



December 16, 2011

Yvette Goss
Barriers to Effective Climate Change Adaptation – Issues Paper
Productivity Commission
LB2 Collins Street East
Melbourne VIC 8003

Dear Yvette,

The Western Australian Farmers Federation (Inc.) (WAFarmers) thanks you for the opportunity to provide comment to the Productivity Commission's Issues Paper 'Barriers to Effective Climate Change Adaptation'.

As background, WAFarmers is the State's largest and most influential rural lobby and service organisation. WAFarmers represents approximately 4,000 Western Australian farmers from a range of primary industries including grain growers, meat and wool producers, dairy farmers, pastoralists, horticulturalists, commercial egg producers and beekeepers. Collectively our members are major contributors to the \$7.1 billion gross value of production that agriculture in its various forms contributes annually to Western Australia's economy. Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

In this submission, WAFarmers comments on two areas of interest to our members.

Facilitating insurance markets

WAFarmers has long recognised the need for producers to have access to affordable and appropriate risk mitigation strategies in response to adverse seasons, and has been lobbying State and Federal governments for over a decade in an effort to facilitate the introduction of an affordable crop insurance scheme to allow grain producers to insure against a number of perils.

While the specifics of crop insurance schemes in other countries, including Canada, USA and India, may vary, they share a common element in that they are the recipients of substantial financial backing by their respective governments, both in terms of underwriting the scheme and subsidising the premiums as a way to stabilize agricultural production and provide financial protection to producers.

Successive governments in Australia have been however reluctant to contribute any direct funding for a Multi Peril Crop Insurance (MPCI) scheme. In Western Australia, the most recent assessment was conducted by the Department of Agriculture and Food WA, (2009) who concluded that, whilst it was supportive of a MPCI insurance scheme, its delivery and management would have to be driven and funded by industry.

As a result, in 2010, WAFarmers representatives formed a WAFarmers Risk Mitigation Committee to explore potential commercial options to mitigate seasonal risk with the ambitious aim of having a product available for the 2011/12 season. The Committee focused on affordability, and unanimously agreed that any product would need to be based on cost of production, as opposed to potential yield, to lower premiums.

The culmination of this was launched at the WAFarmers Annual Conference in March, 2011, as Cost of Production Cover. Cost of Production Cover is the first of its kind in Australia, and is being trialed by CBH Mutual, a discretionary mutual fund established for this purpose which has been developed by CBH and Willis Australia.

Cost of Production Cover is different to the traditional MPCI approach in that it allows farmers to cover a percentage of their overall wheat and barley production based on yield at a rate that is reflective of their own cost of production and their level of risk acceptance.

This is therefore a unique approach to seasonal risk mitigation. WAFarmers believes that there are many as yet undiscovered opportunities in this field and that further research in the area of seasonal risk mitigation could provide primary producers with strategies that place them at the forefront of managing their own risks in ways that currently have not been explored.

Recommendation: WAFarmers believes that the Productivity Commission should review the Cost of Production Cover, as it provides farmers another valuable tool with which to better respond to a changing climate.

Strengthening price signals and markets for natural resources

WAFarmers believes that State and Federal Governments need to provide financial incentives for farm businesses to manage these natural resource assets. The generally view is that the future climate will impact the range and population of individual species, and the richness of ecosystems. If climate is likely to have a significant impact then our response, as a nation, introduces questions of the allocation of costs of conserving and maintaining these into the future.

WAFarmers experience has been that biodiversity and conservation management in a 'public good' context rarely, if ever, acknowledge current on-farm practices or provide for financial incentives. There is therefore, a need for realistic compensation for loss of potential or real productive capacity on freehold land in the name of public good.

Western Australia's farmers, particularly those in the wheatbelt, endure an effective blanket vegetation clearing ban, without any recognition or compensation for their diminished earning

potential. If these areas have a significant value, then this should be recognised through a financial commitment to their upkeep. WAFarmers 'on-farm remnant vegetation' management policy includes a combination of future clearing, retention and active management, sale of land to a third party under some form of conservation agreement, and provision for a land offset arrangement. In that it:

“seeks recognition for the financial, social and environmental cost borne by Western Australian farmers through the application of the State’s land clearing laws. WAFarmers will work towards an operating environment where farmers are able to:

- *Clear their land.*
- *Establish offset land parcels to enable land clearing.*
- *Obtain financial compensation where restriction has been placed on future land clearing.”*

If farmers are expected to contribute to the preservation and maintenance of Australia’s biodiversity, a task which is agreed will be more difficult in a changing climate, then that investment needs to be appropriately recognised and valued.

Recommendation: WAFarmers believes that the Productivity Commission should evaluate the costs and benefits of on-farm remnant vegetation both to the landholder and the broader community to assist future natural resource management and ensure that suitable provision is made to ensure we are suitably resourced and prepared, irrespective of what change or variability is experienced in future years.

In closing, WAFarmers thanks you for your consideration of this submission. WAFarmers requests an opportunity to address the Inquiry, should you hold public hearings in Western Australia. To arrange that or to further discuss the issues raised in this submission, please do not hesitate to contact WAFarmers Director of Policy, Alan Hill on 9486 2100.

Yours sincerely

Mike Norton
President