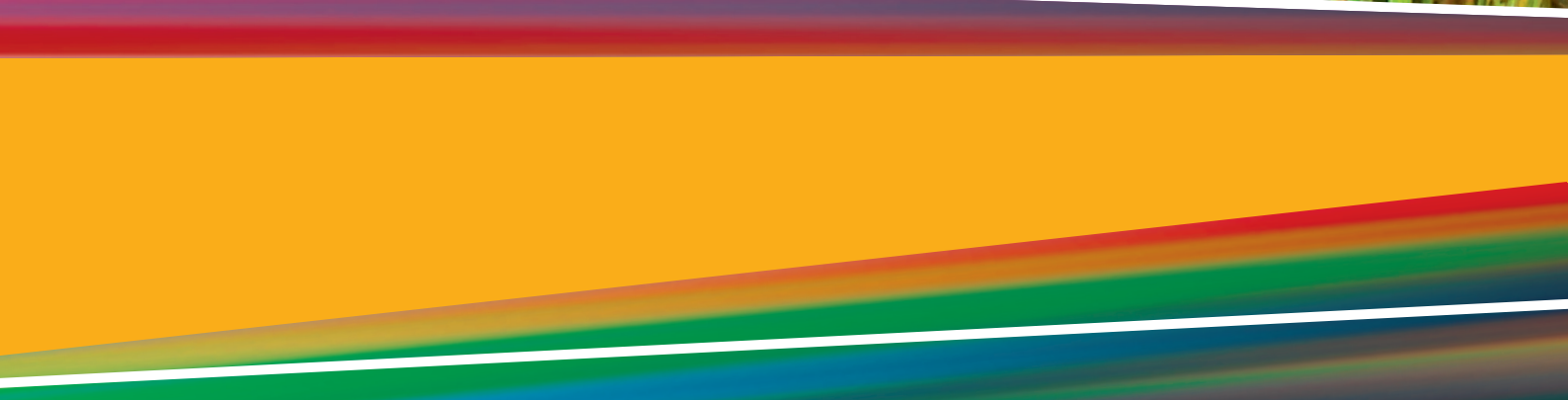




Australian Government  
Department of Agriculture,  
Fisheries and Forestry

# Future harvest

The way ahead for Australian agriculture and food



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## From the Minister

“And he sees the vision splendid, of the sunlit plains extended...”  
*Clancy of the Overflow*, AB (Banjo) Paterson 1889.

”Oh, may the showers in torrents fall, and all the tanks run over;  
And may the grass grow green and tall, in pathways of the drover.”  
*Andy's Gone With Cattle*, Henry Lawson, 1888.

Australia is a nation shaped by our agricultural ancestry.

From the landholdings of emancipated convicts and settlers of the first fleet, soldier settlements of the 1940s, to the larger scale farm production of today, agriculture has shaped our landscape, defined our national identity and underpinned our economic prosperity.

While Dorothea Mackellar's land of 'droughts and flooding rains' lives on, Paterson's swagmen and Lawson's drovers would barely recognise modern Australian agriculture - in all its diversity.

Australian agriculture in 2007 will always be viewed through the prism of drought. It has tested our mettle and pushed us to limits, but it has not overwhelmed us. Farmers have withstood the current drought like never before. The lessons we have learned place us in an enviable position when the drought eventually breaks. As it will.

Australian farmers are resilient. They have to be. Instead of looking over their shoulders at times long past, farmers have been creating their future. Innovation, resilience and adaptability are as important to agriculture as rainfall figures, climate predictions and commodity forecasts.

Today, real time databases record individual cattle ID at the saleyards, tractors are guided by GPS, and irrigation land is drip filtered and laser levelled.

Agriculture has changed, and Australian farmers have changed along with it, and that is the trait that will see farming in this country go from strength to strength.

Last year the Agriculture and Food Policy Reference Group produced a landmark report – *Creating Our Future: Agriculture and Food Policy for the Next Generation* (the Corish Report). With its 55 recommendations for change, it might at first appear that the group saw insurmountable challenges in the future. Far from it. Their confidence in Australian producers led them to predict a bright future for Australian family farms.

This year's Budget contains additional assistance to improve the prospects for Australia's agricultural, fishing, forestry and food industries. These include a refocused Agriculture – Advancing Australia, a new suite of natural resource management programmes that includes a ground-breaking environmental stewardship programme, ongoing support for the Australian food industry and funding to boost our biosecurity capability.

In releasing the Government's response to the recommendations of the Corish report in October 2006, I foreshadowed this agricultural policy statement. With the Corish response as a catalyst, this statement outlines the Government's policy directions for agriculture, fisheries, forestry and food, and examines the 2007-08 Budget more closely.

## Future harvest

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The Government's goal is profitable, competitive and sustainable agricultural, fishing, forestry and food industries. Our aim is to create an environment of opportunity and to help equip individual producers and their industries with the skills to succeed.

To create this fertile environment, the Government pursues trade reform and access to international markets, applies best practice regulation, maintains constant vigilance in protecting our favourable animal and plant health status and supports sustainable use of our natural resource base.

To build individual and industry capacity, the Government supports the development of business skills and risk management expertise. It also funds significant research and development to underpin much of the innovation we need to improve productivity. This approach is designed so that when changes occur and challenges arise, producers are better positioned to respond to them.

That said, the Government has a responsibility to help out in times of genuine need. When exceptional events arise, beyond the control of individuals, we provide a safety net.

The Australian Government firmly believes in working jointly with industries to make sure its policies and programmes are correctly targeted. In every area mentioned collaboration is the best way to get effective results. Collaboration is also the key to unlocking many of the challenges that cross state and federal boundaries.

Australian agriculture has a proud history – I look forward to continuing to working closely with individual farmers and their representative organisations to make sure the future is even brighter.



**The Hon. Peter McGauran MP**  
Minister for Agriculture, Fisheries and Forestry

May 2007

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## **1. Australian rural industries: the future**

A strong and profitable rural sector continues to be integral to Australia's future prosperity.

Characterised by innovation, our agricultural, fisheries, forestry and food industries continue to make a vital contribution to our economy and our community today. They provide the social fabric across much of Australia and our farmers have stewardship of two-thirds of our entire landmass and natural resources.

Australia's primary producers have weathered the challenges of a variable climate, volatile prices and distorted markets with ingenuity and perseverance, while making great gains in efficiency and increasing the diversity and value of outputs. They have a proud record.

Our farmers have been experiencing one of the most punishing droughts on record. In March 2007, almost half the agricultural land in Australia was exceptional circumstances drought declared. Water storage levels in south-eastern Australia are at an all-time low, and in 2006-07 many farmers will have their lowest incomes in 30 years. Commercial survival has required resourcefulness and adaptation, and a full recovery from the drought will take time.

The Australian Government's policies and programmes aim to allow businesses to make the most of the opportunities available, and maintain agriculture, fisheries, forestry and food as dynamic parts of a competitive Australian economy. This statement details new and continuing Australian Government initiatives to help our rural industries and food sector stay at the forefront, adapting to new conditions, harnessing technology and implementing best practice. The statement also looks at the role that industries themselves have in creating their own future.

The 2007-08 Budget includes:

- A refocused Agriculture – Advancing Australia package to support Australian rural industries facing change;
- Natural Heritage Trust 3 – an additional injection of almost \$2 billion to help restore and conserve Australia's environment and natural resources;
- A \$50 million Environmental Stewardship Programme that will contract landholders to actively manage assets of national environmental significance, with an initial goal of enhancing conservation of protected box-gum woodland;
- The next generation of Landcare;
- Funding for the National Plan for Water Security, including \$10 billion to improve the efficiency of irrigation allocation, trading and delivery systems;
- Continuing support for the Australian food industry, and
- Increased support for our biosecurity system to maintain our high standards.

### **1.1 Rural industries and food in Australia's economy**

The agricultural, fisheries and forestry industries constitute about three per cent of Australia's gross domestic product (GDP). Despite this seemingly small share, linkages with other parts of the economy are strong and the performance of these industries has an effect on the national economy. A stark reminder of this is the current drought, which is expected to cut three-quarters of a percentage point from Australia's economic growth in 2006-07.

Agricultural, fisheries and forestry products contribute about one-fifth of the value of Australia's merchandise exports, with projected earnings of around \$30 billion in 2006-07, despite the drought.

Large areas of Australia and many of our communities depend on agriculture, fishing and forestry. These industries are important employers. While they provide 3.6 per cent of total employment, for inland Australia the figure for agriculture is around 14 per cent and in some regions it is as high as 70 per cent.

Food processing is Australia's largest manufacturing industry, with total sales of around \$70 billion in 2004-05. It accounts for 18 per cent of manufacturing industry employment. About 40 per cent of food processing employment is in non-metropolitan areas.

### **1.2 Australian farms**

Farms in Australia are more diverse than the stereotyped images portrayed. Farms range from small retirement and residential holdings to enterprises with annual sales in the tens of millions of dollars. They may be operated by individuals on a part-time basis, by several generations of a family or by managers of corporations. Some specialise in a single product, others generate a variety of products.

Despite this diversity of scale, structure and production, 98 per cent of commercial farms in Australia are still family farms – they are owned by families, managed by families and worked by families.

With regard to output, there are few very large farms in Australia but they contribute significantly, and increasingly, to total production. In 2003-04 the largest 10 per cent of farms (when ranked by the value of their operations) accounted for 60 per cent of the total value of agricultural output.

#### **Box 1: Urban farming**

In the past 30 years, as the number of commercial farms has declined, Australia has seen a surge in small rural landholders on city fringes. This social phenomenon is giving rise to new challenges for our biosecurity and natural resource management.

Some urban farmers and landholders are new to farming and to issues of pasture, weed and pest management, and plant and animal diseases. They are also less likely to be engaged with relevant industry bodies and governments than other farmers. Therefore, the biological risk associated with urban farming is potentially high. Owners tend to value land for its scenery, environmental conservation and healthy lifestyle rather than its earning capacity.

The continued growth of urban farming has implications for animal and plant health policy, including in areas such as emergency plant pest and animal disease awareness; animal identification and tracing; and, ultimately, emergency animal disease control measures and responses. The Australian Government is working with states and territories to increase awareness and understanding of biosecurity issues among these small rural landholders and to explore ways of better engaging with this rapidly growing group.

### **1.3 A history of change**

Our rural industries have, like the rest of the economy, changed substantially over time.

Production has increased and diversified with developments in transport networks and refrigeration, irrigation and farm machinery, plant and animal breeding and husbandry, information technology, modern regulatory arrangements and global competition. New industries have sprung up while others have shrunk. The wool industry remains important but is no longer so dominant. Other sectors have grown, in particular grains, meat and dairy products, and newer successful export industries have emerged such as wine, aquaculture and live animals. In response to the varied cultural influences on consumers' tastes, there has been an explosion in the diversity of horticultural crops and food products.

As the real prices of agricultural commodities have fallen, farmers have increased their productivity – by doing more with less. Productivity growth has been strong in agriculture, averaging around 2.3 per cent a year over the past 30 years. Advances in plant and animal genetics, crop, pasture and soil management, pest and disease control, and understanding of animal nutrition have helped to drive this growth.

The increase in irrigated agricultural production has been particularly noteworthy. Around 65 per cent of Australia's extracted water use is in irrigation. Although only 0.5 per cent of agricultural land is irrigated, irrigated agriculture now accounts for almost a quarter of the total value of agricultural production and is the economic lifeblood of many rural communities. This growth has heightened vulnerability to water shortages, and reinforces the need for robust water entitlements and the most efficient use of water.

### **1.4 Potential for future change**

The Corish report – the 2006 report of the Agriculture and Food Policy Reference Group – highlighted the opportunities and challenges ahead for Australian farmers. Fishers, food manufacturers and foresters face similar challenges.

Pressures are rising on our production systems and in our markets. Competition, difficulties in accessing overseas markets and climate variability are among them. Consumer expectations about food quality, awareness about sustainable production systems and a greater desire for branded products create further challenges for 'commodity' producers.

Australia's minerals and energy resource boom will maintain the exchange rate at relatively high levels and provide competition for labour, creating additional domestic pressures.

On the other hand, there is tremendous potential for research to open up new production possibilities and for global prosperity to create new demand. Changing circumstances often reveal new prospects, such as the emerging biofuels industry that is already influencing commodity prices and providing producers with opportunities for diversification.

With resilient and capable producers, and Australia's international reputation as a high quality supplier with reliable regulatory and production systems, we can be optimistic about the opportunities ahead.

### **1.5 Australian Government leadership**

Australia has many inherent advantages including its resources, large areas of land with varied climate and topography, geographical isolation, quarantine border security, and its stable political and judicial systems. However, the Australian Government has important responsibilities in creating a policy framework that is conducive to business success.

Responsible macroeconomic management is one of them. The Government's economic policies have contributed to Australia's current sustained period of growth and stability, with record low unemployment, interest rates and inflation.

Microeconomic reform is equally important. The 1995 National Competition Policy has had far-reaching benefits through reforms in energy, water and transport particularly. In 2006 the Council of Australian Governments agreed a National Reform Agenda (NRA) – a new wave of collaborative reform to underpin Australia's future prosperity. The NRA addresses human capital, competition and regulatory reform, all of which will benefit our rural industries.

Government regulation must be as effective and efficient as possible. The Australian Government set up the Taskforce on Reducing Regulatory Burdens on Business to help achieve this. The taskforce made recommendations across a broad range of regulatory areas. As a number of the taskforce's recommendations related to food, the Government established a review of food regulation. The aim is streamlined and more nationally consistent regulation, supporting a more competitive Australian food industry. The review will report to the Government in mid-May 2007.

The Productivity Commission is also commencing annual reviews to identify regulation that is unnecessarily burdensome, complex or redundant, or duplicates regulation in other jurisdictions. This rolling programme of reviews will examine all sectors of the economy over a five-year cycle, commencing this year with the first review into primary production including agriculture, fishing, forestry and mining. This review will be completed by the end of October 2007.

Internationally, the Government is working to reduce trade distortions and improve market access for our exporters. While continuing the battle for comprehensive trade reform through the World Trade Organization, Australia is actively seeking benefits that can be derived from free trade agreements with key trading partners.

The Australian Government introduced its WorkChoices legislation in March 2006, providing increased flexibility for workers and employers in rural industries.

Efficient infrastructure, particularly transport infrastructure, is crucial. The Australian Government will invest \$22.3 billion in Australia's land transport system from 2009–10 to 2013–14, under the second stage of its National Land Transport Plan – AusLink 2. This is the biggest investment in land transport infrastructure ever made by an Australian Government and builds on the current AusLink investment of \$15.8 billion over five years to mid-2009. Road and rail projects under the AusLink National Network component will make it easier for producers and manufacturers to get their products to markets or to the docks.

The Government's continued support for effective management of our natural resources illustrates our determination to encourage world-class sustainable primary production.

Critical to these initiatives is the recently announced National Plan for Water Security, which will speed up the National Water Initiative. This plan recognises the fundamental importance of good water management to future national growth and prosperity, as well as to our unique environment. We cannot afford the sorts of impasses that have characterised the implementation of water policy in the past. Water is simply too important.

## **1.6 Crucial partnerships**

The Australian Government is determined to work in partnership with our growers, graziers, fishers, foresters and food producers. Through its Rural Industries Youth Advisory Group the Government gains a youth perspective on key issues and a direct communication channel with young farmers. In addition, the Government delivers targeted training for women and young people in agriculture, fisheries and forestry, as it recognises the need to make sure they have the skills and opportunities to contribute to the future of their industries.

Industry leaders have important responsibilities too. They must provide clear leadership and communication, particularly on difficult and controversial issues. They must participate actively in seeking solutions, and encourage their members to be forward looking, flexible and self-reliant. They must recognise the diversity of participants in their industries and find ways to include the varied perspectives in developing future directions.

Australia's federal system of government means that the states and territories must work with each other and with the Australian Government to achieve the best results. Collaboration is essential for the success of many activities directly related to agriculture.

Climate, water flows, pests and diseases do not respect state borders. Partnerships between governments are important in delivering Australia's natural resource management programmes and for action on water and climate change. They are fundamental to success in research and development and innovation, emergency management of disease outbreaks and control of weeds and pests. Constructive engagement between governments will also help minimise the unnecessary differences in regulatory requirements and incentives for producers.

## **2. Staying competitive**

World markets for food, feed and fibre are growing. Increasing populations and greater affluence provide scope for Australian producers to expand.

However, in a world more open to international trade and investment, the competition faced by Australian producers has intensified. The rise of low-cost producers such as China and Brazil has been rapid and will continue. As Australian producers improve their productivity, our competitors are doing the same.

Australian businesses must constantly re-position themselves to create and capitalise on opportunities. To be competitive, we must be able to supply the right products at the right price, at the right time. Production must be driven by consumer expectations and producers need the flexibility to meet those changing demands. Successful producers understand that their products are ultimately inputs to food and clothing, and think far beyond the farm-gate in their production and marketing decisions.

### **2.1 Adjusting to change and managing risk – never stop learning**

Change is inevitable across products, prices, market destinations, technologies, infrastructure and weather. Anticipating and responding to change is essential in staying competitive. Australian primary producers are adaptable, but more effective risk management is becoming increasingly necessary.

Innovation and education are central drivers of productivity growth.

Tomorrow's farmers will need both practical and business expertise to make the most of their resources and of research and technology. Individual producers and industries that can deflect threats and capture opportunities are more likely to prosper.

**The challenge:** Equipping producers and industries with the skills and financial tools to manage risk and adjust to change.

**How is the Australian Government responding?**

**Agriculture – Advancing Australia**

Since 1997, Agriculture – Advancing Australia (AAA) has been the Australian Government’s flagship policy package for assisting primary producers, farm families and rural industries to manage and adjust to change and better position themselves for the future.

Successive reviews of the AAA programmes have affirmed their effectiveness. However, as the Corish report observed, AAA needed refining to maintain its relevance. Just as farmers must be adaptable, so too must Government policies.

The reshaped four-year \$254.7 million AAA package continues the six existing AAA programmes. The new package will be more flexible and focused in providing information and advice, training and investment in capacity building, and targeted support for primary producers, farm households, producer groups and rural industries. The package will help producers to match the performance of the best, while also providing assistance to those facing difficult changes.

<b>Box 2: Agriculture – Advancing Australia package (2007-08 to 2010-11)</b>	
	Funding
<p><b>Advancing Agricultural Industries</b> A framework for the Australian Government to work with industry on current and future challenges. There are four integrated components:</p> <ul style="list-style-type: none"> <li>• <i>Industry Stocktakes</i>: projects of up to \$200,000 over one year to help industries better understand their situation, prioritise issues and develop action plans;</li> <li>• <i>Action Grants</i>: grants up to \$1 million over two years, matched by industry to support projects that focus on priority industry needs;</li> <li>• <i>Rural Leadership Development</i>: primarily focused on creating opportunities for young people, women and Indigenous people, and</li> <li>• <i>Advancing Agriculture Fund</i>: matching grants of up to \$50,000 over one year to promote local level action to manage business risk and ongoing change.</li> </ul>	\$40.0 million
<p><b>Farm Business Management (FarmBis)</b> Supports primary producers and rural land managers to improve business management skills. The new FarmBis will be delivered by the Australian Government.</p>	\$43.9 million
<p><b>Farm Management Deposits Scheme</b> A risk management tool to allow primary producers to set aside cash reserves to meet costs in low income years. Increase in the maximum holding from \$300,000 to \$400,000 and in the off-farm income limit from \$50,000 to \$65,000.</p>	Tax expenditure item – no direct funding*
<p><b>Rural Financial Counselling</b> Provides a free and confidential financial counselling service and a central reference point for other available services. Funding to maintain an effective Australia-wide service to clients in need of support.</p>	\$54.9 million

<p><b>Farm Help</b> Provides short-term income support and professional advice to farm families in severe financial difficulty to adjust and change. Farm Help will be more accessible, with previous recipients allowed a second chance to obtain advice and training grants of up to \$2500 and a re-establishment grant. Re-establishment grants increased to up to \$75 000; maximum asset limit of \$150 000 to obtain the full re-establishment grant.</p>	\$106.6 million
<p><b>International Agricultural Cooperation</b> Improves bilateral agricultural trading relationships with key developing country markets. Strengthened to respond to trade disruptions and to increase understanding of trade related issues.</p>	\$9.3 million

\*Note: The Australian Tax Office estimates that the Farm Management Deposits Scheme had a cost to revenue of \$110 million in 2005-06.

The centrepiece of the changes in the new AAA is the four year \$40 million Advancing Agricultural Industries Programme (previously Industry Partnerships). Through the programme, the Australian Government will work in partnership with industries, at both the national and regional level. These partnerships will identify warning signs or potential looming risks and opportunities early, and put industry-led actions into place to manage these circumstances.

The programme will expand on three elements of the previous AAA, and will form an entry point to Australian Government support.

- Industry stocktakes – helping industries better to understand their situation, prioritise issues and develop actions plans customised to their circumstance and performance;
- Action grants – catalytic funding support for projects that focus on priority industry issues. It will help an industry put in place long-term actions to better position itself in four main areas: market development, training, adapting to increased competition and industry development, and
- Rural leadership development – helping to develop the leadership skills and potential in industries, primarily focusing on creating opportunities for young people, women and Indigenous people.

The programme will also initiate the Advancing Agriculture Fund, which will make small matching grants available to promote local level action to manage business risks and ongoing change. The fund will provide opportunities for local level producer groups to identify innovative ways to improve their business risk management and performance.

Good business management is crucial to farm profitability and sustainability. FarmBis helps primary producers undertake business management training and skills development. To make sure producers across Australia have consistent access to FarmBis, it will be delivered nationally rather than through the states and territories.

The new FarmBis will ensure that the same level of training support and the same eligible training measures are available to all producers across Australia. It will help all producers meet 65 per cent of the costs of training. The new FarmBis will start in New South Wales and Victoria from July 2007 and in the remaining states and Northern Territory from July 2008, when arrangements under the current FarmBis are complete.

Farm Management Deposits (FMDs) give producers the capacity to deal more effectively with fluctuations in their incomes from climate variations. They are a valuable tool for risk management. In the October 2006 Drought Package, the Australian Government announced improvements to the FMD Scheme to increase the maximum holding and the off-farm income limit.

Rural financial counselling is a free, impartial service for primary producers, the fishing industry and small rural businesses suffering financial hardship and who have no alternative sources of impartial support. It helps clients manage risks and the challenges of change and adjustment. Counsellors are valued in their communities, and their role as an entry point for other services will be strengthened under the new AAA.

Despite their best efforts, some producers will not be able to cope in all situations. Farm Help will continue to provide short-term support for families in severe financial difficulty. Income support and funding for professional advice and training give operators time to improve farm performance or prepare for life off the farm.

The Farm Help programme targets those in need, providing incentives for farmers and their families to make the necessary changes to improve financial circumstances through access to case management and tailored professional advice and training. Farm Help will become more accessible, including giving earlier recipients a second chance to access an advice and training grant and/or a re-establishment grant (if the latter has not previously been accessed). For those who seek to leave their farms, the re-establishment grant and the maximum asset limit to obtain the full grant will be increased.

### **Other education opportunities and labour issues**

In this strong economy with record low unemployment rates, the rural sector is competing for both skilled and unskilled labour. When labour supply is short, increases in productivity and workforce skills become critical and the people management skills of individual managers become especially important.

The recent House of Representatives inquiry into rural skills, training and research noted that maintaining and enhancing rural workforce skills is crucial to our international competitiveness. The Government is preparing its response to the inquiry.

The new Rural Research and Development Priorities, detailed in box 3, acknowledge for the first time the importance of human skills in the provision and adoption of research.

Various Australian Government programmes and initiatives are addressing the skill needs of Australian industry. The Government is working to increase industry awareness and access to these programmes, and to make sure they recognise the characteristics of the rural sector.

The Government maintains networks of regional and industry outreach officers, including a rural industry dedicated officer, to provide employers with information on how migration can help meet skill shortages. The importance of seasonal labour in horticultural industries has been recognised in the Working Holiday Maker arrangements. These visa holders are now eligible for a second visa if they undertake three months' work in regional Australia. Eligible employers in regional Australia can also apply to sponsor skilled workers under the temporary business long-stay visas (457 visas).

Public perception of the rural sector is significant. Attracting participants will be easier if the community at large sees both the financial and lifestyle benefits of being part of the rural sector. Leaders and representative organisations have a role here in how they portray their industries.

## 2.2 Doing new things in new ways – R&D and innovation

Innovation is essential for competitiveness and profitability. It has been the foundation of the sector's impressive productivity growth and lifted the sustainable capacity of our natural resource base.

Much of that innovation comes from research and development (R&D), as well as individual inventiveness. Continued investment in R&D and the application of new knowledge and new technology is vital for the future of Australia's agricultural, fisheries, forestry and food industries.

**The challenge:** To support and encourage innovation through relevant, cost-effective R&D and the adoption of new knowledge and technology.

### ***How is the Australian Government responding?***

Government investment in rural industry R&D recognises that large numbers of small producers could not profitably invest as individuals. It also recognises that there are significant benefits to the broader community.

The Australian Government invests in such research through many avenues – including the 15 Rural Research and Development Corporations and Companies (RDCs), a number of Cooperative Research Centres and the National Food Industry Strategy.

In 2005-06 total expenditure by the 15 RDCs on R&D was \$541 million, with the Australian Government contributing \$216 million through a matching partnership arrangement. In its RDCs, Australia has a unique and successful model of rural research funding that has provided long-term investment and industry involvement. However, not all industries have shared equally in the rural sector's high average productivity growth.

R&D efforts must be responsive to the fresh challenges faced by our industries. The Government has reviewed the Rural Research and Development Priorities in consultation with industry, state and territory governments, the RDCs and other research funders and providers.

The revised priorities, shown in box 3, will help focus R&D effort on issues of major importance that go beyond individual industry sectors and jurisdictions. This will make our national innovation effort more coordinated, efficient and effective, and better position Australia's agricultural, fisheries, forestry and food industries to maintain a competitive edge in the face of economic and climatic challenges. The rural R&D priorities help RDCs to direct their investments into areas of importance to the Government as well as to industry. The challenges addressed by these priorities include climate change, biosecurity, the sustainable use of our natural resources and maintaining the productivity and competitiveness of rural industries.

### **Box 3: Australian Rural Research and Development Priorities – 2007**

#### **The priorities**

1. ***Productivity and adding value*** – Improve the productivity and profitability of existing industries and support the development of viable new industries.
2. ***Supply chain and markets*** – Better understand and respond to domestic and international market and consumer requirements and improve the flow of such information through the supply chain, including to consumers.

3. **Natural resource management** – Support effective management of Australia’s natural resources to ensure primary industries are both economically and environmentally sustainable.
  4. **Climate variability and climate change** – Build resilience to climate variability and adapt to and mitigate the effects of climate change.
  5. **Biosecurity** – Protect Australia’s community, primary industries and environment from biosecurity threats.
- Supporting the priorities**
1. **Innovation skills** – Improve the skills to undertake research and apply its findings.
  2. **Technology** – Promote the development of new and existing technologies.

The Government is continuing to work with state and territory governments to implement a national framework for rural industry research, development and extension, aimed at sharing and making better use of national R&D resources.

Commercialisation of biotechnology is one area in which Australia could improve. More than ten years after the commercial introduction of genetically modified (GM) crops, it is now essential to world agricultural production. GM crops are grown commercially by more than ten million farmers in more than 20 countries, including some of Australia’s major competitors. Recent ABARE research shows that GM canola is generally accepted as readily as conventional canola and at similar prices. Countries producing GM varieties of soybeans, corn, cotton and canola dominate world trade in these commodities.

The message is clear. Australia is at serious risk of being left behind as a competitive agricultural exporter if it does not take full advantage of this powerful technology. And, importantly, we cannot simply bring in varieties developed overseas – they must be developed and trialled to meet local conditions and needs.

The safety of GM crops is verified by the Office of the Gene Technology Regulator and farmers should have the choice of whether or not to produce them. Australia has a robust, science-based risk management system for gene technology that is one of the most stringent in the world. But in most parts of Australia, state and territory bans on GM crop production have prevented the introduction of GM crops other than cotton.

The Government has commissioned a range of reports to help inform agricultural industries and the public about aspects of biotechnology, including the marketing concerns about GM crops that led to the bans. The Government has also developed a web-based tool, BioRegs Online, to help industry and researchers understand the regulatory framework for biotechnology products.

Biotechnology, used appropriately, can be a valuable part of the future toolkit of Australian farmers as they face the challenges of tough market competition and a variable and changing climate.

#### **Box 4: Biotechnology – opportunities too good to waste**

Biotechnology can deliver benefits for agriculture, the environment and consumers.

- Biotechnology has already contributed to a transformation of Australia’s cotton industry. With GM cotton varieties, the use of pesticide on Australian cotton has been reduced by up to 75 per cent.
- Herbicide tolerant canola varieties can be used in minimum tillage farming systems to conserve soil moisture, reduce erosion and improve soil condition.
- New products can be developed to meet consumer demand. Carnations are available in purple, mauve or blue and other flowers and colours are being developed.
- Drought-tolerant crop varieties are being developed to provide resilience in climate variability.
- Omega-3 oilseed varieties and grains with resistant starches are under development to provide nutritional and health benefits for consumers.
- Genomics and marker-assisted technologies can speed up and improve traditional plant and animal breeding.

### **2.3 Beyond the farm – the business of food**

Australia’s historical focus on the production of bulk commodities has been shifting for some time.

With good economic prospects for many developing countries, food demand will continue to increase – particularly for meat, dairy products, ingredients and packaged foods. The growth prospects for food demand in developed countries will be in differentiated and new products, value-added lines and niche markets.

Growth in Australia’s food sector has been strongly oriented toward exports. But the multinational food manufacturers, food service companies and supermarket chains that dominate global food markets are driving significant change, and global supply chains are increasingly integrated. These companies can potentially source their input requirements from anywhere in the world, making the competition between suppliers fiercer than ever.

These developments underscore the importance of taking a whole-of-chain perspective of our food, feed and fibre production – from on-farm decisions to R&D agendas to market intelligence. Australian food businesses that can innovate and keep costs down will take on the competition and be part of this future growth.

**The challenge:** An innovative, flexible food industry that is internationally competitive and trusted by our customers.

#### ***How is the Australian Government responding?***

The major Australian Government initiative for the food industry is the National Food Industry Strategy (NFIS). A joint venture between the Government and the food industry, the NFIS covers a range of activities to enhance the industry’s export competitiveness. The initial funding was for five years from 2002 and the revamped NFIS will continue this support with funding of \$75.7 million over four years.

<b>Box 5: National Food Industry Strategy (2007-08 to 2010-11)</b>	
	Funding
<b>Food Innovation Grants Programme</b> Supporting Australian food businesses as they undertake research and development to improve their competitiveness.	\$54.2 million
<b>Technical Market Access Programme</b> Supporting Australian Government officials in key overseas markets to improve market access for Australian food products.	\$15.0 million
<b>International Food Standards Initiative</b> Representing Australia's interests in standards setting and informing Australia's negotiating position.	\$2.5 million
<b>Australian Food Industry Council</b> A continuation of the valuable engagement between the food industry and senior government representatives achieved in the National Food Industry Council.	\$4.0 million

The Food Innovation Grants Programme will focus on developing industry competitiveness, efficiency and new niche market opportunities by supporting food businesses as they undertake research and development. Following public calls for submissions, an industry based committee will assess applications and grants will be determined on a competitive basis and allocated on relative commercial merit. The Government will provide matching funding to successful applicants.

Under the NFIS, the National Food Industry Council will become the Australian Food Industry Council. The new Council will provide a forum for industry and government to jointly set directions for the Australian food industry to foster growth and competitiveness.

The Technical Market Access Programme and the International Food Standards Initiative will improve the trading environment for Australian food businesses. These programmes will increase international market access through funding agricultural counsellor positions at Australian embassies in major markets and engaging with influence in international food standard setting organisations.

Support is also available for the food industry under the Government's \$8.3 billion Backing Australia's Ability package. This programme includes \$1 billion allocated over five years from 2006-07 to the Commercial Ready programme to support small and medium-sized firms to increase business investment in research and development and undertake early stage commercialisation.

It also includes \$14 million over the same period to continue the New Industries Development Programme (NIDP). The NIDP aims to increase opportunities for innovative, market-oriented small and medium-sized agribusinesses through Pilot Commercialisation Projects and In-Market Experience Scholarships.

Through the R&D Tax Concession programme, the Government supports business expenditure on research and development, which assists firms to develop new and better products and reduce costs through process improvement.

The Government is also working to reduce the regulatory burden on food businesses to allow them to more easily develop and implement innovative products and processes to keep them competitive in both domestic and international markets.

## **2.4 Meeting expectations – consumers and the community**

Community expectations and consumer perceptions matter. People are interested in the products they are buying, including the production techniques, handling and transport. But they do not always have access to all the relevant information.

As the connection between urban and rural communities has weakened, there is less understanding and awareness of the importance of primary production. Consumer education is important to make sure the community is not vulnerable to misinformation and that consumers have the necessary information to allow them to form their own opinions.

**The challenge:** Satisfying consumers' expectations about product integrity.

### ***How is the Australian Government responding?***

Animal welfare has been a particular focus of community interest. Australians believe in humane animal practices. Livestock industries have the added incentive of profits from well-managed and healthy stock. The Australian Animal Welfare Strategy is a blueprint for animal welfare policy in Australia. The strategy is aimed at all Australians and covers all animals, connecting animal welfare, animal health and production.

The strategy sets broad national goals on animal welfare and provides a framework for sustainable, scientifically-based improvements in animal welfare. It recognises the roles and responsibilities of the individual animal owner, animal industries and communities and all levels of government. The strategy is based on consultation with a range of stakeholders as well as the broader community.

In conjunction with the Australian livestock export industry, the Government is working with our trading partners to improve transportation, handling and slaughter practices in overseas markets. As the only country with specific animal welfare requirements for livestock exports, our livestock trade enables us to influence the conditions under which animals are managed and slaughtered in these countries. The Government has signed agreements on the live animal trade with six countries in the Middle East and negotiations continue with other trading partners in the region. The agreements set down the animal health and welfare conditions for live animal trade.

The wool and sheep industry is working to develop alternative ways to effectively protect sheep flocks from blowfly strike, and the Australian Government is assisting the development of non-surgical mulesing alternatives to meet the industry deadline of 2010 for phasing out the mulesing procedure. The Government endorses industry's National Mulesing Accreditation Program, which provides up-to-date training for all operators.

To protect producers from secondary boycotts such as those organised by some protest groups to prevent other businesses dealing with the group being targeted, the Australian Government will reform the *Trade Practices Act 1974*. The changes will allow the Australian Competition and Consumer Commission to take action on behalf of producers in such situations.

Global community concern is also focused on unsustainable fishing and logging and a range of voluntary certification and labelling schemes have been developed to address these concerns.

The Australian Forestry Standard (AFS) and Forestry Stewardship Council Certification regimes provide forest managers with economic, social, environmental and cultural criteria for sustainable management of forests and plantations for wood production. The AFS is recognised by the largest international forestry certification body, the Programme for Endorsement of Forest Certification.

Some environmental groups have tried to discredit the AFS in international markets. Their critique is not based on science and the activities of these groups have been detrimental to Australia's exports of forest products. The Australian Government will continue its work to counter misinformation and champion objective assessment rules in global markets. Australia's strong push on illegal logging and certification is part of this overall programme.

Seafood consumers' expectations are also being addressed through moves toward environmental accreditation.

Good communication is essential as consumers become more interested in production values. For example, concepts such as 'food miles', where the distance food has travelled to reach the consumer is being suggested by some as a proxy for the environmental impact of the product, are gaining popularity with consumers. Yet this is a very incomplete measure – not accounting for other factors in the production of the goods such as the relative energy intensity, the environmental impact of the production techniques or the effect of any subsidies on production.

### **2.5 Protecting our borders – biosecurity and quarantine**

Australia's freedom from many of the world's debilitating pests and diseases gives Australia an edge over our competitors in productivity and in accessing export markets. It has also helped preserve our unique natural environment, and human health standards.

As international travel, the volume of trade and the number of import and export destinations increase, the risk of incursion of exotic pests and diseases and the quarantine challenge also increase.

**The challenge:** Preserving Australia's favourable animal and plant health status, while continuing to meet our international trade obligations.

#### ***How is the Australian Government responding?***

The Australian Government prizes our favourable animal and plant health status. We have a well-resourced and sophisticated array of quarantine and biosecurity policies and a strong risk management strategy to combat pest and disease incursions.

Our quarantine activities begin well beyond our borders. Pre-border activities include inspection, monitoring and surveillance, and working with our near neighbours to address those risks.

Risk analyses are central to pre-border quarantine. Biosecurity Australia conducts science-based assessments of the risks associated with existing imports or proposals to import a particular good and, where possible, recommends measures to reduce the risks to an acceptable level. Trade does not occur when the quarantine risks cannot be reduced to an acceptable level.

**Box 6: Quarantine and trade – Australia’s appropriate level of protection**

The Australian economy depends on trade, both imports and exports. The World Trade Organization oversees a system of rules-based trade that includes a science-based process for assessing import risks. As a nation that exports about two-thirds of its agricultural produce, Australia benefits from the system and must adhere to the rules.

Australia has the right to set its own appropriate level of protection (ALOP) but this must be applied consistently across all trade. The Australian Government has set its ALOP at very low risk but not zero. A zero risk stance is impractical as it would mean no tourists, no international travel and no imports. The Government will continue its policy of providing a high standard of quarantine that reduces risks to a very low level – in accordance with Australia’s ALOP.

We must maintain a science-based, transparent quarantine system that meets international obligations and protects us from incursions of pests and diseases of humans, animals and plants.

In response to stakeholder feedback, the Government has devoted significant effort to reforming its import risk analysis (IRA) process, increasing the scientific rigour, timeliness and transparency of the process. Consultation with those likely to be affected by the outcome of an IRA will also be improved.

Additional funding of \$12.7 million over four years in the 2007-08 Budget will support the implementation of the reforms. Of this, \$11 million will be provided to Biosecurity Australia to implement the new IRA process effectively, while maintaining focus on its important work of access to export markets. \$1.7 million will be spent on providing transparent processes for prioritising import requests, on maintaining and improving communication with stakeholders and on strengthening the role of the Eminent Scientists Group which provides independent scientific expertise on IRAs. These reforms will enhance our conservative, science-based approach to quarantine.

The Australian Centre of Excellence for Risk Analysis, set up by the Government in 2006, is improving our understanding and management of biological risks.

Intervention at our borders screens incoming passengers, their luggage, international mail, cargo and other goods to minimise the risk of potential pests and diseases.

The post-border focus is on monitoring, and response and recovery procedures. For example, following the detection of red imported fire ants in Brisbane in 2001, the Australian Government has contributed \$85.9 million to the \$175 million spent to date on their eradication; and it has committed a further \$10.3 million to 2009 in the 2007-08 Budget to ensure eradication is achieved.

Biosecurity relies on partnerships between industry, governments and the community. Australia’s Biosecurity System for Primary Production and the Environment (AusBIOSEC) is bringing together the relevant activities of Australian and state and territory governments, as well as industry and landholders.

## 2.6 Getting through the tough times – managing drought

For many parts of Australia, the drought is now in its sixth year. Its unprecedented coverage, duration and severity has had a serious negative impact on Australian farm families, rural businesses and communities.

The Government recognises the hardship in rural communities and is helping farm businesses, families and small businesses that depend on farming. A drought as intense and prolonged as we are currently experiencing reaches far beyond the bottom line - it also imposes personal and emotional stresses on people already stretched to their limits. The Australian Government is providing a range of support and services, as detailed in box 7.

### **Box 7: Government assistance for drought**

Since 2001, the Australian Government has provided an estimated \$1.4 billion in drought assistance.

Assistance measures to help our farmers and rural communities include:

- Exceptional Circumstances assistance, including income support and interest rate subsidies, for farmers and farm-dependent business operators;
- Providing extra financial and personal counselling to rural communities;
- Emergency individual and community grants to be provided through the Country Women's Association;
- Increasing the deposit cap for the Farm Management Deposits scheme from \$300,000 to \$400,000, and the non-primary production income test from \$50,000 to \$65,000;
- Professional business and financial planning grants of up to \$5,500 (GST inclusive) are available for eligible farmers in areas that have been EC declared for more than three years, and
- Making changes to Drought Force and Job Network to help farming communities meet their workforce needs and to encourage skilled labour to remain in the region.

**The challenge:** Managing the impact of drought on farm and rural businesses and on the natural resource base.

### ***How is the Australian Government responding?***

In Australia, droughts are an unavoidable reality: only the timing and duration are uncertain. Drought is a risk to be factored into business management and into the sustainable management of land, water and vegetation.

Managing drought is one of the biggest challenges to the farm sector's prosperity. The Government will continue to support our farmers throughout the drought, and we are constantly monitoring our assistance measures to ensure maximum effectiveness. Recent improvements have been made in drought policy, but the emphasis must continue to shift toward preparation, management and capacity for recovery. Better preparedness will be important for improving the long term prospects of farmers. That is why the Government has continued to develop policies and tools to help all Australian farmers prepare for, manage and recover from future droughts.

Through FarmBis and Financial Counselling programmes, AAA supports producers in developing business skills and plans with a focus on risk management. Farm Management Deposits are a well-used tool for managing financial risk. Withdrawals in the September 2006 quarter have resulted in total holdings dropping down to the amount held in September 2003. This suggests that during the current drought conditions farmers are accessing deposits in line with the purpose of the scheme.

Timely and reliable information is central to efficient and effective decision-making by individual farmers. The availability and relevance of the web-based climate information tool, the National Agricultural Monitoring System, is being improved to assist farmers.

There is evidence that improved farming systems and agronomic practices such as conservation tillage have reduced the impact of this drought. Further research into better farm management practices will reduce the effect of future droughts on production.

Australian Government funding for the Natural Heritage Trust, National Action Plan for Salinity and Water Quality and the National Landcare Programme has supported on-ground action at the farm, local and regional level to improve the resilience of our landscape. The next generation of natural resource management programmes will continue this critical work.

## **2.7 Facing up to a new world – a changing climate**

Industries that depend on the natural resource base, such as agriculture, fisheries and forestry, as well as rural and regional tourism, are especially vulnerable to climate variability. Australian agricultural producers have in the past and will continue to face a more variable climate than farmers on any other continent.

**The challenge:** Farming profitably in a changing climate.

### ***How is the Australian Government responding?***

Australian farmers already have many strategies for dealing with a variable climate, but they will need more tools and information to manage under changing conditions.

The capacity for the agricultural sector to make informed decisions about adapting to climate change will improve as the capacity for regional modelling improves. However, this does not mean that we cannot do anything now; building farm resilience is sensible under any scenario.

At the farm and local level, the Managing Climate Variability Programme is undertaking research to improve seasonal forecasting, provide tools and services to better manage climate risk and to increase the adoption of climate risk management.

In 2006, all Australian governments agreed to a National Agriculture and Climate Change Action Plan, which is now being implemented. The plan has four main themes: adaptation, mitigation, research and development, and communication.

R&D efforts will include developing tools for better decision-making by farmers, and improving our understanding of climate impacts. In April 2007, the Australian Government announced that it will provide \$26 million to establish the Australian Centre for Climate Change Adaptation, and \$100 million over five years to fund its work to assist particularly affected sectors. The Government is also providing \$44 million for a new CSIRO Adaptation Flagship, working on more localised climate change information.

Climate change has potential implications for all types of primary production and natural resource management activities and it calls for coordinated and cooperative research. The action plan is strongly focused on that approach. Determining the best adaptation and mitigation strategies depends on both scientific and economic analysis.

The Australian Government's Task Group on Emissions Trading, due to report by 31 May 2007, is investigating the design of a global emissions trading system in which Australia would be able to participate. It will advise on additional steps that might be taken in Australia, consistent with the goal of establishing such a system.

The agricultural sector is a major source of greenhouse gas emissions and has physical capacity to sequester carbon. These will be significant issues in the development of any emissions trading scheme.

### **3. Gaining and maintaining markets**

Trade is the lifeblood of the Australian economy. Trade creates jobs, lifts living standards and encourages innovation. Our rural and food industries are highly export focused.

Australia exports around 65 per cent of its farm products, 75 per cent of its fish products and 52 per cent of its forest products. Australia's relatively small, slow-growing population means our industries need access to international markets to expand. But many of our agricultural markets are highly distorted by protectionist policies – export and production subsidies, high tariffs and non-tariff measures.

There is also increasing use of quarantine protocols and technical standards by some countries as deliberate trade restrictions, exceeding those which are required to protect plant, animal and human health. Australia has a critical role to play in making sure these measures are used honestly.

As efficient and competitive as they are, Australian producers still face tough hurdles in selling their goods. It is not enough just to be competitive; we need to work hard at dismantling and overcoming the unjustified barriers that block access to markets.

And this applies equally at home. If Australia were to wind back its progress in opening our borders to international trade and investment, export markets would be denied to us in return and it would also undo our tremendous economic prosperity.

#### **3.1 The main game – trade reform under the World Trade Organization**

The World Trade Organization (WTO) is the only avenue for comprehensive multilateral trade reform. Much was achieved through the Uruguay Round of negotiations, with the inclusion of agriculture for the first time under the global rules-based framework, but more needs to be done. Despite gains made in the Uruguay Round, agriculture remains the most distorted sector in world trade, mostly as a result of market access barriers and excessive farm subsidies. The current Doha Round of negotiations provides an important opportunity to redress this imbalance.

**The challenge:** Continued genuine reform of international trade.

#### ***How is the Australian Government responding?***

The Australian Government remains deeply engaged in the WTO. Throughout the Doha Round of negotiations, Australia has led the fight on agriculture through its role in the Cairns Group. The Cairns Group, chaired by Australia for over twenty years, continues to play a prominent role in all aspects of the agriculture negotiations and has recently held its 31st Ministerial meeting in Pakistan.

The Australian Government has promoted our interests in achieving real commercial outcomes from the Round in other informal groupings such as the cross-regional G6, comprising Brazil, the European Union, India, the United States, Japan and Australia.

Negotiations in the Doha Round started again in January 2007 after being suspended last July. Reform in agricultural trade is central to a successful result but agriculture has been the sticking point. Time is critical and the current opportunity for agreement is short – failure to finalise a deal will disadvantage all WTO Members.

However, the Australian Government remains committed to securing a deal that delivers substantial new commercial opportunities. There has already been agreement that an outcome should end the use of direct export subsidies. This is positive. But we now need much more on market access and domestic support.

### **3.2 New market opportunities – Free Trade Agreements**

At the same time as pursuing global trade reform, the Australian Government is advancing many other trading opportunities, both bilateral and regional.

Free trade agreements (FTAs) are integral to Australia's global trade policy. FTAs can be concluded more quickly than is possible under the WTO so producers can reap the benefits sooner.

**The challenge:** Expanding our access in key markets.

#### ***How is the Australian Government responding?***

Australia has negotiated FTAs with four major trading partners – the United States, Thailand, Singapore and New Zealand. More agreements are being pursued with Japan, China, Malaysia, the Gulf Cooperation Council and the ASEAN bloc, while a feasibility study is underway for Korea and a Joint Experts Group has been formed with Mexico to identify ways of strengthening our bilateral relationship. Officials have also commenced a bilateral negotiation process with Chile with a view to developing a comprehensive FTA.

#### **Box 8: The new China – what will it mean for Australia?**

China has a population of more than 1.3 billion, with around 250 million described as middle income earners. Currently Chinese agriculture feeds 21 per cent of the world's population on 9 per cent of the world's arable land. Approximately 40 per cent of the world's horticultural products and 30 per cent of the world's meat is produced in China, mostly for the large domestic market. Consumption of more diverse and higher valued food in China is growing as incomes rise.

China has a relatively small per person agricultural land base, feeding 10 people per hectare of arable land – more than twice the world average. Land intensive low-value crops are being substituted with products that provide higher returns per unit of land, such as horticulture. While China has cost advantages in labour intensive farming, production systems are often under-developed by international standards. Combined with some serious environmental issues, China may not be fully able to meet the future fresh food needs of its urban consumers, particularly regarding quality and safety. Australia can play an important part in helping to meet China's growing agriculture needs and supporting China's economic growth.

Australia's agricultural producers have earned an international reputation for quality and safety. A free trade agreement (FTA) with China will expand opportunities for Australia's agriculture producers in this growing market. A FTA could also, however, bring some pressure on those agriculture sectors where low tariffs are presently applied.

In 2007 Australia is hosting the Asia-Pacific Economic Cooperation (APEC) forum, providing a valuable opportunity to shape the direction of APEC and promote our trade liberalisation goals with a membership that represents more than half of the world's GDP. One option to be considered as a long-term goal is a free trade area of the Asia-Pacific.

### **3.3 Looking after our markets – overseas counsellors and technical support**

There is a high risk for existing markets to be lost because of the technical detail of import requirements.

**The challenge:** Maintaining access and enhancing market potential in existing markets.

#### ***How is the Australian Government responding?***

The Australian Government has strengthened its overseas network of expert staff posted in key agricultural markets. Their role is to avert and resolve threats to market access. They are also able to identify and pursue emerging market prospects at a government-to-government level, paving the way for Australian businesses.

The Government will continue this representation through the Technical Market Access Programme of the National Food Industry Strategy and the International Agricultural Cooperation Programme of Agriculture – Advancing Australia. Policy and technical support from Canberra will also increase Australia's capacity to respond to unexpected market disruptions and technical issues affecting access.

Australia's strong presence in international bodies such as the Codex Alimentarius Commission, the World Organisation for Animal Health (OIE) and the International Plant Protection Convention (IPPC) puts us in a good position to influence international standards that play a vital role in world agricultural trade.

## **4. Sustainable production and natural resource use**

Australia's natural resources are precious assets. Our natural resources provide the basis for food and fibre production, contribute to economic and community life and are fundamental to a healthy environment for all Australians.

These natural resources include our land, water, flora, fauna and marine resources. Balancing short-term production pressures with preserving the long-term viability and health of our natural resources is critical to maintaining the productive capacity of our agricultural, forestry and fishing industries. The Australian Government is supporting industries and communities to protect, enhance and restore our natural assets to secure our productive resource base.

In fisheries, the Australian Government is taking a two-pronged approach to managing and protecting our resources.

The Government is improving fisheries management. Following concerns about Australia's fish stocks and the profitability of the industry, the Government put in place the Securing our Fishing Future package in 2005. This \$220 million package for Commonwealth fisheries supports improved management measures and a one-off voluntary buyback to encourage individual fishing businesses to leave the industry. The programme will contribute to improved commercial viability in the fishing industry. Reductions in allowed commercial catches will deal with overfishing and help overfished stocks recover during the next few years. The broader environmental impacts of fishing will also be managed.

Illegal fishing is a serious threat to effective fisheries management, conservation and biosecurity. The Government has implemented a strategy that includes enhancing surveillance and enforcement, better coordination of information, strengthening existing relations and developing new international arrangements.

In the forestry industry, there has been a shift from publicly owned native forest production to private forests and plantations on public land. The Government is working with states and territories to implement this through Plantations of Australia: the 2020 Vision. The new taxation arrangements for forestry will encourage further expansion of the plantation resource.

Illegal logging has been identified as a significant threat to the sustainable management of forests internationally. Because of its lower production costs, illegal timber entering Australia can affect the viability of our forest industry.

The Government is working to implement a policy on illegal logging that will reduce the entry of illegally sourced timber into Australia. It will entail collaboration with importers, Australia's major retailers and exporting nations, and promoting consumer awareness.

The Government is also working internationally to progress the mutual recognition of appropriate sustainable forest management certification schemes to ensure access to world markets for Australian timber products.

In agriculture, the Government has supported improved natural resource management through a decade of the Natural Heritage Trust. It has acted on key production and environmental matters through the National Action Plan for Salinity and Water Quality and continued its support for the National Landcare Programme. Industries and regional and local communities have risen to the challenge, but the work needs to continue.

#### **4.1 Sustainable agriculture – productive resources for today and tomorrow**

Sustainable agriculture supports productive, profitable and sustainable farms over the long term. This statement has outlined a comprehensive suite of Australian Government programmes to support this vision for Australian agriculture. Sustainable agriculture has an important role in natural resource management. Agricultural enterprises manage 60 per cent of the land and have an unavoidable impact on the environment.

There is no one-size-fits-all approach to sustainable agriculture. Australia has a great diversity of agricultural enterprises that range in commodity, size, intensity of production and in the type of ownership and management arrangements. The Government will continue to work with the agricultural sector through its programmes to develop approaches that suit the needs of producers and that protect our valuable natural assets for future generations.

**The challenge:** Productive, profitable and sustainable farming systems contributing to a healthy and resilient landscape.

#### ***How is the Australian Government responding?***

The Natural Heritage Trust (NHT) and the National Action Plan for Salinity and Water Quality (NAP) are delivered through a regional approach to natural resource management. Australia now has regional natural resource management plans covering the continent. The plans identify priorities for investment at a regional scale and targeted support for on-ground activities.

The National Landcare Programme (NLP) continues to support communities in undertaking Landcare works and to support farming communities in developing the skills and knowledge to farm more profitably and sustainably. The networks created through Landcare meetings and working with neighbours on NHT projects have provided a significant support system for farmers and communities during this drought.

The new funding arrangements for the National Landcare Programme, Natural Heritage Trust and National Action Plan for Salinity and Water Quality programmes from 2008-09 provide the opportunity to improve our focus.

<b>Box 9: Natural resource management programmes</b>	
	Funding
<p><b>Natural Heritage Trust Phase Three</b></p> <ul style="list-style-type: none"> <li>• Jointly delivered by the Departments of Environment and Water Resources and Agriculture, Fisheries and Forestry;</li> <li>• The additional almost \$2 billion over 5 years builds on the success of the \$3.1 billion Natural Heritage Trust and the \$1.4 billion National Action Plan for Salinity and Water Quality;</li> <li>• Maintains the momentum of community and industry action in partnership with the Australian Government to build capacity and deliver practical initiatives to restore and conserve our environment and natural resources, and</li> <li>• Continues to work with state and territory governments and the community to address, at the appropriate scale, biodiversity decline, salinity and water quality issues, increased coastal and urban-fringe pressures and to support productive and sustainable landscapes.</li> </ul>	<p>\$395 million per annum for five years from 2008-09</p>
<p><b>Environmental Stewardship Programme</b></p> <ul style="list-style-type: none"> <li>• First national initiative to provide support for conservation services in a timeframe commensurate with that required to achieve long-term environmental and conservation outcomes;</li> <li>• Market-based approach for private land managers, with contracts up to 15 years;</li> <li>• Focus on assets of national environmental significance that are protected under Commonwealth legislation;</li> <li>• Will include nationally listed threatened animals, plants, and ecological communities, international wetlands and natural heritage places;</li> <li>• Initial target will be box-gum woodland threatened ecological community, and</li> <li>• First contracts entered into in 2008.</li> </ul>	<p>\$50 million for four years from 2007-08</p>

<p><b>Landcare</b></p> <ul style="list-style-type: none"> <li>• National Landcare Programme (NLP) continues the Government’s longstanding commitment to Landcare;</li> <li>• Future NLP will play a key role in increasing the links between farmers and the regional NRM process, while continuing to support the grass roots landcare movement and increase the sustainability of the agricultural sector, and</li> <li>• The NLP will work across three broad areas, providing funding:             <ul style="list-style-type: none"> <li>– To work with farmers to engage in NRM including through linkages with regional NRM bodies, and for innovative practices;</li> <li>– For on-ground and awareness raising activities that can significantly increase uptake of sustainable practices, and</li> <li>– For Landcare support and activities that have broad application or national relevance.</li> </ul> </li> </ul>	<p>\$147.9 million for four years from 2007-08</p>
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**Natural Heritage Trust Phase Three**

The \$395 million a year investment over five years in the next generation of the Natural Heritage Trust will combine the NHT and NAP programmes.

Recognising that different natural resource management issues require action at different landscape scales, and even across scales, the programme maintains the flexibility developed under current measures: investment under the programme will continue to be delivered at the local level through the Envirofund, and at regional, state and territory and national levels.

The Trust will provide new mechanisms to work collaboratively across jurisdictions to respond to emerging natural resource management issues, and to better engage with local government in future NRM arrangements.

The Trust’s key areas of focus will be promoting profitable and sustainable land management, saving our unique wildlife and habitats, gaining the advantage on salinity and water quality, and managing coastal and urban-fringe pressures.

The focus on land management will encourage farmers and their industry groups to engage with the Trust and, in particular, with the programme’s regional delivery element. The use of market-based instruments will be extended to encourage environmental works on private land and support landholders adopting environmental management systems.

The Trust will maintain its focus on regional delivery, with regional NRM bodies planning and delivering on-ground activities to improve the local natural resource base.

**Environmental stewardship initiatives**

To achieve significant land-based environmental outcomes, such as biodiversity conservation, the Australian Government needs the involvement of private land managers. Despite considerable government and community efforts, some environmental assets, including those on private land, continue to decline. The \$50 million Environmental Stewardship Programme provides a new long-term, market-based tool for securing enduring restoration and protection of assets of national environmental significance.

This innovative natural resource management approach explicitly recognises that private land managers need to be engaged in sustained, long-term actions that protect the environment. The programme will pay landholders for protecting and enhancing assets of national environmental significance through voluntary contracts. These assets will include nationally threatened species, migratory species and wetlands for which Australia has international responsibilities and natural values associated with world and national heritage sites.

The environmental stewardship initiative is the only programme to offer land managers contracts for up to 15 years worth of onground activity. This will assist farmers to deliver the environmental outcomes sought by the community, and that are above and beyond their regulatory responsibilities. In line with the market-based nature of the programme, payments to land managers will be counted as income and will be taxable.

This programme puts Australia at the forefront internationally on market based approaches for the provision of environmental services, in contrast to the subsidy approaches of some of our trading partners. The programme is being designed so that payments will be made only for services farmers and land managers carry out on behalf of the community to deliver improvements in the quality and extent of assets of national environmental significance. Payments will be entirely decoupled from the agricultural production activities of private land managers. The programme will contribute to Australia's implementation of international conventions such as the Ramsar Convention on Wetlands and the Convention on Biological Diversity.

The programme will focus on environmental assets of national significance and the assets will be targeted according to specified criteria. The first call for contracts will be for endangered remnant box-gum woodland in south east Australia listed under the *Environment Protection Biodiversity and Conservation Act 1999*. Less than five per cent of this ecosystem remains and much of it needs urgent work. The first call for tenders is expected later this year. Additional areas and environmental assets will be targeted in future calls.

The Environmental Stewardship Programme will be reviewed in its fourth year of operation to determine progress on the implementation of the objectives of the programme and future operating arrangements.

### **Landcare**

Landcare is an iconic natural resource management institution with more than 85 per cent community recognition. It provides an entry point for the community to improve the productive and environmental value of our landscape for the long term.

The Australian Government will continue its longstanding commitment to Landcare through the National Landcare Programme (NLP), with \$147.9 million over the four years from 2007-2008. The programme will encourage greater industry links to natural resource management and provide continuing support for the volunteer Landcare movement.

Around 75 per cent of farmers and land managers are involved in Landcare activities or benefit from knowledge acquired through the movement. The NLP continues to support farmers to manage Australia's natural resources sustainably. With greater implementation of sustainable and innovative practices, Australian farmers will have a more resilient resource base in drought and other adverse natural events.

Increasingly, Landcare groups are also attracting strong support from the wider community and this has added to the movement's well-deserved reputation for being at the forefront of efforts to implement sustainable natural resource management practices.

## 4.2 Managing water – planning for the future

Australia is the world's driest inhabited continent and has the world's most variable climate and river flows. Over the past century, major water storages have assisted agriculture, particularly irrigated agriculture, to grow and thrive. However, the past six years have shown the vulnerability of the system and its history of over-allocation and underinvestment. Inflows to major storages in the Murray-Darling Basin over the past six years are the lowest on record and inflows in the 12 months to February 2007 were 40 per cent less than the previous worst year on record.

**The challenge:** Productive management of Australia's water resources.

### ***How is the Australian Government responding?***

Improving the management of our water is a high priority for the Australian Government. The National Water Initiative (NWI), agreed in 2004 by the Council of Australian Governments, is the national blueprint for water reform. Its implementation is being assisted by the \$2 billion Australian Government Water Fund.

The need for water reform is urgent and the Government wants to accelerate implementation of the NWI. The Prime Minister announced A National Plan for Water Security in January 2007. It included a \$10 billion package to place rural water use on a sustainable footing over the next decade. The funding is contingent on the Murray-Darling Basin being placed on a national footing.

The new package will modernise Australia's irrigation infrastructure, bring over-allocation of water in the Murray-Darling Basin into balance, improve the management of water resources that cross state borders and improve water information and decision-making. It will directly benefit farmers, irrigation communities and the environment.

This massive investment in river and irrigation delivery systems is a vote of confidence in the future of irrigation and the value of agriculture to the nation. Increasing water efficiency in the whole system – from the catchment through the river and channel delivery and to on-farm use – will improve the long-term certainty of allocations to farmers and provide water to the environment.

The plan will significantly improve water management across the nation with a special focus on the Murray-Darling Basin, where the bulk of our agricultural water use takes place.

## **5. Conclusion**

Like every sector of the Australian economy, our agriculture and food industries are continually challenged by change and presented with new opportunities. The most successful producers adapt to the changes and capitalise on the opportunities.

The policies and programmes of the Australian Government provide a framework that encourages Australian farmers, the fishing industry, foresters and food processors to make the most of their knowledge, talents and energies. Through investing in innovation and skill development, unlocking international market potential, safeguarding our biosecurity status and looking after our natural resources, the Government is creating a positive environment for growth and success and helping producers to equip themselves for successful and sustainable competition in world markets.

Resilience, innovation and keen cost awareness are features of Australian agriculture, fisheries, forestry and food that have won these industries their important place in the national economy and global markets. The Australian Government will continue to work with producers to encourage success in a changing world.