

29 January 2021
Department of Treasury

Re: 2021-22 Pre-Budget Submissions

Dear Assistant Treasurer,

On behalf of Farmers for Climate Action (FCA), I am delighted to submit recommendations for the 2021–22 Federal Budget.

There are a number of investment opportunities open to the Federal Government which will help Australian agriculture grow to become a \$100 billion industry by 2030, while also supporting the nation’s capacity to meet its emissions reduction commitments.

About FCA

FCA is a movement of farmers, graziers and agricultural industry leaders focused on advancing climate solutions. Our rapidly growing network of Australian farmers and industry leaders, drawn from diverse agricultural industries and all sides of politics, is united in a common goal: to ensure that farmers, who are on the frontline of climate change, are part of the solution. Our work is evidence-based and non-partisan, drawing upon the best-available science to inform our advocacy and extension.

Recommendations

In mid-2020, FCA sought expert policy and scientific advice on policies and strategies, with both short and long-term benefits, and produced the *Regional Horizons* report.¹ This is our contribution to a national conversation about the development of a climate-smart, prosperous rural and regional communities. It is intended to inform discussion and prompt action. Indeed, we note that the Government is already turning some of the ideas in *Regional Horizons* into reality, including in the Future Drought Fund, with Adoption and Innovation Hubs which resemble FCA’s proposal of a network of Regional Resilience Hubs.

FCA applauds these signs of progress and is eager to work with the Government to help ensure they succeed. At the same time, there are big, clear gaps in the Government’s approach. Gaps that deny rural and regional industries and communities the sorts of opportunities to ensure rising emissions do not render climate risks unmanageable for farmers, and to grow a high-value, low-emissions, world-leading Australian agriculture sector.²

To these ends, we recommend the following—drawing from and building on *Regional Horizons*.

¹ Farmers for Climate Action, “Regional Horizons: Farming Communities Leading the Recovery” (Canberra, 2020), https://farmersforclimateaction.org.au/wp-content/uploads/2020/07/Regional-Horizons_FCA_July-Update.pdf.pdf.

² J Greenville, H McGilvray & K Burns, *Analysis of global response to climate change—opportunities for*

1. Climate-smart agriculture research, development and extension, including:

- **Recommendation 1:** Commit to a national primary industries climate research, development and adoption program with \$350 million, over seven years, for the science and knowledge partnerships needed to realise the vision of a \$100 billion, climate-smart Australian agriculture.
- **Recommendation 2:** Commit to encouraging climate-smart innovation and enterprise, right across the agricultural value chain and allied industries, with a new Business Leadership scheme of \$50 million over five years. The scheme should provide mentoring, training and other support for Australian farmers and their allied industries, e.g. insurers, financial advisors, extension professionals, suppliers, etc.
- **Recommendation 3:** Renew the government's commitment to climate-smart agricultural extension, with—at least— funding of \$250 million over five years. This would regain much of the momentum of the now defunct Carbon Farming Futures program, addressing the widespread, growing hunger among farmers for independent, evidence-based advice on ways to reduce emissions, adapt to the new reality, and raise performance.

2. Ecosystem service payments and science-based support for farmers:

- **Recommendation 4:** Commit to a National Biodiversity Conservation Trust Fund, with an initial investment in proactive, beyond-compliance environmental stewardship of \$1 billion over four years.

3. Community power and the clean-energy transition

- **Recommendation 5:** Adopt the Local Power Plan, supported by \$483 million over 10 years to establish the Local Power Agency. The Agency would deliver support community-based energy projects through grants, underwrite mid-scale projects, and assist community co-investment in large-scale projects.

Additionally, as an Associate Member of the National Farmers Federation (NFF), FCA supports the NFF's Pre-Budget Submission, including investment aimed at combating food waste, supporting renewable energy, and improving the mental health of rural communities.

A detailed summary of our recommendations follows.

Background

Australian agriculture is already suffering from the effects of climate change. Over the past decade, the impacts of extreme weather events and long-term shifts in climate have become increasingly obvious to rural communities. The most recent Bureau of Meteorology/CSIRO State of the Climate report shows that Australia has warmed by 1.44°C since 1910.³ This is already

³ Bureau of Meteorology and CSIRO, *State of the Climate 2020* (Canberra: Commonwealth of Australia, 2020), 2.

having impacts on Australian agriculture: according to ABARES, in the last 20 years, climate change wiped around \$1.1 billion off Australian agriculture.⁴ Growth in wheat productivity has stalled since 1990, with potential yields down by 27% and cropping drifting southwards.⁵ Recent heat waves cost Victoria's economy nearly \$100 million—about half from agricultural losses. By 2030, as severe heat becomes more likely, costs are projected to climb to \$179 million and \$246 million in 2050.⁶

So far, farmers have been able to hold yields fairly steady, with the help of new technologies and management systems, and a talent for innovation. Given some further, significant warming is already locked in, however, farmers will need the tools and knowledge to help them manage risks and make informed decisions.

Farmers for Climate Action believes the key areas of impact are in agricultural research and extension, support for on-farm stewardship, and a community-based energy transition.

1. Agriculture and climate research, development and extension

Australian farmers are some of the best in the world, renowned for their ability to cope with a highly variable climate. Climate change, however, is presenting unprecedented challenges, with more frequent and severe droughts, fires, floods and heatwaves. Many on-farm climate solutions already exist but farmers are not always aware of them, while other strategies show promise but need development.

Investing in programs that promote climate-smart agricultural practices assists farmers and regional communities to build resilience to drought, fires, floods and other mounting risks. These programs should continue the work of the Climate Research Strategy for Primary Industries.

Programs include a **national primary industries climate research, development and adoption program**, focused on providing farmers with the best-available, trusted, and accessible science and resources to build carbon stocks, lift productivity, reduce emissions, and deal with climate risks.

Many farmers, extension specialists, and other experts have largely untapped knowledge and insights that could prove invaluable in the shift to climate-smart agriculture and resilient industries. To help bring this knowledge and experience to the fore, FCA proposes a new

⁴ N Hughes, D Galeano & S Hatfield-Dodds, "The effects of drought and climate variability on Australian farms" (Canberra: ABARES, 2019)
<https://www.agriculture.gov.au/abares/news/media-releases/2019/effects-drought-climate-variability-australian-farms>.

⁵ Z Hochman, D L Gobbert & H Horan, "Changing climate has stalled Australian wheat yields: study", *The Conversation*, January 25, 2017 6.17am AEDT,
<https://theconversation.com/changing-climate-has-stalled-australian-wheat-yields-study-71411>.

⁶ DELWP, *The economic impact of heatwaves on Victoria* (Melbourne: The State of Victoria Department of Environment, Land, Water and Planning, 2019)
https://www.climatechange.vic.gov.au/__data/assets/pdf_file/0011/413030/The-economic-impact-of-heat-waves-on-Victoria.pdf.

business leadership scheme that develops and connects leaders and mentors with the experience to the farmers and allied industries interested in progressing towards carbon neutrality.

In addition to peer support, the shift towards a low-carbon future means farmers are hungry for independent, evidence-based advice. Reducing emissions, building climate resilience and increasing productivity are not easy for everyone to achieve on their own, but the work has already been done. The defunct Carbon Farming Futures program provides the blueprint for a new program to deliver the necessary **climate-smart agricultural extension**.

Not only will these programs further Australia's already thriving and innovative agriculture sector, they will ensure that farmers are able to lead the way in emissions reduction while increasing the sustainability and profitability of their businesses.

Recommendation 1: A national primary industries climate research, development and adoption program supported by \$350 million, over seven years, to build partnerships between farmers, researchers, and other key stakeholders. The program would focus on increasing carbon stocks in agricultural lands, productivity, sustainable and regenerative agriculture, including subsidised assessments for emissions reduction opportunities. It would do so while maintaining productivity and managing biosecurity risks, and furthering sustainable and regenerative agriculture.

Recommendation 2: A *Business Leadership scheme of \$50m over 5 years*, with mentoring for Australian farmers and allied businesses, e.g. insurers, financial advisors, extension professionals, suppliers, etc.

Recommendation 3: Renewed, long-term funding of \$250 million over 5 years for *climate-smart agricultural extension*, picking up where the now defunct Carbon Farming Futures program left off, addressing the growing hunger among farmers for independent, evidence-based advice on available ways to reduce emissions, adapt, and raise performance.

2. Ecosystem service payments for farmers

The NFF's \$100 billion agriculture industry by 2030 includes a target of 5% of farm revenue from ecosystem services.⁷ However, there is currently no standardised metric for measuring ecosystem services, juvenile markets and immature investment. The Federal Government has begun to address this issue through the development of the Agricultural Stewardship Package, that includes funding to the NFF to develop a standardised sustainability framework, but much more needs to be done.

Farmers for Climate Action supports the work that the NFF has undertaken in this area and would like to add its support to the call for a National Biodiversity Conservation Trust Fund, as outlined in the Craik Report.

⁷ National Farmers' Federation, "2030 Roadmap: Australian Agriculture's Plan for \$100 Billion Industry" (Canberra: National Farmers' Federation, 2018), https://nff.org.au/wp-content/uploads/2020/02/NFF_Roadmap_2030_FINAL.pdf.

The Fund is to be tied to the *Environmental Protection and Biodiversity Conservation Act* (EPBC Act) to support the protection of Matters of National Environmental Significance. This fund would have the capacity to undertake work of a public benefit, including:

- support the purchase of private land management agreements acquired under Australian Government environmental offsetting programs
- directly purchase environment protection and biodiversity conservation outcomes through the acquisition and active management of land, based on a strategic and proactive long-term investment plan
- make payments to accredited state and territory Trusts that deliver actions in the long-term investment plan
- compensate landholders affected by the influx of a mobile threatened species into an area causing significant financial burden

Recommendation 4: Commit to the establishment of a National Biodiversity Conservation Trust Fund, with an initial investment of \$1 billion over 4 years.

3. Community power and the clean-energy transition

Australia's farmers and regions have access to abundant natural resources that they can harness to revitalise communities. The Local Power Plan, developed by Member for Indi Helen Haines in consultation with communities across Australia, will provide Australia's regions with the support they need to take full advantage of the opportunity before them.⁸

As coal-fired power plants continue to suddenly close and investment in renewable energy continues to boom,⁹ the Plan will deliver the much needed jobs, savings, income and self-determination to the regions.

The Member for Indi is set to introduce the *Australian Local Power Agency Bill* later this year, which will, if passed, establish the Australian Local Power Agency to deliver the three schemes that underpin the plan. FCA urges the Government to support the Member for Indi's proposal and to set aside sufficient funds to ensure that Australia's regional communities will be immediately able to begin accessing the schemes once established.

⁸ Helen Haines Mp, "The Local Power Plan" (Wangaratta, 2020), https://3363d2d4-0c73-49ab-a15e-8ec220a76141.filesusr.com/ugd/c2035c_89f382e44d71418f85683cea9bcfaa89.pdf.

⁹ Daniel D'Hotman and Steven Hamilton, "How Australia Can Phase out Coal Power While Maintaining Energy Security," *The Conversation*, accessed January 29, 2021, <http://theconversation.com/how-australia-can-phase-out-coal-power-while-maintaining-energy-security-152747>.

The Plan sets out three schemes which address the major barriers to uptake of community energy projects through strategic funding and support programs. Those are:

1. The Local Power Scheme will support communities to develop their own energy projects.
2. The Underwriting New Community Investment scheme will underwrite locally-owned mid-scale projects.
3. The Community Renewable Investment Scheme will enable local communities to co-invest in new large-scale projects.

Sitting alongside Clean Energy Finance Corporation (CEFC) and Australian Renewable Energy Agency (ARENA), the Australian Local Power Agency will provide our regional communities with the assistance they need to shift to a renewable future.

Recommendation 5: Adopt the **Local Power Plan, supported by \$483 million over 10 years** to develop the Local Power Agency. The agency will deliver various schemes which support community developed energy projects through grants, underwrite mid-scale projects and assist community co-investment in large-scale projects.

Conclusion

Australia and the world have a window to act on climate, but that window is fast closing. Australia has the opportunity to harness the power of agriculture, to be a renewable energy superpower, and to move to a clean, sustainable economy—one inclusive of rural and regional communities.

Sincerely yours



Fiona Davis
Deputy Director
Farmers for Climate Action

fiona@farmersforclimateaction.org.au

0434 505 188