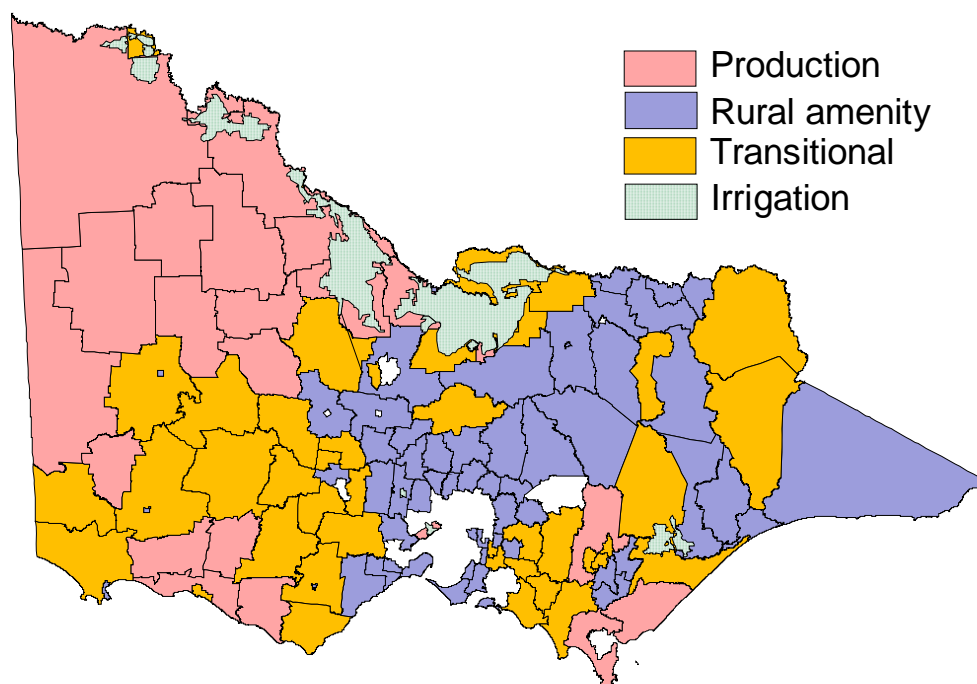


Executive summary



Stylised social landscapes of rural Victoria

Introduction

Over the past 20 years there has been much publicity about the decline of rural communities. The withdrawal of services in the 1980s and the continued decline in population in some small towns has been a recurring theme in the media with the release of each new set of population statistics. Although a relatively small and still declining segment of Victoria's population, the farm community manages a disproportionate share of the state's land. Understanding the future shape of this community is important for the management of Victoria's land, water and biodiversity resources. Being informed about the social trends that will shape the future farm community will assist us to identify the potential for, and limits to, government policy in rural areas.

The agricultural production landscape

Agriculture has a long history of increasing productivity faster than the increases in demand for agricultural goods. As a result, the price of farm produce has consistently fallen in real terms. Ironically, successful farmers need to maintain rates of productivity increase greater than their declining terms of trade to keep pace with generally accepted standards of living. In the production landscape, the imperative for increased productivity has required farms to gradually become larger. It has generally been the largest farms that have captured the greatest share of increased productivity. The phrase 'get big or get out' has generally summed up this imperative. The inevitable result has been gradually declining farm numbers as older farmers retire and their farms are purchased by other local farm businesses. A result of this style of aggregation has been a more rapid decline in the number of young people, particularly women, in this landscape. The future is highly likely to be an extension of the past. Population will continue to decline, on farms and in small towns, although the decline in small towns may be slowed by the purchase of cheap housing stock by migrants frozen out of urban housing markets. Small towns will be increasingly decoupled from the local farm economy as services cluster in major centres. The farm landscape will be increasingly inhabited by males. In the towns the population of young adults has gradually depleted through migration to major centres for education and employment. The towns have lost the capacity to maintain their population through natural increase. The small town population will increasingly be

dominated by aged residents. The provision of services will be constrained by the difficulties of recruiting skilled staff.

The rural amenity landscape

Rapid improvements in transportation and the urbanisation of Victoria's population have increased the demand for rural land for amenity rather than production purposes. Amenity purchases can include statement housing sites, hobby farms, rural residential properties, weekenders or bush retreats.

Competition for farm land from amenity purchasers raises its price, in some areas higher than can be afforded by farm businesses. Farm businesses unable to compete in the local land market face a future of increasing economic marginalisation unless they can find a path to increased productivity that does not require increasing the size of the farm through land purchase.

Of the generally available options – intensification, leasing or off-farm work – it is generally the latter that is preferred. In much of this area hopes of transferring the farm business to the next generation were abandoned long ago by most farm families. Newcomers to farm properties would probably not construe intergenerational transfer as an issue. They may have purchased the property later in life when their children have already established their career paths, and they will rarely have an intention of building a large business. The resulting farm population structure is generally older than elsewhere in the state.

The small towns within this landscape have a more secure future because of the limited prospects for agriculture. The diminished capacity to maintain population through natural increase is more than offset by migration from Melbourne.

This bright future depends on the protection of the amenity features and landscapes that attract migrants. The management of public lands and planning schemes that enhance amenity values will be crucial for the future, lest the migrants it attracts help destroy the very features that draw them.

The rural transitional landscape

The boundary between the amenity and transitional landscapes has been shifting. This has been catalysed by the decline of agriculture and increased demand for amenity land.

Over the past two decades the wool industry has been experiencing a gradual decline in its fortunes due to the difficulties of increasing productivity in what is a labour intensive industry. The ageing of the wool producer population and the future labour shortages in the economy as a whole will further squeeze the wool industry.

At the same time, increased life expectancy, the post depression baby boom and changing patterns of retirement will ensure a rapidly increasing number of migrating retirees. Some will be well funded and seek bush retirement, expanding the amenity zone. Others will be underfunded, and will seek to cash in some of their assets held in Melbourne housing by moving to country towns.

South-west and central Victoria is a transitional region. The wool industry is losing ground to farming and other land uses. The dairy and cropping industries have been expanding as existing businesses buy land from wool producers. Plantation forestry has grown rapidly, and the wind energy industry has significant plans for the area.

To the north there are fewer land use options for farms. Land is being purchased for reasons less associated with production, although not at the same scale as in the amenity zone. Scattered among the sheep farms are land users who have little interest in sheep and wool. Their aspirations are varied, from niche production to bush renovation.

In the towns there is an inward migration of heterogeneous groups. Landscape amenity plays a part, as does the social amenity of a diverse cultural patchwork of interests ranging from music through religion to sexual preference. Welfare migration, driven by high housing costs in Melbourne, is maintaining the population of towns at the margins of this zone. For some towns the future may be a 'bohemian transformation' as described by Richard Florida. For others, it may just be one of cultural diversity contrasting with a history of cultural simplicity.

A key issue for the community of this landscape is learning to live with difference. In small towns this means integrating diverse cultures and outlooks to maintain the cohesion of a small community. For the broader landscape, the management of conflicting land-use objectives will continue to be a major policy challenge.

The irrigation landscape

The irrigation landscape has in the past been a production landscape except in close proximity to major towns or permanent water bodies. The introduction of water markets over the past decade has changed the rate of structural change in irrigation regions. The dairy and mixed farming industries are major

users of irrigation water. The relative value of production and flow-on employment from the dairy sector are much higher than those from the mixed farm sector. When water markets were created it was expected that water would transfer from the mixed farm sector to the dairy sector. This has indeed happened with water moving from mixed farming to dairy and horticulture. Initially this was at a slower rate than was expected. In recent years the amount of water traded has grown sharply. Recent low water allocations because of drought have changed the behaviour of the water market. Driven by low allocations, high debt and an uncertain future, in the past two years some dairy farmers have been selling permanent water entitlement to downstream irrigators. This has aroused local community concern at the loss of the economic basis of their community.

Within this context, the prospect of further water reform as outlined in the Living Murray and Victorian White Paper documents has stimulated many debates. The creation of a market in irrigation water provides a mechanism for future state governments to re-balance the division of water between the river and irrigation while fairly compensating irrigators. Can this be achieved in a manner that minimises the economic consequences for the community of the irrigation regions.

