



CHECK AGAINST DELIVERY

## **'Competing in a Global Marketplace an Australian Farmers Perspective'**

Address by Charles Burke, NFF Vice-President  
Australian Food and Grocery Council Forum  
13 September 2005

### **INTRODUCTION**

- Thank you Warwick (Warwick White, AFGC) and thank you for the opportunity to provide a farmers' perspective on the challenges of competing in a global marketplace.
- To begin I am planning to comment on the current state of Australian farming, and then consider some of the key trends that I believe will shape the future of Australian agricultural industries.
- I will then outline what the National Farmers' Federation (NFF) sees as the five keys to success for an Australian farmer looking to compete in the global marketplace.
- While the Australian Food and Grocery Council (AFGC) has invited me to provide a farmers' perspective, upfront I think it is worth emphasising that if Australia is to compete in a global marketplace, then we need to look at this competitiveness issue from the point of view of the entire Australian food industry.
- In my view we need to move beyond the sometimes-adversarial grower-processor, processor-retailer relationships that currently beset our industry.
- As we move forward, the Australian value chain must be something more than a concept we read about in glossy government magazines, it must be a guiding principle on which individual businesses, and the Australian food industry take on the future.

## **THE FACE OF AUSTRALIAN FARMING**

- In 2003-04, the Australian farming directly contributed:
  - 4 per cent of GDP;
  - to over 375 000 jobs; and
  - around 22 per cent of total exports in 2003 04.
- In taking a broader perspective, the Australian Farm Institute recently estimated that this contribution was closer to 12.1 per cent of GDP, and in the order of 1.6 million jobs.
- There is no doubt that increased international competition, declining terms of trade and severe and prolonged drought have placed immense pressure on many Australian farm businesses over the last decade.
- While the adoption of R&D outcomes, innovative technologies and new production systems have allowed many farmers to improve their productivity and to stave off declining margins, it is clear that the pressures of the global marketplace have, and will continue to drive major change in the farm sector.

### **Change in relation to the number of farm businesses?**

- With a 25 per cent decline in the number of farmers observable over the past 20 years, this has left around 136,000 enterprises (ABS), 99 per cent of which remain family-owned.

### **Change in relation to what we farm?**

- A substantial 'intensification' of agricultural production has resulted in many farmers shifting away from traditional dryland production of wool, wheat and beef into specialist grain production, new fibres, intensive livestock and a range of horticulture and vegetable products.

### **Change in relation to where we farm?**

- Much of this intensification has been driven by irrigation development, creating a scenario where around 80 per cent of farm profits are realised from around 1 per cent of our productive land.
- There are no signs that this change will abate, with new pressures such as water reform, uncertainty over resource security, red tape and continuing drought likely to drive further rationalisation.
- While individual stories of families leaving their farms are often tragic, at the national scale this adjustment has helped create a more efficient, risk-aware and competitive agricultural sector.

## **COMPETING IN A GLOBAL MARKETPLACE**

- The tough changes that industry has endured through market deregulation and farm adjustment, combined with the genuine commitment of Australian farmers towards sustainable production, productivity improvement and self-reliant risk management, have meant that Australian farmers are now better equipped than ever to compete in the global marketplace.
- That said, we must not under-estimate the magnitude of the challenges that farmers, and in turn food processors, face. These challenges include:
  - the emergence in our key markets of new competitors such as China, India and South America with highly competitive cost bases, vast and expanding production area, and negligible environmental and labour standards;
  - increased scrutiny in high value markets, and consumer demand for assurance over the environmental sustainability, animal welfare and other facets of agricultural production;
  - achieving meaningful international market access in the face of considerable resistance to reform;
  - keeping pace with our export competitors who have embraced GM technology and are realising the considerable productivity advantages; and
  - attracting labour, in particular skilled labour in an extremely tight domestic and international market.
- The challenges faced by Australian farmers are indeed immense, but we must also acknowledge the new and significant opportunities that exist for Australian producers to succeed in the global marketplace.
- In considering how Australian farmers can capitalise on new opportunities, I am now going to outline what I believe are the five keys to success for an Australian farmer looking to compete in the global marketplace.

## **FIVE KEYS TO SUCCESS IN A GLOBAL MARKETPLACE**

### **1. Keeping the cost base down**

- In the face of increasingly competitive markets, it will be essential for farmers to minimise their cost of production and establish more efficient businesses.
- Increased business efficiency will be achieved through embracing the outcomes of R&D in areas such as integrated pest management, water and fertiliser use efficiency, feed utilisation, and other forms of precision agriculture.
- In addition to production costs, farmers will increasingly depend on organisations such as NFF to lobby governments to minimise the regulatory cost burden facing their businesses, whether in relation to native vegetation, industrial relations or national security requirements.

### **2. Expanding planning horizons - medium to long term business planning**

National Farmers' Federation Limited  
ABN 77 097 140 166

NFF House, 14 - 16 Brisbane Avenue, Barton ACT 2600 ■ PO Box E10, Kingston ACT 2604  
Tel +61 2 6273 3855 ■ Fax +61 2 6273 2331 ■ Email [nff@nff.org.au](mailto:nff@nff.org.au) ■ Web [www.nff.org.au](http://www.nff.org.au)

- In order to compete, farmers will increasingly be required to interpret longer-term market trends and expand their business planning horizons accordingly.
- A clear business direction, and a medium-to-long term plan will be imperative in order to:
  - secure the financial support necessary to make capital investments in best practice technology, equipment or farm design;
  - develop the tailored genetics or plant breeds required to meet the needs of specialised consumer markets;
  - commit to the implementation of a production assurance or farm management system; or
  - put in place the risk management measures required to prepare for major drought, disease or downturn.
- In order to provide farmers with the certainty required to expand their planning horizons, NFF has emphasised the critical importance of governments delivering farmers both land and water resource security.
- This remains an ongoing battle.

### **3. Improved downstream relationships**

- In order to expand their planning horizon, Australian farmers will be dependent on improved downstream relationships with food processors and retailers.
- Farmers will depend on clear and early signals from processors and retailers in relation to changing consumer demand, emerging competitiveness challenges or new product opportunities.
- Increasingly downstream relationships will take the form of direct contracts between producers and either processors or retailers, spelling out clear production, traceability and quality requirements for producers to meet.
- While a secure supply contract can have obvious appeal over the spot market, from a farmers' viewpoint contracts must be of sufficient duration to warrant the on-farm investment necessary to deliver the required product, and must constitute a genuine commitment on the part of both parties.
- Farmers recognise the cost and competitive pressures facing both processors and retailers, however it would be encouraging to think that as Australian food processors and retailers build value through delivering consumers with consistent, clean and quality products, that the Australian farmers who ensured this consistency, cleanliness and quality could share in this value growth.
- On the basis of current evidence, this will require a substantial philosophical shift on the part of retailers, to a point where food is no longer viewed as a bulk commodity.

### **4. Better understanding the needs and trends of the market place**

- The ability of Australian farmers to compete in the global market place will depend on our ability to identify emerging consumer demand and to deliver new and innovative products that embody quality, cleanliness and sustainability.
- Australian farmers will need to 'get closer to consumers' and to identify high value opportunities to deliver differentiated and specialised products.
- These opportunities, for instance, may emerge as a result of:
  - the growing affluence within developing nations, and the resulting demand for protein, meat and dairy products;
  - impacts of disease on the trading status of Australian competitors; or
  - the growing demand for counter-seasonal horticultural produce in Northern Hemisphere markets.
- Considerable opportunities also exist on the domestic front, with the ongoing Country of Origin Labelling debate highlighting a growing interest among consumers about the origins of their food.
- Growing urbanisation, inner-city apartment living and hectic lifestyles mean that many Australians are now further removed from the sources of their food than ever before, however there is no doubt that a current of untapped support exists within metropolitan Australia.
- With local Farmers Markets attracting an average of 4250 shoppers week in, week out in capital cities, and around 70 markets operating nationally, it is clear that consumers too, are seeking an alternative from the commercial monotony offered by the major retailers.

## **5. Capitalising on new global opportunities**

- With Australian farmers continuing to export over 70 per cent of what we produce, it is essential that we consolidate our key trading relationships, and capitalise on new market opportunities.
- There is absolutely no doubt that our future prosperity and our future growth opportunities are inextricably linked to our ability to access open markets internationally through negotiations like the current Doha Round of World Trade Organisation (WTO) negotiations, and Free Trade Agreements (FTA) negotiations with countries such as China.
- To this end, NFF's number one trade priority remains the WTO Doha Round and we will be working hard in the lead up to December's 6th World Trade Organisation Ministerial Conference.
- Comprehensive wins in the international trade arena are hard to come by, therefore it is of utmost importance that farmers and processors, work with Austrade and the National Food Industry Strategy (NFIS) to capitalise on new market opportunities when they present themselves.

## **CONCLUSION**

National Farmers' Federation Limited  
ABN 77 087 140 166

NFF House, 14 - 16 Brisbane Avenue, Barton ACT 2600 ■ PO Box E10, Kingston ACT 2604  
Tel +61 2 6273 3855 ■ Fax +61 2 6273 2331 ■ Email [nff@nff.org.au](mailto:nff@nff.org.au) ■ Web [www.nff.org.au](http://www.nff.org.au)

- Australian farmers, and indeed the entire the Australian food industry face an immense challenge in competing in the global marketplace.
- The reality is that while our industry has been through some tough changes and we are better equipped to compete in this new global environment, we must continue to work collectively:
  - To keep our cost base down;
  - To identify long-term opportunities and to expand our planning horizons;
  - To develop genuine and lasting chain relationships;
  - To better understand the needs of both today's and tomorrow's consumers; and
  - To capitalise on new global market opportunities.
- These are challenges that we must overcome collectively, and in doing so ensure Australian farmers, and the entire food industry a strong and prosperous future.
- Thankyou

ends