

Australian agricultural trade performance 'pedestrian at best'



Media Release

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The review of Australian agriculture's trade performance over the past fifteen years has concluded that the sector is, at best, managing to maintain market share in Oceania and North Asia, but has lost significant market share in major, rapidly growing markets like the ASEAN block, Central and South Asia, and the Middle East and Africa region.

'Overall, Australia has lost market share in global agricultural markets, and as a consequence, Australian farmers are failing to capture the full benefits of the rapid growth in demand for agricultural products by consumers in developing nations.

Instead, farmers in nations such as Brazil, the USA, Argentina, Thailand, Indonesia and even China are capturing an increasing share of the value of international agricultural trade' said Mick Keogh, Executive Director of the Australian Farm Institute.

'There are a number of reasons that Australian farmers are losing market share in these rapidly growing markets.

'First, much of the growth in demand for agricultural imports has been for feed grains, fodder and oilseeds. These products are needed to feed the rapidly growing intensive livestock sectors in nations like China. Unfortunately, Australia has not been a major exporter of these products.

'Second, Australian agriculture is limited by the nation's variable climate and soils, a lack of productivity growth over the past decade, and relatively high costs, therefore farmers have not been able to profitably respond to the increased demand from these developing markets', Mr Keogh said.

The research highlights several key challenges facing Australian agriculture.

"The first is the need to resuscitate productivity growth in the sector. Agricultural productivity growth has largely stalled since about the year 2000, and considerable efforts will be required to revive it, and to ensure the sector remains internationally competitive. A key factor to achieve this is increased investment in agricultural research and development. The Australian Government has recently committed additional funding, which is welcomed. However, some state governments have been reducing their agricultural R&D budgets for quite some time, and this urgently needs to be reversed.

The second is international market access. There is clear evidence in the trade data analysed for this research that trade agreements (for example the Australia-Chile Free Trade Agreement) can quickly result in the rapid growth in the value of Australian agricultural exports. The recent progress that has been made by the Australian Government in trade agreements with Japan and Korea will hopefully bring similar benefits, and achieving a trade agreement with China could trigger a huge boost in Australian agricultural exports.

The third key challenge lies in positioning Australian agricultural exports as premium products, that have inherently superior quality, and which also incorporate high standards of food safety, biosecurity and environmental sustainability. There has been much discussion about the need to better develop "Brand Australia" as a vehicle to communicate this information to international and domestic consumers, but as yet there is little evidence that agriculture leaders and policy-makers see this as a priority, and are prepared to act on it.

The Australian Farm Institute's *Review of Australian Agriculture's Trade Performance* will be released at the Institute's annual Agriculture Roundtable Conference, to be held in Melbourne on November 12 and 13.

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