



## **National Farmers' Federation**

### **Submission to the White Paper on Australia in the Asian Century**

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National Farmers'  
FEDERATION

Member Organisations



CORPORATE  
AGRICULTURAL  
GROUP

CANEGROWERS



COTTON  
AUSTRALIA



The Pastoralists'  
Association of  
West Darling



Victorian Farmers  
Federation



WOOLPRODUCERS  
AUSTRALIA

# Contents

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Contents .....	3
<b>1. Introduction</b> .....	4
<b>2. About the NFF</b> .....	4
<b>3. Changing demand and supply dynamics in Asia</b> .....	4
Population growth.....	4
Urban encroachment on arable land .....	5
Increasing per capita incomes (changing diets) .....	5
Biofuels .....	6
<b>4. Australian agriculture is ideally positioned to supply</b> .....	7
An open economy with an abundance of natural resources.....	7
Geographic positioning.....	7
Enviably pest and disease free status .....	7
Low levels of sovereign risk .....	8
Export of agri-technologies.....	8
<b>5. Trade liberalisation will allow Australia to capitalise</b> .....	8
Multilateral, regional and bilateral trade agreements .....	8
Efforts in addressing technical market access will be paramount .....	10
Australian agriculture is complementary to Asian agriculture .....	10
<b>6. Australia must build and secure its positioning</b> .....	12
Biosecurity .....	12
Research and development .....	12
Promote innovation.....	13
Competition for land, water and labour .....	13
Foreign investment will play an important role .....	14
Building relationships .....	15
<b>7. Conclusion</b> .....	15

## 1. Introduction

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The National Farmers' Federation (NFF) is determined to remind the Australian Government about the positive opportunities that the Asian Century presents for Australian agriculture. There is a lot for Australian farmers to be proud of and the sector is now well positioned to capitalise on the Asian Century with the assistance of enabling policies.

The growth in the farm sector over the past 20 years has consistently outperformed other sectors of the Australian economy and we have a well earned reputation for producing clean, healthy and fresh food that the world is increasingly demanding. The need to feed, clothe and house a booming and increasingly wealthy Asian population is driving demand for both quality and quantity of food and fibre that Australia is well placed to deliver.

To date, the agricultural sector has been scarcely mentioned for the prospects that it possesses in the Asian Century. It is a significant challenge to try and re-orient government's mindset away from purely focussing on the finite benefits of the mining sector and towards the ongoing, future potential of agriculture. This has been aptly described by some as 'mining myopia', as attentions zero in on maximising the wealth from mining, while forgetting about the long term opportunities presented by food and fibre demand.<sup>1</sup>

## 2. About the NFF

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The NFF was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

Following a restructure of the organisation in 2009 a broader cross section of the agricultural sector is now able to become members of the NFF, including organisations from the breadth and the length of the supply chain.

## 3. Changing demand and supply dynamics in Asia

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The changing demand and supply dynamics in Asia have been well documented and clearly point to an enormous opportunity for Australian agriculture. These include the following factors:

### Population growth

Asia's population has nearly quadrupled during the 20th century, and with a current population of approximately 4 billion people, is the world's largest and most populous continent. While it covers 29.9 per cent of the world's land area, it hosts 60 per cent of the world's current human population. While the United Nations projects that the world's

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<sup>1</sup> Australian Farm Institute. 2011 'Farm Institute Insights', Vol. 8 | No. 4 | November 2011

population is expected to grow by 2.2 billion in the next 40 years to 2050 (an increase of 32 per cent from 2010), Asia's population is forecast to increase by more than one billion during this time. This is expected to include 400 million additional people in India and 63 million people in China.<sup>2</sup>

### **Urban encroachment on arable land**

According to the Global Land Assessment of Degradation published by the United Nations' Food and Agricultural Organization (FAO), nearly two billion hectares of land worldwide has been degraded since the 1950s. Asia, while still possessing extra arable land capacity, has the largest proportion of degraded forest land. It is believed that there remains some 2.7 billion hectares of land with potential for crop production to some degree. Yet this land is unevenly distributed between regions and countries and there is believed to be virtually no spare land available for expansion in South Asia.

Compared to the rest of the Asia Pacific region, Australia is in a fortunate position with regards to the availability of arable land, currently ranked first in the world according to the FAO for actual arable land per capita, at 2.67 ha/per capita. In comparison China has only 0.08 ha per capita.<sup>3</sup>

In addition to the arable land discussion, we must recognise that urbanization also shifts people from rural to urban centres, thus lifting demand for imported food for an increasing portion of the population. These people tend to undertake more out of home consumption than rural populations looking to meet a high percentage of their food needs from own and locally based production.

The NFF also notes that urbanisation appears to be facilitating improvements in food distribution networks and logistics (particularly for refrigerated foods). This, along with income growth, is helping drive demand and trade in non traditional, perishable food items such as dairy.

### **Increasing per capita incomes (changing diets)**

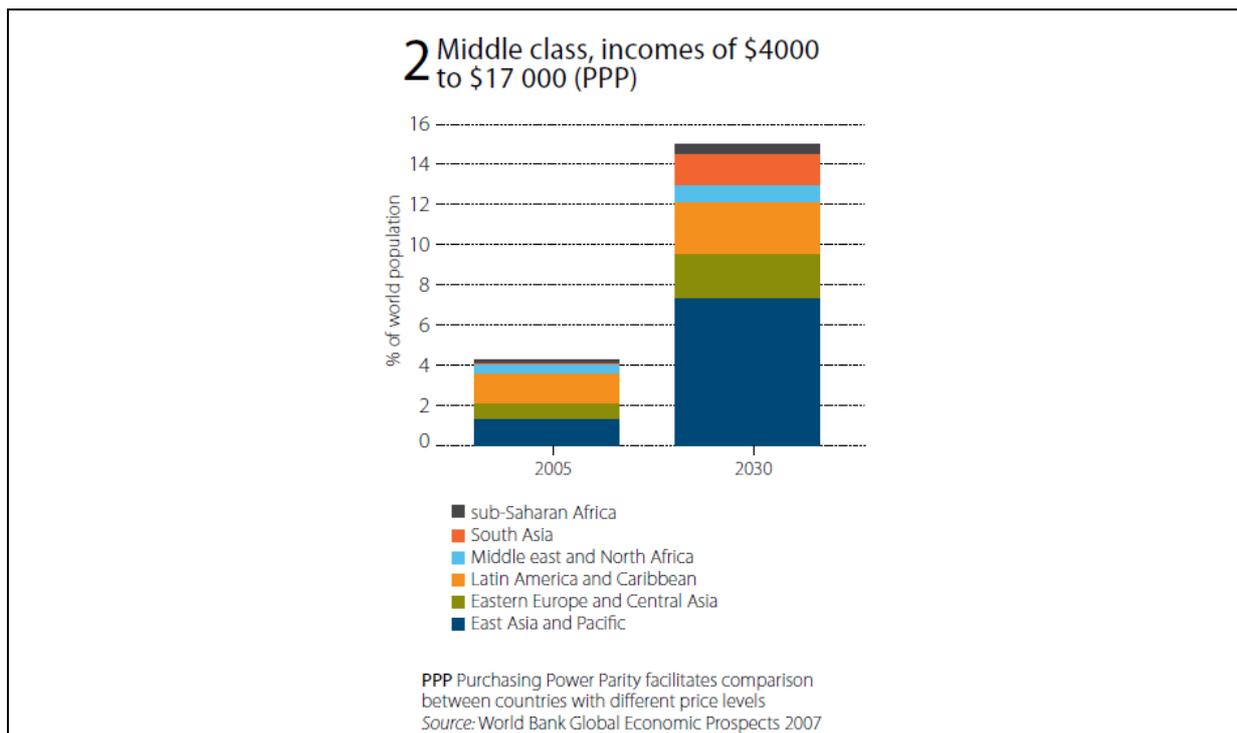
The World Bank estimates that the share of the developing countries in global output is expected to increase from about one-fifth to nearly one-third, and represent half of the world's purchasing power by 2030. Per capita incomes in the developing countries of East Asia are forecast to grow by between 4.5 per cent annually, and in South Asia by between 2.5 and 5 per cent annually.<sup>4</sup>

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<sup>2</sup> Moir, B and Morris. P 2011 'Global food security: facts, issues and implications', ABARES Science and Economic Insights, Issue 1 – 2011

<sup>3</sup> Campbell P, 2011, *The Future Prospects for Global Arable Land*, Future Directions International, Strategic Analysis Paper

<sup>4</sup> Moir, B and Morris. P 2011 'Global food security: facts, issues and implications', ABARES Science and Economic Insights, Issue 1 – 2011



The effect of growing incomes will be improved diets and higher potential food consumption. Consumption of livestock products, vegetable oils and, to a lesser extent, sugar, is expected to form an increasing proportion of food consumption.

In South Asia, annual meat consumption is projected by the FAO to increase to 18 kg a person through to 2050. East Asian annual meat consumption is forecast to grow from 39.8 kg a person in 2000 to 73 kg a person by 2050. Consumption per person of vegetable oils in South Asia, is forecast by the FAO to almost double in this period and consumption of fresh fruit and vegetables is projected to expand in countries including China.<sup>5</sup>

The Australian Farm Institute notes that Japan, South Korea and Taiwan (representing just 2.8 per cent of world population) went through similar economic growth and dietary changes during the 1960s and 1970s and the result was major new markets for Australian agricultural products. In contrast, China, India and Indonesia alone account for 40 per cent of the world population suggesting that the impact of just these three Asian nations on global agricultural demand over the next two decades will be 13 times as great as was the impact of the economic transition of Japan, South Korea and Taiwan.<sup>6</sup>

## Biofuels

Internationally, there has been a large diversion of maize, canola, palm oil and other crops from food markets, for the production of ethanol and biodiesel. This switch to biofuels has been driven by a multitude of elements including a perceived need to ensure 'energy

<sup>5</sup> Moir, B and Morris. P 2011 'Global food security: facts, issues and implications', ABARES Science and Economic Insights, Issue 1 – 2011

<sup>6</sup> Australian Farm Institute. 2011 'Farm Institute Insights', Vol. 8 | No. 4 | November 2011

security', and regional development. Biofuels production has increased demand for food crops and put significant upward pressure on food prices, including across the Asian region.<sup>7</sup>

## **4. Australian agriculture is ideally positioned to supply**

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### **An open economy with an abundance of natural resources**

Over 30 years ago, Australian farmers realised that in many cases, Australia's protectionist policies were reducing the competitiveness of the rural sector and indirectly placing upward pressure on farmer's costs which farmers were unable to pass on.

Farmers also realised that the market distortions were breeding inefficiencies and dulling market signals – a real danger for a sector so dependent on the highly competitive international market. With this knowledge, the sector embraced a large scale reform process that has resulted in the sector being more open to the international market and more responsive to changes in consumer demand.

This has enabled the agricultural sector to recognise and embrace its comparative advantage in broadacre agricultural products that are produced with the extensive use of land and limited inputs of labour. These commodities include cereals, oilseeds, beef and sheep meat, as well as sugar and dairy.<sup>8</sup>

### **Geographic positioning**

Not only is Australia ideally located in the Asia-Pacific, the major future source of world economic growth, but Australia's geographic positioning also offers strategic benefits for our agribusiness trade into Asia.

Austrade is clear in outlining this advantage as presenting unique time zone advantages in the Asia Pacific, allowing companies to benefit from 'follow-the-sun' or 'pass-the-book' operations such as transaction processing, help desks, customer service, IT support and other critical services. They also note that Australia's counter-seasonality to the northern hemisphere also offers significant strategic advantage in food production and agri-business. The freight advantage for Australian perishable agricultural exports is also tangible, with relatively short freight times by sea and real opportunities through air freight.<sup>9</sup>

### **Enviably pest and disease free status**

Australia is one of the few countries in the world to remain free from the world's most severe pests and diseases. Our geographical isolation has played a key role in maintaining this status.<sup>10</sup> The NFF has been at pains to reinforce the importance of protecting Australia's shores from pests and diseases and maintaining our enviable status. This has been vital for

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<sup>7</sup> Stoeckel A, 2008 'High Food Prices – Causes, implications and solutions', commissioned by the Rural Industries Research and Development Corporation

<sup>8</sup> Moir, B and Morris. P 2011 'Global food security: facts, issues and implications', ABARES Science and Economic Insights, Issue 1 – 2011

<sup>9</sup> [www.austrade.gov.au](http://www.austrade.gov.au) - Accessed on 15 February 2012.

<sup>10</sup> [www.daff.gov.au/aqis/quarantine](http://www.daff.gov.au/aqis/quarantine) - Accessed on 14 February 2012.

our farming sector, both in production and marketing terms, but has also been vital for the community and economy.

### **Low levels of sovereign risk**

Australia is traditionally recognised as a safe and attractive place to do business, with a transparent rule of law, strong public institutions and democratically elected governments. We have a sound record of stable and generally sound policy-making, and we have enjoyed an environment where businesses have a high degree of certainty that their investments will not be subject to inconsistent and bad government decision-making.<sup>11</sup>

### **Export of agri-technologies**

The majority of food, particularly in developing countries, is consumed where it is produced, and the adaptation of technologies and Australian low input farming systems can assist. Australian agriculture has an enviable record of productivity improvement, built on the back of innovation from research and development and the need to improve production efficiency. These lessons translate well to agriculture in other countries, and provide an opportunity to offset the growing demand for food in these growing countries. As an example our ‘precision farming’ technologies retain stubble and place nutrients and water to match plant requirements. This translates into the smallholder ‘conservation farming’ systems that also work well in Asia increasing the returns for rural producers and reducing the degradation of agricultural resources.

The skills and knowledge Australia contributes to these agricultural development partnerships is built on the investment Australia makes into domestic agricultural research. The NFF believes that Australia has an enormous opportunity to expand the base of domestic research funding for work on agricultural productivity. This expanded funding base needs to include better engagement with Australian and international agribusiness to increase private investment in research and development. Through this, Australian research can support farmers, allow Australia to take up new knowledge and innovations as they are developed internationally and, at the same time, provide road-tested technologies that contribute to our international food security obligations.

## **5. Trade liberalisation will allow Australia to capitalise**

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### **Multilateral, regional and bilateral trade agreements**

Asian markets have become increasingly important destinations for Australian exports in the past two decades. Japan remains the most important destination, taking around 20 per cent of Australia’s food exports by value but Indonesia, the Republic of Korea, Malaysia and China are all now taking a higher proportion of Australia food exports than they were 20 years ago.<sup>12</sup>

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<sup>11</sup> <http://www.theaustralian.com.au/national-affairs/damaged-by-growing-sovereign-risk/story-fn59niix-1226113619488> - accessed on 5 March 2012

<sup>12</sup> Moir, B and Morris. P 2011 ‘Global food security: facts, issues and implications’, ABARES Science and Economic Insights, Issue 1 – 2011

However, market access continues to be a major obstacle for Australian agriculture in tapping into this potential opportunity in Asia. Agriculture globally remains the most distorted area of international goods trade with average tariffs more than three times higher than in non-agricultural goods. Agricultural tariffs on some commodities face prohibitive tariff barriers of as much as 800 per cent. Examples along these lines are prevalent in Asia.

It is well recognised that a multilateral approach to addressing these market access barriers offers the greatest potential returns, yet the political and pragmatic reality is that FTA's and regional trade agreements can play a vital role. This comes not only from a desire to open up new markets and improve economic welfare but also derives from defensive reasons. Australian farmers now face a raft of examples where, due to the vast number of bilateral and regional trade agreements currently in place, they face a situation where they are or will be discriminated against due to trade agreements of which they are not a participant.

For example, a study undertaken by the Centre for International Economics (CIE) reveals Australian agricultural and food exports to Korea could be slashed – in real terms, down 12.4 per cent (\$162 million) by 2030 – following the trade deal between Korea and the United States (US). This reinforced the need for Australia to secure our own bilateral agreement with South Korea.

The Korea-US FTA example is becoming more widespread in other Asian markets where our competitors have existing deals in place. Key examples of particular relevance to Australian farmers include:

- The Korea-US FTA will give the United States preferential market access in South Korea.
- The NZ-China FTA has given New Zealand preferential market access in China.
- The NZ-Malaysia FTA has given New Zealand preferential market access in Malaysia.

In this context, the NFF remains committed the Doha Round of multilateral trade negotiations for opening up new business partnerships and trade opportunities in Asia for Australian farmers. However, in recognition of the current poor state of those negotiations and the fact that other bilateral deals are eroding our positioning in key markets, we are turning our attention to regional and bilateral trade deals. These include the Trans Pacific Partnership, and bilateral deals with Japan, Korea, China, Indonesia and Malaysia.

Australia's trade deals with the ASEAN, Singapore and Thailand also offer further opportunities to expand agriculture's footprint in the region. There are tangible examples where these deals are making a significant difference to Australia's agricultural exports.

The NFF is also keen to reinforce that Australia's trade negotiations are not solely about creating new market access opportunities and the need to act hastily is also related to technical barriers to trade. Regulations and standards in Asia are a key reason why Australia's bilateral and regional trade agenda is important and these parameters are often established by the initial trade agreement partner. For example, Europe is insisting that their bilateral trade deals in Asia incorporate sections giving greater credence to Geographic Indicators on products. This may also create problems for subsequent deals with countries like Australia.

## **Efforts in addressing technical market access will be paramount**

The NFF notes with concern that the global trading environment is becoming more challenging through an escalation of behind-the-border measures and technical trade barriers. It is in such areas that Australia's overseas postings such as the Department of Agriculture, Fisheries and Forestry (DAFF) Agriculture Counsellor positions have been so vital in facilitating the smooth flow of product.

Under budgetary pressure, DAFF has recently reduced its presence of technical counsellors in its European and the United States posts. This loss of 'in country' technical advice limits Australia's ability to respond quickly to technical trade and market access issues and minimise disruption to trade. The NFF urges the Government to provide additional technical capacity through a greater presence of technical specialists in overseas posts in response to a growing need to resolve technical market access issues.

## **Australian agriculture is complementary to Asian agriculture**

An important and often overlooked fact of Australia's relationship with Asia is the complementary nature of our agricultural industries that will mean completed trade deals can benefit everybody. From the outside looking in, it appears that future demand for food in Asia is trending towards being more variable than it has ever been. There will be urban and rural demand that will be largely locally produced. There will be imported commodities supplied largely on price and there will be an expanding market for a range of foods differentiated on the basis of quality and brand commitments. It is within this latter segment that Australia has a major role to play.

Australia has a reliable and reputable record forged over many years of delivering agricultural product directly targeted to the needs of our Asian customers. Australian farmers are acutely aware of what our customers in Asia are looking for and have developed systems to ensure we deliver high quality and high value added products that have integrity and that are subject to international best practice quality systems.

We also have a reputation for our clean and natural supply systems. The use of fumigants and insecticides are heavily regulated and monitored by government authorities. The National Residue Survey (NRS) is funded by farmer levies to test for residues in over 50 agricultural commodities. Australian farmers can deliver a very convincing value proposition to Asian consumers and give them confidence in the quality of our produce. These product guarantees are important and were demonstrated to be so, for example, in the aftermath of the baby milk scandal in China where consumers sought out Australian and New Zealand origin products.

There are also strong seasonal synergies between Australian and North Asian production. At the broadest level, Australian production based around southern hemisphere seasons is available in the 'off season' for our North Asian trading partners, particularly in sectors such as horticulture. These complementarities in seasonal supply will grow in importance as consumers in North Asia and Australia expect year round supply.

In addition, there are many instances where Australian products are differentiated from Asian local produce and service different market segments. This will increase with the increasing popularity of western style cuisines. For example, in the Japanese grain sector, due to

climatic and physical constraints, it is recognised that Japan does not produce sufficient quantities of the grades of wheat necessary to make high quality grain based foods such as udon and alkali noodles. In this case, Australian grain exports are not replacing locally grown product but are complementary to domestic grain production and are producing new products to meet new local consumer tastes.

Similarly, Australian dairy exports provide Japanese dairy companies and other food manufacturers with cheese for processing and other vital ingredients that they need to continue their business and provide safe quality food for Japanese consumers. These imports complement local production rather than competing in markets such as fresh milk which accounts for the bulk of Japanese milk production.

In Korea, beef producers have secured differentiated positioning for their domestic Hanwoo beef product. This has seen Hanwoo beef command a significant price premium. In contrast, the majority of Australian beef exported to the Republic of Korea is leaner and generally purchased for everyday consumption. Australian beef competes in a clearly defined imported market segment and is not considered to be a close substitute to Hanwoo beef. In sugar production as well, while the Republic of Korea lacks a market for domestic sugarcane or sugar beet production it has an active sugar refining industry. As such, imports of raw sugar from Australia are important raw materials for sugar refiners in the Republic of Korea.

In China, increased demand for dairy products has emerged with rising household incomes, and the resultant shortfalls have necessitated milk imports. Most of these are concentrated in high value niche markets including infant formulas, butter and cheeses which are predominately supplied to urban regions. Local production continues to supply fresh milk to expanding markets in rural and regional areas with some produced from imported cows from Australia supported by technical assistance and management skills.

We should also not forget the non-food agricultural sectors where extremely strong complementarities lie, particularly in China. For example, Australian wool exports to China are predominantly for the apparel market given the high quality of the exported wool. The Chinese sheep flock and production is expanding based on imported Australian genetics but there is little direct competition as Chinese domestic sourced wool is mainly utilized in carpets and other lower end uses. Similarly, Chinese manufacturers use Australian raw hides and skins to produce textiles, clothing and footwear (TCF) items. Illustrating the synergies around 65 per cent of Australian imports of TCF are sourced from China.

Realities such as these are often conveniently forgotten yet collectively paint a very compelling picture to demonstrate how complementary Australian agricultural production is with that of our Asian markets. Rather than being a threat to domestic agricultural production, Australian farmers are filling a void in the expanding and changing market that domestic suppliers are either unable or unwilling to supply.

It is a fine example of how trade can work to the mutual benefit of two economies, in this case, within the same sector – agriculture.

## 6. Australia must build and secure its positioning

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### Biosecurity

A strong and effective rules based trading system is essential for our farmers continued access to markets. Consequently, Australia's quarantine arrangements should be managed in such a way as to ensure continued access for the two thirds of Australia's food and fibre production that is exported without compromising our biosecurity. This will be vital in ensuring that Australian agriculture can maximise its future opportunities in supplying food and fibre to the Asian region.

The NFF notes that shortfalls in Australia's biosecurity systems were highlighted by the Beale Review, released in December 2008. This report highlighted concerns that significant elements of the review recommendations, particularly those relating to Australia's import quarantine reforms, remain unfunded. A significant funding injection is still needed to fix the existing deficiencies, let alone ensure long-term safeguards are in place to deal with new threats as they arise and ensure policy and operational changes prevent deficiencies from reoccurring.

There is a strong need to invest in enhancing the integrity and transparency of Australia's quarantine system by making further investments in our system along the lines of recommendations stipulated under the Beale Review. Until this happens, Australian farmers as well as consumers both at home and abroad will be able to question Australia's quarantine system and whether our system is moving with the times and implementing world's best practice.

### Research and development

Research and development (R&D) is fundamental for Australia to assist in maintaining food security in the region, and to meet the various new and emerging challenges for food production and agriculture. In Australia, research provides farmers with the tools to improve their international competitiveness and sustainability of production. In the context of international food security R&D is much more than simply about developing export opportunities. The adaption of this research in a practical way for use in developing countries needs to be the cornerstone for Australia's engagement on global food security. The recently published "Strategic Framework for International Agricultural Research within Australia's Aid Program" highlights Australia's long standing worldwide reputation for excellence in science related to food and agriculture and the benefits that can come through collaborative research with Australia's neighbours<sup>13</sup>.

The Australian Bureau of Agricultural and Resource Economics and Science (ABARES) notes that two-thirds of the gross value of agricultural production in Australia in recent years can be attributed to gains in productivity. Unfortunately, this rate of productivity growth is now waning. They highlight that total factor productivity in Australian broadacre agriculture grew at an average of 1.4 per cent annually between 1977–78 and 2007–08. In the period 1977–78 to 2000–01, productivity grew at 2 per cent a year in trend terms, but has since

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<sup>13</sup> Chubb, I. (2011) "Strategic framework for International Agricultural research within Australia's Aid Program", ACIAR  
[http://aciarc.gov.au/files/node/14329/strategic\\_framework\\_for\\_international\\_agricultural\\_17779.pdf](http://aciarc.gov.au/files/node/14329/strategic_framework_for_international_agricultural_17779.pdf)

reversed to contract at 1 per cent a year in trend terms. Similar trends have been seen in the dairy industry. ABRES goes on to note that a key driver of productivity growth is investment in R&D, and it is notable that Australian public expenditure on R&D in agriculture, which grew at an average of 6.5 per cent a year between 1953 and 1980, has since grown at only 0.6 per cent a year<sup>14</sup>. The NFF has continued to call for a re-investment in agricultural R&D to address the decline in productivity growth. The NFF has also called for a more cohesive approach to agricultural R&D that ensures the various agencies and programs involved in research (such as the Australian Research Council, Cooperative Research Centre and CSIRO) recognise agriculture as a priority and invest and coordinate their efforts to better support innovation in the sector.

### **Promote innovation**

ABARES notes that a range of innovations are occurring globally in agriculture, and Australia needs to ensure our regulatory systems facilitate the uptake of this innovation. They highlight the use of biotechnology and the adoption of genetically modified organisms, including pest and chemical resistant crops. Technologies such as these have contributed to productivity gains in agriculture in recent years and will undoubtedly have important applications for Australian agriculture in the years to come.<sup>15</sup>

Yet regulations and unwieldy timeframes for new technology approvals risks leading to a lack of investment in new technologies and/or limit Australian farmers' ability to capitalise on new potential productivity gains. While the NFF recognises that technologies need to be acceptable to consumers and others in the supply chain a satisfactory balance needs to be found to ensure that opportunities are not lost.

### **Competition for land, water and labour**

There is significant concern by many farmers that land is being unnecessarily lost to urban, mining and industrial uses, thus limiting the potential for increased food production. Similar concerns also exist over access to water resources and, ABARES suggests, could impose more severe constraints on food production than could land availability. In addition, the mining sector boom is leading to increased scarcity of labour in regional Australia has placed pressure on the agricultural sector to maximise its potential.<sup>16</sup>

The NFF is concerned about the long-term sustainability of not just the interests of today's farmers but also of tomorrow's farmers. Sustainability has many facets including the environmental, economic and social sustainability of farmers and their communities as well as the broader agricultural sector. Policies must be developed cognisant of the primary aims of protecting the agricultural capacity of our land, water and labour sources to meet increased food demand. The profitability and sustainability of food and fibre production must not be compromised.

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<sup>14</sup> Moir, B and Morris. P 2011 'Global food security: facts, issues and implications', ABARES Science and Economic Insights, Issue 1 – 2011

<sup>15</sup> Moir, B and Morris. P 2011 'Global food security: facts, issues and implications', ABARES Science and Economic Insights, Issue 1 – 2011

<sup>16</sup> Moir, B and Morris. P 2011 'Global food security: facts, issues and implications', ABARES Science and Economic Insights, Issue 1 – 2011

## **Foreign investment will play an important role**

As food security concerns escalate around the world, Australian agriculture and its supply chain is increasingly seen as being a strong investment prospect for international investors. Fresh interest, particularly from Asia, has forced organisations like the NFF to take a new look at the issue.

Global companies, including from Asia, have been attracted to Australian agriculture by numerous elements. These include Australia's reputation for high quality and safe production, our proximity to key Asian economies, counter-seasonal production for the northern hemisphere, relatively low levels of sovereign risk and a productivity record that is the envy of agricultural producers around the world. Australia is a top level food and fibre producer so it is no surprise that as a result we have seen much interest from foreign companies.

This investment has been an overwhelming positive for Australian farmers and regional communities in delivering significant amounts of capital into our production systems at a time when finance from the banks has been more difficult to access. This capital has improved our efficiencies and ensured that our farmers can continue to compete in a highly distorted global marketplace for agricultural commodities. At the same time our farmers have benefitted from the additional competition that these companies have brought to the supply chain and in many instances leveraged off the family operated farm structure that continues to dominate the Australian agricultural landscape. The relationship between foreign investment and farming has been an overwhelming win-win.

However, following the Global Food Crisis of 2007/08, a new wave of foreign investment in Australian agriculture has started to emerge. Rather than being underpinned by genuine commercial forces where profits are the driver, food security has emerged as a new factor for investment. With state owned enterprises entering the market, it is becoming blurred as to whether all of this investment is still interested in the profitability of the venture, or rather in ensuring that a consistent stream of food can be delivered to its people.

Transparency around the issue has come into question. The NFF has therefore been supportive of the Government's two-track approach to building a knowledge base in this space, involving the Australian Bureau of Statistics (ABS) and the Rural Industries Research and Development Corporation (RIRDC), who have in turn worked with ABARES to research the issue.

In response to these reports, the Government has indicated that it will be making two policy announcements. These include commencing a bi-annual ABS survey to build transparency about foreign investment in agriculture, and a new policy statement to inform the National Interest Test underpinning the Foreign Investment Review Board's (FIRB) processes for agricultural purchases.

The NFF believes that the Government's response is a welcome first step in the need for increased transparency about foreign investment, and the need to give greater focus to the FIRB national interest test. However, we believe that the changes do not address all the concerns raised by the NFF or our members. In particular, the NFF noted that the FIRB threshold of \$244 million remains a concern for NFF Members who are not entirely convinced that the FIRB threshold and processes are stringent enough – and that we need

solid guarantees that state owned enterprises masquerading as commercial entities, as well as creeping acquisitions, do not slip through loopholes in the reporting requirements.

Until the farm sector has confidence that these policy issues have been appropriately resolved, the NFF fears that the debate around foreign investment will not be put to rest. This, in turn, could generate uncertainty from Asian investors looking to inject capital into the Australian agricultural sector, and in a worst case scenario, deter the investment from taking place.

### **Building relationships**

It is important that the Australian agricultural sector gains a more in-depth understanding about the issues facing agriculture in the Asian region and the reasons why sensitivities regarding trade with Australian agriculture exist. Australian farmers need to have empathy with the Asian farm sectors and will not be able to effectively influence these factors until these issues are fully understood.

Similarly, the role that Australian agriculture plays on the international market as an exporter of food and fibre products is often mis-communicated, in turn drawing intense concern from Asian farmers that a moralised trade relationship will spell the end of agriculture in certain Asian countries. This is far from being the case.

The reality is that Australia is a strong but not a dominant player on global agricultural markets accounting for around one per cent of total global trade in agricultural products. It must be remembered that not all of Australia's agricultural production is exported, with the domestic market absorbing a significant share. In relation to our agricultural exports we service over 100 markets in total. Facts such as these are often ignored and the NFF and its members therefore dedicate a lot of effort to ensuring that these messages are communicated to Asian country farmers and farm groups, government, media and opinion leaders.

It is vital that the Australian agricultural groups continue to work closely with the Australian Government on these relationship building efforts. The NFF hopes that the importance of this role by Government is well recognised and continues to be invested in.

## **7. Conclusion**

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The Australian agricultural sector is well positioned to capitalise on the Asian Century with the assistance of enabling policies. Changing demand and supply dynamics in the region combined with Australian agriculture's fortunate characteristics, positioning and reputation mean the relationship between Australian agriculture and Asia will grow stronger.

Efforts to maintain the focus on trade liberalisation in the region will be paramount to ensuring that the opportunities for Australian farmers in the Asian Century are maximised. These efforts must be complemented by enabling policies in the areas of biosecurity, research, development and innovation, competition for land, water and labour, foreign investment and in country engagement.