



10th March 2011

Committee Secretary

Senate Standing Committee on Rural Affairs and Transport

P. O. Box 6100 – Parliament House

Canberra ACT 2600

Overview

The IHD group was founded almost 25 years ago by existing members E.E.Muir & Sons (Melbourne based), Serve-Ag Pty Ltd (Tasmania) and I. K. Caldwell & Co.(Shepparton). The aim was to form a business group of like-minded Independent Agricultural input suppliers. Today the IHD Group comprises of 24 independent rural input supplier businesses as shareholders serving all sectors of Australia's food and fibre production industries covering most of regional Australia. The IHD Group shareholding members, have over 200 distribution outlets Australia wide, with more than 1000 employees including 350 plus agronomists and technical specialists which have sales to our farmer customers in excess of one billion dollars.

IHD Group operates within the dynamic and rapidly evolving primary production industry. There are many market factors impacting input suppliers, retailers, farmers and the post-farm gate sector.

Among these changes is a shift from the government and government sponsored structures and regulations of the past to a more open, self-regulating, market-based economy.

Australian agriculture competes without protection in fiercely competitive domestic and global markets. To survive and prosper, Australian farmers - IHD's key customers - face

unrelenting pressure from down-stream marketers, processors and consumers for higher quality products at low global market prices.

In response, many farm enterprises are being reshaped, especially in size and production techniques to give tight product specifications, better segregation, improved “track and trace” and properly documented Quality Assurance. This coincides with pressure on production costs with lower costs of production with each passing year. Not surprisingly, there is an on-going trend to fewer, larger farms and higher levels of more professional management. It’s an environment in which IHD members must thrive.

IHD Group members :

- Assist in new product development
- Provide a wide range of key inputs, including, seed, fertiliser and crop protection chemicals and animal health products to farmers
- Provide a wide range of professionally based, on-farm advice in crop and animal enterprise planning, product selection in fertilisers, crop protection, animal health, irrigation scheduling and application techniques. Several proprietary and custom developed products are used in these advisory services
- Work closely with suppliers, to cut needless costs from the supply chain, to improve product performance and develop new crop protection formulations to suit end-users.

Comments with regards to terms of reference.

The direct and indirect impact of the Proposed Basin Plan on regional communities, including local agricultural industries, local business activity and community wellbeing.

Of the 24 IHD members, 14 are in some way directly operating to some extent in the Murray Darling Basin. Ten (10) are totally within the basin footprint. Some are totally reliant on the river system for their business whilst others are only partially affected.

The likely impact of the proposed MDBP is dramatically illustrated directly by comments of the impacted member businesses within the catchment.

“The proposed MDBP in an area like Bourke will have a devastating effect, if water is cut by 20% then our business will contract by the same amount, but further to this, the diminishing scale, is getting close to limiting the amount of critical infrastructure in place for the industry to be viable, i.e. a cotton gin needs 60000 bales to break even, a fuel supplier needs 4M litres diesel etc etc, a rural business also needs a certain amount of industry to stay viable. Access to water in Bourke has been cut by 60% in the last 10 years, and my fulltime staff in Bourke has contracted from 13 – 6, (we have same market share across the 10 years) in other words directly proportional to access to water, (and some impact from GM crop technology).”

“The proposed cuts have not been confirmed but figures between 30% to 54% have been suggested which if implemented would mean a reduction in turnover and business available to or company of up to 60% or more.”

“Like all business's in our community we rely heavily on irrigated agriculture for our business the surrounding dry area production and other business makes up only 10% of our turnover the remaining

90% coming from irrigated summer and winter cropping production In real terms each million dollars of turnover currently being generated would be reduced by upwards of \$600,000K."

"The obvious and immediate result from any reductions in business activity is on staff at all levels of the company, whilst the effect is obvious the implementation of reductions is not, it cannot be dismissed as just a few jobs; these dramatic declines effect management, technical staff, administration, shop warehouse and drivers we would have less customers to service less shop traffic requiring aprox 25% of the existing staff to service their needs."

"Current staff of 26 would reduce down to maybe 5-6 putting out of employment 1 manager, 7 agronomy, 2 administration , 9 shop warehouse and driving staff."

"Most of these people would be lost to their communities having a dramatic effect on schools, hospitals, and every other service organisation obviously destroying the structure of both small and large communities throughout the M.D.B."

"The proposed cuts even before they are implemented are having a negative effect on property valuations in our city, we have seen a decline in property valuations right across the board in both the domestic and industrial markets with rural valuations stable but no properties changing hands because of the insecurity of the market and the future."

"Our company has property purpose built for our industry which if the water cuts are implemented will be virtually unsalable. Companies who rely on property valuations remaining stable to support their business's with their financiers are facing the possibility of being "sold up" at any price to satisfy their financial commitments which in reality could be their ruin."

Branch Closures. "Our company operates 4 branches and 2 depots in 6 communities. The decline of business would necessitate closing 2 branches and 2 depots putting out of work 8 of our own staff and 2 depot staff not our direct employees."

"These branches are important contributors and supporters of their communities which are not large and fragile at the best of times so their closure could devastate and along with other business closures ultimately destroy these communities."

Cost of Doing Business. "The nature of the current Water Buy Backs and the proposed cuts will lead to many property closures, properties currently operating as irrigation farms will sell water and operate as dry marginal producers, making the distance between properties greater having a negative effect on the cost of servicing those customers remaining, we operate in a competitive low margin market and any additional costs will make continuing to remain in business in any form difficult."

Future Investment." We have along with many in our community invested in our future by way of property investment and the development of our individual businesses we have built some large and some smaller businesses from small beginnings we have developed as part of our region and have invested our returns to assure that we are abreast of the requirements of the areas producers."

"These investments are now threatened and could be lost and any future investment by us and other like business's will not happen because of loss of business."

Outside Investment." Our area and business is and has been reliant on investment in our region by companies expanding and value adding the crops produced by our customers, any decline in production brought about by changes in water availability would ensure no further investment in our region by anyone looking to value add agricultural production be it food or fibre."

"This drying up of investment like the drying up of the water is a direct threat to our business and region."

In other areas, the impacts will not be as severe, but the committee cannot deny the magnitude of social and economic impacts to small irrigation based communities along the river system.

Many agribusinesses are major employers in small communities providing infrastructure and expertise at the local level. The direct impacts on employment are very clear. As a consequence of loss of turnover from rural supplies business there will be a direct reduction in head count. (approximately one employee per \$1 million in turnover). This could equate to several hundred employees over the whole catchment footprint if the farming businesses contract accordingly for our group alone. This would be multiplied by a factor of four in the distribution sector on its own.

We believe the flow on effects will include significant difficulty in attracting highly qualified technical staff to provide the expertise needed to support grower needs. This is already a significant barrier given the current uncertainty in the catchment areas. Potential employees leave the agricultural service sector, never to return being lost to other industries. This will further stifle the development of innovation and adoption of this technology for the farming sector.

The flow on effects of the current proposals across small regional communities and all their businesses will be significant in terms of social and economic impact. This submission hopes to highlight the likely impact in our business segment. The economic and social implications of the current plan should be given fair consideration as the environmental aspects have been. This must be in a balanced way.

Thank you for your consideration and I look forward to your response.

Yours sincerely,

Bill Dowdle

General Manager

IHD Pty Ltd