



28 February 2020

Committee Secretary
Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Re: Federal Government's response to the drought, and the adequacy and appropriateness of policies and measures to support farmers, regional communities and the Australian economy

The Red Meat Advisory Council (RMAC) is a network of producers, lot feeders, processors, retailers as well as livestock and meat exporters representing 80,000 Australian beef, goatmeat and sheepmeat businesses from gate to plate. We work across the supply chain, working together to present a unified industry voice and advice to government.

Our industry has always played a critical role in Australia's economic success story. On last recorded figures in 2018-2019 Australia's red meat and livestock industry contributed \$AUD28.5 billion in domestic and export sales. According to the latest MLA State of the Industry Report 2019, our industry directly employed 172,400 people, as well as generating indirect employment for almost 232,400 people. Together, we work with and align on policy with our six members:

- Australian Livestock Exporters Association (ALEC)
- Australian Lot Feeders Association (ALFA)
- Australian Meat Industry Council (AMIC)
- Cattle Council of Australia (CCA)
- Sheep Producers Australia (SPA)
- Goat Industry Council of Australia (GICA)

As well as our three service providers, whose roles are:

- The Australian Livestock Export Corporation (LiveCorp)
 - Continuously improving performance in animal health and welfare, supply chain efficiency and market access through the provision of technical services and research, development and extension (RD&E).
- The Australian Meat Processor Corporation (AMPC)
 - Providing research, development and extension (RD&E) services that improve the sustainability and efficiency of the sector.
- Meat & Livestock Australia (MLA)
 - Fostering the long-term prosperity of the Australian red meat and livestock industry by delivering research and development that contributes to producer profitability, sustainability and global competitiveness.

The red meat and livestock industry recently released their strategic plan for the coming decade, Red Meat 2030. The plan outlines a shared vision of '*doubling the value of Australian red sales by 2030 as the trusted source of the highest quality protein*¹'.' It is a unifying strategy for industry with the purpose of:

¹ <http://rmac.com.au/misp2030-staging/wp-content/uploads/2019/10/RedMeat2030.pdf>



- Identifying whole-of-industry priorities
- Supporting our people to deliver priorities
- Informing our research and development
- Putting our customers and consumers at the centre of everything we do
- Coordinating industry investment and advocacy, and
- Adapting to a changing world.

Key sections of Red Meat 2030 related to drought has been included as an attachment to this submission.

Attachment A outlines the objectives, their relevant initiatives and further details related to drought for the Committees reference.

The red meat and livestock industry welcomes the opportunity to make a submission to the Rural and Regional Affairs and Transport References Committee (The Committee) inquiry into the *Federal Government's response to the drought, and the adequacy and appropriateness of policies and measures to support farmers, regional communities and the Australian economy* (the inquiry). We understand the Terms of Reference (ToR) focuses on the following:

- a. loans and financial support;
- b. water availability, infrastructure, agreement and supply measures;
- c. various market impacts of the measures;
- d. interaction with existing legislative and regulatory instruments across jurisdictions;
- e. the response to the Drought Coordinator's report;
- f. preparedness for the current drought and the capacity of the Australian Government to prepare for future drought; and
- g. any other related matters.

In providing this letter we highlight information provided by our policy members in relation to the federal government's drought response relevant to the red meat and livestock industry. Additionally, our industry wants to **convey the importance of considering what happens following the drought**. It is important to ensure that while processes to examine actions and support that has previously occurred or currently occurring also include serious considerations and commitments to rebuild. The current response to drought is largely crisis driven, Australia needs a national drought policy that is cross-jurisdictional, cross-disciplined and takes a future perspective when dealing with drought.

It is timely that these issues are considered, given the unprecedented drought and the recent bushfire crisis across Australia, and the levels of rain that some areas have received in just the last month. Obviously it is not drought-breaking rain for all those who need it and with continued drought, supply will start to decline even further in some regions impacting demand.

It is also extremely important to note that drought impacts are felt equally in post-farm gate industries. Current drought assistance measures do not provide any relief to the post-farm gate sector. Despite slaughter prices currently sitting at high levels², the supply crunch and competition for cattle and sheep is an indication to processors that producers under rain are starting to take action on rebuilding³. This will start to make procurement of supply post-farm gate and the ability for processors to continue operating at full capacity more difficult. This aspect of our industry must not be overlooked and should form part of any developments of a drought strategy or response. RMAC member, AMIC have made a submission to this inquiry containing information directly related to the impacts on post-farm gate industry. AMIC emphasised the government's

² <https://www.mla.com.au/news-and-events/industry-news/red-meat-shipments-rally-in-2018-19/>

³ <http://www.micausa.org/slaughter-cattle-prices-on-the-rise/> and https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/sheep-projections/mla_feb-2020-australian-sheep-industry-projections-1.pdf



response to drought assistance should be revaluated and redefined to ensure that the intent of drought assistance is consistently maintained throughout the supply chain. It is important that support provided at the start of the supply chain is not compromised by government policy at the end of the supply chain. RMAC supports in principle the recommendations made within their submission and defer to this submission for further detail.

Equally, the live export trade is an integral part of many sheep and cattle producing operations. It is important to recognise that the live export trade provides the additional benefit of acting as a sheep and cattle industry relief valve - in the event of drought, fires or floods, domestic meat processors cannot remove 60,000 sheep from the supply chain within 2 - 3 weeks, whereas live export can.

Drought programs

Since 1992 the government's drought program objectives have been largely consistent, focusing on:

- encouraging the adoption of self-reliant approaches to manage drought conditions
- Facilitating the protection of agriculture and resource bases during climatic stress
- Facilitating the early recovery of agriculture and rural industries.

All levels of government have not fulfilled these objectives across the board, pointing to inadequate and inefficient policies. There is an inherent politicisation of drought, and the fluctuating effectiveness of regional policies has meant that governments have not focused on putting measures in place that truly incentivise and enable as many farm businesses and regional communities as possible to genuinely become better drought prepared.

It has been advised for many years that droughts will become more frequent and more severe⁴. What is evident however, is once it rains and conditions are favourable, drought appears to become a forgotten issue despite knowing that it will return. This approach to drought has created uncertainty and led to legacy policies that have been difficult to remove or have seen perverse outcomes. For example the Exceptional Circumstances Interest Rate Subsidies (ECIRS)⁵ program focused on farms and businesses with high levels of debt, low levels of liquid assets and low off-farm income. This inadvertently incentivized building, or not paying down debt, less-responsiveness to drought conditions and provided unjustifiable competitive advantages.

The advice and recommendations from previous drought inquiries overwhelmingly points to better preparedness and support while conditions are good, in order to create greater resilience when drought returns. A summary of recommendations, from the Department of Agriculture's Exceptional Circumstances inquiries from 1997 through to 2011⁶ highlights this:

- *Rather than providing incentives in times of difficulty to counteract the worst effects of dryness, governments should invest in providing incentives in better times to encourage commercially and environmentally responsible management under variable seasonal conditions*
- *Future policy should better focus on encouraging farm families, rural businesses and communities to be prepared for future dryness*

⁴ <https://www.agriculture.gov.au/sites/default/files/sitecollectiondocuments/ag-food/drought/farmmanagementdeposits/csiro-bom-report-future-droughts.pdf> and <https://www.pc.gov.au/inquiries/completed/drought/pdf/drought-support-draft.pdf>

⁵ https://www.agriculture.gov.au/ag-farm-food/drought/drought-policy/history/business-support/summary_of_review_findings

⁶ Ibid.



- introducing new and improved measures to develop better farm preparedness (including risk management strategies) to deal with market fluctuations and climatic extremes, while phasing out interest rate and other transaction based subsidies
- The emphasis in future policy should shift strongly towards assisting drought preparedness (and away from direct business support during a drought event), whilst maintaining or possibly increasing access to welfare support
- Any future investment to assist farm businesses to become more resilient should be better targeted at activities that deliver lasting benefits that help farmers to better manage and prepare for future challenges like drought, climate variability and reduced water availability

Further, consistent messaging out of government⁷ is that any future drought programs or assistance will be looking to support practical, resilience building measures⁸ that appropriately prepare for future droughts.

Overall herd numbers are down and Australia's breeding herd is being eroded due to drought⁹. The cattle herd is set to drop to 24.7 million head¹⁰, an almost 30 year low and the sheep flock is expected to drop to 63.7 million¹¹, the lowest in more than a century. The persistent poor seasonal conditions also impacted the goat industry negatively, with persistent dry conditions in 2018 reducing Australian goatmeat production by 26% on the year prior¹². Drought is a threat to industry viability and it is going to take a mammoth effort from all sides to build our industry back up again. The implications for the processing sector is of huge concern to producers, who do not want to see further consolidations in the sector or the possible permanent loss of capacity. If we were to see, for example, reduced turn off in the north it would impact the viability and function of the live trade leading to decision makers stepping away. These situations are not something our industry can afford.

Drought and Rebuilding - A Northern Territory example

The Northern Territory has seen successive droughts through 2018 and 2019. It has been estimated the close to 1 million head of cattle have been removed from the NT beef herd¹³. This includes 800,000 cattle transported to other states, agistment, sold for slaughter or live export, or sold into store markets. It also includes approximately 150,000 head that have succumbed to drought conditions. It has meant the Northern Territory is at approximately half its normal carrying capacity.

As the Northern Territory starts the slow rebuilding process following positive rainfall at the start of the year, the cost to rebuild has to be taken into account. Low stock numbers create distorted markets in terms of price. According to one report females carrying bos indicus, a breed with greater survivor ability that is very suited to harsh environments with lower levels of management, were worth well over \$1000 each in Central Queensland before transport. Additionally, cull heifers for boat trade were making 300 cents per kilogram exporting from Darwin. These prices makes it prohibitive to purchase for restocking and breeding, and is even more incentive to develop forward-looking policies that protect herd numbers whilst also building resilience into the system.

A long-term policy setting agenda is needed, one that looks beyond the current crises and delivers on the objectives that have been in place since 1992. When you consider the red meat and livestock industry manages a huge proportion of the national landmass - more than 79 per cent of the total area of agricultural land in Australia - why haven't land management incentives or rewards been developed for our industry that can provide alternative income streams for businesses? NFF through it's A Return on Nature report¹⁴, and the

⁷ <https://www.prm.gov.au/media/backing-our-farmers-and-drought-affected-communities> and <https://www.agriculture.gov.au/ag-farm-food/drought/drought-policy>

⁸ <https://www.prm.gov.au/media/address-national-press-club>

⁹ <https://www.mla.com.au/prices-markets/market-news/breeding-herd-further-eroded/> and <https://www.farmonline.com.au/story/6637714/processors-feel-the-heat-as-heavy-lambs-top-at-350/>

¹⁰ <https://www.mla.com.au/prices-markets/Trends-analysis/cattle-projections/>

¹¹ https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/sheep-projections/mla_feb-2020-australian-sheep-industry-projections-1.pdf

¹² <https://www.mla.com.au/prices-markets/market-news/dry-bites-into-goat-supply/>

¹³ <https://www.beefcentral.com/news/small-steps-as-nt-begins-rebuilding-process-after-two-years-of-savage-drought/>

¹⁴ https://farmers.org.au/wp-content/uploads/2019/12/NFF-KPMG-A_Return_on_Nature_FINAL.pdf



red meat sector through Red Meat 2030¹⁵ have supported calls for ecosystem services. Recommendations from both include:

- The development of a national natural capital policy, government established standards and trading structures
- looking at new ways for producers to diversify on farm through ecosystems-services
- proactive management of climate impacts and the environment (including drought) for remuneration

What further incentives or programs could be developed?

An overhaul of the delivery model of assistance would be beneficial. Drought policy needs to shift from reactive to proactive, focusing on engendering business resilience, preparedness and support. There are a number of areas that warrant further investigation.

Closing gaps in drought policy

Despite clear objectives from the Australian government around preparedness and resilience in drought¹⁶ and efforts by the Australian government to create a National Drought Map¹⁷, there is still no comprehensive, easily accessible data on the extent of drought across the country. Equally, there is no clear data on farm poverty or its related causes (i.e. is the financial situation caused by drought or something else?). Industry can also struggle with accessing information on what assistance is available at what stage of the drought.

The red meat and livestock industry acknowledges drought policy and support is complex in nature due to the different components such as welfare and business support and striking a balance between the two is inherently difficult. Yet, without the data, policy and the strategic framework implementing it is created based on assumptions. This results in inappropriate or stop-gap solutions as we have seen occurring with drought policies and strategies to date.

As we understand a definition of drought is not being developed, rather a set of drought indicators is being developed to assist government to understand changing conditions and emerging impacts¹⁸. In their representation to government on vegetation and land management policy relating to bushfires, CSIRO indicated¹⁹ that it was accessing all available knowledge and tools and working collaboratively across agencies and jurisdictions to develop more strategic approaches to fire season preparation. As well as preparing a report on practical actions the government can take. **An equivalent and parallel approach is needed for drought.**

A further analysis should be undertaken either in conjunction with the drought indicators, or directly after, to determine what is really needed to build resilience within industry. This analysis should then be used by a team of industry experts or advisory body to align requirements, such as infrastructure needs with available assistance. Likewise, it should be used to develop appropriate, effective and equitable policy looking at short to long-term drought solutions.

Further, industry recommends that undersubscribed drought programs or equivalent (for example the Northern Australia Infrastructure Fund) should be repackaged to fund sustainability and resilience measures.

¹⁵ <http://rmac.com.au/misp2030-staging/wp-content/uploads/2019/10/RedMeat2030.pdf>

¹⁶ https://www.agriculture.gov.au/sites/default/files/documents/aust-govt-drought-response-plan_0.pdf

¹⁷ <https://www.pmc.gov.au/news-centre/domestic-policy/national-drought-map-now-available>

¹⁸ <https://www.agriculture.gov.au/ag-farm-food/drought/drought-policy/govt-actions-coordinator-generals-report>

¹⁹ <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Fcommrep%2F21ae54c0-4d4d-4220-9c3a-7a108af16e0f%2F0001%22;src1=sm1>



Focus should be given to a programs potential to be used in broader drought or disaster resilience, rebuilding on a supply chain basis.

Stewardship security levy

Ongoing recommendations around exit packages have been made to the government so that producers facing financial impediments or barriers from the drought could be paid to leave the land²⁰. Exit packages seem to be offered as part of a welfare situation, giving those who truly cannot continue an option to exit and possibly re-skill. Whilst RMAC does not diminish the need for support for those who may not survive financially through the current drought and are contending with the difficult decision to leave. We question whether a stewardship program that is implemented ahead of the next, inevitable drought could avoid the need for exit packages altogether?

The government should investigate policy reform that incorporates stewardship payments for landholders. The funding could come from an expansion of the current Agricultural Stewardship Package²¹. Or alternatively, looking at options to establish a Stewardship Security Levy, a small payment taxed on customers that is used for the purposes of maintaining Australia's resource base through drought. Farmers and other landholders are directly impacted by climate change, but they also play a key role in protecting Australia's natural resources. The red meat and livestock industry acknowledged our vital role as stewards and managers. An initiative or model specifically examining ecosystem services and natural capital solutions, as outlined in *Our Environment* objective in Red Meat 2030²², could be a key contributor to this.

Payments could be in the form of an ongoing wage to those impacted by drought, allowing the landholder to keep their breeding stock or an efficient stock level, whilst preserving and repairing natural assets, preventing desertification. Activities that could be required whilst being paid the wage could include the management of pest and weed species, the regeneration or management of the landscape for resilience, and could include the public benefit of carbon mitigation or sequestration.

These types of stewardship payments would allow producers, businesses and communities to better work through the up and down cycles of drought, building resilience so that a point of no return rarely occurs. Not only would this have the benefits of keeping land managers on the land, as well as the environmental benefits, it would reduce the burden of restocking and rebuilding when the drought broke.

Further, if it was determined that the production system had changed so dramatically that the current activities could not continue, a portion of the levy could be set aside for re-skilling on property. Working with government bodies and trusted agencies to determine the best use of the land moving forward.

A focus on farm income diversification and encouraging sustainability activities is highly recommended.

In a changing climate, drought is just one element of a much bigger discussion and response required around risk management. Governments need to take a more holistic response to disasters and work with industry to develop policies and programs that will lead to more resilient farming businesses. Additionally, drought policy should not be a substitute for proper regional development policy.. The red meat and livestock industry intends to play a central role in the nation's response to a changing climate, and being part of the solution as governments decarbonise the economy. Through our Red Meat 2030 our strategic plan to unify our industry and our 80,000 businesses towards common goals, we are aiming to achieve carbon neutrality by 2030. A

²⁰ <https://www.abc.net.au/news/2019-10-23/farmers-call-for-government-to-consider-exit-packages/11628764>

²¹ <https://www.agriculture.gov.au/about/reporting/budget/sustaining-future-australian-farming>

²² <https://www.redmeat2030.com.au>



diversified income stream would assist in achieving our environmental outcomes as it would mean producers are less likely to degrade their land while trying to remain viable during protracted droughts.

A key initiative of the red meat and livestock industry is to be carbon neutral by 2030²³. The Carbon Neutral 2030 (CN30) target was set following industry-funded research undertaken by CSIRO in 2017²⁴ which confirmed that carbon neutrality, or net zero emissions, is achievable in the Australian red meat production system. It is also a key target of the Red Meat 2030 strategy. CN30 is a significant collaborative effort across industry and the research community and will contribute significantly to state and federal government carbon emission reduction targets. CN30 is focussed on creating opportunities to promote the care of natural resources, people and community, the health and welfare of animals, and the drive for continuous improvement.

CN30 is not only an emissions-based target – the aim is to unlock a \$300 million/year opportunity by optimising the carbon cycle to improve drought resilience and farm gate profitability, and reduce GHG. Efforts to avoid GHG emissions and improve carbon storage are important steps for industry to make towards reducing exposure to future risks, such as the effects of drought, of hotter and drier conditions on soil moisture availability and surface water storage. The red meat industry's proportion of national GHG emissions has reduced from 21.4% in 2005 to 10.4% in 2016, which means the industry's contribution to national GHG emissions has reduced substantially. With industry's commitment, the right policy settings and new investment in research, development and adoption, CN30 can be utilised as a drought resilience measure.

Further Information

RMAC notes the government's work towards its Drought Response, Resilience and Preparedness Plan and thanks them for the significant investment in these programs. Prosperity and resilience across the entire supply chain is critical to the red meat and the livestock industry in meeting its 2030 vision.

Yours sincerely,

Anna Neelagama
Chief Executive Officer
Red Meat Advisory Council

²³ <https://rmac.com.au/climate-proofing-australia/>

²⁴ <https://research.csiro.au/foodglobalsecurity/our-research-2/pastures/carbon-neutral-red-meat/>

Appendix A. Key sections Red Meat 2030 related to drought

Red Meat 2030 section	Initiatives	Further detail
Our Livestock (page 35 – 37) Objective for 2030: We set the standard for world class animal health, welfare, biosecurity and production practices.	Optimising animal production for the environment and market	We will breed our animals to match our environmental conditions and meet market demands by region, through adhering to ethical practices, collaborating, data sharing and taking a whole-of-supply chain approach to decision making. We will do this by: <ol style="list-style-type: none">Promoting Estimated Breeding Values (EBV) for production, regional and market traits, which are relevant under commercial conditionsContinuing to build on the effective use of genetics across the supply chainResearching and adopting viable alternatives to improve animal husbandry practicesEnsuring new drought resistant feeds and forages are available to maximise feed conversion and minimise greenhouse gas productionEnsuring technical resources and capabilities are available at a regional level to support animal production, development and innovationTaking a holistic systems approach to research programs to better understand the complex interactions of animals, soils, plants and climate on production and profitability
Our Environment (page 38 – 40) Objective for 2030: We demonstrate leadership in sustainability, delivering on community expectations in the areas of land, water, biodiversity, climate variability and biosecurity.	Advancing our sustainability frameworks and supporting their adoption	We will ensure the whole supply chain works within agreed and coordinated sustainability frameworks, using the Australian Beef Sustainability Framework as an exemplar. We will continue to develop transparent standards, systems and verified adoption of recognised best practices across the supply chain, that deliver positive environmental outcomes and resilient businesses. These will consider natural capital like land, soils, water, climate and biodiversity and enhance the productivity, biosecurity and sustainability of our land and businesses into the future. <ol style="list-style-type: none">Leading environmental practices that are viable, recognised and trusted by the communityReducing industry and government compliance and reporting burdens through a coordinated and connected integrity systemConnecting environmental systems to assure product integrity, increasing the desirability and differentiation of Australian red meat products in all markets to capture additional value for supply chain participants
	Moving to a carbon neutral industry by 2030	We will play our role in reducing Australia's greenhouse gas emissions by extending our existing commitment to carbon neutrality by 2030 (CN30) across the supply chain. A proactive and accountable approach will help the industry retain the trust of customers, consumers and communities, and stay in front of unnecessary and burdensome regulation. We will do this by:

		<ol style="list-style-type: none">1. Identifying required actions and coordinating across the supply chain to achieve our carbon neutral target2. Researching mechanisms and practices relating to pasture-based carbon sequestration, enteric methane emission reduction, and other mitigation technologies3. Demonstrably reducing production, processing and consumption waste4. Increasing research into, and the use of renewables within the industry's energy mix
	Expanding our role in environmental stewardship	<p>We will acknowledge our vital role as stewards and managers of 50% of Australia's land mass by enhancing environmental outcomes to the benefit of our businesses and to Australia. We will do this by:</p> <ol style="list-style-type: none">1. Identifying and developing remuneration mechanisms for the delivery of ecosystem services provided by industry, including biodiversity, carbon sequestration, pest and weed management2. Quantifying the potential long-term production and profitability benefits of enhancing natural capital and diversification opportunities to enhance economic and environmental resilience3. Researching optimal land use and diversification opportunities to enhance economic and environmental resilience
	Building on our proactive approach to climate variability	<p>We will invest in research to identify regionally relevant systems and practices to adapt to climatic changes and develop tools to facilitate practice change and adoption. Because we know that climate variability is predicted to increase over the coming decade, increasing business risk along the red meat supply chain. We will do this by:</p> <ol style="list-style-type: none">1. Continuing research to improve the resilience of livestock production systems, mitigating the impact of increased climatic variability2. Progressing research to increase the accuracy of weather and climate forecasting and developing decision support tools3. Increasing water use-efficiency and identifying mechanisms to increase water security4. Developing drought resistant production systems through new feeds and forages which maximise feed conversion and minimise greenhouse gas production5. Researching the implications of climate change on the movement of pests, weeds and disease vectors into new areas