The Western Australian State Sustainability Strategy

SUBMISSION

To

Department of the Premier and Cabinet

Organisation: The Western Australian Farmers Federation (Inc)

Land Management and Conservation Portfolio

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Background

The Western Australian Farmers Federation (Inc) (WAFarmers) is WA's largest and most influential rural lobby and service organisation.

WAFarmers represents West Australian farmers from a range of primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers and beekeepers. WAFarmers has recently expanded its membership base to incorporate rural small business owners.

It is estimated that collectively our members are major contributors to the \$5 billion gross value of production that agriculture in its various forms contributes 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.

Introduction

WAFarmers welcomes the State Government's initiative in the development of a State Sustainability Strategy.

The State Government's definition of sustainability in recognising the "triple bottom line" of environmental, social and economic factors is a clear statement that reinforces WAFarmers policy position on sustainable farming and its linkages to property rights.

In reality, however, It has been WAFarmers experience that recent Government environmental "reform" has been solely focussed on the environmental aspect of the "reform" with minimal or no consideration given to the economic and social impacts on landowners and their rural communities. These occurrences are thereby clearly in breach of the Government's stated definition on sustainability.

WAFarmers looks forward to this inequity being addressed as the State Sustainability Strategy is progressed.

Property Rights

WAFarmers policy on Property Rights mirrors that of the National Farmers Federation (NFF). The NFF Position Paper of May 2002 is attached for your information.

The basic principles of this policy are:-

"The property rights debate is not about the issue of compensation per se but recognition of an existing right to use or access a natural resource. It also

implies a responsibility on the farmer or landholder to utilise the resource in a responsible manner and in accordance with principles agreed in a legitimate planning and consultative framework.

Governments must provide an adequate package of compensation and transition incentives:

- To offset any reduction in property values following the implementation of natural resource management controls where a landholders rights and legitimate and reasonable expectations have been diminished; and
- To encourage voluntary stewardship particularly for public good environmental outcomes."

WAFarmers, at the invitation of Government, has developed a set of principles to begin addressing property rights at a State level (Attached). These principles have been progressed through the WAFarmers policy framework and are now organisation policy. They have also been circulated to the Minister for Environment and Heritage and the Minister for Agriculture and will be the subject of further discussion with Government in the near future.

State Sustainability Strategy and Machinery of Government

WAFarmers has expressed concerns over recent times that the State Government's Machinery of Government process has disadvantaged rural Western Australians for the following reasons:-

- The withdrawal of specialist agricultural services from the agricultural portfolio has "blurred the lines" in identifying Government responsibilities on issues such as land clearing and salinity amongst others.
- 2. The Machinery of Government process is largely responsible for a disturbing shift of Government focus from one of consultation to regulation. Agency staff have been withdrawn from rural areas and industry consultation reduced considerably. As a result, the regulatory process is being implemented in a heavy-handed manner by bureaucrats with minimal or no understanding of the impact of their policies on rural Western Australia.
- 3. The Machinery of Government process is also responsible for a noticeable decline in staff morale within the Department of Agriculture and Water and Rivers Commission, the key agencies in relation to Government support to agricultural industries.
- 4. Access to decision makers has been reduced due to a perceived lack of preparedness or willingness to consult directly, through the implementation of bureaucratic firewalls with minimal or no commitment to the welfare of rural Western Australia.
- 5. Environmental bias is evident in the DEP regulatory approach. Farmers are continually pressured to adopt "triple bottom line" management practices i.e. environmental, economic and social impacts of farming practices, yet the DEP focus is entirely environmental.

Regrettably, there are indications within the State Sustainability Strategy that the concerns highlighted herein will be continued, albeit in a more formalised manner.

Environmental Management Systems

WAFarmers does not support the principle of Environmental Management Systems (EMS) as they are currently being promoted.

The attached 2002 submission to the Environmental Management Systems Working Group details the concerns that WAFarmers has with this process.

WAFarmers representatives have met with representatives of the Department of Agriculture and Water and Rivers Commission to discuss the development of an industry driven Code of Practice/Best Management Practice system as an alternative to EMS.

Conclusion

The State Sustainability Strategy is largely about change. WAFarmers recognises that the agricultural regions have serious environmental, social and economic issues that need to be subjected to the change process to ensure sustainability into the future.

Whilst this process is currently underway, progress is slow due to a perceived lack of commitment from Federal and State Governments and a lack of incentives to enlist the full support of industry.

This change can only be achieved by industry working with Government to drive the process. Accordingly, WAFarmers urges the State Government to reassess its current directions in relation to agriculture and refocus on a process of full and frank consultation with individual producers, their representatives and communities.

It is only through this partnership process that the goals of the State Sustainability Strategy will be achieved in a manner that benefits the State as a whole.

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WAFarmers looks forward to being involved in this process.

There are three main areas in Federal and state legislation that are impacting on farmers.

1. Federal - Socio-economic impacts of the Environment Protection and Biodiversity Conservation Act (EPBC) 1999

The Federal EPBC Act is having significant financial impacts on farmers. Compounding direct impacts on property values, the EPBC Act is also causing impacts on the viability of some agricultural regions. Uncertainties in the complex operational aspects of the EPBC are denying farmers the ability to plan in the longer term. For example, the majority of farmers across the country are unsure about what constitutes routine farming activities in terms of 'threats' to plants and/or communities listed under the Act.

The Minister is only able to take scientific evidence into account when considering a listing. He is not permitted to look at the economic and social implications of a listing. The Act is unbalanced and heavy handed in its impact on farmers.

These uncertainties can also result in perverse incentives and poor environmental outcomes for effective long-term stewardship of the natural resource base.

2. State - Socio-economic impacts of state water legislation

Current state water legislation being implemented as part of the CoAG water reform agenda does not recognise a property right as agreed in the 1994 CoAG Agreement. The impact of this omission is that security of access to water no longer exists. Within the irrigation industry alone, significant infrastructure costs have been incurred in the development of water assets that were granted under numerous government land development policies. Without the security of a property right, financial institutions are, rightly or wrongly, now reviewing their exposure in rural areas with the potential to "call in" funds on loan.

Irrigators facing water access decreases of up to 73 per cent (case in the upper Namoi Valley) are facing closure of their enterprise, giving rise to flow-on regional economic impacts. These cases illustrate the wider issue; namely, the lack of formal recognition of the property right and the concomitant lack of compensation when it is removed is crippling many farming communities. Worse, in many cases if these issues are not resolved soon the capacity for entire regions to make the transition to sustainability will be seriously threatened.

A natural drought in the Gwydir Valley in 1991 saw the loss of 1000 families from the region. The current legislative approach in both New South Wales and Queensland is effectively putting in place a bureaucratic drought with the stroke of a pen.

4 NFF Property Rights Position Paper - May 2002
3. Socio-economic impacts of state vegetation legislation

In the same ways that the Commonwealth EPBC legislation and Federal/state water policies are causing financial impacts on farmers, there are numerous documented examples of farmers losing asset value and income earning capacity

through vegetation legislation and instruments enacted by the States.

To illustrate the issue of direct impacts through diminution of property values, in one documented case of an approximately 5000 ha property in central Queensland, the diminution of market value resulting from enactment of state vegetation controls is up to \$400,000, or around 29 per cent.

Few family-run businesses in other sectors of the economy would be expected to absorb the levels of asset devaluation being experienced. A recent study undertaken by one of the country's most respected resource economists, Professor Jack Sinden of the University of New England, quantifies the scale of the problem. The study found that in just the Moree Shire alone the cost to farmers of the Native Vegetation Conservation Act was \$20 million per year.

If this study was replicated across the more than 130 rural local government areas in NSW, it is expected that the cost to farmers in just one state and from just one environmental edict would be measured in the billions per year.

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2. Property rights - the basic principles

The property rights debate is not about the issue of compensation per se but recognition of an existing right to use or access a natural resource. It also implies a responsibility on the farmer or landholder to utilise the resource in a responsible manner and in accordance with principles agreed to in a legitimate planning and consultative framework.

Governments must provide an adequate package of compensation and transition incentives:

- to offset any reduction in property values following the implementation of natural resource management controls where a landholder's rights, and legitimate and reasonable expectations have been diminished; and
- to encourage voluntary stewardship particularly for public good environmental outcomes.

Fundamentals of a property right Clearly defined and enforceable property rights are the basis of efficient market-based economies. Property rights comprise the bundle of ownership, use and entitlement rights that a user has over a good or resource such as land, and include any responsibilities that the user may have to others (Productivity Commission, May 2001).

In terms of water, NFF has previously defined the 6 fundamental characteristics of a water property right and these are included in the Appendix.

Property rights and responsibilities are given expression through law (common or legislation), custom or tradition. The Productivity Commission has defined four main characteristics of an efficient property rights system in terms of land management:

- universality all resources are privately owned and all entitlements (rights over how they can be used) are completely specified;
- exclusivity all benefits and costs that result from owning and using the resource only accrue to the owner, either directly or indirectly by sale to others;
- transferability all property rights are transferable from one owner to another in a voluntary exchange; and
- enforceability property rights are secure from involuntary seizure or encroachment.

(Cost Sharing for Biodiversity Conservation: A Conceptual Framework, Productivity Commission, May 2001)

6 NFF Property Rights Position Paper - May 2002

3. Public Benefit Test

Commonwealth and state environment legislation which endeavours to achieve environmental benefits for the entire community is eroding the ability of farmers to productively manage their land and imposing a real cost on farmers for the benefit of the entire community.

The Commonwealth and state Governments should adopt and implement a comprehensive, rigorous and transparent Public Benefit Test to be applied prior to the implementation of any new Government regulations or legislative changes that may apply particularly to the transfer of property rights from landholders to the community.

Such a Public Benefit Test would:

- provide an assessment of the full economic and administrative costs of all natural resource management and environmental proposals;
- provide an assessment of social and other benefits and costs arising from the proposal;
- identify those sections of the community that will incur the costs and those that will enjoy the benefits;
- demonstrate how the proposal generates a Net Public Benefit for the community; and
- demonstrate that no other viable options exist whereby the same Net Public Benefit could be generated using non-regulatory options.

Public versus private benefit

The underlying principle for compensation and transition incentives is recognising that the community must be prepared to bear the cost where a landholder is required to forgo a development opportunity or undertake some activity for the community's benefit.

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4. The solution

- The Commonwealth Government should review existing Commonwealth legislation (specifically the Environment Protection and Biodiversity Conservation Act and the Heritage Protection Act) to ensure that where the operation of these Acts results in the reduction in the property rights of landholders to generate public-good environmental benefits, appropriate compensation is paid to landholders.
- The Commonwealth should also make protection of property rights a requirement of each state, through an Inter-Governmental Agreement, similar to the mechanisms

that have been used for the National Action Plan on Salinity, and earlier for National Competition Policy.

- Under an Inter-Governmental Agreement, the Commonwealth should require that the states implement appropriate protection for property rights as a pre-condition to making Commonwealth funds available to the states for national environmental programs such as the National Heritage Trust and the National Action Plan for salinity.
- In order to ensure compliance by the states, the Commonwealth should establish a national review committee (similar in structure to the National Competition Council) which would have the role of validating the extent to which states have complied with the Commonwealth's standard of property right protection.
- Having established protection of property rights, and states should implement Commonwealth also process transparent Public Benefit Test for all legislation, to full environmental enable and а transparent examination of all the costs and benefits associated with regulatory proposals. Such a process must identify:
- the full costs and benefits associated with a particular regulation;
- ullet the groups who bear the cost and enjoy the benefits; and
- why a regulatory approach is preferred above other mechanisms.
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5. Implementing incentives and compensation

Property rights and incentives are two of the four key fundamental characteristics of the Federal Government's recently announced natural resource management policy platform.

To deliver an appropriate outcome for agriculture, the Federal Government needs to meet the following needs.

- 1. Provide for a statutory-based, compensation package in state and Commonwealth legislation for those cases where a property's market value is reduced because there are limits or constraints imposed on using or developing certain natural resources.
- The level of assistance to be based on a 'before and after' test of the property's market value. However, only those things of 'public benefit' will be included in the 'before and after' assessment.
- 2. This compensation will, in all cases, be payable as agreed between the parties or determined through an appropriate appeal process, which must have regard to -
- A 'before and after' test, determining any change to the market value of the property because of certain restrictions or prohibitions imposed as a result of the government's decision.
- Any agreement with the landholder. These agreements will allow for a range of options for structuring the transition incentive/compensation payment, for example, stewardship payments, term annuities; low interest loans; restructuring assistance; offer of alternative/additional land; management assistance for fencing and so on.
- 3. As well as the above, there needs to be a package of ongoing incentives to encourage voluntary actions in relation to managing natural resources (e.g. voluntary retention of remnant vegetation) rate relief, rent relief, stewardship payments, fencing assistance and so on.

Planning processes

Subsequent to the establishment of statutory protection for property rights and the implementation of a rigorous and transparent Public Benefits Test process, an individual's property rights will be delivered at a state level through various natural resource planning processes, generally occurring at a regional level.

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6. Appendix

Water Property Rights Key Issues

The National Farmers' Federation is not opposed to the principles of the CoAG water reform process but is concerned that these principles have not been applied in a consistent and transparent manner and that the fundamental issue of water property rights has not been adequately addressed.

Australian farmers through the National Farmers' Federation are agreed on the basic principles constituting a water property right.

The National Farmers' Federation and its constituents will be the forum that demonstrates what a real world property right looks like, rather than the new "diminished" right generated by state agencies that is far less than adequate to deal with the CoAG driven change.

When, in the pursuit of property rights, it is found that there are existing, clearly defined water rights, those rights will be preserved in all negotiations.

Fundamentals of a property right

The National Farmers' Federation has agreed that there are six fundamental characteristics of a water property right:

- Duration —to be reflective of a real property right, farmers' current licences and water entitlements need security. These rights must be granted in perpetuity;
- Flexibility modification or alteration to account for recognised constraints on the availability of water resource;
- Exclusivity an entity holds the water property right exclusively so that it can be traded in a market place;
- Quality of Title secured to the extent that removal or impairment is compensated and the rights are adequately registered to facilitate financing and transfer:
- Transferability easy transfer of water property rights on a permanent or temporary basis; and
- Divisibility capable of being shared or subdivided.

future planning through a water property right which provides for:

(Importantly, these characteristics are not mutually exclusive, they must all be present for a true property right to be acknowledged and no alteration to one characteristic ought to be able to erode any of the other five.)

The National Farmers' Federation is of the view that the CoAG water reform agreements have not been implemented to deliver on promised water property rights.

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Regional Australia (at community and environment level) requires certainty to allow

1. Security **of** the asset;

(No asset removal or impairment without just compensation)

2. Security **over** the asset;

(Lending institutions need adequate description and register)

3. Environmental obligations.

(Both percentage share and reliability of access are subject to change ensuring management flexibility as long as points one and two above are recognised)

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WESTERN AUSTRALIAN FARMERS FEDERATION

POLICY STATEMENT

PROPERTY RIGHTS

General Section Council 4th & 5th February 2003

GSC 48.

"That WAFarmers General Section Council endorses the draft property rights principles described herein to be adopted as policy and utilised as the foundation for all negotiations in relation to property rights issues."

WAFARMERS DRAFT PROPERTY RIGHTS PRINCIPLES

WAFarmers had considerable input into the previous Government's Native Vegetation Working Group and the subsequent development of the group's final report, which contained a series of recommendations for the future management of the State's native vegetation and at the same time recognised the property rights of farmers.

WAFarmers supports these recommendations and commends them as appropriate principles for further discussion.

The following points are by way of background and contain the major points of discussion within WAFarmers for an acceptable way forward on property rights. WAFarmers, in discussing property rights, simultaneously incorporates land and water into the discussions.

- WAFarmers seeks a clear definition of the parameters of "environmental harm" as it applies to the Environmental Protection Act reforms.
- An acknowledgement by the State Government that agricultural land was released in Western Australia to be cleared and cultivated. Farmers were required to do this in order to retain their conditional purchase land.
- Farmers would accept the 20% rule on non-clearing, however, it would be expected that farmers could clear up to 80% of their land.
- Where clearing will not cause environmental harm such as increasing salinity then landowners would be given permission to clear in the normal way, without punitive conditions being applied to the clearing permit.
- Where clearing applications are declined, the reason must be communicated in full to the landowner.
- An appeal tribunal to be created to enable landowners who are declined a permit to clear to have recourse. The tribunal would need

a mix of industry people and arbitration professionals. Consideration may need to be given in cases where land was purchased at a low figure because of the likelihood of permission to clear the land being withheld.

- Once declined a permit to clear, a landowner, whether he chooses to go to the tribunal or not will be in the position to seek equity adjustment (compensation).
- Equity adjustment can be in the form of a land swap or financial adjustment where necessary.
- Where the Government purchases agricultural land for equity adjustment land swap purposes, such land to be quarantined for agricultural use and not absorbed into conservation reserves.
- State legislation needs to complement Federal legislation on property and water rights.
- Applications for permission to clear once submitted, must be dealt with within an agreed time limit and a response given. WAFarmers believes that 90 days is reasonable.
- Where timbered country is currently used for grazing, this practice must be allowed to continue. Removal of this practice could render current viable farms unviable.
- Where a landowner has trees spaced across a pasture that inhibit a
 farming practice such as cultivation then the landowner should have
 the option to revegetate or fence off an equivalent portion of his farm
 or paddock to protect native vegetation before removing the trees.
 Consultation would be needed in this process.
- Where plantation trees have been planted either for timber or products such as oil mallees, landowners should retain the right to harvest them without having to gain permission and without penalty or replacement.
- Incentives should be given to encourage landowners to revegetate where trees are harvested for plantation timber.
- In accordance with Government announcements of incentive & assistance measures to assist landowners, provision of management advice and support through the Land for Wildlife program should be continued. Provision of economic incentives, through the establishment of native vegetation trust funds to help landowners meet the initial management needs of bushland coming under voluntary protection also need development and introduction. (this provision needs to be extended to cover ongoing management needs).
- Support industry adjustment through purchasing land for addition to the formal conservation reserve system.
- These principles would also apply in the case of water rights and/or entitlements.

Environmental Management Systems in Agriculture

SUBMISSION

To

Environmental Management Systems Working Group

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The Western Australian Farmers Federation (Inc)

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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.

Current Situation

Environmental Management Systems in Agriculture (EMS) was discussed at the December 2001 meeting of WAFarmers General Section Executive and the following resolution was carried unanimously.

"That while management of our natural resources is a concern to our members WAFarmers take a cautious approach to EMS and not give is support at this stage.

That NFF be advised of our position"

This resolution has been conveyed to the National Farmers Federation (NFF) of which WAFarmers is an affiliate member along with details of the concerns WAFarmers has in regard to the EMS proposal for consideration at the recent EMS Rural Industry Forum.

WAFarmers was unable to attend the forum due to annual conference commitments on the same date. We do however, look forward to receiving details of the forum outcomes in due course.

Background

WAFarmers supports environmentally sound farm management practices.

WAFarmers believes that industry management and industry discipline (Best Management Practice) is the preferred direction in relation to environmental management.

Western Australian farmers are renowned as innovators and for their rapid adoption for new and improved technologies. In an environmental sense, this is evidenced through the implementation of zero till farming methods and introduction of leguminous and rotational crops.

If Governments wish to encourage the uptake of programs such as EMS, a "carrot before the stick" approach will be required. WAFarmers members regularly express frustration at the lack of taxation incentives for attached to Government and community demands for more environmentally sound farming practices.

WAFarmers will not support another Government program, driven from the top down, which imposes on a farmer's right to farm, duplicates segments of existing Quality Assurance (QA) programs and creates additional administrative responsibilities through paperwork and audit requirements on top of other Government initiatives such as the "simplified" tax system, Occupational Health and Safety, transport logs and audits to name but a few.

Farmers currently operate on such tight margins that employees outside of immediate family are seasonal and on farm time pressures are extreme. A common complaint from farmers now is that with the ever-increasing demands of office duties, they have difficulty finding the time to farm.

Until such time as Governments, both Federal and State advance their recognition of the right to farm and property rights beyond the rhetoric stage and implement appropriate compensation for farmers to meet community expectations of environmental, social and economic outcomes, WAFarmers will not support Government "initiatives" such as EMS.

The following comment from a recognised leader in environmentally sound agricultural practices in WA reinforces the WAFarmers stance on EMS

"I try to achieve what is being proposed (EMS) and the majority of my peers likewise but will not accept being imposed from above in a document that is at times hinting at coercion, but in general is written in bureaucratise that exposes a lack of community input or drive".

EMS – Industry perceptions

As EMS is proposed to be industry led (so far not so) WAFarmers believes that transaction costs will be a major impediment to implementation when the returns are not tangible.

Only a few leader/experimenter landholders will adopt EMS, bad or poor managers will not and those in between will take a lot of convincing.

EMS is supposed to be "able to support strategic plans associated with the pursuit of Natural Resource Management (NRM) objectives, rewarding progress that goes beyond minimum standards and be compatible with and where appropriate reinforce and avoid compromising market initiatives and market opportunities."

This is all jargon and justifying setting higher order regional plans/targets – more paperwork and unpaid bureaucracy.

EMS is supposed to be simple, cost effective, user friendly etc. and market drivers provide a powerful incentive for EMS adoption. At present, the drivers do not exist over and above normal practice where the majority strive to do the best at all times where it is most effective. IN THE PADDOCK.

"Compliance cost savings and resource consents being more easily obtained" contains a hint of coercion or threat.

Pride and stewardship are mentioned as drivers with potential for farm environment awards used to reinforce good performance.

Pride and stewardship come from on ground action, not paper shuffling and awards for good performance are already available at local, state and national levels through Landcare and similar programs.

The need for EMS to be adaptable only concurs with what currently happens in the real world as farmers build on experience, research and development and agency extension services.

The need for EMS to be compatible with existing systems (e.g. ISO) and be auditable is practical however, implementation will not happen until the market provides rewards for adoption.

There is evidence of duplication and overlap with other planning and monitoring at farm, local, regional and state level. There are already many farm business plans that cover resource as well as economic and personal issues, Land Management Society monitoring kits (have been around for a decade but still not widely adopted for the same reasons that EMS will not be), a multitude of QA programs, Best Management Practices and alternative EMS under development.

The proposed EMS framework will not reduce duplication unless all other like programs are scrapped. It does not demonstrate how landholders are to benefit over what they are doing now and does not demonstrate how it will facilitate a voluntary uptake without some tangible benefits.

EMS – The way forward

Western Australian agricultural industries are markedly different from those in the eastern states in that they are heavily reliant on export markets and with a limited domestic market. The industries export markets, with minor exceptions, are not sending signals calling for accredited produce.

WAFarmers supports and actively promotes the "care" range of Quality Assurance programs i.e. CATTLECARE, Flockcare, Graincare, Freshcare etc.

In particular, through its membership of the Grains Council of Australia, WAFarmers had considerable input into the development of the Graincare program.

The "care" range of QA programs are modular based and provide linkages for mixed farm operations through common modules e.g. chemical management.

It is proposed that a single audit will accredit farmers undertaking the "care" range of QA programs.

WAFarmers believes that environmental management could readily be incorporated into these existing QA programs via a modular system and further be subject to the one auditing process.

It is noted that the discussion paper addresses this issue and provides a statement of support from a farmer on Page 14.

However, despite these QA programs being developed by industry for industry, farmer uptake is proving difficult due to the lack of market signals (demand) and financial reward for QA produce. EMS, in whatever form, will encounter the same difficulty in WA.

Nevertheless. WAFarmers encourages the **Environmental** Management Systems Working Group to adopt this integrated QA approach as their way forward in the promotion of sound environmental management practices. It is also strongly recommended that EMS be progressed through industry led groups in each State as opposed to being directed from Canberra.