

CROP RISK MITIGATION INSURANCE

Motion

Resumed from 13 May on the following motion moved by Hon Darren West —

That this Council calls on the Barnett government to support the introduction of a crop risk mitigation product into Western Australia.

HON DARREN WEST (Agricultural) [1.24 pm]: I will continue my remarks from last week. Those who were present in the chamber at the time would have heard me discuss the merits and the reasons for crop mitigation insurance and the concept that if the agricultural industry can mitigate risk effectively then we will be able to rebuild our own communities, attract and retain younger people in communities and offer secure careers for our best and brightest in the agricultural sector. That is very important for the region because it will help to stop the flow that current regional development policies have allowed of young people and the population generally to metropolitan areas. Of course, it is a win for everybody if we can mitigate that risk with crop insurance products, and I spoke at length last week about the need to do that.

Today, in the time that remains for me to contribute to this positive motion, I will speak about what role government can play in this matter. Certainly, the industry itself is best to mitigate its own risk. We all agree with that and I think many people agree that there are times in business when government might get out of the way and let business do what business does best. However, in this instance, as in many businesses, there are always things that government can do to enable a business to get on with its key role. In this instance the role for government would be to provide some meaningful investment into a Doppler radar system. As I have said before in this house, and for those who are not familiar, a Doppler radar is an advanced type of radar system that enables farmers, bankers and risk mitigators—that is, insurance companies—to get up-to-date hourly information to help make their assessments and their decisions more robust, and that is certainly beneficial to their businesses.

I will be quote from a couple of articles to give members an idea what Doppler radar does and why it is important. The first article I will quote is written by Rob Payne, dated 21 March 2013, which states —

EXPANDED mobile phone coverage and the introduction of Doppler radar are being pushed to overcome critical shortcomings in WA farming regions.

Department of Agriculture and Food ... economist John Connell says the technology is vital for WA to remain competitive in a tight global market.

There is a very important point right there —

“The only high-resolution radar coverage in WA is located in Perth, which has Doppler functionality, but that is turned off,” Mr Connell says.

...

“[Our current] coverage inland is very truncated in most cases, because we have escarpments.

“The Perth escarpment blocks out any sensible information from beyond that and we don’t get very great coverage from Geraldton as you move inland.

“Three Doppler radars would be needed to give majority coverage to the agricultural region, which combined with the state’s 135 automatic weather stations would produce very valuable information for weather plotting.”

While traditional radar can locate precipitation (rain, snow, sleet) and precipitation intensity, Doppler radar detects wind direction and wind speed, which affords better storm tracking and storm speeds and can provide farmers with forecasts down to six minutes.

This can improve decision-making for planting, fertiliser and pesticide applications, stock movements and harvesting.

“The US has fine at-paddock level data for making agronomic decisions on the farm. We’re miles behind,” Mr Connell says.

The project is costed at \$27 million for installation and operation over 20 years but would return savings of around \$165 million.

I would have thought that would be a good investment decision for the government to make. There can be a \$165 million increase in incomes in the agricultural region which would have enormous flow-on benefits to

government and to the industry itself, and make some of the more marginal farming areas profitable. The article further states —

Mr Connell is also pushing for improved mobile phone reception in agricultural areas, as Telstra's current scheme to add 200 telecommunication towers to rural areas largely bypasses farming areas.

It goes on with a lot more information about the importance of the Doppler radar.

The article continues —

Given DAFWA's plan to double agricultural outputs in the state, Mr Connell views this as value for money, —

I would have to agree with that —

enhancing investment prospects and enabling driverless technology, timely equipment repair and supply chain efficiency.

This includes farmers being able to respond to real-time offers.

It goes on to refer to the importance of communications and the radar.

I have some other information here; a briefing paper titled "Western Australia Radar Network Costs & Benefits". It states —

The following information has been provided with assistance from *Environmental Systems & Services (ESS Weather Tech Pty Ltd)*.

ESS has installed 60 of Australia's 64 strong radar network including 14 radars in Western Australia.

ESS is currently involved in progressively upgrading Australia's radar network with Doppler capability. None of Western Australia's existing radars has 'Doppler' capability.

A mix of weather stations and radar is vital to provide highly accurate spatial analysis and quantitative rainfall data, and severe storm information.

Agricultural Advantages to Doppler Radar

Although the information provided by radars is unlikely to prevent crop damage, radar images, (and radar-based warnings) enable farmers to take advantage of favourable weather conditions, and make informed decisions on an **hourly basis** regarding such matters as **movement and protection of stock and application of chemicals**.

Farmers are able to save thousands of dollars on chemical sprays, and are better able to manage drift and rain wash-off, which provides significant environmental advantages and reduces unnecessary runoff into rivers and local waterways.

So there is a very physical advantage of such a radar system. There is a lot more information here and I probably will not have time to go through it all, but I am sure anyone who is interested will be able to do the same search.

I also have a letter dated 28 October 2014 to Hon Colin Barnett from none other than Hon Nigel Hallett, member for South West Region, requesting Doppler radar capability in Western Australia. This is certainly something that the honourable member has talked about for a long time, and has written to the Premier about as long ago as October 2014, and I applaud him for that; it is certainly a worthwhile initiative and I am glad that there is some bipartisan support for Doppler radar.

The briefing paper continues, further along —

The USA has a network of over 150 Doppler radars that are being upgraded to dual-polarisation capability at present. The UK's network including seven Doppler radars has been expanded and is upgrading the network to Doppler with dual-polarisation. France has almost total Doppler coverage including some dual and triple Doppler Coverage.

Existing radar coverage (Perth, Geraldton, Albany, Esperance, and Kalgoorlie) only extends to the perimeter of the Wheatbelt region. Radars are located on coastal areas which provide no benefit to farmers and meteorologists seeking vital data from inland areas to monitor not only severe weather, but measure soil moisture, yield growth, precipitation and wind speed.

The Wheatbelt grain-growing area experiences its wettest months of the year from June–August (winter rainfall maximum) and experiences thunderstorms during late spring and summer. Thunderstorms in November and December often cause severe losses to near-mature crops, while decaying tropical cyclones in mid to late summer can adversely impact upon dry feed and stock.

Currently BOM temperature stations are approximately 30 km apart in agricultural areas, in the United States for example, they are on average 15–20 km. Weather monitoring would also be significantly enhanced with a program to double the number of existing micro weather stations.

The briefing paper then goes on to refer to the advantages of Doppler capability —

Farmers have proven to be avid users of radar imagery where available, as radar imagery is perceived as aiding short-term decision making with regard to on-farm activities.

It is well documented that farmers, land managers and the community benefit significantly from improved weather and climate predictions generated by state-of-the-art Doppler radar capability. Growers can make well informed decisions regarding on-farm activities such as tillage, seed variety, chemicals and fertilizer use.

Farmers are able to monitor movement and intensity of rainfall. Radar is the main tool by forecasters in the 0–6 hour forecast and warning of rain, thunderstorms, hail and damaging winds. In addition, farmers and agribusiness access this data through the Bureau of Meteorology's public web service.

So it is free and there is no cost to the farming community. The briefing paper then goes on to outline infrastructure that may be necessary for crop mitigation insurance, and I think this is where I will bring my contribution back to. The crop mitigation insurance industry needs this infrastructure to offer products to the rural community that will enable us to mitigate our own risk. When we think about the capacity of the agriculture industry to mitigate its own risk, there will be no need in the future, should we be able to successfully do that, for drought assistance funding, for instance, or exceptional circumstances funding, because if we can mitigate that risk ourselves, we will not need handouts from government and the unnecessary red tape and paperwork that is associated with it. There is always a degree of unfairness in drought funding because it is always lines on a map rather than shaded areas, so some people might miss out even though they might be slightly less adversely affected. This enables us to cover that risk ourselves. With regard to the necessary infrastructure for crop mitigation insurance, the paper reads —

The installation of new radar technology would significantly boost the likelihood of the introduction of a range of Crop Mitigation Insurance products in the WA market.

Companies, such as the US based The Climate Corporation, rely on this form of technology to create yield based insurance products, which protect farmers against bad weather events that are known to cause yield loss.

Risk management instruments such as risk mitigation insurance has the ability to create the financial resilience needed by farmers, banks and the agricultural industry to:

- Assists farmers with planning and manage on-farm risk
- Protect vital infrastructure
- Protect farmers' equity and growers' balance sheet for future years
- Stabilise land prices —

Which is significant —

- Remove upward pressure on interest rates —

For those who are not familiar, the higher one's risk to the bank, the higher one's interest rate —

- Dramatically reduce and potentially eliminate the need for Exceptional Circumstances Funding

...

At around \$3.5 million each installed, the State has through the 2013–2014 Budget sufficient funds in the Department of Agricultural Royalties for Regions forward estimates to:

- Expand WA radar network with an additional 6 radars (Doppler capability preferred)
- Upgrade the existing Perth and Kalgoorlie radars to Doppler capability
- Develop a comprehensive network of automated weather and soil moisture measuring stations.

In total, I believe an investment of a total of \$25 million over the next 3 years to construct a network of 6 stations would create a series of world class radar-based applications in Western Australian.

As you are now doubt aware, the SW town of Nannup is working to establish a new Emergency Management Institute to better train those involved in bushfire management. Radar capability in the SW would be of enormous benefit to this project and emergency services management throughout the region.

The installation of 2 Doppler weather monitoring radar stations in the eastern-Wheatbelt would enable the Bureau of Meteorology and farmers to forecast drought and heavy rainfall more effectively. While of immense benefit to our grain growers, it would also demonstrate that this Government is serious about supporting WA agriculture.

Funding is immediately available ...

I will pose a question about that in a little while. The suggested radar locations, at a cost of \$3.5 million each, are Moora, Wongan Hills, Merredin, Lake Grace, Esperance and Nannup; upgrades of \$250 000 each are suggested for Perth and Kalgoorlie.

I refer now to an article from the *Farm Weekly* of 6 April 2014 and I quote our very own Hon Ken Baston. It reads —

THE WA Agriculture Minister Ken Baston’s decision to investigate funding options for the installation of Doppler radars in WA has been welcomed.

It has certainly been welcomed by all the industry, including me. The article continues —

South West Region MP Nigel Hallett has been campaigning since 2013 for the introduction of technology and for the WA government to release funds available through the government’s agricultural election policies to build a comprehensive Doppler radar network (DRT).

Mr Hallett welcomed Mr Baston’s announcement in Parliament last week that he would investigate funding options for the installation of three Doppler radars at Wubin, Merredin and Lake Grace.

He said this would provide coverage across a large part of the Wheatbelt costing about \$19 million, and delivering benefits to farm businesses worth \$108m.

That is a slightly scaled-down version of the grand plan, but welcome nonetheless. The paper goes on to say that there are enormous benefits, many of which I have already articulated. It seems that we have the support of none other than the Minister for Agriculture and Food for this, which I welcome and certainly appreciate as a farmer.

However, we have heard the language of, “This is a great idea”, but what we do not really have at this stage is a definite funding proposal. What I would like to see come out as a result of this motion is a guarantee for the funding of these radars. Yes, there are some pools of money, but I do not think that those pools of money will come from the Department of Agriculture and Food because, yet again, we have seen a significant reduction in the budget for our flagship agricultural organisation, which has suffered its fifth or sixth successive cut.

I understand that staff numbers will now be below 1 000 and there is neither the funds nor the capability within the organisation to deliver this project. Given that we have royalties for regions funding, \$300 million has been earmarked or parked up for agricultural initiatives. To this stage we really have not seen what a lot of that money will be spent on. This is a perfect opportunity to shift some of those funds across to the Department of Agriculture and Food Western Australia, or whichever organisation the government thinks best, to get on with this project. We need this project in times of variable climate, increased frost risk, and fluctuating commodity prices and yields, and in times when young people are leaving the industry in droves and our own department of agriculture is being cut back to a shadow of its former self. It does not paint a great picture for the agricultural industry. But, as we all know, the agricultural industry is the next big thing in Western Australia. Mining has had its run. Mining has been fantastic for the state; it has delivered immense dollars. When the mining boom subsides, as is happening now, we will look to other industries such as agriculture to pick up the slack and to provide the stimulus to the state. This project is viable at this time. Agriculture is at a crossroads. There are uncertain days ahead. The introduction of a suitable and cost-effective crop mitigation product would give the industry the certainty that it needs.

I am optimistic—every farmer is. A large part of every farmer is optimistic; I think it goes with the profession. If a farmer took a pessimistic outlook on each season, they would not proceed with the cropping program at hand. Farmers need to be optimistic. I am very optimistic about the future of agriculture. It heartens me when I see young people from non-agricultural backgrounds seeking to make a career in agriculture. A crop mitigation product needs to be backed up with government support. The industry that provides that product needs to be backed up with government support in the form of Doppler radar. There are other initiatives that the government could provide. Given there are very few crop mitigation products now available—they are essentially an insurance product—those products would attract stamp duty. There would be good cause to make an argument to government to perhaps waive that stamp duty for farmers in their first two or three years of taking up the

product. Given that the government now receives no income from this product, because there is no such thing, that would be a suitable incentive. Some farmers pay up to \$5 000 for a full assessment of their business and their farm. A relief in the stamp duty of the product may be an enticement for more and more farming operations to see this as a viable product. That is something else that government can do, but it all hinges around the \$19 million or \$27 million that is required to build the Doppler radar network. I look forward to the contributions from members opposite. I certainly hope there is concrete news rather than the government just seeking funds to build the Doppler radar network. I hope to hear news that there are funds and the government will proceed with the project.

For all the reasons that I have pointed out, and the need for information on all kinds of things, not just predicting weather events but certainly to monitor soil moisture, to have some quantitative data on exactly what moisture is in the soil would be a huge piece of information for farmers. It would be important mitigation risk information for not only the insurer, but also farmers, especially in the marginal areas where good crops can be grown on lower amounts of rainfall provided there is an adequate amount of soil moisture and provided that we are confident that that soil moisture can be used by the crops. The Doppler radar system would assist with that.

Finally, it would be very useful information to our friends in the banking industry. As I alluded to earlier, banking is all about risk. Those of us who are fortunate enough to farm in areas where rainfall is considered quite reliable and who have high enough equity in their operations can borrow money at a very attractive rate at the moment. We can borrow money at interest rates as low as five per cent to continue our farming operations. Those who farm in more distant parts of the wheatbelt, those who farm in areas where the climate is more variable, those who have higher costs such as freight, both to and from the farm, and those who have greater amounts of risk are paying nowhere near those rates. Farming businesses that perhaps purchased land at the height of the boom in 2009 are now struggling to make the repayments on that land, with diminishing terms of trade. Banks take a view—it is quite a reasonable view—that the higher the risk to them, the higher the margin they will charge on those loans. I know of farmers paying up to 12 per cent. In some cases farmers are paying five per cent to borrow money to continue their operations, and some farmers pay as much as 12 per cent. That inequity can be narrowed by installing Doppler radars, getting the crop mitigation product out into the market cost effectively, and providing that valuable information to banks, insurers and the agricultural sector. It goes further. For instance, if we can predict what the Australian crop yields might be, it gives economists and people in the commodities trading businesses valuable information. We can plan, we can mitigate our risk and we can pass on that intellectual property and knowledge to other industries. The state needs it. I urge the government, without any further ado, to announce that the funds are available and that this product will be installed into the agricultural region very soon.

HON KEN BASTON (Mining and Pastoral — Minister for Agriculture and Food) [1.26 pm]: I thank Hon Darren West for his long speech. I went back and read *Hansard* from the last time he stood and spoke. I have to say that the honourable member put it very well. I can probably say it was one of Hon Darren West's better speeches since he has been a member of Parliament. He made this comment —

I think a politician loves to turn up at a dry, dusty paddock and announce a rescue package ...

I could not think of anything worse, quite frankly. It is totally depressing to be out there.

Running any business, particularly when global economic conditions are not ideal, can pose many challenges. Of course one could throw the weather in on that. Having spent three decades on the land, I know that agricultural pursuits are exposed very much to the elements. Very special challenges arise, including hail, hot weather and frost, and no rain. We saw a cyclone recently in Carnarvon that damaged crops, particularly bananas and vegetables.

I also understand very well that farmers want to insure themselves against their crops being impacted by adverse weather conditions, such as I just mentioned. However, if I own and run a small business, such as a coffee shop, aside from the normal building and contents insurance, it may also be sensible to take out business continuity insurance in case some external event occurs that results in my business not being able to operate. I would not expect to turn to the state government to cover me for business continuity insurance. In exactly the same way, I do not believe it is appropriate for the state government to be in the business of underwriting crop insurance. Although I appreciate that individual businesses will have their own decisions about whether it is suitable for them, crop insurance products are becoming increasingly available. For example, I am aware that Latevo International, established by Australian farmers, provides a range of crop insurance products. I will leave the detail of that to Hon Nigel Hallett. While I am on that, I would like to thank Hon Nigel Hallett for his tireless and persistent work to get us to where we are today. I have no doubt that other competitively priced crop insurance will develop with the economies of scale. However, that is not to say that the government is sitting back and doing nothing in this field. In fact, we have already put significant effort into investigating how best to encourage the private sector to offer such insurance products while still providing outcomes for taxpayers.

As I have previously told the house, radar coverage throughout rural Western Australia is very limited and none of the current radars has Doppler capability. The honourable member mentioned one out of Perth but when I checked it about a month ago, it was not in operation.

Hon Darren West interjected.

Hon KEN BASTON: It is near Serpentine. It is virtually useless because it is on the wrong side of the scarp.

As Hon Darren West said, the Dopplers offer a greater level of detail than standard weather radars and have significant benefits for aviation and extreme weather management, such as fire and emergencies. At the same time, Doppler radars provide farmers with weather information to aid in agronomic and management decisions. I have been hearing from the insurance industry that Dopplers would provide a significant incentive to the private sector to offer crop mitigation risk insurance products.

Last year, I asked my department, the Department of Agriculture and Food, to commission a report that would outline the costs and benefits of expanding both Doppler radar coverage and the mobile phone network. That is the report by John Connell that was tabled in the house and that Hon Darren West quoted from. The report estimates that three Doppler radars located at Wubin, Merredin and Lake Grace would deliver coverage across a large part of the grain belt at a cost of \$19 million, and I believe that each one of these radars would have a 200-kilometre radius. That spend could conservatively deliver benefits to farm businesses worth a net value of some \$108 million. I think a better figure that is more realistic for members' understanding is an \$8.38 return on every dollar invested, which is a pretty good return in my books.

My department has finalised a royalties for regions business case for Doppler radars, which has been signed by me and Minister Redman and is now awaiting cabinet endorsement. These measures will be welcomed by most farmers and will also make it more attractive for the private sector to offer crop risk mitigation insurance. I see no reason for the government to be in the space of underwriting or financially supporting crop risk mitigation insurance, particularly when we are contemplating investment in Doppler technology, which represents a first for Western Australia. Given that this investment will provide better outcomes for taxpayers and farmers and a significant benefit for insurance companies, I would say that this government is in fact already supporting the implementation of crop risk mitigation insurance.

I am pleased to see the intent of this motion, as I believe it is going in the right direction. Although, unfortunately, notices of motion are put on the notice paper two years or so before debate on them, this motion is still very pertinent and I am very pleased to see that it is moving forward. We talk about the benefits being for farm businesses, but the benefits are bigger than that; they are actually for all Western Australians. Bearing in mind that 80 per cent of our agriculture product is exported, the export dollars that come into Western Australia are real dollars; they stay here and go into regional areas. They are extremely important. Of course, those figures have not been extrapolated in the report, but I believe it is something that people tend to overlook when they talk about agriculture in Western Australia. The government supports the motion, as we think it is important and going in the right direction.

I just want to add that agriculture is moving. The resources sector has plateaued, and agriculture is in that space now and has taken up that slack. This has happened before, but our markets today are far more conducive to the benefits of further development in agriculture. Only this morning I had discussions with people who are looking to invest. In my recent trip to Japan, I noted the large amount of Japanese interest in agriculture in Western Australia. Bear in mind that this interest is from companies that already invest very strongly in the resources sector, so they know Western Australia and feel safe investing here; and I think vice versa, as agriculture is certainly up there. I hope that these Doppler radars will ease the pain of drought for businesspeople.

Hon Darren West talked about the problem of mental health and all the other issues that go with it relating to the time it takes to deliver funds to mitigate the cost to government of drought, severe frost et cetera. There is also the issue of interest rates. Interest rates are of course lower if the equity in a business is safe. One of my constant gripes is that people can get a mortgage to buy a house at an interest rate of under four per cent, yet it produces nothing; agriculture, which is productive, has to pay 11 per cent. That rate, of course, depends on which bank the business is with.

I thank Hon Darren West for bringing this motion to the house. I am pleased to say that the government of the day is already investing in this direction. There is more that we will have to do as we go along because technology is moving at such a fast rate.

HON NIGEL HALLETT (South West) [1.35 pm]: I also thank Hon Darren West for bringing this motion to the house. In the two or so years since it was placed on the notice paper, the whole subject has moved greatly. How pleasing it was for the minister to say that we are now waiting on cabinet to tick off on Doppler radar!

I will just touch on Doppler radar as a lot has already been said about it. The Canadian study conducted back in 1999 on its impact on Western Australia was based on coverage of 12 million hectares in our wheatbelt. The contribution to the economy of radar coverage statewide was estimated to be in excess of \$1 billion per annum for an outlay of some \$20-odd million. The sad thing that came out of that study was that other Australian states were linked to the Doppler network but for some reason Western Australia never signed up to it. Whose fault that was and which government was in power, I am not sure, but it is history now and there is no point going back. However, that is how far behind we are as a state. It is therefore pleasing to hear that we are in the throes of catching up.

Doppler radar is certainly a tool that can be added to products to encourage the insurance industry to cover Western Australia. An industry that will come into a bit of strife is the grape industry. We know the effects of smoke on wine at certain times. A lot of the bluegum plantations have been pushed out and burnt, which often happens at the break of the burning season in February–March, right at the height of the picking season. There is therefore a lot of conflict between growers and farmers. In the United States that industry is able to take out its own insurance protection. I think the same should apply here in WA so that the industry can protect itself, instead of it having to call on farmers not to burn et cetera. That is one benefit that we foresee coming to give the industry an opportunity to look after itself.

Risk mitigation, multi-peril, or whatever we want to call it, has evolved a lot in the past seven to eight years. It was originally done on a shire basis and drawn on maps, lines and so on, which was totally inadequate because a good farmer was subsidising a bad farmer. All that has since moved on and very few people now have failed to come on board with it. With any industry there are obviously a few people who keep their heads in the sand, but most people have realised that things now are tailored to their business. They take their business to the insurance company and it is assessed; some companies charge for the assessment and some companies do not. Today a minimum of four companies operate in Australia. We have come from companies such as Allianz, Swiss Re, Lloyds, White Mountains Insurance Group, Multi Peril Crop Insurance Australia Ltd, Willis Australia, Latevo, Marsh and Aon. The interest is now certainly evolving and we will see some very good outcomes.

Once again, going back to the department, we certainly lack leadership from it in these changes, which have been very formidable in overseas countries. There is a company in Quebec called FADQI. For some 40 years it has operated doing modelling for countries around the world and it beggars belief that our department has not been in touch with it. These are some of the questions that we need to ask. The debt for Australian agriculture now is at some \$60-odd billion. Our world ranked production per hectare has slipped to around twenty-fourth. Surely these questions should have been asked. Why are we not addressing them? At least we are moving forward now.

Finance has changed dramatically over the past few years. We are not talking about hundreds of thousands of dollars now; progressive farmers are now borrowing multiple millions of dollars. In the United States and Canada a person cannot borrow money unless they are insured. It is the same with the majority of our large purchases here; whether it is the family home, the car or a truck, a person must insure. If a person is borrowing multiple millions of dollars, why should they not insure? Executives are able to take out income protection, and when we look at the different models of insurance that is purely what we are doing. We look at yield or we can look at income—the two types of protection are there now. One of the downsides of yield protection is that income is still not being protected. A two-tonne crop or a three-tonne crop can be protected—whatever anyone likes—but the price may drop by \$100 in a world market, so income protection certainly suits some types of farmers. In Western Australia particularly we have found that the mid-range, coming down to that 15-inch rainfall belt—sort of Wongan Hills to that mid-range belt—has been the most active in this. The corporate sector has been very strong. I was in Japan recently and the first question I was asked by a leading company in agriculture was, “Do you now have risk management insurance? We are now looking at investment.” Over the past 18 months I have done a lot of work with Chinese investors and some of those investments have come through. They have all said that they are taking out risk management insurance. Overseas companies are not in the game of investing without a return. A lot of positives have come in through these types of things.

In the US, the total sum insured is somewhere around \$65 billion and the premium is \$6.6 billion. Putting that back into something with a community base, we have to ask what the benefits are. Take a typical rural agricultural town. We say they are all diminishing. If they are prosperous, they do not diminish. Schools stay alive and small businesses stay alive, as do dealerships. We all have to pre-order. Dealerships can go around to clients and ask whether they will do a three-year rotation, a seven-year rotation or whatever. They know what is happening; they employ their staff and there is guaranteed long-term employment. Towns can keep their doctors and their hospitals and the town is secured. Those benefits are not measured by some of the organisations doing the assessments. The rate of rural suicide is one of the highest. That is caused by stress. We cannot put a cost on those things, but they will be helped out by these schemes.

Hon Darren West touched on stamp duty. Stamp duty in Western Australia is the most expensive in Australia, at 10 per cent. On the eastern seaboard it is 2.5 per cent. What could be given back? We could look at getting some relief in stamp duty for a three or five-year period, but what would the government get out of it? The government could trade that for the collection of data. The most up-to-date data is about 15 years behind, so it would be a very small cost for a government to get that data. That is one way it could be done. The other way is to provide a professional opportunity for that data to be collected to be given back to companies to have risk assessment done.

I was talking to a chap this morning who had just taken out a substantial multimillion-dollar borrowing for his farm. The rate went from 5.9 per cent to 4.7 per cent on the proviso of having risk management insurance. That is a significant saving. In our own case, within 12 months as we are seeding, the information will go from the tractor straight back to the insurer. At harvest time the same thing will happen: that disk will go straight back to the Canadian-based company that is doing it. MPC I Australia is a subsidiary of Just Solutions Agriculture, a Canadian company. All that is needed to make that company work is 25 to 30 people. It has not advertised in Western Australia, but its books are pretty well full for this year.

Those are the sorts of benefits out there for farmers to take. I support both Hon Ken Baston and Hon Darren West in saying that it is time for the agricultural sector to stand on its own feet. We have seen things such as exceptional circumstances provisions and interest rate subsidies over the years of successive governments, but they have never worked. We now have something that is evolving and it will change with high participation. However, insurance is not compulsory. It is a person's business and it is their responsibility. It is not the government's responsibility to bail out agriculture. I think that we can now move forward on our own.

My next point was pretty well covered by the previous two speakers. One of the big positives we heard of from a company in the US is that in the seven years it has operated, the average age of farmers dropped by five years. Whether it is here, Japan or wherever, the average age of farmers is creeping up towards 60 years. In the US, according to this company, the average age has dropped to 52 years in that short period. That is an extremely good outcome. The net increase on farm earnings returned its clients between 14 per cent and 17 per cent, so all of a sudden agriculture was a sought-after business. It enabled people from outside the industry to come into the industry, and that leads to profitability and an asset with a good financial outcome if it is to be sold. One of the biggest factors in the break-up of farming families is succession, the lease of the farm or whatever. If the son wants to take over the farm, wants to lease more land or if I want to lease my farm, I can use that stipulation of crop insurance for risk mitigation. I know I will get paid, so I can invest. A father wanting to pass the farm on to his son can use the same. It takes away the factor of the son saying, "Dad, sorry, I can't pay this year; things have been tight." The son has still had to provide for his family. Whether it is providing education in the city, university or whatever, that is his first priority, but mum and dad are saying they want to be the first priority. From those perspectives, there are a lot of spin-off benefits that I think will help situations across the board.

Farm management bonds came in some years ago and they served a good purpose. I think they have probably become outdated now because of the amount of money involved—we are looking at roughly \$1 million to put 10 000 acres in.

We cannot get enough money behind us quick enough to do that, but there is still a role for those. If we bring that \$1 million out in one hit, the taxation side of it is there. I think they have outlived their usefulness and I think that is something that we can move on from.

This has been covered fairly well from previous speakers and I would just like to acknowledge the contribution and also the support of Hon Darren West, who has worked with me. It certainly has not been just a political thing; it has been across parties and I think it is good for agriculture in general.

HON MARK LEWIS (Mining and Pastoral) [1.50 pm]: I, too, would like to support Hon Darren West. As Hon Ken Baston said, I think that is probably one of the best speeches that I have heard from him in this house because it was positive and he made some suggestions for how we deal with this very important issue. Like both those speakers, I would also like to thank Hon Nigel Hallett. As we know, he has persisted with this for some time and he was outlining that in his speech just now.

I have probably been involved in this drought management issue for longer than I care to remember. As a junior stock inspector out in western Queensland, I was drought declaring places back in 1981–82—around about that era. It has probably been the most problematic policy area for agriculture for some time. I have seen the language change from "drought" to "rainfall variability", to "climate variability" to "climate change". The point of all of that is that there has been an ongoing issue with dealing with what is, effectively, rainfall variability. This debate goes a little bit further than that, and I will probably go into that a bit later, but as I said, I have never really seen a public policy response to the natural variations in the production risks that agriculture faces. I have been involved in developing a number of those; in fact, I was at one stage called the manager of risk management for agriculture or something in one of my jobs—I forget what the title was—and it was really about trying to work

out what we do in agriculture to manage the variability or the range of risks that are imposed on agriculture. To that end, is it about not only the rainfall risks, but also what are generally called “production risks”. There is a whole host of risks. There are the environmental risks that go with agriculture, and also the financial risks. Hon Darren West captured some of the more social risks and problems that sit around agriculture when things get a bit tough.

In this context, I have been sitting down with Hon Nigel Hallett since I came into this place, which is almost two years ago as of next week. Hon Peter Katsambanis and I will be having our two-year “drinkies” sometime next week, if I remember rightly. I have been talking to Hon Nigel Hallett about this, and there is a notion that insurance will save all, but there is one thing with insurance: a person can insure against frost and fire and those sorts of things, but rainfall is a very different kettle of fish. There has been a notion of, “Can you just insure for yield insurance?” Yes; certainly, and a Doppler radar is needed to do that, but it is potentially a production-only method. Where we have seen the industry progress in this area, as Hon Nigel Hallett just outlined, is now a broader-based insurance. It is more of an income-based insurance which captures not only the rainfall, but also a manager’s capacity to be able to manage their farm, property and pastoral lease to a greater degree. I think we are now seeing those products broadening from just weather to those other management factors that impact a farm. Doppler will also help with that, so while yield insurance definitely needs Doppler, the broader-based insurance also needs Doppler, but not to the higher degree.

I note that the motion is about crop risk mitigation products. There are many forms of crop risk management products, and it is just not about Doppler radar and insurance. The minister was alluding to that. There are a whole range of other things that we need to manage. We could call them crop risk mitigation products. For example, minimum till is probably one of the great leaps forward that we have had in agriculture in the way that it mitigates the risk for crops. It was one of the first moisture conservation techniques that we introduced. We are at the forefront of it, particularly in Western Australia. It is not only in WA and Australia, but also probably around the world, that we are leading in mitigating crop risk through minimum till. There are a host of other management crop risk mitigation products or methods; the time of planting, for example, is a management decision. It has a severe impact on the outcomes in some years. Also, very much today with the targeted application of fertiliser and chemicals, this is again a risk management technique that will reduce costs and ultimately, profitability.

At one stage of the game we were looking at this more holistically in the ability to reduce the cost of borrowing that the industry has been faced with over the years. We have a very high-risk profile compared with other commercial businesses and that is why our margin sometimes creeps up. Before the global financial crisis, one of the products I was looking at was a thing called “collateralisation of debt.” It was unfortunate timing, in a way, because collateralisation of debt is also a very useful way of ensuring the borrowings are reduced to agriculture, simply by collateralisation and the bulking the debts—like we do in the home mortgage industry where we bulk up the debt, onsell it and on-insure it to other major insurance companies. We never got to that. It would have been one of the products that we could have used in agriculture to reduce the risks of money into the industry. However, as I said, the global financial crisis came along, and that was the end of that little story, because anything that had collateralised debt mentioned in it was out the back gate. However, it is still there and it is still something that the industry could look at down the track.

The minister was also saying that this issue is not only about agriculture in terms of Doppler and the benefits that Doppler will give us. We know that it has a major impact or use in aviation. Obviously, Doppler radar has major uses in monitoring weather, but we have not fully explored what the Doppler radar capacity will give us in other industries such as mining or in any land use industry. It will add another layer or provide the capacity for geological work or geophysical work. That obviously leads straight into the mining industry and how Doppler can be used in its exploration. I guess the point I am making is that when Doppler is involved we will potentially see major spin-off benefits for other industries. I guess the extension of that is that we can start talking turkey to the mining industry and other potential users to reduce the ongoing operational costs of Doppler radar as we go forward. I think that is a potential and we must be able to look at that as well.

As Hon Nigel Hallett said, we have had a good discussion and a lot has been covered. I had more to say, and I think Hon Nigel Hallett had more to say, until the minister stood and said, “We’re going to be funding this.” That took the wind out of my sails and my set of notes, so I do not think I can bang on too much more because the minister has listened and stood up. I do not know whether it was due to Hon Darren West’s contribution, but if it was, it was very powerful. The minister has stood and said that both ministers—Minister Redman and Minister Baston—have signed a business case to go to cabinet. For me, that is a pretty good sign and I congratulate both ministers on taking this up. I also congratulate Hon Nigel Hallett for banging on about this cause for so long and Hon Darren West for bringing the motion to the house. Thank you for that, it has been a very positive contribution and I hope we will see some major benefits when cabinet very soon approves the business case.

HON PAUL BROWN (Agricultural) [2.02 pm]: I rise to make a contribution to this motion. The motion “That this Council calls on the Barnett government to support the introduction of a crop risk mitigation product into Western Australia” is very sound. Which one of us in this chamber would not support the introduction of a crop risk mitigation product, whether, as Hon Darren West said, it be by government putting money directly into subsidy? However, I probably do not agree with that because there are other ways to support the introduction of crop risk mitigation products into Western Australia. As the Minister for Agriculture and Food, Hon Ken Baston, just announced, a cabinet submission is coming. Once again, it is driven through royalties for regions. In the 2013 state election, as part of the then National Party policy, before it was adopted in whole by government, we announced the Seizing the Opportunity Agriculture package. It stated quite clearly that we would invest \$10 million over five years to help WA grain growers better manage risk. As we announced then, this would improve expanding the weather station network by building radar stations at Merredin and Jurien. That may well change, depending on what the Department of Agriculture and Food and the Bureau of Meteorology suggest. We also wanted to expand the number of yield profit sites that underlay the radar network, as we intended at that time. We had extensive discussions with the Bureau of Meteorology at the time. Its advice to us was that to fully implement a risk management product such as multi-peril crop insurance—all the insurance companies gave us this information—there would need to be a radar network or additional radars as part of the network. As well as Doppler-capable digital high-definition radars, one of the key components would be an underlying network of weather stations at sites throughout the main grain growing areas of our state that I and other members represent. As I said previously, that policy was adopted in whole by the government, and now the Minister for Agriculture and Food has carriage for delivering a large proportion of that policy. I am very happy that both he and the Minister for Regional Development, Hon Terry Redman, have agreed to present a submission to cabinet to look at funding for this.

I note also that in the budget this year some \$3.4 million or \$3.5 million was allocated to helping our growers manage risk, which is a considerable amount of money, a lot more than has been spent by any previous government on helping our growers manage their risk. That represents recognition of the complex nature of farming in Western Australia these days. We have changing weather patterns due to a changing climate and declining rainfall figures in many of our more marginal areas on the eastern fringes of the wheatbelt. A while ago, they were very productive year on year but that situation has changed. Hon Nigel Hallett said in his speech that insurance is a fundamental part of farming these days, whether we take out finance for a new LandCruiser or a Hilux ute, John Deere machinery, New Holland machinery or one of the other pieces of machinery, we are required to have insurance. As farm debt rises and farming enterprises get bigger, the zeros at the end of our finance applications each year get larger, so too is there the requirement of our financial institutions and banks for us to have insurance. Nonetheless, these are all commercial packages. We have been very cognisant that it places too great a risk on the government to directly subsidise farmers with these products. I am not having a shot at any farmer or farmers in particular, but there is a possibility that by direct subsidy of multi-peril crop insurance, some farmers may be encouraged to undertake risky behaviour. We as Nationals are well on record as saying, and have written to the Minister for Agriculture and Food and the then Treasurer Troy Buswell, that stamp duty on multi-peril crop insurance be waived for two years. This would be money forgone anyway because if no-one took up multi-peril crop insurance packages, the stamp duty would not go to government. Waiving stamp duty for two years—possibly more, but we advocated for two years—would allow the multi-peril crop insurance market to mature and allow our farmers to uptake those commercial packages. Although it is not a direct subsidy, removal of the stamp duty is an indirect subsidy and will allow maturation so that our farmers can enter that market. It was unfortunate that the then Treasurer, Troy Buswell, did not agree and basically was not prepared to support our proposal. However, we have moved into other ways that we can support farmers with the uptake of multi-peril crop insurance, such as Doppler radars and weather station sites to allow for data collection. It allows crop insurance companies to have a better understanding of the special requirements of the weather in Western Australia, and they can specifically target packages for our state as opposed to Europe, Canada or the United States.

We have also introduced the regional mobile communications project to mitigate the risk to our grain growers. We have made it easier in a lot of areas and we are continuing to roll out that program. A lot of farmers these days are very tech savvy and are on the smartphone or iPad while they are driving machines, whether that is for seeding, harvesting or spraying. Whether they are in the paddock or at home, they can look at data, markets and prices. We have finished stage 1 of the RMCP, a \$40 million package through royalties for regions that married up with another \$60 million from Telstra, which rolled out 113 mobile phone towers across Western Australia. That was such a success that an area in our regional area equal to one or one and a half times the size of Tasmania now has mobile coverage. That is a fairly significant area that now has mobile coverage.

Recently, we also announced stage 2, which is called the regional telecommunications project. Under that project, which is funded by \$45 million from royalties for regions, another 87 mobile towers will be rolled out. A good majority of those towers will be in our grain-growing areas. We have been able to identify the black

spots. The 113 towers that were rolled out in stage 1 were mostly located on highways that ran through the grain-growing districts of our state. The \$45 million RTP will fill in the black spots between the highways in the growing areas around our regional communities. This will allow better coverage for not only mobile phones, but also data and internet services so that our very important grain growers throughout the Agricultural Region, in areas such as Hon Dave Grills' Mining and Pastoral Region and in Esperance, Ravensthorpe and Yilgarn can have access to data. The mobile telecommunications network will also benefit the radar sites, as they will be able to feed in through the network back to our grain growers so that they can look at wind direction, weather forecasts, soil moisture content and a range of programs under the eConnected Grainbelt system that we have announced, and that will also reduce the risk to our grain growers.

As Hon Mark Lewis said, many farmers in Western Australia use no-till farming. I have used it, and that came from my in-laws in Esperance, who worked on very fragile soils. We saw the benefit of that year after year. We have seen a very good uptake of no-till farming. Some of the major grain-growing groups in Western Australia now advocate wholly for no-till farming. In fact, the Western Australian No-Tillage Farmers Association has been a world leader in no-till farming. I was fortunate enough to play squash in Northam with Dr Ken Flower, who was at the forefront of advocacy for no-till farming in Western Australia. He brought that advocacy with him from Zimbabwe, but now we are known throughout the world for our no-till farming practices. We see advocates in the industry such as Bill Crabtree, or "No-till Bill", who has been a fantastic advocate of no-till farming. He has also been an outstanding advocate for genetically modified crops, but that is an argument for another time.

One of the things about the removal of stamp duty on multiple crop insurance products, which we advocated for, is that it did not specify any one product. If a grower wanted a yield-based product or a revenue-based product, the removal of the stamp duty was not biased to any one product or any one company. That was one of the reasons the Nationals advocated to Hon Ken Baston, the Minister for Agriculture and Food, and Troy Buswell, the then Treasurer, that the stamp duty be removed so that that product maturation could be offered to our growers.

When Terry Redman was Minister for Agriculture and Food, he made a speech to the Western Australian Farmers Federation outlining his belief in multi-peril crop insurance. As I said earlier, it was his belief back then, and that has helped form the belief of the Nationals WA. We are very cognisant of the fact that very significant damage from frost and hail can be done in farming areas throughout the year. Hail damage is covered under the normal farm insurance package, as is damage done by fire and livestock. Last year, major sections of the wheatbelt were laid waste when crops were flattened by hail. Quentin Davies, the uncle of Hon Mia Davies, the member for Central Wheatbelt, was on the front page of the *Countryman*, *Farm Weekly* and *The West Australian* standing in a paddock of hail-damaged wheat and barley. It was the end of a very early season for him. The hardest decision he had to make was where he was going to go on holiday that year. He left his headers and his machines inside the shed. While growers in the middle of the wheatbelt got hail, growers in the southern region got very heavy rains. Rain is not insurable under the normal farm package, so a multi-peril crop insurance package would have benefited those growers in the south. There has been significant damage year after year. It could be rain one year and drought the next year or it might be drought for two or three years. Large areas of my electorate, particularly through Tammin, Kellerberrin, Cunderdin and Yorkrakine, are affected significantly and every year frost is a real risk. Some of the growers I speak to now and some of the growers I spoke to when I ran my livestock company in my pre-parliamentary days cross their fingers every year when the rains dissipate after the season starts to mature and the skies clear up and the wheatbelt temperatures begin to fall. It is at that time that frost damage is very prevalent through some of those areas. The National Party is very cognisant of the risk of those things to farmers, to the production for the state and to the income for our state, and to communities and farming families. That risk is very real. The National Party advocates in favour of multi-peril crop insurance and risk management mitigation techniques, but it is not the role of government to fund those things. It is not the role of government to have a direct subsidy on those products. What the government can do is give our farmers the tools and allow the market to mature by considering, as I said earlier, the removal of stamp duties for a number of years to allow any company or any revenue or yield-based product to be taken up by farmers.

Although the motion before us is a grand ideal—that this council calls on the Barnett government to support the introduction of a crop risk mitigation product—the government actually does that every day by investing in royalties for regions, mobile communication projects, weather stations and, as Hon Ken Baston said, Doppler radar—if the cabinet agrees to that submission. Every single day through royalties for regions and the seizing the opportunity vision for agriculture, the government is investing in agriculture and making life easier and more productive for farmers. This government is spending more money in agriculture than any government has done before. No other government can say that that is not so. The \$300 million agriculture package is like nothing Western Australia has ever seen in agriculture before.

I bring my contribution to an end here, but let me say that although I agree with most of the sentiments in Hon Darren West's motion, it falls short. He is being a little bit tricky by calling on the government "to support the introduction". The government supports that introduction all the time; it just does not support the direction of state money into crop insurance products when it can be made easier and it is being made a lot easier. If the new Treasurer Mike Nahan wants to, he could revisit the suggestion to waive stamp duty. I would be interested to have a conversation about that, as I am sure most of my colleagues would be. If not all of my colleagues are happy to do that, I am sure some of my Liberal Party colleagues would be happy to walk over old ground with the new Treasurer to see if he can see the benefit of reducing stamp duty to our growing communities, our grower groups and farming families.

HON COL HOLT (South West — Minister for Housing) [2.24 pm]: I want to make a brief contribution. I am sorry that I missed part of the Minister for Agriculture and Food's contribution and Hon Nigel Hallett's contribution due to some urgent parliamentary business, because I would have liked to have heard their contributions. I am sure Hon Nigel Hallett mentioned some of the history of how the subject matter of this motion has developed. I wish I had an encyclopaedic memory that could go through the history of agriculture in the state to paint a picture of how farmers in this state have managed their risks since they started farming in Western Australia. There has been a long history of adaptation through farming systems, crop varieties, farming methods and machinery, as well as some associated insurance products that have come along with that evolution in farming. Through necessity Western Australian farmers have been the best to develop systems to manage their risks all the way through in terms of what they have done in this state, especially in dryland farming, in which times are always tough. We can never predict what might happen next in a farming operation in the wheatbelt or on a dryland system. Every year we hear tales of crops being wiped out by hail storms, heavy rains, floods, frosts or just a season that never delivered the rain at the right time. I would have thought that through necessity Western Australian farmers are probably the best dryland farmers in the world, because they have had to find ways to manage risks that result from changes in the system. I have worked with a number of agricultural communities who have been through the exact same pain and who have wanted to develop new systems. When I worked for the Department of Agriculture, our work was always around developing systems to manage the environmental and climate risk while delivering profitable outcomes for farmers and their communities.

I also did some work in the horticultural industry, which obviously is a very different system and which has various risks and different ways of mitigating those risks. It is a much more controlled system because they water when they need to and there are water allocations. Places like Carnarvon and the horticultural district have had some serious crop failures, the most recent being after cyclone Olwyn came through in March this year and flattened just about every banana plant in the whole district. How do they manage those crop failures in a climate of massive risks? Interestingly, banana growers in the Gascoyne have developed an insurance system to which they have been contributing for many years, and they were much better off than most of the growers of other commodities—fruit and vegetables—in the Gascoyne valley who have not taken the same steps to insure against those risks that, let us face it, no-one can really predict. No-one can predict things like cyclones or floods coming through. Those events cannot be predicted and growers just have to manage them, and those sorts of things cannot always be managed. I am not sure how farmers manage a grade 3 cyclone coming through the heart of a crop at that time of year. It is just impossible. That is why insurance systems have been developed to respond to those risks because not everything can be done to manage them.

In the previous Parliament, Hon Max Trenorden, Hon Phil Gardiner and Hon Nigel Hallett did a lot of work on the introduction of crop mitigation insurance, or multi-peril crop insurance at that time, and how we might facilitate it. Hon Paul Brown touched on some mechanisms that were used. There is no doubt that one of the things that was lacking was decision-making during the season to say that, "You can take out multi-peril crop insurance to this point in time, but after that, it's a cut-off." Those decision-making mechanisms were often hard to predict and hard to map out, because all farming systems are different and our environment is different across the state, especially in the wheatbelt. Growing season lengths are different, crops are different and varieties are different; I think there was a real struggle to actually categorise some of decisions about when to put a crop in and what the risks are. I know that Doppler radars and other weather-predicting systems and tools are being looked at to try to better help the decision-making process around the cut-offs for doing or not doing things. It even got down to a situation of putting in canola in at a certain point but not past a certain date or under certain conditions; that is when the decision is made not to. After that it cannot really be insured, because there is still going to be a crop failure. It was a complex system that never really quite got there, but Hon Nigel Hallett may have touched on that in his contribution.

When I think about how we might help in the future to develop that, I go back to the example of Latevo International, which is a Canadian company that has been operating in Western Australia for a while now. I do not know what the uptake has been like, but I know that during the time that was being talked about, many people I spoke to in the farming community said that it was all around the risk and how much one wanted

to pay for that risk insurance. Sometimes they made decisions, as they do all the time, about “Where’s my best bet today? If it’s too expensive to insure against that risk, I might as well just wear the risk.” I know that some farmers took that attitude, which may have affected the uptake of that Latevo multi-peril crop insurance product in Western Australia. Maybe some costs were incurred by government that could have assisted with that sort of premium. I do not know; I did not look into it that much. But I did do some research, and more recently Latevo paid out in some Queensland examples; I think it was nearly \$1 million on a failed crop in Queensland. It seems that Latevo is getting in there when it has the ability to insure with people who are willing to weigh up that risk versus payment for risk insurance. It seems to be working in some places, and maybe there are some real lessons for Western Australian farmers to learn out of that as well.

I also looked at some of our changing systems in agriculture and what the government is doing with the Water for Food initiative. That will complement changes in our agricultural industries and, again, remove some of the risk because it is all around having access to irrigation on a much broader scale than we have thought about in the past. Our irrigated agriculture is relatively small in this state, but the potential is huge. The work that is happening now to shore up those water resources will further droughtproof the industry and provide a system for ensuring that we have fewer failures due to drying climate and unpredictable rainfall issues. That is the right way to go; we want to expand agriculture, and Hon Darren West is right when he talks about the potential shift from a focus on mining to a focus on agriculture. We on this side of the house have talked about it a lot and we are willing to invest in it. We have invested in it and we will continue to invest in it because the Western Australian agricultural scene as it exists and is developing in other ways is well-placed to make the most of some of those opportunities that are on our doorstep. We need to drive some of that change and manage some of those risks.

Some of these insurance opportunities are a double-edged sword. If people have the opportunity to insure, do they still make decisions around risk in a way that best helps them to manage their system? It is a good question to ask out there in the industry; I do not know whether any work has been done on it. I see some nods. How do people make decisions when there is an insurance opportunity versus making a decision on their own doorstep about how they personally manage all those risks that come along?

Hon Jim Chown: There’s a saying in the bush that if you can afford it, you don’t need it, and if you need it to keep yourself viable, it won’t help you.

Hon COL HOLT: Yes. Interestingly enough, this was on the radar three or four years ago when we were going through tough times and people were looking at ways of trying to manage very poor seasons. That is probably not the best time to make decisions about the future sustainability of one’s own farming operation or the industry itself, or the tools that complement it. We have had a run of fairly good seasons for the last two or three years, and I think this year is shaping up well, without putting the mockers on it, because it is too important; but it is shaping up fairly well. Again, this is probably the time for this debate to ensure that we set up things in the good times to manage the poor times. I think it is a worthy insurance policy to pursue and as a government we should be trying to support its introduction into our farming systems to help dryland farmers who do not have the ability to control every factor that affects their yield and their business. I think we have done a good job to date, but there is probably more to be done, and we should be doing that.

HON DARREN WEST (Agricultural) [2.35 pm] — in reply: I would like to finish the debate on this motion by thanking all those who have made worthwhile contributions: thank you all. It was very gratifying to hear from the Minister for Agriculture and Food that this has come this far; I certainly encourage him and I certainly will be bending the ear of any cabinet ministers I might come across to offer any other information they may need to help them make a decision, because I think it is certainly worthwhile. I reiterate that I put this motion on the notice paper two years ago and I acknowledged early in my remarks that things had moved on since then. Of course, that is a good thing and welcome because sometimes it is important to look past the low-hanging fruit and go for proposals and projects that will have significant long-term benefits. They may not be as sexy as others, but certainly this one is something that we call on and need. It was very heartening to hear that from the minister, and I thank him for his support and good comments. I am quite confident that Hon Nigel Hallett will be in agreement because he has certainly been the warrior who has fought for this the longest. It goes back, as some members have already mentioned, to one of my parliamentary predecessors and probably the person to whom I owe the most in respect of my political career—former Leader of the House Hon Kim Chance, who as agriculture minister often posed the question: why is it that countries such as India have multi-peril crop insurance or crop mitigation products while first world countries like Australia do not? I was also very pleased with Hon Mark Lewis’ supportive comments, and those of Hon Paul Brown and Hon Col Holt. As I touched on earlier, there will be significant flow-on effects from this, and as a collective we should be working towards projects that provide significant flow-on effects.

To touch on a couple of other points, the flow-on effects will be, of course, in the way of attraction and retention of people to our communities, and the extra jobs that come with the security of knowing that there is less risk in the industry. Hon Nigel Hallett asked a very good question, and it is a point that I certainly concur with: if we buy a new house, we cannot borrow money to buy it unless we take out insurance, so why is it that we can borrow \$1 million to operate, year-on-year, without any insurance at all? I think that is a very important question. By putting in the tools that we need, the insurance companies need, the farmers need and the bankers need, while it will not make it compulsory to take out insurance on such large borrowings and investment into farm businesses, once a bit of competition enters the market, the Doppler radar is provided, the tools of the trade have been put in by the state and all the taxpayers, we will ultimately benefit. The minister's ratio was over eight dollars to one in terms of revenue back to the state. It must be remembered that that \$108 million will be spent several times as it goes through the state, from small businesses in small country towns right through to bigger operations. Eventually it finds its way through several spends in terms of taxation to government and of course in keeping the economy going. One of the most important things we can do is stimulate spending and keep the economy going. That is why primary industry is so important. It is called "primary" for a reason—we get the money first. Farmers are notorious for ploughing their profits back into their communities and back into the infrastructure required on their farm, and direct inputs into their farms. That is very important.

While I am being a bit nostalgic in talking about previous Ministers for Agriculture and Food—I mentioned Hon Kim Chance before, but I think it is important to also remember another predecessor in that field; namely, Ernie Bridge. I think everybody would agree with me that it was the vision of getting water to many of our rural communities that has provided continuing benefits. Yes, it was not such a sexy project and it was expensive, but it was one of those projects that provided continuing benefits. Members of that community make special mention, especially in places like Newdegate, that some long-term vision was seen. Some infrastructure was put in that has enabled those towns to have a future.

Although I am very pleased that there has been some progress, we have been talking about this for two years. I guess it is timely that this motion has arisen now when we are getting into the final stages of cabinet consideration. It will be a labour of love come good for Hon Nigel Hallett and those other members whom I mentioned before. I will be very pleased when the announcement is made. I would have hoped that we might have got the full five radar facilities and the two upgrades, and had the seven across the state. I think that would be the do-it-once-and-do-it-well approach. I do not completely hold out hope that that may happen, but at least some radars in the first instance will be good. Although the investment of \$27 million is a higher amount to spend—I know there are problems with the state's finances—it certainly would have the project done once, done well, finished, ticked off and it would not need to be returned to. I hope that is discussed at some point.

Apart from climate, there are of course other risks involved with farming. If this one is ticked off and sorted, and there is a suitable crop mitigation insurance product available and competition in that market, it will help to drive premiums even lower and spread the risk even further. It will make it more attractive for more businesses to take up. But other risks remain. International competitiveness is a big risk for us. This product could help with that. I recently met with representatives from Co-operative Bulk Handling Ltd. Western Australia faces some supply chain logistic risks. As a grain-producing state, we need to deal with them. The biggest one of all is climate variability and the risk of farming. I am very pleased that we have some positive views in that space, potentially. As pointed out by some members, Western Australia is way behind other states. This is something that is commonplace in other parts of Australia. We are even further behind other parts of the world. As I pointed out in my initial contribution, the United States, the United Kingdom, France and most of the European Union has had access to this technology for years, if not decades.

I think it was Hon Mark Lewis who touched on the practice of minimum till, or no-till, farming. There has been a great uptake of that practice in Western Australia. For those who are not aware, in the old days farmers would plough paddocks and cultivate them back again, and then sow, which dried the soil out and caused serious erosions and dust storms. We have now moved to a system where we drag a knife point through the soil and drop the seed in behind. It leaves most of the land relatively undisturbed. There has been a huge take-up of that practice in Western Australia. No-till farming now comprises 99 per cent-plus. One of the downsides of no-till farming is that it increases the risk. We start earlier. We are now able to seed into dry soils whereas we never could before. That earlier seeding can exacerbate the risk of frost. Frost has become more prevalent in some ways because we have moved to this farming practice. I am not suggesting it is the only reason, but the earlier we sow—now that we have the capacity to sow into dry soils, which, on a late start, we will do—means that the crops mature earlier. The take-up of minimum-till farming has probably increased the need for this technology and these products to be available.

Our machinery is very, very expensive. We can spend \$500 000-plus on a seeding rig. Members may have seen them moving around paddocks right now, which is another reason this motion is timely in coming to this house. It is probably fair to say that statewide we are about 50 per cent through the seeding program. Some areas to the

north have finished. In our case, we are probably halfway through. Further south, programs are probably not in such an advanced state. The seeding machinery we need is extraordinarily expensive. We manage that by buying one large piece of machinery and use one plant to crop. In our case, we have between 1 500 and 2 000 hectares. Big growers have up to 10 000 and 20 000 hectares and use less machinery. We try to spread the cost of that machinery over more hectares. Doing that means we need to start earlier. We cannot sow it all in the optimum week. Because we start earlier, we increase the risk of frost at the end of the season. The earlier the crop flowers, the more chance of risk. If we can offset that by insurance, we will take that risk every time. We would be prepared to buy that risk. Just as we insure the piece of machinery itself, the trucks and the harvesters and everything else involved, I think most farmers would be prepared to take risk on at least some of that program.

I think it is fair to say most farming operations would borrow the capital to operate most years on an overdraft-type arrangement. In our case, that operating cost is borrowed every year, with all profits used to retire core debt—a bit of a lesson that some government members might want to take—but generally in good seasons, when there is profitability, we will use that profit to retire debt. We all owe money on land or machinery we have bought. Most years for most farmers that operating borrowing is on an overdraft arrangement. Once again, it comes back to the argument that it would be good to insure. The other end of that, the sale end, is that money would be replaced each year. If we find ourselves in a situation that we do not cover costs, we have to go back to the bank and borrow a greater amount to get through next year. Sadly, that has been happening all too frequently through the wheatbelt in the past 10 years. Many costs cannot be measured in the failure of farm businesses and the difficulties facing farm businesses. I have seen the effects of that on many people in terms of poor mental health outcomes, the loss of population throughout the wheatbelt, and the stress and anxiety on families when they are going through difficult times. It takes a toll on all members of the family, not just the parents; it often passes through to the children and everybody involved.

This product has the potential to lower the interest rate, which is good for farming, and reduce stress, worry and anxiety on families. It has the potential to increase the money back through local businesses and further afield. Either Hon Mark Lewis or Hon Nigel Hallett touched on succession planning, which is something that I had not considered in my initial remarks. Thank you for bringing that up because that is also an issue very close to my heart, having spent my first year in Parliament fighting a messy family succession planning failure through the state Supreme Court. That is something that happens in farming families. It is often, once again, based around risk. There is a difficulty in the next generation being able to provide for the grandparents or the older generations in that time. Often, there can be enormous arguments between siblings and family members over the asset that is the farm. When there is uncertainty, banks become very nervous about lending money to businesses that have family infighting. That increases the risk to the bank, which also increases the interest rate. The ability to mitigate some of the risks involved with climate, instead of having layer upon layer of risk, would be another useful tool for farmers. I have spoken to a few agricultural consultants who are united in their support for such a product to come to fruition.

I therefore thank members for their support. I am pleased that there has been such a wide contribution to the debate, as it is an important issue in the electorate I represent. I urge cabinet to support the business case and to come on board and fund the facility. I hope there is enough money to make sure that the facility and the technology is such that we can all get the maximum use and not be forced to revisit it in future years. I am pleased to say that we have all acted in a bipartisan manner and worked together on what can only be described as a good outcome. Bring on the announcement! I look forward to it. It will be one of the great days in the agriculture industry in Western Australia.

Question put and passed.