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SELECT COMMITTEE ON AGRICULTURAL AND RELATED
INDUSTRIES

Reference: Food production in Australia

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**SENATE SELECT COMMITTEE ON
AGRICULTURAL AND RELATED INDUSTRIES**

Tuesday, 24 March 2009

Members: Senator Heffernan (*Chair*), Senator O'Brien (*Deputy Chair*), Senators Fisher, Milne, Nash and Sterle

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Forshaw, Furner, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Farrell, Fisher, Heffernan, Ian Macdonald, Milne, Nash, O'Brien and Sterle

Terms of reference for the inquiry:

To inquire into and report on:

Food production in Australia and the question of how to produce food that is:

- a. affordable to consumers;
- b. viable for production by farmers; and
- c. of sustainable impact on the environment.

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Committee met at 9.05 am

CHAIR (Senator Heffernan)—I declare open this public hearing of the Senate Select Committee on Agriculture and Related Industries. During the first session of today's hearing, the committee is hearing evidence on its inquiry into fertiliser pricing and supply. During the remaining sessions, the committee will hear evidence on the committee's inquiry into food production in Australia. I welcome you all here today.

This is a public hearing and a *Hansard* transcript of the proceedings is being made. Before the committee starts taking evidence, I remind myself and all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The committee prefers all evidence to be given in public but, under the Senate's resolutions, witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they intend to give evidence in camera. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

[9.07 am]

BERGIN, Mr Neville Keith, General Manager, Projects Development, Minemakers Ltd

CHAIR—I welcome the representative of Minemakers. Would you like to make an opening statement?

Mr Bergin—Minemakers Ltd is the owner of the Wonarah phosphate deposit, which is Australia's largest JORC-compliant phosphate resource, at about 461 million tonnes at about 18.8 per cent P2O5.

CHAIR—It is three times Mount Isa, isn't it?

Mr Bergin—Are you talking about Phosphate Hill?

CHAIR—Yes.

Mr Bergin—Their last published resource was something of the order of 120 million, so yes.

CHAIR—So there you go! Is that your opening statement?

Mr Bergin—I could go on and talk about the advantages—

CHAIR—It is 18 per cent and I think Phosphate Hill is a bit higher, isn't it? It is 20-something per cent.

Mr Bergin—I believe at Phosphate Hill they are feeding 22 per cent, 23 per cent to the—

CHAIR—I have done a little bit of homework.

Mr Bergin—Yes.

CHAIR—We would welcome Minemakers' mine into production because, if there is one thing that is patently obvious in the phosphate world, it is that, with 85 per cent of the world's resource controlled by five entities at the present time, we could do with some competition. That has been ably demonstrated in recent days in Australia. Could you take us through what are the logistical and financial issues that you face to get your mine up and running and provide some real competition in the phosphate market: things like the transport, the railway line et cetera.

Mr Bergin—Probably Australia as a whole would have been better placed to provide competition in the phosphate marketplace had there been better infrastructure in place. Australia's phosphate resources lie within the Georgina Basin, which lies between Mount Isa and Tennant Creek, roughly. Our deposit at Wonarah is on the western side of that in what we think is a topographical high.

Incitec Pivot at Phosphate Hill are the only company currently in production and they are a fully integrated business: they mine rock, they turn it into fertiliser and they export, largely down the east coast of Australia. They have access to the Mount Isa-Townsville railway, which is a narrow gauge track probably at capacity, so any other would-be producer in that Mount Isa part of the Georgina Basin is faced with some logistical hurdles to overcome, including building roads, seeking an upgrade of the Townsville railway or finding an alternative way of getting their product to port.

Minemakers for its part is fortunate in that its deposit happens to lie right beside the Barkly Highway and about 300 road kilometres to Tennant Creek. Our project will produce rock. We will truck it to Tennant Creek, put it on a train and rail it up to Darwin for export through Port Darwin. That means that the trucking and logistics part of our operation will account for about two-thirds of our operating costs. At this stage we have estimated our operating costs at about A\$150 per tonne, of which about \$100 per tonne, in round figures, is the logistics part.

Had there been an east-west railway from Mount Isa to Tennant Creek, we think the cost of logistics could be reduced by between \$30 to \$50 per tonne, which is a significant saving. Australia is unlikely ever to be as cost competitive as, say, Morocco or some of the other producers, but we could be a lot more competitive if the infrastructure was in place that would allow us to lower our costs. That would provide some real competition in the marketplace.

CHAIR—Strategically, looking at a 50-year or 80-year snapshot of Australia and the development of the north, not only in mining but tourism et cetera, and downstream value-adding to some of the gas resources et cetera, it would be a strategic decision to actually bring an east-west line and hook it up to the north-south line in the longer term. Is it 240 kilometres that the railway line would take to get to your place?

Mr Bergin—Indeed. It is 240 kilometres in a straight line from Wonarah to—

CHAIR—Then it is about another 500 to Mount Isa, is it?

Mr Bergin—As a straight line, I am not sure. Driving it is about 360, so it is probably of the order of 300.

CHAIR—So it is well on the way to the link-up.

Mr Bergin—Yes.

CHAIR—Have you made any application to Infrastructure Australia to put a proposition to them on the rail?

Mr Bergin—We did. We made a submission to Infrastructure Australia on both the upgrade of the Port of Darwin, because there are some capacity limitations in Darwin, and also on the construction of the railway between Mount Isa and Tennant Creek. Since we made that submission, we have been approached by the Australian Transport and Energy Corridor—ATEC—to conduct a feasibility study on a rail link between Wonarah and Tennant Creek.

Senator NASH—Who is funding that?

Mr Bergin—We and ATEC are jointly funding that feasibility study.

Senator NASH—What is the cost of that going to be?

Mr Bergin—At this stage we are talking about a few tens of thousands of dollars just to conduct the first stage. It is divided into two stages. There is a desktop study, which is what we are going through at the present. If that proves or suggests that the proposition is positive, then we will move to a more detailed feasibility study, which will start to cost of the order of hundreds of thousands of dollars.

CHAIR—We heard in a different context in the last couple of days on the infrastructure bids across Australia, which would not be based on some sort of quota to the states but, rather, on the merit of the project. Have you had any reaction on the merit side of your project?

Mr Bergin—In terms of our proposal to Infrastructure Australia, we understand that the upgrade to the Port of Darwin is on the priority list. The rail between Mount Isa and Tennant Creek is not.

CHAIR—I welcome a Queensland senator here, Senator Macdonald. We are just talking about the phosphate mine.

Senator NASH—Sorry, Mr Bergin. Have you got a rough ballpark figure for the construction of the rail line? I know you are doing a feasibility study now, but is there a rough figure?

Mr Bergin—The rule of thumb, and it is very generalised, is something like \$1.5 million to \$2 million per kilometre of rail. That is very much dependent upon the terrain that the railway has to cross.

CHAIR—So it would be something like \$400 million?

Mr Bergin—It would be of that sort of order. The section between Wonarah and Tennant Creek is relatively flat and does not cross any significant stretches of black soil plain, so therefore its construction should be relatively simple, whereas the section from Wonarah onwards to Mount Isa would be more than—

CHAIR—Would it be fair to say just roughly that to link Mount Isa up to the north-south line would be \$1 billion?

Mr Bergin—I would think it would be of that order of magnitude, yes.

CHAIR—That is quite a few pink batts, you realise.

Mr Bergin—Yes, it is.

Senator NASH—It is a lot of boom gates.

Senator MILNE—From what I can see from your submission, at the moment it is only your company that would particularly benefit from this, and what you are then asking for is

effectively a half a billion or a \$1 billion subsidy to your operations, given that there is a road link there already. Why wouldn't other companies in this business see this as a major subsidy from the federal government to your operation?

Mr Bergin—Our submission to Infrastructure Australia was with regard to the Mount Isa to Tennant Creek link, which we would see as part of a major national infrastructure project. That would provide benefit to many other potential producers and existing producers in that catchment area. Our feasibility study is specifically with regard to the link from Wonarah to Tennant Creek. We are co-funding the feasibility study, and ATEC have indicated that they would go out and build the railway.

We would have the opportunity to participate in ownership of that railway if we wished, so we are certainly not proposing that the government give us half a billion dollars for our project. We were suggesting that the federal government might like to contribute to construction of the Mount Isa to Tennant Creek link, which would benefit many parties, not just us.

CHAIR—It would give the north-south line a bit to do too.

Mr Bergin—It would.

Senator O'BRIEN—When you say many parties would benefit, can you give some idea of the sort of traffic that you can expect the Tennant Creek to Mount Isa line to carry?

Mr Bergin—I can speculate on what other phosphate producers, for example, might produce. We would certainly consider an increase. Our targeted production is about three million tonnes per annum for our initial operation. If the market would stand greater production, we would probably be limited by the Barkly Highway, in which case we would need a railway. But with a railway there, we could increase our production to, let's say, five million tonnes per annum.

CHAIR—What does Mount Isa do? They are about one million, are they?

Mr Bergin—Phosphate Hill? I am not sure of their production. Other phosphate producers—you have Phosphate Australia, who are on the border of the Northern Territory and Queensland—would still need to build a road link, or possibly a rail spur, of about 100 kilometres. But with the rail catchment there, we are going to road 300-odd kilometres, so 100 kilometres by road is not really a big deal. Then you have Legend International in Queensland, north of Mount Isa. They are talking about production of five million tonnes per annum. At the moment they would have to take that out via Townsville. The east-west link would provide them with an alternative and, particularly if it is built as a standard gauge, would enable higher axle loads, higher speeds and greater reliability.

Senator O'BRIEN—So essentially it would be a bulk minerals carriage line?

Mr Bergin—Bulk minerals, yes. If you look at a map of that part of Australia, you will see there are a number of deposits. I cannot name them all, but there are numbers of deposits which lack infrastructure as the key component of the project. They just sit there waiting for infrastructure to come along.

Senator O'BRIEN—So would you foresee these mineral projects making co-contributions to the project? Is it valuable enough for them to do that?

Mr Bergin—I am sure that most of those parties would consider that as an option. Speaking for Minemakers, we would certainly look at that as an option.

Senator O'BRIEN—In terms of the impact on the market of your company's mine coming onstream, would you expect that that would have a downward pressure on prices? How elastic are the prices, do you think, or would world prices dictate what was charged here in Australia?

Mr Bergin—As you are probably aware, the Moroccans control 50 per cent of the traded rock phosphate in the world, so they are the price setters. In terms of forecast supply and demand, the global long-term trend is about two to 2.5 per cent annual growth in demand, which is about the equivalent of a Wonarah every year. If you take all the known projects and stack them up in the time line in which they are currently forecast, there would be a surplus of supply over demand in about 2011. We believe that the reality is that many of those projects, whilst they will come to fruition, will not make it in the time frame that they are anticipating, and therefore the supply curve is going to flatten and, in our estimation, is unlikely to cross the demand curve. Therefore, we think the market is going to stay in deficit.

Senator O'BRIEN—So prices will go up?

Mr Bergin—Prices will go up or will be determined by whatever the Moroccans want to charge.

Senator O'BRIEN—They will want the price to go up.

Mr Bergin—I am sure they will. They have, I suppose, shown their OPEC-like position over the past year or so, in which they went from about US\$50 or US\$70 a tonne to US\$400, US\$450.

Senator IAN MACDONALD—My apologies to you and to my colleagues for being late. I understand someone is doing a greater analysis, but could it possibly be cost effective? Can you charge enough for rail freight to give a return on your investment as a government or a private contractor, a private operator?

Mr Bergin—ATEC is a private company, so they are convinced—and they know a lot more about railways than I do—that it is possible to make money out of constructing and operating a railway. Whether it is economic for a link between Tennant Creek and Wonarah alone, I do not know. I would suspect not. It might depend on how it was funded. A link between Mount Isa and Tennant Creek with far greater volumes would be economic, I believe.

Senator IAN MACDONALD—I am not sure of your knowledge of the Mount Isa to Townsville railway line, but you would probably be aware that it is slow, unreliable, weak, light, inefficient, simply because it has not been maintained or upgraded over the years. You would be aware of that?

Mr Bergin—I have been told that.

Senator IAN MACDONALD—You perhaps also know that you cannot get a cattle train out of the north-west of Queensland at the moment—the coast—because Queensland Rail only takes minerals. They pay better, apparently. Have you been aware of that?

Mr Bergin—No, I was not aware of that.

Senator IAN MACDONALD—This inquiry is into food, of course, and one of the constraints for the pastoral industry in north-west Queensland, and Northern Territory out where you are operating, is the inability to get rail transport to the coast.

CHAIR—Could I just intervene there?

Senator IAN MACDONALD—You have done all this?

CHAIR—No. This little bit of this inquiry is actually for fertiliser. We are going to food.

Senator IAN MACDONALD—I see. I am not late then! Nevertheless, fertiliser and food are related.

CHAIR—Yes.

Senator IAN MACDONALD—And, for what it is worth, there certainly would be a lot of north-west Queensland enterprises, both mineral and foodwise, that would be very keen to look at a link to Darwin rather than going to Townsville.

CHAIR—It would be a great strategic investment, yes.

Senator NASH—Obviously, one of the interesting things for this committee is potential competition, but we have taken evidence in the past that pricing is, of course, linked to world parity. Can you explain to the committee how introducing competition, as you see it from your company, would lead to lower prices for the consumers in the end, given that we are told that it is all about world parity pricing?

Mr Bergin—I have not heard that about world parity pricing. I know that everyone has been quite happy to follow the Moroccans.

Senator NASH—Yes, that is probably a better way of putting it.

CHAIR—Except the poor buggers at Nauru. Up until recent times, they were only getting \$50 a tonne.

Senator NASH—We certainly have taken evidence from others that it is circumstances beyond other producers' control and it is all to do with world price.

Mr Bergin—That is certainly the case. Introducing our product and rock phosphate from the other Georgina Basin producers would open up a vast phosphate resource for Australia and would provide alternative sources for buyers to purchase their rock from. Some people are certainly unhappy with the behaviour of the Moroccans over the past year or so and, although

the price has come back somewhat to US\$250 to US\$290 a tonne, as a matter of principle people are looking for alternative sources of rock just to try and break the Moroccan monopoly on pricing.

CHAIR—We are looking at whether there is monopoly behaviour and a global cartel sort of modus operandi, and it is actually true that there is cartel behaviour, when one nation can set the market and 85 per cent of the resource is controlled by five entities. We took evidence of pretty outrageous behaviour in one particular market. I have to say that the global cartel for MAP, which is the downstream work, was busted by the Russians with their Black Sea price, from what I can see. They were asked to cut production and they said, ‘We’re going to increase production and lower the price.’ What we are on about is trying to make fertiliser available for farmers so that they can afford to grow the crops to feed the world, but from your experience and your research into the market, it would be fair to say, wouldn’t it, that the rock phosphate market has been pretty contrived?

Mr Bergin—It is certainly dominated by the Moroccans—and, I guess, the Jordanians as well. They certainly control the price that most people have to pay for their rock. There are a number of smaller producers that apparently are supplying at lower prices, but they may also be providing a lower quality of rock.

Senator IAN MACDONALD—Beyond what price is your operation not economic? Is that commercial-in-confidence?

Mr Bergin—No. We have made it very public that our estimated cost of production is about A\$150 a tonne—so, in round figures, US\$100 a tonne. Any price below that and we would not be able to cover our operating costs. You would therefore gather the significance of the rail connection, in that if we could wipe A\$30 to A\$50 a tonne off the cost of our logistics, that would put us back down around US\$80 a tonne.

CHAIR—So in looking at this as a sovereign issue, which is what China is inclined to do with their supplies, there would actually be some sovereign value in investment in that infrastructure for Australia’s long-term better interests.

Mr Bergin—Indeed.

Senator O’BRIEN—You are saying the government should take a share?

CHAIR—I am saying that, if it is good enough to build football stadiums for some sort of public good, then it ought to be good enough to build a railway line in the national interest. That is what I am saying. Is that all right?

Senator O’BRIEN—How does the government control it? I thought you were saying the government should take an interest.

CHAIR—I am very much of the view that we have to build some infrastructure up there. Further questions?

Senator FARRELL—Mr Bergin, I wonder if you could tell us a bit more about some of the constraints at the Darwin port.

Mr Bergin—Darwin port at present has a capacity for bulk minerals of about six million tonnes per annum.

Senator FARRELL—We are talking East Arm here, are we?

Mr Bergin—East Arm, yes. Its capacity is six million tonnes per annum of which, we now understand, about three to 3½ million tonnes is currently committed or expected to be used over the next year or so. At the time that this letter was written, we did understand that there was at least one other potential exporter who had capacity allocated. We now understand that there is no contractual arrangement for that quantity of material and that that particular operator is not operating but struggling with finance because of the GFC and unlikely to take up any capacity in the port in the short term. That means that we believe that there is now three million tonnes of capacity available at the port.

However, having said that, in order for the port to handle our rock phosphate, areas need to be filled in, areas need to be provided for a storage shed, and a link from the storage shed onto the ship loader needs to be provided. We had discussions with the port last week and they have indicated that that might take between 12 and 18 months to achieve. Nonetheless, they have given us a commitment that, if we want to export rock through the port, they will make sure that we are able to do so.

Senator FARRELL—Does that mean that the problem is now fixed?

Mr Bergin—I do not know that it is fixed. They have a master plan which I believe is due to go to their minister sometime this month. Assuming that that is approved, then there is a blueprint for the development of the port over the coming years. I understand that some money has already been allocated for that expansion but it will require further funds to complete.

Senator FARRELL—But you understand that some of the federal infrastructure money is going to go into that?

Mr Bergin—My understanding is that it would be on the priority list, yes.

CHAIR—The 50-year snapshot for the planet says that two-thirds of the world's population are going to be our neighbours just up the hill there. I am very much of a view that an 80-year snapshot of Australia would have that railway line not only linking up from Mount Isa but also heading over to a deep sea port through the Kimberley there somewhere, to pick up all that potential development right across the north. That is where my view is. I will be pleased if you can assist us in that case by getting your bit up. Are there further questions? We are very grateful. I am well read on your project. We wish you well, and if there is any help we can give you, we would be delighted to be able to assist you. Thank you very much, Mr Bergin, for your assistance.

Mr Bergin—You are welcome, thank you very much.

[9.35 am]

POLLARD, Dr Christina Mary, Adjunct Research Fellow, School of Public Health, Curtin University of Technology; Co-convenor, Food and Nutrition Special Interest Group, Public Health Association of Australia

CHAIR—During this second session we are hearing evidence into food production and supply. I welcome you here today.

This is a public hearing and a *Hansard* transcript of the proceedings is being made. Before the committee starts taking evidence, I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

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I ask you to stay behind for a few minutes after the hearing in case Hansard wants some clarification. I have already told everyone, even though some were disobedient, to turn off their phones or make them silent. Dr Christina Pollard, I welcome you. If you would like to provide any other information about the capacity in which you appear today and then make an opening statement, we would be delighted to hear from you.

Dr Pollard—I am also the co-convenor of the Public Health Association's food and nutrition special interest group, so I speak in that context. My submission to the inquiry into food production in Australia was that the purpose of food production in Australia should consider food consumption and health as an outcome. There has been much debate over the last 30 years about the role of food in health and it is clear that the consumption of disproportionate amounts of certain foods results in ill health.

What the inquiry should consider is an integrated Australian food production that includes food and nutrition as one of its outcome concepts. The submission outlined the goal of having a safe, nutritious, affordable and sustainable food supply that is accessible for all. That is a key priority. Around the world there have been many ways of looking at how you can influence the food supply to ensure that the people of a community are healthy. There are some good examples of how this can be done.

In my submission I gave a number of recommendations which have been gathered from a review of the literature and what has happened in other countries. The first one was to have a look at the food supply chain and have a look for how food production is influenced, how it influences food security—that is, whether people have enough food of the right types—and to conduct health impact assessments on the food supply as we are producing it currently and what is needed in the future.

What this means is having a look at the influence of what is produced into what is available for consumption and how that is transported, promoted and distributed and how that influences what is purchased, because at the end of the day we cannot eat food that is not available.

Much of our food supply is exported, particularly the types of foods that we are interested in people consuming if we are going to have a healthy population. There appears to be a disproportionate valuing of food for economic benefit for industry as opposed to the consideration of a value accounted for in terms of the health consequence. What I mean by that is that we can add extra cost to food if we prepare it and value-add to it and often the consumer ends up paying more. In terms of dietary guidelines, what we are promoting is core foods: fruits and vegetables, plain breads and cereals.

One of our recommendations is to identify value in terms of health when considering food production in Australia. Another is to look at the compliance with science. We have a set of NHMRC dietary guidelines and we should lay them across all food policy decision making around food production and see how we are going. This will require us to engage in a debate with all food supply sectors and have a look at how the decisions we are making now are influencing what is available and what is consumed.

We also have a food security responsibility. What that means, when we are talking about health rather than industry development, is having food that is available and accessible to all, that is a stable, safe food supply and a nutritious food supply, so that people do not have to go out of their way to achieve a healthy diet and that a healthy diet is accessible to all. In Western Australia we have some remote communities where that is not necessarily the case.

CHAIR—Coca-Cola and chips.

Dr Pollard—Yes, there is an overprovision of those sorts of foods. It is very important to consider food security. When we are looking at our food production policies, it is also important to consider equitable distribution of food. Australia also has a role as a donor country in the world food supply. The assertion is that there is enough food in this world to feed everybody. The issue is the distribution of that food and how we address that, not only now but in the future. We as a nation are responsible for considering that. I know these are hard asks and they are future-directed, but a sustainable food supply is what we should be aiming for.

In order to know how we are going and where we are going, we need to support an integrated food and nutrition monitoring system, so that when we look at food production we look at nutrition and health. That means we need to be able to provide apparent consumption data to the World Health Organisation and the FAO so that we know how we are going and we know what we are providing to the globe. We have a global food environment, and we are very important in that, and we need to make sure that we are responsible for our contribution.

The research that we conduct into our food supply should be through the whole food chain. This might require developing some of those committees and organisations which have public health and nutrition as core components to food production and agriculture: a task force or organisations that decide our policy initiatives.

CHAIR—Thank you very much. The science is telling us—and there is vagary in science—that the global food task is going to double in the next 40 to 50 years and that 30 per cent of the productive land in Asia, where two-thirds of the world's population live, is going to go out of production and there will be one billion people unable to feed themselves. We also had great evidence the other day from the CSIRO that, if we do not get off our backsides with R&D, in 50 years time Australia will have no wheat to export. With all of that in mind, what are the foods that you would like us to encourage people to eat? You said you have got a view about what we should be eating.

Dr Pollard—We should certainly be eating more plant foods for health outcomes. By that I mean whole foods, fruits, vegetables—

CHAIR—I knew they would be mentioned.

Dr Pollard—plain breads and cereals. We have a set of very robust dietary guidelines in this country that are very clear about the types and amounts of foods we should be eating. They have been around for the last 30 years. There are many things that influence consumption, and one of those things is a disproportionate availability of some of those foods like soft drinks and prepared foods.

CHAIR—Is there a moral compass that has to be considered in terms of what we export and what we import? We are tending to import frozen vegies. Simplot were down here at the food convention, and 50 per cent of their frozen vegies are imported. We do not what chemical regime those vegetables are grown under et cetera. We are importing frozen peas from Zimbabwe, where the population is starving.

Dr Pollard—Yes.

CHAIR—Is there a moral compass involved in this?

Dr Pollard—Yes, there is. There is a good reason to look at the food miles and the food economy in terms of local production and getting food to where it is needed. Australia not only imports frozen vegetables and fish in great amounts, it also imports soft drinks and bakery products and a lot of the foods that we would not necessarily want to be consuming.

CHAIR—And water.

Dr Pollard—And water.

CHAIR—Amazingly enough, we are bringing in water from China.

Senator NASH—On that—and this is a devil's advocate question—aren't we importing those because that is what the demand is?

Dr Pollard—There is always a demand and a supply side. We need to tackle some of the hard decisions through the whole food supply chain.

Senator NASH—I am not disagreeing with you.

Dr Pollard—No, I understand. We need to seriously sit down and look at the demand side, because you can use the supply side to influence the demand side. People will eat what is in front of them, what is available, what tastes good and what is advertised to them.

Senator NASH—Doesn't this come to the vexing question then of what role should government be playing in any of this? When you have got the free market versus those that believe in government intervention, I cannot see getting a result from the sorts of things you are talking about wanting to work towards through a free market.

Dr Pollard—No.

Senator NASH—In your opinion, what should be the level of government intervention and what form should it take?

Dr Pollard—Governments have a role to protect and promote public health. That is fundamental. There are strategies that have been taken by governments all around the world, where they influence agriculture production, advertising and promotion so that there is a curbing of the demand side. There is always the issue of freedom of choice versus duty of care, and the government is in the business of duty of care. We need to engage with consumers. Most people want to look after children, they are on for social justice, they are on for long-term health. If they are bombarded with the types and amounts of foods and advertising that has them make simple, quick decisions that ends up in an unhealthy diet, then they will do that. The role of government is to protect and promote public health and provide a community that is able to do that.

Senator NASH—If we are going to go down the duty of care road—and the chair pointed out a couple of weeks ago that farmers need a reason to get up in the morning and farm. If we want a certain amount of foods to be produced and certain types of foods, in a perfect world, and we want our Australian farmers to produce them, do you think that government should be assisting farmers to produce those types of foods in order to have some kind of sustainability and security for farmers?

Dr Pollard—It is important to provide incentives and support to the types of industries that produce the foods we want to encourage consumption of. Norway, Finland and other countries have supported farmers to produce and sell locally certain types of products, and that is something that we should certainly look at.

Senator NASH—I am happy for you to take this on notice, but it might be quite useful for the committee if you provided to us the types of incentives and supports you see as appropriate for government to provide for Australia.

Dr Pollard—Sure.

Senator NASH—That would be quite useful.

Senator MILNE—I could not agree with you more about trying to have a healthier, more sustainable food supply. It is absolutely critical. You said in your opening remarks that we have had an agricultural food and nutrition policy for a long time, we have had guidelines for a long 30 years, and yet many would argue that public health has gone backwards in that time, so clearly what we are doing now is not effective. In that context, I would like to ask why it is going wrong. You have had people being more affluent—as a general principle; not everybody. There are always pockets of poverty, and I accept that, but generally people have been more affluent. We have had this policy in place for 30 years, we have guidelines, we have everything, and yet things have gone backwards. Where is the failure?

Dr Pollard—Fundamentally, you could call it a system-wide failure. There are a number of things that have influenced it. Over the last 30 years things have moved from malnutrition and vitamin deficiencies to a more affluent society with a plethora of foods available. We had 8,000 foods available in our supermarkets and now we are looking at 30,000. So food selection has increased.

What has influenced overweight and obesity and public health is quite complex. We have a different supply of food and we have different health problems that are emerging. We also have a decrease in physical activity, which has influenced overweight and obesity. Having said that, there is no amount of physical activity that is going to give you a healthy diet, and a healthy diet is what we are talking about in terms of food.

The agricultural policies that have been in place have intended to engage all sides of government—all stakeholders and community—and there have been periods of time when they have, but there have also been periods of time when they have just sat on the shelf. Fundamental commitments, with political will and resourcing and agreed agendas, are required to turn these policies into active interactions.

Senator MILNE—I think that was the point that Senator Nash was getting to and it is where this committee wants to get to. All of your recommendations are very big-picture and very general.

Dr Pollard—Yes.

Senator MILNE—What we need are specific policy interventions which address the failure. You have just identified that shift over time. The policies have been there over time, and at some point there has been a failure to have any real intersection, so we would be really interested in coming down to some very specific things that government could do.

Dr Pollard—Yes.

Senator MILNE—But just on what you were saying, one of my observations is that the education system has failed to teach people to cook in the last 15 years.

CHAIR—Hear, hear!

Senator MILNE—As a result, you have got at least one, if not two, generations coming through who actually do not know how to turn raw materials—vegetables and meat—into

something, so they buy the processed sauces, the processed casserole, the whole shebang. And their lifestyle has contributed to that being convenient. Now I sense there is a shift in the community. People want to be able to grow some of their own food—in fact, vegetable growing is the new black—but they do not know what to do with it and they do not know how to do it.

CHAIR—But they are building units without kitchens these days.

Senator MILNE—Yes, that is true, but there is an equal shift, Senator Heffernan, to urban gardens, to the notion of community gardens.

CHAIR—Hear, hear!

Senator MILNE—There is a big enthusiasm for that. But it seems to me that one of the interventions which you did not mention in your submission, is education policy. Would you like to comment on that?

Dr Pollard—Yes. I think that a comprehensive approach is needed to improve food and nutrition in Australia. The focus of my application was really around food production, but I agree with you. The other thing is that, increasingly, people are eating out, so the food that is produced needs to be converted to appropriate meals in those settings as well.

CHAIR—Should we put a tax on hamburgers and chips?

Dr Pollard—It would be a good idea for us to have a look at fiscal policies that we can use to influence what is available and how better to use it.

CHAIR—Senator Macdonald is busting to ask some questions.

Senator IAN MACDONALD—It sounds like alcopops all over again.

CHAIR—But there are, curiously, estimated to be 800 million people on the planet at the present time who are short of food. There are at the present time a billion people who are obese and eat too much, while there are 800 million people starving.

Senator IAN MACDONALD—Thank you very much, Doctor, for your evidence. It is good to have well-researched evidence. You mention, as I paraphrase it, that the quality of the food is very important. How do you or your university assess what Senator Heffernan was just adverting to: the starvation in much of the world? Is it important to get them any sort of food to keep them alive? Where do you draw the line on spending and concentrating on high-quality food as opposed to high-volume food to feed people who are starving?

Dr Pollard—I think you are talking about having ‘some’ food versus ‘adequate’ food and ‘nutritionally adequate’ food. In the first instance, people need food to survive, so that is what we need to do immediately. Along the lines of what Senator Milne was talking about, there is providing food, and there is also encouraging sustainable development in other countries. We can provide more than just food. We can provide food, we can provide support, but we have also got really good people in this country who can work with organisations to develop their skills and abilities to supply food in their own countries.

Senator IAN MACDONALD—I remember that about, I think, 10 to 15 years ago there was a famine in East Africa somewhere and there were ships off the coast full of food, but they were turned away and the food was dumped because it was GM. I often wonder how the starving felt about not eating GM food. Do you have a view on GM food?

Dr Pollard—My personal view is that the jury is still out on GM food. There is a need to increase production and supply of food to all people on the planet and there is an argument that GM is one way of increasing the available food supply. However, I also note the arguments around the influence on the food supply.

CHAIR—Could I just give a bit of colour and movement and intervene in that?

Dr Pollard—Yes, please.

CHAIR—Because of GM cotton, there are now more chemicals used in the production of strawberries than cotton. That is a statement of fact.

Dr Pollard—I am unaware of that fact but, yes, there are all sorts of pluses and minuses of GM food. I was recently at the International Fruit and Vegetable Summit in Paris where members of the EU were talking about soaring food prices, food insecurity and how those countries were going to address that, particularly where starvation and diseases of affluence are sitting together, and it was really a matter of deciding what foods people need, where they are grown, how we can distribute them and how we can influence all governments to work together to do that. The United Nations and the World Health Organisation certainly have a tenet.

Senator IAN MACDONALD—Are you saying that that may in some instances mean GM food in certain parts of the world—a horses for courses sort of thing?

Dr Pollard—There is discussion about that. I do not know the answer to that.

Senator IAN MACDONALD—What of this conference you were talking about? Did it come to a conclusion on that sort of issue?

Dr Pollard—No. It was not debating GM foods. It was just talking about the use of food for feed in the world and how crops that were traditionally used for human food are now animal feed and how that can be influenced. One of the discussions was looking at increasing production of food.

CHAIR—Did they discuss energy versus food?

Dr Pollard—Energy density?

Senator MILNE—No, biofuels.

Dr Pollard—Yes. The issue was developing biofuels and what that would cost.

CHAIR—Food is going to win the argument, by the way.

Dr Pollard—I hope so. It would be really important for us to feed humans.

Senator MILNE—I have a point of clarification, Senator Macdonald, before you go on, because we cannot leave the GE food being dumped on the ships without the context. The Americans were using it for aid and the issue was whether you impose GE products on a country via the aid budget. That was the matter of principle here. It was not just a general question, it was a global aid question.

Senator IAN MACDONALD—I am sure the people who were starving were not really aware of that fine political principle argument, or cared.

Senator MILNE—There is a bigger context.

Senator IAN MACDONALD—I would have thought human life was the biggest context.

Dr Pollard—We have an issue with food waste in Australia. If we could form an intergovernmental committee that had health and food and nutrition as a core element when looking at food production, some of those issues could be addressed. In Western Australia we have a food bank, which has been working to distribute food; to get small sized fruit to Indigenous communities, fruit that would normally become landfill, and that sort of thing. There are examples of these sorts of things that are currently being done and that could be done but would be much more able to be systematically introduced if we had some type of intergovernmental committee working together to do that.

Senator IAN MACDONALD—Thanks for that. What you say in relation to Australia is unarguable, but I was keen on the wider picture. We are a very lucky country, Australia.

Dr Pollard—Yes.

Senator IAN MACDONALD—We do not appreciate it. Finally, do you know anything about strawberries, because I am on a low-carbohydrate diet and the only fruit you can have is strawberries, which are high in vitamin C. Now you have just worried me.

CHAIR—A statement of fact.

Senator MILNE—You are going to glow in the dark.

CHAIR—I raised that on *Difference of Opinion*. I asked the audience—because this GM argument was there, which is fair enough because people need to be informed—'Hands up all those people who eat strawberries,' and everyone put their hand up. I said, 'There's more chemical in strawberry production now than there is in cotton.' Do you agree?

Dr Pollard—As a dietician, I would recommend that you eat a variety of fruits and vegetables and that you wash them.

Senator MILNE—Moderation, Senator.

CHAIR—Can I give you some hope before we go to Senator O'Brien.

Senator IAN MACDONALD—It is worth coming to these committees to help with my diet. Thank you, doctor.

CHAIR—I will give you a bit of encouragement. Against the background of carbon trade and whether farmers are in or out, at \$40 a tonne cattle production's tax is 35 per cent of the production cost. But also, with the world estimation of water supply and 50 per cent of the world's population being poor for water in 40 or 50 years time, the productive outcome of vegies is 100 times the multiplication of beef. It is so far in front that it is the most productive way to go about it.

Senator O'BRIEN—I am going to go to something much more connected with our society, and that is the effect of popular culture on the idea that you are talking about—that culture whereby a lot of young women watch *Sex in the City*. I think that one of the main characters uses her oven as storage because she does not cook.

Dr Pollard—Yes.

Senator O'BRIEN—Her favourite location for coffee is a cupcake store, which is now a chain of stores, in New York. What do you do to overcome the popular culture impact on young girls and young boys in the development of their eating habits?

Dr Pollard—Advertising, promotion and what we would call insidious advertising through television shows has a huge influence on people's beliefs and attitudes and what they aspire to. Some of the research that we have conducted in WA shows that about 50 to 75 per cent of adults prepare and shop for food. They will be men or women, but they are predominantly women, who prepare and shop for food. They shop for food for their families and they want to eat healthily. They think fruits and vegies are good. There is a knowledge of the benefit of healthy eating. The approaches that we have taken to increase fruit and vegie consumption include, for example, the Go for 2 & 5 campaign in Australia. That has worked.

CHAIR—She is a walking example.

Dr Pollard—We have an average population increase. Again, it is back to my other point that we need a comprehensive approach, we need supply and demand strategies, we need to address advertising and promotion.

Senator MILNE—As a clarification on that, you say it has worked in terms of people maybe eating more vegetables but, when they say they eat more vegetables, are they eating more fresh vegetables or are they buying a packet of mixed vegetables just out of the freezer or already processed vegetables to bung straight into something? There is a question of fresh as opposed to processed. When someone asks, 'Did you eat vegetables yesterday?' do they include that as frozen peas and things?

Dr Pollard—People would include frozen vegetables, and from a health perspective that is appropriate. Sometimes the frozen vegetables that you get that are snap frozen are much more nutritious than—

Senator MILNE—Sure. It is not the issue of whether it is frozen or fresh but the level of processing that goes into that.

Dr Pollard—Yes. When you ask people about their fruit and vegie consumption, you usually get an indication of their serves of fruit and vegies that they eat. It is usually a good indicator of current consumption. If governments have advertising campaigns that have specific messages that people can see—quick, easy ways to prepare meals and how to get these foods—they can work. We have had a one-serve increase in fruit and vegie consumption across the population of Western Australia as a result of some of these campaigns.

CHAIR—You might be interested to know that I saw a greenhouse the size of this room which was set up to sustainably feed 100 people. So a remote Indigenous community, instead of Coca-Cola and chips, could have a set-up like this. It would be a government program: fresh vegies, enough to feed 100 people, hydroponically.

Dr Pollard—There are some good programs in place at the moment that are looking at the supply of food to remote communities as well.

Senator MILNE—Can you specify what they are? You can take that on notice.

Dr Pollard—Yes.

Senator MILNE—I cannot reiterate to you enough the need for practical, specific examples. You mentioned that Western Australia has got a food bank operating.

Dr Pollard—Yes.

Senator MILNE—I do not know of any other states that have. Maybe they have and I just do not know about them. But we would be interested in any specific information on those kinds of initiatives, so we can think about how we can scale up and make recommendations. Whilst the broad policy initiatives are important, we need to have specific things we can work on.

Dr Pollard—I will give you some examples. But the broad policy initiatives need to be bipartisan and they need commitment. Like you were saying before, they need ongoing commitment and they need structures that tie us into that ongoing commitment. If there was nothing else that I was able to bring to the table today in terms of food production in Australia, it would be to set up some sort of arrangement like they have in other countries where we have a committee or a group that is responsible for looking at that at a national level.

Senator MILNE—What is the best world example?

Dr Pollard—Finland and Norway have good examples. There have been some calls in Australia for a national food and nutrition policy. Our last one was in 1992. Although we are getting new dietary guidelines, we need a group that will come together to implement those guidelines. We need a national food and nutrition policy and we need it to look at the entire food supply.

Senator O'BRIEN—In answer to a question from Senator Milne, you said that one of the reasons that prepared foods are attractive is fitting into lifestyles, being able to buy something that is part cooked or frozen and putting it into a meal, for those who do cook, 50 to 75 per cent.

Dr Pollard—Yes.

Senator O'BRIEN—What does that mean? I think you said between 50 and 75 per cent of adults shop for and prepare, or prepare?

Dr Pollard—Both.

Senator O'BRIEN—Both?

Dr Pollard—Yes. Thirty per cent of meals might be takeaway, but a large proportion of our meals are prepared at home. So we need to support people in preparing healthy meals.

Senator O'BRIEN—What you are saying is that, in terms of the input of fruit and vegetables to that process, you give equal value to frozen as to fresh in terms of nutritional value.

Dr Pollard—Obviously if you have access to fresh fruits and vegetables and they are produced relatively locally, handled well and washed and prepared, they are the best for you. But we need a wide variety of fruits and vegetables. We need leafy greens and orange-reds because no one food provides everything that you need. They interact and have synergistic effects. You need that, so you need to actually include pre-prepared, packaged and fresh.

The other thing about those tinned or frozen things is that we can make recommendations about not adding too much salt to tinned vegies or adding too much sugar to canned fruit, so there are a range of options that we can undertake.

CHAIR—The Central Land Council took me out to a community south-west of Alice Springs a few years ago and they said, 'If you want to know why the kids are not healthy, just come down here to the local store.' The meat was black. They said it was killed in the middle of the night but it was so old it was black in its presentation. The kids were into chips and coke. It seemed an abysmal proposition. When I asked the kids, by the way, what they wanted out there, they said, 'We'd like a swimming pool,' because they all had eye infections from the dust. It is a pretty miserable existence.

Senator FISHER—Dr Pollard, your reference to, as Senator Milne has said, Foodbank Western Australia is interesting. In terms of contribution of food to the food bank, is it less than perfect to the eye sort of food? Is it near-expiry-date food?

Dr Pollard—When it was first started up, it was for emergency food relief, so that was a few days before expiry date type of food. They work with the Salvation Army and, I think, 300 different conduits to get food to people who are in need. The health department was working with Foodbank, so looked at the food packages that were going out to people in need and made recommendations about the types of foods that should be in there. Foodbank has, over the last 10 years I think, been trying to secure more of the foods that are healthy and last a bit longer, so they have been doing that. Not only that, they have donations from companies.

Senator FISHER—Thank you, that is enough for where I want to go; so there is some experience here. I want to pursue both the use-by date issue with food and also, particularly with fresh fruit and veg, the less than perfect to the eye issue and the idea to consumers that, if it is not pretty, then it is not perfect to eat. Senator Milne asked about education, as did Senator O'Brien, in terms of the role of educating people to cook. Is there a role for educating people that just because an apple is deformed or blemished does not mean it is actually of any less nutritional quality, all other factors being equal?

Dr Pollard—People need to have what we term 'food literacy': know what a veggie is, know how to prepare it, know when it is at its best and know when it is reasonable. I agree entirely, it is very important that that is done as part of education. We used to do it at school in home economics. It was a fundamental, core unit but has been dropped to be a non-core requirement now. Any nutritionist or nutrition strategy would talk about the need to educate children and adults.

Senator FISHER—What else can be done, Dr Pollard? Producers and retailers are all in this game of arcing up the price according to the look. Bigger is supposedly better. For Senator Macdonald, if the strawberries are bigger, they supposedly taste better—not!

Dr Pollard—There is a whole supply chain answer to your question. It is everything from food safety and handling practices straight from production all the way through the chain. The fruit and vegetable industry can look at these things and how they can work together to improve what the product looks like at the end. We have quite a good supply of fruits and vegetables of good quality in Australia. It is more a matter of, 'What do you do when your bananas are a bit soft and brown? How do you prepare those?'

Senator FISHER—Call me and I'll eat them!

Dr Pollard—You need to do—back to the submission—a whole food supply analysis, looking at the whole management of food, particularly those foods we want people to eat more of.

Senator MILNE—Just on the back of my colleague's questions here, is there any correlation anywhere in the world between the shift towards urban agriculture and community plots and things and improved nutritional outcomes in terms of, once people start growing their own food, they are eating more? Is there a corresponding increase in consumption of fruit and vegetables where there has been a shift towards a focus on urban agriculture?

Dr Pollard—I have seen some small research projects where children have grown vegetables in plots in school and that sort of thing, so they become aware of how foods are produced and learn to peel and eat them and develop a preference for them. There is certainly a lot of research about market gardens and involving the community in those. In the UK there are all the food plot gardens. I do not know that I can answer your question about that. All of these strategies are important and can contribute—

Senator MILNE—But you need a national strategy.

Dr Pollard—but I go back to the food system analysis of health impact.

CHAIR—Senator O’Brien might like to make an observation.

Senator O’Brien—I was just saying to the chairman that the policies of the supermarkets in buying fruits and vegetables is to take within a certain quality and size range.

Senator FISHER—Of course.

Dr Pollard—Yes.

Senator O’Brien—I go to a local cherry orchard and buy the oversize cherries that they cannot sell to Woolworths.

Senator FISHER—Of course, and they do it because they think the consumer wants it.

Senator O’Brien—I don’t mind at all!

CHAIR—We have received evidence that, I think, 40 per cent of the food task is wasted.

Dr Pollard—I think I have seen that 30 to 40 per cent of food tasks are wasted. A supply chain audit would give you those results.

Senator MILNE—With this graph that you have put in there on the import of cordials, soft drinks et cetera, I am quite astounded at the level of that import. I am not so surprised about the confectionery but I am surprised by the figures in terms of the soft drinks. Is included in that the fruit concentrate and fruit juice cordial or cordial with juice, or whatever they call it now, that is a mixture?

Dr Pollard—I actually rang the department to find out what that was, because I was surprised by it as well. I asked them whether it included water, because I thought perhaps that was in there, but it does not. This year’s one is out since I put this one in here. It just seems like we do import a lot of cordials. I do not know about the distinction between fruit juice concentrate and cordials but, from a health perspective, it is the same. A concentrated fruit juice or a cordial would have the same impact.

Senator MILNE—I am interested from the point of view of our fruit growers: you are throwing oranges to animals in the Riverina and importing a tankerload of orange juice concentrate from Brazil, making it up somewhere and then selling it as a product of Australia or whatever. I am interested in that, in the breakdown of those import figures and whether the fruit juice concentrate that is not sold as fruit juice is sold as orange fruit cordial, or whatever they call it. I was just interested from that perspective. It seems to me that that one alone is one that you would go to maximum substitution on.

Dr Pollard—I rang as an individual to find out what was behind this—‘Can you tell me?’—and I went to five different individuals in the end, and it was unclear. I think if we were able to set up a type of task force—

Senator MILNE—We would get to the bottom of something like that?

Dr Pollard—Yes.

CHAIR—Obviously, we think that in the future what is in the fridge is going to be more important than what is in the garage—or I do.

Dr Pollard—Yes.

CHAIR—You have not done any work on how it would assist the family budget if we did away with the myth of bottled water? There is about a cent's worth of water in a \$2.50 bottle of water. In Australia, most water out of a tap is good, safe drinking water, as opposed to some countries where you have obviously got to have bottled water. Have you done any work on what that would do the household budget? I mean, we know Coca-Cola makes more money out of water than Coke.

Dr Pollard—I have not done that. What we have done is look at the cost comparison between foods, so the cost per kilo of foods.

CHAIR—Yes, a bag of potatoes versus—

Dr Pollard—Yes—a pack of chips, or a soft drink versus chocolate versus an apple.

CHAIR—We would be interested to see that.

Dr Pollard—I have got some papers I can give you on that.

CHAIR—Thanks very much for that.

Senator FISHER—Dr Pollard, use-by dates: have the various federal and state authorities got it right with use-by dates? I mean, mouldy cheese can get better, can't it?

Dr Pollard—That is not my area of expertise. However, there is a food regulatory framework that is designed to cover that. My understanding is that the use-by dates are incorporated to protect public health overall.

Senator FISHER—In theory undoubtedly, but we were talking about education, and we have consumers who do not look at the food. They look at the use-by date rather than using the sniff test or the visual test.

Dr Pollard—Yes. Again, if you become more food literate you can actually smell to see if food is fresh.

Senator FISHER—Thank you. I will go to others who will ask you about things you know about.

Dr Pollard—Good!

Senator NASH—I want to very briefly return to this food versus fuel debate and this relates to my earlier question as well about sustainability for farmers. If there is going to be an expectation of farmers that they do something for the public good, what should be the view of government towards that? Simplistically, if a farmer can get more for selling crop for renewable fuel than food, why should they be made to sell their product for a lesser amount for food?

Dr Pollard—I am not suggesting that farmers should be made to sell their products for a lesser amount. I am suggesting that it would be useful to look at the whole food supply and what incentives are there that would encourage nutritious food to be available for the population. So I do not know the answer to that but I think that they are the questions that we should be engaging in.

CHAIR—Could I just give you an example of vertical integration and the budget spend. Bottled water is a really good example. There is about a cent's worth in a \$2.50 bottle. Do not ask me why people do it. It is good advertising, and for Senator O'Brien it becomes habit-forming et cetera. It is a discipline to fill a bottle out of the tap before you leave home. But the price of a pour-in cup of rice with a few noodles in it is 1,400 per cent dearer than the raw rice and a 10-kilo bag of spuds is not much dearer than a couple of kilo bag of spuds.

Dr Pollard—That is the point that I was making around value-adding for health versus value-adding for economy. If you look at supermarket geography at the moment, you can buy fewer and fewer of those big bags of rice, pasta, plain breads and cereals, and there are more and more of these prepackaged tiny containers.

CHAIR—You used to buy flour by the bag. They were pretty cheap.

Dr Pollard—Yes. It is based on convenience. It is important in any assessment of food security and the whole food supply to look at cost to the consumer, and the real cost of production, processing and distribution and where the influences lie.

CHAIR—Wine is another example: putting cask wine in bottles and charging 10 times the amount.

Dr Pollard—There is a lot of value added for packaging and there is also consumer demand for convenience. I am suggesting that these are debates that need to take place.

CHAIR—We have received evidence that in Australia, for beef, for instance, the farmer is getting half as much as the American farmer and yet in the supermarkets we are paying twice as much as the American consumer.

Dr Pollard—Yes.

CHAIR—Kerry O'Brien disputes that, but I have received further evidence since he disputed that.

Senator O'BRIEN—The same bad source?

CHAIR—No. I actually went to the USDA. Thank you for your evidence.

Dr Pollard—You are welcome.

CHAIR—We would be delighted to have any other material that you can assist us with.

Dr Pollard—Yes.

CHAIR—Thank you very much. We are a little ahead of the clock, so we will now retire for morning tea and a greasy hamburger.

Proceedings suspended from 10.26 am to 10.40 am

HILL, Mr Alan, Director of Policy, Western Australia Farmers Federation (Inc.)

McMILLAN, Mr Andy, Chief Executive Officer, Western Australia Farmers Federation (Inc.)

NORTON, Mr Michael, President, Western Australia Farmers Federation (Inc.)

CHAIR—Thank you very much. I welcome the Western Australian Farmers Federation. If you would like to make an opening statement, we will then ask you some questions.

Mr Norton—Thank you, Senators. Our submission was done back in August. A fair bit has happened since then. Costs and prices have gone up and down. Fortunately, fertiliser and fuel have come down, but back in August it looked extremely doubtful as to whether we would plant a wheat crop in Western Australia at that time due to the price of fertiliser, which had doubled. MAP and DAP had gone from \$750 a tonne to between \$1,700 and \$1,800 a tonne.

We did the exercise with the department of agriculture and consultants on 1 July and, with wheat margins as they were at price, coming down to \$300 a tonne, it was pointless planting a crop. If you were good farmer, at \$340 a tonne for wheat you might have made a little bit of money. If you were an ordinary farmer and you only got \$290 a tonne, then you would tear up a lot of money. Obviously halfway through last year, cost inputs were quite pivotal for farmers in Western Australia. A lot of people were contemplating the future as to where agriculture was going.

There have been a number of ACCC and Senate inquiries since then and some of the results we believed did not do the situation justice, especially the ACCC inquiry into groceries and beef. We believe they missed the mark by a country mile and, whilst ACCC was set up to look after consumers, the legislation obviously does not cover producers. Therein lies the heart of the problem. We have been seeking answers from people like yourselves to change the Trade Practices Act to put the ACCC or another government body in a place to protect agriculture because, if we do not protect agriculture, the way things are going in this country we will not have a sustainable supply of food produce into the future.

Whilst some of you people might laugh and say, ‘He doesn’t know what he’s talking about,’ I think he does know what he is talking about. Whilst we have not gone hungry in this country for many years, it is not all that far away. When you look at the wild swings and roundabouts that we as producers have to face on a daily basis, and in the future without a lot of the younger generation—we have a lot of data back in the office that demonstrates what has happened to agriculture back over quite a long period of time—you can see that we have been going backwards for quite some time.

In 1980 there was a big swing. The younger generation did not come back onto the family farms. They left in droves and are continuing to leave. They have not come back. They have become lawyers and doctors and travelled the world, and good luck to them. There are only fellas like ourselves who were silly enough to come back onto family farms and the small farming operations. That has not changed. The data in the graphs that we have is still going north

at a fairly rapid rate. You cannot expect a bunch of 55- and 60-year-olds to feed the nation and increase production to feed the world. It is not going to happen.

As we see the introduction of a lot of other government policies like carbon trading, there is a lot of pressure on the hard stuff that we use to produce the food, and that is land. The high-productive land in this state is being used for urbanisation, lifestyle and tree and wood production, and if carbon trading gets up, that will only continue. The normal agricultural pursuits are being pushed out into the drier, lower rainfall, much more variable areas of the state. The writing is on the wall, but we seem to be completely intransigent about putting in place systems and laws in this country that protect the smaller farmers and agriculture in general.

Unless we do it, and very quickly, another 10 or 20 years and people will go hungry. The price to produce the stuff is going to go through the roof. It has already gone through the roof, and that is one of the reasons the younger generation are not prepared to take the financial gamble, to chance their arm at farming like we did. We have plenty of evidence that the returns we get can vary. It can be doubled. Part of one of our agricultural pursuits is producing broccoli and broccolini. A crate of broccoli can go for anywhere from 14 bucks a crate to its current price of \$40 a crate. The break-even for broccoli in our business is about 22 bucks a box, so there are wild swings and variances there.

Sure, at 40 bucks a box you are doing quite well, but at 14 bucks you are tearing up money like there is no tomorrow. It sat at \$18 a box for quite some time and, as I said, our break-even is \$22. Similarly with dairy producers this year: they were asked at Christmas to take a 20 per cent cut. When we were told that prices were going to go up in March, April, we would have been at our highest price probably for eight to 10 years in real terms, but the dirt got cut from under our feet back in January when the export price fell over between the Kiwis and the Victorians. Whilst we are only a domestic market, it did not make any difference: the price to the growers dropped by 20 per cent.

That has put a real dampener on things. The younger generation once again asks the question, 'What the hell am I doing this for when, with the flick of a finger, you can have that amount of money cut out of your business for no real reason?' In the last two years there have been major imports of fresh milk from South Australia into Western Australia. They increased the price to try and head that off, but all of a sudden, once they sucked us in, they have us milking cows, they have us buying food, then they whack a 20 per cent cut on us. I believe National Dairies are starting to import fresh milk back into WA again.

It does not help the carbon footprint, it does not help anything, but we seem to be intransigent as to how to fix these problems. We are pretty good at tearing down things like the single desk and wool structuring and all our old marketing systems that used to give us a degree of stability. We go for the free market option, and that is great, but the free market options come with their negativities too and, as we have seen, there are wild swings. It is very good to hand all the power to Coles and Woolworths, the big corporates, and they do quite well; we tend to do quite badly.

I guess that is our opening salvo, Senator Heffernan. They are some of the issues that are concerning us as to where and how we go. We are relying on people such as yourselves to do that.

CHAIR—Have you blokes had a look at the Future Science predictions for the weather?

Mr Norton—For the weather?

CHAIR—You have had a 50 per cent, near enough to, decline in run-off, certainly in the Perth catchment, since 1975. We got a briefing the other day from the CSIRO which indicated that the south-west parts of Western Australia are going to be seriously depleted over the next 50 years if the science is anywhere near right for the planet.

Mr Norton—That will not worry you and me, Bill.

CHAIR—No, it will not.

Mr Norton—We tend not to worry about the weather too much, because there is not much we can do about it. What we can do is research and innovation as to how we can grow wheat and grass on less rainfall. In this state, with our minimum till and deep ripping, we have done that extremely well. We can grow just as good a crop with some of this modern technology, so weather is not a real problem. It is when you get it, not how much you get it.

CHAIR—The same presentation, I might say, explained that they were doing some work somewhere on zero tillage and the difference in yield capacity, which was astounding, I have to say. We have also received evidence of the decline in research and development for agriculture and the decline from the school. We heard this morning that there is a problem with domestic science. There is also a problem with agriculture. It has become less sexy to do agriculture and go on and get a degree and become an agricultural researcher. We think there is a need for the government to be alerted to the fact that, if we continue to let R&D—and the CSIRO has changed its emphasis in research to other issues—fall off the map, then there will be a serious problem.

Mr Norton—Yes, but the politicians in this country are partly to blame. You set up schemes like the MIS scheme, which is great for the lawyers and doctors to minimise your tax and grow trees, but why the hell don't you set up a MIS scheme for young farmers to get them in? If you go back to the graphs that I gave you, in 1980 all the young blokes left agriculture because there was no tangible reason there to stop them. The politicians need to set the laws of this land to give the young fellas a little bit of protection and a little bit of incentive, whether it be like a Saskatchewan bank or an MIS scheme, so that they can buy the farm off the old man or finance their way into agriculture. For God's sake, give them some incentive. There is no incentive. It is all this, 'Go, go, go,' and it is everybody else's problem. 'Don't worry about it, mate. She'll be right.'

CHAIR—I noticed that Great Southern are next door. Great Southern do not want to see me because I have a very strong view about MISs, and I am delighted to see that some of their schemes have fallen into financial chaos.

Mr Norton—It couldn't happen to a nicer group of people, could it?

CHAIR—You do not wish a burden on anyone, but I have to say, yes, I have a very strong view about the distortion to the market and supply and demand and market forces that has been caused by MISs.

Senator MILNE—I wanted to follow up on your discussion of the demographics of who is going into agriculture and so on. Do you have that broken down on a sectoral basis? It seems to me there has been an intensification in some horticultural pursuits in south-west Western Australia—this is as someone observing it from elsewhere—but a drop-off in people in broadacre. Do you have any breakdown of where there has been the main loss and where the biggest threat is to future viability in terms of people farming in Western Australia? Which sectors are the most vulnerable, in your view?

Mr Norton—They are all vulnerable, the whole lot of them. A lot of that relates directly and indirectly back to market forces and government policy. But it is all hanging there together at the moment, albeit tenuously. I have just finished doing a report for our conference on Thursday, and some of the questions you have asked are embedded in my report. I will have to send you my report.

Senator MILNE—Please do. You should not assume that there is hostility. There is not. This committee has been very strong on issues like maintaining agricultural land for agriculture against a lot of forces. So there is a lot of work we are doing. But I am very interested in breaking down the general statement about young people not going into agriculture into seeing if there is particular vulnerability in any sectors at the moment.

Mr Norton—There are a lot of very good, talented young people in agriculture—do not get me wrong—but there are not enough of them coming through. For example, in the dairy industry, in 2000 at deregulation there were 410 dairy farmers producing about 410 million litres of milk—an average of about one million litres per farm each year in WA. Now we are probably down to about 170 farming enterprises producing last year about 320 million litres. The farms have got bigger and more productive, but the bigger you get and the more employees you get the harder it is to manage, and they are not as cost effective to run as the smaller tight-knit family farm operations.

Similarly in the wheat belt. Some of the research that we did for my report showed that 10 years ago there were over 10,000 growers signed up to deliver to CBH. Now there are 4,800. That is an attrition rate of 570 enterprises to CBH per year. If that happened with nurses or doctors, there would be people marching up and down St Georges Terrace. Because we are cockies, the academics say, ‘You’ve got to get more efficient. You’ve got to get bigger. You’ve got to get this,’ and now it is corporatised farming. We have seen how Great Southern and the MIS boys have gone, we have seen how the bankers have gone and we have seen how some of these corporate fellows that have come into agriculture have gone. When times get tough, some of those big corporates are the first to sell up and leave. They come and go. They have done that for 200 years and will continue to do it.

Nothing has changed. We are battling on. Our production is just holding up there. But these farms can only get so big and, once they get so big, you have to bring in labour; you have to fly people in from America; you are reliant on tourist type visas. In our operation, on our vegies where we employ 30-odd people, we have Australian management but our pickers have tourist

visas. We find that the South Koreans are the best. We have got a South Korean workforce that rotate. Some of them are on 457 permits, and hopefully we will get some of them as permanent residents eventually.

The abattoir industry is a bit the same. The bulk of the abattoirs in Western Australia are manned up by people from offshore, and that is no disrespect to Graeme Haynes and the workers union. We meet quite regularly with Graeme. But the people just are not here or the Australians do not have the inclination to get on a slaughter floor and, similarly, to go and pick and broccoli and broccolini.

Senator MILNE—Having said that, what is the one intervention that a federal government could make that you think could turn around some of these issues about retention to agriculture, because it is a big and complex area. Are there any specific interventions?

Mr Norton—As we said in our report, we need changes to the Trade Practices Act for a start to give us a little bit of protection and try and level the playing field a little bit against the supermarkets. We have got no beef with the supermarkets. They have got their businesses to run and we have got our businesses to run, but we are at a distinct disadvantage. It is up to the parliament to set the laws of the land that level the playing field so that we can compete fairly without one hand tied behind our back, or in some cases both hands tied behind our back.

Senator NASH—What changes do you want to see to the TPA?

Senator MILNE—Yes.

Mr Norton—We have met with one of your previous senators, whose name eludes me, from the Democrats.

Senator IAN MACDONALD—Andrew Murray.

Mr Norton—Andrew Murray. Andrew assures us that there have been any amount of Senate inquiries that have highlighted the pieces of legislation that need to be changed. We have got it on file and he has given it to us again. Andrew's great disappointment with being in the Senate was that the two major parties had never ever picked it up.

Senator NASH—Would you like to forward that to the committee—that legislation that you have targeted.

Senator MILNE—Yes, the specific amendments.

Senator NASH—The specific amendments and the specific legislation. That would be very useful.

Mr Norton—Yes.

Senator IAN MACDONALD—But along which lines? We will wait to read it in detail but, broadly speaking, what do you think needs to be done?

Mr Norton—You have a piece of legislation that gives the ACCC some fairly awesome powers so far as consumers are concerned, which protects them. You have to develop some legislation that produces some equal protection. I am not a politician; I am only an agripolitician that looks at things in fairly simplistic terms.

Senator IAN MACDONALD—But are you wanting price support from the ACCC? Is that what you are saying?

Mr Norton—No, we are not saying that at all. We want a return on our investment. Our costs of production need to be recognised domestically. You cannot do that on the export market, and we accept that. But domestically we should be able to argue our point that we have a cost of production and we are entitled to a return on our investment.

Senator NASH—Do you think there should be some kind of mechanism in place—without wanting to necessarily go to floor prices—to ensure that farmers are not consistently producing below the cost of production?

Mr McMillan—If I could jump in for two seconds, one of the paragraphs in our submission, under ‘Food that is affordable to consumers,’ talks about the ACCC flippantly stating in its report that the red meat supply chain—et cetera. The actual wording of that report was quite patronising to the farming community. Obviously there is no obligation on the ACCC to investigate that level of detail to look after the interests of farmers. They are the ACCC for consumers, not for farmers. To tighten up the whole guidelines there, to require the ACCC to dig deeper and not just gloss over the top of it, I think would start the whole ball rolling.

Senator NASH—How on earth can you have any certainty of food production into the future if farmers do not have a viable business at the bottom of the food chain?

Mr McMillan—Absolutely.

Senator IAN MACDONALD—This is the bit I cannot understand: you have a product that people not only want but need—we can do without most things except food. If you are not supplying it, we all die.

Senator MILNE—No, we import it cheaper.

Senator IAN MACDONALD—All right. Is that what you are getting at?

Senator MILNE—That is the key issue.

Senator IAN MACDONALD—That is what I was asking before. Are you saying we should be banning the import of competing foods?

Mr Norton—No. I am being very careful not to be too provocative in saying that we—

Senator IAN MACDONALD—Be our guest! Be provocative.

Mr Norton—We have been down the path of the old statutory regulations for the dairy industry and for the grains industry and, as late as last year, the parliament suggested that we do need a single desk for wheat. That is fine; we have to run the gauntlet now and just see how we go. So it is pointless trying to go back there, but what we have to do with the legislative backing that we have for our proposal is to try and make it as effective as we can for the producers we have left.

Having said that, to come up with schemes and dreams is not easy, but that is what we need to collectively focus on. We can certainly affect domestically the returns growers can get. It is very difficult on the export side of things, unless we can streamline the way that we get rid of our grain. Similarly with our imports, there is a lot of restriction on our inputs, be they fertiliser or whatever. I think there is a lot we can do there. We have done as much as we can—more by playing bluff poker than anything else—to try and get the cost of fertiliser, sprays and chemicals down, by advising our members not to buy and trying to look at ways and means of importing the damn stuff ourselves.

CHAIR—You may be aware that we are doing an inquiry into that.

Mr Norton—I am aware of that.

Senator IAN MACDONALD—But you are playing Coles and Woolworths at their own game on the other end—

Mr Norton—That is right.

Senator IAN MACDONALD—which is what you have got to do.

Mr Norton—What else can we do?

Senator IAN MACDONALD—You have got to do that.

CHAIR—Can I raise something with you. The ACCC said that they did a desktop study, I would call it, of the fertiliser industry and found that there was not a problem—there was no monopoly behaviour—which was just bloody stupid! I actually said that I thought they were as useless as tits on a bull. Can I take you to some of the logic behind that. The information that they were given by the NFF was so far off the mark, I could not believe it. The reason that they were given that information that was so far off the mark was because the NFF did not appear to have the resources to go and do the research. That could well be the case with food, with Coles and Woolworths.

If we do not present the ACCC with the facts, I do not think they have got the capacity or the interest to go looking. As they said, 'It's a long and complex meat chain. Let's go and have a smoke.' You really have to provide them with some of the information to make them sit up and look. Since that happened, by the way, they have been sitting up and looking at fertiliser. There is a serious problem with fertiliser.

Mr Norton—We gave the ACCC some very detailed on-farm costings on what it cost to produce a kilo of beef in Western Australia and what they sold it for. There is this gap in the

middle. We can take it as far as the farm gate, and we know a little bit about the processing industry—I have been involved in the processing industry, and the producers have got a co-op down at Katanning—so we can get access to pretty accurate data on what it cost to process a kilo of lamb. We have some pretty accurate data there, but what you do with it and how much leverage you can generate is the difficult bit.

You spoke about fertiliser. It was not very difficult to get your mind around the fertiliser issue and it did not all happen until Christmas time, when the price of international fertiliser came down. You could google it on the internet and see what a tonne of the various fertilisers cost.

When we started to get a little bit provocative with the fertiliser companies, we realised that they had a lot of stock in store, and they came out quite publicly and said, ‘You farmers have to buy this expensive fertiliser. We bought it back in July, after we’d done all the numbers.’ We said, ‘Listen, we’re not going to plant a crop with fertiliser at this price.’ They still went out and purchased considerable tonnages of fertiliser because they thought fertiliser was going to go to \$2,000-plus a tonne, but they did not go back and do their research about what it costs us to produce a tonne of wheat. They tried to bully and bludgeon us into buying all that fertiliser, and there were probably a couple of hundred thousand tonnes, which is \$40-odd million that they expected us to bear.

CHAIR—Anyhow, this is not the fertiliser crisis, because I could give you a very detailed answer to the con of that, and it began back in July with the Black Sea FOB price, Black Sea from the Russian MAP.

Mr Norton—But that is how these companies behave. If you let them behave like that, they will take you to the cleaners, hang you out to dry and pat you on the back and tell you what a great fellow you are. We supported Ravensdown, the New Zealand company. Farmers are very supportive of companies that stitch them up and do it for a very long period of time, and CSBP and Summit have been doing that. They have gone back and are still buying product off them, so farmers are their own worst enemies in some respects.

Mr Hill—Bringing the discussion back to food, the ACCC, in their inquiry into food pricing, came up with similar concerns—that they were getting information from producers that was not validated—and almost came to the same outcome. They said, ‘It’s very difficult to follow these through,’ so they did not do it. I think industry is under-resourced to provide some of these figures.

CHAIR—They were not interested to go out of their way; there is no question about that.

Mr Hill—No, that is right, and they were a bit critical, which certainly at the time we were a little offended by.

CHAIR—I think the NFF needs to be resourced better than it is. It certainly is not what it used to be. That is not meant as anything other than a constructive criticism. We are also inquiring into lamb, and you have an excellent certification scheme for lamb over here—you have even locked a couple of people up—which we would like to see harmonised right across Australia. But in the case of lamb and the dentition test, which we think is essential: as you know, you can have a Merino lamb, which is what you would call budget lamb, or a first-cross

lamb or a Dorset-cross lamb or a Dorper or any of those. I could take you to Sydney and show you the same grade rack of lamb costing \$69 per kilo at Double Bay, where people come in and do not ask the price—they just want to know it is the right quality and that the butcher goes out and selects the lambs from the wholesaler—and at DJs' food hall it is \$59.99, and at Burwood Road the same rack of lamb is \$39.95. What the market will bear is how these fellows market their meat.

Senator NASH—One of the things that has been raised in this submission, which is probably core to what we are doing, is this question of: does Australia want viable, family-farm-driven agricultural industries and healthy rural communities? I think that is the key to the whole thing. If the answer is yes, which we hope it is, how do you do it? In my view, you cannot do it without some kind of government intervention; you cannot say yes to that and then leave it to a free market, because it is just not going to happen. In your view, what role should government play in a sustainable farming future? I suppose that goes on to the next question. You say:

The government needs to take steps to ensure that the viability of farmers is preserved in a subsidised and distorted international market place.

What steps should government take?

Mr Norton—Where government have tried in the past, they have invariably failed, unfortunately. Hendy Cowan from the National Party tried to set up these decentralisation commissions, and he tried very hard. He tried to put a hide plant down at Darkan and that went broke. It is certainly not easy. We have got a road-on-rail for our wheat industry. We desperately need substantial capital investment in our rail system throughout the wheat belt. I think there are things like that that need to be done to try and maintain these rural communities.

The Americans possibly do a lot better than we do, and we will have Kenneth Chern, the US Consul General, addressing our conference on Thursday evening. The Americans really go out of their way to look after their rural communities and they try and develop some form of secondary industry or other industry in a lot of these communities. For whatever reason, in Australia we have not done that. We tend to let people drift down to the coast and let them all park around the beaches and where there is a bit of water. You probably have to do it with tax incentives. The old taxation system is a great incentive. When I was a young bloke, the shearers never used to pay more than 20c in the dollar, or two bob in the pound, in relation to tax to get people to go shearing. Similarly, there used to be tax concessions when you went north of Carnarvon. Is it the 39th parallel? As soon as you went beyond a certain parallel, you got tax incentives.

A lot of that old legislation was not all that bad, and we probably need to go back and look at some of the legislation and some of the processes that were used after the war, when we really drove agriculture because we had to. We did not have any mining industry or tourism industries. We need to look at some of the things that we did then and try and apply them now.

Senator NASH—Is there a more hands-on approach from government in terms of intervening and assistance, if you like, rather than: leaving a free market is the way forward?

Mr Norton—There is a classic example here. We were bulking up containers down at Kewdale. We need to bulk them up out of Brookton. If we put another spur line straight out to

Brookton, we could containerise all our hay and our grain out around Brookton and Pingelly and just punch it straight into Fremantle, into the port. I think we have to look at some long-term infrastructure. I am not willing to get too closely involved with politics here, but during the Depression we put money into key infrastructure and we are still using a lot of that key infrastructure today. With that whole south-east land division, we had hundreds of people digging drains. The first base foundations were done for the Wellington Dam during the Depression and it is still one of our key dams. I think that is what we need to do.

I know it is hard for a politician to drift away from education and policing and all the other issues of trying to make people happy and love them and vote for them, but I think that there is too much money going into projects that do not really give the country a good long-term return on its investment. I know it is hard.

Senator MILNE—Mr Norton, just on that, has the Western Australian Farmers Federation put forward a proposal to either the state or federal government for the rail infrastructure you are talking about?

Mr Norton—Alan, do you want to answer that?

Mr Hill—Yes, absolutely. We have been on this bandwagon for quite some time, both federally and at a state level, and it is a continuous circle.

Senator MILNE—So you submitted it to Infrastructure Australia for its current bid round?

Mr Hill—We would not have been part of the submitting process to Infrastructure Australia, but we have certainly been supportive of the people that have been in that process.

Senator MILNE—So the Western Australian government put something up?

Mr Hill—I could not tell you for sure.

Senator MILNE—This is the issue here. One of the problems that Infrastructure Australia has had is that state governments did not put up infrastructure bids to improve the electricity grid—which would have taken renewable energy capacity out to rural and regional Australia, which is a supplementary income in a lot of those communities—nor did they put in bids for much in the way of water infrastructure. I am interested to know whether the state government has put up bids for rail infrastructure. I would be fairly sure that it was minimal if they did. Part of the problem here is that you can talk about infrastructure, but the reality is that, unless the bids go up, people are not going to make decisions. Part of the job is to actually have the proposals, have the costings for the proposals and get them into the process that actually gets some sort of quantifying of the benefits in terms of the capacity to build employment and diversify income in rural communities and therefore make them more resilient. That leads back to your argument that attracting people and keeping people depends on diversity in those communities.

Mr Hill—I think a big part of the situation going forward is to literally give farmers some more tools for the tool-box. We have a national drought review, but we are still awaiting the outcomes in relation to that. You talked about long-range forecasting earlier. That is certainly one of the points we picked up in our submission to all the various panels in the national drought

review. We have also proposed that multi-peril crop insurance get another look at on a national basis. Western Australia has done extremely poorly out of exceptional circumstances over the years that that has been in existence. There are a whole range of reasons for that, but we see multi-peril crop insurance as being a far more effective thing, both from a farmer's planning perspective and also from a government budgetary perspective, because instead of having an inverted funnel like EC is on the eastern states, you have a cap you can put on an underwriting scheme for multi-peril crop insurance. So there are big benefits to be had there.

The emissions-trading scheme has the potential to either sink agriculture or give it a hand. It has been our view for many years that agriculture is a bigger part of the solution to the climate change debate than it is a cause of the problem, and we see opportunities through an emissions-trading scheme for soil carbon to be recognised. We are quite supportive of agriforestry, which is a combination of traditional farming and forestry practices.

We see an opportunity for preservation of native vegetation to be picked up as sequestering carbon. That would make amends for the land clearing bans that were put in place back in the nineties: that everyone puts their hand up and says, 'How good's Australia?' because we are meeting our Kyoto targets, but no-one is saying, 'Thank the farmers for giving up their land clearing ability.' So there are a lot of inequities that can be addressed coming out of this emissions-trading scheme if the government has got the gumption to take the ball over to—where are we going?—Copenhagen.

Senator FISHER—Can I seek a clarification on that point. Your submission—I am wondering whether I am missing something—on page 2, about halfway down, says:

If farmers are to be penalised for production based emissions without being compensated for on farm mitigation ... production will be reduced to levels where viability is not impacted.

It might seem like a stupid question, but do you mean 'not'?

Senator MILNE—Yes, I read the same as well. It just seems a bit confusing.

Mr McMillan—No. Simplistically, what we are getting at there is that if agriculture is included from 2010 and farmers have to start paying extra for all their inputs—

Senator MILNE—Well, it is not going to be.

Mr McMillan—No-one is telling us that. That would be the first time I have actually heard someone say that, Senator, so I will write that down. Thank you.

Senator MILNE—There is absolutely no view that I am aware of that agriculture is going to be included from start-up.

Mr McMillan—No, this is for the farm inputs.

Senator MILNE—The farm inputs?

Mr McMillan—Yes.

Senator MILNE—You are talking about the fuel?

Mr McMillan—Well, it is all relevant.

CHAIR—More than fuel.

Senator MILNE—No, sorry. I thought you meant that agriculture was going to be one of the covered sectors, and it seems that clearly it is not a covered sector.

Mr McMillan—No, we recognise that we are out there until 2013 and then they will look at whether we get included or not.

Senator MILNE—Yes.

Mr McMillan—But in the interim, if our production costs are going to go up, one of the ways that farmers can address the increase in production costs is by cutting production to bring the balance back down to retain viability. So that is the point we are making there. If that was to occur, it flies in the face of everything governments want farmers to do to increase production to feed the growing world population.

Senator MILNE—The key tool here is the accounting.

Mr McMillan—Yes.

Senator MILNE—We have to get the accounting right or this could impact really adversely on agricultural production.

Mr McMillan—Absolutely, yes.

Senator MILNE—Equally, if you improve soil carbon, you can reduce your input volumes and therefore your input costs, as the work of Christine Jones and others has shown, in terms of changing practices to reduce petrochemical fertiliser inputs as well. There is the opt-in provision, of course, for forestry, but that is a risk and that is why a number of people on this committee have voted strongly against the carbon sink forests proposal—tax incentivised carbon sink forests—because it will displace food production et cetera. We are very cognisant as a community of all those issues, but there is also the opportunity, do not forget, for renewable energy as an additional crop in your rotation. Do not forget that—both biofuels and renewables.

Senator FISHER—Call me stupid; I still remain confused. In terms of your actual submission, are you saying that, if you are penalised as part of an emissions-trading scheme and not compensated for those things of which you have spoken, then farmers will self-manage and reduce their production, as your submission says, ‘to levels where viability is not impacted’. Do you mean that ‘not’? Are you suggesting that farmers can reduce their productive capacity to a stage, in that environment, where their viability is not impacted and, if so, how does that work?

Mr McMillan—This is the advice I am receiving from our members that advise us on climate change policy.

Mr Norton—What they might do is sell the back paddock, eliminate all their debt, just keep a couple of hundred breeders, and go and get a job. That is fine. That helps him, but it does not increase food production. It actually decreases food production.

Senator FISHER—It depends upon your definition of ‘viability of farm’ as well—

Mr Norton—Yes.

Senator FISHER—to the extent to which supplementation may come from off-farm. With a government faced with a very difficult, of its own making, emissions-trading scheme debate, I would be thinking very carefully about saying to that government that there is a point at which farmers in that environment will be able to reduce their production in a way that does not threaten their viability. I would think very carefully about putting that proposition to government and I would make very clear the basis upon which you are doing so. You may wish to review that bit of your submission, because that also stands as part of the record, and, if you so wish, provide the committee with further information as to your views.

Senator O’BRIEN—Would it be a fair proposition to say that the value of agricultural land in this state has grown significantly in the last decade?

Mr Norton—That is a very fair synopsis, bearing in mind that there is no more agricultural land being brought into production. There is actually less, so there is plenty of competition for the stuff that is left, but you have to weigh up what you can get back off it.

Senator O’BRIEN—That is exactly the point I was coming to. Why, if there is pressure on return, are farmers paying more and more for land? Why does the value of land increase where, on the other hand, you are saying you cannot make a dollar off the higher value land? Who buys it?

Mr Norton—There are many reasons. There are plenty of real estate agents floating around offshore still running the line that Western Australian land is the cheapest farming land in the world. There have been a number of offshore investors come in and buy it, not necessarily to make a return on their investment but basically to park some money and get some hard core assets. There is not going to be a revolution here. We have a very stable government and economy, and there is a reasonable chance that it will increase in value for the very reasons that I have outlined.

Senator O’BRIEN—Is that land going out of production?

Mr Norton—No, they will try to crop it. Between consultants and farm managers, a lot of them will probably burn a fair bit of money one way or another. They will have a lot of fun doing it. Then they will find out, ‘This is no good. I’m out of here. I’m selling.’

Senator O’BRIEN—What happens then? Who buys it? Another person who is prepared to burn money?

Mr Norton—Possibly, or the cost of wheat might go to 400 or 500 bucks a tonne. Who knows what is going to be down the track in five years time? That is agriculture since its first inception.

Senator O'BRIEN—On the other side of this continent, the same land price scenario exists but there has been a hell of a lot of borrowing because of bad seasons and effectively converting equity into debt. In that scenario, and given in some areas crops are very intermittent, I am still struggling to understand how the farming community is financed against potential returns and how others are financed to buy into the sector, if the proposition you put about diminishing returns and unviability is the likely future scenario.

Mr Norton—Farmers are born gamblers, believe it or not, even though they do not go to the casino. If you looked at that northern wheat belt the last couple of years, where they did not have any crop for two years, a lot of those fellas were down to 30 per cent and 40 per cent of equity. The banks were not prepared to sell them up because, if they had done, it would have devalued the amount of money that they had to spread around their agriculture portfolio, so they managed them very closely.

When it comes to money, farmers need managing very closely because they love to spend money. So they managed them very closely and they put a crop in and they had a bolter. Some of them had their best crop ever up in that northern wheat belt. All of a sudden a lot of them have gone probably from \$2 million or \$3 million in debt, and that is why they are selling for cash this year, so the bank can get a return. If you have a couple of bad years up there, the old blokes will tell you it can take three, four or five years to trade your way out. This year, they traded their way out in virtually one year.

That is what keeps people farming: 'What's going to happen next?' That is why they go and buy the next-door-neighbour's farm, because they say, 'I'm getting bigger; I can cut my costs; I'll still have the same fixed costs,' and it goes on till the bubble bursts or the international price of grain crashes and all of a sudden there is a hell of a dilemma and a big clean out.

Senator O'BRIEN—That is a cycle. You have seasonal and market cycles, and the farming community have traded through that for the last 50 years or more.

Mr Norton—Last 200 years.

Senator O'BRIEN—Perhaps we have not looked at the figures properly. It is fair to say, isn't it, that despite the resistance to the trend 'get big or get out' there has been a tendency to get big because that provides the capacity to utilise assets better and put in storage to take advantage of trading circumstances that vary over a season? All of these things are the hallmark of a successful farmer these days, aren't they?

Mr Norton—Yes, and there are a lot of very good farmers out there. They are probably some of the best in the world with all of the difficulties we have.

Senator O'BRIEN—Have you seen some of the soils? I was in the northern wheat belt at the beginning of the season last year and we saw the state of the soils—it was actually sand—that they were growing crop in, so the fertiliser input was obviously very important. You have to be very good farmers here, and they are, to be successful.

Mr Norton—The key is, do not get too much debt, whatever you do. The fellas who go down to 30 per cent and 40 per cent equity are flying by the seat of their pants. If you stick around 70 per cent or 80 per cent, you can trade through a few tough times.

Senator O'BRIEN—And it is fair to say, isn't it, that, when times are bad, the banks are not too keen to start selling up because they will force a drop in property values and they will end up with assets that are not worth what they have lent on them?

Mr Norton—That is right.

Senator O'BRIEN—So we have quite a different dynamic that exists for the farming community than might exist in other business communities, haven't we?

Mr Norton—Yes. The banks have only just woken up that agriculture is probably one of the safest investments that they have in their portfolio.

Senator O'BRIEN— You talked about broccoli and broccolini and prices, and obviously that feeds back into the supermarket debate. My experience going to a major producer in the Gippsland area at the beginning of 2007 was that they had no problems with the way the supermarkets treated them. They thought that it was a very fair marketing arrangement, so far as their very large broccoli enterprise was concerned. So is there a problem here, or is it just a problem of perception from different producers about how the market works?

Mr Norton—On the east coast you have a very big domestic population. We only have two million people in WA, so we do not have to produce much broccoli or broccolini to feed them.

Senator O'BRIEN—So it is the isolation of your market here that might make for special circumstances?

Mr Norton—It is a big problem with our horticulture and our vegies. When we went into South-East Asia, until the Chinese bombed us, that was our big outlet. We are not sending much east at the moment. We sell a bit east every now and then, but our domestic market is the key and there are only two million people here.

Senator O'BRIEN—I see your lamb abattoir here was shedding labour recently in an environment where traditionally abattoirs have had difficulty holding labour. What is the current situation with the processing facilities for farmers in that regard?

Mr Norton—I think you are talking about Harvey Beef. It is a beef abattoir. The lamb abattoir at Katanning would like another 50 slaughts to further value-add.

Senator O'BRIEN—You are right. Sorry.

Mr Norton—They are looking. They have about 50 457s from China and would like some more. There were 160 put off down at Harvey Beef, but none of them are too keen to go to Katanning. It is a better lifestyle on the beach than what it is out at Katanning. Getting those slaughts to go and work out there is nearly impossible. The only way you can get them is to bring them in from offshore. There have been problems at that Harvey plant for a very long

period of time and there is a bit of sorting out going on down there to try and make the thing more cost effective. Some of it has been management as much as anything. You need good management and a disciplined workforce.

Senator IAN MACDONALD—You said earlier that the young people were leaving the farming areas, but most of the people you are getting in on 457 visas would be young people. Is that right?

Mr Norton—They certainly are, but they are not going back onto farms full time. They will be brought in for seasonal work in the harvesting area—for seeding and harvesting. Where we use them in vegie production, they come in under tourist visas. We got some South Koreans in under 457 who we are trying to apply for permanent citizenship. But the tourist visa fellas are the ones that circulate amongst—

Senator IAN MACDONALD—These are the backpackers.

Mr Norton—The backpackers, yes. They are really good too.

Senator IAN MACDONALD—Yes, I know. They keep the mango production going in North Queensland. But they are all paid award wages, and better.

Mr Norton—And better, yes. We pay them on an hourly and a production rate. They are there to make money.

Senator IAN MACDONALD—Is there a contradiction, though, that you cannot get young Australians to do these things but you can get young people to take an interest. You say you are wanting to make some of them permanent Australians. I assume that means they would have permanent employment.

Mr Norton—Yes, especially if they can speak South Korean.

Senator IAN MACDONALD—Yes. Thank you.

CHAIR—Thank you very much. We have come to the end. Welcome to Senator Sterle.

Senator STERLE—Thank you, Chair.

CHAIR—We are very grateful to the farmers. I presume you are aware of the CSIRO study that says, if we do not get off our backsides, in 50 years time there will be no wheat for export from Australia.

Mr Norton—It has already happened on the east coast, hasn't it, Senator Heffernan? Western Australia is the major exporter of wheat out of Australia.

Senator STERLE—Hear, hear!

Mr Norton—And 94 per cent of our production is exported.

Senator STERLE—You are doing very well.

CHAIR—The CSIRO are saying you are going to have none in 50 years if we do not work.

Mr Norton—I would not worry too much about that. We will be right. We will get there.

Senator STERLE—That is the attitude I like.

Senator MILNE—Mr Norton, you will table your speech?

Mr Norton—Yes. Andy has got all that. Thank you.

[11.33 am]

NEWMAN, Mrs Julie Helen, National Spokesperson, Network of Concerned Farmers

CHAIR—I welcome Julie Newman from the Network of Concerned Farmers. Would you like to make an opening statement and then we will ask you questions.

Mrs Newman—Thank you. I started this debate almost a decade ago. I started as pro GM and now I genuinely see it is the biggest threat to food and agriculture we have ever faced, because I specialise in research and, as you can see by my report that I have given you—it is all referenced—since I changed my stance, I have had nothing but confirmation in what I have looked at.

The submission touched briefly on corporate control and, if you look at what has happened, just because Monsanto wanted to do something with the factory sludge that they found was resistant to glyphosate—taking that gene out of that factory sludge, which was of course constantly exposed to glyphosate, and ramming it into the DNA of a plant gave that plant resistance to glyphosate.

You can do that very easily by non-GM means. It only took a year for enterprising drug barons to do that when they started aerial spraying of crops. But what it gives is a patent. What disturbs me most is that I have tried to do everything possible through the proper means, including Senate debate, particularly with Senator Cherry, through WA Farmers, and I was sacked unconstitutionally for something I did not do just before their anti-GM stance turned into a pro-GM stance. I had written evidence to show I had notified the media officer, and I was not speaking against policy. It was just totally wrong and very undemocratic. All the way through we have been faced with undemocratic processes and our concerns are being ignored.

What we are faced with now as farmers is that, not only are we to accept contamination and lose our markets, we are to pay for it. Since that report, I have had a prebriefing between CBH and Monsanto—that agreement. CBH is Cooperative Bulk Handling. They have not actually signed that yet. It was the prebriefing paper on the agreement and it was given to the GM advisory committee, of which I am a member. In that prebriefing paper CBH is to be paid extra for testing non-GM farmers' loads and for receiving GM. So naturally that is a financial incentive for a company to deal with GM.

The test is sensitive to 0.5 per cent and, if it is positive, they are to impose a significant fine on us as non-GM farmers. Industry supposedly has already accepted 0.5 per cent in the seed we plant and 100 per cent of the offspring of any cross between a GM and a non-GM will be GM. So we are to have a significant cost imposed on us for having a positive test. Then that test strip is retained and given to Monsanto, who has the legal right under the end-point royalty system to deduct their user fee out of our grain payments. That is appalling and totally undemocratic. The reason government is pushing it is because of their policy that has allowed industry self-management and because their policy was set on how best to capitalise on their investments in GM and biotechnology research. It was not set on how best to look after farmers and consumers.

If you want to look at something about food, have a think about what will happen in the future when a single company such as Monsanto owns all of the plants that we sow, so all of the crops, all of the food, is down Monsanto's single supply chain. It is extremely anticompetitive, but ACCC do not want a bar of it because it is policy of government to promote GM under industry self-management. This is happening. If you do not think it is happening in Western Australia, for example, all the public plant breeders have formed InterGrain and they work from Murdoch's laboratory, which was funded by Monsanto on a \$5 million grant. So they are working in a laboratory owned by Monsanto.

They are using patented technologies and intellectual property and equipment owned by Monsanto, under the same deal as CSIRO has, where they get to use them free of charge in exchange for confidential contracts. It appears very much that what is happening overseas is that, when GM is adopted, non-GM research ends, non-GM plants end. One hundred per cent of the seeds from InterGrain are sold through Nufarm's fully owned subsidiary Crop Care. Nufarm is Australia's partner for Monsanto. So corporate control is not a myth; it is real and it is setting up.

But as a consumer we want choice not only to avoid GM but we want choice down the track. We do not want to be told that a pre-packaged frozen meal is all that is going to be offered in our supermarket chains because that makes a corporate company the most money. That is where we are heading. We do not want fresh food and vegetables to be an unaffordable option controlled by a corporate company. We want choice, and that should not be denied by our government just because they have a vested interest in this technology.

Senator O'BRIEN—Is your objection to GM the ownership, the Monsanto bit, and not the health bit? You are wanting choice but you think that the way it is going, Monsanto will own everything and you will take their product, which is GM, or nothing.

Mrs Newman—It is multifaceted. There really are serious health impacts. If there were not, Monsanto would not be refusing to do independent testing.

Senator O'BRIEN—Would your opposition be equally as strong if somehow we could say, 'Monsanto doesn't own everything; it's owned by 1,000 different companies.' Would your objection be as strong?

Mrs Newman—It would not be as strong, because it is not so anticompetitive and you will have choice, but how can we have choice when there is a patent over a product?

Senator O'BRIEN—I get your point.

CHAIR—This committee will, in a lively way, look at all this, because I instigated an inquiry in another committee in which we are looking at human gene patenting. We took evidence the other day of a company in America which has taken \$9 billion in licence fees for a blood product. The licence fee was three times the cost of delivery of the service. It is crazy.

Mrs Newman—That is what is going to happen to food. If you have a look at that graph there, that was prepared by—I cannot read it; you need your glasses—an international committee that looked very much into the GM debate and food in general. As the food price goes down, total food production increases but it reaches a stage where you have more and more

undernourished as well. If it drops too far, you have farmers becoming the impoverished. This is a global study.

The corporate sector has realised how low they can go with the food price before the majority of farmers become impoverished. They do not care about the individual that has to face the seasonal conditions. They have worked that out, so they are just taking anything over and above. Our fertiliser bill this year is \$860,000, which is rather large. But if they control the food, they remove all opposition, so upstream and downstream you will have no opposition.

CHAIR—That is a PowerPoint by the look of it. Can we get hold of it?

Mrs Newman—Yes, I do have a flash disk there. It is basically a summary of some changes and the GRDC trials showing the GM crops.

CHAIR—Can you flick that to us so we can read it?

Mrs Newman—So you can read it now?

CHAIR—No, not now; just so we do not need our glasses.

Mrs Newman—Yes, that is why I printed these out.

Senator STERLE—How many members are there of the Network of Concerned Farmers?

Mrs Newman—We are what we say we are; we are a network of concerned farmers, so what we do is network. I put everything on our website.

Senator STERLE—So you have no membership?

Mrs Newman—No, we do not. It is not about that; it is about distributing information to farmers.

Senator STERLE—I understand that, and thank you for that. All I am trying to establish is, are there more of you that are concerned about GM than there are that want it?

Mrs Newman—Yes.

Senator STERLE—I know there are a couple that have put their hand up to trial, aren't there?

Mrs Newman—Yes, but those farmers are being told it is going to yield more. They have been told constantly, 'A 30 per cent increase in yield'. All the government reports, the ABARE reports, have been funded by the Biotechnology Strategy which has an aim to promote GM.

CHAIR—That's rubbish!

Mrs Newman—It is not. It's written on there!

CHAIR—No, the yield is rubbish.

Mrs Newman—Yes.

CHAIR—Canola yield; that's garbage!

Mrs Newman—As you can see by the GRDC trials on page 2 down the bottom—

CHAIR—I do not have see it.

Mrs Newman—What is disturbing is that it was worse in the Victorian trials that were under drought than it was under the New South Wales ones. That is what is happening globally. It appears to be worse in drought.

CHAIR—We are canola growers. There is no difference in the yield.

Mrs Newman—I know. It only gives you resistance to—

CHAIR—Sorry to cut across you and your opening statement, but one of the problems that we have is the reverse legal onus.

Mrs Newman—That is exactly right.

CHAIR—That squares it away. Between the reverse legal onus and the imposition in the future of a terminated gene, it has closed the book.

Mrs Newman—Yes. We do not care what anyone else does. We really mind if it affects our economic viability.

CHAIR—And the contamination, especially in canola, is outrageous.

Mrs Newman—But you imagine wheat! No market in the world will accept GM wheat, unless it is an extremely low price. If one person grows it commercially, overnight the market perception is that Western Australia will have GM, will sell GM—or whichever state—and we have to prove that it is GM-free. That process is too difficult and too expensive to do because you destroy it in the process and it is zero. There is no tolerance level accepted. It is zero, because to label 'non-GM' means no contamination, no GM. Germany is the only country that has legislated what is non-GM over in Europe. They are still discussing it. But to label something as non-GM over in Europe means zero.

CHAIR—But you could have industrial sabotage under this scheme.

Mrs Newman—That is exactly what it is: industrial sabotage. Yet farmers are being told that this is the best thing since sliced bread, and it is that misinformation from the researchers and government policies that is so disturbing.

CHAIR—We have received evidence that we have fallen off the pace in agricultural research and development. In fact, we have been given a proposition by the University of Western Sydney that perhaps we ought to be adopting a different model altogether for the department of agriculture. I have to say that, if you see what has gone on with the CSIRO and the temptation to go and do your research in someone's laboratory who is going to pay you handsomely for the research and then commercialise it for you and give you a licence fee—

Mrs Newman—Yes, and all the spin-off industries attached. But that is the problem with the national competition policy. Suddenly public plant breeders that never made any money have got to try and make money. How can that happen? You are not going to have a corporate waltz in and fund an unprofitable business such as plant breeding. They want a very good return on their money.

CHAIR—No, they are going to smash it all. All the crop research stations in New South Wales have been shut down because they have all gone to this monopoly set-up.

Senator MILNE—I would like to follow up on some remarks you have made about the CSIRO. There has been real concern in the broader community about the previous Chief Scientist's, and also the CSIRO's, push into GE. Can you give us a real sense of whether there is any work at all happening in the CSIRO—that is, in plant breeding R&D—that is not related to it, or has it essentially been squeezed out by this focus on GE?

Mrs Newman—That is something I would like the Senate to do: to investigate the anticompetitive practice of these confidential agreements that public plant breeders have. What happened was that Monsanto, when internationally it adopted the Trade Related Intellectual Property or TRIPs agreement, set about purchasing the rights and intellectual property over most of the discoveries of plant breeding, and the US government also was quite big in that purchase.

Now they own a lot of the required intellectual property, particularly of biotechnology. You could use biotechnology to produce non-GM varieties, but if Monsanto owns that—this is happening globally—the public organisations cannot pay the money for that, so they cut a deal with Monsanto, which CSIRO and our public plant breeders have done, where they allow free use of that intellectual property in return for confidential contracts. It appears the terms of those confidential contracts are to add a Roundup Ready gene or a Monsanto gene to every variety produced and for a Monsanto alliance partner or Monsanto to be the sole seed distributor.

Senator MILNE—So you are saying that you think CSIRO's secret contract has that in it?

Mrs Newman—Yes. I have a freedom of information inquiry under way at the moment but it has been extremely difficult digging it up. This started in 1998. But CSIRO and Monsanto set up partnership deals in cotton. They became a commercial partner with each other in the GM cotton.

Senator MILNE—So what is actually in that agreement is something that this committee could certainly pursue.

Mrs Newman—Yes.

Senator MILNE—If, indeed, that agreement for access to the intellectual property is that this gene is inserted into all plant breeding work done by CSIRO, that is effectively, by stealth, altering Australian agriculture forever.

Mrs Newman—Yes. I was a good friend of Maarten Stapper who was sacked from CSIRO. Whenever he mentioned anything against GM he was hauled in front of the office and told he cannot make those statements. He fought them and gradually was moved into a smaller and smaller office. This is the problem. Every industry is being told they are either in with Monsanto or out. With CBH it is disturbing that our farmer owned organisation is told, ‘Monsanto is going to deal with you or they’re not going to deal with anybody.’ If you look at that agreement, it is also very anticompetitive, because now the researchers are being told who to market the product to.

This is already happening through InterGrain. They are already forming something to choose who markets their product. It is a new soft wheat variety. This is in Monsanto’s agreement with CBH. They decide who markets the GM canola. I have brought in some pretty pictures here of the supply chain. At the moment we have got a lot of choice. That is on page 3. We can deal upstream and downstream with whoever we want and that gives consumers a choice. But—and those contracts are there—if you lock all the food that farmers grow into a single supply chain, your choice is going to be removed. I love that in the CBH agreement they referred to growers as ‘Monsanto growers’ or ‘non-Monsanto growers’. Gradually, you will become a Monsanto consumer or a Monsanto storage and handler. It is total control.

CHAIR—We have got a fertiliser inquiry which is also looking at chemicals, which we really have not got into. I note with interest in the Roundup peak that what happened with the generic Gladiator type glyphosate which comes out of China was that the dear old people that had the Roundup Ready Monsanto product discovered that the chemical composition was slightly different from the generic product and their plants were not Roundup Ready.

Mrs Newman—I did not realise that.

CHAIR—There was a trip to China to have a talk about the generic product. So this is tying up a market to a chemical as well as a seed regime. Obviously there is resistance to the terminator gene at this stage and once you put the terminator gene in you have got the game locked up.

Mrs Newman—You are still going to have an outcrossing of that terminator gene. We do not want our crops to be infertile either.

CHAIR—And the reverse legal onuses. It is crazy. This committee will look very deeply and succinctly at all these issues that you are raising because it certainly has a lot to do with the future and where we are all going. It fits in with and uses almost the same language as the human gene stuff.

Mrs Newman—We really do need an ability to stop GM release based on commercial grounds. It should not be controlled from the research sector.

CHAIR—It is interesting to tie it up with the likes of CSIRO et cetera.

Senator FISHER—Mrs Newman, thank you for your work and the work that your network does. It is very important to assist with dissemination of information, particularly amongst the farming community. In answer to Senator Sterle, who was asking about your membership, you indicated you do not have members per se. You are spokesperson for the organisation. What authorisation do you get from the network prior to saying what you say about the concerns that your network has?

Mrs Newman—I send out emails. We have got reps in each state. We have around 1,500 hits a day on our website, and I have done all that myself, so I send the reps any new information. We seem to be saying the same old thing a lot, but if it is a new statement I send it out to the state reps and then they send me feedback. But we are exactly what we say we are. We are a network. We do not come out with anything radical. I am not a radical greenie. We owned a contract crop spraying business for almost 20 years, we owned one of the largest seed grading factories in the state and we have got a 10,000-hectare farm. We have not done that by sitting around cross-legged smoking dope.

Senator FISHER—If I may, Mrs Newman: for example, your submission to this committee, the one dated October last year—

Mrs Newman—Sorry. They are the accusations I have been getting.

Senator MILNE—If I can just intervene: there is a point of order, Chair. There is an implication there about Greens that I do not think is appropriate.

Mrs Newman—I am sorry. It is what I have been accused of being—a dope-smoking Luddite.

CHAIR—I often refer to people who plait their armpits and smoke pot. It is part of the business.

Mrs Newman—That is what I was referring to.

Senator MILNE—I find it offensive, actually.

Mrs Newman—Yes. I do apologise.

CHAIR—I apologise for any offence, but I just think it is a nice throwaway line.

Senator MILNE—Well, it is not.

CHAIR—Of course it is. Back to you, Mrs Newman.

Mrs Newman—I am sorry. We get a lot of very false accusations towards us for standing up for the community.

CHAIR—Just to put it on the record, I have applied to join the Greens but they will not have me! Senator Fisher.

Senator FISHER—Enough said! Thank you, Chair. Mrs Newman, in respect of your submission made to this committee and dated October 2008, did you get positive sign-off, positive authorisation?

Mrs Newman—Yes, most definitely.

Senator FISHER—In that case, from whom?

Mrs Newman—From our state elected people. We have started our own group.

Senator FISHER—How are they elected?

Mrs Newman—When we first started, it was only a small group, so we just became state reps. It is all on our own work, the work we have done.

Senator FISHER—Are they self-elected?

Mrs Newman—We just turned up at a committee. We held a meeting for anyone that was interested. We held the original meeting, the inaugural meeting, and then we elected—

Senator FISHER—When was that?

Mrs Newman—In 2002 I think we started up. So we have just been state reps. It is all our own doing. We are not riding on anyone else's back. We have stayed the same state reps doing the same work.

Senator FISHER—Thank you. In terms of your organisation's anti-GM advocacy, my simple question is: is your organisation saying 'no GM production at all for Australia' or are you saying 'GM production only subject to all these protections'?

Mrs Newman—Yes.

Senator FISHER—It is the latter?

Mrs Newman—It always has been that. It always has been fair risk management. That is what our logo is. We are just asking for fair risk management, which we do not think is unreasonable.

Senator FISHER—That is indeed very important to know, to equip us to take this debate forward as part of the work we do. Can I, therefore, focus on the concerns expressed in your submission, and which you expressed in answer to Senator Milne, about there being a single supply chain—and they were appropriately expressed concerns—for example, what will be the choice and price for food if it is controlled by a single supply chain? You run the argument that competition is retained in food supply because farmers have the choice to buy and sell, essentially, from more than one.

If those premises be correct—and they may well be—isn't your organisation risking creating a self-defeating prophecy in advocating strongly anti-GM? Isn't it better that we be in the GM

marketplace to better position Australia to then be able to research and appropriately focus on genetically modified seed issues, firstly? Secondly, aren't we also left out of the equation in trying to build protections around the very important issues that you raise, which are, if these premises be correct, to ensure that there is not a single supply chain into the future?

Mrs Newman—Firstly, what GM crops are of any benefit at the moment? In Australia we have radish and rye-grass.

Senator FISHER—How are you defining 'benefit'?

Mrs Newman—A benefit to farmers. That is what you are meant to be having, a benefit to farmers. Do we want it? Look at canola. You need to actually look at the benefit, the alternative, the risk and the risk management needed. That is how we usually address things. If you look at GM Roundup Ready canola, the only benefit is that you can spray the plant between the two- and six-leaf stage. It does not control our worst weeds, because with rye-grass you get the worst problem on emergence, so you actually use a different chemical, Treflan, to cover that. Your radish pops up after the six-leaf stage. There is no post-emergent option for radish, and you have a quality control problem.

What benefits do you have? None. It actually removes the benefit of your canola rotation, because the idea is to use a different chemical group, and you are back using glyphosate and Treflan, which is what you use in your cereals. So there is not much point. There is really no benefit, but farmers think there is a yield benefit because they are told there is a 30 per cent increase in yield.

CHAIR—That is rubbish!

Mrs Newman—It is absolute rubbish. We have always asked, 'Why should it be?' because it only gives you resistance to glyphosate. It is only ramming a gene into a non-GM plant, and farmers do not realise it because they have been lied to constantly—and I mean lied to, not just misled—by those who invested in—

Senator FISHER—How do we insert ourselves into the debate so that mistruths are not able to be told by one source to a community?

Mrs Newman—The federal government should look at the reports coming out of ABARE, because they are basing all their economic reports on an increase in yield that is not there and they do not take into account the extra cost. Last year the extra cost, if we were to plant 1,000 hectares, was \$71,000. If we compared the brand-new seed of non-GM—the highest priced seed we could get—that is an extra \$71,000. This year it has gone up more, and if we replanted our own seed it is \$114,000 extra, meaning we would need an increase in yield of around 20 per cent. If we are going to have an increase in the price of seed along the lines of Canada, where there has been a 600 per cent increase in cost, that is an extra \$1.596 million. That is for 1,000 hectares.

This just does not make sense. So why is ABARE coming out and saying, 'We've got to have this technology'? That is rubbish. There are only two traits commercialised: there is BT for cotton and corn, where the plant produces its own insecticide to kill budworm and bollworm, or

your herbicide tolerant, which you can get by non-GM. It is absolute rubbish. There is no drought tolerance; they are not being left behind. What the researchers are talking about—being left behind—is not using Monsanto's patented technology on non-GM plant breeding techniques. That is what we need to look at.

Senator FISHER—To arrive at that point, are we not better off finding a way to insert ourselves into the production chain, let alone the debate, so that we have a real stake in ensuring that we can prevent that end point where there is single supply and monopoly?

Mrs Newman—At the moment all the public plant breeders have sold us out. As CSIRO said back in 1999, it is best to get in bed with these companies.

Senator FISHER—Are you familiar with the trials that are happening in the south-east of South Australia?

Mrs Newman—Which trials? The GM wheat trials?

Senator FISHER—Growth of genetically modified crops and seeds. While South Australia has a moratorium, there are approvals that have been given by the state government to trial—

Mrs Newman—Yes, they are actually Bayer's trials. They are not trials at all. Bayer is growing InVigor canola to export to Canada so that they can grow it off season.

Senator FISHER—Okay. There are some trials.

Mrs Newman—It is nothing to do with trials.

Senator FISHER—Maybe I will leave that.

Mrs Newman—They have been going on for five years. I am not sure which trials you are talking about.

Senator FISHER—Fair enough! I have one further question. Your submission talks about, into a GM future, a whole lot of conditions and risk management strategies, and you include:

Independent health testing to allay consumer fears or to identify and address any problems found.

Are there health fears?

Mrs Newman—Most definitely.

Senator FISHER—Sorry, wrong question. Are there health realities or is it health fears?

Mrs Newman—It is health fears. There have been people dying all around the place. What of? They have lots of diseases. Globally there has been an increase in allergies. There was a doubling of allergies to soy when GM soy was introduced to the UK. When the UK wanted to prove that there were no health problems, they employed Arpad Pusztai, who was the best

person they could find, and did a prearranged test. Six months into that three-year testing, he went public saying, 'Don't eat it. We've really got some serious problems here.' He was sacked and discredited, and it was found that £140,000 was paid by Monsanto into Rowett university that week.

This has been identified globally as a pretty major problem: they are not finishing the tests that they want. I do have a list of adverse health findings. What I find interesting is on page 46 of Monsanto's 2008 US user contract on GM canola where they say:

It is recommended that Roundup Ready Winter Canola not be grazed. ... at the present time insufficient information exists to allow safe and proper grazing recommendations.

If they are not letting the stock graze—which is actually penned up and where you can see the problems—why are they letting it out? Why are they saying it is safe for consumers? If you look at our regulatory authority, if you squash canola, you have oil or meal. Oil is not tested at all and the meal is stock food which is not regulated. FSANZ has no authority over stock food. So Monsanto has chosen not to give the information required to allay consumer fears.

CHAIR—Could I at this point in time declare an interest to this committee. I am a canola grower and I grow non-GM canola. If anyone else wants to make a declaration, please do.

Senator FISHER—Similar.

Senator NASH—Same.

Mrs Newman—That is excellent. It is good that you are farmers. Thank you.

Senator STERLE—Mrs Newman, you obviously put in a lot of work and a lot of research and it is not just something you have been interested in in the last couple of weeks. When I picked up the *West Australian* a couple of months ago, I saw a couple of farmers jumping over the moon because they had an opportunity to grow GM canola. Do you touch base with those people and request their time to have a chat to them?

Mrs Newman—Yes. I have contacted them. There is a very big public relations campaign, and I have seen it gradually getting stronger and stronger. It has a football team mentality. It is like somebody from the Eagles ringing you up and saying, 'Come to a Dockers meeting.' You are just not going to listen. That is what has disturbed some people. The GRDC trials are the first footy match, but what they are believing is, 'Oh, somebody must have cheated along the way for that to happen.' They have been barracking for this team because that is what is promoted. You are in if you are promoting GM and you are out and ostracised as a radical, greenie Luddite if you are not. That is what is so disturbing.

Many times I have been called a radical, greenie Luddite sitting cross-legged under a tree, smoking dope. It is just outrageous, but that is the attitude that is pushed. I have been on the Grains Council of Australia's policy council and seed committee. I have seen that push. I am the only one that can go over there and find that I have no room booked and no seat booked. You are out if you are not pushing GM, and that is the whole of industry. That public relations campaign

is extremely well established. You can read their book. Irvine has got a very good book about how to do it.

Senator STERLE—Okay, but from the growers' point of view, this is just a chance to get a greater yield.

Mrs Newman—Yes. For some reason they think that the whole plant is different. They do not see it as a plant that has only had a Roundup Ready gene added to it. The GM industry said, 'We've got this new high-oleic/low-linoleic canola.' It is non-GM. It is not GM. They have just added a Roundup Ready gene to it, so that is non-GM. All the improvements in research are non-GM, so all the consumer traits that they are breeding, that have been improving the soy et cetera, are non-GM. They have just added their Roundup Ready gene to it.

CHAIR—The longer term problem, and what we want to look at, is the cost of the patenting and the restriction on other researching where you have got the patent, which is exactly the same issue we are going through with the human gene patenting.

Mrs Newman—They are taking human genes and putting them into rice to give you multiple resistance in rice.

CHAIR—I am aware of that.

Mrs Newman—That is a bit bizarre for a GM crop.

CHAIR—They are doing that with cows in New Zealand, by the way.

Senator MILNE—Mrs Newman, you began by saying that you had begun this with a pro-GMO stance and then changed. What was the key factor? At what point did you change? What was it that made you realise that things were not as they seemed?

Mrs Newman—They key thing was working out the difference between biotechnology and GM. Biotechnology is great; GM is not. I did not realise it was any different, and most people do not.

Senator MILNE—Is the key that we have to make people understand that, if they do not support GE, it does not mean that they are not supportive of biotechnology?

Mrs Newman—Yes, that is right.

Senator MILNE—And education around what constitutes plant breeding and improvement in the traditional sense as opposed to a GE?

Mrs Newman—Yes. If I had more time up my sleeve, I would breed a non-GM glyphosate tolerant canola in a year. I could do it, if I wanted to. All you need do is what they did in the cocoa plantations: spray it out with glyphosate and then breed the two together and voila. Eighty per cent of GM crops grown globally are Roundup Ready, so end of debate if you can do it by non-GM means. But it is the alliance with plant breeders that is behind it all, and it is the patent. You remove that patent on GM and you remove the drive to force GM on a reluctant population.

CHAIR—Is there anything you would like to provide us with to educate us on that? Do you have any paperwork?

Mrs Newman—I am sure you are very well educated on the whole issue. Is there anything in particular?

CHAIR—That defines that argument.

Mrs Newman—With the biotechnology? Yes.

Senator MILNE—This is about public awareness and public information. Raising awareness of the differences and subtleties is really important in this argument because it is too easy to confuse them. So we are just asking: are you aware of any really good materials? Who is doing this kind of work?

Mrs Newman—That is where I headed, because I tend to see things in a great big box, so I started right down there at the basics of what it actually was, and that is when I realised, ‘Heck! Everything we are being told is biotechnology.’ I am pretty sure that somewhere in that paper is a list of all the non-GM biotechnology. All this gene sequencing is a non-GM technique where they are using GM in the lab to speed up plant breeding techniques. So all we have got are two traits. It has been commercially released for 13 years. They have not been able to do anything else. And when something reaches proof-of-concept stage, like this salt tolerant wheat, that does not mean it is salt tolerant; it just means that it did not die. It does not mean that it is any better than non-GM, or anything.

CHAIR—But a patent is supposed to be about an invention, not a discovery, isn’t it?

Mrs Newman—That is the problem with the GM and that is why they are hitting the GM.

CHAIR—That is the problem with the human gene argument.

Mrs Newman—Yes.

CHAIR—They are trying to say that a discovery is an invention, but it is not.

Mrs Newman—That is the thing with the GM. There is a difference.

CHAIR—They are trying to patent the discovery instead of the invention.

Mrs Newman—Why this is so different is because the researchers can stake a claim in the gene sequence in anything. If they like your eyebrows, they might take the eyebrow gene out and start forming a person.

CHAIR—Just out of interest, there are 15,000 patents on the human body.

Mrs Newman—You’re joking! Already? They are doing that now with all the crops. They are running out to all the old varieties and trying to patent different gene sequences. Bill Crabtree and Ian Edwards formed a company, Green Blueprint, and they bought the rights of Antarctic

hairgrass. When you look at who else is a partner in that, there are something like 20 partners commercially before they even start, so there is no way a farmer will make money out of that, because all of those partners want a very good return on their investment.

CHAIR—Just to further inform the committee, because there is some crossover with human gene, there are parts of the world—Brazil is one—that do not recognise the patenting regime for human patents.

Mrs Newman—Yes. What has happened in Brazil, though, is that it has an end-point royalty system the same as we do. They signed the UPOV 91 international treaty that allowed an end-point royalty. What is happening in Brazil is the same as what is expected of us: the first couple of years the farmers delivered their grain and did a positive test. If it was a positive test, they had to pay the fine plus the grain payment. Then Monsanto said it cost too much to do the test, so now every single farmer pays the royalties. It is a tax on all the grain you deliver and it goes to one company.

CHAIR—It is a great temptation for lazy governments to do away with public research.

Mrs Newman—That is where the problem is. What has happened is that you have done away with public research grants.

CHAIR—Farrer and those fellows would not be recognised today for the public-good side of their research.

Mrs Newman—What happened is very similar to the drug industry, when you brought in patenting and intellectual property and suddenly, instead of freely trading information globally, you have to buy everything. It becomes too price prohibitive. With the TRIPs agreement the research sector has been locked in where it is extremely expensive. You may need something like 50 patents involved in forming one variety. It is too expensive.

CHAIR—Under the TRIPs and the FTA that we have with America, there is the capacity for a government to prevent the patent of the gene in certain public-good areas. It is recognised. This is me crossing over to another inquiry, but there is a lot in common.

Mrs Newman—With the agreement, the 2000 Biotechnology Strategy, what happened when it was allowed as industry self-management, which means Monsanto writes the rules for release?

CHAIR—None of this has been tested in court. The human gene stuff has not been to court. It has been by convention and agreement rather than law. IP Australia have made their own rules. That is what we have discovered.

Mrs Newman—This is the problem with industry self-management. Letting them write their own rules is wrong.

CHAIR—That is exactly what has happened with human gene patents. They have written their own rules that have never been tested in court. We must finish. We are grateful to you and I do not think we have finished with you. Thanks very much.

Mrs Newman—Thank you very much. I do appreciate your time.

[12.18 pm]

BARRON, Mr William Graham, Chairman, Kondinin Group Ltd

PRICE, Mr Richard, Chief Executive Officer, Kondinin Group Ltd

CHAIR—I welcome now the Kondinin Group. If you would like to make an opening statement, we will then ask you some questions.

Senator MILNE—Just before you start, I would like to apologise and say that I am going to have to leave at half past. Do not think it is because I am walking out on you.

CHAIR—We will miss your valuable input, Senator Milne.

Senator MILNE—Thank you.

Mr Barron—The Kondinin Group is the largest farm improvement group in Australia. It has been operating for nearly 55 years. We are not only a farm improvement group but also a research organisation. We have over 6,500 actively paying members. They pay \$300 a year to be a member and receive our publications. Twenty thousand copies of our *Farming Ahead* went out last month. Seventy nine per cent of our membership are in the eastern states and our membership consists of a very young demographic. We have an average age of 43 and a very high rate of graduate members. What I am trying to say is that our membership is the future of agriculture and it has as its membership a core professional attitude. Indeed, we are young professional farmers, albeit I am over the hill.

I should make a declaration. I am also a canola grower, but I am also the deliverer of Australia's first commercially grown canola crop, of which I am very proud. But that is not why we are here today and it is a complete coincidence.

CHAIR—You mean GM canola?

Mr Barron—GM canola. I am here mainly to introduce my CEO.

CHAIR—By the way, did you pay for your suit?

Mr Barron—I did pay for the suit. Anyway, I will not deal with that today because that is not the issue. I am here to introduce our CEO Richard Price, who is going to talk to our submission. Richard has had a great deal of exposure to agriculture through his lifetime, not only Australian agriculture but also international agriculture. He is the youngest ever Nuffield scholar, and we were very lucky to attract him to our business. He has a passion for research, a passion for young innovation in agriculture, and I invite him to present our submission today. Thank you, Richard.

Mr Price—Thank you, Graham, and thank you to the committee for extending a welcome to Kondinin Group. I would like to put on record that Kondinin Group is not a politically motivated group. We are not a farmer representation group in terms of taking positions on, particularly,

GMOs and various issues like that. That is not what the group is about, and certainly anything we put before you today is not about a position on GM, for example, on behalf of our members. It is important that you understand that.

As for my background, I will elaborate a little bit further on what Graham said so that there is a little bit more context to some of my comments. Most of my comments are driven from my contact with our farmer members across the nation but some are driven from overseas experience as a farmer in the UK, at one stage farming about 6,000 acres: extensive hill sheep, cattle, and about 1,200 acres of grains. I still farm about 2,500 acres in the Scottish Borders. So there is a little bit of context coming from some overseas experience.

I am going to touch at a really high level across a range of issues that are brought to my attention as we travel around the nation. Recently we had what are called the Kondinin overview groups, which are a core representation of the membership of about 50 or 60 individuals spread across the nation. They meet in four areas. We get a great deal of feedback, as executives in the organisation, about the temperature out there and what are the key issues on farmers' minds. We also operate probably one of Australia's most comprehensive national agricultural surveys, from which we glean a lot of information in terms of what is at the forefront of growers' minds.

I will quickly run through some of the high-level points that I have been made aware of and then, if we have time, we can perhaps drill into some of those in a little more detail. The productivity growth that Australia has experienced is very clearly starting to decline, certainly in the grain sector. We were at about 2½ to three per cent per annum and I think we have dropped back now to in the order of one to two per cent. It is clear that we are going to have to have new approaches and new thinking as to where productivity gains are going to come from. They are not necessarily just going to come from the traditional research that we have undertaken as an industry over the last three decades. There is going to have to be some new vision and some new thinking as to how we continue to get those gains.

That might not necessarily be just breeding programs or whether it is GMO or non-GMO. It also going to be about things like our supply chain and where do we extract the dollar profit? Is it at the farm gate? Is it in the livestock sector? Is it at the abattoir gate? Is it at the retail gate? I have had some considerable experience overseas in looking at supply chains and reinventing the way we extract the point of profit. To that extent, we did some innovative things like forming a producer group, where we took retail space on Sainsbury's supermarket shelves and kept ownership of beef, in this instance, right through to the consumer, all objectively measured.

We just paid a guaranteed rate per square metre for the shelf space rather than selling into a supply chain. It discounted the risk each time it was traded, and everybody had conflicting demands obviously: the farmer wanting to receive the highest price, the abattoir wanting to pay the least price to maximise their profits, and the consumer just wanting a damn good product, as we saw it.

There are a range of other problems. We really need to understand what quality assurance schemes we do or do not have in an international context with a more internationally aware consumer. I think we have a lot of work to do there, as an industry; to really look at quality assurance and objectively measure that and present that up in branding. That needs to be done on

a national basis. I am not sure that we have all those measures and all those things in place at the minute as an industry.

In relation to investment in R&D, I think particularly on the climate change agenda we have to be very careful of, in the first instance, potentially underfunding that area, but beyond that we have to be very careful that we put a lot of the decision making for R&D and where R&D funds are spent into the hands of farmers, as opposed to being institutional decisions and bureaucratic decisions. We really need to understand from the farmers' perspective where that R&D spend should be done. On climate change and where to direct those funds, we have probably as a nation got that a little bit skewed at the minute towards the institutional and bureaucratic decision-making route as opposed to the farmer route. I also think that opportunities need to be given to grower groups, and indeed groups like Kondinin, to access R&D funding from a farmer's perspective as opposed to a scientific perspective. There are some subtle differences there. I do not profess to be an expert on that, but these are some of the sound bytes and the information coming forward to us as we go around the nation.

Collaboration in reducing duplication in the R&D sector is an area that certainly needs some focus put on it. We publish a lot of information that comes out of the R&D community, and quite frequently I will come across examples of work similar to what is going on in isolation. Even in Canberra, you can walk 150 yards and go into somebody else's office and they have never even met somebody down the road who is an authority in the same field. I see that happening and think that our communication channels must not be working as effectively as they could be or should be. I do not have the evidence, but I do think that there is probably some significant double-up in spend and duplication in effort, and probably also in the administration areas of R&D.

I think there needs to be more international collaboration and cooperation on R&D. Again, if you extend that out, there is probably a lot of work being done overseas. With the work that does come out of Australia, if you look at it in terms of what we can contribute to affordable food from an international perspective, I would have thought there could be a greater opportunity to export those R&D outcomes.

In relation to viability for production by farmers, there is a whole range of things here, but I think one of the big ones is inward investment. As an industry, we have really not tackled inward investment into agriculture terribly well. We have seen massive concrete jungles built from collaborative investment schemes, huge inward investment into property, and we just have not seen that same level of inward investment into agriculture, not just from a landholding perspective but also from a supply chain perspective.

There have been many examples of that across the industry: ageing infrastructure, whose issue it is, whose problem it is, whose ownership it is. Government and industry seem to be rather muddled in terms of who should be responsible for infrastructure going forward or where the money should come from. It is about capitalisation, and at the minute we are procrastinating as an industry and as a nation over issues like that, which will impact on farmers' viability at the end of the day. I am not saying it is the farmers' fault or the government's fault, or whoever, but we just seem to procrastinate on a lot of these issues and fail to address the big issue quickly enough.

If you cast your minds back to when landholdings were carved out, they were pretty much carved out on what was an economical and viable unit at the time, and I do not think that that has been reviewed for years. It is time for pretty much a national review of landholdings and what those should look like in the current economic times and what they need to look like over the next couple of decades.

That links into capitalisation. Farmers over the last five or six years have seen quite an upward swing in terms of land values and the amount of capital employed in running a farm. There has been a lot of consolidation and farms have been growing, but now there are real capital constraints on farmers being able to swallow up neighbouring farms or grow to an efficient scale. That is an area that as a nation we really need to have a proper look at and we need to ask: is there some opportunity for large-scale collaborative investment schemes that could be put in place that do not necessarily mandate but have a function of investment into restructuring agriculture, both from the point of view of a sound investment and the point of view of restructuring our industry at a landholding level and at a supply chain level? It is going to be largely about capitalisation.

If an overseas investor had not come along and decided they would rescue Harvey Beef, we would have a disastrous situation in WA in terms of being able to process beef. I do not think that that is something about which the industry should just sit back and say, 'Well, somebody will rescue it.' Farmers need to take far more ownership of their future. I hear all too often when I go around the trappings, particularly from farm lobby groups, that it is someone else's fault—'The government policy is not right.' It is always somebody else's fault, and I really think that farmers need to step up to the mark and take more ownership of their own futures and their own outcomes.

The situation that prevailed over our national federated farmers—our national farming voice—was a classic example of that. We seem to be a nation of farmers almost incapable of sorting out our own affairs and coming to a proper and adequate structure to represent Australian agriculture on a national and international footing, which is concerning. This is one of the few nations that I have been exposed to in agricultural terms—

CHAIR—It is no different to politicians!

Mr Price—Yes. David Crombie and Ben Fargher are to be congratulated in their recent work, but, as farmers supporting that and farming groups supporting that, it has been woeful in comparison to international examples.

CHAIR—They are under-resourced.

Mr Price—Totally, and I think government and industry have got an absolute duty to get their heads together and fix that problem quickly, because internationally we must be a joke when it comes to representation. That leads into issues around trade barriers and defending ourselves internationally. How can farmers sit back and say, 'Well, the government is not doing enough to dismantle trade barriers and stand up for Australian agriculture on an international footing,' when we are not even presenting a cohesive response to government and partnership with government in terms of formulating those policies? That needs to be fixed. It is of national interest and national importance to the viability of our nation's farmers going forward.

I mentioned quality assurance. In the viability of production, it is not enough just to produce a commodity these days in an international market and say, 'Yep, you beauty, come along and buy it.' You have to tie that to an objectively measured quality assurance scheme, and I do not think we have quite got our heads around that properly yet.

I mentioned the infrastructure issues. What do we need to do? Do we need to come up with a new forum to figure out whose problem it is or whose capitalisation issue it is? There are just far too many issues like that in the industry which are procrastinated about for a decade. Meanwhile, in Western Australia we had a news clip the night before last with Imre from CBH pleading with the nation's truck drivers to come and help shift the grain crop because the infrastructure cannot cope. My own daughter has been out loading trains out of Southern Cross for CBH, and I asked, 'What's the issue, Jessica? What's going on?' and she said, 'Well, there's a track problem,' or, 'The train has broken down,' or whatever it is, and the grain just does not get loaded. So there are problems there, and we just do not seem to be addressing them quickly enough.

In relation to the carbon debate, farmers are telling me as I travel around the country—and I will link this into climate change—that they are just not aware of the totality of work that is going on. They feel very muddled. They are not sure where it is all going. They are not sure who is driving the policy or how to contribute to it. They are really concerned. When I ask farmers what climate change means to them, they tell me that it means conditioning themselves to becoming far quicker decision makers, far more variable decision makers, and being more flexible.

We are a climate cycle producing nation of farmers, and they are saying, 'If it's going to rain at a non-traditional time of year for a planting, what do I do? I've only got maybe 10 days to make the decision.' They do not feel that they have the decision support tools or that they are adequately skilled and trained as managers themselves to make those types of management decisions quickly, so they are asking for help in that area. Certainly Kondinin Group will be bringing training forums on under the FarmReady system to hopefully help address that.

The fundamental and simple message that was coming from our members was: 'We need help to be equipped in terms of being fast-thinking, quick managers who are capable of taking in a lot of information, crunching it and coming to a decision quite quickly and acting on it, otherwise the window has gone and we can't deal with climate change because we have to deal with it next week.' That is what it means to them right now, along with: how do they contribute? How do they get involved in the whole climate change debate and the decision tools? What does carbon sequestration mean to them? How is the whole carbon debate going to shape for them? Who is doing the research and what research is it? They are not really sure, and I am not sure that as an industry we are collating that information and making it cohesive and putting it in front of farmers in a way that they understand. I am not sure that the research community really understands it themselves yet, and that might be the problem. So there are lots of issues there.

Labour availability has been a huge problem, over the resource boom in particular. There has been a real skills drain out of the regional areas in terms of farm labour input, but there are signs that that is easing a bit at the minute. However, we should not just sit back and say, 'Because it's easing, it's all going to be good.' The good times will roll again for the resource community and we will face the same drain again. Industry, along with government, has got to get on the front

foot in terms of investment in skilling up future generations and making it a better working environment.

Growth of the small landholding peri-urban sector is another area that is worthy of note. In my dealings with the departments of agriculture or primary industries around the country, it is like two or three years ago the lights went on—‘My God! This is becoming a very big sector.’ I think there are something like 56,000 registered smallholdings in WA alone, and there is now a division in the department here that deals with them. We are in partnership with the department of agriculture here to write the technical notes for that land sector and get it out to that community.

But in terms of government policy there needs to be some real thinking around how do we service that sector of land use, and it is not going to be all about broadacre and large production in Australia in the future; there is actually a huge emerging sector of agriculture that we really need to address. I will leave that point there.

On the sustainable impact on the environment side of things, we have discussed the climate change side of things, but there are also the socio-environmental considerations required to be, in my mind, joined up with agricultural production. Certainly, from a European experience and perspective, there really is no agricultural policy now that does not include social and environmental considerations as pillars of that common agricultural policy. They are absolutely entrenched, they are in-built, and they are required there for all the right reasons. They are about sustainable production and about keeping people on the land.

It has probably already hit Australia between the eyes that we cannot take it for granted that there are always going to be people on the land, or sufficient people, and future policy really needs to integrate that whole social and demographic issue of keeping people in regional Australia and on the land as part of government policy and production policy going forward. It is absolutely essential to the wellbeing of the industry in the future. We do not necessarily quite realise the impacts until they happen. I think we have already sensed some of that from the skills drain that we have seen, with the like of farmers saying that they just do not have the skill and the labour available to them to extend their cropping program or do what they need to do, so there is a real issue around that. On the environmental side, there needs to be sound thinking and investment in government policy around locking sustainable production into policy. That is pretty much what I have got for you. I am happy to go into questions.

CHAIR—Thank you. One of the things that has been apparent to us is that R&D has fallen off the radar. It is easy for a government, as you know, with the Temora research station, to say, ‘We’ll shut it, and so we’ll rely on partnerships with CSIRO and Monsanto and someone else and someone else.’ But does the Kondinin Group see the sovereign protection side of R&D for agricultural production? Is there an obligation, do you think, on governments to have in their budget thinking, ‘Yes, we have to have some public research rather than just patented research’? By the way, the patent restricts other research.

Mr Price—I believe that the government does have a duty of care to ensure that that is the case, yes.

Mr Barron—But there are new models we can look at that have a more collaborative approach. I do not think we are going to really get innovation by just government doing things. Innovation in Australian agriculture will come from a partnership between agribusiness, farming sector and government. I do not know how the funding should be achieved, though.

CHAIR—But with the restriction for the better good, the common good, and the global food task doubling in the next 40 years—and places like Brazil are scratching their heads—should we create monopoly patents?

Mr Barron—In particular reference to the issue of the technology providers?

CHAIR—There is an acceptance that a patent is about an invention, not a discovery, and yet the courts are ignoring testing that. A lot of the stuff that goes on as a patent is actually not an invention, it is just a discovery.

Mr Barron—I think the question you are asking me is: am I concerned about technology being held in very few hands?

CHAIR—Yes.

Mr Barron—The answer to that is that I think that every decision a farmer makes is going to be a commercial decision. If the access to that technology is a sound business decision, I think they will make that decision on a commercial basis.

CHAIR—So you are not going to mind if we create monopolies?

Mr Barron—If someone comes up with a concept or a technology, it is only in their commercial interest to protect that, and they will use that in the marketplace to make their shareholders or themselves money. The most important thing is the relationship with that technology provider.

CHAIR—But if it is a monopoly, like with fertiliser, what do you do about it?

Mr Barron—I think the issue is that farmers will uptake or make use of that if it is a sound commercial decision for themselves.

CHAIR—But if they do not have an alternative because public research is closed down, where does that leave you?

Mr Barron—Is that the reason?

CHAIR—That is what is happening.

Mr Barron—I am not in a position to answer that. If you are asking about the public purse funding research, I support that, but let's do it in a collaborative way with agribusiness and farming.

Senator FISHER—Mr Barron, are you suggesting that the primary consideration for farmers is access to the ‘thing’, albeit a patented ‘thing’? If there were a way to get access to that with competition, with a choice of supply, would you support that? If there were only one way to get it—that is, through a monopoly—do you accept that as well?

Mr Barron—I do.

Senator FISHER—How would you rate those two?

Mr Barron—There is only one way to rate those, and that is in a commercial sense. Every business has to make a commercial decision. How and where and in what way they access the technology to use is going to come down to that commercial decision: ‘Should I do this?’ ‘Am I going to make money out of this technology?’ or the acceptance or the use of that technology. In the future, there are going to be far more closed loops. If, as you say, a technology provider establishes a trait, they will want to mine that trait or extract the benefit from that trait and I think farmers will be producing into a closed loop supply chain more in the future than they are now, but whether to participate or not will be a decision the farmer makes on a purely commercial basis.

CHAIR—That is a flawed argument, if there is no alternative.

Mr Barron—How do you mean, ‘no alternative’?

CHAIR—Obviously, one of the problems we are striking with the human thing is the patent on the actual gene which restricts all research because they have been able to, without testing it in the courts, take a patent on the gene and not any testing flowing from the discovery of the gene. The gene is the discovery. The test is the invention. In an agricultural sense, if you allow the gene to be patented rather than the work subsequent to the gene, you restrict all research to the owner of the licence of the gene.

Mr Barron—I would say that that is not at my end of the supply chain that I am talking about.

CHAIR—But that is actually going to happen.

Mr Barron—You are talking about the basic development of the technical ability to be able to provide a new technology.

CHAIR—What I am talking about, to put it another way, is that back when there were slaves, when every Roman household had a slave, the status of the slave was that it was a chattel. It was not a human being. The slave had the legal status of a chair in the household. It took them hundreds of years to figure out that the slave was actually a human and had some human rights. At the present time, genes are being treated legally as a chattel.

They are naturally occurring. A lot of discoveries in the past have been for the public good, and research flowing on from the discoveries—not the invention—has been left to the public good. What we are seeing now is a phenomenon where the discoveries are patented, so all

research to the invention is tied up. Maybe Kondinin have not put their minds to it. Would that be a fair assumption?

Mr Price—Yes. As I said at the start, our position as a membership group is not to take positions of ‘right’ or ‘wrong’ on things; it is to bring information to our members. So that is not our mandate.

Mr Barron—As a group, what we do ask for generally is access to technology that helps Australian farmers to compete internationally. We are seeking technology and knowledge that will help us develop sustainable farming systems.

CHAIR—But one of the problems is that, if you have the patent on the gene, most public researchers are restricted by the patent. It is a growing problem. None of it has been tested at law, so most researchers run into a dry gully once they discover that Myriad in America or someone has got a patent. As I say, there are 15,000 patents on the human body. That is where we are headed with agriculture.

Mr Barron—Indeed, and my interaction with the technology being made available to me is at a very much lower level and a level that we as a group deal with. I chose to use GM technology last year for one specific reason, and that was that my rotation—which is a three-year rotation—means that I have to have a broadleaf in certain paddocks. I could use a broadleaf variety of canola in a particular paddock that had a bad narrow-leaf fumitory situation. The Roundup Ready, the glyphosate, was the only chemical that I could have used in that environment.

CHAIR—Yes. Anyway, I do not want to get into the reverse legal onus argument here, or we will be here all bloody day.

Mr Barron—No, but the thing I am trying to say, Chair, is that—

CHAIR—Senator O’Brien.

Senator O’Brien—Thank you very much for your presentation. It is good to see some forward-looking farming organisations—

Senator FISHER—Hear, hear!

Senator O’Brien—who are looking for solutions and not talking about problems as if nothing is soluble. You were talking about the need for a new financial model. Do you have any ideas of the sorts of models that we might pursue?

Mr Price—Absolutely. I think there is a great opportunity for public-private joint venture funding on a very large scale. We see public-private joint venture funding going into other infrastructure areas in the nation, and I see no reason why we could not be collectively, as between government and industry—and this is where the point about a strong national voice in the farming industry is important—putting proposals up that could result in the development of a very large-scale fund that could also then attract further commercial funds into the scheme.

Those funds would then be administered back into agriculture, providing restructuring of landholdings to facilitate progression of economies of scale in production, where it has just become unviable to be a farmer on, say, 1,000 acres somewhere and the farmer says, 'Well, I'll leave the land. The capital value of the land is just now too high,' because people like me might go and buy that 1,000 acres out at Beverley, rather than the neighbouring farmer being able to afford it. That is going to impact on agricultural production, and it already is through the uptake of—

Senator O'BRIEN—Is this a version of managed investments you are talking about?

Mr Price—No, I do not think it is. I think it is something very different to managed investments. If I were to give you a play-out, it would be, for example, a unit trust investment scheme that would purchase land that would be converted into units and the vendor unit holders would be farmers. They potentially would sell land and convert it into units and it would be leased back to those farmers in an aggregation. It is a form of family corporate farming, if you like, on that scale, but also enabling investment into infrastructure projects. For instance, if we have an ageing rail system that is collapsing under the pressure, clearly we have to do something about it. It has been done before. Why can't we do it again?

Senator O'BRIEN—The investment will occur if you think that there is a return.

Mr Price—That is right. If a politician a year ago had said there is going to be a return from sticking billions of dollars into \$900 payments to individuals, it probably would have been laughed out of the parliament. We have to allow ourselves some big vision here. We have to allow ourselves to think outside of the box and explore things that are beyond our conventional and traditional thinking.

Senator O'BRIEN—I do not mean in a political sense. If you are going to have unit trusts that you are going to have people invest in, you have to sell them on the basis of something.

Mr Price—Yes, absolutely.

Senator O'BRIEN—Like your farming communities have to be sold on a particular crop or a particular piece of machinery because they are going to make a dollar out of it.

Mr Price—Absolutely.

Mr Barron—One of the great challenges for rural Australia in the near future is a recognition that there needs to be a continuous consolidation, where a given amount of acres is no longer a living area. How do we maintain our rural communities when there is going to be a natural flow of farmers out of the given amount of area?

CHAIR—That's easy! Create new opportunities.

Mr Barron—That is the issue.

Senator FISHER—Yes.

Senator O'BRIEN—That sort of social arrangement of communities is probably another issue. First of all, what you are talking about is keeping viable farming enterprises in those communities. That is the step that you are taking us through at the moment.

Mr Barron—Yes.

Senator O'BRIEN—In terms of the young farmers that you represent, are they there because they see a chance to create wealth or are they there for lifestyle reasons?

Mr Barron—Both, but increasingly in our membership it is because they see a career path and one that excites them. There is a lot of change in agriculture at the moment, and at the pointy end—the innovative end—it is very rewarding for those people to participate: the new conservation tillage systems; precision farming; the use of two-centimetre GPS accuracy technologies; the use of alternative fertilisers and new seeds and, dare I say it, the genetically modified opportunities; the challenge of keeping the world fed in the future. I think the people that we represent see the exciting side of that and they see a career path, and they see a good income if they do it well.

Senator O'BRIEN—What is Kondinin's view of the experiment with the wheat industry managed investment schemes here in Western Australia?

Mr Price—I am not sure that we have a view on that, to be honest.

Senator O'BRIEN—Have you had feedback from members about it?

Mr Price—No. It is not something we have canvassed members on. I suspect if we did, we would get a range of views, but it is not something that we have specifically sought their views about.

Senator O'BRIEN—In terms of the problem you talked about, which is the size of landholdings and the value of land, I put this question to a number of witnesses: how do we rationalise the fact that we have seen an increase in the value of land where in many cases the equity has been converted into debt? Are we seeing development of unsustainable agricultural enterprises because of an overload of debt and an inability to generate enough income to make a living and pay that debt?

Mr Price—I think these are all pointers as to why, as an industry, we need to address the capitalisation of the industry and how we actually farm. Are you going to be a landholder or are you going to be a farmer? That is the sort of language we are going to have to start using. It is just an outcome of the huge capitalisation that is now involved. I was a new entrant to agriculture myself in the UK when land values 20 years ago were way beyond what they are here in Australia. I never considered myself becoming a landowner; I considered myself becoming a farmer. So there are some cultural issues in all that. There are some mindset issues, some training and some education, but there is also the structural side: if we are going to treat farming like that, then we have to have some kind of inward investment in capitalisation inland that opens up those avenues for that kind of thinking to play out, otherwise where are the lease opportunities going to come from and who is going to own the land?

Mr Barron—It is interesting. We are actually, I believe, in the middle of a succession plan for Australian farm ownership. We are seeing an enormous number of smaller farmers recognising that it is no longer viable to hand over that farm to their children and what you have seen is an exporting of young talent out of every country district in Australia. People are voting with their feet, except for the core, which is our membership. It is sad to see that, but we have to recognise that it is happening, and it is happening in response to commercial pressures.

CHAIR—If you have got a \$250 per hour John Deere tractor and a zero tillage—none are available at the present time anyhow—30-foot seeder that goes with it, it is half a million dollars, and if you have got 1,000 acres of crop—der!

Mr Barron—It just does not work.

Mr Price—Yes. If I had \$6 million to \$10 million available to me, I myself would be farming today in Australia.

CHAIR—Can I say that the journey that we could go on might actually take us back 600 years to the medieval times where you had tenant farming, sir.

Mr Barron—That is one of the issues that Richard was raising with the unit trust.

CHAIR—It is where we are headed.

Mr Barron—It could be.

Mr Price—Is that a bad thing?

CHAIR—There is the institution of a family farm. Then you will get the capital appreciation and you will have a sort of serf farmer. There is some of that in the system now. I will not point to a new farming enterprise in the Northern Territory where the capital appreciation is all to the investor and not to the farmer. That will work for a while but, if the farmer is not rewarded, at the end of the day he walks off, he is worn out and he has got nothing to show for capital appreciation. It will take two or three generations.

Mr Price—I have been a tenant farmer basically since I left school. I started tenant farming in the UK. I have raised a family in that model and been part of a community. I have been respected at the highest level professionally, participated in industry, debated at the highest level on a European scale, and been proud to consider myself a tenant farmer. That is the kind of cultural shift we have to have in Australia.

CHAIR—But the reason that happened was exactly the same as housing today, where housing has got out of kilter with the real cost of building and the real cost of development of the block because of the availability of either corporate money or credit. You will far outweigh the phenomenon of the institution of the family farmer, which Graham is involved in and I am involved in, to the corporate farmer, where a return on your money can often be, for the bottom line for the balance sheet for the year, the capital appreciation rather than the cash flow. It is a different set of figuring altogether.

Mr Barron—Chair, can I say one thing: that lack of capital or access to capital is one of the greatest limitations for Australian agriculture. It being one of the biggest industries, we still do not have a sector on the stock market called ‘agriculture’.

CHAIR—Yes.

Senator FISHER—Thank you very much for your evidence. Mr Price, you referred to Beverley. My parents and brother and sister-in-law still farm at Beverley, from whence I come—wheat and sheep—and you talked about buying 1,000 hectares at Beverley. Part of the challenge being faced by farming communities like Beverley, particularly given their proximity to Perth, is in fact the other way: dealing with the urban spread.

Mr Price—That is what I am saying. It is people like me who may see 1,000 acres or hectares as being just a lifestyle option, and do I care if I produce anything on it? Probably not.

Senator FISHER—No, and indeed they may be buying 10 acres, or they may be a local bikie club that sets up its headquarters there.

Mr Price—Yes, absolutely.

Senator FISHER—How would you be saying to this committee that that ought to be dealt with in terms of the food production issue? Do you have any answers?

Mr Price—It is all interconnected. It is about capitalisation. If the farmers in Beverley had the capitalisation and the opportunity to change their structures and take up that land, they probably would. They love the place. That is why they are there. They like producing there. They know how to produce there, but they cannot. They are constrained because competition comes in, drives the price up and it just gets beyond productive capability to support it.

Senator FISHER—Looking at it in another way, it is capitalising on that emotional, emotive attachment to a perceived way of life that you, in your example with the tenancy arrangement, have never had in the same way.

Mr Price—Absolutely. You might own 1,000 hectares in Beverley but you might lease 10,000.

Senator FISHER—I do not think you were in the room for the evidence being provided by the WA Farmers Federation. Far be it for me to verbal a witness but, if I recollect, Mr Norton gave evidence in the course of talking about the threat to the family farm, and made a suggestion—and if he did not, my apologies to him; let’s assume for the purposes of your evidence that it has been said to this committee—that family farms and smaller farms are more economic and more efficient in the context of farmers being disinclined to employ people. What would be your reflection on a proposition that it is more efficient and economic to farm the land with a smaller structure and perhaps a smaller holding than a larger one, bearing in mind your suggestion in particular about unit farming?

Mr Price—I am sure Graham will have a Graham Barron view on this, for the reasons he will explain, but I think it is a lot more fundamental than what has been presented there. In the debate

about whether corporate farming or family farming is more efficient, I am not sure that corporate farming would ever win the debate that it is inherently more efficient than a family farm enterprise but, by definition, that family will find what is meaningful and secure and relevant to them as a family as well as a business. That is what Mike is possibly referring to and that can be a very different set of scenarios to a corporate farm that is actually driving a bottom line return. The values and how you measure the return are probably very different. I would not necessarily disagree with him that family farming structures can often be pretty efficient, but that is not to say corporate farming is not.

There is a place for both but, to me, the family farming side is about the doability and the economics of maintaining that family farm and keeping the succession of the son and daughter—or whoever wants it—on the farm. The reality is that, unless you can farm at a scale that is economic, it is not going to happen, and if you are already committed at the bank or you have not just inherited a sum of money, you are not going to grow your farm in the current economic climate by just buying up land, buying up land, because the banks are not going to wear it and you are not going to get a return to pay for it.

Senator O'BRIEN—Can I ask you to take on notice a question about that. Your idea about unit trusts and people investing presumes that there is a return to justify the investment.

Mr Price—Yes.

Senator O'BRIEN—If the land value is higher than will generate that investment, I am not sure how it works, so can you explain to me how that would work in the context of an environment where land value is greater than that which—

Mr Price—For the productive capability?

Senator O'BRIEN—Yes.

Mr Price—Graham is probably better qualified to answer that than myself, but if you look around the world, in a European context, which is relevant to me, in my lifetime what that land is worth has never been about the productive capability of that land. It is about strategic landholdings. It is about strategic investments. It is about long-term capital gain in the landholding. It is about security of the investment. It is about emotion of the investment. It is about a whole range of things.

Senator O'BRIEN—Does it need tax-favourable treatment?

Mr Price—In Australia, it may need tax-favourable treatment. It is not an area I am exposed to or a specialist in, but I would suggest it would certainly be worth looking at.

Senator O'BRIEN—Does it get tax-favourable treatment in Europe?

Mr Price—I would not profess to be an expert on the intricacies of the tax system in Europe right now. I am sure it will be varied. Even between Scotland and England it is very different, and foreign ownership can be frowned upon, and all sorts of things. There is a whole gamut of things in the equation there. But, Graham, I am sure you are better qualified than me.

Mr Barron—Do you wish to close?

Senator O'BRIEN—We are proceeding without the chairman, to a point.

Mr Barron—Could I roughly answer the Senator's question. The economies of scale is what drives most of the profit in a larger organisation. The small farm often in many ways does not attribute—or the farmer does not attribute his own efforts to a cost of the business. If they are prepared to do that some small farms are very efficient and profitable. But when you attribute all efforts to all functions on a farm, the larger they are usually the more efficient they are, or so they should be with economies.

Senator FISHER—Thank you very much, gentlemen.

Senator O'BRIEN—In the absence of the chair, thank you very much for your evidence. It is a pleasure to hear some forward-looking evidence from the farming community. I declare the hearing closed.

Committee adjourned at 1.12 pm