

Optimising Australia's Response to International Conditions and Opportunities

As President of QFF, thank you to the organisers for the opportunity to be a part of the Ag Institute of Australia Conference. The Ag Institute's role in advancing the interests of Australian agricultural science, Natural Resource Management, and the professionals who operate in these fields, is greatly appreciated by Queensland farmers.

There is often confusion regarding the agricultural representation model in Queensland, so to clarify, QFF, the organisation I lead, is the collective voice of the intensive agricultural sector in Qld. It is a federation of industries who collaborate to leverage capacity, develop synergies and provide a united position on policy to government. Our members include

Qld Dairyfarmers Org

Cotton Australia

CaneGrowers

Growcom

Qld Chicken Growers Assoc

Nursery & Garden Industry Qld

Pork Qld Water user groups emerging industries

As the combined voice of these sectors of Queensland agriculture, QFF's strives to secure a sustainable and profitable future for members as a core sector of the economy, so your conference theme of just what agriculture will look like in 2040 and how we prepare and deliver that vision reflects QFF's main focus.

While part of my time is spent walking the pavement of George St in Brisbane, as a grassroots farmer I spend much of my time walking the roads and levy banks on farm at Mungindi, so it has been interesting to speculate about what Australia's agriculture sector will look like in 2040 and, more importantly, what challenges will need to be overcome to make the most of our opportunities.

A strong agricultural business is built on productivity, profitability, effective markets, appropriate infrastructure and strong biosecurity arrangements. Irrespective of the commodity being produced there is a basic farming business framework that reflects this.

I have a primary production business that requires the input of **resources**—capital, people, environmental resources like water, soil. I rely on **innovation** to meet my challenges, improve my production practices and support my business management. **Infrastructure** both on and off farm supports the operation of my business, while domestic and global **markets** provide me with the opportunity

to sell my product. Impacting on every aspect of my business is a regulatory structure established by government and community.

To give this business framework a context and see what is going on in current farming enterprises let's take a quick look at my business. Come with me to the Border Rivers region of south western Qld at Mungindi and St George, where we run two irrigated farms and one mixed farm, where we face the day to day challenges of farming and the joys of cross border jurisdictions.

We predominantly grow irrigated cotton, but also have wheat, pulses, cattle and yes even some sunflowers. Although it only seems like a short time, I have been in Mungindi for 34 years. My business supports two families - a partnership that evolved from fellow students at university into friends and business partners over a period of 30 years.

There are currently several challenges that impact on its success and I think provide a direction to the policy settings required to take the business into the future.

Labour- sourcing and managing people has been the most stressful challenge over the past few years and we have adopted a number of strategies to address the problem.

- **Overseas** sourced through 457 Visas and backpackers

- **Contractors** – used for many farming operations – sowing, harvesting, picking, mustering, fencing
- **Technology** has removed the pressure of finding extra staff – reconfigured some irrigation systems from syphons to through the bank pipes; reconfigured machinery to 12 row equipment, moved to round bale pickers from the tradition pickers and the extra staff required

Succession– our future – as farmers go, we fit the profile well – on the wrong side of 55 with a 2nd generation that has preferred a professional career in sectors of the economy. Several years ago we completed succession plans with our family and with our partners – so we have been planning, but it takes more than planning. How can it be actioned? As it comes under the spotlight there is a lot of positive talk about the future potential of agriculture but it is not yet translating into the investment attention that it deserves. Nor is it providing ‘would be’ farmers with the pathways to join the sector.

Infrastructure– covers a broad spectrum including transportation and communication networks, utility services, land use planning. Our challenge has been with communication.

I have found that as technology advances for the rest of the world, it is often the case of one step forward and two back for us, as we rely heavily on a limited

service network to support the technology. Our tractors are equipped with global positioning technology to streamline operations and enable efficiencies, irrigation systems are monitored digitally, yet technical support is in short supply when the system goes down. We've had to wait for an expert, complete with computer, to travel from the US to diagnose problems with machinery.

Likewise my digital office is only as good as my service provider and my own capacity for finding my way around the hardware or software. There is no technical guru nearby to put everything back in working order and it usually means a trip to the nearest centre (120 km) or hours on the end of a phone trying to resolve an issue. And speaking of phones, relying on mobile service is impossible. I have to walk outside for service – trees by the river apparently; and on the farm you have to find the nearest levee bank. It has taken over three weeks to restore phone service on our farm and in the meantime we have compromised health and safety, banking and finance, marketing and timely operations on the farm, as well as my stress levels.

Profitability– With input costs rising and a decline in our terms of trade, our profit margin is continually squeezed and production practices can be compromised. Added to this is the pressure of regulatory compliance and paperwork. Our focus is on achieving efficiencies in nitrogen, water, fuel and energy use while not compromising our yields so we rely heavily on industry

support, research and development and our own ingenuity to achieve this but we are not always successful and we find that government policy can be at odds with our practices and can serve to undermine our achievements.

Natural Resource Management/Land usage– Our natural resources are our assets and core to our business, so we have an imperative to secure and manage them. It is also essential for the viability of our business to have certainty of access to these resources. We have spent the last 25 years engaged in policy development regarding water, MDB, BMP, while other farmers have been involved in the CSG/land use agenda. We need confidence and certainty and a conclusion to the regulation process to continue to invest in the future of our business.

Undoubtedly the key strength of any business is its ability to assess its risks and manage those risks; to be able to with stand unexpected shocks, particularly those beyond our control – and there have been a few.

And just when you think things are bad, you realise that there is always someone worse off –

Preparedness, or having a plan to cope with **disasters** such as flood, fire, cyclone or biosecurity incursions increases our business' chance of recovery and our

ability to rebuild. It makes our business resilient and strengthens the reputation of agriculture as a sector of the Australian economy.

So what does all of this mean for 2040?

Australian agriculture has been a sector of the economy that has consistently performed for the economy despite a decreasing number of farmers and a range of external challenges and setbacks.

Although, the proportion of the value of the final product that farmers have received has fallen over time, the output of Australian farmers has continued to grow steadily. Australian agriculture provides 93% of our domestic food supply and has maintained extraordinary export competitiveness throughout its long history.

It is now universally accepted that our country's agriculture sector has a growing opportunity to be a source of quality food and fibre globally, but in particular to the growing demand from Asia.

And there is a growing sense of urgency for change in order to capitalise on this situation, change that can only come about by adopting a long term vision for agriculture, developing a plan for that change, and effectively executing that plan.

This requires leadership from both government and industry and alignment of a sense of purpose. There needs to be agreement on where Australian agriculture is going, what it needs to get there and how that will be delivered.

Our globally competitive agricultural sector can capitalise on international stimulus presented by higher commodity prices, however, a continuation of the status quo will not optimise Australia's response to international conditions nor enhance its domestic marketplace.

An integrated approach to robust reform and the ability to communicate and convince the Australian public of the need for such reform is required.

The 25 years from today to 2040 will see the agricultural sector presented with opportunity as well as challenges. The question will be, can we get the policy settings in place that enable us to reach our full potential?

The **challenges** we face in reaching this potential will be significant, but I ask 'what's changed?'

The look of a farm may change determined by what we produce or how we do it, but the business model will stay the same. We will still need resources, innovation, infrastructure and markets and we will still have to meet the compliance obligations of a regulatory framework.

In facing future challenges the need to protect our reputation as reliable producers will be paramount.

So – What will the threats be to our reputation?

Biosecurity will have a large role to play in maintaining reliability of supply.

The impacts of a **changing climate and extreme seasonal variations** will prove an impediment to meeting demand.

Adequate **infrastructure** will remain a significant challenge and the continued upgrade, development and maintenance of supply chain and supporting infrastructure will be critical to preventing bottle necks in our future growth.

Along with road, rail and port infrastructure, telecommunications infrastructure in regional areas will require a far greater investment

The **capacity of our people** will be vital to sustain innovation – to provide us with the skills and knowledge required to underpin research and its delivery and uptake at a farm level.

Recognising the **opportunities** that are ahead of us will be equally as difficult so we must be adaptable – able to recognise and take advantage of those opportunities.

The much touted opportunity of course is that by 2040 Australia will become ‘the food bowl of Asia.’

At present our agricultural exports feed approximately 60 million people around the world. That is over double our domestic population. But to put that into perspective, we generate only 1% of global agricultural production. If Australia had to feed all of China tomorrow, we could only feed 4%. We will not be the mass producer of food for the mainstream Asian consumer in 2040.

It is important, in developing industry strategy over the next 25 years, that there be a realistic appreciation of what role our exports will truly play in Asia.

It is true, that there will be changing agricultural demand from Asian nations in coming decades. Not only will there be increases in demand, from these growing economies, but the composition of this demand will also change.

Growing consumer wealth will lead to greater demand for high end produce.

The reality of our opportunity from growing Asian demand is not ‘the food bowl of Asia’ but the latest catchcry, the ‘delicatessen of Asia’. Nevertheless we could be the source of Asia’s growing demand for finer luxury foods and fibre products – trading on our clean, green and reliable reputation.

There will be a growing focus on value-adding locally, prior to export. As well as finding new markets in Asia for traditionally domestic products, such as fresh milk.

The experience of the dairy industry is the prime example of how existing produce can find new and more lucrative markets in Asia. Fresh milk is sold in Australia supermarkets at \$1 per litre. In China it can sell for between \$8 and \$10 a litre. New investments in supply chain improvements have enabled fresh milk to be exported to China in just days, providing much greater market opportunity for the perishable product.

The outlook for this State's dairy industry is positive. But with over 150 dairy farms closing down in Queensland alone since the 'Milk Price War' started, the ability to increase capacity to meet future demand has been severely impaired. It is not just farmers who will be losing out in this equation, but the Australian economy.

Australian agriculture will not be taking advantage of our opportunities by accident. We need to overcome these challenges or we will be overtaken by our competition. Brazil and Argentina compete with us in the Asian market on nearly every agricultural front. We have a slight advantage with our closer

proximity, but that will quickly be overcome if their governments get the policy conditions right to improve their competitiveness.

From a policy perspective, the agricultural sector in this country has suffered from an oversupply of strategic planning. It has been the norm for governments, of all persuasion, to toss out the old Ag plan and start from scratch with a new strategic planning process, often completing this process just in time for a new Government to be elected and start the process again.

If we just cast our minds back to the recent past – we can recall multiple Government attempts at whole-of-government agricultural strategic planning:

- We had the former Federal Labor Government's National Food Plan, unveiled in May 2013
- This was supposed to be seen as a companion strategy to the Gillard Government's 'Asian Century White Paper', also released in 2013
- The Newman Government's Queensland Agriculture Strategy, finalised in June 2013
- The Federal Coalition Government's Agricultural Competitiveness White Paper;
 - o term of reference released in December 2013

- Green Paper released December 2014
- White Paper yet to be unveiled
- And, The Federal Government's impending Northern Development White Paper will also provide strategic direction for the agricultural sector

That's five strategic directions in two years.

What the industry now needs is not more strategic planning, but the execution of the action items on existing plans. Industry, Government and Service Providers need to be working together to meet strategic objectives.

If the thousands of man-hours that have gone into strategic planning can be dedicated to implementation, we will have surely overcome some of the challenges that are currently outlined within those documents.

Governing is about priorities. Government needs to embrace agriculture as a major part of the economy, and back that commitment with action.

Australian agriculture is poised to be recognised as a world leader in providing high quality food and fibre using innovative technologies and sustainable resource management. With the will of industry and government and the support of the Australian community it can happen.

But let's go back to the beginning – my farm at Mungindi, with the farmer who sees each new season as a new start, an opportunity to improve on the previous one, who relishes the challenge and enjoys the satisfaction of putting a seed in the ground and watching it come to fruition, who can prepare for volatility but lives with uncertainty.

Our business has always been supported by the services of agricultural professionals. Originally in the areas of marketing, basic agronomy and crop protection. This support has expanded over time as needs and opportunities emerge to include irrigation and water management, staff mentoring and capacity building, research extension and complex agronomy and yield management.

From a professional services perspective, the opportunities in 2040 will be remarkably similar to those in 2015. There will be an increasing reliance on agricultural professionals to position the industry to deliver on its opportunities, with the areas where farmers require professional support likely to remain in high demand. The challenges of:

- Where to get high level advice about the next market opportunities,
- How to set up and maintain telecommunications infrastructure on your property to support production practices

- How to get the most of your natural resources with the latest science and technology,

will all be as relevant in 2040 as they are today and there will be plenty of opportunity for innovation from agricultural professionals over the next 25 years.

We know Australian agriculture has great potential. With the imminent release of the Agricultural Competitiveness White Paper, by the Federal Government, hopefully we can see a successful transition from strategising to implementation. I hope that in 2040 when it comes to Australian agriculture we won't be talking about the one that got away?

Putting substance behind the rhetoric will enable farmers to meet the expectations of all Australians – that's the challenge – and that's the opportunity.

In the world of Forest Gump, life is like a box of chocolates – but in my world, the world of Australian Agriculture

“Life is like a 6-slice apple pie at a 12-guest dinner. If you just sit back and wait for it to come to you, chances are, you're going to miss dessert.”