

**Parliament of Australia: Senate: Select Committee on Agricultural and Related Industries:
Inquiry into food production in Australia.**

Submission prepared by:

This submission is not confidential.

Inquiry Terms of Reference:

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

1. affordable to consumers;
2. viable for production by farmers; and
3. of sustainable impact on the environment.

My submission will deal in the main with my experience as a dairy farmer; however, the general concept will apply to all primary producers in Australia.

As food production starts with the farmer then I will cover that area first.

The term, “viable for production by farmers” needs to be clarified so that we all understand where I am coming from.

Physically, Australian farmers have proved over many years that they are leaders, or on a par, with the most productive farmers anywhere in the world whether it is measured per unit of labour, per hectare, per litre of water used or whatever you like to use as a yardstick.

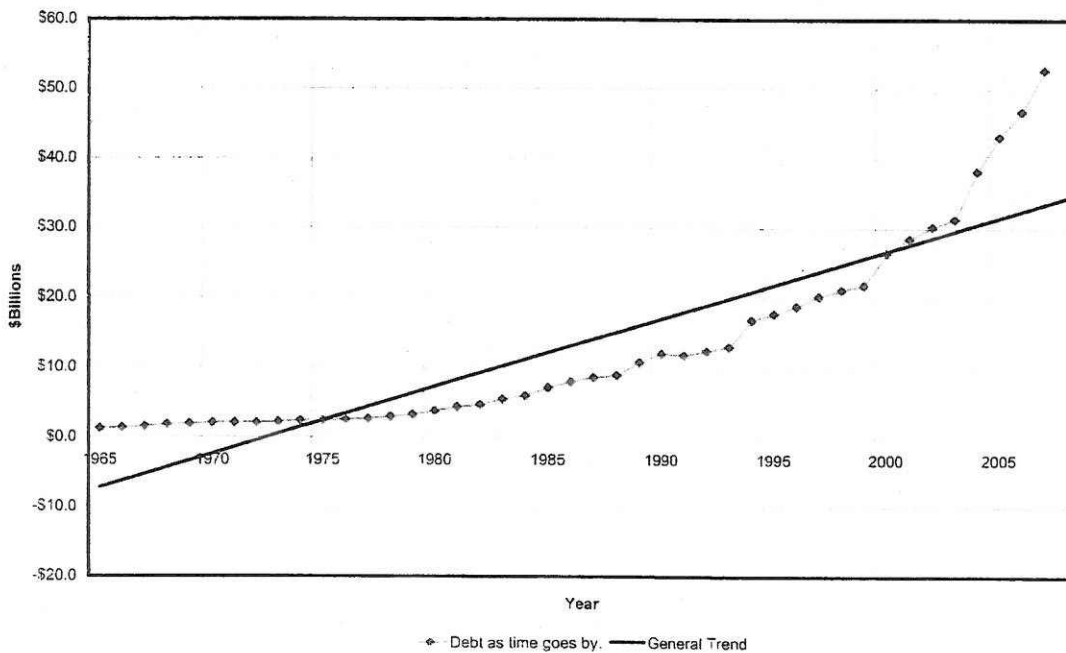
It is when you use “finance” as a measure the equations come unstuck.

This is because the unit of currency, i.e. the dollar, is not a stable measure and this in turn is reflected in the debt level of rural industry.

Surely you have heard, “and the dollar buys less every day”.

The following graph shows the growth in rural debt since 1965.

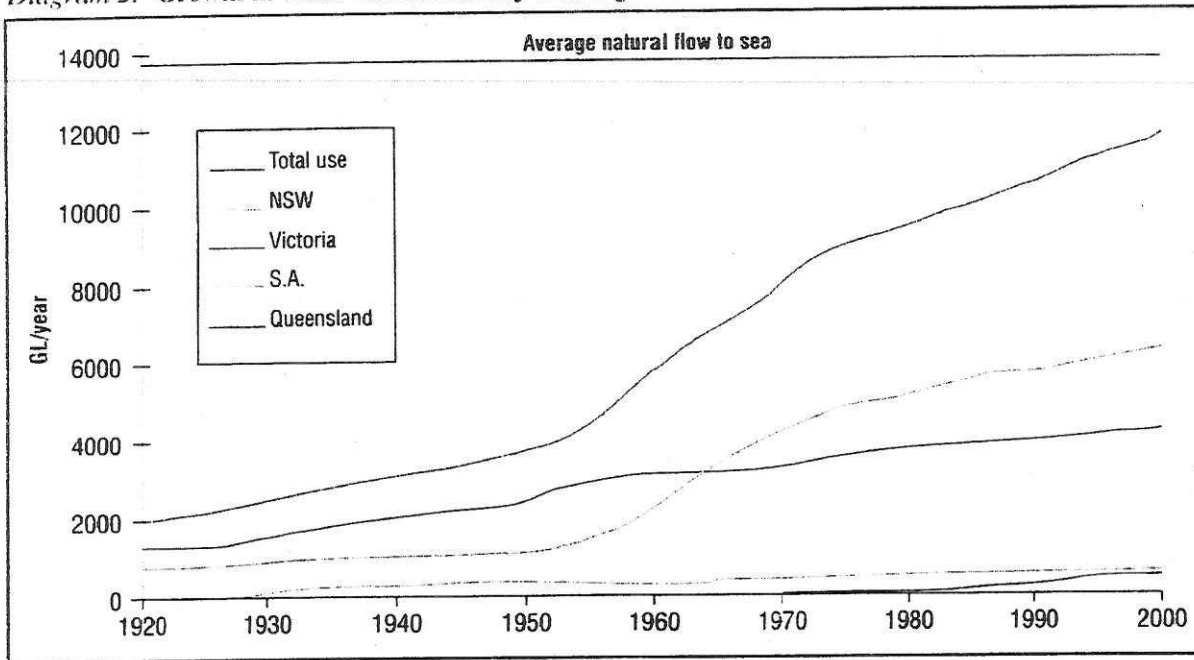
Rural Debt Trend - 1965 -2008 (Source:RBA)



I submit that the trend in Rural Debt indicated by the graph is not sustainable for a viable rural industry.

This in turn has had a detrimental effect on the environment and is reflected in the following graph from “The Living Murray” discussion paper, depicting the escalating water use in the Murray-Darling Basin.

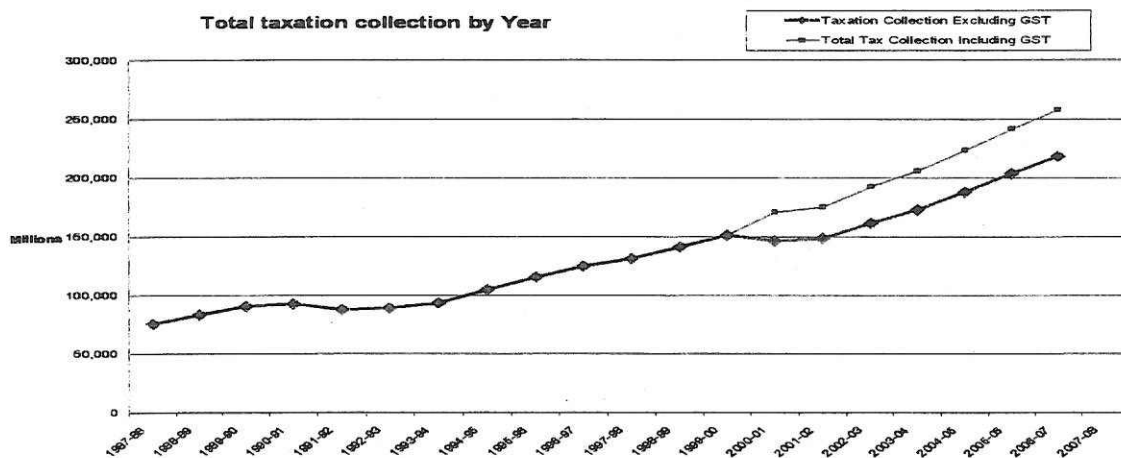
Diagram 2: Growth in water use in Murray-Darling Basin



I submit that the “Total use” line correlates with the rise in rural debt and that both are directly connected to the cumulative “annual inflation rate”.

This trend was apparent in 1970 and it appears that nothing has been done to arrest the need for more and more water even though the cost of buying water has escalated every year. Nobody says, “What can we do to reduce farming costs to eliminate the need for more water.”

Another aspect of the national cost structure is the growth of the Commonwealth Government tax takes and I submit the following:



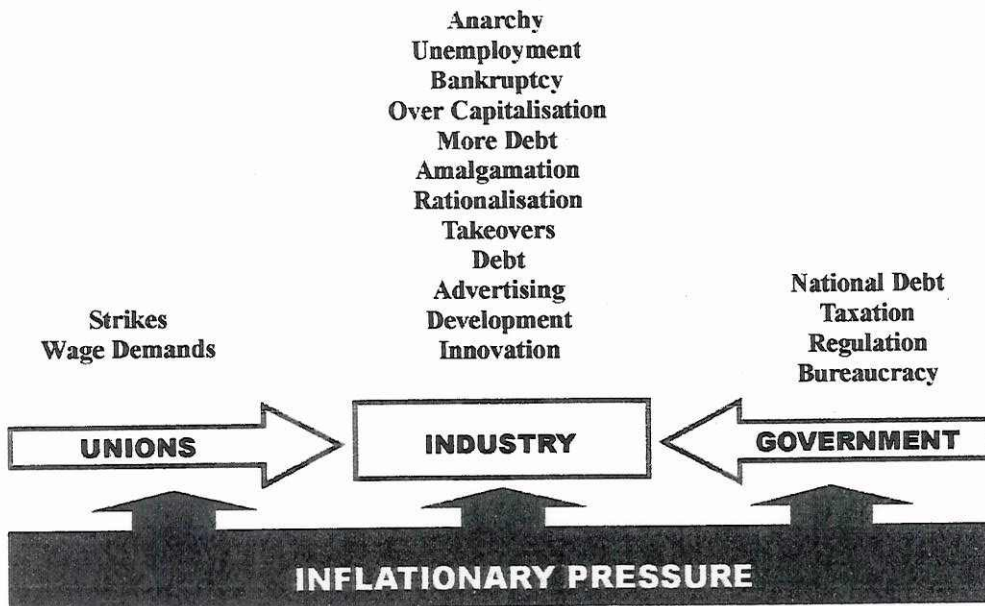
The data for the forgoing graph was supplied by Treasurer Swan and shows an increase in Commonwealth tax collections almost every year and that raises the question, should there be limits on tax collections? From a government point of view, apparently not!

There is much more can be examined but sufficient information has been provided to show there must be defects in government policies when debt, water use and taxation increases abound.

Please do not misunderstand me; I am not singling out the present government for the situation we find in Australia for it is the cumulative effect over many years and despite changes in the ruling Parties. Indeed, we can conclude that a change in Party makes no difference at all!

If rural producers were financially rewarded for their production without forcing them into debt and the cost passed on, then it would hardly be affordable for the consumer and this leads onto another important problem in society and that is:

THE DESTRUCTIVE EFFECTS OF INFLATION



You can see from this picture how "inflationary pressure" impinges on all sectors of society. On one hand Unions and on the other, Government and BOTH of these then pressure industry. You can see the effects every day and read about it in the financial pages of just about every daily paper. Not included above is "Industry moves off-shore" to benefit some other nation.

The primary question is... How do we encourage farmers to produce food at an affordable price without detrimental effect on the environment?

Another requirement is for consumers to have sufficient money in their pocket to buy the farmer's produce and the Labor Government seems to recognise this by pumping money into the economy, however, I question the wisdom of this initiative by the methods used.

It can also be argued that that farmers will reduce their demands on the environment if they receive sufficient remuneration for their produce without going into debt and having the added burden of interest payments that only benefit financial institutions.

I believe there is a way to overcome the problems outlined in the foregoing without punitive taxation and bureaucratic regulation but will leave it to people more knowledgeable than myself.

I am willing to appear before the Committee to answer any questions put to me however, not having the financial resources of a Reserve Bank Governor would require some assistance with travelling and accommodation expenses.

Yours sincerely,

Louis Book