MEDIA RELEASE

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Big changes needed for Australian agriculture to remain globally successful

Some big changes will need to occur in Australian agriculture for the sector to remain successful in global agricultural markets, according to a report released today by the Australian Farm Institute.

The report – ‘Enhancing the Customer Focus of Australian Agriculture’ – details the findings of a study commissioned by the Institute, and carried out by S G Heilbron Pty Ltd consultants Dr Selwyn Heilbron and Terry Larkin. The study was co-funded by the Australian Farm Institute, Elders Australia Ltd and National Food Industry Strategy Ltd.

The research involved extensive analysis of changes occurring in global agricultural and food markets. In particular, the researchers examined the dramatic expansion of agricultural exports from developing countries such as Brazil, Chile and China.

The report concludes that the focus for Australian agriculture has to shift towards high-value markets in both developed and developing countries, where consumers have more specific demands and are prepared to pay a premium for products that meet those demands. This does not necessarily mean abandoning bulk commodities. Australia has maximised value in bulk commodities in the past, such as developing Asian markets for quality grain-fed beef, and more of this should be done.

However, a key finding of the report is that there are no long-term, sustainable growth prospects for Australia in just continuing to produce low-value, bulk agricultural products especially when competing with low-cost developing and non-Organisation for Economic Cooperation and Development (OECD) countries.

Success in these high-value markets requires a clear understanding of the needs of consumers. Understanding what customers want and focusing totally on meeting those needs is the essence of survival and prosperity in contemporary global agricultural markets.

As Greg Hunt, Managing Director for Elders, explains: ‘The changes we are seeing in the types of food crops and fibre we produce, and the way we produce them, are very much determined by the end consumer. Australian agriculture has come a long way from producing a commodity and waving it goodbye at the wharf. The more we can understand about the customer, and the better we become at spotting trends in their purchasing behaviour and bringing this knowledge back to the paddock, the better off the Australian farmer is going to be from a production risk, price and value perspective’.

The report acknowledges that the strong productivity and efficiency focus of Australian agriculture has delivered benefits in the past. However, it argues that changes are needed – greater flexibility, increased responsiveness, and a greater focus on consumer wants and needs.

Dr Susan Nelle, Managing Director of National Food Industry Strategy Ltd, comments that: ‘Global competitive pressures are rapidly accelerating with retailer/manufacturer rationalisation, supply chain integration and low cost developing economy competitors. Meeting these challenges requires investment in innovative products and processes and the development of high-value markets’.

One of the report’s recommendations is that funding be made available to help as many individual farmers as possible to undertake fact-finding investigations in international markets, so they can better understand both consumer needs and what competitors are doing in those markets.

According to lead author of the report, Dr Selwyn Heilbron, ‘Giving as many farmers as possible first-hand exposure to the realities of high-value international consumer markets will be the quickest way to bring about the dramatic changes that are necessary in the entire agricultural sector if Australian agriculture is to remain profitable and grow in the future’.

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