



Australian Government

AUSTRALIA IN THE ASIAN CENTURY



White Paper
October 2012



Case study: Australia's agriculture and food sector

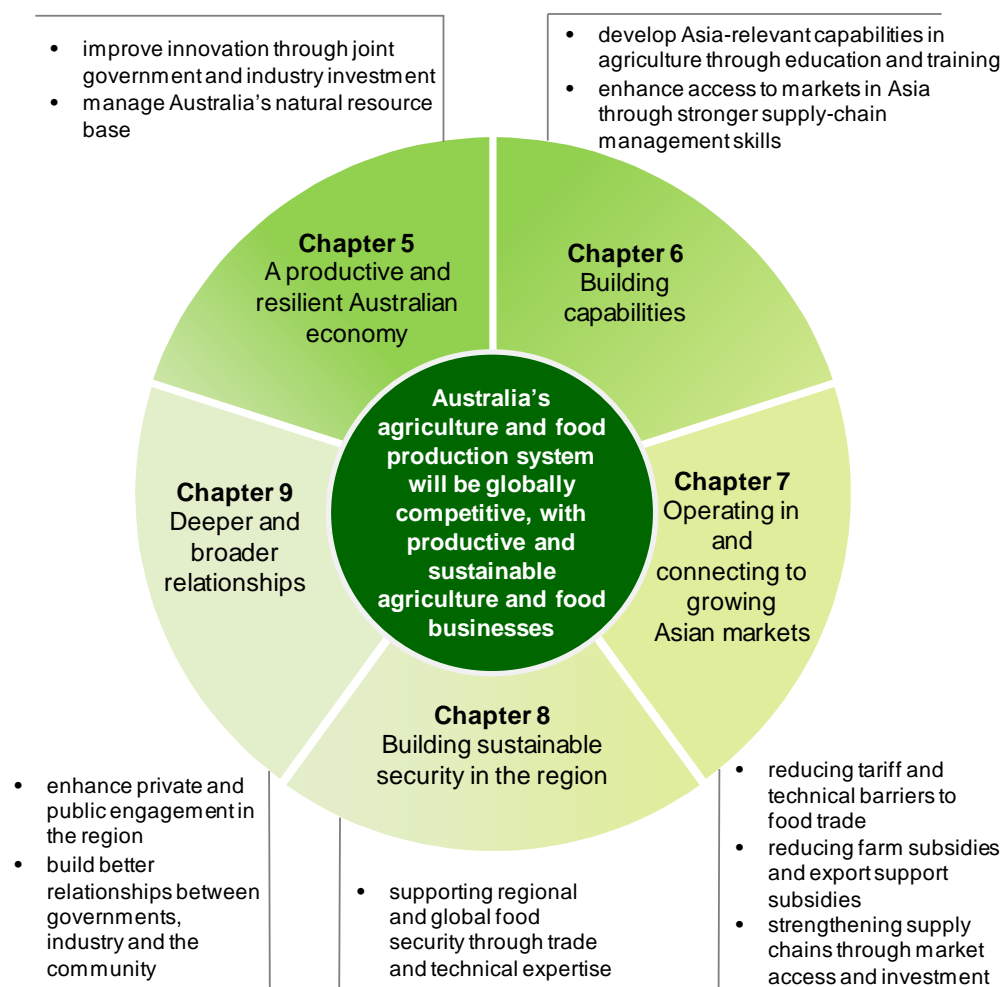
For Australia's agriculture and food sector, substantial opportunities are emerging from Asia's rise. This will result in a boost to Australia's economic and social prosperity, particularly supporting jobs and income in rural and regional communities.

National objective

19. Australia's agriculture and food production system will be globally competitive, with productive and sustainable agriculture and food businesses.

- Australian food producers and processors will be recognised globally as innovative and reliable producers of more and higher-quality food and agricultural products, services and technology to Asia.

Figure C.1: Australia's agriculture and food sector in the Asian century

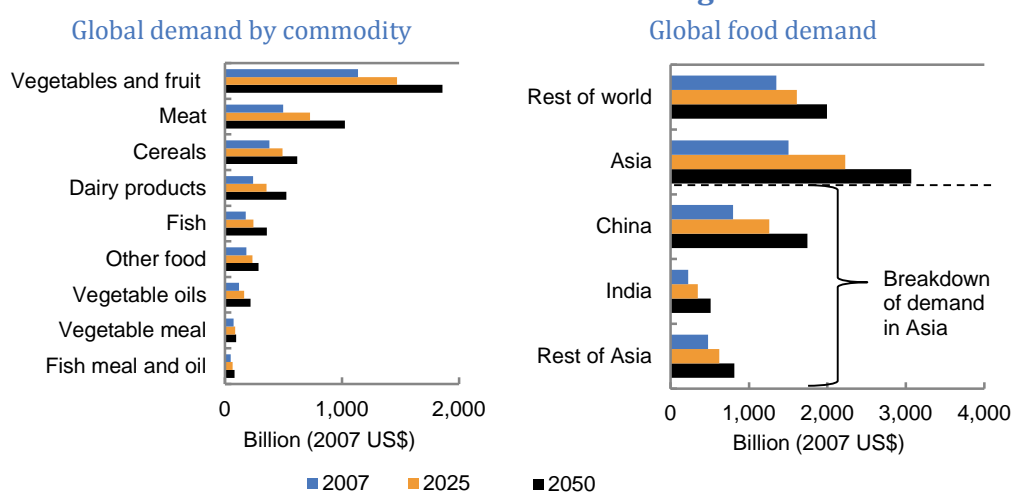


Asia's demand for food is surging

Population and income growth in the region is driving increased demand for food—in quantity, quality and product integrity. The real value of global food demand is expected to rise by around 35 per cent by 2025 from 2007 levels, with most demand coming from Asia (Chart C.1). China and India alone could account for almost 60 per cent of the global increase (Linehan et. al 2012).

The size and scale of global food markets will shift as an increasingly affluent region demands higher value food and greater food choice. Consumer food preferences and diets in our region will change.

Chart C.1: Demand for food will grow



Source: Linehan et al. (2012).

Although Asia contains some of the world's largest agricultural economies, the projected increase in consumption in the region will require greater food imports—demand is likely to outpace food production over coming decades based on recent global agricultural productivity performance and emerging environmental constraints. The production of agricultural commodities for non-food use—particularly plant-based biofuels—and non-agricultural uses of land, including urban encroachment, will also constrain the supply response.

Australia's agriculture and food sector is extraordinarily well-placed to build on its strengths: proximity to markets in Asia, complementarity in production systems, a robust biosecurity system, a record of innovation and reputation for producing high-quality and safe food products, and a skilled workforce.

Lifting productivity to increase output and capture value-adding opportunities

While Australia is a relatively small global food producer, we are a reliable exporter of high-quality, 'clean and green' agricultural commodities and food products. The sector has emerged from wide-ranging reforms over the past decades more resilient and competitive. A renewed focus on productivity and investment will underscore the sector's next phase of growth.

We need to build on the sector's strengths and build competitiveness through all five pillars of our productivity agenda—skills and education, innovation, infrastructure, tax reform and regulatory reform, while ensuring we manage our environmental assets sustainably.

Through long standing investment in research and development and industry innovation, Australian agriculture is one of our most productive industries. We already encourage innovation across the food value chain through investment in rural research and development corporations, the CSIRO, Cooperative Research Centres program and other programs and incentives.

By continuing Australia's strong track record of investment in research and development, by both government and industry, we can continue to develop products for Asian markets and solutions to the challenges of production uncertainty and climate change. The Government is making large investments to support adaptation through the Securing a Clean Energy Future plan. Better links between scientists, researchers and businesses both in Australia and across the region will further underpin the application of innovation, science and best practice in the food production and value-adding chain. And the intellectual property that is generated is a growing export opportunity in its own right.

Industry investment will be required in response to the opportunities ahead and as new business models emerge. Access to capital will be essential, and we are creating the right operating environment, including through our regulatory and tax reforms and sound macroeconomic policies. Removing unnecessary regulation supports investment and allows industry to transform. Significantly for the agriculture and food sector we are reforming environmental regulation, undertaking agricultural and veterinary chemical reforms and improving our biosecurity system. Our goal is to place Australia in the top five countries for ease of doing business.

Public and private sector infrastructure investment—especially for transport, energy, communication and water—will be needed. Moving into new areas and methods of production, ensuring that businesses can connect to growing markets, and accommodating sophisticated logistics requirements—all require careful planning and infrastructure provision. State and Territory governments, which are responsible for land-use planning, need to ensure that regulation supports, and does not impede, sustainable agricultural development. We will be ensuring that the needs of the

agriculture and food sector are fully considered in national infrastructure planning and investment.

The long-term productivity of agriculture—both here and elsewhere—is tied to the sustainability of food production. Our environmental stewardship is also a source of competitive advantage. We will develop ways to clearly identify our ‘clean, green and environmentally friendly’ credentials so that Australian exporters can reap the benefits of this valuable national ‘brand’.

We need to maintain the health of our natural resources, including soil and water, through quality regulation, assisting farmers and fishers to adopt sustainable management practices and through robust markets. The Murray-Darling Basin Plan and other water reform policies are critical measures to safeguard the future water needs of agriculture, communities and the environment. The Caring for our Country program, which funds management of our natural resources, is another such measure.

The boost to the agriculture and food sector’s prospects from Asia’s rise could see the development of new technologies and practices, as well as the necessary commercial incentives for new infrastructure investment that will enable sustainable production in northern Australia to flourish.

Enhancing capabilities to build successful businesses

Building Asia-relevant capabilities in the agriculture and food sector will help productivity and support deeper connections with our trading partners in Asia. The sector needs highly skilled people who understand and can respond to the changing demands of the modern agricultural and food business operating environment and global market place.

Stronger entrepreneurial, management and technical skills will be necessary to be successful in an increasingly interconnected global food industry, and this is placing a premium on partnerships in value chains. The prevalence of multinational food processing and retail companies means our businesses need to show world-class supply chain management skills, including consistency of supply and the tailoring of products and services to specific market needs. Businesses will need to manage issues further removed from the boundaries of their own operations than ever before.

Developing a deeper understanding of the work practices and cultures of countries in Asia will make it easier to build relationships—at the industry and customer levels. Australian businesses will need to understand the diversity of preferences, cultures and circumstances that can affect how products are produced, presented and transported. This requires strong understanding of the market and capabilities in agriculture and food science and technology.

Together with industry, we can build the capability and responsiveness of the sector's workforce and improve the sector's attractiveness as a career. We are building flexible and high-quality universities and vocational education and training systems and we have appropriate migration policies. We will ensure that skills and training systems create the pathways that Australia's agriculture and food businesses need. Through AgriFood Skills Australia, we support industry-led skills agendas and workforce development in the agriculture and food sector.

Industry needs to complement these platforms to build on-the-job training and career opportunities in the sector.

Securing growth through better access to markets

Australia has a strong record of exporting agricultural and food products—and Asia is home to many of our largest food markets—as well as a reputation as a leader in agricultural and food technology and science solutions.

The Government has recently gained new or improved market access for a number of products to a range of markets in our region, including chilled meat, citrus and table grapes to China, and plums and carrots to Taiwan. This builds on existing access to Asian markets. We will continue to work hard to improve market access for our agricultural and food exports, including ensuring appropriate presence of our overseas staff in the region.

In cooperation with industry we will work to remove barriers to trade and other policies around the world that are distorting trade and production. Broad-based, multilateral reforms remain our priority. We remain committed to working through all means and forums to lower agricultural subsidies and tariff and non-tariff barriers in markets, including in the Doha Round of Multilateral Trade Negotiations, which provide the best vehicle to achieve open trade. As Chair of the Cairns Group of agricultural exporting countries, we will continue to lead efforts to secure agricultural trade reform in the World Trade Organization.

We have successfully concluded a number of free trade agreements, including the recent Malaysia–Australia Free Trade Agreement (MAFTA) which builds on the ASEAN – Australia – New Zealand Free Trade Agreement.

Under MAFTA, Malaysia will guarantee tariff-free treatment for the vast majority of agricultural products from day one. Key MAFTA outcomes for agriculture and food exporters include:

- milk—a liberalised licensing arrangement for liquid milk exporters, allowing access for higher value retail products
- processed foods—immediate elimination of virtually all tariffs
- wine—a guarantee for Australian exporters of the best tariff treatment Malaysia gives any country
- rice—open access arrangements from 2023 and all tariffs eliminated by 2026.

Our agriculture and food sector is set to benefit from agreements we are pursuing with our trading partners in the region, including China, India, Indonesia, Japan and South Korea.

Free trade agreements give concrete benefits and help agriculture and food exporters to compete on equal terms. The comprehensive Trans-Pacific Partnership Agreement and the Regional Comprehensive Economic Partnership have the potential to provide complementary pathways towards the goal of a free trade area of the Asia-Pacific, which would see tariffs with some of our most significant trading partners eliminated.

We will continue to provide a range of support to our agriculture and food businesses looking to capture opportunities. The Australian Trade Commission (Austrade) distributes trade opportunities to potential Australian suppliers and provides a range of market entry services. Austrade also works closely with industry bodies on international marketing and promoting awareness of Australia's high-quality goods—for example Wine Australia (for wine) and the Australian Industry Group (for food and beverages). Recent legal recognition by China of the Australian Made, Australian Grown country of origin symbol will provide additional benefits for our exporters of food and beverages to that market.

Australia's policy on foreign investment encourages investment and ensures that investments are in the national interest. We will continue to welcome foreign investment in our agriculture and food sector, as we have done in the past. Foreign investment provides much needed capital for expansion and supports market development and access, customer insights, and the transfer of technology and management skills.

Austrade is working with government partners to develop strategies to attract productive foreign investment into Australia's agriculture and food sector. Investment in agricultural research and development is one element of the Australian Government's inward investment priorities on innovation. A further priority on agricultural science and food technology and processing is currently being explored with State and Territory governments. And we will continue to push for lower barriers for Australian companies that wish to invest overseas. Two-way investment flows will help Australian businesses develop value-adding activities, build strong connections

with markets, and form strong partnerships in increasingly sophisticated and integrated food value chains.

Increased trade will require continued investment in our border controls to build capacity and manage biosecurity risks. We are reforming our biosecurity arrangements to deliver a modern system that is responsive and targeted and covers the entire biosecurity continuum (offshore, at the border and onshore). Moving to an even more collaborative approach with our trading partners will ensure that risks are identified and better known before products reach Australia. This will allow Australia to efficiently and effectively respond to our changing risk profile and to the growing pressures on the system. As biosecurity arrangements in Asia mature, we should jointly manage biosecurity risks through increased recognition.

Maintaining the integrity of Australia's pest and disease status, through a science and risk-based approach to biosecurity, will remain vital to safeguarding our environment, our people and the competitiveness of our agricultural and food sector.

[A shared interest in food security](#)

Food security is at the heart of social and political stability in our region. As production increases lead to scarcer land and water, concerns about food security and poverty alleviation will rise.

We are confident that policy reform in the region and globally will support food security through the development of efficient and resilient food markets, will strengthen food-supply systems, and will allow food to move from where it can be produced efficiently to where it is most needed.

We will continue to be active in institutions that support trade, productivity and market-oriented development assistance, including the World Trade Organization, United Nations Food and Agriculture Organization, the World Bank, and the Asian Development Bank. We will also draw on APEC's strengths in trade and investment liberalisation to advance the food security of our region. Our role in the Group of Twenty (G20) is an important way to maintain momentum on global and regional food security policy.

Lifting production capacity and improving distribution infrastructure is a regional and global task. Australia has much to offer in policy development and through collaboration in science and research, in areas such as animal and plant health and biotechnology, production practices, natural resource management and remediation, logistics and product safety. The Australian Centre for International Agricultural Research is an important channel through which we build networks and share our research capabilities with the region. The Indo–Australian program on marker-assisted wheat breeding is an example of Australia working with partners on problems of mutual interest and is co-funded. The program associates key Indian and Australian institutions involved in wheat research in a suite of collaborative projects. The program has entered into its fifth year, and an extension for another five years is being finalised.

The Australian and Chinese governments are conducting a ground-breaking joint study on cooperation on food security. The study focuses on the potential for investment in new productive capacity in the agriculture sectors of Australia and China to be available for sale on world markets. It would also involve the application of research and development and technology on a commercial basis to raise agricultural productivity in both countries. This includes looking at opportunities in agricultural services and throughout the agribusiness supply chain generally.

The objective of this study is to establish a best-practice approach to food security cooperation between Australia and China that will lead to improved policy coordination across all levels of government to provide consistent advice to potential investors and to avoid regulatory duplication, in line with Australia's regional development goals. It will also assist investors to better understand the requirements of good corporate citizenship.

We are also working in partnership with countries in the region to improve biosecurity arrangements and animal and plant health systems. These partnerships will support food security by mitigating risks to production across the region and providing greater confidence in the trade of food.

Building relationships in the region

Achieving liberalisation of agricultural trade through formal trade negotiations is an important aspect of the Government's support for the growth of Australia's agriculture and food sector, but it is not the only aspect. We will also support the sector's growth through diplomacy, buttressed by industry expertise and partnerships in the region. Australia's strong diplomatic and business-to-business relationships underscore our position as a reliable supplier of 'clean and green' food products. Knowing the region well helps us understand our neighbours and work with them to identify new opportunities and build confidence in our products. To develop successful commercial links, it is essential that Australian agriculture and food exporters know what their customers want. We will work with industry to identify the emerging food needs of Asia and develop strategies to help Australia's exporters respond to those needs.

Strong relationships also support a consistent and ongoing dialogue to manage issues as they arise. Our in-country presence will continue to be important for clarifying and resolving trade issues and negotiating access, as will achieving more consistent and better aligned standards in the region and globally.

Our businesses, communities and institutions involved in agriculture and food need to nurture and strengthen their links with the region. People-to-people links across the spectrum—for example, between winegrowers in Australia and emerging wine-growing areas in Asia, scientists working on collaborative research projects, consumer advocates encouraging consistent food labelling laws, and connecting the experiences of tourists—will be increasingly important for raising the profile of what Australia has to offer.

Leadership and strong policy frameworks are essential

By managing productive resources sustainably, raising productivity and securing access to markets in Asia, Australia's agriculture and food sector is embracing the Asian century and can look to the future with confidence. Australia is well placed to capture a healthy share of growing markets, despite fierce competition.

Australia can build a food system that is globally competitive and offers reliable, high-quality food products. At the same time, Australia can be an important partner in building food production capacity in our region.

The Government's forthcoming National Food Plan, Industry and Innovation Statement and National Research Investment Plan, as well as our Rural Research and Development Policy Statement, Food Processing Industry Strategy Group and ongoing trade negotiations, are all significant steps in achieving these goals.

Our agriculture and food sector will be transformed by the changes occurring in Asia and, if industry and governments make the right choices, will be a strong, resilient and flexible part of the Australian economy, reinforcing the confidence we have in our own food security.

The mechanisms outlined in this White Paper, through partnership across industry, government and the broader community, lay the ground work on which to build a more integrated and productive food sector in the region.

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ISBN 978-1-921739-92-7 (print)
978-1-921739-93-4 (PDF)
978-1-921739-94-1 (HTML)

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