

**Dr Sharman Stone, Liberal MP for Murray gave the opening speech at the Gympie State Landcare Conference August 2003.**

The themes of her speech are that cheap food is 'costing the earth' - that it is destroying the ability of Australian farmers to farm competitively - and to protect the soils and waterways which are the lifeblood of their industry..

The speech below came from Hansard. It is very similar to that which she delivered at the Gympie Landcare Conference.

Woolworths is one of Australia's largest retailers of food, liquor and groceries, and food is its core business.

On Monday this week, 3 March 2003, the *Australian* newspaper published on page 21 an extract from a new book by Robert Gottliebsen, *10 Best and 10 Worst Decisions of Australian CEOs*. The article was called 'Fresh thinking pays off'. Gottliebsen talked in part about Woolworths' extraordinary financial performance—the fact that in 1996 Woolworths was valued at some \$3 billion but by 2002 its market capitalisation had been multiplied by at least a factor of five and it now has a market capitalisation of some \$14 billion. This sounds fantastic, and the new CEO, Mr Roger Corbett, was being roundly congratulated.

But I have considerable concerns about the impacts of the pricing policies that have delivered such an extraordinary result for Woolworths customers and shareholders.

The article states:

In a brief, but breathtaking display of market power, Woolies reworked the entire dairy industry in a matter of months by merely conducting a tender for its house-brand milk.

It wasn't a deliberate bid to cripple a \$2 billion industry, but the drastic economies imposed on dairy farmers and processors were consequences of the predictable behaviour of two powerful duopolists (Coles joined Woolworths) driven by competition to provide low prices to customers and also to pay maximum dividends to their shareholders.

Woolies took \$500 million out of the pockets of its suppliers, the milk processors and farmers. It passed some on to its customers and pocketed the rest for its shareholders.

For Corbett, milk is a copybook implementation of his original plan, and the share market has cheered him on. He plans to repeat it in other areas

In that same newspaper, the *Australian*, on the same day—Monday, 3 March—there was another article, this time on page 11, which featured the dairy industry. The headline was 'Plan to drain swamp too costly, say dairy farmers'. Remember, we have just been talking about \$500 million being taken out of the dairy farmers' pockets as they supplied Woolworths. The article, written by Thea Williams, said: Dairy farmers are digging in their heels against the cost of rehabilitating flood-irrigated land in the lower Murray swamp region, 18 months after appearing to accept they had to do something about it.

Irrigators are now saying the cost burden of reducing the run-off of cow manure and fertiliser into the river is too great and might put them out of business.

Lower Murray Irrigation Advisory Board general manager Terry Lee ... warned yesterday that the South Australian dairy industry would be damaged and 1300 farmers put at risk because of the cost. "We do have to improve the environment, there is no doubt about it. There are problems there, but it can't be at the cost of our industry," he said.

So here we have a respected newspaper, the *Australian*, with two separate articles on the same date, one applauding the behaviour of Woolworths—the power of the concentrated ownership and the impact of that on the suppliers—and the other spelling out for everybody to see the impact on farmers not being able to afford to do remedial environmental action.

In an article of 8 February, in this case in the *Weekend Australian*, Robert Gottliebsen again made a comment on Australia's giant retailers, Woolworths and Coles. He said: ... Woolworths and Coles, have the power to deliver enormous profits in the next few years—and change the face of the local food and beverage industry.

It will be hard for food and beverage companies to survive. Many are destined to become part of international groups.

Further on in the article, he said: Woolworths' food strategy is to lock suppliers into one-year price contracts that give them volume. If costs rise during the

year because of, say, a drought, then too bad. Some suppliers are close to going to the wall. And when the contract ends, if the supplier can't match the competition, then it's off the shelves—which destroys the business.

Of course, I am most concerned about this because my electorate is the food bowl of Australia, but I am also concerned about it for its environmental impacts. On the one hand we have an extraordinary transfer of dollars out of the pockets of the suppliers—who are the farmers—to consumers, who enjoy the cheapest and best food access in the world. We have shareholders also benefiting. However, at the same time our state of the environment report for Australia paints a picture of this continent under extreme natural resource pressure—extreme stress. Urgent remedial action is needed, whether it is reducing high saline water tables through revegetating vast areas of our continent, reducing the nutrient loads in streams by reducing run-off from farms—animal manures, fertilisers or other substances—or addressing the loss of our biodiversity through managing vegetation better, fencing areas and destroying feral pest animals and weeds.

All of this requires significant investment. That investment typically falls onto the backs of private landowners. Seventy per cent of the Australian continent is in private hands, whether they be black or white hands. We expect the land managers to do this remediation work. Indeed, some of us say, 'Of course, it should be the land manager who foots the bill for this work because, after all, it was typically them or their ancestors who set about farming in inappropriate ways 200 or so years ago.' I have a different spin on that, perhaps because I am a sixth generation farmer myself and the member for Murray. My spin is that, for a population or a community that rejoices in some of the cheapest and best food in the world, there has to be a change of attitude, based on the understanding that cheap food does come at an enormous price. It comes at the cost of the primary producer, the supplier, not being able to do the environmental remediation that is required.

The dairy farmers at the mouth of the Murray understood only too well that they had to stop some of that nutrient loss into the lower Murray area. The General

Manager of the Lower Murray Irrigation Advisory Board, Terry Lee, knew exactly what the problem was and what his irrigators had to do about it, but he puts it quite simply on the table that his dairy farmers cannot afford to do the job. For example, Bonlac, one of the largest dairy companies in Australia, had a 43 per cent drop in profits in this last year. A lot of it has to do with drought—in other words, their reduction in supply—but a lot of their profit margin also dropped as international and domestic wholesale prices crashed. We have to be smarter in this country in understanding the impact of concentrated buying power in our retail sectors. We must not simply applaud when a pricing strategy transfers income out of the pockets of those who have so much demanded of them and into the pockets of shareholders and customers who, if asked, would probably be concerned about the consequences of that transfer of wealth.

I do not think for a minute that Australians sufficiently understand what is at stake. As we speak, we are looking at a loss of vegetation—the death of red gums—along some 3,000 kilometres of Murray River, from Euston to the sea. We are looking at the death of the red gums along 1,500 kilometres on each side of the riverbank and of all the red gums in that sector. The drought has been the final cause, but it is really the result of those red gums not getting the environmental flow—or the flooding—that species requires every couple of years. We have known about the needs of red gum forests for environmental flow for at least a generation. At last, something has been done about the Barmah Forest in my electorate but, unfortunately, in the case of these 3,000 kilometres of red gums from Euston to the sea, it is probably too late. We will also lose hundreds of kilometres of red gums from the bottom of the Darling River system. We have blue-green algal blooms that are poisoning our water supplies all along the Murray and Darling system. We know what is causing all of that.

The federal government is trying to put taxpayers' dollars back into the system through the national salinity action plan and the Natural Heritage Trust mark 2. Our federal government has put more taxpayer dollars into environmental remediation than any other Australian government since federation. We are trying very hard to

educate the public about the need for every individual to take action. But, when we have this concentration of buying power in a sector such as retail grocery—especially the food and beverage lines—it is almost as if the right hand is undoing what the left is trying to do.

We have to be very serious about how we can bring about ethical shareholder contributions to the pricing policies and supply strategies of our companies. We also have to look at better ways for taxpayers' dollars to be regularly put back into the pockets of those who do the land management in this country. We are going to have to be more committed to programs like the ecosystem or environmental services rendering on farms. I have talked about environmental services like the Bushcare tender in this Main Committee room before. That acknowledges that farmers do not just grow food and fibre, but they also need to sustainably manage parts of their property that might have very important environmental values. This management could be for biodiversity protection, or revegetation for salinity prevention or soil protection. We need to acknowledge that they have to be paid and compensated for not trying to produce food or fibre on every part of their property. So that they can look after the country on behalf of all of us, money needs to be transferred from the public sector into their private pockets as compensation for the income forgone from cash crops or livestock.

Australia, as the oldest and driest continent, is vulnerable. The nutrients of the soil are easily washed away. We already have lost so much of the soil nutrition in our country because of the vegetation loss, our farm practice and the impacts of feral animals like rabbits, with the depredation of species like feral cats compounding the problems for some of our smaller native animals. We are coming to a stage in our life as a nation where we have to understand that you cannot simply ignore what is going on in every part of the value chain. If you are going to squeeze farmers so hard with price they are going to spend less on the farm or leave the industry. They are not going to be able to invest in the remediation works that need to be done.

A sustainable environment depends on the existence of economic and social systems that sustain institutions and a culture that delivers a life worth living to the land managers. Not only are so many of the suppliers to Coles and Woolworths being squeezed so hard that they are impoverished and cannot continue to supply, but many are now also facing a life they do not feel is worth living. Their sons and daughters are choosing not to continue to be suppliers and are leaving the farms. The social system needs to deliver generations of motivated, skilled and committed people who can appropriately manage the land for the lifetime it will take for its recovery. The regions with the most degraded natural capital are the places with the least sustainable communities. As the young leave, the local economy shrinks and the community infrastructure deteriorates or is withdrawn. Calling out a greater voluntary or corroborative effort in these circumstances is simply not effective. This is not to dismiss the extraordinary efforts of the volunteer Landcare and other groups trying to protect land and habitat. However, anyone working with Landcare groups, as I know many in this room are, will know that they report their burnout and their frustration at having too few hands to do the work.

We can give grants to Landcare groups for fence posts, seedlings and wire—all of which are essential for the survival of the groups—but we have to understand that it is just as essential to give funds for their facilitators, their coordinators or their secretaries so that they are paid an acceptable salary over a reasonable period of time. Certainly our NHT mark 2 and our national salinity action plan acknowledge that community facilitation and coordination are as important as the wire, the trees and the seeds collected in order to make sure that we do have a sustainable future.

Addressing unsustainable social systems in regional Australia requires specifically designed programs or adjustments to universal approaches to compensate for the rurality impacts. Some of those impacts are: declining school retention rates; poorer levels of access, participation and completion rates in higher education; poorer health; higher suicide rates; more teenage pregnancies and lower socioeconomic status compared with the total population. If

you compound those rurality impacts in areas where farmers face increasingly lower prices and higher costs, you will understand the absurdity of expecting those same people to be delivering a sustainable natural resource future for all of us.

I am calling upon companies like Woolworths and Coles to think very seriously about the long-term impacts of two-year tenders for prices for suppliers and one-year price contracts. Think about how you would exist on a one-year price contract if you were a tomato grower. It takes 18 months to prepare a crop from initial land preparation to picking the final product. That means that you are constantly living on a knife-edge in terms of your ability to do the additional work that we know the landscape requires. I do not think I would be proud if I were Roger Corbett announcing \$500 million going out of the pockets of suppliers and into the pockets of consumers and shareholders. Instead, I would be looking very seriously at the state of environmental degradation in this country. I would be saying to my shareholders, 'We can produce profits because of the buying power we have; the suppliers are simply price takers. But we are also an ethical company and we want to ensure that the quality of our food is delivered to you in the long term. We are going to take an ethical approach in the future, so we will take on board the full cost of the production for our suppliers, and that will include the price of a sustainable environmental system for all of us.'