Australia has an open door for foreign investment, but voters hold the keys
Mick Keogh and Adam Tomlinson, Australian Farm Institute

Introduction
Australia is selling off the farm to foreign investors, and won’t be able to feed itself in 20 years.
While anyone with a reasonable knowledge of Australian agriculture would immediately dismiss a statement such as this as pure fantasy, there has been plenty of media stories running these lines over the past 12 months, and it is an issue of increasing concern to voters. In fact a recent Essential Report (2013) survey found that 55% of Australians are opposed to the sale of Australian farm land to foreign investors, and only 22% are in favour, with the rest undecided.

This article examines the role of foreign investment in Australian agriculture and discusses some of the issues that appear to be creating unease amongst voters. It also proposes some measures that could be implemented so that there is a better understanding of this issue by voters, and that decisions about foreign investment are better informed and made in Australia’s national interest.

Why is foreign investment in agriculture in the limelight?
Public criticism of foreign investment in Australian agriculture has become more common over recent years, seemingly due to a number of factors. Firstly, international intergovernmental agencies such as the Food and Agriculture Organization (FAO) of the United Nations have questioned the future security of global food supplies. Coinciding with that has been the adoption of international agricultural investment policies by governments of nations that do not have high levels of food security, including China and some Middle East nations. Critics of these investments express concerns about their potential to jeopardise the future food security of the nations targeted by these investments; the unequal access to finance of government-backed investors; the risk of creating an international enclave in target countries; and the ability of target countries to adequately monitor production, marketing, labour force and taxation issues once overseas interests control significant agricultural assets.

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Australia has an open door for foreign investment, but voters hold the keys (continued)

Secondly, there have been a number of high profile foreign investment developments in Australia that have attracted considerable attention. These have included the sale of Cubbie Station to a Chinese-led investment consortium; the awarding of the tender to lease stage two of the Ord River irrigation system to a Chinese company; foreign takeovers of Australian sugar, wine, dairy and grain companies; and anecdotal reports of large-scale farm land purchases by foreign investors from China, North America, Europe and the Middle-East. In combination, all these factors have triggered considerable debate amongst policy-makers and in the community about the merits of foreign investment in Australian agriculture.

Before examining some of the issues in more detail, it is important to understand some basic background information.

The availability of investment finance in Australia

Irrespective of whether it is an individual, a business or a nation seeking money for investment, the rules are the same. The funding either has to come from money that has been saved, or if sufficient savings are not available, borrowed from someone willing to lend it.

In Australia’s case, the ‘Current Account Balance’ statistics provide a running tally of the amount of savings and borrowing occurring in the economy as a whole. As Figure 1 shows, for most of the past 35 years Australia has recorded a Current Account Deficit, meaning that the sum total of national savings have been less that the amount of investment occurring in the economy, and the balance has been made up by funding sourced from overseas.

The major component influencing Australia’s current account balance in recent decades has been an inflow of investment finance from overseas sources. This money has been used to fund transport, energy and telecommunications infrastructure, and major developments in most parts of the economy, including the mining sector. In 2013, the Reserve Bank of Australia (RBA) released a report entitled Funding the Australian Resources Investment Boom which highlighted that most of the investment for the mining boom had been made by publicly listed companies, with contributions split evenly between Australian and foreign listed companies (Arsov et al. 2013). A significant amount of foreign investment funding has also gone into the agriculture sector, including major farm businesses such as Cubbie Station and processors in industries like sugar, wine and cotton.

In the absence of this overseas funding, interest rates would have been much higher, major economic developments (including the current mining boom) would have been severely constrained or delayed, and the nation as a whole would be much worse off.

In many respects, the situation Australia has faced as a nation over this period is very similar to the situation faced by a young farmer who has recently acquired a farm and wants to develop it and make it more productive. If the farmer doesn’t have sufficient savings to pay for the development, then she or he has to find someone willing to lend the required money. If the money can’t be borrowed, then the farm will be less profitable and productive, and the farmer will have to wait a long time to save sufficient money before the farm can be improved.

What these statistics highlight is that foreign investment is absolutely essential if Australians want to continue to have an expanding economy and to develop resources and infrastructure. Any discussion of the merits or...
disadvantages of foreign investment need to start from this point.

**Foreign investment in Australian agriculture**

Foreign investment has historically been an important source of funding for the Australian agriculture sector – from developing sheep and cattle stations with British capital in the 1800–1900s and the introduction of cotton farming by Americans in the early 1960s, to ramping-up beef cattle feedlot operations for supplying beef to the Japanese market in the late 1980s and drawing upon Asian money to sustain the sugar industry in the 2000s. Australian agriculture is largely an export-dependent sector, and investment funding is often sourced from overseas participants in the supply chains that service these export markets (see Figure 2).

Investments by overseas interests in Australian production and processing capacity help those investors better manage supply chain risks, but also bring benefits to Australia, in the form of enhanced access to specific markets. Foreign companies involved in agricultural supply chains in Australia can readily form direct links between farmers, processors and marketers to coordinate the supply of specific products and better satisfy overseas customers.

For this reason it should be no surprise that over time, the sources of foreign investment in the Australian agriculture sector have often been the major overseas markets that the sector serves. From the 1850s up until World War II, Britain was both a major market for Australian agricultural exports, and a major source of investment in the sector. Between World War II and the 1970s, the United States (US) was both a major export market and a big investor, especially in sectors like the beef industry. From the 1970s to the mid-1990s, Japan and Korea were increasingly important export markets, and also significant investors, particularly in Australian meat and wool processing. For most of the past two decades, Asia (particularly China) and the Middle East have been growing in importance as major export markets for Australian agriculture, and have also been the sources of significant investment in agricultural land and processing capacity.

The extent of foreign investment in particular commodity sectors of Australian agriculture often seems to reflect the importance of export markets for that commodity sector (see Figure 3). For example, the fibre, sugar, meat, dairy, wine and grain industries are commodity sectors that heavily depend on export markets, and all have a relatively high level of foreign investment. It is estimated that the beef industry processing capacity is 50% owned by companies from countries such as Brazil, US, Japan and Singapore. Similarly, around 40% of investment in grain handling and trading operations involves US, Swiss, Japanese and German based multinational corporations.

While some of the foreign investment in Australian agriculture is very obvious (for example the Brazilian company JBS in the beef industry), it is important to remember that the extent of overseas investment extends well beyond that. For example, Australian-based agricultural companies that are publicly listed on the stock exchange also have a significant proportion of their shares owned by overseas investors.

A limited analysis was carried out of the share registers of a small number of Australian agricultural companies listed on the Australian Stock Exchange (ASX). Analysis of the top 20 shareholders of these companies shows that the proportion of shares held by institutions with overseas headquarters ranges from 30% to 60% of total shares. A summary of the results of this analysis is shown in Figure 4 (over page).

There is also a significant amount of overseas investment being managed by Australian companies in agricultural investment funds, although detailed data on the extent of overseas investment held in these funds is not publicly available.

This highlights the fact that one of the major limitations of the debate about the merits and disadvantages of foreign investment in Australian agriculture is that there are no reliable data sources detailing either the current value or the historical trends in foreign investments in the sector.

It is somewhat ironic that, for all the public debate about foreign investment in agriculture, no-one is able to say how much of Australian agriculture is owned by overseas interests, or whether in fact the current level of foreign investment is greater or less than it has been in the past. Often...
overlooked in recent discussion has been the fact that a number of major foreign investors with a long history of involvement in Australian agriculture have sold out in the past few years.

Approval processes for foreign investments in agriculture

The Foreign Acquisitions and Takeovers Act 1975 provides the legislative framework for screening Australian foreign investment proposals (Treasury 2013). The responsibility for making decisions on foreign investment proposals rests with the Treasurer who relies on advice from the Foreign Investment Review Board (FIRB). The FIRB is a non-statutory body established for advisory purposes only. As such, the FIRB relies on available information when making decisions on foreign investment proposals.

Under the legislation, any proposed investment by an overseas government must first gain approval from the Australian Government. Private sector overseas investors only need to seek approval in the event their investment exceeds $248 million, although in the case of New Zealand and US investors (both of which have free trade agreements with Australia) the threshold is $1,078 million. Exceptions include foreign investments in the banking sector, airlines, airports, shipping and Telstra, all of which require prior Australian Government approval. In addition, any proposed foreign investment in residential (and most commercial) real estate must first obtain Australian Government approval. Curiously, this means that an overseas investor purchasing a $200,000 holiday apartment in a coastal town must first obtain Australian Government approval, but an overseas investor acquiring a $200 million parcel of farm land does not.

Decisions to approve foreign investment proposals are made on the basis of what is called the national interest test. That is, the Australian Government must first determine that the proposed foreign investment is not contrary to the national interest, before it is approved. The national interest test is somewhat ill-defined, but includes consideration of the impact of the proposed foreign investment on national security, competition, government tax revenues, the national economy and the community, and the ‘character’ of the investor.

There are mixed views in Australia about the adequacy or otherwise of these arrangements. Many have expressed the opinion that these rules amount to open slather for overseas investors in agriculture, although many in the business community consider these arrangements too opaque and restrictive.

According to the Organisation for Economic Co-operation and Development (OECD), Australia is mid-range in terms of openness to foreign direct investment (FDI), more restrictive than the US, Canada and the UK, but less restrictive than New Zealand, France and Japan (OECD 2013). Although Australia is generally seen as a good place to invest because it has stable governments, sound legal processes and relatively open markets that are almost completely free from government interference, the latest data from the OECD ranks Australia 24th overall out of the 57 countries evaluated for FDI openness. For the agriculture sector however, Australia ranks 17th most open to foreign investment (see Figure 5).

The FDI Index assesses countries at the federal government level, which is sometimes misleading for agriculture comparisons due to foreign investment in some countries being restricted at the state government level. For example, many of the states in the US do not allow non-residents to own farm land.

Concerns about foreign investment in Australian agriculture

As noted earlier, concerns expressed about foreign investment in Australian agriculture include the risks that it may pose to future national food security, the potential for foreign investors to gain near-monopoly control over a particular agricultural commodity sector, the potential for foreign investors to avoid paying tax through transfer pricing, the unfair advantage that sovereign funds have in obtaining cheap finance, the risk that overseas investors will break Australian environmental and other laws and avoid prosecution, and the potential for foreign investors to set up an overseas-owned enclave in Australia and staff it with low-paid overseas workers.

Some of these issues are not necessarily risks associated solely with foreign investment. For example, the risk of a company gaining near-monopoly control over a specific agricultural commodity or supply chain and engaging in unfair market behaviour is not confined to overseas investors, but equally applies in the situation where an Australian-owned company has a dominant market position.

Similarly, the risk of major companies breaking environmental laws and avoiding prosecution also arises in the case of large or small Australian companies, if laws are inadequate or poorly enforced. This is also not a problem that is unique to the agricultural sector, as recent incidents in the mining industry
Indonesia, Malaysia, Australia, New Zealand, Canada.

This means that in three times the level of domestic gross production is approximately on export markets, because current agriculture is heavily dependent unfounded. As noted earlier, Australian

The concern about Australia’s future legal obligations.

The problem is not unique to the growth of the national economy and critically important for the future of overseas ownership of businesses, therefore considerable care is needed in proposing any changes to current approval processes and regulations. Searing off overseas investors with cumbersome regulations would do more harm to the sector than any harm ever caused by a poorly managed overseas investment. That said, there are two important issues that could be addressed to help reassure Australian voters and participants in the agriculture sector about the benefits associated with overseas investment.

The first is measures to address the lack of available transparent information about the extent of foreign investment in Australian agriculture. Australia has no reliable data available about the extent of overseas ownership of farm land or irrigation water, and the information available about the extent of overseas ownership in the post-farm sectors of the agricultural supply chain is largely anecdotal.

This is in stark contrast to almost all other developed nations. For example, both New Zealand and the US require foreign owners of more than five acres of land to notify the government of the purchase or sale of that land within a few months. This enables both these nations to publish transparent and reliable information about the extent of overseas ownership of farm land, in particular. It is notable that opposition to this type of foreign investment in agriculture in both those nations appears to be much more muted than is the case in Australia.

The current Australian Government has promised to rectify this issue, with the establishment of a register of foreign ownership of agricultural land, but little progress has been made. The commitment to set up the register was made in October 2012 but details of the design of the register are yet to be made publically available, let alone a register compiled and published.

Another public policy weakness in Australia is competition policy. This is not necessarily a policy area that appears to be much more muted than is the case in Australia.

The concern about Australia’s future food security also seems to be largely unfounded. As noted earlier, Australian agriculture is heavily dependent on export markets, because current gross production is approximately three times the level of domestic consumption. This means that in most cases, it would also take a very large amount of money to gain control over even some of the smallest agricultural commodity supply chains. Even in the unlikely event that an overseas investor was able to gain sufficient control over a particular agricultural commodity supply chain, the Australian Government has trade powers that could be used to prevent that commodity being exported, and a range of other powers that could severely restrict the activities of that investor. Ultimately, even if such government measures failed, it is hard to imagine a situation whereby Australia would not be able to import food from overseas locations, or produce a substitute product.

Overseas investors using transfer pricing in order to avoid paying tax in Australia is a very real risk, although again this is an issue that is not unique to agriculture. Transfer pricing refers to the practice of ‘selling’ products to an overseas-based subsidiary at an artificially low price in order to avoid paying tax in Australia, and effectively transferring profits to low-tax overseas locations. This is a risk in the case of overseas ownership of businesses in the mining, manufacturing and service sectors, as well as agriculture. Australian and international governments have implemented a range of different measures to try and prevent such practices. A recent example was the requirement placed on the purchasers of Cubbie Station in relation to marketing their cotton. Whether or not such measures are successful is difficult to judge, but the problem is not unique to the agriculture sector.

Improving Australian regulations on foreign investment

Foreign investment is obviously critically important for the future growth of the national economy and for the agriculture sector, therefore considerable care is needed in proposing any changes to current approval processes and regulations. Searing off overseas investors with cumbersome regulations would do more harm to the sector than any harm ever caused by a poorly managed overseas investment.

have highlighted. It is also worth noting, however, that often overseas investors appear to be very careful to ensure they comply with and exceed the requirements of Australian laws, because of the scrutiny they are under and reputational risks they potentially face in the event they don’t meet their legal obligations.

The concern about Australia’s future food security also seems to be largely unfounded. As noted earlier, Australian agriculture is heavily dependent on export markets, because current gross production is approximately three times the level of domestic consumption. This means that in

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**Figure 5:** OECD FDI Regulatory Restrictiveness Index for selected countries.

*Source:* OECD, AFI analysis.
Current Australian competition policy relies on the Australian Competition and Consumer Commission (ACCC) proving that the Australian Consumer and Competition Act has been breached in order to prosecute illegal competitive behaviour. While this is understandable, it invariably means the ACCC has to engage in an extended information collection process, before a prosecution can be launched.

The current ACCC investigation into the behaviour of major Australian supermarkets towards their suppliers is a case in point. The ACCC investigation has been underway since early in 2012, and is not expected to be at a point where further developments can be announced until well into 2014. This leaves supermarkets under a cloud of suspicion for an extended period of time, and also means that any supplier harmed by unfair practices would have gone bankrupt long before any potential remedial action even commences.

These arrangements result in a lack of confidence in the effectiveness of Australian competition policy, especially from the perspective of farmers and small businesses dealing with major corporations. This lack of confidence in the effectiveness of competition policy is important in relation to the foreign ownership debate, because many of the industry and public concerns about foreign ownership are not strictly about foreign ownership, but are often about maintaining fair competition in agricultural markets, irrespective of the nationality of ownership.

The recent Archer Daniels Midland (ADM) proposed takeover of GrainCorp is a very public example of this point. While the metropolitan media saw this issue primarily in terms of whether or not Australia is open to foreign investment, commentary in rural media focused on concerns about future fair access to the rail and port assets owned by GrainCorp. Unfortunately, this issue was not addressed in any meaningful way as part of the proposed takeover, resulting in the proposal being resisted by many grain growers.

Surprisingly, in announcing the decision to reject the proposed takeover for the time being, the Australian Treasurer stated:

The Act provides scope for me to impose conditions when making foreign investment decisions. I carefully examined this option, but consider that there are no appropriate conditions that would mitigate the national interest concerns associated with the proposed acquisition.

This is a particularly worrying admission for the Australian Government, suggesting it feels unable to develop an appropriate regulatory framework to ensure competition remains fair in concentrated markets.

This is in contrast to the response of governments overseas, including in Europe and North America. Governments in those jurisdictions impose transparency requirements on market participants in concentrated markets, which act both as a deterrent to unfair market behaviour, and also ensure that all industry participants have access to critically important market information.

For example, ADM and other grain traders in the US regularly report to the US Government on the stocks of grain they hold in storage. This information is compiled and published by the US Department of Agriculture on a regular basis, so US grain growers have a clear picture of the state of US grain markets, and can make informed marketing decisions.

Current Australian competition legislation contains provisions that would enable the Australian Government to impose transparency requirements on participants in concentrated agricultural markets, irrespective of whether the participants in those markets were Australian or overseas owned. Such measures would, over time, go a long way to reassuring farmers about the market behaviour of both Australian and overseas-owned companies, while at the same time acting as a preventative measure in concentrated markets and enabling the ACCC to act much more rapidly in the event unfair market practices were occurring.

Conclusion

Foreign investment has had a very important role in funding the development of many industries in Australia, including in the agriculture sector. Australian governments need to be extremely careful not to take actions that discourage foreign investment.

However, foreign ownership of Australian agricultural assets will continue to be a contentious issue until Australian governments implement measures such as a register of foreign farm land ownership, and better competition law including market transparency requirements. In the absence of better and more transparent information, it is hardly surprising that Australians respond to foreign investment proposals by expressing concern about things like industry monopolies, lack of market transparency, the potential for tax avoidance, and the potential for foreign government investors to flaunt Australian laws.

Until such measures are in place, the Australian Government may well proclaim that Australia is ‘open for business’, but the voters who hold the keys will continue to be cautious about opening the door too wide.

References

Carbon farming’s future on video

The Australian Farm Institute (AFI) has been actively involved in monitoring carbon policy and providing decision support tools targeted to farmers, and other stakeholders involved in Australian agriculture and carbon farming projects. AFI is currently undertaking a project which will extend the FarmGAS calculator platform to include videos, presentations, case studies and a web portal to support participation in the Carbon Farming Initiative (CFI). One part of the project that the Institute has been heavily involved in is the development of videos that will be available online and in an interactive DVD format as of June 2014. The videos will contain information on the Australian Government’s carbon policy; providing details on the carbon cycle, agricultural greenhouse gas emissions, carbon farming projects, and including four different case studies of farmers from different industries across Australia.

The project is supported by funding from the Australian Government. The government has invested in 24 projects valued at $21.3 million, from 2012–13 to 2016–17, to assist and encourage farmers and land managers to participate in land sector emissions reduction activities and the CFI.

The project undertaken by the AFI aims to inform and educate farmers, land managers and their key influencers about greenhouse gas emissions, carbon policy, on-farm abatement opportunities and participation in the CFI. The Institute has already worked with, and filmed, individual farmers on-site and collected and analysed farm details for each farmer, including general production characteristics and greenhouse gas emissions. The Institute provided each farmer with a report on greenhouse gas emissions modelling for their specific farm in return for the farmer’s cooperation in interviews and farm land video footage. The Institute and an external film crew undertook one day on-site visits in November 2013, interviewing farmers from Emerald (Qld), Jingellic, Goulburn and Wagga Wagga. Each of these case studies focused on a different enterprise: cattle, sheep, cropping and mixed enterprise.

Scientist, Assistant Professor and carbon farming specialist, Richard Eckhard was interviewed as well as industry expert Peter Castellas, CEO of the Carbon Market Institute. They provided views on agriculture’s involvement in carbon farming and the development of CFI methodologies, which should help with reducing agriculture emissions in the future.

Project Plan

The project’s key activities include:

• Identify, test and review online decision support tools available to farmers and extension advisors.

• Produce informative videos on the CFI, which include background information from farmers, scientists and industry experts.

• Collect industry (farm related) data to create case studies to support key messages from the videos and other extension materials.

The interactive videos will be broken down into three parts, each having a set of subheadings, where the audience may select certain chapters to view. Segments will be classified under the following headings; introduction to the carbon cycle, carbon projects and farm case studies.

The tools will be available online and 500 DVDs produced, with 100 copies distributed to extension officers and remaining copies available upon request from AFI. The information available on the DVD can be used by extension officers, agricultural businesses and farmers, when making decisions on carbon farming projects.

The decision support tools will be publicly launched in mid-2014, with prior testing by farmers’ extension officers scheduled for March 2014. Email advice regarding the launch will also be distributed to AFI’s members and contact list. AFI invites farmers, industry participants, extension officers and researchers to contact the AFI at info@farminstitute.org.au to learn more about this project.

Upcoming events

• Seminar: Opportunities to improve the effectiveness of Australian farmers’ advocacy groups, 1:00–5:00 pm, 3 March 2014

• Conference: Funding Agriculture’s Future, 3 & 4 June 2014

Venue: Hotel Realm, 18 National Circuit, Barton ACT 2600

More information is available on the Upcoming Events page on the Institute website: www.farminstitute.org.au
The Agriculture Competitiveness White Paper:

The Hon Barnaby Joyce MP
Federal Minister for Agriculture and Deputy Leader of The Nationals

Growing up on my family farm in Danglemah, which happens to be inside the electorate I now represent, I don’t know how many times I would get to the sunny end of the race whilst I was drenching sheep and think, ‘by gosh, if I ran the show, this is what I would do.’ Through some luck and hard work, but mainly through the support of a lot of incredible people from around Australia, I am now in the privileged position where I can now make a contribution as the Federal Agriculture Minister in the Abbott Government.

It is an incredible opportunity to be in government, and I am conscious of the responsibility not to do anything to damage the country we are representing. Already we have some good runs on the board including a Free Trade Agreement with South Korea, which will reduce tariffs on beef, dairy, potatoes and sugar, we have re-boosted the live export trade, settled a Farm Finance package, and made a whole-of-government decision to keep GrainCorp in Australian hands.

It is a start, but there is much to do. I have never professed to be the font of all wisdom, nor the man with all the policy answers. The higher you go in your career, the more you realise how important it is to seek advice and guidance from people on the front-lines of the industry you represent.

That is why the next big thing – the Agriculture Competitiveness White Paper – is so important for the future of agriculture. If you were to wander through your local saleyards today you would be likely to come across a range of people sharing their views on how things in agriculture could be done better. We hear these views among farmers at party branch meetings, field days and at the country race club. What we need now is to collate them and draw in saleyard fence conversations into some sensible policy suggestions.

As the Abbott Government begins its first term, these are the views I want to hear. For some people it might be that they have got a heap of forms they have to fill out, or charges that they can never quite work out why they have to pay them, they just do it because the Government tells them to do it. For others it might be that there are too many barriers to passing their farm to the next generation or the problems in finding investment capital or co-investment for expansion.

Whilst I do not want this process to just become another ‘talkfest,’ I equally do not want it to become just a list of familiar complaints from people on the land and the peak organisations. I want to hear your ideas and solutions – your positive contributions to benefit our industry. Despite the mining boom, Australia still relies heavily on agriculture. We must encourage a strong agricultural sector, with primary producers that remain among the most innovative in the world.

Australia is a leading agricultural producer and exporter, and the sector has considerable opportunities for future growth creating a greater overall breadth and strength for the Australian economy. A vibrant, innovative and competitive agriculture sector will lead to better returns to farmers, more jobs, more investment and stronger regional communities.

The White Paper is the vital foundation to this process. We have a unique set of assets in Australia, and proximity to the fastest growing markets in the world. It is widely reported that food production will need to increase by 60% by 2050 to feed a population of more than 9 billion people.

Australia’s already buoyant agriculture sector is well positioned to capitalise on this demand but we need a strategy to increase our collective output. The White Paper will develop recommendations for boosting agriculture’s contribution to economic growth, export and trade, innovation and productivity by building capacity and enhancing the profitability of the sector. I am determined that we uncover all options to help boost returns to the farmgate.

This paper will be about asset building and national wealth – it will be an examination without prejudice of Australia’s natural competitive advantage into the future. The issues paper, to be released in the coming weeks, will invite a range of thoughts on food security, improving farmgate returns, debt, drought management, supply chain competitiveness, investment, job creation, infrastructure, skills and training, research and development, regulatory effectiveness and market access.

We are committed to building a plan together with farmers that will help us increase production and export our top quality products to markets across the world. The process will not ignore previous work such as the findings of the National Farmers’ Federation-led Blueprint for the Bush process, which involved interviews with 4000 plus farmers. We will be picking up all that information; we’d even pick up some elements of the previous government’s National Food Plan, if they are still seen to be sound.

If the blueprint represents a wide cross-section of views – then we’ve got something to take forward. Achieving anything in politics doesn’t come by divine inspiration; it comes from listening and a two-way process between politicians and the people they represent. We have a window of light, I genuinely believe Tony Abbott’s mind is in this space, but I’m not a fool, we’re not going to be in government forever, so let’s make the most of it while we have got the chance.

There is a drought in parts of Queensland and New South Wales, and I never underestimate the enormous difficulties many farmers work under, but I am also optimistic about 2014 and I look forward to hearing from as many people as possible.

Barnaby Joyce is the Federal Minister for Agriculture and Deputy Leader of The Nationals. He resigned from the Senate at the 2013 Federal Election and successfully contested the Lower House seat of New England.
In many circumstances the decision to delay policy for a year or more is well justified, particularly when the response may determine the manner in which billions of dollars are to be spent. Defence policy is one such example where the variables are many and the future shape, size and weight of the force chosen has huge fiscal and security consequences.

In other circumstances the benefits may be outweighed by the costs of policy inertia. Minister Joyce’s recent declaration that drought affected farmers will need to wait for the completion of the White Paper before any further assistance is considered is a case in point.

In short, White Papers attempt to predict the future, test the country’s strengths, weaknesses, opportunities and threats, and recommend how government policy might best produce the right outcome in the national interest.

There will be many views about the Abbott Government’s decision to develop an agriculture White Paper. My own is that while some benefits may emerge, it’s likely to tell us not much more than we already know and have the effect of delaying policy decisions at a critical time for the sector.

In recent years there have been an unquantifiable number of studies and reports on Australia’s agriculture trajectory and plentiful strategies put in place – Greener Pastures, Farming Smarter Not Harder, the NFF Blueprint, Feeding the Future, Infrastructure and Australia’s Food Industry, the National Food Plan, the Rural Research and Development Statement, and many Farm Institute papers to name a few.

We know world food demand is growing rapidly and we know we will need to dramatically lift agriculture productivity to fully capitalise on the opportunities that phenomenon presents. Doing so will require a significant lift in investment – in infrastructure, in R&D, and in innovation. By necessity, much of that additional capital will come from foreign sources.

We know what our strengths are. Amongst them our natural resources, our experience, our clean, safe image, and our proximity to huge and growing Asian markets. We understand our challenges – relatively high costs, market access relativities, capital, scale, and of course, climate among them.

It is possibly this last point which most challenges the efficacy of the decision to produce a White Paper. The terms-of-reference do not invite the authors to address questions around resource sustainability. Given the primary policy challenge is producing more food with the same (and in some cases depleting) water, land and people resources, sustainability should have been the lead point of reference.

Australia must act to deal with increasingly less predictable weather patterns and its affects including drought. As the Centre for Policy Development has pointed out, ‘winners of the dining boom will be countries with less fossil-fuel intensive agriculture, more reliable production, and access to healthy land and soils.’

In the past farmers around the globe have increased production partly by farming more land but largely by increasing the use of carbon intensive fertilisers and by utilising increasingly intensive farming methods. It’s simply amazing that the Government has embarked on a White Paper process which will not focus on these issues.

It’s not too late to amend the White Paper’s terms-of-reference and I again appeal to Barnaby Joyce to add resource sustainability, it will be welcomed by the Opposition and I believe, welcomed by all stakeholders.

Further, the White Paper exercise will be marked a failure if it does not challenge the sustainability of the current Australian farm model. While recognising an ongoing and important role for family farms, it must also face the reality that further consolidation and corporatisation will play a large part in our quest to capitalise on the dining boom.

If we are going to endure a 12 month process, let’s do it properly!

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The Hon Joel Fitzgibbon MP was first elected to the House of Representatives in March of 1996. In his 18 years as the Member for Hunter, Joel has held a number of shadow ministerial positions including Mining, Energy and Forestry, Defence, Assistant Treasurer, Banking and Financial Services, Small Business and Competition, and Tourism.

In Government, Joel served as Minister for Defence and Minister for Agriculture. Along the way he also served as Chief Government Whip and chaired the Joint Standing Committee on Foreign Affairs, Defence and Trade. Mr Fitzgibbon is currently the Shadow Minister for Agriculture.

He lives in Cessnock in the Hunter Valley with his wife Dianne and they have three adult children.
Your lobby group – the best influence money can buy?

When Australia had a wool reserve price scheme, a woolgrower could judge how influential farmer representative groups were by how successful they were in campaigning for higher wool prices. Similarly, when the dairy market in Australia was regulated, a good barometer of the strength of dairy-farmer organisations was the price farmers received for milk.

However, the deregulation of almost all agricultural markets in Australia over the past two decades has dramatically altered the roles of farmer organisations, and they now have a much less obvious and measurable impact on the farmgate returns of farmers.

Other changes in the Australian economy over the last two decades have also dramatically altered the operating environment of farmers advocacy organisations. Even a decade ago, the internet was not as universally available as it currently is, and nor were smartphones. Both these developments have made information almost universally and instantly available, and broken down the monopoly that farmer organisations had on information about government policies affecting their members.

Advocacy organisations in Australia and internationally are struggling with the implications of these dramatic changes in society over the past decade. Many are looking for ways to improve their effectiveness and to regain membership support.

In its latest research, *Opportunities to improve the effectiveness of Australian farmers’ advocacy groups – a comparative approach*, the Australian Farm Institute has conducted research with the aim of identifying the factors that are likely to make an advocacy organisation more effective. The research has identified that there are six important factors that contribute to the effectiveness of advocacy organisations, and while these by themselves cannot necessarily guarantee that an organisation will achieve ‘wins’ for its members, it appears difficult to be effective if these factors are not addressed. The critical factors are:

- **Strength of business model**: the long-term capacity of the group, seen as a business, to finance its activities and objectives.
- **Coverage**: the extent to which a group covers members’ issues from local to international levels, and in sub-sectors of its membership population.
- **Legitimacy**: the extent to which an advocacy group is recognised and respected by policy-makers, the media and the wider community.
- **Consistency**: whether the values underpinning the group’s collective activities are clear, strong and consistent over time and across issues.
- **Competitiveness**: the capacity of the group to successfully respond to counter-arguments by opposing interest groups.
- **e-capacity**: the extent to which the group successfully uses different communications tools, focusing mainly on electronic and multimedia communications.

The research involved a detailed analysis of international farmer advocacy groups and some non-farm Australian advocacy groups using these factors as a means of comparison. The same approach was taken to assessing the Australian farmer advocacy system.

The figures below show a comparison of how each of the organisations included in the study ranked against the six criteria listed above. Some obviously scored better against some of these factors than others did, and the standout organisation included in the comparison was Choice, the Australian consumer organisation. The research highlighted that there is no obvious ‘magic bullet’ that can automatically make an advocacy organisation more effective and sustainable.

The research report will be released at a seminar to be held in Canberra on 3 March 2014. The research report also contains the results of a national survey of farmers’ perceptions of farmer advocacy groups, and the results of a survey of journalists and media about their perceptions about the effectiveness of agricultural advocacy groups.

**Figure 1**: Advocacy effectiveness criteria applied to the agricultural advocacy systems of New Zealand, Canada and France.

**Figure 2**: Advocacy effectiveness criteria applied to CHOICE, ACCI and the Australian agricultural advocacy system.
Italian producers recently raised concerns over the United Kingdom’s (UK) ‘traffic light’ food labelling system, which the UK recently proposed to be implemented across a 25 country-bloc in Europe. Across Europe producers fear that the scheme could cost them as much as 200 million euros a year.

The traffic light system is a system by which foods are either awarded a red, amber or a green light depending on the amount of calories, sugar and salt that are in foods per 100 grams. This system is used in combination with guideline daily amounts (GDAs) and was introduced in the UK in June 2013 to help consumers make healthier meal choices, in an attempt to reduce obesity rates. If the traffic light system were to be introduced across Mediterranean nations (such as Italy) traditional foods such as cheese, cured meats and olive oil, which are protected and promoted under European Union (EU) quality schemes, will be labelled with a red light. This would create a situation whereby some foods would be both promoted and discouraged by European regulation.

The quality and reputation of traditional Mediterranean foods may also be affected, with the potential for producers to alter fat and sugar content levels so as to obtain a green label. Competition and market distortion may also occur, as the UK proposal contains no requirements for harmonisation across EU states.

McDonald’s has no beef with sustainability

McDonald’s recently announced plans to begin purchasing verified sustainable beef by the year 2016. The burger chain in 2011 collaborated with the World Wildlife Fund, Cargill, JBS, and others to develop the Global Roundtable for Sustainable Beef (GRSB). The role of the GRSB has been to draft guidelines for the best practices for sustainable beef in the hope of promoting improved sustainability in global beef production. McDonald’s found that 70% of their greenhouse gas emission impacts came from the supply chain, and 40% of those were related to beef production.

Ord Irrigation Scheme to double in size

The Western Australian (WA) Government recently signed a new development agreement with Kimberley Agricultural Investments (KAI), wholly owned by Shanghai Zhongfu (group), which aims to double the size of the Ord Irrigation Scheme. Staged investments from KAI, as part of this scheme, are worth an approximate $200 million. KAI is dedicated to achieving significant milestones over the next four years and has agreed to construct on-farm infrastructure, and develop and crop farm land to secure a 50 year lease over 7400 hectares of Goomig land. Investments made by KAI in the scheme will create new agricultural land in the Goomig and Knox Plain areas of the Ord Valley. The state’s own investment, as well, will support sustainable economic growth in the East Kimberley through additional irrigation channels and the development of new farm land for crops.

Low price era for crops on the US horizon

Agricultural economists in the United States (US) have advised crop farmers to prepare for lower crop prices over the next couple of years. US crop farms have experienced six extraordinary years, coupled with strong demand from China and the ethanol industry which has altered US corn and soybean production. Economists have predicted a four to five year period of lower prices and profitability. Some farmers who have expanded corn production could potentially struggle as a result of larger harvests, which oversupply the market and lower prices.

From 2001 to 2011, China’s demand for soybeans grew by the equivalent of 30 million extra crop acres and over the same period, US ethanol usage increased by the equivalent of 20 million acres. The result was that approximately 50 million more acres were needed just to meet these demands, and as a result global corn, soybean and wheat production all increased substantially. The demand for corn from the ethanol industry has recently flattened and in 2013, corn yields were decent, meaning prices will are likely to be lower over the coming years.

United Nations International Year of Family Farming

The World Rural Forum supported by the United Nations has launched the International Year of Family Farming in 2014 (IYFF). The IYFF aims to fight hunger and poverty with official events being held in developing countries such as Port au Prince, South Africa, India and Thailand. The Master Plan for the initiative was created by family farmers’ organisations in Africa, Asia and Latin America. The fundamental objective of IYFF is for people all over the world to acknowledge the challenges that smallholders in these developing regions face, and to establish an agenda that supports the future development of sustainable and efficient family farming practices in these regions.

In Australia, the IYFF campaign should highlight how farmers’ knowledge and skills have largely turned Australian family smallholdings into sustainable businesses that are competitive on the world stage. This could be done by focusing on investments and collaborations initiated by Australian farming industries to promote efficient farming methods in developing countries. Notable examples of this under-appreciated work by Australian farming industries include investment in Indonesia’s beef cattle sector and inter-country industry collaboration with dairy businesses in the Philippines.
In the news

Once again, the Institute’s annual Agriculture Roundtable Conference received considerable media attention. Popular topics included: Australian exports into Asian food markets, marketing Australian agriculture, and foreign investment.

Australia’s potential to become the food bowl of Asia was discussed in the articles, ‘Business Asian food bowl theory rejected’ (Weekly Times Now, 15/12/2013), ‘Indonesia, the sweet spot for food exporters’ (ABC Rural, 18/11/2013), ‘Australia a small player in Asian agricultural market’ (The Land, 26/11/2013), and ‘Can Australian agriculture sell itself to the Asian market?’ (Farm Weekly, 2/12/2013).

The need to improve the marketing of ‘Brand Australia’ was reported in the ABC Radio National Bush Telegraph story ‘New Zealand trumps Australia as a global brand, says Alison Watkins’ (The Australian, 7/11/2013), and ‘GrainCorp sale also 9/11/2013), ‘GrainCorp hoses down foreign buyer fear’ (The Land, 7/11/2013), and ‘Why we need ADM: Watkins’ (Queensland Country Life, 4/12/2013).

The issue of foreign investment, particularly in relation to GrainCorp, was widely reported: ‘Insulation from foreign investment a fantasy: GrainCorp’ (The Australian, 7/11/2013), ‘Why we need ADM: Watkins’ (The Land, 9/11/2013), ‘GrainCorp hoses down foreign buyer fear’ (Farming Ahead Online, 11/11/2013), ‘GrainCorp sale also a growers’ failure’ (Weekly Times Now, 13/11/2013), and ‘Agriculture’s next boom is around the corner, says Alison Watkins’ (The Land, 1/12/2013).

Out and about

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

- Agriculture: Australia’s Role in global food security? Seminar, United Nations Association of Australia (Victorian Division). The seminar involved a panel discussion about global food insecurity, and Australia’s role in this issue. The seminar highlighted the potential conflict between the popular enthusiasm for food produced locally by small-scale producers, and the reality that the greatest food production and productivity growth is occurring in the large-scale farm sector.
- ‘Business Opportunities in India’s Agricultural Sector’ panel at the Pravasi Bhartiya Divas Convention, Sydney. India has a huge population with growing food demand, but Indian agricultural and trade policies impose considerable limits on the opportunities the Indian market offers to food exporters. Initial opportunities are emerging in pulses and vegetables, and in the export of agricultural technology and technical capacity.
- National Irrigators’ Councils’ planning day, Canberra. The Australian irrigation sector has been through a tumultuous period with the development of the Murray-Darling Basin Plan, and with that now finalised the opportunity is available to consider some of the more strategic and long-term issues that irrigators need to consider. The day involved a facilitated workshop to identify strategic issues and advocacy strategies.
- Australian Egg Corporation – Annual Conference, WA. A critical issue for the egg industry is the future availability of feedgrains in Australia. Discussion involved long-term trends in the domestic feedgrain market, and the implications of changes in the Australian grains industry on the feedgrain market.
- Bonlac Supply Company Conference, AGM, Cobden, Victoria. Structural changes in the Australian dairy market are putting greater pressure on the bottom line of Australian dairy farm businesses. The discussion involved consideration of options available to improve farm productivity.
- CSIRO Sustainable Agriculture Flagship FAC, Brisbane. The advisory committee provides an opportunity for an interchange of ideas between CSIRO Sustainable Agriculture Flagship scientists and a panel of industry advisors.
- Qld Rural Press Club. The address to the Rural Press Club canvassed how Australian agriculture can best promote and leverage a national ‘brand’ in competitive export markets.
- Suncorp Agribusiness seminars, Longreach, Emerald and Rockhampton (Queensland). The Australian beef industry has been through a tough couple of years, with market interruptions and drought limiting profitability. The workshops provided an opportunity for beef producers to consider some of the strategic issues they face.

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