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Senator Glenn Serle - Chairman
Senate Rural and Regional Affairs and Transport Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senator

Your committee is currently looking into the implementation, operation and administration of the legislation underpinning Carbon Sink Forests and any related matter. As an industry association representing many Queenslanders that may be affected by the proposed legislation we are asking the committee to consider the following during their deliberations on this matter:

Growcom

As you may be aware, Growcom is the peak association for the Queensland fruit and vegetable growing industry. Horticulture is Queensland's second largest primary industry, growing one third of the nation's fruit and vegetables and employing around 25,000 people. There are approximately 2,500 production horticulture enterprises, producing in excess of 120 different types of fruit and vegetables, with an anticipated value of c $2 billion in 2008. Production is spread across eight major regions including Atherton Tablelands, Burdekin, Bowen, Bundaberg, Burnett region, Sunshine Coast, Lockyer / Fassifern / Darling Downs, and Stanthorpe regions.

Horticulture in Queensland

The industry is currently experiencing significant change. Although gross value of production continues to grow and horticulture is the fastest growing sector of agriculture, there has been a significant fall in the value of Queensland's horticultural exports (which places increased supply pressure on the domestic market, negatively impacting on returns to growers) and a decline in the number of growers within the sector.

Increased pressures, including the importation of fresh and processed horticultural products are also challenging the industry. We have also experienced a marked concentration of ownership of the retail end of the market, with around 70% of Australian fruit and vegetable production purchased by either Woolworths or the Coles group. This concentration delivers these two retailers enormous pricing power - and they are not shy about using it.

The industry is also captive to a number of fixed input costs - including labour, water, transport, fertilisers and chemicals - that have experienced significant increases in the past few years.

These factors have combined to deliver the worst of both worlds to our producers as it is implied that they are the cause of retail prices for fruit and vegetables increasing dramatically, while farm terms of trade are in decline.

Legislation underpinning Carbon Sink Forests

Into this already hostile operating environment for Queensland horticulture, the proposed legislation has provided the timber plantation industry with a massive advantage over horticulture. By granting tax deductibility for capital expenditure for the establishment of carbon sink forests, the tree plantation industry will gain an enormous benefit not normally available to other agricultural enterprises.

In our view this will – over time – inevitably lead to increased demand for good agricultural land as the timber plantation industry expands. Like many operators in the production agriculture sector we have been alarmed at forecasts contained in *"Plantations 2020"*. In this report - the vision of the Australian Tree Plantation industry association - the total forest plantation "estate" has risen from 1,000,000 hectares in 1996 to over 2,000,000 in 2007, and up to 3million hectares by 2020.

These projections alone will place huge demand on suitable land, however the addition of a significant taxation advantage to tree planting is likely to price agricultural enterprises out of the market for essential resources such as land and water.

Indeed, your committee has expressed many reservations about these projections during the past five years, and other government agencies are also concerned: during 2006, the Bureau of Rural Sciences report on the socio-economic impacts of plantation forestry found that - while timber plantations can contribute to economic growth in regional areas - there are also adverse affects on road networks by logging trucks and on increasing land prices in timber regions, making it more difficult for other farm enterprises to compete.

We ask the committee to consider these issues during your deliberations on the legislation underpinning carbon sink forests, however this matter currently before the committee is only one of many that will affect horticulture as the policy response to climate change is developed.

Climate change and emissions trading

While we acknowledge that the inclusion of agriculture in the proposed Emissions Trading Scheme (ETS) is some time away, nevertheless we are alarmed at the current approach to policy-making in this area. A significant body of research will be needed to inform both government and industry before the treatment of agriculture is reviewed in 2013.

The basic premise of an ETS under the Kyoto Protocol is flawed. Adequate consideration is not given to carbon stored in agricultural systems nor is there any separation between human and natural emissions. This significantly reduces the capacity of the agriculture sector – and, in particular, horticulture - to benefit from a trading scheme.

We need more research into agricultural emissions, emission reduction practices and carbon capture methods to better inform the policy debate when the government again reviews the inclusion or exclusion of agriculture in 2013. Poor accounting rules mean that we can't measure it and trade it under an ETS.

If we can't trade it, everyone loses.

In the meantime, what we need are government policies that provide incentives for improved on-farm practices for both emissions and carbon capture without the enormous costs and risks involved in the premature inclusion of agriculture in an ETS. This would help further reduce emissions in horticultural systems which already are only a very small contribution (around 1.3 per cent) to overall emissions from the agricultural sector.

We are also concerned about the eligibility criteria for access the $5500 climate change adjustment grants under the $130m Australia's Farming Future program announced recently by the federal Government. It was confirmed recently that only farming enterprises that have net assets less than $1.5m would be eligible for assistance. The capital intensive nature of horticulture enterprises means that many growers are likely to miss out on this assistance.

Horticulture clearly faces considerable challenges in the future, as the policy response to climate change evolves. Though not included in an ETS in the initial stages, horticultural growers will still face higher costs of farm inputs such as electricity and fertiliser.   Industry estimates are that input costs will rise by at least 5-10% under an ETS. This means growers will be doubly disadvantaged: not only will they bear the burden of adapting to climate change with potentially little government support they will also face significant cost increases from an ETS.

The limited capacity of growers to mitigate or to pass such cost increases on will directly impact on growers' already meager bottom lines. For this reason, any future inclusion of agriculture in the ETS would need to be carefully weighed up in order to maintain a vibrant and productive horticultural sector in Australia.

Carefully thought through compensation measures for the farming sector are vitally important if Australian producers are to remain competitive in a global marketplace. If our farmers are priced out of the market, there will be negative outcomes in terms of global emissions and for the Australian economy as the food will be produced with high emission technology somewhere else.

Even more concerning would be the risk to Australia's capacity to supply our own food needs – and to continue to contribute to overall world food supplies.

We would also ask the committee to consider the overall response to climate change – and its affect on horticulture – in your deliberations.

Yours sincerely

Jan Davis
Chief Executive Officer

31 July 2008