



Launch of Australian Farm Institute

Sydney, June 8th, 2004

Chairman's address

Good evening, Ladies and Gentlemen, and welcome to the official launch of the Australian Farm Institute. For those of you who don't know me, my name is John Ralph and I am chairman of the Board of Directors of the Institute.

Along with my fellow directors, whom I will introduce to you shortly, I thank you for showing an interest in the Institute and its objectives, which I hope to explain to you in a little more detail this evening.

Holding the launch of the Australian Farm Institute here at this location in Sydney is particularly significant, and fitting. As some of you may know, just down the hill from here to our north is a part of Sydney Harbour known as Farm Cove. It was here in 1788 that Governor Arthur Phillip established the first farm for the new settlement.

History records the effort was not successful, with the heat and drought killing off the first crops, and the early settlement existing on starvation rations until relieved by the arrival of the Second fleet. It seems droughts have been a constant feature of Australian agriculture, right from the start!

History also tells us, however, that subsequent attempts at farming a little further from the coast were much more successful, so much so that farming provided the basis for Australia's economic development for the first 150 years after European settlement; and even as late as 1970, more than half the value of Australia's merchandise exports were farm products.

While agriculture is still growing in value, greater growth in other sectors of the Australian economy means that farming now accounts for just 2.5% of GDP. Despite this relative decline, farming provides over 20% of the value of Australia's merchandise exports, as well as being the basis for a range of manufacturing and service industries.

Primary industry, which includes both agriculture and mining, accounts for just three quarters of the value of Australia's merchandise exports. Let there be no doubt about the

importance of these exports for a country with a chronic balance of payments deficit. Australians would really have to tighten their belts if this contribution to our living standards were to disappear.

The challenges that face the farm sector in our modern Australian society are considerable, especially when it comes to important policy decisions that have potential impacts on farm businesses.

With more than two thirds of farm product exported, and with the huge distortions that persist in agricultural trade, most farmers understand the need to continually strive for greater efficiency and productivity in order to remain competitive in global markets.

Statistics reveal Australia's farm sector has achieved average annual productivity growth of 2.6% per year over the last twenty years. Over the same period, annual productivity growth in the rest of the Australian economy only averaged 1.4%.

But high productivity inside the farm-gate is just one part of being globally competitive. Farmers also need downstream transport, processing and marketing systems to be efficient, as the costs these sectors impose on farmers also affect farm profitability.

Extra costs can be imposed in a variety of ways. Poor quality or badly priced services and infrastructure, especially transport and fuel costs, can significantly erode farmers' returns. An inefficient processing sector also disadvantages farmers. Poorly considered Government regulations can impose significant costs, as can macroeconomic settings that work to disadvantage exporters.

Inadequate maintenance of roads and transport infrastructure, for example, imposes some very real and direct costs on rural communities and farmers, but this does not figure highly in attracting government attention.

Increasing poverty and declining services in many rural areas also impose both social and economic costs on farmers, but again this is an issue on which it is difficult to achieve significant and lasting progress. A recent project sponsored by the Jesuits highlighted the significant social disadvantage that exists in many rural areas of NSW and Victoria, and in particular the North and North-west of NSW.

Adding to the challenge in getting real solutions to these issues is the declining farm population and the steady decline of rural electorates as growing urban areas suck electorates away from inland areas. At the very time increased focus is required on some of these problems, the people and resources are no longer available to make this happen.

Recognising this challenge, the founders of the Australian Farm Institute identified that a different approach is required. It is their belief that the farm sector needs to be a lot more strategic in the way it approaches issues that need attention. Rather than responding to agendas set by others, farmers and rural people need to set their own agenda.

To do this requires dedicated resources that can be utilised to identify important strategic issues, that can carry out the detailed research and policy development to identify new approaches and solutions, and that has the credibility to carry these proposals forward in public forums and policy debates.

The vision that the founders of the Institute are seeking to achieve is policy settings that maximize the opportunity for Australian farmers to operate their farm businesses in a profitable and sustainable manner.

The objective of the Institute is to enhance the economic and social well-being of farmers and the agricultural sector in Australia by conducting highly-credible public policy research, and promoting the outcomes to policy-makers and the wider community.

The Institute will identify a small number of key projects each year and commission or carry out comprehensive research with the aim of identifying new approaches and new solutions. The focus will be very much on strategic issues, and the impact of the Institute's work will be in the longer term. Rather than trying to change legislation before parliament – a task that is already done by State farm bodies and the NFF – the focus will be on impacting on the thinking of policymakers well before legislation is even considered.

Initial seed funding for the Institute has been contributed by the New South Wales Farmers' Association; however the clear intention is to broaden the funding base and involve a wide cross-section of agriculture in the functioning of the Institute. I would now like to introduce the other members of the Board.

Mal Peters, who is President of NSW Farmers' Association, is another member of the Board. He operates a family-farming business at Inverell in northern NSW, is also a Board member of the NSW Rural Assistance Authority, and has recently been appointed as a member of the Northern Rivers Catchment Management Authority.

Michael Nicholls is also a Board member. Michael is a Board member of NSW Farmers' Association, and is on the Board of Animal Health Australia. Michael was previously a senior executive with Coopers Animal Health. Michael and his wife operate a farm located near Yass on the NSW Southern Tablelands.

Finally, Mick Keogh is a Board member as well as being the Executive Director of the Institute. Mick has had considerable experience in agriculture, firstly as a farm manager and agribusiness consultant and then in his role as Policy Manager of NSW Farmers' Association over most of the last decade.

An important part of the structure of the Institute is its Research Advisory Committee, which has the key role of identifying issues for research, and overseeing the research program of the Institute. The members of the Research Advisory committee, some of whom are here this evening, are:

John Kennedy, OAM. John was formerly Associate Professor and head of the School of Wool and Pastoral Sciences at the University of NSW, and had a long and distinguished career as an agricultural researcher and educator. John is Chair of the Research Advisory Committee.

Professor Les Copeland. Les is Dean of the Faculty of Agriculture, Food and Natural Resources at the University of Sydney, and has previously held a variety of senior academic and research posts.

Professor Snow Barlow. Snow is Head of the School of Agriculture and Viticulture at the University of Melbourne.

Professor Jim Pratley. Jim is the Dean of the Faculty of Agriculture at Charles Sturt University at Wagga Wagga.

The Institute has a staff complement of three people. In addition to Mick, Karen Romano is a Research Officer at the Institute. Karen previously managed a dairy research farm in Victoria, and has a degree in agriculture from La Trobe University, as well as post-graduate qualifications obtained at Massey University in New Zealand. Anthea MacKenzie is the Institute's Research Assistant. Anthea recently graduated from Sydney University with an Honours degree in Agriculture.

In addition to its research agenda, the Institute will publish a quarterly journal containing articles and discussion on farm policy matters. The first edition of the *Farm Policy Journal* is being released here tonight. The theme of the first edition is "The future of Farmers and Farming", and it contains articles written by authors in the United Kingdom, Denmark, the USA, New Zealand and Australia on trends that are occurring in farming in each of those countries. What is striking about these articles is the similarities the authors have observed in the challenges facing farmers internationally. I urge all of you to read the journal, and to subscribe to future editions.

I would now like to briefly talk about the research priorities of the Institute for this year; identified by our Research Advisory Committee.

The first project we are in the process of initiating is titled 'Australia's farm-dependent economy'. This project involves a comprehensive audit of all those sectors of the economy that depend on the farm sector – either as a supplier of produce, or as a market for farm inputs. On a whole range of issues, from drought policy through to interest rates, it is essential that policymakers clearly understand the full impact of decisions – not just on farmers but also on all those sectors that depend on farmers.

A second research area for the Institute will be the implications of what is termed 'Contract Agriculture'. Increasingly, farm commodities are being produced and marketed under long-term contract arrangements, rather than sold through more traditional marketing arrangements. Contract agriculture is growing because of the increased efficiencies it generates for food processors and retailers. However, it raises some challenging questions about the future of Government-funded research and development, about Trade Practice and Competition issues,

and about farm and product accreditation and traceability. These are clearly some issues that require careful consideration.

A third area of research the Research Committee is keen to focus on is the changing demographics of farming in Australia, and the implications this has for rural communities and the future labour requirements of agriculture. The extreme shortage of shearers in Western Australia this year is an indicator of a broader problem facing agriculture, as non-urban populations decline.

As you can see, each of these issues is of considerable strategic importance for Australian farmers, and it is our hope that the outcomes of these and other Institute projects will have a positive impact on the industry.

In officially launching the Australian Farm Institute this evening, there is one thought I would like to leave you with. I very strongly believe in the need for the Australian industries to be competitive and efficient in order to generate the wealth that allows Australians to enjoy our wonderful standard of living.

For the farm and in particular the Australian agribusiness sector, I believe the Australian Farm Institute provides an excellent opportunity to contribute more broadly to our industry and our farm communities.

It is the aim of the Board to broaden the membership base of the Institute, and opportunities exist for either long-term involvement, or involvement in specific project areas through sponsorship or co-funding. I urge all of you here tonight, but especially those from the agribusiness sector to seriously consider the opportunities that are available for involvement with the Institute.

I would now like to declare the Australian Farm Institute officially launched. Thank you all very much for your attendance, and I hope you enjoy the rest of the evening.

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John Ralph AC
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