Australian Farm Institute

MEDIA RELEASE

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Agriculture and policymakers face major challenges with CPRS

The Australian Government's proposed Carbon Pollution Reduction Scheme (CPRS) has the potential to reduce the value of Australian agricultural production by $2.4 billion per annum by 2020, and $10.9 billion per annum by 2030 compared to what would otherwise be the case under a business-as-usual scenario; according to comprehensive new economic modelling released today by the Australian Farm Institute.

The economic modelling, carried out by the Centre for International Economics, identifies that the biggest impacts of the CPRS will be on the Beef, Wool, Sheepmeats, Pork and Dairy sectors of agriculture, with these experiencing production declines of 9%, 6.8%, 5.8%, 3.9% and 2.7% respectively by 2020, and 28.2%, 27.5%, 21%, 10.4% and 8.1% by 2030 compared to a business-as-usual scenario without a CPRS.

The modelling also highlights that, even under a scenario where farm businesses are not required to pay for farm emissions, the agriculture sector is projected to be negatively impacted by the indirect impacts of the CPRS. These indirect effects include higher input costs for goods and services used by farm businesses, and reduced domestic demand due to lower consumer incomes.

The report highlights that Australian agriculture's reliance on export markets in combination with an assumption that the majority of overseas competitors will not impose an equivalent emission trading scheme on their agriculture sectors in the foreseeable future means that Australian farmers will have to bear most of the additional costs imposed by the CPRS. The report states "*For example, by 2030 the beef farmgate price is projected to rise by less than 5%, with the additional (emission) permit cost being equivalent to more than 22 per cent of the farmgate price. The difference is borne by farmers, leading to a reduction of about 18.5 per cent in the net price the farmer actually receives.*"

Arising from this, the research identifies that a very real risk exists that the imposition of the CPRS in Australia will result in a decline in national agricultural output, a subsequent increase in agricultural output from nations without equivalent greenhouse emission policies, and no net global environmental benefits.

The report provides the first sector-by-sector analysis of the potential impacts of the CPRS on agriculture, and identifies that the impacts will vary considerably between different commodity sectors, and could lead to major enterprise changes in certain regions.

The report concludes by identifying a number of priority issues for the agriculture sector to purse in the lead up to the implementation of the CPRS. These include;

- The introduction of comprehensive greenhouse accounting rules for agriculture that recognise agricultural sequestration and emissions. Current international accounting rules only recognise agricultural emissions.
- A dramatic increase in research and development funding to enhance agricultural productivity and to develop new emission mitigation technologies.
- Ensuring that, irrespective of the timing of participation by the sector in the CPRS, the agriculture sector receives fully-equivalent concessional treatment, equal to that provided to other sectors of the economy.

"It's important to remember that the results are not forecasts but conditional projections designed to show the potential impact of the CPRS agriculture, and the pressure the sector will face in responding to it. That said, this report provides critical and timely information that will assist the farm sector and policymakers in the challenging decision making processes that lie ahead," said Mick Keogh, Executive Director of the Australian Farm Institute.

The report was prepared for the Australian Farm Institute with the support of Australian Wool Innovation, Dairy Australia and the Cotton Research and Development Corporation.

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