Will Australia ever be anything more than ‘five teeming sores’?

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Australia has long been an urbanised nation, despite romantic notions to the contrary. Writing in the 1940s and 1950s, famous Australian poet AD Hope penned his well known poem ‘Australia’ in which he described Australia’s then population distribution in the following terms;

And her five cities, like five teeming sores,
Each drains her: a vast parasite robber-state
Where second hand Europeans pullulate
Timidly on the edge of alien shores.

Since that time, population growth in Australian cities has accelerated, and Australia is now the most urbanised developed nation in the world according to the United Nations, with 89% of the population living in urban areas, and most of those living in the five mainland capital cities. The increasing costs of congestion and reduction in quality of life associated with the rapid growth of large metropolitan populations are now becoming a significant issue for state governments. These problems are likely to be exacerbated in the future as the nation continues to experience relatively strong and seemingly inevitable total population growth.

At the same time, low population densities and declining populations in many non-metropolitan regions are creating challenges for governments in providing equitable services and facilities, and also for non-metropolitan businesses which are having increasing difficulty in securing workers.

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Call for papers

The February 2011 edition of the Farm Policy Journal seeks ideas and views on the topic: Biotechnology and innovation, is Australia ready for the challenge? The deadline for papers is 20 December 2010.

Out and about

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

- First National Real Estate Conference, Swan Hill, Victoria
- Global Challenges Local Choices Conference, Grassland Society of Southern Australia, Wangaratta, Victoria
- Energetics Climate Change and Business Conference, Sydney
- Agribusiness Today Forum, Charles Sturt University, Orange, NSW
- 2010 Australian Fertiliser Industry Conference, Gold Coast
- Western Catchment Management Authority Carbon Workshops, Wanaaring & Tilpa, NSW
- Walgett Landcare, NSW
- Central West Catchment Management Authority, Dubbo, NSW
- Farming Ahead 2010 Conference, Kondinin Group, Sydney
- Global Change Institute, University of Queensland
- Carbon Emissions and Agriculture, Bribberee, NSW
- Hereford Society, Griffith, NSW
- ANU Sustainable Agricultural and Food Policy in the 21st Century: Challenges and Solutions Conference, Brussels, Belgium

Institute Project Officer Sally Davision spoke at the Australian Wine Industry Technical Conference, Adelaide.

In the news

In early August AFI contributed a piece on Online Opinion, titled ‘The real sustainability issue’ on ‘big Australia’ and population:

> Australia can easily accommodate a much larger population, while at the same time enhancing environmental sustainability and the quality of life of its citizens. This will require new thinking about the role of regional Australia in sustainable population policies. It will also require an abandonment of some of the arid and unimaginative policies that have produced the five teeming sores that AD Hope so eloquently described half a century ago.


The May Journal topic, If I were the Australian Minister for Agriculture, was the subject of numerous interviews, including 2GB radio; ABC Riverland area; Curtin University; 2UE radio and Amy Phillips on ABC Longreach. The competition winners were interviewed on Rural Live TV (23/8/10) and provided the focus of Matt Cawood’s article in Stock & Land (20/8/10).

The Institute was called on to give an opinion on the agricultural policies of the two major parties prior to the national election, in the articles ‘Farmers cautious on Coalition pitch’ by Asa Wahlquist in The Australian (12/8/2010) and ‘Farm think tank queries ALP carbon farming policy’ published on ABC Rural (16/8/2010).
Will Australia ever be anything more than ‘five teeming sores’?
(continued from front page)

Half the world’s population currently lives in a city, and in the coming decades that’s forecast to swell to more than 70%. The McKinsey Global Institute projects that by 2030 there will be 221 cities in China with over 1 million people, compared with 10 in the United States of America (USA) today.¹ The climbing concentration of people in cities is a global trend, however ever increasing urbanisation is not necessarily a good thing.

The Organisation for Economic Cooperation and Development (OECD) highlighted that beyond a threshold of between 6 and 7 million inhabitants in a city, there is a negative correlation between population and per capita GDP.² The trend Australia is experiencing is similar to that occurring around the world, however there are other countries where this trend has been modified. With Sydney hurtling toward a population of over 6 million, and Melbourne running close behind, it’s time to consider if the frantic urbanisation that’s gripping the globe and occurring in Australia is really inevitable, and whether there is a better alternative.

Australia faces a dilemma in trying to balance a burgeoning metropolitan population on one hand and a declining rural population on the other. It seems logical that the solution is not to try to slow or stop population growth, which is a key factor in Australia’s strong economic performance, but rather to try to address both metropolitan congestion and rural population decline through decentralisation and regional development policies. If successful, these policies will not only drive greater economic growth in non-metropolitan areas, but will also help in making Australia’s large cities better places to live.

### Australia’s population trends

The Australian Treasury has recently confirmed that future population growth in Australia is inevitable. According to Treasury, even if net annual immigration was reduced from the current average 100,000, to 60,000 a year for the next 40 years, by 2050 Australia’s population would still have grown to 29 million based on current trends.³

Projections from the Australian Bureau of Statistics (ABS) make it quite clear where all these extra people will live, in the absence of successful decentralisation policies. The ABS has released population projections for Australia for the period 2008 to 2101.⁴ Three projections were developed, using different assumptions about fertility, mortality, internal migration and net immigration. In all cases, metropolitan population growth is projected to outstrip non-metropolitan population growth, resulting in much bigger populations in the major cities. The only exception is Queensland, where the non-metropolitan population growth is projected to roughly keep pace with Brisbane population growth. Figure 1 below shows ABS population growth projections for metropolitan and non-metropolitan regions over the next fifty years, based on a continuation of current population trends.

Coastal regions are also expected to outstrip inland areas when it comes to projected population growth over the next 30 years. In New South Wales (NSW), for example, the Department of Planning has developed population projections for the period to 2036 for local government areas in NSW.⁵ The state was divided into 13 regions, and the five areas with the lowest projected population growth are all inland; these are the Murrumbidgee, Murray, Central West, Northern and North West regions. The average projected regional population change

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**Figure 1:** Average projected population growth rates for the capital cities and balance of the states over the period 2010–56, under ABS B series projections, which reflect current trends in fertility, mortality, internal migration and net immigration.

**Source:** ABS (2008).
over the period 2006 to 2036 is shown in Figure 2 below.

According to population projections at a national and state level, it appears Australia’s population is steadily sliding toward the coast. However recent political events indicate renewed interest in policies that stimulate greater economic growth in inland areas and some serious rethinking about whether bigger really is better when it comes to major cities.

Polls of voters in outer metropolitan electorates, particularly those surrounding Brisbane, Sydney and Melbourne, revealed that in these regions there is declining support for continued strong immigration or population growth because of the increasing congestion and lack of services experienced in those areas. In addition, after the votes were counted in the 2010 federal election, three independent Members of Parliament from non-metropolitan electorates ended up holding the balance of power. This prompted both of the major political parties to quickly develop a set of regional development policies in an attempt to win the support of these Independents, despite regional development policies not even rating a mention in the lead-up to the election. The result was a $10 billion funding promise for rural areas, which led two of the key rural independent MPs to side with the Australian Labor Party, delivering it the bare minimum of seats needed to form government.

The question, of course, is will this regional policy package make any difference? Will the grab-bag of policies and promises influence future population trends? Will they lead to increased non-metropolitan economic and population growth? Will they also mean that metropolitan congestion and other stresses become less severe in the future? Research conducted by the OECD into the effectiveness of regional development policies internationally perhaps provides some answers to these questions.

What should regional development policies look like?

If one region is performing better than another, it may indicate that the economic potential of the lagging region isn’t being fully exploited. This in turn might be affecting the overall economic performance of a nation. For this reason the OECD has carried out some detailed analyses of policy measures that have been successful in stimulating regional economic growth.

- Provide infrastructure as part of an integrated regional approach. The analysis suggests that infrastructure alone has no impact on regional growth unless regions are endowed with adequate levels of human capital and innovation. In other words, infrastructure is a necessary, but insufficient, condition for growth.
- Invest in human capital. Regions with well-educated populations will grow. Investments in tertiary education take about three years to have a positive impact on regional growth.
- Emphasise innovation and research and development. Investments in R&D have a positive effect on patent activity in all categories, as do R&D expenditures by businesses, the public sector, higher-education institutions and the private non-profit sector. However, innovation is a longer-term process and appears to have a positive influence on regional growth only after five years. The analysis suggests that as capital and talent agglomerate, they tend to positively influence growth in neighbouring regions. However, innovation remains a highly localised element.

Figure 2: Average projected population change for various regions of New South Wales for the period 2006–36.

Source: NSW Department of Planning (2008).
Focus on integrated regional policies. Agglomeration economies are partly responsible for regional growth. Sources of growth from within regions, such as human capital and innovation, are more important than a region’s physical distance from markets. Although a region with good accessibility to markets has an added advantage, its growth depends on the presence of human capital, innovation, infrastructure and economies of agglomeration. Regions perform well when local actors in a regional innovation system can communicate easily with each other. Indeed, one region’s performance strongly influences neighbouring regions, suggesting that inter-regional trade and inter-regional linkages play an important role in regional growth.

While these principles suggest that regional development policy needs to be very complex and comprehensive to be effective, there are a number of case studies available internationally that show such policy measures can be successful.

One of the most successful examples of regional development policy is Silicon Valley in the USA. Situated in the San Francisco Bay area on the west coast of the USA, Silicon Valley started out as a horse farm in the 1950s. It was converted to a university campus and eventually to a business park. Despite these humble beginnings, today Silicon Valley accounts for 5% of the Gross National Product of the USA. The regional development principles underpinning the success of Silicon Valley included innovation and research grants, the provision of some infrastructure, investment in R&D, investment in tertiary education, proximity to a first-class university, and internal migration and immigration. A combination of public and private funds was used to attract entrepreneurial talent to the business park, which subsequently drew other like-minded companies and individuals, creating a cycle of success which prompted wave after wave of reinvestment.

As the Silicon Valley example highlights, regional development policies which incorporate the key principles identified in the OECD research have a much higher chance of achieving long-term, sustained regional growth. For Australia, the challenge is not only to ensure these principles are included in regional development policies, but also to avoid the errors of past policies.

How has Australia approached regional development in the past?

As outlined above, policies to achieve successful long-term regional growth need to encompass a whole range of factors. The traditional instrument of regional development policy has been physical infrastructure development, coupled with incentives and subsidies to major employers. The success of such policies in isolation is patchy, and dependant on a broad range of related influences. For example the impact of infrastructure investment on regional growth has been found to be dependant on regional education levels and innovation performance. Similarly, in order to have a strong effect on growth, private enterprise needs to be encouraged in conjunction with a strategy of public investment.

Past regional development interventions in Australia have included land distribution policies, population decentralisation, incentives for large employers, improved regional access to services and assistance for regions undergoing economic or cyclical hardship. They have evolved over time, and Table 1 provides a brief history of policies evolving over time.

One of the most ambitious deliberate federal interventions in regional development in Australia was the Albury-Wodonga growth centre program. The plan received $79.8 million in funding, and the aim of the program was to boost population from 37,931 residents in 1971 to 300,000 by the year 2000. It was expected that once the growth centre reached a certain size it would be self-sustaining, and funding support would no longer be necessary. To achieve this growth rate, attractive conditions for industry investment were introduced including low priced land, a cooperative framework between the public and private sectors, efficient communication and transportation facilities, and enhanced efforts to provide a skilled regional labour force. The goal of 300,000 residents by 2000 was not achieved, however between 1971 and 1976 the population increased by over 67%. Subsequent five-yearly population increases have averaged between 3 and 14%. Even though this initiative didn’t reach its stated objective, it had a significant impact on regional population growth, and is an example of how integrated policies can influence regional economic and population growth.

Since the 1990s, the Australian Government approach to regional development has been one based on the notion of regional ‘self-sufficiency’. The aim has been to create a climate where economic initiatives and growth would be stimulated from within the regional community. This is a significantly different approach to past attempts at regional development, with the Federal Government operating more as a facilitator. During this period voluntary Regional Development Organisations (RDOs) were established. In 1996, the newly elected Howard Government abolished the previous government’s regional development plan, and consequently most RDOs were closed. This example provides a lesson in the vulnerability of government regional programs, which will always be exposed to the risk of abandonment if there is a political change. Persistance is one of the major challenges to the success of regional development policies. International and domestic experience highlights that in order to deliver strong sustained growth in non-metropolitan areas, regional development policies need to have a long-term commitment from government.
Can regional development policies work?

Comprehensive policies require integration between various levels of government, and a commitment to long-term change. Population drift between regions is a slow moving phenomenon and changes in trends will only occur over the long term. To be successful, policies to change these trends will also need to persist over the long term. Unfortunately, political imperatives have much shorter timeframes, and voter impatience often means that policies change within a single electoral cycle. A major risk in implementing regional development policies that are targeted at achieving change over a 10 to 20 year timeframe is that the policies will be abandoned before they have time to work, at considerable cost to taxpayers. An obvious mechanism to reduce this risk is for policies to be legislated through the parliament, reducing the likelihood that policies will be quickly reversed.

Previous experience in federal regional development programs clearly shows that creating vibrant, strong growth in regional areas cannot be achieved by confining action to a single narrow policy area. An integrated regional growth package will be required that will likely need to include improvements to transport infrastructure, improvements to communications infrastructure, expanded business and industry infrastructure, smoother regulatory compliance, improved cultural facilities, improved health facilities and more focused regional branding.

Previous Australian Government interventions in regional development have been of limited success, as is evidenced by the continued population drift to the major metropolitan areas. However international examples show that regional development policies can be successful. Past Australian policies provide lessons for policymakers on how to improve regional development initiatives. If Australian governments are serious about achieving more balanced national economic growth across all regions, it will require a comprehensive, integrated and persistent set of policies to be implemented, that are not simply abandoned in the future at a politically expedient time.

### Table 1: Federal regional interventions in Australia from 1940 to 2002.

<table>
<thead>
<tr>
<th>Major activity</th>
<th>Instruments used</th>
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<tbody>
<tr>
<td>1940s to 1970s: post-war federal reconstruction policies; direct industry strategies for example promotion of secondary and tertiary sectors</td>
<td>‘Regionalisation’ of focus of development through inter-governmental regional committees (1940s); industry tariff policies (import substitution) and location incentives</td>
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<tr>
<td>1972 to 1975: Growth Centres Program, urban renewal projects</td>
<td>Locational program funding and public investment in infrastructure, planning and land acquisition activities, and establishment of regional authorities to encourage development in key ‘growth centres’</td>
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<tr>
<td>Early 1980s: Country Centres Project, Office of Labour Market Adjustment: to address structural unemployment arising from trade liberalisation and open-economy</td>
<td>Shift toward community self-help programs for long-run growth; regional employment initiatives including business incubators, training and assistance</td>
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<tr>
<td>Mid 1980s: endogenous growth strategies based on comparative advantage; community participation in local planning</td>
<td>Establishment of Area Consultative Committees for local and regional policy development; employment, education and knowledge-industry initiatives such as investment in R&amp;D and vocational training</td>
</tr>
<tr>
<td>1990s to 2002: ‘whole of government’ approaches to regional issues; market-oriented policies and social capital building; public infrastructure provision in non-metropolitan areas experiencing service shortfalls; sustainable development of degraded regions</td>
<td>Federal agency cooperative frameworks; programs based on community self-help; investment in Rural Transaction Centres; natural resource management programs for degraded regions</td>
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### Endnotes

Six of one, half a dozen of the other?

In November 2009, the Australian Farm Institute’s *Farm Policy Journal* focused on the issue of ecolabelling and the increasing range of environmental labels that are emerging to inform consumers about the environmental and health credentials of the food they purchase. With so many different ‘labels’ being promoted (providing information about issues such as water footprints, air miles, animal welfare, organic status and labour arrangements) a growing dilemma for food retailers lies in deciding which of these is more important to the consumer.

The recent decision by Coles to ban beef produced using hormonal growth promotants (HGPs) brings this dilemma to the fore. In this instance, Coles decided consumers’ concerns about perceived chemicals in food was something the national food retailer needed to act on, and it announced that in future it would not sell beef produced using HGPs. However, in banning the use of HGPs, Coles has (perhaps unwittingly) made a decision that will result in an increase in greenhouse gas emissions associated with beef production.

HGPs are supplements consisting of naturally occurring hormones, which are used to improve feed utilisation efficiency, and hence growth rates of cattle. HGPs have been used in Australia since 1979, and are currently used in Canada and the United States (US), as well as in developing nations. Generally, the growth rate of cattle treated with HGPs is 15 to 30% higher than it would otherwise be, and the feed conversion efficiency of these animals is 5 to 50% higher. As a consequence, the use of HGPs enables a significant reduction in the number of days treated animals need to be fed to reach a target liveweight.

Emissions from ruminant livestock represent about 67% of the Australian agriculture sector’s greenhouse gas emissions. The majority of those emissions are associated with the digestion of feed by ruminants. As cattle and sheep eat, their feed is fermented in the rumen, where microorganisms break down cellulose and also produce methane as a by-product. This is a greenhouse gas which is said to be 21 times more potent as a greenhouse gas in the atmosphere than carbon dioxide.

Increasing the feed utilisation efficiency of cattle by using HGPs can have a significant impact on their greenhouse gas emissions. Research by the CSIRO indicates that treating cattle with HGPs can reduce the amount of methane produced over the lifetime of the animal by 16%. If HGPs weren’t used in Australia, it has been estimated the total Australian cattle herd would need to increase by 2 million head just to produce the same amount of beef, and that could increase greenhouse gas emissions by as much as 3 million tonnes of carbon dioxide equivalents per year.

Concern about the potential impact of HGPs on human health was first raised in 1985 when the European Union (EU) banned the production and importation of meat derived from animals treated with HGPs. In 1989 the EU banned imports of beef from the US which was produced using HGPs. In the trade dispute that followed, the World Trade Organisation found that the EU’s ban wasn’t supported by scientific evidence or a proper risk assessment, and could be considered a non-tariff trade barrier.

Following this decision, in 2003 the Australian Pesticides and Veterinary Medicines Authority (APVMA) reviewed the safety of HGP use in cattle. After reviewing 42 published papers on the issue, the APVMA concluded, ‘There was no data to associate the consumption of residues of HGPs currently registered for use in non-European countries with adverse health effects in humans, including cancer risk.’

According to Meat & Livestock Australia, you would need to eat 200 kg of beef from HGP-treated steers to ingest the same amount of oestrogen that a person ingests in eating a single serve of cabbage. To ingest the same amount of hormones present in a single chicken egg, a person would need to eat 77 kg of HGP-treated beef.

Despite the scientific research indicating that consuming beef produced with HGPs does not pose a risk to humans, Coles has obviously responded to what it believes is consumer concern. However as a result, greenhouse gas emissions from beef production are likely to increase. This highlights the folly of adopting a narrow focus on just a single environmental or health issue associated with food, without considering the bigger picture, and in particular the potential for perverse environmental outcomes.

Endnote

1 Using the methodologies developed for the estimation of Australia’s National Greenhouse Gas Inventory, a grass-fed steer will emit between 1.47 and 1.97 tonnes of carbon dioxide equivalent emissions per year, depending on the region where it is produced. For a steer in a feedlot, this figure can be higher, but is dependent on the number of days it is in the feedlot. As an average, emissions of 1.5 tonnes carbon dioxide equivalent per steer per year has been used.
Obesity and diet related diseases are rising both in developed and developing countries. The 2007–08 Australian National Health Survey (NHS) revealed that 61.4% of the Australian population are either overweight or obese, with 20% obese. One-quarter of children aged five to seven years are overweight or obese. The World Health Organisation (WHO) indicates that more than one factor could account for this general trend and underlines that, regarding the characteristics of the food products ‘diets high in complex carbohydrates give way to more varied diets with a higher proportion of fats, saturated fats and sugars’.2

The recent conclusions of the Forum on Trade and Healthy Food and Diets, launched by WHO in November 2007 are published in the book Trade, Food Diet and Health – Policy Options and Perspectives edited by Corinna Hawkes, Chantal Blouin, Spencer Henson, Nick Drager and Laurette Dube (Wiley-Blackwell, 2010). This book first recalls how trade became a health issue, outlining the relationships between chronic diseases and diet, and the links between diet and trade of food products.

The existing international agreements addressing this topic are clearly described; the Uruguay Round Agreement on Agriculture, Agreement on the Application of Sanitary and Phytosanitary Measures (SPS), Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Technical Barriers to Trade Agreement (TBT), the Dispute Settlement Understanding of the WTO, and also the Agreement on Trade-Related Investment Measures. The introduction of a Foreign Direct Investment (FDI) estimate calculated for the world food industry shows a direct relationship with the globalisation of high carbohydrates and low nutrient diets. Fortunately the different scientific works published in this book avoid the trap of generalised or idealistic conclusions on such complex issues and reach their goal, ‘to inform this debate and contribute to improve policy making in this area by providing more information and evidence on the linkages between food, diet and health.’

In the first half of the book, we learn a lot about the links between trade and diet. The first study proposes a conceptual framework of this relationship and applies it to the vegetable oil, meat and highly processed food industries. It concludes that trade liberalisation plays the role of a facilitator of dietary change. The following chapter attempts to understand whether supply or demand has the most influence on dietary patterns. It is compelling to read the Drewnovski et al. study and learn that ‘a diet high in energy and low in nutrition becomes more affordable and/or attractive relative to a diet that is more nutritious’ and that rising global food prices could paradoxically lead to increasing global obesity rates with low-cost, energy dense diets contributing to obesity among the poor. The Global Value Chain (GVC) model introduced by Gereffi et al. appears to offer interesting and measured conclusions. This model includes economic and political factors at the global, national and local levels of the food industry, showing:

[Τ]hat the impact of trade on food consumption in developing countries is primarily indirect rather than direct and is captured at the national and local levels through the adoption of Western products and practices by domestic food systems.

The second half of the book deals with existing policy options, mainly at an international level. The first chapter recommends governments opt for ‘social marketing’ campaigns to promote health messages, but the paper also states: ‘typical budgets for health promotion activities are less than one hundredth of those available to the commercial sector for promoting their products’, and their efficiency is contentious. Other policy instruments reviewed include the SPS, TBS and GATS agreements, and the codex alimentarius. This study explores the legal evolutions of the topic but remains qualitative. We can expect more implementation of these international agreements at the national level, as ultimately national governments are the ones negotiating and implementing these agreements.

It’s quite difficult to draw direct conclusions for Australia on possible policy modifications, as more than one area of policy is concerned: health,
industry competition, products, regulations and agriculture. Agriculture, the food production side of this issue, obviously has a role to play in maintaining a competitive and high quality standard of products. However, it is important to note that highly nutritious and less energy-dense products are not strongly supported or enhanced by current market forces.

Australia doesn’t have a policy targeting the ‘paddock to plate’ approach to food production or a tradition of market intervention – so addressing obesity may need to be consumer led. A recent TV cooking show attracted the attention of more than 4 million Australians with the retailer sponsoring this show increasing its sales of the gourmet or unusual products featured in recipes. This show’s popularity of suggests a real interest in cooking, with this implying the use of unprocessed foods in home cooking and possibly a stronger control of diet composition by the consumer. Australian agriculture is a leading exporter and producer of agricultural products with the capacity to be part of the food and health solution, and as such shouldn’t remain indifferent to the mechanisms outlined in this book.

Endnotes

1 Australian Bureau of Statistics 2008, National Health Survey 2007–08, Cat 4364.0.


3 Foreign direct investment (FDI) is a measure of foreign ownership of productive assets, such as factories, mines and land. Increasing foreign investment can be used as one measure of growing economic globalisation.

A summary of some Australian and international farm policy developments

Comfort food wins in financial crisis

Despite the economic downturn in the United Kingdom (UK), demand for chocolate has proved resilient, with sales climbing 3.1% in 2010. Sales in 2010 are expected to climb to about £3.7 billion, and by 2015 it is forecast that retail chocolate sales in the UK will grow to £4 billion. However, it is reported that two notable chocolate bastions, Germany and Switzerland, will see sales decline in 2010.

Personalised health science entering the food chain

The world’s largest food group, Nestlé, has announced it will focus on the area of personalised health science nutrition to treat conditions such as diabetes, cardiovascular disease and obesity in 2011.

Establishing an institute of health sciences to oversee research and development into areas of biomedical research, the idea is for the group to then translate this information into nutritional strategies. ‘Personalised health science nutrition is about finding efficient and cost effective ways to prevent and treat acute and chronic diseases in the 21st century,’ said Nestlé Chairman Peter Brabeck-Letmathe.

Target expanding into groceries

The Target Corporation is adding fresh food sections to 850 of its United States (US) stores by the end of 2011, in a move that’s seen as a direct attack on Walmart, the world’s largest retailer. Walmart sells more groceries than any other retailer in the US, and Target is the second-largest discount retailer after Walmart. Target is also planning to open small-format stores in urban areas starting in 2012, in an attempt to push into markets where their large stores won’t fit.

Veggies get a junk food makeover

A group of 50 US farmers have employed the tactics of the junk food industry to try to drive sales, by packaging baby carrots in the types of packets normally associated with potato chips, launching a new phone app and releasing TV adverts ‘with attitude’. This is in the same month that the US Centres for Disease Control and Prevention released its State-Specific Trends in Fruit and Vegetable Consumption Among Adults over the period 2000–09, which revealed that last year, 67.5% of adults ate less than two fruits daily and 73.7% ate less than three vegetables daily. This is far short of national health objectives for fruit and vegetable consumption in the US.

What is the total greenhouse gas emission for a litre of milk in the US?

The dairy industry in the US has completed a full life cycle analysis (LCA) for a litre of milk, concluding that dairy products are responsible for about 2% of total US greenhouse gas emissions. The study was limited to greenhouse gas emissions, and followed ISO protocols to create the national-level milk carbon footprint study. About 72% of emissions were found to have occurred by the time the milk reached the farmgate, and the single most important factor explaining differences in emissions across farms was feed conversion efficiency. For each kilogram of milk consumed, it was found that the carbon footprint was between 1.77 and 2.4 kg carbon dioxide equivalent.
European exporters to save €380 million a year thanks to FTA

The European Union (EU) has signed a Free Trade Agreement (FTA) with South Korea, which will eliminate tariffs on all EU agricultural products entering South Korea. Currently only 2% of agricultural exports enter South Korea duty free, and with the changes agricultural exporters are expected to save €380 million annually. Major exports from the EU to the Korean market are pork (€240 million), whisky (€176 million) and dairy products (€99 million). The EU Commission has said this is the most ambitious trade agreement ever negotiated by the EU and it is the first signed with an Asian country.

Foreign ownership of farmland under the Kiwi microscope

The New Zealand (NZ) Government has introduced ‘extra flexibility’ to its Overseas Investment Act, particularly in relation to foreign ownership of large-scale farms. The announcement was part of its review of overseas investment rules which originally aimed to simplify the regime for investors. The reform was delayed in light of pending purchases by overseas investors in large tracts of land and Hong Kong company Natural Dairy’s bid for the Crafar dairy empire. The NZ Government announced it would allow ministers with final say, the ability to veto transactions that don’t ‘promote NZ’s economic interests’. At the same time, a new ministerial directive letter to the Overseas Investment Office will provide extra clarity for potential investors about the government’s general approach to foreign investment in sensitive areas. This is designed to provide advice to the Investment Office about which factors are likely to be more or less important in assessing particular types of investments.

Meanwhile there are reports that the Investment Office has approved the sale of a large NZ dairy farm to Harvard University in the United States. The sale of the 4000 acre Big Sky Dairy Farms in the Maniototo district in northern Otago is apparently the result of a liquidation-sale transaction.

Twenty-two countries facing food crisis

Over 166 million people are suffering chronic hunger or difficulty finding enough to eat as a result of repeated food crises. According to the United Nations’ Food and Agriculture Organisation (FAO), 22 countries are in a protracted food crisis due to a combination of natural disasters and conflict. In releasing the ‘State of Food Insecurity in the World 2010’ report the FAO gave the first definition of a protracted food crisis. Countries reporting food crisis for eight years or more, receive more than 10% of foreign assistance as humanitarian relief, and are on the list of Low-Income Food-Deficit Countries are considered to be in a protracted crisis. It’s hoped that by providing this clear definition, aid interventions can be improved. Currently agriculture receives just 3 to 4% of development and humanitarian aid in these countries.

Recently the FAO issued a report showing that international wheat prices have soared 60–80% since July 2010 while maize spiked about 40%. However UN officials have stressed the current situation is not as bad as that seen in 2007–08 which sparked riots in some developing nations, and it forecast global cereal production in 2010 will reach 2.239 million tonnes, the third largest crop on record.

GM plan for crops slammed in EU

As reported in the last edition of Farm Institute Insights, the European Commission proposed to introduce greater flexibility into the approval system for genetically modified (GM) crops, allowing European Union member countries to decide whether or not to grow them. This plan has attracted strong criticism from both traditionally anti-GM countries like France and Italy, and members such as Spain that have long been pro-GM. Concerns have been raised that the change will fragment the internal market for agricultural goods, and whether the proposal is against the rules of the World Trade Organisation. One million Europeans have signed a petition ‘for a Europe free of GM organisms’, and the petition will be provided to the European Commission President for consideration. Ministers have agreed to establish a working group to address the issues raised by critics, and the proposal will be reviewed by the European Union Environment Council; so the issue will be subject to long negotiations over coming months.

New priorities emerge in the overhaul of the CAP

The upcoming overhaul of the Common Agricultural Policy (CAP) is closely linked to the revision of the European Union’s (EU) financial perspectives for the 2014–21 period, at a time when global commodity markets are volatile and discussions over how to deal with climate change and the economic crisis are ongoing. As such there is an emerging trend toward the concepts of ‘public goods’ and ‘green growth’, with some suggestion of linking direct payments to farmers to the delivery of green public goods.

The head of the EU farmer’s lobby group wants the future farm policy to continue to provide direct payments, but to make these payments only available to active farmers, not non-farming landowners, ‘...landownership as such cannot be, and should not be, a basis for any kind of payment.’

The Common Agricultural Policy (CAP) is the system of agricultural subsidies and programs for the European Union (EU), which costs EU citizens about 30 eurocents per day. The current financial framework which runs from 2007 to 2013 is up for review in parallel with CAP reform.
Report finds carbon sink forestry planning ‘haphazard and inadequate’

The area of Australian agricultural land projected to be planted under carbon sink forests in the future ranges from 5 to 30 million hectares*, but there is no comprehensive development approval or planning process in place to consider either the environmental or socioeconomic impacts of plantings of this scale.

These are the key findings of a recent report released by the Australian Farm Institute, *The Implications of Greenhouse Mitigation Policies on the Demand for Agricultural Land*. The report examines the potential future impact of carbon sink forestry development on demand for agricultural land. The research was carried out by GHD Hassall, jointly funded by National Climate Change Research Strategy for Primary Industries and the Institute.

The researchers examined modelling that has been carried out to date by groups such as ABARE and the CSIRO of the likely future extent of carbon sink forestry. Projections of plantations vary depending on the ‘rules’ and the future carbon price, although all projected plantings will increase dramatically if carbon prices exceed $20 per tonne CO₂-e.

The researchers also examined the development approval processes associated with carbon sink forestry, in order to better understand how potential environmental and socioeconomic impacts are considered.

The researchers concluded that:

None of the states or territories has a specific approvals process for carbon sink plantations... The approval processes vary significantly between the states and territories... Approval processes differ significantly in the impacts considered. Few give any consideration to possible socioeconomic impacts and only Western Australia requires consideration of the impacts of the loss of prime agricultural land. None require the consideration of the regional impacts of plantation development.

The researchers make a series of recommendations about changes to planning processes to more adequately ensure that both positive and negative impacts of carbon sink forestry are given full consideration, and that there is some consistency in planning between jurisdictions.

Given that carbon sink forestry will be virtually the only available emission offset for major emitters for the foreseeable future, and that the resulting demand for land suitable for plantations is likely to be high in some regions, it is essential that proper planning processes are implemented in advance.

A carbon sink forest will effectively be a permanent change in landuse, which will need to be retained for up to 100 years. This means it will be very important to have adequate planning processes, which is certainly not the case at present.

* For comparison, the total area of land planted to crops each year in Australia is approximately 25 million hectares, and the current area of commercial timber plantations is around 2 million hectares.

Agricultural labour shortages set to worsen

Australian agriculture faces a current labour shortage of at least 96,000 full-time workers and 10,000 part-time workers, and future projections of labour supply and demand for the sector show no signs of this shortage being reduced over the next decade unless action is taken on a number of fronts.

These are the conclusions of the recently released Research Report: *Towards a Better Understanding of Current and Future Human Resource Needs of Australian Agriculture*, jointly funded by Horticulture Australia, AgriFood Skills Australia and the Institute. The research found that if the sector continues on a business-as-usual course over the next decade, the current shortage of available labour will continue to worsen, driving up labour costs and limiting future growth in the sector.

Competing demand for regional labour supplies from the mining sector, and the generally poor perceptions of careers in agriculture are major negative factors which reduce the number of new entrants seeking careers in the sector. A further factor which discourages new entrants from entering the sector is the lack of defined career paths, and the indifferent attitude employers in the sector seem to have towards helping employees undertake additional education or training.

The research involved a detailed examination of labour demand and supply statistics for the agriculture sector, an industry survey, and the development of future labour and demand supply scenarios over the next decade.

A key issue that emerged from the research was the poor quality of statistics that are available to the industry which would help in future workforce planning.

These Research Reports are now available to purchase online. Institute Members and complimentary subscribers receive a copy of each report for free; non-members can purchase copies for $66.
Australia’s primary industries: buffering the economy from external economic shocks

The November 2010, Farm Policy Journal will finally publish the eagerly awaited result of the John Ralph Essay Competition. This year, AFI launched the essay competition with a cash prize of $2500 for the winning entry. The competition recognises the contribution of Mr John Ralph to the Institute. John was Chairman of the Institute from its founding in 2003 until his recent retirement, and has played a major part in the Institute’s development. The John Ralph Essay Competition will be held annually.

John was the former Chairman of the Commonwealth Bank of Australia, former Deputy Chairman of Telstra Corporation and previous Chairman of the Business Council of Australia and the Australian Mining Council. His outstanding contribution to the country was recognised in 2000 when he was appointed to Australia’s highest civilian honour, a Companion in the Order of Australia, having been made an Officer in the Order of Australia in 1988. Involved in farm enterprises in southern NSW, John Ralph has argued strongly for comprehensive and objective research as the basis for sound policy decision-making, particularly for the agriculture sector. To support this goal, the Australian Farm Institute was established in 2003.

In 2010, the first year of the prize, the topic is ‘The role of Australia’s primary industries in buffering the Australian economy from external economic shocks.’ Entries were judged by John Ralph, the AFI Executive Director and the Chair of the Institute’s Research Advisory Committee. One winner and three authors have been shortlisted for publication. The next Journal will also contain the latest figures on the contribution of Australian agriculture to the national economy.

The November 2010 Farm Policy Journal will be released in early December. It can be viewed, by members and subscribers, or purchased at www.farminstitute.org.au/publications/farm-policy-journal.html

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