



# Innovation in land management policy and practice - verifying environmental and animal welfare management

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## **More effective investment**

Over the five years to 2013 the Australian Government spent \$448 million through the Caring for our Country program to improve the environmental outcomes of 42, 000 farmers over 70 million hectares. Ten percent of these funds would have been sufficient to cover the cost of half of these landholders having certification. The certification would encourage continuous improvement and it would have covered up to 5 billion dollars of food and fibre production annually.

This is not a lament over what has passed. It is a guide to what could happen over the next five years. The same expenditure is planned for the next five years. The same opportunity exists.

With Certified Land Management (CLM) we could kick start a credible internationally recognised verification system for environmental and animal welfare management.

## **Certified Land Management**

I am going to step back from the nuts and bolts of CLM and talk about verification in a broader context. But before doing that let me briefly describe CLM.

CLM landholders use specially designed software to review the impacts of all their farm activities. Having linked that review to their legislative and regional requirements they devise a CLM Management Plan. Each year there is an external audit against implementation of that plan.

CLM delivers improved farm performance and enhances self esteem. It complies with internationally recognised management standards and hence it can deliver domestic and international recognition. CLM is an effective and efficient delivery mechanism for taxpayer support for improved environmental and animal welfare outcomes and for a more resilient and productive agricultural sector.

## **A broader perspective**

CLM is not just another fly-by-night management aid.

CLM is part of how we go about improving profitability. CLM is about designing markets and letting them work. CLM is about pricing without destroying the aspirations we all have beyond price. CLM is part of how we cast off the beaten Kelpie syndrome, the victim syndrome that Bradd Witt speaks of. CLM is part of how Australians could reconnect with land.

In short CLM is a major institutional innovation. CLM could fundamentally improve the rate of return on landholder and public investment in land management.

For those who like things in boxes I will be talking about productivity and profitability, about institutions, about ecology and about creativity and land management. But if you aren't sure when one finishes and the other starts don't be concerned for in real life they aren't separate.

## **Productivity policy**

Gary Banks, the outgoing Chair of the Productivity Commission has over 40 years experience at the highest levels of policy deliberation.

In his parting address Banks summarised his recommendations as needing to spend better and needing to regulate better. He noted also that 'productivity policy' needs to embrace both the drivers and the enablers of performance and to be applied consistently.

Already in this election year I hear commentators, including from the Business Council of Australia, who seem to think productivity is the responsibility of governments alone and that improvements will come from improved infrastructure, that is taxpayer investment, and through increased labour efficiency.

## **That is only part of the story**

Gains in productivity need to come also from improved management –from improved investment decisions and from improved management processes, from innovations like CLM.

Industry organisations have major roles to play; but they can also be obstructive.

To illustrate-ten years ago good people developed a national framework for environmental management systems in agriculture. It was pulled apart by industry politics and fragmentation and more than 50 million dollars of taxpayer money was largely wasted.

There is a lot of talk, most of it claptrap, about how Australia needs to produce more food to feed the starving millions. It is claptrap because poor people can't afford Australian food, famine is most effectively fixed at home wherever that is and regular imports of free or cheap food constrain local production.

The other push to produce more is the real potential to increase food exports, particularly to Asia. These drivers are being reflected in government policies.

For instance the Queensland government has a goal to double food production by 2040. And we are just beginning to see what might erupt at the Federal level.

## **Lessons from the past**

So let's look back at recent history to see where all this might take us.

Over the past half century or so productivity improvement has come mainly from increased production. However there has been virtually no change in the real gross value of Australian agricultural output. Aggregate real net farm income in the mid- 1990s was only one third of what it was twenty years earlier despite growth in the real value of world trade in agricultural products of about 250 percent.

We externalise the causes of this poor performance by talking about adverse terms of trade, about uneven playing fields, about being price takers—about floods and droughts and government policies. All of that is OK but it takes the focus away from what we might do ourselves, about what industry organisations might enable. A few years ago I tried to get Dairy Australia interested in CLM and was told that if I knew anything about the dairy industry then I would know that Australia exported bulk dried milk powder and there is no potential to differentiate the commodity.

Wrong.

Chinese imports of dried milk powder for the year to last October increased 17% as part of a sustained reaction to the contamination incident of 2008. Consumers are looking for a differentiated product. A better example might have been Australian cheese exports to Japan which are largely in the form of 25kg blocks of what is called 'industrial' cheese –to be reconstituted with domestic product.

It is little wonder that farmers end up as price takers.

We need to move the focus away from production for production sake towards a more profitable and resilient farm sector with due regard to protecting the natural and social fabric.

We need to differentiate Australian farm products to enable them to compete in higher priced markets. A properly resourced CLM is part of that solution.

## **Investing in CLM**

Shock Jocks get their rocks off about Australian debt which is about 10% of GDP as compared to between 50-150% for most comparable countries.

It is not debt that is the problem but rather what we do with it; and when.

Tax handouts to 'middle Australians' who apparently are doing it hard on household incomes of about \$150,000 is not a good investment. Better to invest in training and education, in transport and in soft infrastructure like NDHIS, NBN— and CLM!

A one million dollar investment in CLM each year over 5 years could give us 2,000 landholders with certification. These landholders would be managing about 10 million hectares and would produce about half a billion worth of agricultural produce.

The cost equates to about \$8 per Australian landholder per year, to about \$20,000 per Regional NRM Agency/ CMA per year or to about one quarter of one percent of Caring for our Country expenditure. A five million dollar investment is not to be trivalised. However the benefits are national, substantial and on-going.

When to invest in something like CLM is always a bit problematic. However there will come a time when it is too late because large global agribusiness and retail corporations have stolen the march and imposed multiple systems that are unlikely to suit Australian land managers as much one developed with their situations in mind. As landholders we complain-too much I suspect-about being price takers. If we don't take the initiative we may well be able to also complain about multiple standards imposed on us from afar.

## **Institutional constraints**

The constraints to getting this outcome are much the same as the reasons why it should happen. That is, CLM is constrained by our institutional arrangements and CLM would be part of improved institutional arrangements.

The city of Nogales is cut in half by a fence, the American and Mexico border. On the American side the household income is three times that on the Mexican side; and many other indicators point the same way.

The resources are the same. The people are the same. However on the American side institutions favour incentives, innovation and creativity. On the Mexican side institutions favour corruption, inequality and lethargy.

With considerable justification institutional economists reckon institutions are what make some nations succeed and other fail. It is more difficult to get a handle on why we have good or bad institutions. However what is very clear is that the few who benefit from bad institutions will always oppose change.

Institutions include traditions and the norms and practices of groups, the organisations formed by government, industries and communities and their policies and programs, laws, regulations, codes of practice and the operation of markets.

In 2000 Snow Barlow and I convened a symposium on the topic of Australia Values-Rural Policies. Deliberations in Old Parliament House over two days by 50 prominent rural Australians concluded that rural institutional arrangements do not reflect the existing diversity of beliefs and values and they are not responsive to changes in beliefs and values.

Whilst there are economic and technical dimensions to the deteriorating ecological and social conditions in rural Australia it is fundamentally a challenge of how we use political power in the public, private and community sectors to manage our affairs; to ensure we have institutions that reflect changed and changing beliefs and values.

Our investment in getting the right institutions-in getting the right market and other signals- is paltry. For instance- in the first round of the Biodiversity Fund 317 projects were approved at a cost to of \$271 million. The ALMG Maranoa Recognition Project appears to be the only project directed primarily towards improving institutional arrangements. As Jock Douglas will describe this project is about demonstrating how CLM embeds improved environmental management and biodiversity conservation in the normal business of land management.

### **Push for verification**

What we are doing with CLM is in close alignment with the commitment in the Australia in the Asian Century White Paper to develop ways for exporters to benefit from clean and green, with the Food Policy Green Paper, with David Crombie's call on leaving the position of NFF President and with numerous other insights including the following from the Cattle Council:

*"Today's consumer is not only concerned with nutrition, price, quality and convenience when buying food but increasingly they are concerned with how ethical and sustainable the production of their food is. Consumers want to know that the beef they enjoy was produced in an environmentally sensitive way and that cattle are humanely treated."*

To achieve what all these statements point to recall Gary Bank's dictums –arrangements need to embrace both the drivers and enablers of performance and be applied consistently.

They need also to reflect industry realities, be ecologically sound and suit the business of land management. The realities of the agricultural industry are that most farms operate two or more industries, most processors marketers and retailers deal across products, we need increased profitability and we rely on domestic and export markets. And we need to connect with communities and consumers.

So we need a credible across industry approach that leads to recognition on domestic and export markets. Going back again to Banks and the need for drivers-food and fibre markets are not the only drivers.

The public sector is a major purchaser of improved environmental outcomes and currently this is achieved through regulation-which I won't go into here-and through project funding.

Project funding is short-term, narrowly focused, not well integrated with farm investment, overly focused on remediation and has very high transaction costs. It is part of a managerialism that is very poorly suited to effective co-investment with landholders. Channeling some of this public support through benefit driven systems like CLM would dramatically improve the effectiveness of public support for better land management.

Before leaving the drivers it is necessary to note two things.

First- using the CLM system we are substantially strengthening on-farm profitability through having a stronger focus on ecology. Bart Davidson will go into this tomorrow.

Second- there is beyond profit motivation for better environmental and animal welfare management. We need to be careful that the commercial drivers do not detract from the intrinsic drivers for better outcomes and recognition.

## **Farm ecology**

In the 1960s the late Professor Bill McClymont alerted me to the wonder and importance of ecology; about the interactions and interdependencies that are so elegant and so essential; about the importance of what we now call biodiversity.

And once you get that it is not possible to find the sense in having separate soil, water, plant, carbon or whatever programs.

Some of you might be as old as I am and so have worked through the superphosphate driven 60s and 70s, through the tree planting of the 80s, the salinity and acidity of the 90s, the climate change of the earlier 2000s and now we seem to be doing it again-that is the reductionism - with soils as though life depends on it alone. Too often we seem to ignore that the only way to improve soil carbon, soil function or soil health is through photosynthesis. At least for graziers this has to be primarily through grazing management.

CLM is set on a sound ecological foundation. This is primarily because we progress through managing our impacts on ecological systems rather than looking to manage or reclaim the resources themselves-and because we deal across time and space.

Each land manager is a primary decision maker on average for about 20 years— a micro second in ecological terms. So we need systems that can withstand ownership change yet not be fixed. We need also systems that are landscape linked for each farm is linked to the next one and the next one.

The business of land management is not simple-there are multiple demands and sometimes they appear to be and in fact might be in conflict. Conditions change between paddocks, properties and over time. The capabilities and aspirations of land managers differ. Ecological systems are complex.

All of this means we must leave lots of room for creativity and innovation. This is not a job to be strangled with prescription or fragmented across industries as happens when best management practices are used for verification of performance. And in any event it is incomprehensible that we might go down those BMP pathways given that they are not internationally recognized.

## **To conclude**

CLM embraces both the drivers and the enablers of performance and it does so consistently over the long haul.

CLM makes better environmental and animal welfare management part of normal business and it enables better delivery of taxpayer support.

CLM is one of those magic things - the more it is used the greater the benefits.

With CLM we could kick start a credible internationally recognised verification system for environmental and animal welfare management.