, the more farmers there are the more people there are with a **stake** in their nation, the more people there are who are independent of big corporations or big government.

Corporate farms have their place and I am not against them. But I think there are still hundreds of thousands of Australians who have the dream of running their own place, being their own boss, and living their with the consequences of their own decisions. There is nothing wrong with that dream. Quite the opposite, there is something noble about that dream " and even if small farms aren't as productive (something that I think is disputable) they deserve promotion above and beyond pure material considerations.

Not everyone can have that dream realised but I want to be part of a government that tries for people.

You might have heard that ex-AWU boss Paul Howes thinks differently. He believes that we don't need small farmers any more because they are not productive. I don't think we need ex-unionists lecturing us on productivity of all things. I think the farming sector has done pretty well without their input. The farming sector has had the second highest productivity growth of all sectors since the early 1980s. The only sector that beats it is communications, which has gone through a revolution in that time with the invention of the mobile phone and the internet. That has all been done through the efforts of lots of family farmers, something we should be proud of.

Family farmers like the Todds and other cotton farmers in this district. They have improved cotton yields from about 6 bales to the hectare to 10 or more in the last 15 years. Farms in this district that produce \$2.9 **billion** of agricultural product from 7000 farms, or almost \$500,000 a farm. If the rest of the country achieved productivity growth like that we would be the richest nation on earth by far.

I am from the city but I know that so much of our wealth as a nation comes from the cotton produced in western Queensland, the grain and beef produced all over Queensland, and of course the **coal** and **iron ore** produced in regional areas. That wealth comes from the exploitation of natural resources and if we make it harder to farm or harder to mine we will be a poorer nation.

Because it is all well and good to talk about the sanctity and romance of the small farmer, the Greens do that too, but if a small farmer can't make money that romance is a fantasy not a reality. When poverty comes through the door, love flies out the window. If we want small farming to survive it has to be able to make money, to make a living. Young people aren't flocking to the mines because they like spending weeks away from their family at a time and getting dirty, they are going there because it makes money. If there were money in farming, they would stay on the farm instead.

One thing that frustrates me is the ignorance of rural poverty in the cities. Rural poverty is something I saw lots of when working for Barnaby. I grew up south of Brisbane, in place called Logan, not a very wealthy area. I delivered pizzas in suburbs like Eagleby, Beenleigh and Waterford, some of the lowest income areas in Queensland.

But they are not the poorest areas. The lowest income areas, according to the Australian Taxation Office, are in regional areas, many of them around this part of the world. Of the top 10 poorest postcodes in Queensland, there are places near Mitchell, in the Burnett, Bollon, in the Southern Downs and around Goondiwindi; all areas that would be familiar to many of you in this room. Eight out of the bottom ten are in western Queensland, and none of the ten are in the south east corner.

If you want to show someone rural poverty take them to somewhere where the Greens have shut down the forestry industry. There are families living in houses that would be condemned in the cities, but they are stuck there. They can't sell a house in a town where there are no longer any jobs. Condemned by the Greens into a cycle of welfare and economic isolation.

I think we should take a moment to reflect on the tragic death reported yesterday of a NSW state government environmental officer. As you probably have heard, there are reports that a state government official was shot dead trying to serve a notice for illegal land clearing to a farmer in north west NSW. It is a terribly sad story to hear of, someone killed for just doing their job.

Just two weeks ago I gave my first speech in the Senate, and mentioned changes to land clearing laws as an unjustified change in laws. But unjustified laws do not justify an unjustified act.

I have sat and heard from lots of families frustrated with a system that they feel doesn't protect their rights. I never thought it would end in the way this incident tragically has, and I hope and pray it never does again.

It is not whether or not land should be cleared. There must be some regulations. It is that in the last decade landowners had their rights changed overnight, with no compensation. One day they could clear their land, the next their rights over their own trees were taken by the government for the public good. The private individual should not pay for the public good.

In my first speech, I proposed a change to our constitution to rectify this issue. You have probably all seen the movie the Castle. That movie revolves around section 51(xxxi) of our constitution: a section that requires the Federal Government to compensate property owners for the "**acquisition**" of property by the Commonwealth. The Kerrigans won because the government was acquiring their land and using it to expand an airport.

But in the case of native vegetation laws, the government has not "acquired" anything, but it has "taken" property from farmers. In the United States, the fifth amendment to their constitution provides protection against the taking of property not just the **acquisition** of property. In practical terms, that means that

farmers are given protection against "regulatory" takings, that is regulations which change the use of property so that it basically transfers property from private hands to the public"s.

If we want a strong farming sector one of the fundamental things we need to do is to protect property rights. Without property rights people do not have the security to invest in their own farm and build a stronger industry. In this part of the world, we had a difficult debate about the Murray-Darling Basin Plan recently. In general, people's property rights in terms of water licences were recognised.

But we did have other problems with an approach that at times put environmental interests above economic ones. I agree with the approach of the National Water Initiative that explicitly recognises the tradeoffs between economic, social and environmental issues. That agreement summed that up by saying:

Decisions about water management involve balancing sets of economic, environmental and other interests

That approach wasn't always taken in the Murray-Darling Basin debate. Murray-Darling Basin officials said under questioning in the Senate that, under the plan, that if 10 GL of water was needed to keep a rice mill open, but that 10 GL was also needed to keep some frogs alive, the frogs would win every time.

I think frogs are important, but I think jobs are important too, community is important, family is important and economic development is important. All of these issues need to be considered and balanced. That is difficult to do and requires us to make choices. But that's what we are here for, and politicians abrogate their responsibilities when they say let science decide issues that involve value judgments not just scientific facts.

We are going to have to make some brave choices in the future too if we are to build dams again in Australia. I want to build dams. I think water is wealth and the more water we store the more wealth we can create.

Don't believe that the myth that there are no more dam sites in Australia. I helped work on the Coalition's Dams Taskgroup in opposition which identified more than 100 potential sites across Australia. Most of these of course won't be built but many include detailed plans that have lain dormant in old Surveyor-General's offices for the last couple of decades.

One of those is the proposed Nathan Dam near Taroom. It was first proposed in the Queensland Parliament in 1927 and it is still being talked about. A few years ago it looked close to being built because mines in the area needed more water. The Federal Environment department found 850 boggomoss snails. The Federal Department required the State Government to conduct a trial to see if the snails could be translocated. A couple of years later they found 18,000 of these snails close by so the project could continue. Now of course the **mining** boom is receding and the chance of the dam being built is going too.

We need to make a choice in the future. Do we want to create new areas of agricultural wealth and build something new for our nation, or do we want to continue to pander to the Greens, who believe that we should do nothing to anything anywhere and thus keep people without jobs or economic opportunity.

Australia will need new dams in the future. In 1980, Australian dams had the capacity to store 4.5 megalitres per Australian; that capacity has now fallen to just over 3.5 megalitres. If no new dams are built in the future, Australia's storage capacity will fall to 2.5 megalitres per person by 2050.

That's why the Coalition has established a Dams Ministerial Working Group that Barnaby has heading up. They are compiling a shortlist of dams at the moment. There is at least one dam in this region that will be on it, the Emu Swamp dam at Stanthorpe, which I personally think has lots of potential.

I want to build dams and I hope this government has the guts to do that. But there is of course no point building dams if we don't develop the markets for the additional produce that dams will be able to create. That's why it is crucial that we develop new markets for agricultural products.

We have had a stark demonstration of what happens when markets get shut down in the last few years. In the year after the live cattle trade was shut down beef prices fell by 20 per cent. There are no other factors impacting beef, the drought and the high dollar, but since the Coalition Government was elected, and the live trade has really gotten going again, beef prices are up 15 per cent and sheep prices are up substantially too. More markets mean more dollars.

In less than a year the Coalition has signed two major trade agreements with Japan and Korea, both good news for our beef producers in particular.

The Korea agreement saves the industry from being at a permanent disadvantage to the US. The US had a head start on us, and tariffs for their beef were already 8 per cent lower than those for Australian beef. That gap was going to continue to widen to up to 40 per cent over the next 15 years. As a result, of the Korean agreement tariffs on Australian beef will also fall to zero over the next 15 years.

Under the Japan agreement beef tariffs will fall from 38.5 per cent today to 19.5 per cent for frozen beef, and 23.5 per cent for chilled beef, over 15 years. In the first year of the agreement alone, tariffs will be cut to 30 per cent for frozen beef and 32.5 per cent for chilled beef. For grains, we will be the only country able to export grains for feed outside the current quota system.

We also hope that an Australia-**China** free trade agreement may be able to be concluded later this year.

Australian farmers also need more support to market their products in domestic markets too. The concentration in our retail markets is now a clear concern. Excuse me for a lapse into some technical economics, but our retail sector has some of the highest concentration rates in the world. In the US, the Federal Trade Commission measures concentration by the Hirschman-Herfindahl index. When that index gets to 1800 they start to get worried. The score for our retail sector is 3600. I think warning bells should be going off.

I think we might have a problem when not just farmers and small businesses are concerned but companies as big as Coca-Cola Amatil say that Australia is an "inhospitable" environment to operate in. I think when one of the biggest companies in the world is getting bullied perhaps we have an issue.

I am confident that the Coalition Government will make changes. We have announced a "root and branch" review of the Competition and Consumer Act. It's important for everyone with a desire for change to get involved in that to make a submission or to contribute to ones that their industry groups might be making.

I started by talking about productivity and it is important that as a sector we continue to be productive. Especially given that most of Australia's farm produce is sold into world markets where we have little impact on the price. That is why the Government has announced an extra \$100 **million** over 4 years into Rural Development Corporations to drive better research and outcomes.

Still, becoming more productive alone is not the answer to lift farm gate returns. As John F. Kennedy said, farmers are the only people that pay retail for everything, sell everything at wholesale and the pay freight both ways. We can become more productive but that won't help us increase returns unless farmers have more market power in domestic and international markets to lift prices above just their barebones costs. In the current environment, lower costs quickly translate into lower farmgate prices.

The opportunities are certainly there. I was in Shanghai a couple of months eating a T-bone steak from Australia that was \$110. Fortunately, I was not paying. Our steak is selling there for \$60 per kg in supermarkets and **Chinese** farmers get \$4/kg liveweight for their cattle. There is money to be made in that supply chain but the opportunities are not just going to fall into our lap.

As a government we keep focused on protecting farmers from green tape, promoting small farms, negotiate trade agreements and improve competition in agricultural markets.

Thank you and God bless.

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