Agriculture Roundtable Conference highlights

Some of Australian agriculture’s most influential leaders gathered in Melbourne in early November 2007 at the Australian Farm Institute’s annual Agriculture Roundtable conference, to discuss the opportunities and challenges facing the agriculture sector over the next decade.

Participants included invited speakers and leaders of Australian agribusiness companies, corporate and family-farm operators, researchers and policy-makers, as well as members of the Institute’s Board and Research Advisory Committee.

The Conference program was developed around three themes:

- climate change policy and emissions trading
- water
- labour and skills in agriculture.

The feature article in this newsletter contains excerpts from the closing address delivered by National Farmers’ Federation President, David Crombie, which provided a view of what the Australian agriculture sector will be like in 2020. Excerpts of the opening address provided by Ambassador Bruno Julien of the European Commission have also been included.

Copies of both Mr Crombies and Ambassador Julien’s full address can be viewed at www.farminstitute.org.au/News_and_Events/institute_conferences/strategic_roundtable_conference_2007
Research Report launch – Demand for Animal Protein in Asia

The Institute’s latest Research Report, *The Implications for Australian Agriculture of Changing Demand for Animal Protein in Asia*, was officially launched in Canberra on 4 December 2007.

See the Institute Research and Events page of this newsletter to find out more.

Out and about

Over the last three months, the Institute’s Executive Director, Mick Keogh, has spoken at a number of events, including:

- a United Nations Development Programme (UNDP) training program for a Chinese delegation at the University of Sydney
- the Annual General Meeting of the Tasmanian Agricultural Productivity Group Ltd on the proposed national emissions trading scheme
- the Namoi Catchment Management Authority’s Carbon Forum at Walgett, NSW
- the Annual Conference of the Rural Financial Counselling Service NSW.

In the news

The Institute’s latest Research Report on demand for animal protein in Asia received a large amount of coverage in the media, including *The Land*, *The Weekly Times*, *The Advertiser*, *The Sydney Morning Herald*, the ABC *The Sydney Morning Herald*, and *The Australian Financial Review*.

The feature article from the last *Farm Institute Insights* newsletter, ‘Less meat means less heat – or does it?’, has also attracted media attention.

To view previous editions of the newsletter, visit www.farminstitute.org.au/News_and_Events/newsletter_two/newsletter_archive

Corporate support

The Institute welcomes Elders and The Tasmanian Farmers and Graziers Association as its newest Corporate Members.

For more information on how you can support the Institute’s work, contact the Institute on 02 9690 1388 or visit www.farminstitute.org.au

New staff member

The Institute welcomes Alex Thompson as its new Publishing & Communications Officer. Alex grew up in West Wyalong in country NSW. She has recently graduated from the University of Sydney with a Bachelor of Agricultural Economics.

Call for papers

The May 2008 edition of the *Farm Policy Journal* focuses on emerging agricultural exporting nations. The deadline for papers is 31 March 2008.

If you are interested in submitting a paper, please contact the Institute on 02 9690 1388 or info@farminstitute.org.au
Agriculture Roundtable Conference highlights

Excerpt from Australia’s National Farmers’ Federation President’s Agriculture Roundtable Conference closing address

National Farmers’ Federation (NFF) President, David Crombie, provided Conference delegates with a brief, light-hearted address which identified a few of the main strategic issues that the NFF believes need to be addressed by the agriculture sector. The following is an excerpt of his address titled: Important strategic questions for agriculture.

‘The Future

Let’s look forward – the year is 2020. Half of the world’s population lives in Asia – an estimated 4 billion people – an increase of 0.5 billion since 2005.

The Asian bloc has achieved an annual growth rate of 7% – more than double that of the United States (US) and Europe.

In the trade standoff over the past 10 years (and remember this is 2020), the US has become more isolated post-Iraq and more protectionist following 10 years of Democrat domination in the US Senate – Europe has also become more isolated and introspective.

China now dominates world manufacturing drawing resources initially from Australia and increasingly, in 2020, from its investments in Africa, South America and domestically from new developments in Mongolia.

India is the world leader in IT and services and has its own resource and manufacturing base, and Japan and Korea have maintained a strong regional presence through their technology base and through investments.

South America has dominated the world commodity food trade for the past decade on the basis of their cost advantage and productive capacity, while Australia has carved out a profitable and growing niche for high quality food and fibre produced from a sustainable, ethical production system underpinned by thorough chain accountability and verifiable traceback.

In 2020, we now have seamless integrated road, rail and port infrastructure in Australia that has picked up on some of the old and under utilised infrastructure left behind following the mining boom.

Our scientists have unravelled the secrets for the successful technology for lignocellulose based ethanol for a world efficient ethanol industry in the reliable high rainfall areas of northern Australia.

The ethanol industry is also making use of the extensive blue gum forests planted under tax schemes back in the early 2000s and the Japanese woodchip industry has disappeared with the advent of the paperless economy.

Our biotechnology has found solutions behind following the mining boom.

Looking back from 2020 – how did Australia achieve this?

The Doha Round was successfully concluded back in 2010 – strong input from the Cairns Group with Australian and New Zealand Farmers leading the charge for better market access.

But just in case you thought all our trade problems have been solved, in 2020, Australia is still negotiating free trade agreements with Japan and China – with agriculture the sticking point.

So what has happened between 2007 and 2020?

We have opened up production for a range of new crops in northern Australia and we are managing our older and more traditional areas better with new technologies and new infrastructure.

Our terms of agriculture trade have broken out of the cycle of long-term decline as a result of increased demand at the quality end of the market – and our ability to supply it.

Were we simply in the right place at the right time? – Partly – but it was discussion at forums like the Australian Farm Institute’s Agriculture Roundtable Conference that was the catalyst to drive new technologies and improved policy settings that positioned Australian agriculture to participate in the ‘soft commodity boom’ of 2010 - 2020.

Australia has prospered as a consequence of this regional growth initially through its exports of minerals and energy and now, in 2020, we are exporting natural foods to meet the growing high quality food and fibre demand within increasingly affluent Asian markets.
Our farming sector demographic has matured – farm aggregation and expansion has occurred with more superannuation funded corporate engagement with a focus on northern Australia.

Farming in southern Australia has become more stable with more farm families supplemented by on/off farm income plus city investments. The mid-sized group of family-owned farms is smaller, but remains the powerhouse of farming. Farm profits have stabilised based on more reliable revenue streams from the specialised production and sale of carbon credits and payment for the delivery of community environmental outcomes through stewardship partnerships.

In 2020, we are almost at the point of agreement between the Federal Government and the states on the referral of powers for water. No – I am joking – the states are gone and there are now two levels of government: federal and regional.

In 2020, Australia enjoys the best watershed management arrangements in the world – with efficient new infrastructure delivering certainty of entitlements to all users – farmers, the environment and regional communities.

**Back to Reality**

This is all good fun, but the opportunities are real so how do we score now in terms of our ability to be part of this ‘soft commodity boom’?

In rugby language we have a lot of work to do in the second half – something both New Zealand and Australia have not done well in the recent past. In Australia right now our infrastructure is tired and disjointed:

- state rail systems don’t match
- roads don’t speak with rail and have limited contacts with ports
- there is little harmonisation of regulations between states.

We need nation-building road/rail and port programmes now to efficiently move freight around the country. For example, the north-south rail link with road/rail hubs for better port access infrastructure must not be driven by marginal seat priorities.

We have a long way to go on telecommunications for all Australians – for quality of life – for security and importantly for regional Australia to conduct its business.

We have moratoriums in all states except Queensland on the development of biotechnology. Biotechnology will be an essential tool going forward with the appropriate choice and safeguards to address environmental issues such as the challenges of climate change and global production efficiency.

**Biotechnology will be an essential tool going forward with the appropriate choice and safeguards to address environmental issues such as the challenges of climate change and global production efficiency.**

Our biosecurity is being constantly challenged and found wanting – science based import risk assessment and rigorous quarantine are essential to underpin our reputation as a reliable supplier of clean, natural production.

This is what will differentiate our agricultural production going forward.

Farmers occupy 60% of the continent – we need to increase government and community engagement with farmers through mutual obligation partnerships (between farmers and the community for environmental service delivery and a drought response that goes beyond the Exceptional Circumstances safety net to the proactive notion of drought preparedness.

Like New Zealand, our farmers are efficient by world standards and have achieved productivity gains of 3.8% per annum. This has been achieved largely as a result of $500 million per annum in Research and Development (R&D) where government and farmers have contributed 50/50 – the model is good – but we need to do more.

We need to better understand climate – what does climate change mean for Australian agriculture? Some areas will have less rain while some more rain. Climate change represents threats and opportunities and farmers need to do what farmers have always done – look for new solutions through R&D and adapt our farming systems to match.

The national water initiative was signed off three years ago and the National Water Security Plan with its $10 billion funding was announced in January this year. We are still debating jurisdiction, nothing has happened on the ground, it hasn’t rained and there is no water. It cannot get more serious - or maybe if we continue to lay blame and argue it can. ...

Copies of Mr Crombies full address can be viewed at www.farminstitute.org.au/News_and_Events/institute_conferences/strategic_roundtable_conference_2007
Agriculture Roundtable Conference highlights (cont.)

Excerpt from Ambassador Bruno Julien’s Agriculture Roundtable Conference opening address

With the World Trade Organization Doha negotiations on a knife edge but offering the potential to provide much more significant liberalisation than that achieved in the Uruguay Round, Ambassador Julien, Head of Delegation of the European Commission to Australia and New Zealand, provided an update on the latest situation in the negotiations, where agriculture is just one of the challenges to be resolved. The following is an excerpt from his address titled: *A European perspective on the future of multilateral trade negotiations over trade in agricultural products and the role of the environment in future agriculture trade arrangements.*

Reforms of the CAP

‘... I know that at times in Australia, mentioning the Common Agricultural Policy (CAP) is like waving a red rag at a bull, but such reactions should now be a thing of the past, since the CAP of today is very different to the CAP of even just 15 years ago. So, while the bull is still there the colour of the rag has become more soothing! The reason is that agricultural policy in the EU has undergone fundamental reforms in several stages, leading to unprecedented changes in the agricultural sector and to the rural fabric of the EU. ...

The first wave of reforms were prompted by growing surpluses and budget expenditures. ...

... The second and third waves of reform of the CAP were certainly also prompted by the need to solve inherent problems linked to a farm policy conceived after the second world war – at a time where Europeans were still suffering from food shortages – a policy that was challenged in the GAFF rounds. ... As a result of the second wave or the Agenda 2000 reforms we capped the CAP in terms of the budget; there was a focus on sustainability; measures were introduced to promote market competitiveness and rural development was made a fully fledged second pillar of the CAP.

This was followed by the third wave or the so-called Mid-Term Review reforms, ... with reforms to the main arable and livestock regimes. [The third wave of reform] ... is still ongoing with political agreement on fruit and vegetables reform reached in June 2007 and discussion on wine currently continuing...

WTO Doha negotiations

After six years of negotiations much has been achieved and we have within our grasp the most ambitious multilateral round ever. ... So what is on the table from the EU on agriculture? ...

First, we are prepared for a 100% cut in all our export subsidies by 2013, provided others do the same.

Second, thanks to the reforms of the CAP, we could agree to a 75% cut in ... trade distorting domestic support.

Third, we are prepared to accept a more than 50% cut in our agricultural tariffs. ...

Once agreement has been reached on the modalities for agriculture and industrials there are a range of other issues which need to be resolved. In this respect, it should be remembered that the bulk of the economic gains in the Doha Round, even for Australia, will come, not from agriculture, but from commitments by WTO members to open up their markets for services, and from cutting the red tape affecting trade flows worldwide through what is known as trade facilitation. ...

Trade and the environment

Whether by direct government regulation or the use of private sector standards it is clear that environmental values are increasingly impacting on trade. It is also true that as tariff protection is progressively addressed, trade liberalisation increasingly needs to address other issues affecting trade – such as ‘behind the border’ and sustainable development issues. ...

In conclusion, I would like to remind you that the EU has taken a leading role in the Doha negotiations and I believe we can fairly claim that if it was not for the EU, the negotiations would not still be continuing now, since it has been the offers made by the EU which have largely kept the Round alive ...

... We should make all possible efforts to develop more sustainable agriculture together with sustainable trade. The current round offers us a first golden opportunity to start.’

Copies of Ambassador Julien’s full address can be viewed at www.farminstitute.org.au/News_and_Events/institute_conferences/strategic_roundtable_conference_2007
Paying farmers for environmental services

The August 2005 edition of the Australian Farm Institute’s *Farm Policy Journal* contained a series of papers discussing government payments to farmers for the public-good environmental services they provide in managing the land.

The topic is one that has been regularly discussed by both state and national governments in Australia, although it seems that there has been little progress made in developing environmental service payment policies to a point where they are an accepted part of the natural resource policy framework.

This was noted in the recent review of developed nation agricultural policies conducted by the Organisation for Economic Co-operation and Development (OECD). In the section evaluating the level of subsidies and other government payments received by Australian farmers, the review noted that not only are Australian farm subsidy levels the second lowest of any developed nation and lower than those in many developing nations, but also that Australia, unlike many other developed nations, does not have policies that make payments available to farmers for the public good environmental services they provide for the community.

Payments for environmental services are not counted by the OECD in calculating national farm subsidy levels, and both the European Union and to a lesser extent the United States (US) have transformed their farm support programs to increase the revenue available to farmers for environmental services, such payments also being World Trade Organization compliant.

The OECD report on Australian farm support measures concluded that:

> To ensure the continued growth in agricultural production and exports, a key challenge will be to reinforce the economic viability of farming while also providing for the conservation of natural resources and addressing environmental concerns related to farming activities.

The recommendation recognises that communities are placing ever-increasing demands on farmers to provide environmental outcomes, and these impose economic costs on farmers that need to be addressed, if farmers are to remain economically viable.

The subject of payments to farmers for environmental services was also the subject of a substantial review recently published by the Food and Agriculture Organisation (FAO) of the United Nations in its recently released report *State of Food and Agriculture 2007*. Four main conclusions reached by the review were as follows:

- community demands for environmental services from agriculture will increase
- agriculture can provide a better mix of environmental services to meet society’s changing demands
- if farmers are to provide a better mix of environmental services, better incentives will be required
- cost-effective environmental service payment schemes require careful design based on the characteristics of the service and the biophysical and socio-economic context.

These are unsurprising conclusions for those who have been involved in the numerous trials of such programs in Australia, including the successful Bush-Tender trial that was conducted in Victoria. What is frustrating for both farmers and those policy-makers who support such programs is the lack of long-term government commitment to them. Despite great anticipation, even the proposals announced in the most recent federal budget were quite limited, and seemingly fail to recognise that farmers require long-term policy commitment in order to undertake some of the changes that communities are said to be demanding.

Two recent policy developments may encourage the new Australian government to adopt a more comprehensive and longer-term approach to environmental service payments. The first is the imminent introduction of a greenhouse emissions trading scheme, which will result in a market value being placed on activities that mitigate greenhouse gas emissions. There is considerable potential for agriculture to provide cost-effective greenhouse mitigation, but this will only occur if farmers are provided with suitable financial incentives.

The second policy development is the imminent review of drought policy in Australia. It may well be that the outcome of such a review is a change to a more incentive-based set of policies whereby farmers are provided with encouragement to better prepare for drought and to manage natural resources in a way that enables them to successfully manage dry periods and also to provide better environmental outcomes.

Those holding their breath in anticipation of the implementation of environmental services payment policies might still be in danger of expiring, but perhaps the alignment of a few policy planets in combination with a new national government might mean there is a better chance of real progress on this policy issue than in the past.
A summary of some Australian and international farm policy developments

**US Farm Bill update**

A new United States (US) Farm Bill was passed by the US Senate in mid December 2007. This followed passing of a new Farm Bill by the US House of Representatives in late July 2007. The new bills will be reviewed by the US House and Senate Conference Committee in late January 2008.

The Institute for Agriculture and Trade Policy reports that the Bush Administration has been very active in discussions related to the new bills, raising some concerns related to budgetary and funding issues, and threatening the possibility of a presidential veto if those issues are not corrected.

Before it becomes law, the US House and Senate Conference Committee will need to consolidate these two bills into a single new Farm Bill, which will again be voted on by the entire US House and Senate.

Once signed by the Bush Administration, the new Farm Bill would be implemented for the 2008 crop year and would continue through to the 2012 crop year, providing US$288 billion for farm programs, conservation, alternative energy, domestic nutrition programs and research.

**Fuel targets reinvigorate rural economies**

The United States (US) Government’s new renewable fuel target of 36 billion gallons by 2022, set out in the Energy Independence and Security Act of 2007, represents nearly a five-fold increase on current levels.

Biotechnology Industry Organisation Executive Vice President, Brent Erickson, projects a massive investment in infrastructure to reach this target, which stands to reinvigorate rural economies.

A panel of industry experts agreed that meeting the 36 billion gallon target will require the construction of about 300 new ethanol plants, about 75 new corn ethanol facilities and more than 210 facilities for conversion of cellulosic materials.

Rapid expansion of the ethanol industry presents agriculture with a big challenge, with demand likely to outpace corn supply in 2008 according to a Purdue University Extension Agricultural Economist, Chris Hurt.

In 2007, annual ethanol production in the US was 7.3 billion gallons, according to the Renewable Fuels Association (RFA). An additional 6 billion gallons of capacity from facilities under construction are expected to add to that total in 2008. Hurt forecast that:

> “The most rapid period of new plant openings will occur in the first half of 2008 when we estimate the nation’s annual capacity will surge from the current 7.3 billion gallons to 11.8 billions gallons. This means the amount of corn required annually to feed that capacity grows from about 2.5 billion bushels today to 4 billion bushels by July of 2008”.

Not only will ethanol be competing for corn in 2008, but other crops will too. Hurt explained:

> “All major crops are in short supply in the world, and some will outbid corn for acreage. The shortest of the major crops are wheat and soybeans, and the prices are expected to drive acres away from corn in 2008”.

As a result, Hurt forecasts that it is likely the ethanol industry will have to cut corn usage and run at levels that are about 10–12% below full production in 2008.

**EU faces biotech showdown**

The Australian Farm Institute first reported on this policy issue in the January 2007 edition of Farm Institute Insights. At the time, the US and others had launched a dispute challenging the European Union (EU) ban on the importation of GM products arguing that the EU policy amounts to protectionism.

Twelve months on, a mammoth bureaucratic battle is still looming between senior European Commission officials and national governments over the importation of GM products.

US officials remain frustrated with the EU biotech laws; with lengthy delays in the approval process of biotech imports the norm. The EU is required to make a decision on applications to import GM products within 3 months. American Farm Bureau Federation officials have reported delays of up to 12 months during 2007 for GM import applications.

The US farm sector stands to benefit greatly from the more rapid approval of biotech imports in Europe. According to the US Department of Agriculture, 91% of US soybean acres and 73% of US corn acres were sown to GM crops in 2007. These two crops form the basis of US farm exports and are projected to hit a record value of US$91 billion in 2008.

The EU failed to comply with a (WTO) court deadline on the 11 January 2007 to end national moratoria on the importation of GM products. Senator Cuck Grassley, R-Iowa, ranking member of the Senate Finance Committee, reported that the EU’s failure to approve the importation of GM products was based on politics, not science. The US is yet to confirm whether it will pursue WTO proceedings on the EU’s compliance with the WTO panel ruling.
Cattle swapped for crops in Argentina

While Argentina is renowned for its cheap beef production systems, soaring grain prices and exports caps are driving cattle ranchers to sell their herds and farm more lucrative crops instead. Export caps were imposed by the Argentine government as an anti-inflation measure last year and have resulted in the local market being flooded with meat, keeping beef prices low while soybean, corn and wheat prices soar.

In 2007, Buenos Aires Agricultural Consultant, Pablo Adreani, reported a 10% decline in the number of cattle ranches, with 7.4 million acres switched from cattle to grain production. Some agricultural analysts have forecast that Argentine soybean farming is now three times more profitable than cattle ranching.

Commodities expert, Ricardo Baccarin, reported a powerful trend away from ranching:

‘Half of all cultivated farmland in Argentina is dedicated to soybeans today – an explosion aided by the fact that soybeans need just eight months to reach harvest, far less than the two-three years needed to raise a beef herd.

Soybeans also require less fertilizer – a major expense – than corn or wheat, and almost 90% of soybeans are exported for high prices thanks to a solid futures market and constant international demand’.

Argentina’s newly elected President Cristina Fernandez has promised to maintain the high export tax that makes exported beef too costly for many foreign buyers.

Tension in trans-Tasman apple war heats up

According to a report by the Associated Press, the long-running trans-Tasman dispute over Australia’s ban on New Zealand (NZ) apple imports is set to continue in 2008, after Australia blocked a World Trade Organization (WTO) investigation into the legality of its 86-year ban on imports of NZ apples.

Australian Government officials remain confident that the bans on the importation of NZ apples are well founded and based on sound science.

The Associated Press reported that a WTO investigative panel would almost certainly be set up when the WTO dispute body meets during early 2008. Under WTO rules a panel’s establishment can only be blocked once.

Both Australian and NZ Agriculture Ministers are watching the situation closely. NZ Agriculture Minister, Jim Anderton, was quick to defend NZ’s decision to resolve the dispute through the WTO disputes procedure.

‘… this is the first time we’ve [Australia and New Zealand] ever been to the WTO against each other and it’s not a good look. We don’t like doing it, but in our view we had no choice’, he explained.

Australia’s blocking of the WTO investigative panel has held up the dispute resolution process – a process which will undoubtedly be lengthy. New Zealand Trade Minister, Phil Goff has admitted it could take years to end Australia’s ban on New Zealand apple imports through the WTO disputes procedure process.

EU farm ministers reform wine policy

After days of gruelling negotiations and last-minute compromises, Drinks International, a global magazine devoted exclusively to the spirits, wines and beers market, reported that the European Union (EU) had agreed to a major structural reform package targeting the wine sector.

The current EU wine reform, introduced by EU Agriculture Commissioner, Mariann Fischer Boel, has taken two years of negotiations. It aims to revive the European wine industry which, until now, has suffered from chronic overproduction, unreliable quality and fierce competition from so-called New World countries such as Australia.

Part of the agreement will be the abolishment of EU subsidies, a policy that has led to overproduction and to so-called ‘wine lakes’ – the term used to refer to Europe’s vast supply unsold wine.

Apart from offering more cash to many countries, EU Agriculture Commissioner, Mariann Fisher Boel, has agreed to phase-outs of many traditional subsidy areas such as emergency distillation (a practice used to reduce the EU’s wine lakes). Instead of directing money to subsides, the Commissioner reports that the the money will be used to promote European wines in developing markets such as India and China as well as more traditional markets in the US and Britain.

‘Instead of spending much of our budget getting rid of unwanted surpluses, we can now concentrate on taking on our competitors and winning back market share’, said Commissioner Boel.

European officials believe that the proposed reforms will rid the EU wine sector of its worst features which discouraged innovation and encouraged surplus production that was disposed of at the European taxpayers expense. The proposed reform will start in August 2008.

Campaign reduces regulatory burden on European farmers

A campaign driven by the National Farmers’ Union (NFU) and several other European farmer organisations has successfully overturned a proposal for a ‘Soils Directive’. According to the NFU the proposed directive would have led to increased bureaucracy, the duplication of regulations and, consequently, additional expenses without bringing about improvement in soil protection.

In September 2006, the European Commission published the Thematic Strategy for Soil Protection, including a proposal for a framework directive as part of a comprehensive strategy specifically dedicated to soil protection.
The crucial vote to block the directive took place in late December 2007 resulting in its rejection.

The decision was warmly welcomed by NFU President, Peter Kendall:

“This has been a long, and at times, lonely battle, to bring common-sense to bear and reject a proposal that would have brought nothing to the countryside except yet more unnecessary red tape. We are grateful to Defra and their Brussels negotiating team for having had the courage to ensure that the principles of ‘better regulation’ are applied in practice, and for leading the opposition to the Directive in the Council’, he said.

This small win has buoyed the United Kingdom (UK) farm sector. The NFU hopes that this decision will set a precedent for other examples of regulatory overkill and has vowed to contest unnecessary red tape whenever it is encountered in the future.

Wheat reform imminent

The Australian Government is pushing ahead with plans to reform Australia’s wheat market system. The Rudd Government detailed its wheat marketing policy during the recent election campaign. Under the proposed reform the Export Wheat Commission (EWC) will be replaced with a new body, Wheat Exports Australia (WEA), which will manage bulk wheat exports by administering a new export accreditation scheme. The policy includes the establishment of an expert group to advise on the delivery of industry development functions under the new arrangements.

The Minister for Agriculture, Fisheries and Forestry, Tony Burke, has called for expressions of interest for appointment to the new Industry Expert Group which he claims will herald the beginning of the end of AWBI’s export monopoly. The deadline for registering an expression of interest was 18 January 2008.

Budget for China FTA slashed

The Australian newspaper reported on 8 January 2008 that almost $10 million would be cut from Australia’s $12.7 million negotiating budget for its free trade agreement (FTA) with China. This decision has been made despite China being Australia’s largest trading partner.

Former World Trade Organisation deputy director-general, Andrew Stoler, now Executive Director of the University of Adelaide’s Institute for International Trade, warned the move could be counter-productive.

Opposition trade spokesman, Ian Macfarlane was also critical of the decision and considered bilateral deals critical for the bolstering of the Australian economy.

‘It’s … essential that the negotiating process for the Australia-China FTA is resourced adequately … Any undercutting has the potential to derail the process and prove to be penny wise and pound foolish’, he said.

Pork producer’s protection plea

Australian pork producer’s protection pleas have fallen on deaf ears. The Productivity Commission (PC) released an ‘accelerated’ report (ordered by former treasurer Peter Costello) in late December 2007 which found no case for immediate trade restrictions to protect Australia’s pork industry.

The PC has found Australia’s pig producers are suffering big financial losses, national production is down by 10% and people are leaving the industry. However, the Commission says these losses have been triggered by the high feed grain prices not by increased imports undercutting and pushing down domestic prices. The report argued that introducing trade-distorting measures would be counterproductive for Australian consumers.

For this reason the PC report argues imports of frozen pig meat from the US, Canada and Denmark cannot be held responsible and therefore a temporary restriction of imports is not justified.

The PC must complete its examination of the industry by March 2008 and has not ruled out recommending temporary restriction on imports – known as safeguard measures under the World Trade Organisation Agreement on Safeguard rules.

Cloned animals deemed safe

On 15 January 2008, Nature News, a web-based news service, reported that The United States Food and Drug Administration (FDA) ruled that food from cloned animals and their offspring is no different to products from traditionally-bred animals and is safe for consumption. The European Food Safety Authority reached the same conclusion in a draft report released for public comment a week earlier.

Despite these long-awaited endorsements, the United States Department of Agriculture (USDA) has urged producers to preserve a voluntary moratorium on marketing food from cloned animals until regulators determine the best way for these products to be introduced into the US meat and dairy market. USDA undersecretary for marketing and regulatory programmes, Bruce Knight, was quick to point out that this request did not reflect further concerns about food safety.

Similarly, farmers and legislators have also expressed concern about the threat that food from cloned animals could pose to markets for US-produced meat and milk.

Representatives from the biotechnology industry have downplayed the significance of the FDA’s ruling claiming that it will still be years before meat and milk from clones appears in US stores. In the short-term cloned animals are expected to be too expensive to be used directly as food, and will instead be used for breeding.
Research Report released: Changing Demand for Animal Protein in Asia

The Australian Farm Institute, in conjunction with the Rural Industries Research and Development Corporation, recently released a Research Report at a series of seminars convened in Canberra, Melbourne and Sydney. The Research Report examined recent trends in animal protein demand in 12 Asian nations and developed projections of likely demand trends over the period to 2020. Future trends are based on population growth rates, increasing consumer wealth and trends in consumer diet preferences.

The Institute commissioned research, *The implications of Australian Agriculture of Changing Demand for Animal Protein in Asia*, was undertaken by Glenn Dalton, an agricultural economist and consultant, and Mick Keogh, Executive Director of the Australian Farm Institute. The research consisted principally of a desk study of official reports and information drawn from a wide variety of government and commercial sources. The research also involved an analysis of a large body of peer reviewed papers and publications on these and related issues.

A selection of Asian nations were included in the research, some relatively developed and others less so. This ensured that the effects of a variety of different religious and cultural factors could be considered as part of the research. The nations included in the research were: China, India, Indonesia, Pakistan, Bangladesh, Japan, the Philippines, Vietnam, Thailand, South Korea, Malaysia and Sri Lanka – together, these nations represent more than half the world’s population. Virtually all of these nations currently have significant trade interaction with Australia.

The agricultural commodities selected for inclusion in the research were: beef, sheepmeats, live animals, pork, dairy products and chicken meat.

Between the period 2007 and 2020, the research concluded that in aggregate for the 12 nations included in the research:

- beef consumption will increase by 7.1 million tonnes (Mt), of which 1.9 Mt will be imported and 5.2 Mt will be produced domestically
- pork consumption will increase by 17.7 Mt, of which 1.2 Mt will be imported and 16.5 Mt will be produced domestically
- chicken meat consumption will increase by 7.4 Mt, of which 1 Mt will be imported and 6.4 Mt will be produced domestically
- dairy product consumption will rise by 77 Mt (whole fresh milk equivalents), of which a projected 5.2 Mt will be imported and almost 72 Mt will be produced domestically.

To place these projections in context, the forecast additional import requirements of the nations included in the research are equivalent to:

- 86% of Australia’s current total beef production
- 260% of Australia’s current total pork production
- 140% of Australia’s current total chicken meat production
- 50% of Australia’s current total dairy production.

The research highlights that perhaps just as important for Australian agriculture will be the resultant increases in demand for feedgrains, as developing nations scale up their intensive livestock production capacity, but at the same time face limits on available arable land to produce extra stockfeed. The research indicates there will be additional demand created for between 350 and 450 Mt of feedgrains by 2020, a 20–30% increase on current global production levels.

The research recognises that Australian farmers will not be alone in seeking to take advantage of these expanded markets, nor will it be easy to increase Australian agricultural output given the limits on Australian land. However, the rising trend in agricultural commodity prices that is likely to result will create new opportunities for increased farm profitability in Australia.

The Institute plans to hold a seminar in Western Australia during 2008 to discuss the outcomes of the research. To find out details contact the Institute on phone 02 9690 1388 or via email info@farminstitute.org.au

The report can be viewed by members or purchased by non-members at www.farminstitute.org.au/publications/project_reports.
Australian biosecurity and quarantine measures scrutinised

Australia has maintained a rigorous quarantine policy for many years, and this, in combination with the nation’s relative geographical isolation, has meant the agriculture sector has remained free of many of the pests and diseases that impose major costs on farmers in overseas countries. However, Australia’s quarantine standards have been subject to constant international criticism for being trade barriers in disguise. Accordingly, it seems inevitable that in trade agreement negotiations, Australian quarantine standards will be forced onto the negotiating table as a potential bargaining chip.

Papers in the February 2008 edition of the Farm Policy Journal cover a range of perspectives on Australian biosecurity and quarantine measures including those from within Australian plant and animal industries, a farmer’s perspective on free trade and quarantine and a review of some international criticisms levelled at Australia.

Ralph Hood is the Chief Executive Officer of Animal Health Australia. His paper provides an overview of the National Animal Health System, which brings together all stakeholders in the livestock production chain and facilitates cooperation towards maintaining Australia’s favourable animal health status, and examines the priorities determined by stakeholders, including those emerging in the aftermath of the 2007 equine influenza outbreak. The paper also examines opportunities for further strengthening Australia’s biosecurity capabilities at all levels.

Emeritus Professor Mal Nairn was the Chairman of the 1996 review of quarantine arrangements in Australia – the last comprehensive review commissioned by the Federal Government. His paper presents his assessment of the outcome of the review, including consideration of whether the intentions of the recommendations were achieved and whether the current international political, social and trade environment poses any particular threats to Australian animal, plant or human biosecurity. He also asks the question: Is it time for another comprehensive review of quarantine in Australia?

Lindy Hyam is Chief Executive Officer of Plant Health Australia. Her paper notes that Australian growers are not only having to meet the challenging trading conditions required by international and domestic markets, but also contend with the impact of climate change. She discusses the very real threat of plant pest and disease incursions and its potentially devastating effects on Australia’s $21.4 billion plant industries in light of orchard, vineyard, nursery and crop stress from drought, and increased people and plant produce movement around the globe.

Gretchen Stanton is Senior Counsellor in the Agriculture and Commodities Division of the World Trade Organization (WTO), and Secretary of the WTO Committee on Sanitary and Phytosanitary Measures. Her paper explains the 1995 WTO Agreement on the Application of Sanitary and Phytosanitary Measures and Australia’s role as a major proponent of the agreement, in order to protect agricultural exporters from trade barriers imposed in the name of unjustified health requirements. The paper also discusses the ‘unjustified’ criticisms which have been voiced against Australia’s quarantine requirements.

Peter Carter is the Chair of the NSW Farmers’ Association Exotic Disease, Quarantine, Plant and Animal Health Committee, he also owns a farm in Wellington, NSW. His paper explores the issues associated with quarantine and trade from a farmer’s perspective. He argues that free trade should not come at the cost of quarantine standards and holds the belief that if Australian quarantine standards are relaxed then the results could be disastrous, not only in terms of costs to the industry, but also in the sense that our trading advantage of being free from most pests and diseases will be lost.

Alan Oxley is the Managing Director for ITS Global, and is one of Australia’s most authoritative advisers on international trade. He has more than 25 years of experience in both the government and private sectors. He was recently the Director of AUSTA, the Australian business group for an free trade agreement with the US. His paper examines food safety and consumer perception issues and also explores whether Australia uses quarantine as a trade barrier.

The February edition of the Farm Policy Journal will be released on 3 March. It can be viewed by members and subscribers, or purchased by non-members, at www.farminstitute.org.au/publications/journal2
Agriculture, Greenhouse and Emissions Trading Summit

It has become increasingly apparent that the Australian agriculture sector is not well positioned to respond to the imminent introduction of greenhouse emissions trading in Australia – currently projected to commence in 2010.

As policies currently stand, farm businesses will not be direct participants in emissions trading, but will incur higher input costs on items such as fuel, freight, crop contracting, electricity, farm chemicals and fertilisers, and any cost-of-living items that arefreighted to regional areas. Farm businesses will have the option of selling emission offsets, although the only accepted offsets will be areas of permanent trees.

The recent Prime Ministers Task Group report proposed that farm businesses should be excluded from being direct participants in a national emissions trading scheme (ETS) during it’s initial stages, but should be included as participants as soon as practicable. It is noted that the plan is for New Zealand (NZ) farm businesses to be full participants in the NZ Emissions Trading Scheme by 2013. There is stil some uncertainty about how NZ farm businesses will participate, with two possibilities being: indirectly through processors such as dairy companies; or directly, utilising standard software to ascertain the greenhouse profile of individual farm businesses.

The dilemma for Australian agriculture is the uncertainty arising from current proposals. If Australian agriculture is to become a full ETS participant at some later stage, then there is little sense selling off offset capability, especially as emission/offset prices are likely to increase, rather than decrease in the future. There is also a need for substantial negotiations around emission accounting rules, as many of the sequestration options available to agriculture are currently not counted in national greenhouse inventories, nor likely to be recognised by the rules of the ETS.

Against this background, and in a period during which there is a rapidly changing policy landscape, it is imperative that the agriculture sector develops a clear and robust position on emissions trading in advance of its implementation. The Australian Farm Institute is convening a summit of agriculture sector interests, the objective of which is to engage all parts of agriculture in the development of a common policy response by the sector to the introduction of emissions trading. The Institute plans to hold the event at the Novotel Twin Waters Resort on Queensland’s Sunshine Coast on 8–9 April 2008. To register your interest in the Summit please phone 02 9690 1388 or email info@farminstitute.org.au

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Enhancing the Customer Focus of Australian Agriculture
Vertical Contracting and Australian Agriculture: Implications for farmers and policy-makers
Agricultural Development in Argentina and Brazil: Emerging trends and implications for Australian agriculture
Australian Farm Sector Demography: Analysis of current trends and future farm policy implications
Australia’s Farm-Dependent Economy: Analysis of the role of agriculture in the Australian economy

Farm Policy Journal

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