

# **Governing Agriculture for Rural Community Sustainability: A Case Study in the Australian Dairy Industry**



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**Thesis Summary**

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## Introduction

This document is a summary of my PhD research. I was a student in the Rural Innovation Research Group in the Faculty of Veterinary and Agricultural Sciences, at the University of Melbourne. My research supervisors were Associate Professor Ruth Nettle, Dr Fiona Miller and Dr Margaret Ayre. I started my research in April 2011 and submitted my thesis for examination in May 2015. The thesis was passed, with minor amendments, in October 2015. This summary is written primarily for the people who participated in the research.

The title of my thesis is the same as the title of this document: **“Governing Agriculture for Rural Community Sustainability: A Case Study in the Australian Dairy Industry”**. My case study was of the dairy farming in north-east Victoria, with a particular focus on the Mitta Valley.

To carry out my research, I interviewed the people who own or work on most of the dairy farms in the Mitta Valley. I also interviewed a range of other Mitta Valley community members, including other farmers and also non-farmers. I also interviewed senior employees in most of the government and dairy industry organisations that have an interest in the future of dairy farming, and in the future of small rural communities like the Mitta Valley. Another part of my research was to observe and take part in the activity that was taking place in the **Alpine Valleys Dairy Pathways Project**, and in the Mitta Valley **Our Valley, Our Future project**.

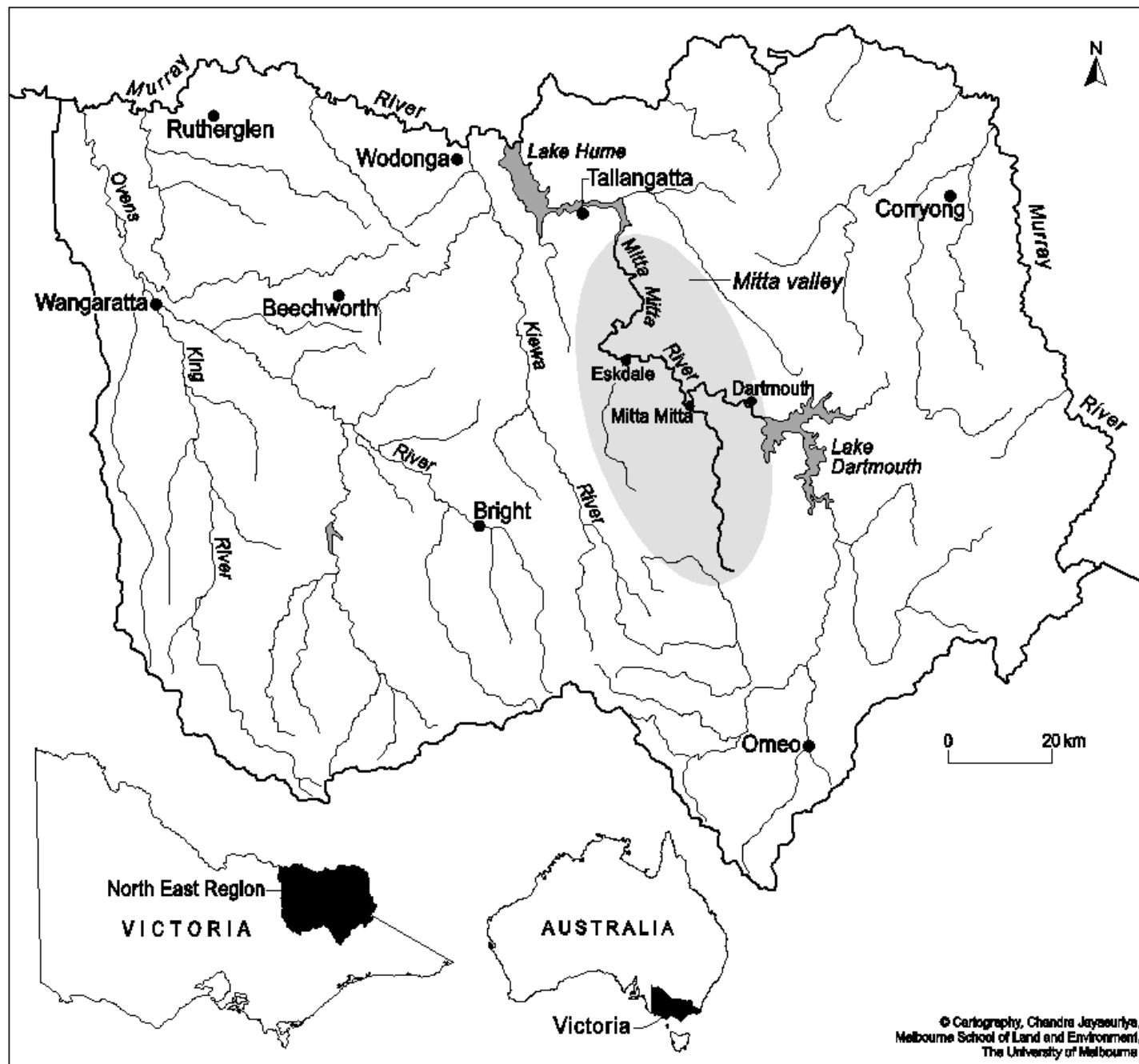
I used these interviews and observations to explore three main research questions:

1. What role do agriculture, and particular dairy farming, play in the life and well-being of the Mitta Valley community, and what role would community members like them to play in the future?
2. How are dairy farms and the dairy industry being shaped by the policies, strategies and activities of government organisations and industry organisations, and how are the interests of rural communities accounted for by these organisations?
3. What opportunities arise when communities, industry and government decide to work together on specific projects like the Alpine Valleys Dairy Pathways Project, and the Our Valley, Our Future project?

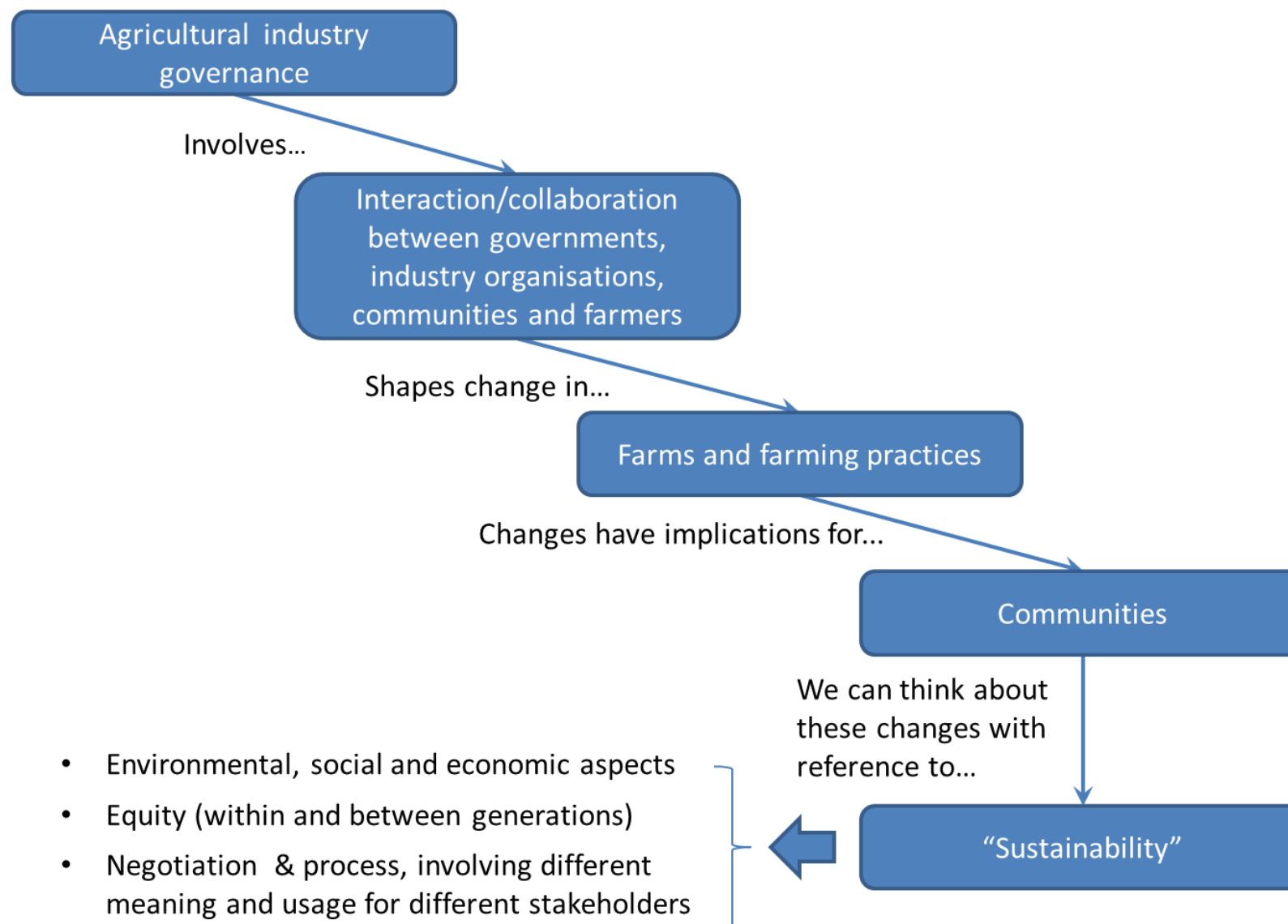
In my thesis I use the word “sustainability” to refer to all the factors that are part of the life, well-being and future success of communities, and I use the word “governance” to refer to the many processes that shape change in agricultural industries.

In exploring these questions, I also tried to come up with more general findings of relevance to other agricultural industries beyond dairy, and other rural communities beyond the Mitta Valley and north-east Victoria.

The map on Page 4 shows the places where I undertook my research. The diagram on Page 5 shows the way the concepts discussed above fit together to provide the conceptual framework for my research.



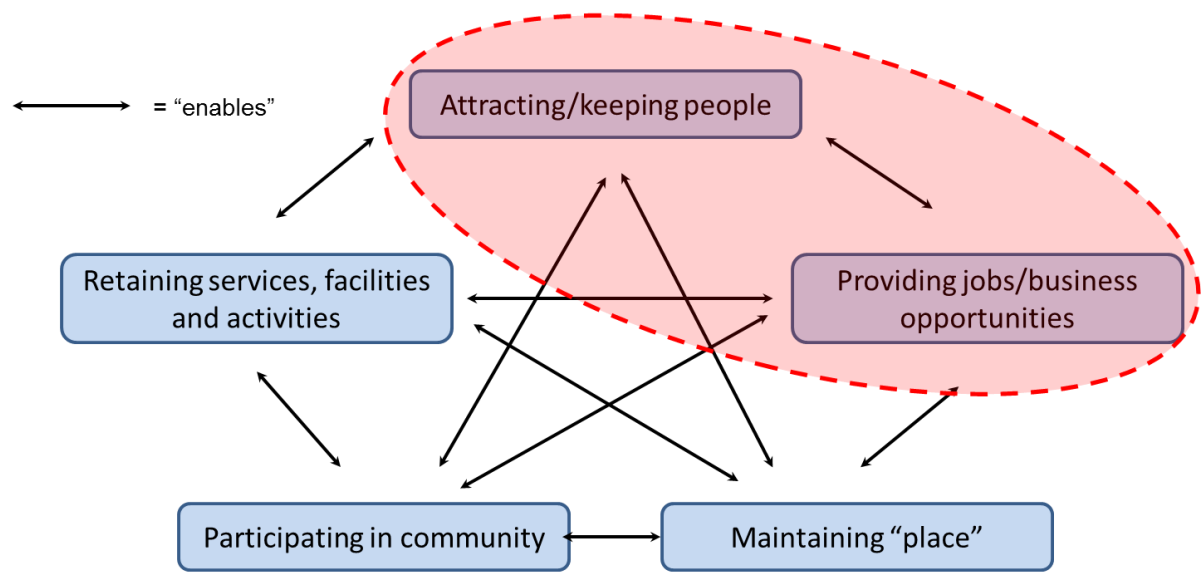
# “Governing agriculture for rural community sustainability”



## What is “community sustainability” in the Mitta Valley? What is the role of farming?

*“Yeah, I suppose it’s keeping everything going isn’t it?” (Dairy farmer, Interview 21).*

*“It means that the community is vibrant enough, big enough to sustain itself with schools, shops, pubs, other amenities and to be able to make a living so that people can stay here and have an enjoyable – a quality of life” (Beef grazer, Interview 61).*



People in the Mitta Valley identified five key processes that contribute to “community sustainability”, shown in the diagram above. These processes all depend on each other. Keeping people in the Valley, and attracting new people to the Valley, are seen as fundamental, and this requires there to be jobs and business opportunities in the Valley.

Most people see farming as a good way of utilising the Valley’s strengths of fertile soil and good climate and water availability, to create livelihoods. But they also observe that it has been getting harder and harder with each generation to make a good living from farming:

*“We are so lucky in that we have one of the most fertile valleys, a good climate, we can grow just about anything” (Beef grazer, Interview 61).*

*“We’ve had our droughts, we’ve had our floods and you’re going to get all different weather changes but I don’t know, you always just seem to be... well it’s a fairly guaranteed sort of a place” (Beef grazer, Interview 22).*

*“The ones up here that are in agriculture, they do a lot of good things for the community, and they’ve done it for generations and generations and they’ll still do it for generations” (Non-farming community member, Interview 45).*

*“My view is, that love it or hate it, farming’s not going to be part of that answer [for the future of the community]. It’s sad, but yeah” (Retired dairy farmer, Interview 28).*

Many people in the Mitta Valley see dairy farming as having more potential than beef to contribute to future community sustainability, because dairy farming is a more intensive land use. It can potentially generate higher profitability, higher levels of employment and higher cash flow, which can benefit other businesses.

However they have observed the slow, steady decline in the number of dairy farms in the Valley. They see this as a reflection of the level of difficulty and risk involved in dairy farming as farms have become larger, and as profit margins have become tighter. There are relatively few young people in farming families who are planning to take over family dairy farms. The long drought from 2000 - 2008 also played a part, however a number of dairy farmers commented that they also learn a lot through the drought, and think that they are now better farmers because of it.

*"My comment would be that [dairy farmers] are the backbone of the Valley really. That's what the whole Valley's about, is the dairy farmers" (Non-farming community member, Interview 41).*

*"We've been through the sort of horticultural talks ten years ago and all that sort of stuff and nothing's come out of any of it... Unless you've got a fair bit of scale there's no other enterprise [other than dairy] that can feed and educate your kids. That's a fact" (Dairy farmer, Interview 12A).*

*"We can grow the grass and feed the cows to do it but unless there's a decent milk price it's not going to happen. That's about my bottom line" (Dairy farmer, Interview 10).*

*"Years and years ago if your family owned a farm you were automatically going to go back... But now things have changed... A lot of the young blokes have got out. There's other things out there" (Dairy farmer, Interview 25).*

*"Young people these days, and young women these days are not going to [dairy farm the way their parents have]. They are not going to do it" (Dairy farmer, Interview 26).*

People identified two potential future development pathways for agriculture in the Mitta Valley:

1. A renewed model of dairy farming that makes it more attractive and feasible for the next generation. This would involve larger herds, so that farms can have permanent employees and hence better lifestyles for farm owners. It might involve a greater diversity of farm ownership and business models, for example farm leasing or equity partnerships.
2. A greater diversification of farming, including producing niche and high-value products, and possibly some local food processing and value-adding. This would also connect to the strong local interest in continuing to develop the Valley's tourism industry.

An important point is that Mitta Valley community members see farming and land-use decisions as ones for individual families to make, and not one that "the community" as a collective can be directly involved in.

*"It won't be all cattle production, whether it's milk or beef. There'll be – it may be hazelnuts, it might be truffles, [...] there might be green tea. I don't know" (Beef grazer, Interview 63).*

*"Well probably it really is their decision, isn't it? I mean, what right does the community have to say that you can't sell your cows and change your farm into a beef farm, or a, you know, a tourism outlet or something like that... I can imagine they'd tell you to get stuffed!" (Non-farming community member, Interview 46).*

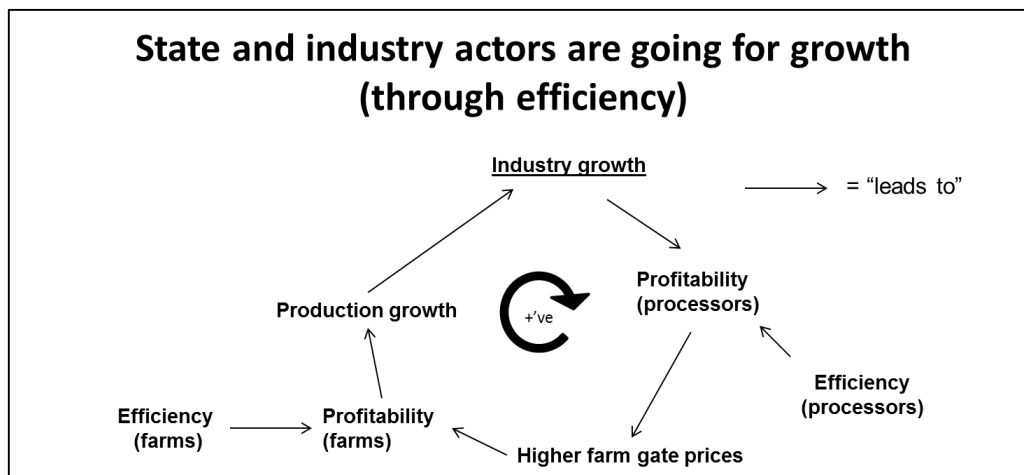


## What processes and agendas are shaping change in dairy farming? How are the interests of rural communities accounted for in these processes and agendas?

The main agenda of governance actors in the dairy industry and in government is industry and production growth. Industry and government's view is that growth in milk production on farms will enable the industry as a whole to be more profitable, which in turn will enable higher farm gate prices, as shown in the diagram below. To support growth, improved efficiency is required on the part of both farmers and milk processors:

*"If the dairy industry feels like it's felt in the last few years where it's not really growing [...] then we won't have achieved our goal (Murray Goulburn Co-operative executive, Interview 65).*

*"Our main focus is growth for the industry, productivity, profitability, growing our ag[ricultural] sector" (DEPI regional program manager, Interview 7).*



Industry and government actors also consider that growth needs to be "sustainable", but sustainability means different things to different people, and in different contexts:

*"[The way DEPI uses 'sustainability' has] got a heavy bias towards the environment: so making sure that agriculture are good stewards of the environment" (DEPI state-level director, Interview 67).*

*"Sustainability has been taken 'mainstream' by major food companies [...] It has become a strategic approach to extract business value through risk management & resource efficiency" (Horizon2020 (2013): a dairy industry strategic planning report).*

*"When I think of community sustainability [...] it would be about the sustainability of the farm business and community sustainability ends up being a result of a number of sustainable individual businesses" (VFF policy manager, Interview 68).*

*"It's a puzzle. You need to get a whole heap of things lined up in order to have a healthy, sustainable community" (Towong Shire senior executive, Interview 66).*

*"So sustainability has got various meanings depending on the user. That's the reality of it" (DEPI state-level director, Interview 67).*

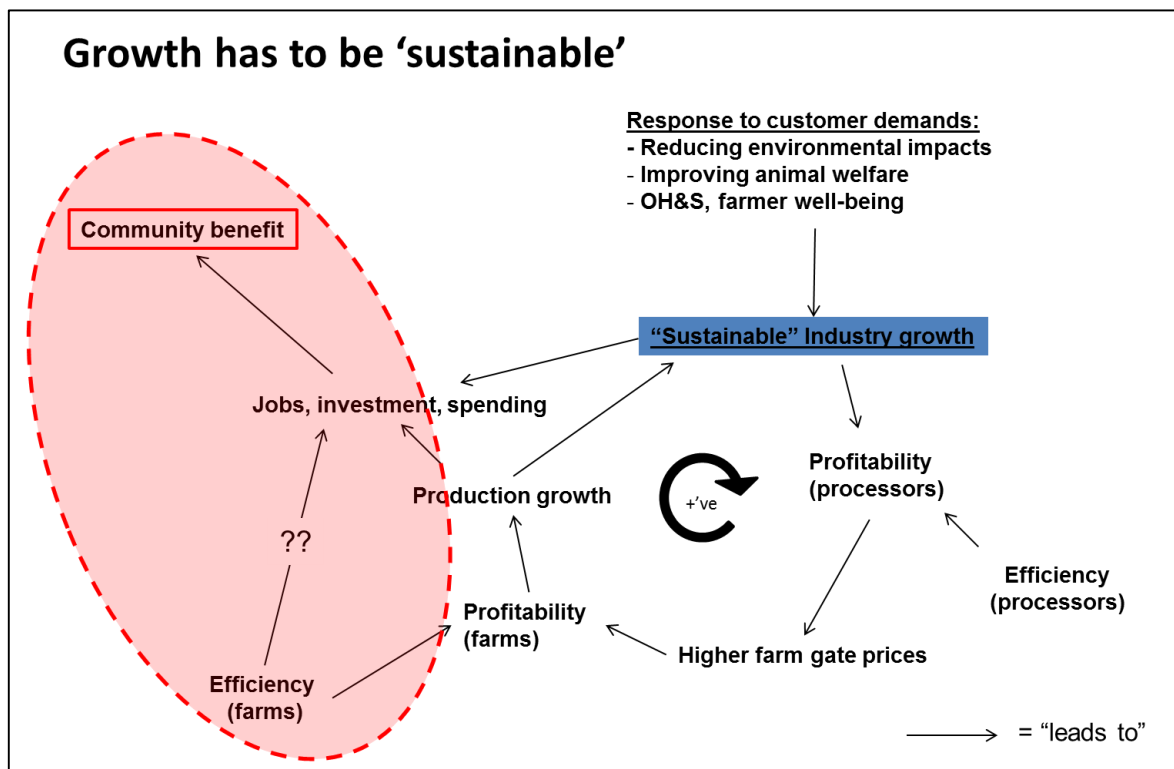
I found that it is local government (and also the regional development arm of the state government) who understand sustainability in a way that is closest to the community understanding shown on Page 6.



Australian governments and consumers, and also major multinational companies who buy Australian dairy products, are demanding that the dairy industry demonstrate “sustainability”. In response to this the industry in 2012 released a “Sustainability Strategic Framework” called “Enhancing livelihoods, Improving wellbeing, Reducing environmental impact”.

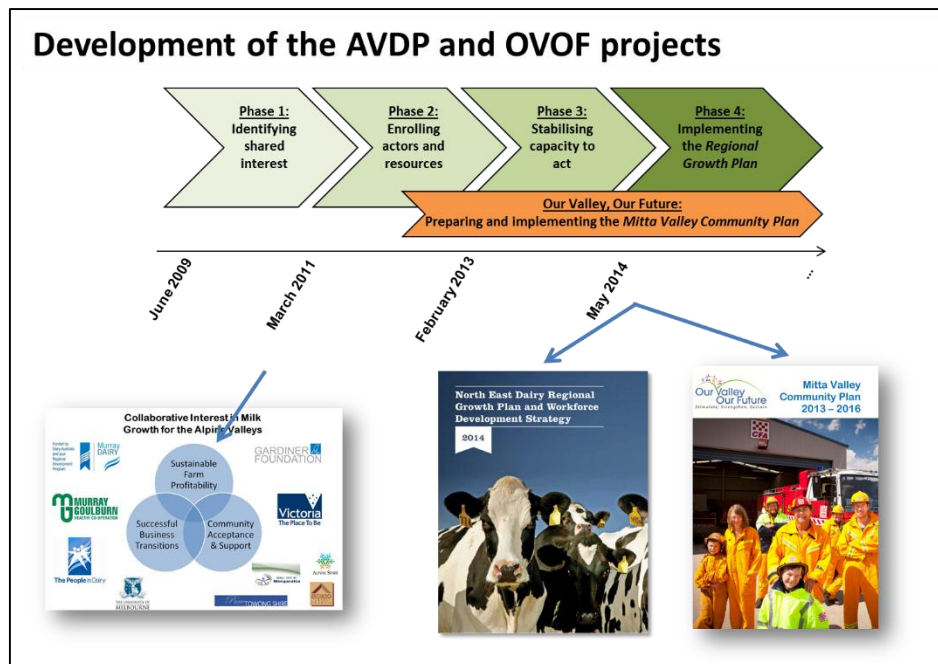
In the case of environmental sustainability, and also in areas such as animal welfare and occupational health and safety, the dairy industry recognises a need to pursue continuous improvement in its performance, by changing and improving practices on farms.

However, in the case of community sustainability, the general understanding of industry and government actors is that industry growth will automatically lead to community benefit, and more ‘sustainable’ communities, as a result of the additional jobs, investment and spending that will come with more, larger and more profitable dairy farms. This is an important difference. While environmental sustainability requires that dairy industry to pursue practice change, in the industry’s view no such change is needed in the case of community sustainability. It is assumed that community benefit will automatically occur as a result of the dairy industry pursuing its own interest in production growth. This difference is shown in the diagram below. (The dairy industry also has a long tradition of supporting communities through activities such as sponsoring sporting teams and community events. This type of support is very valuable and should continue).



Mitta Valley community members do indeed see jobs, investment and spending as important components of community sustainability, as shown on Page 6, and are keen to retain as many dairy farms as possible. However there is also a lot of evidence from both Australia and overseas that the types of changes that occur on farms as farms get bigger and more efficient do not always lead to community benefits. For example, it can be expected that dairy farmers will continue to seek increases in labour productivity, to control costs. The industry sustainability agenda does not address possible tensions such as this between efficient growth at individual farm scale and the effects they have at community scale.

## What opportunities arise when communities, industry and government decide to work together on agricultural industry development?



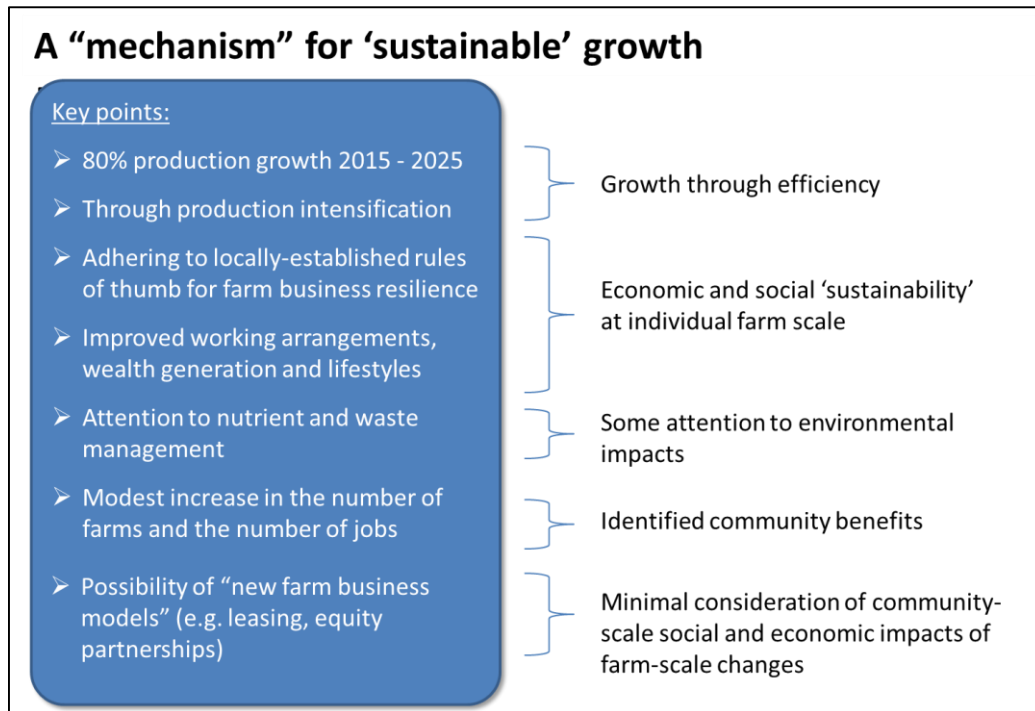
The Alpine Valleys Dairy Pathways (AVDP) project developed from an identified shared interest in industry growth in 2011. I observed the project up until 2014, when it produced a detailed Regional Growth Plan for the dairy industry in north-east Victoria. The Regional Growth Plan contains a detailed “vision” for the future, and also identifies specific strategies and actions, with specific responsibilities for different stakeholders. The diagram on Page 11 summarises the main points of the “vision”. The AVDP project also created the initial contact between the Mitta Valley community and the Gardiner Foundation, which led to the Our Valley, Our Future project. The Our Valley, Our Future project produced a community plan for the Mitta Valley in 2014.

This is how the AVDP project consultant described what the Regional Growth Plan represents:

*“There’s a mechanism in place now that’s relatively useful. We’ve got the strategy that we can go back to. We’ve got some structure around the discussion of what our expectations are, and we’ve got a group of people who are prepared to sit around the table four times a year to actually review how we are going, and come up with suggestions, and be involved.”*

By early 2015 the AVDP project had generated over \$1 million in project investments, and had facilitated active involvement from a large number of relevant organisations in supporting the development of the regional dairy industry.





The main elements of the Regional Growth Plan’s “vision” for the north-east Victorian dairy industry are shown in the diagram above. The dairy industry’s understanding of “sustainability”, discussed on Page 9 of this summary, is also reflected in the Regional Growth Plan. It recognises the need to manage dairy’s environmental impacts, and also the need to pay attention to economic and social aspects of sustainability at individual farm scale. But again it assumes that benefits at the community scale will automatically flow from production growth and profitability at the farm scale.

The Regional Growth Plan also suggests that alternative farm business models such as farm leasing and equity partnerships may become more common in the future, as responses to the changes that have occurred in family succession processes, and also as responses to the high capital value of farms, which makes it difficult for young people to buy farms. Any impacts that these new farm business models might have on communities are not discussed.

This raises some questions: Whose job is it to think about the community-scale implications of particular industry development trajectories, such as changes to farm business models? Can change on farms be shaped with community benefits in mind, and if so how?

The expectation of the Alpine Valleys Dairy Pathways project was that this is a role for community leadership:

*I think that [community] sustainability question is about local leadership, and local decision-making and local energy and being able to find the space to find good local solutions.*

The Our Valley, Our Future project provided one opportunity for community leadership in the Mitta Valley, but so far this has not resulted in specific goals or actions relating to change on dairy farms and its implications for the community. This is probably partly because farming and land use decisions are seen by the community as individual family matters, as discussed on Page 7.

## Conclusions

I concluded from my research that projects like the AVDP and OVOF projects that are organised from the “bottom up” at local and regional scale can create effective collective action. These projects are well-placed to understand and respond to local priorities, and to create the working relationships that are needed with other local and regional-scale organisations.

Establishing and maintaining such collective action takes a lot of time and commitment, and highly-skilled leadership from people with strong networks. Also, this type of “bottom up” action is always vulnerable to the changing priorities of organisations higher up the scale hierarchy, who are usually in control of funding and resources.

However I also concluded that the AVDP project, like the dairy industry’s sustainability agenda, is not yet engaging proactively with the potential community-scale implications of the way that industry growth occurs.

## Implications for industry, governments and communities

These findings have implications for a range of stakeholders.

### For the dairy industry:

- The AVDP project demonstrated the capacity of regionally-led, “bottom-up” activity to create regional-scale collective action for industry development. If the dairy industries sees value in this type of activity and leadership, then it needs to have mechanisms to resource and support it.
- The sustainability of rural communities is indeed part of the sustainability of the dairy industry, since farmers and their employees want to live in thriving and vibrant communities.
- To demonstrate its commitment to the sustainability of rural communities, the Australian dairy industry needs to develop a more detailed understanding of the implications for communities of different farm development trajectories, such as changed farm ownership and business models and changed employment patterns. This needs to be part of the industry’s response to growing customer and consumer interest in industry sustainability.
- Employment is a particularly important issue for communities. A dairy industry with a commitment to community sustainability should be interested in farm business models that maximise the number of permanent and high-quality jobs that farms provide within local communities, (within the constraints of profitability). Farm jobs should be seen not as just a business cost, but also as a valuable contribution to community sustainability. This view should be reflected in the nuance of farm business management advice.
- Other community members, not just dairy farmers, should be involved in regional industry development and planning projects, so that community issues are on the table.

For governments:

- Both the Federal and Victorian Governments have declared a strong interest in agricultural industry development. The AVDP project has demonstrated the capacity of regionally-led projects to generate collective action involving government, industry and community stakeholders, and targeted at locally-identified priorities. This appears to be a good mechanism for translating policy intent toward industry growth into practical action.
- Australia's market-oriented agricultural policy places industry organisations in the lead for industry development efforts. However it is unrealistic of governments to expect industry organisations to take full responsibility for the "public goods" that are related to agricultural industry development, such as rural community sustainability. Strategising and acting on these linkages is a role for government.
- It is local government and the regional development arm of state government that are best equipped to understand, speak and act on the wider aspects of community sustainability, beyond economic growth. This is the role they should play as stakeholders in regional-scale industry development projects.

For rural communities:

- There is a role for community leadership too: to create space for local conversations about the community-scale implications of different agricultural development pathways, while also respecting the private nature of families' land use and business decision.
- Community members other than farmers in the industry concerned should also seek to be involved in agricultural industry development projects, so that the linkages between farm change and community change can be discussed, and can be considered in the development of projects' strategies and actions.



Acknowledgements:

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- The Melbourne School of Land and Environment.

I would particularly like to thank everyone who participated in my research. I feel very privileged to have been invited into people's homes and workplaces, and found everyone's contributions fascinating.

If you have any comments or questions in response to this summary please feel free to contact me:

Michael Santhanam-Martin