Tasmanian Farmers and Graziers Association

Submission to:

Inquiry into Environmental Offsets

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AGRICULTURE IN TASMANIA

The total Tasmania gross state product (GSP) was $23.9 billion for the 2012 year. The GVP of agriculture, forestry and fishing collectively amounted to almost 9% of this total – before input supply services and value-adding, which is well above that for the nation as a whole.

In 2010/11, the farm gate value of production (GVP) of agriculture, forestry and fishing was $1.98 billion. This comprised:

- agriculture - $1.150 billion;
- forestry - $235million; and
- fishing - $597 million.

This is before considering input supply services and value-adding. Taking into account basic multiplier factors, this means the farm-dependent economy contributes more than $5.0 billion to the gross state economy - in spite of adverse pressures on the forestry industry.

Over the past 25 years, the average annual rate of increase in farm gate GVP has been close to 4%. Average growth in the farm GVP over the recent past has been slightly slower than average, as a result of reduced export returns due to the high value of the $A and increasing cost pressures along the value chain.

Milk and milk products followed by livestock and livestock products were the main sector contributors to farm production value. However, this was partly offset by reduced vegetables output associated with severe wet weather at harvest in the first quarter of 2011.

Some 10,500 people were employed directly in agriculture forestry and fishing. A further 8,500 people were employed in services to agriculture and food and fibre value-adding. This is close to 9% of the working population in Tasmania.

The preliminary Tasmanian government Scorecard data for 2010-11 (prepared by DPIPWE) indicates the wholesale value of food and beverage production has remained steady, roughly in line with the previous year at $2.7billion This demonstrates the important role that the processing sector plays in adding value to farm gate returns and the fortunes of those who live and work in the farm dependent sector.

Furthermore, the inclusion of forestry as a long cycle crop enterprise in farming businesses in the state means that the overall economic contribution must include these figures too. Our best estimate is that in 2009/10 this added a further $400 million to farm gate income. Clearly, as a result of the uncertainty currently evident in this sector, that figure has fallen significantly since then. Nonetheless, on a long term outlook, forestry remains an integral part of a diversified farm business.

Compared to the previous year, growth in agriculture GVP has broadly offset the fall in forestry GVP.

The vast bulk of our agricultural product is sold interstate and overseas. Farm exports in 2010/11 easily exceeded $550m (farm gate equivalent value) when account is taken of pharmaceutical products. The share of exports to Asian destination exceeded 50%. In addition, it is estimated that a further $1.8 billion of raw and value-added product was shipped to the mainland.

In 2011/2012, total exports from Tasmania were valued at $3.196 billion. Agricultural products represented some 30% of that total – approximately $1 billion. Almost 25% of total exports ($502 million) were destined for ASEAN countries. Agricultural products valued at approximately $121 million represented 25% of that total. ASEAN countries have become increasingly important destinations too, with overall exports increasing marginally over the past three years; and food exports alone increasing significantly from $71 million to $96 million over the period 2009/2010 through 2011/2012. Major products exported to ASEAN countries included dairy ($42 million); seafood ($32 million) and wood products ($20 million estimated from private forestry sector). Key destinations included Japan (35%), China (21%), and Hong Kong (21%).

Farmers are also significant land managers in the state, with almost a third of Tasmania's land area of 68,300 sq. km committed to agriculture.

These figures clearly confirm the importance of the sector as an economic driver for the state's economy – and also demonstrate that agriculture is a more significant contributor to the Tasmanian economy than in any other state. With this in mind, it is clear that Tasmania needs to ensure that the agricultural base of the state remains competitive and profitable.

About the TFGA

The TFGA is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

Operationally, the TFGA is divided into separate councils that deal with each of the major commodity areas. As well, we have a number of standing committees that deal with cross-commodity issues such as climate change, biosecurity, forestry, water and weeds. This structure ensures that we are constantly in contact with farmers and other related service providers across the state. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

With our purpose being to promote the sustainable development of Tasmanian primary industries, the TFGA is committed to ensuring that the agriculture sector in Tasmania is profitable and sustainable. We are also committed to promoting the vital contribution the agricultural sector makes to the environmental, social and economic fabric of the Tasmanian community.

COMMENT

In this submission, we will seek to address section one of the terms of reference. However, we are not in position to make qualified remarks about the specific projects outlined in section two of the terms of reference. In summary, the TFGA does not believe that the current environmental offsets regime is effective in reaching its stated goals, nor does the current regime provide the best outcomes for the agriculture sector.

The principles that underpin the use of offsets.

The current environmental offsets regime and the principles that underpin the objectives of the policy are failing the agriculture sector. The fundamental presumption that environmental impacts or degradation can be arbitrarily rectified or compensated for does not stand scrutiny. Any action undertaken has the potential to have a negative environmental impact. A greater emphasis on avoidance and mitigation measures should be the central focus of the policy.

We accept that the current policy holds avoidance and mitigation measures as primary strategies. Nevertheless, environmental offsets should not be seen as a failsafe contingent. Rather, avoidance and mitigation strategies should be seen as the real and practical solution to environmental impacts.

Offsets are a purported mechanism to translocate and compensate for residual negative impacts of an action or development. In reality, offsets do not in any way reduce the impacts of a proposed action. As such, it can be contended that offsets have no real direct environmental outcome for the matters impacted. We would contend that this is in essence a failing to deal with the issue, which reinforces our view that other mechanisms are superior in addressing any adverse impacts and produce better outcomes in the longer term.

The need for environmental offsets is based on an implicit assumption that threatened species and/or ecological communities can and should be protected, no matter the cost or the consequences. Recent scientific debate suggests that this assumption requires much more rigorous testing; and it is important to recognise that such aspirations are not always desirable or attainable.

As a community, we need to reassess our ability to protect and nurture endangered species and in doing so prioritise those that have a very real likelihood of success and accept that some will not survive. Humans will continue to undertake activities that have adverse environmental impacts - and of course they should seek to avoid and mitigate these wherever possible. However, pragmatically, it is also important to accept that some level pf residual adverse environmental impact is unavoidable and a part and parcel of our existence as a species. These adverse impacts cannot realistically be compensated for in any meaningful way.

The processes used to develop and assess proposed offsets.

Beyond developments of national or state significance and, more particularly, within the agriculture sector, there is little knowledge or understanding of the current requirements of the EPBC Act.

TFGA is aware that there have been cases of agriculture developments not requiring environmental approvals at a state level and proponents proceeding on that basis only to find that, notwithstanding the state exemption, the EPBC Act requires them to have an environmental approval. This would suggest that currently there is a significant disconnect between state and federal environmental objectives which is further compounded by a lack of information and education.

The current processes used to develop and assess proposed offsets are both economically restrictive and also lacking feasibility for smaller agriculture developments. Often farmers find that as a precaution they are advised to enter the EPBC process to ensure that they have complied. This is a costly and time consuming process that often leads to a finding that exempts the development from requiring not only offsets but in many cases also avoidance and mitigation strategies.

This would suggest that often the process is not required and only serves to prolong the development stage and the associated costs. There needs to be a recognition that these delays can and do have adverse social impacts particularly if the delay makes the development economically untenable and it does not proceed.

The adequacy of monitoring and evaluation of approved offsets arrangements to determine whether promised environmental outcomes are achieved over the short and long term.

If offsets are incorporated into a development approval, the onus then rests with the proponent to meet the conditions of the offset approval. Currently, the government uses its monitoring and audit programs as the mechanism to oversee the implementation of the approval. It is concerning to note that government relies on penalties applicable under its compliance and enforcement policy to deal with breaches. This appears to be a heavy handed approach. While penalties certainly have their place, we would view guidance and education as a more sophisticated mechanism to achieve positive outcomes.

We are not aware of any meaningful ongoing arrangements to monitor short or long term outcomes. However, if offsets are considered to be an integral component of environmental preservation, then our expectation is that governments would be allocating significant resources to ensure the outcomes meet the objectives. The fact that they are not providing adequate resources reflects the naivety of commodity and/or product champions.

Moreover, in our experience, overlapping requirements for offset and other environmental regulation often result in no net environmental improvement. In some cases, the outcomes are clearly perverse, and environmental impacts are actually exacerbated.

Other related matters.

In summary, we have severe reservations concerning not only the fundamental tenets underpinning the policy but the mechanisms used to implement the objectives.

There is a clear need for better education and a corresponding realignment between the federal and state governments regarding their environmental objectives.

Further, there is a clear need for recognition of the increasing burden placed on farmers by overlapping layers of offset required by various levels of government. There is no co-ordination of expectations between levels of government; nor is there any recognition of cumulative impact. Each government regulatory instrument considers only the provisions of its specific wording; and does not look at whether there are possible synergies between different agencies, or even different levels of governments.

All expectations incorporated in regulation or legislation carry costs. In the case of environmental regulations, including offsets, those costs are born by landholders (often farmers) with no capacity for recoupment.

This is simply untenable.

There is ample evidence to show carrots work better than sticks. If the community wishes to protect environmental attributes, then the community must pay – and that means the government has to fund such activities.

At the very least, such an approach recognises basic principles of equity, and spreads the cost burden in accordance with the 'user pays' principles that governments are all to quick to adopt when they wish to cost-shift.

If the community has the information necessary to assess real performance and measurable outcomes, there may be greater understanding that any expectation of continued landholder acquiescence in footing the bill for such activities is not only unrealistic, it is also delivering perverse outcomes.

In any case, if the community has to consider each investment in the light of opportunity cost, it is likely most will value more basic social services (such as health and education) more highly.

Tasmanian Farmers and Graziers Association

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