National Farmers' Federation

Submission to the Joint Select Committee on Australia's Clean Energy Future Legislation - Inquiry into Australia's clean energy future

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Prepared by Charles McElhone

National Farmers' Federation

Member Organisations

AGFORCE

Australian Dairy Farmers

Australian Livestock Exporters' Council ALEC

ALPA

Australian Veterinary Association ®

Pure Beechworth Honey 100% Pure Australian Honey

CANEGROWERS

Cattle Council of Australia

Corporate Agricultural Group

Cotton Australia

GrainCorp

Grain Growers Real benefits. Real results.

Goat Industry Council of Australia inc

NSW Farmers Association

Northern Territory Cattlemen's Assoc. N.T.C.A Darwin Katherine Tennant Creek Alice Springs

Agricultural Excellence & Sustainability RGA Ricegrowers' Association of Australia Inc

Ridley

Sheepmeat Council of Australia

Agriculture's Future ↔ Your Future ↔ Our Future TFGA

The Pastoralists' Association of West Darling

Victorian Farmers Federation

WAFarmers The Western Australian Farmers Federation

WoolProducers Australia

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The National Farmers' Federation

The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly agriculture across Australia.

The NFF's membership comprises all of Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations collectively form the NFF. Each of these state farm organisations and commodity councils deal with state-based 'grass roots' issues or commodity specific issues respectively, while the NFF represents the agreed imperatives of all at the national level.

As of 1 July 2009, the NFF has also instituted an Associate Member category to enable agricultural entities, including agribusiness, to be more involved with the NFF.

Introduction

The National Farmers' Federation (NFF) has continually reinforced concerns about the impact that the carbon tax will have on Australian farmers and the agricultural sector with the Government.

Independent research by the Australian Farm Institute has highlighted additional cost from electricity and other indirect energy related sources. These include the additional costs of Avgas, food and fibre processing and other imbedded energy costs in the manufacture of farm inputs. This research shows that even with fuel excluded, the average Australian farmer will still incur an additional $1,500 a year in costs under a carbon price of $23 per tonne, eroding their net farm income by 2.4 percent (see Tables 1 and 2 below for commodity breakdown of modelled impacts).

Table 1: Projected change in farm business costs and farm cash income, one year after the introduction of a carbon price[1]

	BEEF FARMS			SHEEP FARMS			GRAIN FARMS		DAIRY FARMS		SUGAR		RICE	COTTON
	Australia	Qld	Vic	Australia	NSW	WA	NSW	WA	NSW	Vic	Central QLD	Burdekin QLD	NSW	NSW
Carbon Price	$23	$23	23	$23	$23	$23	$23	$23	$23	$23	$23	$23	23	$23
Cost – Processor ($)	$418	$546	$259	$278	$549	$451	$913	$2,152	$3,132	$2,980	$18	$17	$5,011	$5,133
Cost – farm ($)	$1,145	$1,406	$635	$976	$1,112	$1,024	$2,471	$2,951	$4,560	$3,074	$1,533	$7,491	$2,646	$4,110
Cost Total ($)	$1,563	$1,952	$893	$1,254	$1,661	$1,474	$3,384	$5,103	$7,691	$6,054	$1,551	$7,508	7,657	$9,243
Cost change (%)	0.6%	0.5%	0.7%	0.6%	0.8%	0.5%	0.7%	0.6%	1.5%	1.4%	0.5%	0.8%	2.3%	0.6%
Income change (%)	-3.4%	-2.7%	-2.9%	-3.7%	-5.2%	-3.8%	-5.5%	-2.3%	-6.7%	-7.8%	-2.3%	-2.9%	-2.9%	-2.1%

[1] Australian Farm Institute (2011) Farm Institute Insights, Volume 8 No. 3, August Quarter 2011

Table 2: Projected change in farm business costs and farm cash income, three years after the introduction of a carbon price (heavy vehicle fuel included)[2]

	BEEF FARMS			SHEEP FARMS			GRAIN FARMS		DAIRY FARMS		SUGAR		RICE	COTTON
	Australia	Qld	Vic	Australia	NSW	WA	NSW	WA	NSW	Vic	Central QLD	Burdekin QLD	NSW	NSW
Carbon Price	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36	$25.36
Cost – Processor ($)	$2,282	$2,990	$1,410	$1,424	$2,663	$2,167	$4,209	$9,728	$7,434	$7,212	$101	$93	$6,159	$5,868
Cost – farm ($)	$1,758	$2,143	$942	$1,537	$1,678	$1,908	$4,326	$6,661	$6,507	$4,551	$2,810	$12,216	$3,847	$9,078
Cost Total ($)	$4,041	$5,133	$2,352	$2,962	$4,341	$4,075	$8,536	$16,389	$13,940	11,763	$2,911	$12,309	$10,005	$14,946
Cost change (%)	1.5%	1.4%	1.8%	1.5%	2.1%	1.4%	1.7%	1.8%	2.7%	2.8%	1.0%	1.2%	3.0%	1.0%
Income change (%)	-7.4%	-6.0%	-6.7%	-8.3%	-12.7%	-9.4%	-11.5%	-6.5%	-10.6%	-13.0%	-3.8%	-4.1%	-3.6%	-3.0%

These costs will erode the competitiveness of the agricultural industry in the domestic and international markets on which we depend.

As the recent Productivity Commission review highlighted, across the world, countries are developing climate policies that recognise the importance of agriculture and deliberately prevent any additional costs being added into their farmers' businesses.

For these reasons, the NFF remains opposed to the carbon tax.

However, the NFF has acknowledged moves by the Government to reduce the cost burden for Australian farmers from the carbon tax and to assist agriculture develop genuine carbon mitigation options through new R&D within the Clean Energy Futures Package. The Package has made efforts to address a number of the key concerns put forward by Australian farmers. These include the following:

- Confirmation that agriculture will not be covered by the carbon tax;
- Exclusion of agricultural fuel from the scheme;
- An investment of $429 million over six years into agricultural carbon mitigation R&D and extension;
- An investment of $946 million over six years into incentives for biodiversity development;
- A dedicated $150 million stream provided for the manufactures in the food processing sector to help them transition to a low emissions future;
- A Carbon Farming Initiative (CFI) non Kyoto carbon fund investing $250 million over six years in measures to support non-Kyoto compliant CFI credits.

These inclusions within the package demonstrate that the Government has been listening to NFF concerns about the Carbon tax and how it will impact on Australian farmers.

While the NFF notes that the Clean Energy Legislative Package appears to largely reflect the commitments made on Sunday 10th July 2011, we have used this opportunity to highlight a potential issue within the draft Fuel Tax Legislation Amendment (Clean Energy) Bill 2011 that we believe requires clarity and possible amendment.

[2] Australian Farm Institute (2011) Farm Institute Insights, Volume 8 No. 3, August Quarter 2011

Fuel tax clarification

The NFF was pleased to note that as part of the Clean Energy Futures Package, agriculture, forestry and fishery industries will not be required to pay a carbon price on their fuel use. We also note the two year exemption for heavy vehicle on-road transport.

AFI modelling demonstrates that for most agricultural commodities, fuel use would comprise over two thirds of the potential cost of a carbon price if it was to be covered by the scheme. This has meant the treatment of fuel has been a key focus of NFF advocacy surrounding on the carbon tax.

However, the NFF membership has raised concerns about the draft Fuel Tax Legislation Amendment (Clean Energy) Bill 2011 and whether it appropriately reflects the Government's policy intent outlined on the 10th July 2011.

The NFF understands that the Government is trying to clearly identify what activities are able to be exempt from the carbon tax on fuel usage by using a very prescriptive definition of what constitutes an "agricultural activity". However, this prescription has led to NFF members questioning whether some existing, legitimate agricultural activities have been inadvertently missed within the definitions.

For example, in the definition of what constitutes a "livestock activity" the provisions provide that on-road transport of livestock to 'an agricultural property' for the purposes of 'rearing livestock' is to be exempt from the carbon-price-equivalent fuel tax adjustment only if it is for the purposes of 'rearing livestock' or 'agistment'.

However, an activity that may not qualify under these livestock transport-related provisions is the practice of a farmer buying mature, fully-grown sheep to graze on harvested lands, purely for the purpose of removing residual crop waste and restoring nitrogen to the soil. This activity would not appear to qualify as 'rearing' or 'agistment'. Furthermore, it is not clear whether this exemption will also extend to cover deliver of livestock to a feedlot.

The NFF therefore questions whether such prescriptive definitions are required in identifying what constitutes an agricultural activity as it may lead to unintended exclusions that would seem contrary to the Government's declared policy intent.

The NFF has been advised definitions provided within the draft Fuel Tax Legislation Amendment (Clean Energy) Bill 2011 have been copied directly from the former Energy Grants Credit Scheme 2003. We therefore encourage the Government to ensure that these provisions remain relevant in the current context, bearing in mind that the Fuel Tax Credit scheme is not limited to the agriculture, fisheries and forestry industries, in essence making the sectoral definitions less relevant in that context.

The NFF therefore recommends that the Fuel Tax Legislation Amendment (Clean Energy) Bill 2011 provides a less prescription definition of what constitutes an "agricultural activity" so as not to inadvertently exclude bona fide activities.

It has been suggested that greater certainty would be provided within the legislation if the agricultural fuel exemption was less prescriptive and tied only to “fuel used in the operation of an agricultural enterprise”.