Does proximity to Asia breed complacency for agricultural trade?
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Australian Farm Institute

There has been a great deal of discussion during recent times about Australia’s proximity to Asia, and how the projected boom in Asian middle-class demand for food will bring major benefits for Australian agriculture. A common feature of any discussion of this issue by policy-makers is the fact that the projected boom in food demand will occur ‘in our region’ or ‘in Australia’s neighbourhood’, the inference being that it is inevitable that Australian agriculture has a competitive advantage in these markets due to geography. In effect, proximity to Asia seems to have encouraged complacency for agricultural trade.

The Asian Century White Paper, released by the Australian Government in October 2012, analyses the dynamics of Australian businesses dealing in Asian markets and discusses the major issues with trade negotiations in that region. The White Paper promotes the regional opportunities for Australia’s farmers but also acknowledges some weaknesses in the performance of the government in supporting the regional trade of Australian agricultural products. Diplomats have historically been focused on developing and reporting on government-to-government relationships and agreements, rather than engaging with the industry. Without targeted collaborative support from the Australian Government for specific market access, Australian farmers are primarily competing against other export origins that have a more focused approach. For example, the US market access for beef to Korea is far superior to that of Australia. The White Paper indicates that facilitating market access for Australian agricultural products is a duty that needs to be added to the responsibilities of Australian diplomats. Critical trade issues to be addressed include tariff and technical trade barriers to agricultural trade, farm subsidies and export support subsidies, supply chain capabilities, market access and regional investment.

(continued over page)
Does proximity to Asia breed complacency for agricultural trade? (continued)

This article looks at the dynamics of Australia’s involvement in Asian markets and discusses developments in trade negotiations in the region.

The Asian region – an advantage for Australian exporters

Asia’s food and agriculture importers need to draw product from across the globe to fulfil their domestic demand. Australia’s geographical advantage to Asia translates into only a small advantage for Australian farm produce due to lower ocean freight costs (see Table 1) and presents only a limited advantage for Australian agricultural products accessing the Asian market. For beef and heavy grains, Australia’s freight advantage currently provides a premium of just 5%.

Despite the geographic advantage that Australian products hold in relation to the Asian market, Australia’s agricultural exports are not keeping up with the pace of Asia’s burgeoning import demands (see Figure 1). The key factors driving the increasing gap between the growth in Australian exports to Asia and expansion in Asia’s import demand are unfavourable currency exchange rates, high costs of production, difficulties in meeting consistent customer product demands and inventory management expectations, inadequate government trade negotiations and competition from an expanding Asian production base.

For much of the last decade, the Australian dollar has been trading at historically high levels due to the strong performance of the Australian economy and in particularly the terms of trade relative to countries such as the United States (US). The strong Australian dollar is markedly reducing the competitiveness of agricultural exports in the Asian market. The Australian dollar is currently 30% above the trade-weighted index long-term average for the period commencing December 1983 to present. According to ABARES, agricultural sector employment has reduced by over 10% since 2010 while the mining sector employment has remained steady over the same period. The shortage of skilled workers in rural areas is making it increasingly challenging to produce cost-competitive agricultural products for export into Asian markets.

The strong Australian dollar has also come at a time of relatively low unemployment and significant increases in real wages. This effect is particularly pronounced in rural communities, with agricultural operations in competition with the mining sector for scarce employment resources. According to ABARES, agricultural sector employment has reduced by over 10% since 2010 while the mining sector employment has remained steady over the same period. The shortage of skilled workers in rural areas is making it increasingly challenging to produce cost-competitive agricultural products for export into Asian markets.

Another factor influencing the competitiveness of Australian agricultural exports to Asia is the shift in production required to specifically target the demands of the growing Asian consumer market. Importers in Asia, whether they are state-based authorities or private entities, have expressed an interest in working more closely with farmers and agribusinesses to create product supply lines that provide suitable attributes and flexibility. The acquisition of

Table 1: Ocean freight rates for beef and grains on route to North East Asia (March 2013 prices).

<table>
<thead>
<tr>
<th>Ocean freight rate</th>
<th>Australian freight advantage</th>
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<tbody>
<tr>
<td>Beef (chilled/frozen) to North East Asia</td>
<td>A$/kg</td>
</tr>
<tr>
<td>Australia</td>
<td>0.20</td>
</tr>
<tr>
<td>US (Gulf)</td>
<td>0.44</td>
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<tr>
<td>US (West Coast)</td>
<td>0.32</td>
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<tr>
<td>Brazil</td>
<td>0.32</td>
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<tr>
<td>Argentina</td>
<td>0.39</td>
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<tr>
<td>Heavy grains (bulk) to North East Asia</td>
<td>A$/tonne</td>
</tr>
<tr>
<td>Australia</td>
<td>21</td>
</tr>
<tr>
<td>US (Gulf)</td>
<td>45</td>
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<tr>
<td>Canada (East)</td>
<td>47</td>
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Figure 1: Index of Australian agricultural exports to Asia and Asian agricultural imports.

Note: e = preliminary estimates

Sources: ABS, FAO, AFI analysis.
Australian cotton and sugar processing assets by Asian-based companies is a prime example of demand-orientated strategies looking to Australia for future supply of agricultural products. To capitalise on the growing demand for agricultural products in the Asian region, it is not only critical for Australian farmers to maintain product quality and safety, but also to focus production on the specific requirements being expressed by Asian importers. This may mean adjustments to or shifts away from traditional products and practices.

The extraordinary growth in the demand for agricultural imports into Asia has been led by the oilseed commodities such as soybeans and palm oil, with the demand for animal feed, meat production and processed food in many parts of the region underpinning this trend. The oilseed sector is the largest area in which Australia is currently unable to meet the growth in Asian demand, with Australia’s production of crops such as soybeans currently limited. Although Australia does not produce these key oilseed commodities at the scale demonstrated by countries such as the US, Brazil, and Indonesia, market access could be improved for alternatives where Australia is competitive, such as canola and cotton seed.

In March 2013, a long-standing ban on imports of Australian canola to China was lifted as a result of industry and government research and advocacy efforts. This development represents a significant boost for Australia’s canola farmers who in recent years have sold the majority of exports to European markets, and this development provides an example of the potential benefits of industry and government cooperation. However, the intent of Asian nations to develop their own agriculture sectors to supply an increased share of projected future demand means that geographical proximity could increasingly represent less of an advantage to Australia. The emergence of India as the world’s largest beef exporter in 2012 and a net exporter of wheat should be sufficient warning of this likely development (see Figure 2). India has increased beef exports to over 20% of international trade and wheat to around 5% (from less than 1% historically) while Australian exports remain relatively static between 10% and 20% of world export volumes for both beef and wheat.

**Accessing key Asian markets – the main focus**

China continues to represent the most significant opportunity for agricultural trade into the future. Australian Farm Institute researchers recently attended a presentation delivered by the BRIC (Brazil, Russia, India, and China) expert David Thomas, Director of Think Global Consulting, who highlighted the long-term opportunities for Australia’s trade with China. David suggests that the three major factors supporting China’s rise in power are people, land and money. China has the largest population in the world and is the third-largest land base. China is also expected to have the largest economy in the world by 2027, if not sooner. David presents the ambition, ‘Surf where the big waves are’, and supports the thesis that China is transforming from a country driven by cheap exports to one which is focused on domestic consumption.

The Think Global Consulting presentation also identified that food, energy and water will be the other key drivers for powerful economies into the future. Australia may not have the large population of China, India, US, Brazil and Russia, but at the national level, Australia does have land, money, food, energy and water. Capitalising on the population of ‘our region and Australia’s neighbourhood’ should be pushing the next generation of Australian farmers, and the government, to invest in developing a more competitive and rewarding agricultural industry into the future.

Critical to Australia’s future success in Asian markets will be agricultural trade arrangements negotiated between Australia and the nations in which agricultural import markets are emerging. To date, Australia has only had limited success in this regard, and lags well behind major competitors such as the US, Brazil and New Zealand.

The positioning of ‘Brand Australia’ in these emerging Asian markets is an immediate issue. Australia’s relatively high cost base makes it extremely

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**Figure 2:** World beef exports from major origins by volume.

**Notes:**

- MT CWE = Metric Tonne Carcass – Weight Equivalent
- f = forecast

**Sources:** USDA, AFI analysis.
It is also noteworthy that many of the nations involved in this list are some of Australia’s major agricultural trading partners from the Asian region. There are, however, a significant number of obstacles remaining that are slowing or preventing Australian farmers enjoying improved access to world, and in particular Asian agricultural markets. Inevitably it seems, negotiations become entangled in a wide range of technical matters that create impasses.

The Australia-Korea FTA negotiations are said to be close to reaching agreement, but the issue of Investor-State Dispute Settlement (ISDS) mechanisms has emerged as a major stumbling block. The inclusion of ISDS in the Australia-Korea FTA would mean investors in either country would have the right to initiate dispute settlement proceedings under international law against the foreign government involved in the agreement. For example, if that clause was included in the Australia-Korea FTA, a major international tobacco company in Korea could take the Australian Government to an international court, seeking legal redress for damage arising as a consequence of Australia’s plain paper cigarette packaging laws.

Successive Australian Governments have not supported such provisions being included in FTAs. As a consequence of the failure to reach agreement, Australian beef exports to Korea are currently at a 5.3% tariff disadvantage compared to US beef exports, and that disadvantage will increase by 2.6% for every year that Australia fails to secure a free trade agreement.

Research by the Centre for International Economics in October 2012 (MLA 2013), indicates that the Australian beef industry will incur an initial loss in export returns in 2013 with market share falling due to the tariff differential. Assuming an Australia-Korea FTA does not enter into force (ie the tariff on Australian beef remains at 40%), this loss will be around A$182 million per annum (present value terms) by 2026.

A stumbling block in existing negotiations with both Japan and China is said to be demands for preferential resource access agreements from both these nations, and associated investment arrangements. Such demands are hardly surprising given both these nations are major purchasers of Australian mineral and energy resources, but providing preferential access to resources under a bilateral FTA would potentially be in
breach of the ‘most favoured nation’ tariff requirements under the WTO.

**Agriculture always the stumbling block in trade negotiations**

It should also be noted that agricultural products are inevitably a stumbling block in any trade agreement negotiations, which is hardly surprising given that agriculture is regarded as the most trade-protected sector globally. Concerns about domestic food security have at different times been extremely important in both China and Japan, as are concerns that a flood of food imports from a nation like Australia will result in significant social turmoil in rural areas if farming becomes unprofitable. Notwithstanding, New Zealand (NZ) was able to secure an FTA with China in 2008, and as a consequence New Zealand products currently face import tariffs one-third those levied on equivalent Australian products – directly impacting Australia’s export competitiveness. For example the Chinese import tariff on NZ beef is 4%, compared to 12% imposed on Australian product.

**Australia’s agricultural trade access with respect to Asia**

There is a large degree of complacency in Australian agriculture that ‘if we grow it, Asia will consume it.’ This is a dangerously complacent attitude. Geographic proximity is not always an advantage, and Australia is now a high cost agricultural exporter, and generally unable to compete purely on price with developing nation exporters from South America or Eastern Europe.

To be successful in the emerging middle-class consumer markets of Asia, Australia will need to explain the particular benefits of Australian products that justify higher prices. This will require concerted efforts to promote the embedded characteristics of Australian products, as well as their quality. Characteristics such as food safety and disease freedom, lack of chemical contamination, high animal welfare standards, environmentally sustainable production systems, and high levels of worker safety and good employment conditions are all issues that will increasingly appeal to middle-class and wealthy consumers who can afford to pay higher prices, but they will not do so unless they are told about these features of Australian produce.

Normally the role of promoting these features of Australian produce would fall to the brand-name manufacturers exporting to these markets, but unfortunately that is generally not the case. Australian food manufacturers have suffered a sustained decline due to the high Australian dollar and highly competitive domestic markets, and much of the agricultural product exported is either raw or minimally processed commodities, destined for further processing overseas, rather than branded products.

This leads to a major question: whose role is it to promote the benefits of Australian agricultural produce in both domestic, but more importantly in international markets? Such promotion should, if successful, result in substantial public and industry good, suggesting the cost should be borne jointly by the agriculture sector and the wider community.

In some cases internationally, this is a role taken by government, and funded largely by taxpayers. It would be nice to have such a model operating in Australia, although given tight budgets, perhaps this is unlikely. An alternative that merits some industry discussion might be establishing an industry-wide promotion fund (possibly funded by an addition to existing industry levies) which could be matched by Australian Government contributions, and used to mount an effective and sustained generic campaign extolling the benefits of Australian agricultural products.

There is a likelihood, if such a campaign was successful it would also help to break down some of the entrenched opposition to granting Australian agricultural produce improved access to Asian markets. Having Asian consumers familiar with and appreciative of the quality of Australian produce could be of major benefit in breaking down some of the political barriers to improved export access.

**References**


Strategic market and trade outlook for Australian agriculture

Background

Australian farms and agribusinesses are now more directly exposed to global agricultural markets than at any time over the last 60 years. This exposure is occurring at a time when global agricultural markets are experiencing increasing levels of price volatility and trade uncertainty.

At the farm level, increased exposure to global markets has arisen as a consequence of implementing agricultural market deregulation since the 1990s. This has included the deregulation of the wool, wheat, dairy and sugar markets, the dismantling of state-based marketing arrangements in many of the horticulture and vegetable sub-sectors, and the removal of some import tariffs and quarantine restrictions. These changes have resulted in the rapid growth of food imports into Australia and significant shifts to the process of exporting Australian agricultural products.

At the agribusiness level, the last decade has been a period of considerable rationalisation, as a range of different factors have driven consolidation and multinational companies have either taken over Australian agribusinesses, or established a presence in the Australian market.

To capitalise on the global marketplace for agricultural products and for industry players to obtain a clearer understanding of the competitiveness of Australian farms and agribusinesses, it is critical that strategic market information is made available. Farmers and agribusinesses are also regularly making decisions which have long-term implications (10–15 years). Having access to relevant information about likely long-term changes in agricultural markets – including supply, demand and trade predictions – is essential to the success of those decisions.

Research plan

Australia has a number of large food and agricultural sectors with net export-import trade values above one billion dollars (see Figure 1). The Australian Farm Institute (AFI) is planning to conduct a comprehensive review of strategic market information for Australia’s major agriculture sectors, including global supply, demand and trade dynamics. Ultimately, this information will be developed into a series of accessible online databases. The aim of AFI’s online portal will be to deliver information to Australian farmers and agribusinesses on trade arrangements (including formal and technical trade barriers) and short and long term outlooks for market accessibility.

There are many data and trade information agencies operating at both the government and private level and this project aims to build on existing data and trade information platforms such as the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), the United States Department of Agriculture (USDA), and the Food and Agriculture Organization of the United Nations (FAO).

Currently ABARES provides data and trade information on both the Australian and global agricultural marketplace. However the ABARES information is quite fragmented and without an abundance of resources, ABARES has not been able to deliver a consolidated online database which provides a range of services such as updates on trade statistics, trade arrangements and market accessibility.

The USDA leverages a global platform of attachés in the major agricultural regions to record a wealth of trade statistics, trade projections and information on trade arrangements. The data and information provided is however primarily relevant to farms and agribusinesses in the United States. Also, USDA data and information is generally fragmented and it is difficult for general users of USDA online portals to select the most relevant of a number of different service points.

Similarly to the USDA, the FAO provides a wealth of data and trade information which can only be accessed via multiple online service points. Some of the FAO data is also subject to time lags of up to three years, as the FAO relies on government statistical department releases to update their online databases.

Initially, AFI will review the trade data and information currently available with a variety of domestic and international agencies, with the intention of identifying the shortcomings and usefulness of these data sources. The online portal ultimately developed by the AFI will summarise relevant information from the range of existing agencies, with the addition of specialised trade analysis. The AFI online database will be a one stop service portal for Australia’s major agricultural products.

Figure 1: Australian food and agricultural sectors with net-trade above A$1 billion.
Supermarkets, do more rules equal better data?

Australia has the most concentrated food market of any nation on earth with the two main supermarket chains controlling 70% of packaged grocery sales and 50% of fresh produce sales. Despite a population of just 23 million, these two key players are amongst the biggest 20 supermarket chains in the world, and on a per capita or per dollar of Gross Domestic Product (GDP) basis for their specific consumer market, are much larger than businesses like Wal-Mart or Tesco.

The key issue for food retail in Australia – as a matter of urgency – is the increasing need for transparency along the domestic food supply chain. The Autumn 2013 Farm Policy Journal entitled, ‘Will supermarkets save or enslave agriculture?’, looks into the interaction between supermarkets and agriculture, in Australia and the rest of the world.

The need for greater market transparency is a highly important issue, providing all supply chain participants with a clear understanding of market developments and the opportunity to respond accordingly. The article by Steve Spencer, from Freshagenda, highlights the lack of consistent data along the milk supply chain, which confuses participants and contributes to emotive reactions. With only 25% of the total milk being used for fresh packaged milk, it is important to pay attention to factors other than supermarket discount campaigns when discussing farmgate prices.

At times when international factors, such as the New Zealand drought, have resulted in soaring milk prices, the domestic milk supply chain may see prices change in ways that cannot be explained by the domestic retail duopoly. In their paper, Philippe Boyer and Julie Blanchot from FranceAgriMer explain the role of data surveillance programs, such as the one they monitor in France. In France, as in Australia, the national competition authority is required to monitor competition and has the power to collect relevant data. In both countries, the power of authority is limited to the availability of existing statistical data and to the rules of information confidentiality. The critical difference in France is that the agricultural agency has statistical authority, and is therefore able to initiate a price and margin surveillance program for specific markets. The surveillance program described in this paper provides, for various food products, a detailed analysis of the value chain (added value, return and costs) from the farmgate to the end use (retail or export) of the products. The real advantage of a program such as this is that margins analysis can be repeated on a regular basis using consistent data, so that all market participants have a transparent perspective of market developments. Interestingly, French supermarkets have now agreed to share some of their internal information in order to improve the availability of market data.

In its paper, the Australian Competition and Consumer Commission (ACCC) outlines how the Competition and Consumer Act 2010 deals with competition issues arising in the agricultural sector. The paper provides an outline of the extent of the powers of the ACCC, information which is valuable in the light of myths and misunderstandings about its role. What is clear, and also discussed in the recent Institute research, Is counting farmer harder than counting sheep?, include an urgent need to increase data quality and transparency in the Australian agriculture sector. Therefore, if only one thing were to be mandatory, it would be that all participants in the supermarket supply chain provide the necessary data to assess existing policies and procedures.

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Should the Australian Government regulate

The Hon. John Cobb MP
Shadow Minister for Agriculture
and Food Security

Coal seam gas development requires a comprehensive policy approach that addresses the environmental, community and economic impacts of the industry.

Managed properly, coal seam gas has the potential to revitalise parts of regional Australia, delivering new drivers for economic expansion. Poorly managed, it could become an environmental and social disaster.

With that in mind, The Nationals’ approach to the development of Australia’s coal seam gas resources is based on five core principles:

- No coal seam gas development should proceed where it poses a significant impact to the water quality of groundwater or surface water systems. It must be absolutely clear that no coal seam gas development should occur unless it is proven safe for the environment.
- Agricultural land is an increasingly important natural asset. It must be protected from activities that destroy its capacity to deliver food security – not only for our nation, but for a hungrier world, for generations to come.
- Coal seam gas development should not occur close to existing residential areas. People who have bought a home, with a reasonable expectation of being away from mining operations, must not be thrown into turmoil with mines springing up on their doorstep.
- Farmers are entitled to an income from the use of their land that is not limited to compensation.
- The regions that deliver much of the wealth from coal seam gas developments deserve a fair share of generated revenues reinvested in their communities. This is an opportunity to grow our nation and encourage a lasting legacy from coal seam gas developments.

The changes announced by the Environment Minister to alter the Environment Protection and Biodiversity Act to make water a trigger for his powers when assessing coal seam gas and coal projects is another example of politics overriding sensible policy-making from this government.

This is another layer of red tape, especially given water protection already exists under the expert panel committee process, which the Coalition supported last year, and under state jurisdiction. It should not be forgotten that many farmers find the opportunity to have an extra income stream attractive, especially in the face of children’s education costs, the impact of the carbon tax, debt levels and the ups and downs of markets.

There were many problems when this industry first started with poor consultation and a mining profile that significantly impacted on farming activities, especially from exploration companies that simply wanted to have something to sell to the big boys. These companies didn’t plan to be around in the long term and so did not do the right thing in terms of farm entry, activities and drilling standards. The community has sent a clear message that anything but the most professional operators are not welcome.

For me there are a few simple rules, we can’t irreparably damage freshwater aquifers, the farmer needs to earn more than just compensation and CSG operations should complement farming operations and the mining industry should respect the farmer’s reasonable requirements. What is clear is that the Gillard Government has imposed new Environmental Protection and Biodiversity Conservation (EPBC) rules simply for political reasons – and once again the story is the same – there has been virtually no industry consultation.

This latest layer of red tape will simply duplicate state requirements with no meaningful environmental outcome or added transparency. NSW is catching up to Queensland where coal seam gas projects are already complying with 1500 state conditions, a further 300 federal conditions and 8000 regulations. However Queensland farmers have been benefitting from extra income much more than NSW, up till now.

Already some projects are submitting environmental assessment applications 16 000 pages long. I would much rather this extra cost to industry be delivered to farmers in greater returns instead of wasting it on government bureaucracy that does no more to improve mining operations.

The Labor Government’s blundering in at the eleventh hour is symptomatic of this government’s hopeless policy-making. Ill-conceived policies like the carbon tax have undercut the competitiveness of Australian agriculture and the carbon tax coupled with the mining tax have been undermining the resources sector, who now have to compete with international competitors who don’t face this tax burden.

There is more work to be done on coal seam gas to make sure we get it right, and the expert panel process provides for the Commonwealth to ensure appropriate state standards and the Federal Coalition is committed to engaging in that process in a constructive way, not being blatantly political in a way that trashes the policy-making process, disregards input from industry and focuses on political games and survival.

John Cobb has held the seat of Calare following its 2006 redistribution in 2007, having previously been the sitting member for Parkes since 2001. John joined the NSW Farmers’ Association in the 1980s, and began a 15-year agri-political career with a three-year term as the Association’s president. His agricultural campaign focuses have included increasing the number of doctors in regional areas, better telecommunications services for country communities, and property rights for landholders. John lives on his family property in the Central West of NSW.
approvals for coal seam gas (CSG) facilities?

Senator Christine Milne
Australian Greens Leader

Standing in the paddock on Penny and Rob Blatchford’s farm at Moree and discussing just how incompatible coal seam gas (CSG) and farming on their fertile black soil would be, has made it even more apparent that the Australian Government should have a regulatory role with regards to CSG exploration. If the Federal Government took that regulatory responsibility seriously then environmental impact assessment would guarantee no more CSG.

In an age of food security in which land and water are the new gold, it makes no sense to compromise future agricultural production, increase greenhouse gas emissions, and destroy the livelihood of farmers and the cohesion of rural communities.

CSG has been lauded as less polluting than coal, and therefore as a way to decrease greenhouse gas emissions, but this contention is not based on science. There has been no life-cycle analysis done on any CSG project in Australia. The Federal Department of Climate Change has admitted that it has done no in-field measurement of fugitive methane emissions, and so has no idea of the damage to our atmosphere given that methane has 23 times more global warming potential than carbon dioxide, hence its impact is more destructive in the short-term.

CSG is a water hungry industry, and fracking to extract it involves the high pressure injection of millions of litres of water mixed with sand and chemicals. Dr John Williams from the Wentworth Group gave evidence to a recent Senate Inquiry saying that we do not have a sufficient knowledge base on the linkage between surface water and groundwater.

While company public relations spokespeople gloss over the risks and the state and federal governments turn a blind eye as they are all too eager to drive the industry’s expansion, farmers, residents and independent scientists are finding alarming results – water that can be ignited, fish dying in the rivers, and high readings of fugitive emissions leaking through the ground.

It has been truly appalling that the Federal Government has required such minimal environmental assessment from these companies. Only now, after so many CSG facilities have been approved, is the Federal Government discussing having oversight of water affected by CSG.

What is shocking, as Four Corners revealed recently – and farming communities have known for a long time, despite the minimum requirements – companies are getting away with rushed and dodgy assessments. We cannot trust these big companies to be truthful about these impacts, and put the interests of the community and environment ahead of their own profit margins.

It is unacceptable for the state and federal governments in the lead-up to the federal election to now decide that it is not safe to explore for CSG in Western Sydney or in towns above a certain population but continue to impose this industry on farmers.

It was wonderful to spend time with local rural communities on a recent trip to the Moree Plains and Lismore regions. It gave me an opportunity to discover that not only farmers, but machinery distributors, bankers and service providers are all standing shoulder-to-shoulder against CSG because they know their land and the cohesion of rural communities is under threat.

The Greens have moved in the Senate to impose a moratorium on CSG, but because Labor and the Coalition are in the pocket of the mining companies they have voted against this.

We should not be driving another fossil fuel industry at the end of the fossil fuel age. What we do know is that we can move to a 100% renewable energy future within a couple of decades – all that is lacking is the political will from the old parties. Australia is blessed with an abundance of renewable energy sources, from solar, to wind, wave and geothermal. We need to get on board a clean energy future, and leave our dirty fossil fuel past behind.

The Greens care about both economic development and environmental sustainability. It is not a trade-off. We not only want our farm lands to be able to keep producing food well into the future, we also want farmers to be able to hand their farms on to the next generation, to protect our precious water resources and fragile natural environment, and generate renewable energy – and unlike the Liberals, Labor and Nationals, we are prepared to vote for it.

Christine Milne grew up on a dairy farm in north-western Tasmania and pursued a career as a teacher. After leading a successful community campaign with an alliance of farmers, fishers, scientists and environmentalists against the construction of a polluting pulp mill, she was elected to the Tasmanian Parliament in 1989. She became the first woman to lead a political party in Tasmania in 1993, and was later elected to the Federal Senate in 2004. She was elected Deputy Leader of the Australian Greens in 2008, and Leader in 2012.

Christine’s global reputation was recognised when she was appointed a United Nations Global 500 Laureate and elected Global Vice-President of the International Union for the Conservation of Nature.
**Quis custodiet ipsos custodes? or who guards the guardians?**

Possibly half of the Australian population now have access to Smartphones, with 80% of users now estimated to be accessing apps (Marketinmag 2012). In the United States last year, the time spent using apps overtook the time spent connected to internet, possibly indicating a similar trend in Australia. In 2013, Smartphone users were estimated to have downloaded more than 10 million apps with the most popular apps, after games, being tools to help users make decisions, including those involved with shopping. It is becoming common to use Smartphones for product comparison, as consumers seek further information to make informed choices.

In January 2013, The Sydney Morning Herald published an article on the ‘most famous food apps’. Most of the apps discussed were restaurant or recipe registries not directly related to food processing or on-farm activities. However, an app called ‘Shop Ethical’ caught the attention of the Australian Farm Institute as it allows users to access information not included on products’ labels which relate directly to farm products.

The Shop Ethical app costs A$4.49 per download and contains information on businesses producing specific items. Once a product is selected the user is given an overall ethical rating for that product, as shown in Figure 1.

Shop Ethical users don’t have much time to determine whether the reported information is up-to-date or relevant to an actual farm or food processing business. They are likely to just make a decision ‘not to buy’ when they see a big ‘red cross’ compared to a nice ‘green tick’.

Shop Ethical’s company ratings are defined by assigning ‘criticisms’, ‘lesser criticisms’, ‘praise’ and ‘lesser praise’ for ethical factors such as environmental, social, animal welfare and business ethics claims. Apart from the overall ratings, users can click on the company name of the products’ manufacturer to find further detail on the business’s ethical conduct (see Figure 2). Most of the food products rated are packaged or processed foods, including milk, pork, eggs and poultry items. Beef, and fruit and vegetables are not currently rated, presumably as the time and resources needed to rate the large number of individual businesses involved in these product lines would be very complex.

The product example shown in Figure 2 relates to a bacon brand which received a ‘lesser criticisms’ rating (and a corresponding cross), leading the possible buyer to believe that the branded product is unethical. However, the information used to decide this rating deserves further explanation.

In this case, the app indicates that the business behind the bacon product, was ‘fined for mislabelling’ in 2010. The main issue with this lesser criticism is that it doesn’t say what the company has done or not done to rectify this. The information only assumes that the company will continue to mislabel, and therefore discourages the consumer from purchasing this product.

‘Possible GE (genetically engineered) in brands’ is another criteria used to qualify a product’s ethical rating. This criteria refers directly to the Greenpeace Truefood Guide 2011, and Greenpeace’s claims that the business managing this product also manages brands rated ‘red’ for GE content. The Greenpeace criteria regarding GE content has nothing to do with Australian regulations on genetically modified (GM) content labelling. Australian food manufacturers are required by law to indicate whether the product contains GM contents on the product label. The fact that a company has not disclosed their GE policy to Greenpeace or that their products may contain GE to a certain degree is a matter that concerns the Food Standards Code of Australia and New Zealand.

Shop Ethical’s guidelines clearly indicate that the information doesn’t relate to the product itself but to the business involved in processing and branding the products. There are obviously no reasons to prevent consumers from accessing this type of information. However, this does raise a few questions along the lines of ‘who guards the guardians.’ The Australian and New Zealand Food Standards Code has a formal consultation process as illustrated by recent discussions over GM and front-of-pack labelling.

It took considerable reviews, contributions, audits, meetings and hearings to modify the code and update current food labelling regulations. Smartphone food apps providing information at the point of purchase act almost like a label, but by-pass any rigorous formal scrutiny. Food apps are a booming business, with great potential for the food and farm sector. There is a risk, however, that an app may take on the defacto role of self-appointed industry watchdog.

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Common Agricultural Policy for 2014–20

Approximately €100 billion out of a global CAP budget of €336 billion for 2014–20 will be for funding the protection of natural resources after an agreement was reached by European Union (EU) leaders on the EU’s long-term budget.

EU leaders have now agreed that 30% of payments, which will be approximately €80 billion, will go directly to EU farmers and will be linked to environmentally-friendly farming and agronomy. €20 billion will also be given to rural development funds and will be invested in schemes which benefit the environment and are orientated towards climate change.

One of the challenges that now lay ahead for the European Parliament is to agree on this and to define concrete ‘greening’ measures. This budget shows the importance placed by the EU on preserving biodiversity, natural resources and fighting climate change.

New trade agreement with China

A three-year ban on canola imports from Australia has been lifted by China after concerns subsided over the root-borne disease, blackleg. It is estimated that this new trade agreement could be worth up to $825 million dollars to farmers, with canola currently $550 per tonne.

Dairy campaign

In late March at the Sydney Royal Easter Show, Woolworths launched plans to buy milk directly from dairy farmers. This has come about as a result of the price war that existed between Coles and Woolworths in 2012 which saw milk prices slashed to $1 a litre.

Woolworths will now be trialling a scheme in the Manning Valley of direct pricing, with seven dairy farmers selling milk directly to Woolworths. This plan first needs to be approved by the Australian Competition and Consumer Commission who have already shown some support for the project. The Dairy Farmers Association however have expressed hesitation about this scheme.

If approved, the label Farmers’ Own milk will be available on Woolworths shelves in NSW from the middle of 2013.

Indian rice

Global rice production is expected to soar to about 472 million tonnes next year according to International Grains Council data, obtained by Bloomberg. The UN’s Food and Agriculture Organization has also estimated that world inventories are forecast to reach a record high over 2012–13.

US drought

In March, heavy rains broke a three-year pattern of drought in much of the south eastern United States (US). However, according to the US drought monitor, drought still affects much of the US northern grain belt as well as other parts of the US.

Currently, the entire state of Colorado remains in drought and California is considered to be abnormally dry as well as Texas, which is now either 99% dry or in drought.

This observation corresponds with the annual spring outlook from National Oceanic and Atmospheric Administration (NOAA) which has estimated that hotter and drier conditions will be felt across most of the US, in particular Texas, Oklahoma and Kansas in 2013. All three states, as well as Nebraska, have been battling to produce winter wheat crops with a survey in March showing that 61% of wheat production was rated as being poor or very poor.
In the news

Foreign investment has continued to be a topic garnering media attention. Institute Executive Director, Mick Keogh was interviewed by Nikolai Beilharz for the South Australian Country Hour report, ‘Foreign investment – yay or nay?’ (21/01/13), and by Emily Bourke for ABC Radio’s The World Today program, ‘Clash of concerns over foreign ownership of Australian agriculture’ (1/03/13). He was also quoted in the FarmWeekly article by Gregor Heard, ‘China eyes Aus: Keogh’ (6/03/13):

‘You only have to look at the statistics to see that overseas agriculture would be a good investment for Chinese businesses,’ Mr Keogh said.

‘China is becoming more dependent on international food supplies to meet its domestic demand...’

‘Food is going to become a more important issue in China, we’re seeing the lowering of the water table in key agricultural production zones such as the North China plains, and urban encroachment in other areas.’

A recent AFI research report on opportunities for increased productivity growth in Australian agriculture has attracted considerable media attention. This was reported in Tom Minear’s Weekly Times Now article, ‘R&D cuts hurting agriculture’ (15/02/13), with Sue Neales’ article in The Australian, ‘Australia’s spending on agricultural R&D has dropped internationally from 9th to 16th place’ (15/02/13), quoting:

‘It would be extremely foolhardy to assume that proximity to Asia gives Australian agriculture a major advantage,’ Mr Keogh said.

‘A concerted effort will be needed to improve agricultural productivity in Australia to deliver us a significant share of the Asian food bowl.’

Mick Keogh recently spoke at the ABARES Outlook Conference in Canberra, on the topic of ‘Australian agricultural trade in the Asian Century.’ This speech was reported in the Weekly Times Now article, ‘Farmers need help to feed world’ (15/03/13); and the ABC Rural articles, ‘Food prices on hold until 2050 amid trade warnings for Australian farmers’ (5/03/13) and, ‘Australian farmers warned over trade and exports’ (6/03/13).

Out and about

Recently the Institute’s Executive Director, Mick Keogh, has spoken at:

- AARES Conference Workshop, Sydney
- GRDC Advisors Update, Ballarat, Victoria
- ABARES Outlook Conference, Canberra
- Mallee Sustainable Farming ‘Managing Farms in a Changing Climate’ Conference, Mildura, Victoria
- Farm Writers’ Association of NSW luncheon, Sydney.

Mick Keogh has also facilitated a number of Local Land Services consultation meetings throughout NSW.