

14 August, 2008

The Secretary  
Senate Select Committee on Agricultural and Related Industries  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Sir

### **Submission to the Inquiry into food production in Australia**

The Ricegrowers' Association of Australia Inc (RGA) welcomes the opportunity to make a submission to the Senate Select Committee on Agricultural and Related Industries Inquiry into food production in Australia. We have based our comments on the Issues Paper, "Ensuring a competitive and sustainable agriculture and food sector in Australia", released in May 2005 and updated it as appropriate.

#### **The Ricegrowers' Association of Australia Inc**

The Ricegrowers' Association of Australia Inc (RGA) is the collective voice of rice growers in Australia. RGA represents over 1600 voluntary members in NSW and Victoria on a wide range of issues. As much of the Riverina region has been built upon rice, and rice is still the mainstay of many towns today, it is important that RGA members have strong and effective representation. RGA fulfils this role by representing and leading growers on issues affecting the viability of their businesses and communities.

The RGA is a member of the New South Wales Irrigators' Council and the National Farmers' Federation and fully supports the separate submissions made to this Inquiry by those organisations. This submission does not attempt to cover issues which are common across agricultural industries and across the irrigation sector. Issues raised in this submission relate specifically to the rice industry.

#### **The Australian Rice Industry**

The rice industry encompasses the Murray Valley of NSW and Victoria and the Murrumbidgee Valley of NSW. Typically, around 150,000 – 160,000 hectares are sown to rice in October of each year across this region producing an average of around 1.2 million tonnes of rice annually. The industry has a farm gate value of around \$350 million and total value (export earnings, value-added) of over \$800 million. Including flow-on effects, it is estimated that the industry generates over \$4 billion annually to regional communities and the Australian economy.

Rice growers have individually invested over \$2.5 billion in land, water, plant and equipment and collectively invested around \$400 million in mill storage and infrastructure through the Ricegrowers' Cooperative Limited (SunRice) and the Rice Marketing Board of NSW (RMB). The industry is the backbone for our regional communities generating around 21% of total regional income and 18% of total regional employment<sup>1</sup>.

<sup>1</sup> Leslie, D.G., Keyworth, S.W., Lynn, F.L., Magill, A.F. 1992, Rice 2000 Project.

The rice industry has also invested significantly in environmental improvement and impact reduction as part of its efforts towards better natural resource management and environmental stewardship. The Rice Environmental Program's flagship is the Environmental Champions Program (ECP) which has received over \$2 M in funding from the Department of Agriculture, Fisheries & Forestry to implement a pilot program and roll out of the ECP.

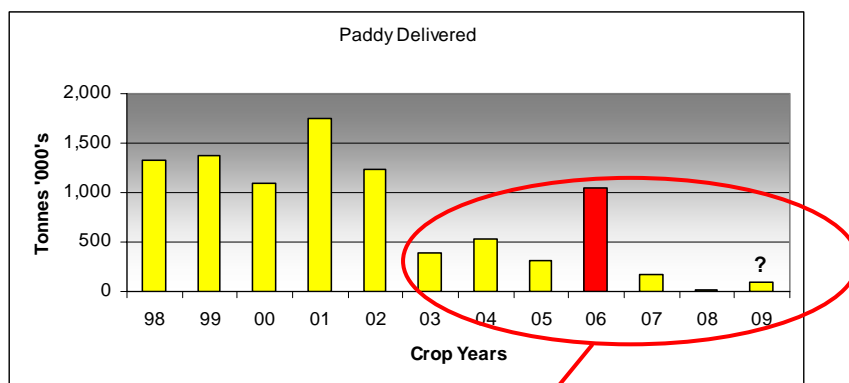
### Domestic Market

The Australian domestic market for rice is approximately 130,000 tonnes per annum. Australia is a major producer of medium grain rice. Medium grain rice is not suited to tropical climates and is only grown in Australia, USA, Egypt, northern China, Japan, Korea and Taiwan. Australia usually exports approximately 85% of production which constitutes about 11% of world rice trade and 23% of world medium grain rice trade. Australia's low production is contributing to record low rice stocks globally at a time when rice demand is growing rapidly.

During the current drought, rice production levels have plummeted due to drought and water restrictions. In 2005/06, there were 787 farms growing rice, with some 102,000 hectares devoted to rice production, producing 1,003,000 tonnes<sup>2</sup>. 579,000 tonnes of that rice crop were exported with a total value of \$405 million. In 2006/07 the rice crop dropped to 166,000 tonnes. The 2007/08 rice crop of 19,400 tonnes is the lowest in the Australian rice sector's history (since 1928), representing just over 1% of normal production.<sup>3</sup>

The following table clearly shows the impact of several years of drought and below average water allocations on rice production in Australia.

## Australian Crop Volatility



Volatility



Throughout this period of low production, rice reserves have been declining and SunRice has been purchasing rice on the global market at world prices in order to maintain and protect both domestic and overseas markets.

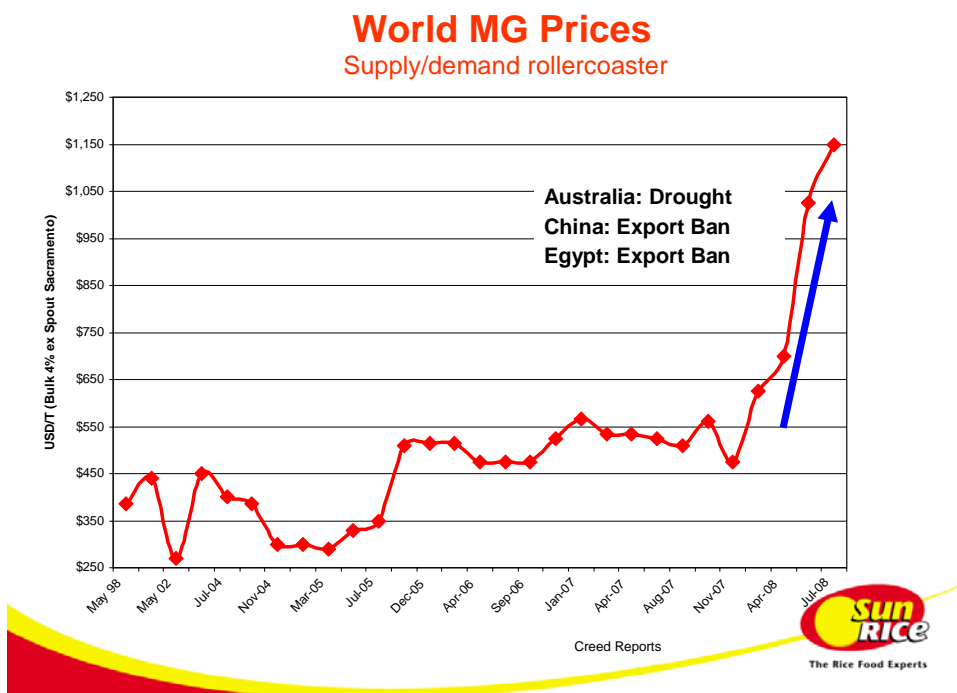
The global shortage of rice has seen world rice prices rise steeply with world prices reaching records levels earlier this year due to a number of factors, including:

<sup>2</sup> Australian Bureau of Statistics, *Agricultural Commodities 2005/2006*.

<sup>3</sup> SunRice 2008.

- Record low global rice stocks
- Economic development in China and India
- Diversion of agricultural resources from food production to bio-fuels
- Higher costs of other grains
- Export bans in many source countries ie. India, Vietnam and Egypt.

The following table shows the change in world medium grain rice prices since May 1998, with the impact of global shortages, drought in some major producing countries, and export bans imposed by key exporting countries having a dramatic impact on prices during 2008. Prices peaked at around US\$1,100 per tonne in July 2008.



Although prices have moved downwards in recent weeks following a good rice harvest across much of Asia to about US\$800 per tonne, most commentators still agree that world prices will remain relatively high for the foreseeable future. Unless Australian rice growers can return to full production, rice shortages and difficulties in acquiring rice on the global market are likely to continue resulting in continuing pressure on the domestic price of rice for Australian consumers.

### Competitiveness of Australian Agriculture and Food businesses

The International Rice Research Institute in the Philippines acknowledges that Australians are the most efficient rice growers in the world. The rice industry in the Riverina leads the world in production efficiency. Over the last 10 years, Australian rice growers have improved their water use efficiency by 44%<sup>4</sup> and they use up to five times less water to produce a kilo of rice than overseas growers<sup>5</sup>.

Australian growers have invested heavily in the infrastructure over the last 50 years which allows them to grow and market their own rice under the SunRice brand.

The Australian rice industry has a confirmed domestic and international market for our product and the marketing and trading infrastructure to ensure a profitable and competitive business for farmers. Any suggestion that rice growers will move rapidly to less water intense cropping systems is unlikely to happen.

<sup>4</sup> Australian Bureau of Statistics, Agricultural Commodities 2006.

<sup>5</sup> International Rice Research Institute, Manila, Philippines. 2004

## Using and Managing Natural Resources

While producing food for Australian and overseas consumers, Australian farmers are managing a resource for the benefit of the country as well as providing a legacy for future generations. Most farmers are active environmentalists, although public perceptions often do not reflect this reality.

The RGA's Environmental Champions Program (ECP) is a voluntary innovative improvement program designed by farmers for farmers. The five level achievement program aims to recognise growers for their environmental stewardship, while combining all existing regional environmental programs, best management practices and requirements of relevant government agencies and irrigation bodies into a streamlined process.

The program aims to demonstrate the link between environmental stewardship and improved business productivity, as well as link in with farm economics, trade and market opportunities.

The ECP, designed for rice-based farming systems, is unique in the degree of cooperation it has had in its development. Every element within the program has the collective approval of all irrigation bodies within the rice growing regions, government agencies (i.e. those managing natural resources, wildlife conservation, agricultural extension), rice systems research, catchment management, non-government bodies, local green groups, RGA staff and most importantly – farmers.

The program is working towards a sustainable rice industry for future generations and providing recognition of grower's efforts to achieve on farm benefits which lead to regional landscape improvement. Twenty-five percent of Australian rice growers have voluntarily been involved in this program since it was rolled out industry wide in 2005.

## Biodiversity

The rice industry is the first agricultural industry in Australia to develop a Biodiversity Strategy and Plan. The plan was developed by CSIRO Sustainable Ecosystems and the RGA to provide practical guidelines for rice growers so that they can maintain and improve biodiversity. This ensures that plants and animals can live productively with the rice growing environment.

Rice growers are implementing measures on and around their farms that will ensure native plants and animals can live in harmony with the rice-growing environment. Some of the activities include planting and maintaining areas of native vegetation and ensuring Black Box and Red Gum woodland depressions are flooded occasionally to rejuvenate wetland species.

In most countries rice farmers concentrate on growing only rice. In Australia, rice grows as part of a unique farming system. Farmers use a rotation cycle across the whole farm over four to five years. This means that our growers have other agricultural enterprises on the farm as well as rice. This system, designed for efficiency and sustainability, means our growers maintain water savings, have increased soil nutrients, higher yields and much healthier crops.

This unique rotation system that uses natural biological controls also ensures that chemical usage on rice in Australia is the lowest in the developed world.

## Water

The rice industry is the first and only industry to initiate a project to return water to the Murray River. In 2006, the Ricegrowers' Association of Australia Inc. (RGA), with funding support from the Murray Darling Basin Commission (MDBC) through The Living Murray Initiative, ran a highly successful expression of interest process for irrigators to undertake on farm efficiency works in exchange for returning resultant savings of water to the environment through the Living Murray process.

The feasibility project resulted in 111 expressions of interest being lodged to return over 11,000 ML to the environment. Subsequently, 22 projects have been funded by jurisdictions to return on average 1206 ML of water.

Due to the success of this initial feasibility project, a second round was funded by the MDBC through The Living Murray Initiative in early 2008. Round Two of the On Farm Water Efficiency Project sought to build on the results of Round One in seeking expressions of interest from irrigators to implement on farm water efficiency projects.

The rationale for the RGA managing the initial feasibility study in 2006 was to demonstrate that there were on farm water savings to be found and that industry associations, rather than governments, were best placed to facilitate these projects with irrigators.

A major objective of both rounds was that the project should enhance the environmental, productivity and social sustainability of irrigation areas, while providing an enduring asset for the use and environmental sustainability of The Living Murray Icon sites.

Round Two resulted in 177 valid Expressions of Interest submitted to the RGA. The total volume of water offered for sale was 23,298ML (LTCE) with 10% margin, which has identified 136 projects delivering 19,251ML (LTCE).

Internationally, Australian rice production uses less water per hectare than other countries and is consistently in the top four of water efficient users globally. If we imported all our rice, particularly from developing countries, we would consume food that is produced in countries with natural resources including water that are under considerable pressure.

The amount of rice able to be grown in Australia directly relates to the amount of water available to irrigators. Each year State Governments assess the water resource available in the dams and determine allocations for different users based on a hierarchy. Most rice is grown by general security irrigators who receive their water last in this hierarchy of allocations. They are also the first to have allocations reduced in times of water shortages. The effect of the drought and declining water supplies over the last several years has clearly had a severe impact on the ability of the industry to produce rice.

## **Conclusion**

The Australian rice industry has a record of continuous improvement in product quality, productivity, land and water use, and environmental management. In order to best equip the rice industry to produce affordable food for consumers, for growers to remain viable, and for rice production to have a sustainable impact on the environment, it is crucial that the industry has access to reliable water.

Sufficient and timely water is the key to a dynamic and successful rice industry.

Please contact me on (02) 6953 0433 to discuss any aspects relating to this paper.



RUTH WADE  
EXECUTIVE DIRECTOR