SCENARIOS FOR THE WESTERN GRAINS REGION

This is a preliminary report of the scenarios developed in the western grains region which will compliment the full project report. It is designed for the benefit of the workshop participants and as a resource for prompting discussions amongst growers, industry leaders and the wider community as to possible implications and impacts of various future events and strategic decisions.

Introduction

In an increasingly complex and dynamic world, Australian grain growers face numerous challenges and opportunities. The choices that are made today will help to shape the future of the industry and of the people within it. This project was developed to assist growers in making sense of the numerous driving forces (international, national and regional) that will shape the future of the industry by grouping them into clusters of key drivers and exploring a range of plausible meaningful scenarios for how the industry future might unfold in a 20-year time horizon.

A series of scenario planning workshops were held across GRDC regions to develop a set of plausible scenarios, specific to each region. This was a highly participatory process, which drew upon national and international trends and forecasts as well as local knowledge and industry aspirations.

The workshop

In August 2008, representatives from within and outside the grains industry gathered to develop plausible scenarios for western grain farming enterprises in 2030.

Participants reviewed and discussed global, national and regional forces that potentially will shape the future direction of the grain industry in the western region. Aspects such as global power and wealth, growth in Asia, peak oil, energy, climate change, water, food security, new technology, enterprise diversity and the capacity of rural communities were considered. With this background information in mind, the participants, working in groups, identified drivers that they considered likely to shape the future of farm enterprises in the western grain farming region. These were then discussed by all of the participants and a list of twenty unique, key drivers was developed.

Key Drivers Shaping the Future of the Industry

- Global need for food
- Decay in social infrastructure (education, leadership) in grain industry
- Global population shifts (demand, geography, changes)
- Input prices
- Farm economics (risk vs return)
- Decreased 'regionalisation' of businesses ('nationalisation' or globalisation of enterprises)
- Global political influence, government policy; domestic response

- Transport costs
- Lack of diversification
- Image of agriculture (driven by food security, demand, raising profile)
- Diversity of markets (high-end products, quality instead of quantity, feeding the rich)
- Public perceptions of food safety
- Infrastructure (confidence to invest, lack of, 'stranded' infrastructure)
- Cost of technology (speed to implementation, cost vs net

gain, globally & domestically, adoption)
- Education level of farmers
- Link between R&D and industry
- Industry consolidation (marketing, business models, across supply chain)
- Potential competition between food types & land-uses
- Ability to accept change and to adapt
- Regionalisation/urbanisation

Scenario shaping drivers

Drivers were rated out of 10 for their importance in shaping the future of the industry and the degree of uncertainty associated with the driver in terms of either its future level, impact, or both.

A map of the importance and uncertainty of the drivers highlighted clusters of those considered to be important, but also highly uncertain:

Responsiveness to external environment

Global political influence, Infrastructure, Accepting of change

Farm Profitability

Farm economics, Inputs prices, Diversity of markets
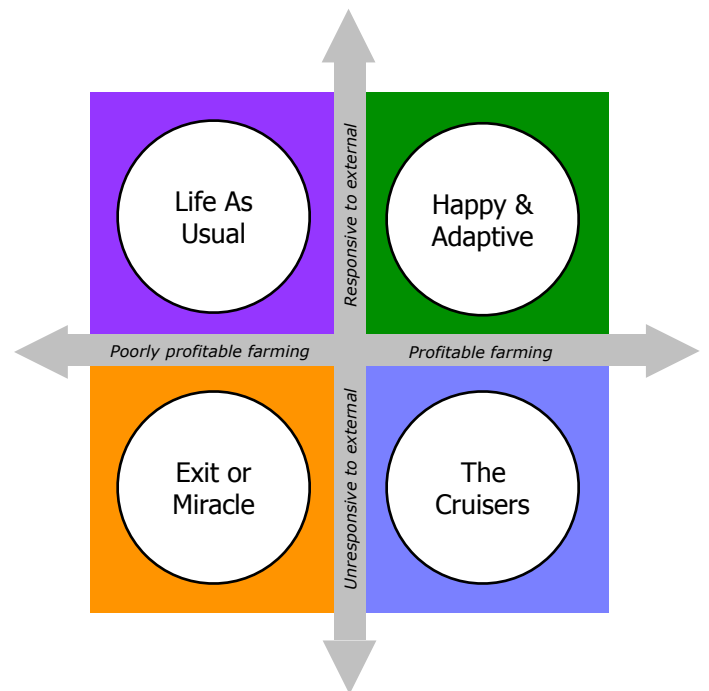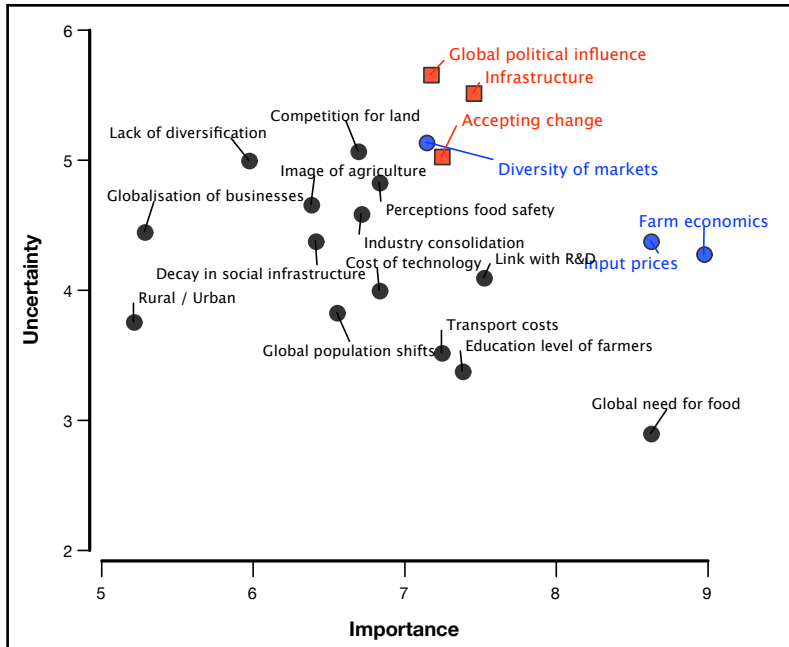
Plausible Futures

The scenario shaping drivers were used to define four scenario 'spaces', with quadrants either towards or away from each driver cluster. These quadrants were used to formulate four plausible scenarios. A detailed narrative for each scenario explored economic, environmental and social implications for the farm, industry and region out to 2030.

2030: Four Regional Scenarios

Life As Usual
Large farms are run by young farmers, but most of the land is owned by foreign investors. Farming is segmented and geographically diverse with innovative and adaptive grain growers at one end, those focussed on flexibility and lifestyle at the other and opportunistic farming in-between, R&D is fragmented to suit the diverse industry. Farming is subject to political influence and is more responsive to it. Rural towns mirror the industry and range from large, diversified, 'tree change' communities to small ones which are barely viable.

Timeline to Life As Usual
2010
The trend of increasing farm size continued. Declining population resulted in minimal representation in government. The deregulation of the industry was completed.
2020
Retirement of the older generation resulted in generational change on farms, but it was a shaky transition with many foreclosures and changeovers. Investors bought many farms and there was widespread relocation from small towns to larger centres. The corporate farms were environmentally aware, responsive to policy and adjusted to deregulation. The use of professional services increased.

Happy & Adaptive
A technological and profitable farming sector attracts some of the country's 'best and brightest'. Farms are large, but the trend to increase farm size has flattened in recent years. Farming is typified by the use of leading-edge technology, including early adoption of nano-technology, robotics and the use of complex and detailed information systems relating to forecasting, marketing and production. Farming regions are vibrant, with self-funded services, local training opportunities and technical hubs driving industry research. The vibrant grains industry is driven by food and energy demand, with commodity prices reflecting the water required to produce them.

Timeline to Happy & Adaptive
2010
Global demand and high input prices lead to more diverse farming systems, including livestock, with regional variations determined by the predictability of seasons. Certainty in farm labour was provided when 457 visas were changed to semi-permanent or permanent residency. The decline in rural population ceased.
2020
Vibrant rural communities were built around diverse, profitable farms which generated power into the grid. Every farm business employed specialists, including researchers and all were quality assured.

Exit or Miracle: 'caught by the boa constrictor'
Austerity is the key. Farms are making do with outdated infrastructure and machinery. Local businesses have closed, but there is a strong community spirit driven by survival. There is no investment in R&D and no interest or support from government. In the absence of a miracle it seems that the industry will virtually cease to exist.

Timeline to Exit or Miracle
2010
"Austerity" began, fuelled by high costs. Input levels were reduced and only the better paddocks were cropped. Debt increased, resulting in no capital replacement and the sacking of consultants. Production stayed level across the industry, while there was a decline in community involvement resulting in less use of services, less capital and less sales.
2020
As farming was less profitable, land was leased or sold and re-leased, leading to degradation and ownership tensions. Fewer levies meant reduced R&D and declining grain production and quality; fuelling the reduced R&D and the downward spiral. Farmers sought off-farm employment or left the industry altogether. Government facilitated retraining to assist exit from the industry.

The Cruisers: Life's Good
Life's good in this scenario, or at least it was until '29. That was the year in which the realisation came, sadly too late, that wealth and opportunities had been squandered. Riding on the good times farmers and the broader industry failed to adapt, the rate of change slowed and now new, innovative people who are responsive to change have taken over. These people are bringing totally new, diversified farming practices, such as perennials and GM crops, and are generating renewed interest and investment in rural towns and infrastructure which had suffered from twenty years of neglect.

Timeline to The Cruisers
2010
Demand for food lead to increased prices and increased production. Profit was fed into off-farm assets. The region benefited from the boom and a profitable and innovative grains industry.
2020
"This farming caper is a breeze". High food prices resulted in high profitability, but a lack of industry adaptation and investment in rural infrastructure was starting to tell. Infrastructure and human capital declined. There were no young farmers and no industry leadership. Investment in R&D had fallen as farmers were not adopting and GRDC levies had been removed.

Observations and uses of scenarios

Throughout history societal and industry change has been constructed principally around 'cultural' and 'economic' aspects. In considering the future, most observers tend to focus on one or the other of these. Part of the power of scenario planning is that it takes account of both of these major 'axes' concurrently and uses them to position key drivers. These scenarios for the grains industry in the western region are no exception. The four scenarios which were developed by the participants were based on the 'human/cultural' axis of political influence, infrastructure and acceptance of change and the 'technological/economic' axis of farm profitability.

The importance of investment in research and development in determining future outcomes is evident from these scenarios. Inability or unwillingness to invest in research and development or to adapt to changing conditions could result in lost opportunities, industry stagnation or even the demise of individual farms or of the industry as a sector. The potential for good times to lead to industry complacency which may ultimately be destructive is another important message from these scenarios.

While it must be stressed that they only represent *plausible* futures, the scenarios may be used in a multitude of ways. Current businesses may be placed in a scenario quadrant based on their circumstances or direction; challenges to industry prosperity can be identified; or the overall direction of the industry may be placed on the scenario axes and gaps or new areas of investment required by GRDC and partners may be highlighted. An important use of scenarios is as a 'testing' ground for assumptions of the outcomes of strategic plans of individual businesses. Are plans robust under each of the scenarios, or would the business come unstuck if a particular scenario played out? A crucial part of this use of the scenarios is in tracking key drivers to try to identify how the future may be unfolding in reality.

This summary is a first step in providing a resource to help to extend these scenarios beyond the participants and their immediate sphere of influence. It is hoped that this resource will be used to prompt discussions amongst growers, industry leaders and the wider community as to possible implications and impacts of various future events and strategic decisions.

Participants

David Fienberg	Garren Knell	Sophie Carlshausen
Ralph Burnett	Kadambot Siddique	Ron Carlshausen
Anna Butcher	Mick Poole	Duncan Young
Merrie Carlshausen	Jens Berger	Murray Jones
Peter Roberts	Ken Flower	Peter Reading
Richard Oliver	Steve Powles	Neil Young
Doug Clarke	Peter Metcalfe	Christine Thompson
Donald Wallace	Ray Harrington	Martin Blumenthal
Geoff Bee	Bev Logue	Tanya Robinson
Bevan Addison	Chris Rechstein	

Workshop developers & facilitators
David Beurle
James Fisher

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