Australia risks missing a big livestock export and animal welfare opportunity

Mick Keogh and Adam Tomlinson
Australian Farm Institute

Trade in live animals is increasing globally, and is likely to accelerate in the future as consumers in developing nations increase their consumption of animal protein. This presents a strong opportunity for Australian livestock industries, and also an opportunity to play a leadership role in contributing to the improvement of animal welfare standards in developing nations.

Abandoning livestock exports from Australia, as some propose, makes little sense from either an economic or an animal welfare perspective. There is clear evidence it would have a negative financial impact on the majority of farm businesses in Australia, and lead to increased sourcing of livestock from other nations, all of which have lower livestock management and animal welfare standards than Australia. Perhaps more importantly, this would also result in declining animal welfare standards in nations that are currently important livestock markets for Australia.

This article outlines trends in the international trade of livestock, and in particular the structural changes in supply chains that are resulting in livestock importing nations increasingly favouring live animal rather than meat imports. It also examines the impact of recent policy developments in Australia, highlighting that they have resulted in much more widespread financial harm to Australia’s farm sector than has been recognised to date.

Global trade in livestock
The very strong growth in global demand for animal protein, which is an inevitable consequence of increasing consumer wealth in developing nations, has been the subject of a great deal of academic and media interest over recent years. This growth is creating seismic shifts in world agriculture, and has been identified as one of the key factors contributing to the major changes in global agricultural commodity prices since 2001.

What is perhaps not as well understood is that the growth in demand for animal protein over the past decade has resulted in major changes in demand for feedgrains, as developing nations attempt to boost their own livestock production sectors. This also affects livestock imports, as developing
nations unable to meet growing protein demand from domestic production look to alternative means of meeting that demand and simultaneously taking steps to boost domestic economic activity.

Global trade in livestock grew dramatically over the past five decades, from around 15 million head in 1961 to almost 70 million head in 2010, worth more than US$13 billion according to the Food and Agriculture Organization of the United Nations (FAO). The most spectacular growth has been in live pig exports, much of this being inter-European trade as pigs produced in Western Europe are increasingly transported to lower-cost eastern European nations for slaughter and processing. World trade in live sheep, cattle and goats (Australia is an exporter of each of these species) has been between 30 and 35 million head annually over the past two decades, and in value terms has grown dramatically to over US$9 billion per annum (see Figure 1).

Over 100 nations around the world are involved in large-scale importing or exporting of livestock, with all forms of transportation employed, and the trade occurring in all the major regions of the world. From an Australian perspective, the key focus has been on live cattle and sheep exports.

The number of live cattle traded internationally grew by 1.3% per annum over the decade from 2000 and 2010, although growth in the annual value of the trade exceeded 5% per annum over that period. France is the world’s leading exporter of live cattle, being the source of around 13% of world exports (see Figure 2). According to the United Nations Comtrade database, the markets for cattle exported from France include Europe and Africa, and in 2012 France exported cattle to 35 countries. Other leading live cattle exporters include Canada, Mexico and Brazil, with Australia being responsible for less than 10% of world cattle exports. In 2012, Australia exported live cattle to 22 countries, predominantly utilising ocean transport. Brazil is another live cattle exporting nation with a heavy reliance on ocean transport, supplying cattle to 10 nations in 2012.

The total number of live sheep traded internationally has been relatively stable in recent years. Australia is still the leading exporter of live sheep, but the proportion of live sheep exports originating from Australia has declined from around 50% of global trade in 2001 to 20% in 2010 (see Figure 3). The fall in live sheep exports has coincided with a large decline in Australia’s national flock, with many farmers reducing sheep numbers or switching to other enterprises during that period. The ‘gap’ in live sheep markets created by the decline in Australian live sheep exports has been filled by exports from nations such as Somalia and Sudan.

Live animals are traded internationally for slaughter, feeder or breeding purposes. There are countries actively involved in the live animal trade such as New Zealand that regulate the live animal export trade to only include animals for breeding purposes. In 2012, New Zealand’s live export trade of cattle and sheep was worth over NZ$108 million. New Zealand’s major live export markets include cattle trade with China, Vietnam and the Philippines. While live animals that are exported originally for breeding purposes are initially traded according to strict standards, detailed monitoring of the handling conditions of breeding animals post-arrival in the foreign country is not currently undertaken by any live animal exporting country.

The Middle East and Africa are the largest markets for both live cattle and live sheep exports, accounting for around 20% and 75% of international trade.
imports respectively. The main factors driving the demand for live animal imports in this region include relatively small domestic livestock industries, religious customs, the absence of infrastructure such as electricity in the poorer nations and government policies favouring livestock imports as part of economic development and effective supply chain strategies.

Table 1 summarises the characteristics of the live animal trade of the major live animal importing countries in the Middle East and Africa. It highlights the diversity of countries operating in the live animal trade which includes countries from within the Middle East and Africa region along with countries from Europe, the Americas, Asia and Oceania.

Nations in the Middle East and Africa have predominantly Muslim populations, for whom religious beliefs require that meat be ritually slaughtered and preferably traded fresh in local markets. A further factor driving the demand for live exports is that, according to the OECD’s World Energy Outlook 2012, large live animal importing countries such as Yemen and Nigeria have 15 million and 79 million people respectively living in homes without electric power. The lack of electricity is one contributing factor that prevents the establishment of modern supply chains based on the import of frozen or chilled meat.

Israel is a unique Middle Eastern destination for live cattle imports, with a minority of Muslim residents and developed infrastructure. A driver for the live cattle industry in Israel is the desire to optimise the use of local slaughtering capacity and to capture more value from livestock supply chains.

Table 1: Major supply sources, population size and religious characteristics for major Middle Eastern and African importers of cattle and sheep.

<table>
<thead>
<tr>
<th>Import destination</th>
<th>Live animal type</th>
<th>Trade quantity (head)</th>
<th>Largest supplier</th>
<th>2nd largest supplier</th>
<th>3rd largest supplier</th>
<th>National population (millions)</th>
<th>Muslim (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>Bovine</td>
<td>471,571</td>
<td>France</td>
<td>Hungary</td>
<td>US</td>
<td>73.99</td>
<td>99.8%</td>
</tr>
<tr>
<td>Lebanon</td>
<td>Bovine</td>
<td>262,965 e</td>
<td>Spain</td>
<td>Brazil</td>
<td>Colombia</td>
<td>4.42</td>
<td>59.7%</td>
</tr>
<tr>
<td>Yemen</td>
<td>Bovine</td>
<td>148,731*</td>
<td>Somalia</td>
<td>Ethiopia</td>
<td>Djibouti</td>
<td>23.85</td>
<td>99.0%</td>
</tr>
<tr>
<td>Israel</td>
<td>Bovine</td>
<td>131,098</td>
<td>Australia</td>
<td>Jordan</td>
<td>Lithuania</td>
<td>7.90</td>
<td>16.9%</td>
</tr>
<tr>
<td>Egypt</td>
<td>Bovine</td>
<td>67,489</td>
<td>Australia</td>
<td>Brazil</td>
<td>US</td>
<td>80.72</td>
<td>90.0%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Sheep and goats</td>
<td>4,147,840 e*</td>
<td>Sudan</td>
<td>Somalia</td>
<td>Syria</td>
<td>28.28</td>
<td>100.0%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Sheep and goats</td>
<td>1,426,117*</td>
<td>Algeria</td>
<td>Chad</td>
<td>China</td>
<td>168.83</td>
<td>50.0%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Sheep and goats</td>
<td>475,281*</td>
<td>Australia</td>
<td>Saudi Arabia</td>
<td>Somalia</td>
<td>1.32</td>
<td>81.2%</td>
</tr>
<tr>
<td>Yemen</td>
<td>Sheep and goats</td>
<td>415,841*</td>
<td>Somalia</td>
<td>Ethiopia</td>
<td>Djibouti</td>
<td>23.85</td>
<td>99.0%</td>
</tr>
<tr>
<td>Oman</td>
<td>Sheep and goats</td>
<td>224,241</td>
<td>Somalia</td>
<td>Iran</td>
<td>Australia</td>
<td>3.31</td>
<td>75.0%</td>
</tr>
</tbody>
</table>

1. Excludes some large import destinations, such as Kuwait and Qatar, due to data limitations *2011 data, otherwise 2012 e = estimate


Governments of major agricultural importing nations have been generally supportive of this shift towards the importation of raw agricultural commodities, as it creates more jobs in the domestic economy and allows a greater level of control over food supply chains. The most obvious example of this is Chinese imports of soybeans from Brazil for processing in China, a trade that has grown from virtually nothing in 2000 to annual imports approaching US$50 billion in 2012. Other African and Asian countries are also increasingly implementing national initiatives that aim to boost industrialisation and control the processing of agricultural commodities. Market forces commonly support the importation of raw commodity rather than processed product in import regions such as the Middle East, as generally lower costs for energy and labour in these regions increase the cost competitiveness of commodity processing industries.

In the case of meat, the growth in demand for relatively unprocessed product that can be processed within the importing nation is reflected in the growth in demand for live animal imports (observed for cattle, sheep, goats and pigs) and also in demand for minimally-processed meat (entire or half carcasses) which can be further processed in the importing country.

This is an important factor in the demand for live cattle imports by
Indonesia. Live cattle imports have necessitated the establishment of cattle feedlots, beef processing facilities and associated transport and service industries within that nation, creating employment and economic activity that would not exist if beef was imported in a processed form. Local farmers in close proximity to feedlots in Indonesia, for example, benefit by becoming suppliers of fodder to the feedlots.

Recent developments in the Australian live animal export industry

The Australian live animal export industry has undergone significant changes in recent decades. Numerous industry reviews have been conducted, including the Independent Reference Group in the late 1990s, the Keniry Review completed in 2003 and more recently the Farmer Review, and reviews by various Industry Government Working Groups.

Some notable changes to the industry that have occurred as a result of these review processes include the requirement for the heat stress risk assessment of live animals under the Australian Standards for the Export of Livestock; the roll-out of the Exporters Supply Chain Assurance System (ESCAS), and the revision of the Australian Animal Welfare Standards and Guidelines, which is the code of practice for the Australian industry. All of the standards imposed on the Australian live animal export industry adhere to international codes of practice governed by the World Organisation for Animal Health (the OIE).

ESCAS was established in 2011 to increase the transparency of the live export supply chain and the handling standards of animals originating from Australia but traded in foreign markets. The establishment of ESCAS was a direct result of evidence of appalling treatment of cattle, that originated from Australia, in some Indonesian abattoirs. The ESCAS framework has been a major positive development in the live animal export industry, with reforms designed to assure the welfare of livestock exported from Australia.

Australian exporters seeking a permit to export feeder and/or slaughter livestock must now show that their supply chain:
- meets OIE guidelines for animal welfare
- enables animals to be effectively traced or accounted for by exporters within a supply chain through to slaughter
- has appropriate control through reporting and accountability
- is independently verified and audited.

The work that has been undertaken to improve the practices of the Australian live animal export industry has resulted in an industry that is considered to be world leading in terms of transparency and governance. No other live animal exporting nations have implemented the level of monitoring required by the Australian system. The resulting increased level of communication along supply chains also provides the additional advantage of allowing exporters and farmers to obtain feedback from foreign consumers on product preferences.

Despite this positive progress, recent examples of the inhumane handling of Australian animals in countries such as Egypt and Pakistan, demonstrate that animal welfare represents a continuing issue for the industry. These incidents are illustrative of the difficulties associated with imposing Australian standards in foreign countries with different cultural norms and traditional practices. It is worth noting however, that Egypt had not agreed to implement ESCAS at the time of the most recent incident and that live animal trade with Egypt has been voluntarily suspended by Australian livestock exporters and will not recommence unless ESCAS is implemented.

Assessing the impacts of recent livestock export policy changes

In June 2011 the Australian Government suspended live cattle exports to Indonesia in response to the public airing of video footage showing animal cruelty during the slaughter of some cattle sourced from Australia in several Indonesian slaughterhouses. The trade was resumed a few months later, following the roll-out of ESCAS across Indonesia, but the trade disruption had a number of consequences for the Australian beef industry.

Most importantly, the abrupt policy changes implemented by the Australian Government created uncertainty within the Australian beef industry and amongst livestock exporters and importers, that has consequently reduced confidence and investment in the industry. The industry has also been impacted by policy decisions in other nations such as reduced quotas and changed weight specifications, and as a result of these factors, Australia’s live cattle exports have dropped by over 35% since 2009.

During the first half of 2013, the flow-on impacts of these changes in the live cattle export market became evident throughout the Australian beef industry. The dramatic fall in confidence and limited market options for northern Australian cattle, in combination with adverse seasonal conditions throughout much of northern Australia and in particular Queensland, resulted in farmers in the worst-affected regions having no other choice but to sell cattle for slaughter domestically. The result was a flood of cattle onto domestic markets, and monthly Australian cattle slaughter numbers reached 30 year highs (see Figure 5). As a result, domestic cattle prices fell by over 30% from July 2012 to May 2013. What was most significant about this fall in Australian cattle prices was that it occurred at a time when international beef prices were at historically high levels. The result was the biggest divergence that has been observed between Australian and United States cattle prices for a considerable period. This highlights the flow-on impact that these developments in the live cattle export market have had on the entire Australian beef industry, and serves as a reminder that the Australian beef industry cannot assume that a cessation of live exports would simply result in an increase in processed beef exports, as some economic analyses have assumed.
Demand outlook for meat remains positive and will continue to influence live animal trade

The demand outlook for meat in agricultural resource constrained regions such as the Middle East and some parts of Asia will increasingly present opportunities for the Australian live animal export industry. In many instances the governments of these countries are trying to stimulate domestic production to close the gap on imports. These regions are however generally lacking the infrastructure and natural environment to produce sufficient animal numbers to fulfil domestic demand. For example, the Indonesian Government has set a goal of being 90% self-sufficient in beef production. However, projections by the OECD-FAO indicate that Indonesia is not likely to reach this goal before 2022, with challenging infrastructure and climate limitations being major factors for the ongoing shortfall in domestic production relative to domestic demand (see Figure 6). Recent extreme beef prices in Indonesia, and the move by the Indonesian Government to increase or even totally remove quotas on live cattle imports reinforce this.

Similar to beef, the OECD-FAO outlook predicts the consumption of sheepmeat will also grow and that annual growth rates of between 0.5% and 3% are expected in major sheep importing countries in the Middle East and Africa region.

Conclusion

Trade in livestock occurs between nations located in every continent of the world, and the globalisation of food supply chains is increasing this trade, as the demand for meat products increases in developing nations, and governments and businesses in those nations structure their supply chains for greater control and to minimise costs.

The Australian live animal export industry is internationally recognised as a world leader in animal welfare standards, supply chain transparency and governance, and is well positioned to take advantage of the inevitable growth in the international live animal trade, and to bring about improvements in animal welfare standards in importing nations as a condition of access to Australian livestock. Reinforcing this, the Australian livestock industries are the only national exporters of livestock that have active animal welfare improvement programs operating in destination markets, funded by the industry.

The opportunity for both economic and animal welfare benefits is being placed at risk by the continued calls by animal welfare groups and some policy-makers for a cessation of live animal exports from Australia, in the mistaken assumption that the withdrawal of Australia from these markets will somehow result in improvements in animal welfare standards in importing nations, and a transfer of export demand to Australian processed meat products.

As is starkly evident in the case of live sheep exports, neither of these assumptions is correct. The reduction in supplies of live sheep from Australia has not reduced demand in importing nations, but simply resulted in that demand being met by exports from nations that have minimal, if any, national animal welfare standards, and no interest or capacity to take an active role in improving animal welfare standards in importing nations. Similarly, the assumption that a cessation in live animal exports from Australia will result in increased demand for processed meat exports flies in the face of global supply chain developments driven by inexorable economic forces, and relies on the assumption that alternative sources of live animal exports are not available, which is clearly incorrect.

Recognising these realities, it is critically important that Australian policy-makers, livestock industries and responsible animal welfare groups work cooperatively to continually improve Australian animal welfare standards and systems, and maximise the leverage that is available to improve animal welfare standards in importing nations. A commitment by all three groups to work cooperatively, and to avoid sudden, confidence-destroying policy changes is clearly the best mechanism available to bring about substantial global improvements in livestock welfare.

![Figure 5: Price trends for US beef cattle, Australia’s eastern young cattle indicator and monthly national cattle slaughter at Australian processing facilities.](image)

Source: FAO, AFI analysis.

![Figure 6: Supply and demand outlook for beef in South East Asia and Australia.](image)

Note: p = projection

Source: OECD-FAO, AFI analysis.
Improving the effectiveness of farmers’ advocacy

Agricultural lobby groups in Australia have been subject to considerable challenges over the past few decades. These include:

- agriculture has declined in relative importance in the national economy and the number of farm businesses has also reduced significantly, which has made the task of influencing policy-makers to favour agriculture much more difficult
- the agricultural sector has been largely deregulated, reducing the direct role of agricultural lobby groups in formulating legislation
- there has been and continues to be a centralisation of policy-making away from state governments to the Australian Government, which is changing the roles and potential influence of state-based agricultural lobby organisations
- the rise of telecommunications, which have made access to information and communication channels instant and universal, reducing individuals’ reliance on industry organisations for information
- there has been increased scrutiny imposed on agriculture by community and specific interest groups, including environmental and animal welfare organisations
- the development of globalised agricultural markets has reduced the potential ability of farm lobby groups to have any significant impacts on the market prices received by farmers.

Recognising these challenges, the Australian Farm Institute’s Research Advisory Committee identified that research into ways that Australian farm lobby groups could improve their effectiveness should be a priority issue for the Institute.

A research project with these objectives is currently being undertaken by the Institute.

In the context of this study agricultural lobby groups are defined as organisations created, managed and operated mainly by farmers, through a representative system. Their objective includes advocating for their members’ interests to be taken into account in public policy decisions.

The research involves an initial investigation of existing literature in social science, business studies and public policy regarding the roles and effectiveness of lobby groups. A major issue is what is called the ‘free-rider’ problem, which arises from the fact that those in an industry who choose not to support a lobby organisation still benefit from any gains that are achieved.

Electronic communication technologies have made access to information much easier and cheaper, increasing this free-rider effect. Part of this study involves an examination of how lobby organisations in other sectors of the economy deal with this challenge.

There is no absolute ‘science’ by which the effectiveness of agricultural lobby groups can be measured or quantified, so the research has involved the development of a series of indicators that might assist in making some objective judgements. These include the sustainability of an organisation’s business model (assessed through membership and budget information over time), the extent to which the organisation is formally recognised by government in policy-making forums, the cohesiveness of industry support for the organisation, the ‘competitiveness’ of the organisation in obtaining favourable decisions by government, and the standing of the organisation in the eyes of key groups including the media and policy-makers.

This study compares how farmers’ lobby groups in France, New Zealand and Canada manage these challenges and organise themselves to improve their effectiveness. It also studies the way Australian lobby groups in other sectors of the economy operate on behalf of their members.

The research involves surveys of relevant stakeholders to gain a better understanding of their opinions about agricultural lobby groups and how they could become more effective.
Will the Australian agricultural innovation system remain competitive in the coming decades?

In May, the Australian Farm Institute held a two-day conference, ‘Australian Agricultural Innovation Systems at the Crossroads’, where numerous industry and government representatives spoke on the future of research, development and extension (R,D&E) in Australian agriculture.

Topics covered throughout the two days included: is R,D&E meeting the needs of farmers?; the future role and existence of agricultural extension; and the future roles of government and Australian universities in agricultural innovation.

Over 100 people attended the conference, with each delegate asked to complete an evaluation form at the end, and answer two questions on confidence in the future of Australian agricultural innovation.

Figure 1 shows that nearly 45% of attendees, after listening to all presentations, believed that Australia’s agricultural innovation system will keep Australian agriculture competitive in the coming decades. Many of the ideas presented by speakers at the conference were practical, motivated attendees, and gave a clear call to action to the many industry leaders in the room.

As illustrated in Figure 1, approximately 87% of respondents indicated that they felt at least moderately confident about the future of Australia’s agricultural innovation system. The combined responses of all survey participants indicated the innovation system’s potential, and the significant role that it plays in building the competitiveness of Australian agriculture.

Respondents were asked in the second question to identify one action that could be taken to improve agricultural innovation. The Institute received a range of replies but one often repeated suggestion was the need for collaboration across the agricultural sector. Respondents also identified the need to support and reward those agencies and people who are currently collaborating. In recent years there has been a lack of collaboration, not only between public and private sector agencies, but also between those who communicate R,D&E information and those who discover the science. One respondent identified that the industry needs to do all things well – not just one thing – ensuring that as an industry we are not just discovering science, but are discovering science that meets the needs of farmers.

Some respondents said that the industry needs to engage more with the private sector. This is a result of funding cuts and the weakened role of the public sector in R,D&E. Respondents proposed the need for further leadership in agriculture, and increased funding to help facilitate and develop cooperative partnerships between private and public sector providers.

The current agricultural innovation system is complex and the industry needs to identify priorities and be clear about the desired outcomes. Respondents also indicated that the industry needs to better define innovation, including defining the roles of farmers and scientists.

A formalised national R,D&E framework was suggested and respondents advocated using a scoping paper for such a framework.

Accreditation was another issue raised. A few suggested that the industry needs to have appropriate accreditation and training for staff providing extension. Many also said that the skills of private sector advisory staff need to be improved, with better training on how to recognise the difference between explicit science and on-farm decision-making.

Lastly, the issue of better communication models between stakeholders (taxpayers, lobbyists, media and the public) was mentioned. It was suggested that an improved public perception of agriculture is essential for the Australian agricultural innovation system to successfully keep Australian agriculture competitive.

Figure 1: Delegate confidence in the Australian agricultural innovation system.

Source: Australian Farm Institute.
Workplace relations and competitiveness

The Hon Bill Shorten MP
Minister for Education and Workplace Relations

Labor believes in fair and balanced workplace relations laws that protect key entitlements for Australian workers, that provide flexibility for business and help Australians balance their work and family life.

The Fair Work Act brought fairness to our workplace laws after Work Choices. It better protects key conditions like the minimum wage, reasonable hours of work, public holidays and parental leave through the National Employment Standards. Over 7 million Australian workers are now protected from unfair dismissal.

The Fair Work Act has delivered for working Australians and the Australian economy. More than 960,000 jobs have been created since Labor came to office in November 2007, while 28 million people have been added to unemployment queues around the world.

Industrial disputes are also down under the Fair Work Act, with rates on average around one-third the rate (4.9 quarterly average of days lost) we saw under the Howard Government (13.5).

Most importantly, labour productivity growth under the Fair Work Act (1.89% per year, seasonally adjusted) is almost triple the rate that experienced under the former Coalition Government’s disastrous Work Choices (0.69% per year, seasonally adjusted).

Since the commencement of the Fair Work Act, we’ve seen much higher levels of productivity growth in manufacturing (including food processing), which has grown at a healthy 2.1% per year, compared to just 0.4% per year in the five years prior to the Fair Work Act.

Manufacturing wages growth has also moderated. Under the Fair Work Act, manufacturing wages have grown at 3.3% per year, compared to 3.9% in the previous five years. At the food product manufacturing level, the average wage increase under current enterprise agreements is 3.7%, which is slightly below the 3.8% for all industries.

Food processors are taking advantage of collective bargaining under the Fair Work Act with more than half of all employees in food product manufacturing on federal enterprise agreements. Businesses are also using their enterprise agreements to introduce productivity improvements, with over 51% containing some formal commitment to pursue efficiency gains.

While conditions remain patchy in parts of the economy, Australia nonetheless has an impressive combination of solid growth, low unemployment, low interest rates, contained inflation and very low debt.

As a government, we know workplace relations are important for productivity. Last year’s independent Fair Work Act Review gave all stakeholders – employers, employees, unions and employer organisations – a chance to have their say about whether Australia’s workplace relations legislation is achieving its aims, including to promote productivity and economic growth for Australia’s future economic prosperity.

The Fair Work Act Review confirmed that the Act does not impact negatively on productivity. The Review Panel noted that improving productivity and improving equity and fairness are not competing goals.

Productivity should not be a discussion which only happens in bargaining for an enterprise agreement: it is a goal embedded and lived every day in the workplace culture; it is a part of every single management decision, every decision affecting workers and everyday business.

We know Australia has an ongoing need to boost productivity and remain competitive in the ‘Asian Century’. That’s why the Australian Government is investing in a new independent Centre for Workplace Leadership. The Centre will work directly with businesses, especially small and medium enterprises, to practically assist workplaces across Australia to improve leadership at all levels and so to become more productive, more profitable, more innovative and provide better places to work.

The Australian Government is also fostering increased competitiveness and innovation, targeted specifically at the food processing sector. The Food Industry Innovation Precinct is part of the Australian Government’s $504.5 million Innovation Industry Precincts initiative. It will create valuable connections across the food industry value chain and help firms build the critical mass, business capability and export readiness needed to take advantage of industry growth opportunities, especially in Asia.

The Australian Government is determined to drive our productivity performance to ensure all Australians can contribute and prosper in our society.

Bill Shorten is the Minister for Education and Workplace Relations. Prior to this appointment, he was Minister for Employment and Workplace Relations and Financial Services and Superannuation in the Labor Government.

Minister Shorten first entered Parliament in 2007, when he was elected as the Federal Member of Maribyrnong. Before his promotion to the Ministry in 2010, Bill was the Parliamentary Secretary for Disabilities, Children’s Services and Victorian Bushfire Reconstruction. Prior to that Bill worked at the Australian Workers Union, holding key leadership positions including the National Secretary from 2001 to 2007.
in the Australian food processing sector

Senator the Hon Eric Abetz
Leader of the Opposition in the Senate, Shadow Minister for Employment and Workplace Relations, and Liberal Senator for Tasmania

We know that the total volume of output of the Australian food industry has declined by 4.5% and the numbers employed in the industry declined by 7000 persons. We also know that approximately 335 businesses in the food processing industry have either closed or moved offshore.

It is a truism that we live in a global village; we live in an international economy. Australia as a nation relies on exports and on imports. To remain solvent, we need to ensure that exports exceed imports. For that to happen, we need to be globally competitive.

We all know that Australia rode on the sheep’s back – noting the past tense! But today many Australians are still heavily dependent on our agricultural and horticultural exports as a part of wealth creation in our nation. This needs to be not only maintained but enriched. Farmers are price-takers and subject to a varying exchange rate and economic climate.

Farmers take huge risks and live in a cyclical environment that can be full of uncertainty. It is therefore vital that when the economic sun does shine, that government doesn’t put up too many sunshades. The Coalition understands the issues facing the Australian agricultural and horticultural sectors. We have farmers and horticulturalists in our midst and represent vast swathes of regional Australia.

Many farms are small businesses and human resources specialists or experts are not readily accessible let alone affordable. That’s why our plan will ensure that the Fair Work Ombudsman provides targeted and clear help. This will include a number of initiatives and help small business improve their understanding of the Fair Work laws so they have confidence to grow and employ.

We will also encourage greater accessibility of information and will provide potential immunity from Fair Work Ombudsman pecuniary penalty prosecutions for a small business employer if it pays or applies the wrong employment conditions, provided the error was not deliberate and the employer had previously sought Fair Work Ombudsman advice and help on the same issue.

Our policy will also ensure that the Fair Work Ombudsman has dedicated resources to assist small businesses in employing new workers. We will also create a dedicated small business line at the Fair Work Ombudsman and develop a mobile app to help owners and managers with calculating wages and allowances as well as other entitlements.

For bigger farming enterprises and the food processing sector, our plan will ensure that negotiations for enterprise agreements are harmonious, sensible and productive. Enterprise bargaining is an important part of the Fair Work laws however Labor’s provisions have resulted in some outcomes that simply fail the commonsense test.

To solve these problems, a Coalition Government will ensure that protected industrial action can only happen if the Fair Work Commission is satisfied that there have been genuine and meaningful talks between workers and business at the workplace; and that the claims made by both parties are sensible and realistic. When it is asked to approve an enterprise agreement, the Fair Work Commission will need to be satisfied that the parties have considered and discussed ways to improve productivity.

We believe that Labor’s ‘strike first, talk later’ approach is wrong. Labor promised this wouldn’t happen – another broken promise. Protected industrial action in support of a claim for an enterprise agreement should always be considered a last resort option when talks break down – not the first step in bargaining as Labor has allowed.

I know and understand the very real concerns that have been put forward by the agricultural sector about the inflexibility of modern awards and that many industries have been pigeon-holed into rigid provisions that actually act as a job destroyer. Provisions that do not take account of seasonal and climate variations in the vast continent of our country might fit the mould of some workplace relations orthodoxy but it does not reflect the Australian reality.

Our individual flexibility arrangements amendments have the real potential to provide the flexibility from which both workers and enterprises can benefit.

The Fair Work Commission will commence its four-yearly review of Modern Awards shortly and it’s important that the Commission hears about any concerns with the operation of current awards and that the Commission take a commonsense approach. With red tape, ever increasing taxes including the Carbon Tax and higher energy costs, it is vital that extra obstacles are not put in the way of Australian manufacturing. The decline we have witnessed can’t go on.

In short, a Coalition Government has a plan to create jobs, encourage investment and provide for a strong economy allowing the agricultural sector to grow as well as getting rid of some of those ‘sunshades’.

Joining the Liberal Party in 1976, Eric Abetz became the State President in 1989, a position that he held until his appointment to the Senate in 1994. He was re-elected in 1998, 2004 and 2010.

In Federal Parliament Eric’s roles have included: Parliamentary Secretary to the Minister for Defence; Special Minister of State; Minister for Fisheries, Forestry and Conservation; Manager of Government Business in the Senate; and Shadow Minister for Innovation, Industry, Science and Research.
Is this the most error-ridden piece of writing ever about agriculture in a national newspaper?

The back page of the *Australian Financial Review* on Friday, 17 May 2013 featured an article, written by Tony Boyd, ‘For farmers outstanding in their fields…’ Boyd’s article heavily criticised the recent government announcement of limited concessional finance being made available to some eligible farmers in response to drought conditions and the slump in beef prices, due in part to the reduction in live cattle exports following the suspension of that trade by the Australian Government.

Irrespective of an individual’s views about the appropriateness of the announced assistance measures, the article contained many assertions that were factually incorrect, and damaging to the Australian agriculture sector.

Tony Boyd either hates farmers, or was in such a rush with his recent piece on Australian agriculture that he ignored any facts. If there were journalistic awards for the most error-ridden piece of writing ever about agriculture in a national newspaper, then this article would be a certain winner.

Let’s start with his statement that:

Ludwig’s subsidy of the rural sector is in keeping with Australia’s long-held tradition of propping up uneconomic rural operations. No other sector of the economy is given the latitude to run itself into the ground and then stick its hand out for government assistance.

The facts are that the OECD has monitored levels of national agricultural subsidies for the past 20 years, and Australian agriculture receives the lowest – repeat that lowest – level of taxpayer subsidy of any national agriculture sector globally. No other national agriculture sector on earth receives less taxpayer dollars in subsidies, so how Boyd can assert that Australia has a long-held tradition of propping up uneconomic rural operations is an interesting question.

In fact, recently announced changes to drought policy have reduced Australia’s meagre agricultural support measures even further than the OECD data indicates.

Now let’s look at the second part of the above claim. Some of Boyd’s colleagues at the *AFR* have been spending an enormous amount of effort trying to get to the bottom of the extent of taxpayer subsidisation of the Australian car industry, and from what they have discovered the dollars of subsidies for that sector – both in the past and in the future – make any subsidies to agriculture look miniscule by comparison.

In fact the Productivity Commission annually publishes an estimate of the level of assistance (either taxpayer subsidies or tariff assistance) provided to Australian industry sectors. The most recently published report identifies that the level of assistance (the value of assistance measures as a percentage of industry output) for primary production (farming, fisheries and forestry) in 2010–11 was 3.4%, and within that sector the cropping industry received assistance equal to 0.6% of output. This was during a period when drought assistance was being provided, which has now been discontinued.

Compare that with the estimated levels of support for sectors such as: Motor vehicle and parts manufacturing (8.5%); Textile, clothing and footwear manufacturing (10.6%); Wood and paper products manufacturing (4.7%); Metal products manufacturing (4.3%); and Other manufacturing (5.0%). It becomes immediately apparent how factually incorrect Boyd’s statement is.

There are other equally incorrect statements and assertions in Boyd’s article, which would take a much longer piece to correct. A simple example is his assertion that farmers in Western Australia (WA) have planted crops 100 kilometres outside the boundaries of land that is sustainable for cropping, and that is why there is a debt crisis in the WA cropping sector. If Boyd had bothered to check, he would have found that debt levels of crop farms on the eastern side of the WA grain belt (presumably these are the ones 100 kilometres outside the sustainable boundary) are in fact lower than debt levels of crop farmers in much higher rainfall areas.

If the Australian agriculture sector was a single corporate entity, then it would have very good grounds to sue Boyd and the *AFR* for defamation.

Mick Keogh’s letter to the editor on this issue was run in the *Australian Financial Review* on Monday, 20 May 2013 to correct the misinformation that was provided in Tony Boyd’s article.
**United States farm bill**

Every few years, the United States (US) Congress passes a farm bill, which sets policy guidelines for the next five years. These guidelines consider issues such as environmental conservation, biofuels, agricultural research, rural economic development, international aid, and farm subsidies and food stamps.

It was at the end of June 2013 that the Senate voted to end the debate on the nearly US$100 billion Agriculture Reform, Food and Jobs Act of 2013 (farm bill) which ended in a 66–27 vote. Under this farm bill, both the Senate and House are attempting to cut overall spending with their versions of the bill, by looking to cut funding to farm subsidies and food stamps. The Senate bill aims to reduce the deficit annually by US$2.4 billion and the House bill by approximately US$4 billion.

In the 2013 Farm Bill farm subsidies will be cut at a cost to farmers of approximately US$5 billion a year. Some of these savings, however, will go into new farm subsidies and expand crop insurance.

Attention has also been on proposed cuts to food stamps. The Supplemental Nutrition Assistance Program (SNAP), known as the Food Stamp Program, provides assistance to millions of low-income individuals and families and approximately 46.6 million people use this program. The Senate version of the farm bill would cut about US$400 million a year from SNAP, and the House bill goes much further, slashing US$20 billion in food stamps over the next decade and eliminating food assistance to nearly 2 million low-income people.

**Common Agricultural Policy finalised**

A political deal has finally been agreed upon after two years of negotiations for the Common Agricultural Policy 2013 (CAP). It will now go before the full European Parliament for a final agreement. Each country is allowed a degree of flexibility in implementing many of the measures under the restructured scheme. Many of the proposals are designed to improve fairness and make the CAP environmentally friendly.

Farmers in some European countries such as the United Kingdom (UK) are worried that the government will move more money away from direct payments to rural developments, putting some nations at a competitive disadvantage when it comes to producing food. Across Europe each farmer will receive 60% of the average national direct payment by 2019, and those farmers running fewer hectares of land could qualify for an additional payment of up to €1250 per year.

With regards to greening measures, the proposed CAP will exempt farms under 15 hectares of land from the new requirement to create ecological focus areas, which is land to be set aside for biodiversity and run-off purposes. Environmentalists are concerned that the new CAP will exempt more than one-third of all farmland and 89% of farmers from the rules. The new CAP will also free one-third of EU farms from new crop diversification rules that aim to improve soil quality. Farmers with 10 to 30 hectares would be required to plant two crops, while those who run over 30 hectares of land could qualify for an additional payment of up to €1250 per year.

The CAP now awaits a final agreement on the EU’s €960 billion budget for 2014–20. The budget for agriculture and rural development will be around €380 billion, with approximately €280 billion set aside for direct payments and around €80 billion for rural development.

**Up north**

The Coalition recently promised it would produce a white paper within 12 months of the election to set out how Australia can develop large-scale agricultural developments on pastoral land, build dams to capture rainfall and review the region’s land tenure arrangements so that miners and farmers have greater access.

The document titled, The Coalition’s 2030 Vision for Developing Northern Australia, will focus on Western Australia, the Northern Territory and Queensland, and the ways in which these states and the Federal Government can work together to double agricultural output, as well as benefit other industries.

The Coalition estimates that northern Australia could drive economic growth by developing a food bowl in the region, and would consider relocating relevant parts of Federal Government departments and agencies such as CSIRO and AQIS, to urban zones in northern Australia. The plan also includes an upgrade of the Bruce Highway from Brisbane to Cairns.

**Carbon Tax**

Kevin Rudd recently proposed approximately $4 billion worth of cuts to government spending, with the fixed carbon price of $24.15 a tonne being removed in favour of a floating price, which is estimated to be between $6 and $10 a tonne. This program is scheduled to be implemented from 1 July 2014.

Under this change, it is estimated that approximately $356 million in funding will be cut from the Biodiversity Fund and Carbon Farming Futures, among other programs which directly impact Australia’s farming sector.

The Carbon Farming Futures program delivers science and extension to help farmers manage their land and reduce emissions, so that there is improved productivity and sustainability. The Biodiversity Fund helps farmers store carbon, and enhance biodiversity. It’s said that this program’s funding will be cut by close to a quarter.

Australian farmers have actually led the nation in reducing emissions, by a massive 40% between 1990 and 2006. It is unclear as to whether the earlier move to the emissions trading scheme will result in a better deal for the farm sector, and if the reduced cost burden outweighs the benefit that farmers would have received under these two programs, without these changes.
In the news

The Institute was quoted widely in the media following the announcement that RM Williams Agricultural Holdings’ carbon farming initiative Henbury Station has gone into receivership. The Institute provided comment for the SmartCompany article by Patrick Stafford, ‘RM Williams Agricultural Holdings placed in receivership’, (1/07/2013) and the article, ‘RM Williams carbon projects plunge into receivership’, (30/06/2013) on Beef Central. Mick Keogh was interviewed by Kristy O’Brien for the ABC News, 7:30 Report NT story the ‘Future of Henbury Station’ on Friday, 5 June 2013:

We don’t know the extent to which the carbon project has been part of the problems experienced by RM Williams Agricultural Holdings. They obviously have more operations than just Henbury Station, but it does in a heads-up way send a signal that this whole thing doesn’t work which I think is a bit unfortunate...

The risk is that people go into this assuming they’ll be able to get a methodology approved for a particular type of activity and that process takes a long while and then assuming at the end of it they’ll be able to sell the credits and that’s not necessarily the case either...

There needs to be a decision about whether it’s a conservation area or whether it’s an operating farm. If it’s a conservation area then I’m not sure that that is compatible with a carbon farming project and it needs to be managed as a conservation area. If it’s not, then I think it needs to be returned to normal beef production.

Out and about

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

- Committee for Economic Development of Australia Conference, Ascot Vale, Victoria
- Primary Industries Adaptation Research Network Symposium, Melbourne
- Grains Research and Development Corporation National Agribusiness Reference Group, Canberra
- Liberal Party Rural and Regional Committee, Canberra
- Victorian Farmers Federation Annual Conference, Melbourne
- Grains Research and Development Corporation Strategic Outlook Conference, Melbourne
- Agricultural Finance Forum, Canberra
- Australian Grains Industry Conference, Melbourne

Mick Keogh has recently travelled throughout Brazil and Denmark conducting research on extension services.

The Institute’s Senior Research Officer, Adam Tomlinson presented an industry forecast at:

- NSW Farmers’ Association Horticulture Conference 2013, Chatswood, NSW

The Institute’s Research Officer, Gaétane Potard spoke at:

- GrainGrowers Meeting, North Ryde, NSW

In May, the Institute held its ‘Australian Agricultural Innovation Systems at the Crossroads’ Conference, in Canberra.

Annual Agriculture Roundtable Conference
Sydney Harbour Marriott, Circular Quay
6 & 7 November 2013

Each year the Australian Farm Institute convenes a national conference to bring together farm and agribusiness leaders to consider and discuss some of the strategic policy issues of importance for agriculture.

Go to www.farminstitute.org.au for more information, or to book online.