

**Mac Troup Memorial Lecture 2010**  
**Australian Agriculture: Challenges and Opportunities**  
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If we look at Agriculture in Australia, the issues of the nation has been more closely aligned with this issues facing Australian agriculture

- World population growth
- Food security
- Mounting pressure on resource base

Debates surrounding it, distraction of global crisis, which has changed our thinking forever.

Increasing world population / world resources / economic – major market, currencies (fluctuation) the enormous effect its' had on world economies.

Really important, the response nations have taken to that. Real increase in protectionism, sovereign governments trying to respond to things that they don't really understand.

It really came home to me at the end of 2008, G20, where, 20 top economies came together - committed to free trade, borders open, within 3 months, 17 of them had put protectionism laws in place. Well-heralded ones that impacted Australia Dairy protection in Europe and tit for tat, the Americans did as well. Argentineans, price of beef was going too high, so they put a ban/tariff on export. So of course domestic price went down → Consumers are happy, but what about farmers (producing less beef).

Decisions governments make are really really important, and that is where NFF has a role.

Changing and challenging times, importance of getting policies right, have never been more present than it is now.

Agriculture in a positive light, there is a good strong story to tell. Look at it in the last 18 months, or last 5 years, the worst drought in 100 yrs, worst flood in some areas, bush fires, global economic contagion, agriculture has powered on. We need to think through chain (not farm gate), producing 100 billion of revenues in a yea, 30 billion dollars export, 1.6 million jobs (through chain), over half in major cities. Important part of economy and lifeblood of regional Australia.

Agriculture sustains regional and rural Australia. In terms of modern part of economy it occupies, its' important in terms of regional communities, its also important in terms of environmental delivery.

Farmers' we occupy something like 60-65% of continent and if you want to deliver on environment you really have to engage with farmers. I think there is some, there is a really important part Of Australia and really Perhaps not recognised well enough and if we are really looking at delivering on the environment, then a vacant landscape is not solution and punitive legislation is not the solution, the solution is working with farmers on a co-operative basis and if a farmer is doing something on his farm that improves his production then he should pay for it, if he's doing something on his farm that actually delivers to the national state or delivers to the community interest in terms of looking after a particular ecological association, if that's a benefit to the community then the community ought to pay. When we're dealing with the environment, we really need to be looking at stewardship type of contracts, which are partnership b/w farmers and community in delivery of community benefits.

Environmental delivery is an important area and we really haven't got it right yet. There is a lot more that needs to be done.

So in looking then at the more global issues, if we look at the world, something like 6.5 billion people going to be 9 billion by 2050 so the population projectionists tell us, so obviously a huge increase in the number of people in the world. Obviously that puts an enormous amount of

pressure on resources, on water, on arable land, and also is more mouths to feed. The World Bank is saying we're probably going to have to increase our food production by 70%, huge task, there is the demand so where is it going to come from.

Asia, something like another 500 million people in our Asian region, now if you look at that, it's not only 500 million more mouths to feed, but those are the economies of the world that are growing the fastest. OECD or less, so not much happening in the developed contrast, but in Asia 7-10% a growth in the economy, which means a growth in purchasing power, a change in demand, an increase in demand, for proteins and fresh food. So within our region, we're seeing not only another 500 thousand mouths to feed, but also a change/shift in the demand to more quality products, so we're in a very exciting area, I just think that presents enormous opportunities for Australia.

Some enormous opportunities for Australia, so what about the rest of the world, where's food going to come from? If you look at Europe, terrific, travel through Europe, I mean it's just the most productive place, and America, travel through America, just such a productive place. But are they going to get off their backsides and do something? I don't think so. I think they've got lazy, I think they've got too used to their systems and I don't see a great surge of increased food production coming out Europe or America. Africa or Asia, small older farmer systems fed on rain based agriculture, not going to see a change there, no green revolution on horizon that I can see. Not going to be a massive increase. South America, possibly, great potential, huge areas of land, but there will be environmental issues that will need to be addressed. I just think that food supply and food demand and the nature of food demand is playing much in Australia's favour. I think we do have an opportunity, it isn't just in commodities, I think what we have to do, is be pretty clever about what we're doing. We're on the Pacific Rim, it's a great address to be, there are some real opportunities. The thing we have to do, is decide, where are those opportunities. To me, they're in fresh food, they're in differentiated food, and they are in doing things. We don't want to be in the bargain basement of commodities, where we're competing with people who have a cost base that is half of ours. So agriculture in Australia needs to be smarter, what does that require? It requires Better research; it requires better ways of doing things, better description about products. The consumers of tomorrow at the top end of the market that we're looking at, are food safeties are given, consistencies are given, the health and nutritional stories are a given and the consumers in the market that we're looking at, I believe, are going to be looking at the other issues → what do we call them? The non-functional demand it's a demand for quality goods, it's basically, they're going to be looking at the integrity of the production system, they're going to be looking at the ability for people to stand behind the brands they placed, the ethics of what we do. The next hierarchy of consumer demand. They're the sorts of markets I think we're going to be looking at going out of Australia going forward.

If we are looking forward, what is our competitive advantage?

Clean, natural production system, it's a low carbon footprint and it is our ability to differentiate what we do, so I think they are the opportunities. If we look at our productive capacity, we've increased our productivity by 2.8% per annum over the last 30 years. Agriculture has done a hell of a lot of good things in terms of improving productivity. I believe a lot of that is on the back of research done in 60's 70's 80's, we've taken foot off the back of research, and now we've put the foot back on the pedal. I'll come to that in a minute as that is a policy area I think is really important.

I think in looking forward, I think that Australia is well positioned but we're only going to be able to achieve that if we provide farmers with tools to actually do what they do better, to meet market expectations and it's only going to be achieved if we have policy settings that are in place that allow farmers, that empower farmers to get on with the job. So I think that these areas are really important, these are the policy areas at the national level and this is the business that NFF is involved in. We don't get involved in state issues, we don't talk about vegetation plans in NSW, we don't talk about mulesing, we don't talk about wheat marketing, which should be organised by the Grains Industry. The Grain industry needs to do wheat market, sheep industry/wool industry needs

to sort out mulesing. If it becomes a national issue in terms of animal welfare, then NFF will be involved. But the mulesing debate is a sheep industry debate.

What we do at NFF is talk about national issues. Market access is obviously one, is it worthwhile continuing? Everybody is sick up to here about Dohra And all the promises. If you look back at Uruguay (Geoff would remember in clearly) what did it give us, it gave us a little more market access, but what it gave us was rules, rules of engagement, and the rules of engagement allowed us to crack the American market for lamb. Now that was a pretty good outcome, so we were able to say to the Americans your blocking us in your market, you'd better open up and they did, and we got in with lamb, a terrific outcome. If we can get Dohra together, which is moving at glacial speed, 153 countries, rules of engagement, there may be some benefits coming out of it in terms of better access. Dairy subsidy that the EU put in place, and the dairy subsidy that the Americans put in place would be illegal under a Dohra agreement.

World trade importance, we export 65% of what we produce and choice and access of markets is critical for us. We think its' important to support govt in opening up n trade.

### Climate Change

Emission trading, I have the view, simplistic view; I tend to be a bit simple in these issues. Climate change is a massive debate, a whole lot of scientists having a huge barney whose right, whose wrong, I don't care, to me climate change is continual, allow the debate to continue over there. The real danger for us I believe there is continuing change in climate and what we've done in agriculture is to modify our production over the years and adapted what we do to meet the change that's occurring. I think we'll continue to do that. The thing that will hit us more than climate change is an emission-trading scheme that belts us. The real focus we took in NFF was to make sure that if there was an emission-trading scheme that we could be engaged fairly. The CPRS came up and we actually convinced the government that direct emissions from agriculture should be excluded, that was a big win, we also convinced the government that we should be able to develop offsets from agriculture that we could sell back into trading systems, to me it was a terrific outcome, it put a safety net under agriculture and whatever happened under the CPRS.

We went to Copenhagen, the big thing in Copenhagen, what I was looking at doing was seeing if we could influence somebody to change the rules. Kyoto rules are nonsense, have been saying it since day 1. We sided with 83 countries. The worst thing, the first decision is the next meeting will be in Mexico, and the one after that will be in Asia. When you start making meeting date years ahead when the next ones are going to be, what the hell are we going to do here. Honestly it was a bit of a circus, had every desperate group there, vegetarians to save the planet, Brad Pitt was saving the planet, what the hell is Brad Pitt is going to do, big sign, Brad Pitt to save planet, I didn't see him but maybe he'll save the planet.

The really important thing I think is the CPRS and we said it from day one, based on the Kyoto rules, doesn't work for agriculture as the rules are flawed. They don't recognise sequestration for on-farm activity.

If I allow a sucker to grow, that's not counted. If I'm thinking about that as a planet, then these people down there are mad. The rules are crazy, so I just think we've got to be really careful. That's why we wanted to make sure we were insulated against CPRS against Kyoto rules and we went out there and we're just going to be continuing to change rules. Of course its' all changed now, the senate have blocked it, the Liberal/National party leadership changed, we now have a Liberal/National party carbon policy that I don't understand and I don't think they understand and I don't want to debate it and I don't think the local party wants to debate their policy either as its' too complicated so I think everything is just sitting there at the moment and they are focusing somewhere else. The important thing is that if there is a CPRS labour policy we're insulated as our direct emissions are excluded and we have opportunity to offset and if the Liberal policy comes in is based on soil carbon, at least its engaging agriculture. I think we're positioned there. But watch this space.

I tell everybody in our office whenever you hear anything crazy, stop, pinch yourself and remember it's an election year. There is a lot of excitement out there and quite honestly not a lot of light shining.

The next area, I mean these are the sorts of policy areas we're engaged in.

Drought and drought management → we've been engaged in this Government since they've been there and basically what we're saying is that there has to be a better way of managing the drought. I mean having EC areas and putting lines on map and then looking at people inside that EC area and disqualifying those that have made provisions by having an off farm job and disqualifying those that off farm investments because they have other assets and disqualifying those that live at a certain level and then putting a whole lot of support under what is left and if your just outside the line you miss out, that seemed to us to be pretty arbitrary, so there has to be a better way to do it and there's been lots of discussions about the better ways of doing it.

I think where the Government is sort of heading at the moment and where we're heading or where NFF is heading, is basically saying look anybody that is in EC now, I mean the drought we've come through or the drought that we're still in, is the worst drought ever, you can't pull the carpet out from under people that are under EC or those on transition track. So, anybody in EC now that just continues, that continues until the droughts broken and the transition period is over. Got to make sure we don't lose touch with everything happening in that area.

We have to look at family support, family support is absolutely imperative and critical and should be available to every farm family in Australia.

The Minister has announced that he's not, he's going to pull out the interest rate subsidies and now that's not for people who are in EC now, that's after EC, that's for people who aren't in EC, it's basically saying that he's going to pull that out. What we've said, is don't think your going to just save that money, we think that it's got to be put into a program that actually looks at a better model. So when we're not looking at new governments saving model by jerking it away from agriculture, what we're saying is lets' look at that amount of money and positioning it so that it actually helps, helps farmers in a different way. What the sort of model we've been talking about is a model, world qualifying conditions that they'd be a lot more general than the EC conditions, but its' really to work with all farmers and to look at some form of drought management, some form of drought preparedness. No I don't know what form that's going to take, it may be grants, it may taxation considerations, and it may a range of things. It might be insurances, I doubt it, but what we're saying is lets' work together to get a more permanent and better managed, risk management strategy there, where we can work with farmers in partnership, and then of course, the fourth pillar is to say in the event of another hundred year drought, god help us, there's still has to be an umbrella, because you just can't walk away from agriculture. So that's the sort of talk that's going on and of course what we also said is, don't just try and change us overnight, you can not do it overnight, for goodness sake, do a pilot and see if it works and then modify if it doesn't. So that's the talk on drought, but you are going to see more on that I think because Tony Bourke's its' an election year, so pinch yourselves and remind yourselves of that.

Water, I mean now they keep rolling these areas. Water policy, the principles of water policies is a certain entitlement. There's got to be value in water licences, there's got to be in land that has water licences, there's got to be. We support the water plan, but basically what we're saying is, it really has to be balanced, we recognise there's got to be water for the environment, we recognise there's got to be water for rural towns, but there also must be water available for agriculture. I mean we look at the Murray Darling Basin where the focus is, 40% Australia's food, fibre are produced within the basin, There's a very legitimate use of water in the basin and what we are really concerned about and we've expressed this very loudly is buy back programs, where we support buy backs from willing sellers. Up at Bourke where the Government just brought the property and the water or the virtual water. Which part of the environment is it going to, did it just go down the river? I don't know, never any justification to which part of the environment it was going to, never any sort of justification what the measure of success might be or how they were

going to measure it. So the water was going to be going to the environment and then what happens to the property, does it become a National Park? If so, whose going to manage it, where's the resourcest? Look, it just wasn't thought through, and the biggest thing of all, what about the local community. You can't release that amount of water out of a community and think that there is not going to be an impact. Its' an impact on the local cotton, contractors, the local garage, the school, on everybody. Your taking resources, your taking activity out of a community that can ill afford it. So, the buy backs will have a lot of arguments with Penny Wong. On buy backs and we're going to continue having arguments, as we just don't believe it's been prepared well enough.

The other part of that buy back is that it was half of the program, the other of the program of course is the on the farm improvements. We've seen an announcement for \$300 million to be spent in NSW just nothing compared to the amount spent on buy back, its supposed to be 50/50. So we're seeing a really slow delivery on the on-farm area, and we want to see that accelerated, so that if there are saving of water on farm, that there then shared, so that the farmer actually get some of the savings and the environments gets some.

So, in water policy, we don't think, what's been done so far has all been a bit clumsy and we're really concerned about the basin plan. The basin plan, the legislation was 2007, the basin plan is due to issue in 4 months time. We still haven't seen the identification of the environmental assets and we're just now seeing a little bit of social work being done on communities where water might be taken back. What you have to realise about the basin plan is, it is formulated on the environment with all the water it needs, farming will get what's left less what the towns need. So you know, we just reckon there's just not any balance and that needs to be addressed. So we're being a bit noisy on that and an election year is a good year to be noisy.

Just going on, R&D research and development, but I don't want to pick it up too much as I think this is really fundamental, I mean I think we've just taken our foot off the pedal, if you look at research and development, you look at universities, state departments, federal departments, state and federal have become regulatory bodies. We don't have a state dept that is doing research in your district and sending an extension advisor out to help and talking about what might be available and other systems, we don't have that available any more. Where I come from, we don't have anybody to help you, people only want to regulate and tell you, you can't do things. There's been a vacating of that role by state governments. Universities I guess are chasing funds, you can't blame them, but the whole research efforts, CSIRO, I hold CSIRO right up there but I just get the feeling CSIRO are a bit besotted with climate as that is where the money is and what we're missing out on is, I think its' terrific putting money into climate research but we need to be putting money into production research as well as the adoption to any change is going to be absolutely critical, its' both we need to be doing.

If we look at agriculture research, agriculture research, intense of the index, I think I got that right, I don't know, but what it is the amount spent on agriculture research over the value of agriculture production, it's at its' lowest level for 30 years, 2.8% to over 5% so we're, I think there's a real danger that a lot of the things we're doing and the 2.8% productivity growth is actually topping over, I think we're living on the research we did previously and I think you know, if you look, pastures are a classic case, the work that Mac Troup was doing and the guys were doing in the of area superphosphate and I loved his comment, I think I read somewhere you put 6 sheep to the acre and you keep 6 sheep to the acre until you can carry them, I think it was the wording, I can't remember but It sounded pretty good to me. I just think that the amount of work we did on super, on new pasture varieties in 70's and 80's. I was a member of the Grassland Society, a lapsed member of Qld Tropical Grassland Society, I just remember so clearly the tropical labatory in Brisbane and Townsville where world leaders in legume and tropical grassland production, absolute world leaders. The leaders Mark, Griffith, Davies, all those guys, they were going all round the world, collecting stuff and bringing it back, and QLD University, Peter, Ross, Don, absolute world class scientists pulling this material together, developing fantastic technologies and we were leading the world, you were here Mac Troop was here. What are we doing now? I haven't seen much new, certainly in tropical pasture development. We're doing things in little bits and pieces, we're not world leaders anymore in these areas and I think it's an absolute tragedy. We led

the world and now we're not. So I think the challenge is for us to take up that mantle again, we need an invigorating government, invigorating industry and just look at setting up an agriculture hub in Australia that is once more recognised as world champions. We have been and I think this is a two pronged world championship, we should be world champions in terms of science we do, but the other world champions are the farmers as they pick up the science and they adapt it and put it out practically and that is the balance you have to have. I'm involved in ACIAR its' putting Australian agriculture technology overseas and the concern I have and I've expressed it to the board, we're building capacity overseas but running it down over here. What are we going to be delivering in 10 years time, giving money away to other people developing research? We ought to be the depositories of research; we should have the best technology that people are clamouring for. I think we've fallen down a bit there.

And then we go, it rolls on, bio security absolutely fundamental, we've got to have risk management, assessment for product coming in, we've got to protect our clean natural production system, border controls, under one organising the Beal report said that what's happened, here we are 12 months down the line, the Biel report hasn't been implemented. We're calling for that! It needs to be implement

Biotechnology, GM I'm sure I could pick a debate around this, probably not as big as the debate I picked at the organics general meeting, it was a pretty lively time, but I think you know, I mean really there is no green revolution out there, GMO's aren't a silver bullet, but I think what they can perhaps is another tool in the tool box and I think what we're talking about, we're not talking GMO's stuff, its' slight modifications, it perhaps improving the protein content of a grain, or drought tolerance of a wheat or perhaps, what's happened in cotton, I see on my son in laws, where he used to spray 10 to 12 times, he now sprays once if that, I mean you know, making more efficient growing more with less, producing more with less, more crop for less water, more crop for less fertiliser, more crop in a maybe changing rainfall environment. I just think we need to look at GMO's to look at what they offer, there's obviously got be regulation for safety, codes of practice for producers, so there, and there's got to be choice for consumers and choice for producers so I think it,s a difficult area, there's a whole community perception, mountain to climb, I think we just need to get on the job. The pharmaceutical industry has climbed the mountain, not too many complaining of Heb B vaccine, the level of outrage increases as you get closer to us when you start fiddling around with our food or fooling around with a cow, people get very nervous, so I think it's a debate that's out there.

Communication, infrastructure fund with 20, I'm going to be a Barnaby, 20 trillions or 20 zillions, or 20 billions or squillions, 20 squillions something, there's a massive amount of money in an infrastructure organisation that's been there for 2 years, what we're calling for is not something simple like what roads are you going to build, what's your strategic plan, where are the nation building channels, states roads, roads talking to railways, where are the hubs, connections to the ports to allow us to move our products. We're an exporting country so where are the strategic plans to sort of pull all this together? They don't have one. I mean, I think that is real indictment, I think there is a light rail being built in Melbourne, another couple of other small roads being built in suburban areas, the Brisbane/Ipswich bypass is part of the program, where are the nation building plans? And I'm not talking about this government only; I think the previous government was guilty as well. What about harmonisation over state boundaries? Why do we have different axel weights when you're going across a boundary, why do we have different regulations?

Infrastructure, communication, a big part of infrastructure, fibre to the premise, well its' ok if you live in Albury, but if you live 20km's out of Albury your not going to have it, your not going to have it in 90% people who live in, 10% won't and the majority of our members and remote communities, truckies, fisherman, there not going to have fibre to the premise, so what's the alternative? How do we actually have high-speed broadband access so we can actually run global business in regional areas? If you haven't got that, you can't do it and I just think regional Australia is being sold short so we're pretty critical of that area.

Look education, community engagement, education is such a big one with me, I'm just, I despair, I went to the graduation ceremony at Gatton. Wonderful young kids, I think they were all agricultural economists, I sort of thought where are the scientists? Where are the young agricultural scientists? They said we really don't have many of them and you think god what are we doing as a nation? but I think it really goes right back to the schools, what we've done at NFF we've set up an Educational fund with federal money and at state ... what the idea is to get agriculture education into schools and its' not to sort of have agriculture as a subject, what I'd like to see if, and I think that way its' going is to embed agriculture into all other subjects, embedded in science, embedded in maths, embedded in nutrition classes, its' embedded any discussion about environment, agriculture embedded in that curricula, agriculture embedded in any discussion about obesity and nutrition. So we need to embed agriculture so that agriculture becomes part of knowledge base and bring it up through the system, don't have it over there where the spotty kids so, lets' have it as part of the whole education system. I think, I had a meeting vice chancellors and he was bewailing while I was bewailing the fact and he was agreeing, what the hell is going on with agriculture, he said look what we're planning, we're going to do it differently, anybody that wants to do science does sciences and all scientists do it for 2 years, basic good strong science then they stream off and if you have somebody that wants to do agriculture or wants to get their GMO's or send rockets to wherever they send rockets to, well that's fine. You're making the decision after you've done a couple of years of good strong science. I think that's good.

Let me wind up, I think there's a heap of challenges going forward, I think Mac Troop would have loved it, I think there's challenges, theres opportunities, Australia has an enormously important role to play, I think going forward, we need to have the right tools to enable farmers to get onto the job, that's basically research, we need to have the right policies to empower farmers to follow their dreams and to follow their expectations and I think 20/20 is going to be different, our customers are going to be a lot more demanding, I think our supply chains are going to be a lot shorter, a lot more transparent. I think farmers will be part of supply chains much more so than they are now, accountability through the supply chain, and I think what I was saying before, non functional demand where consumers are sort of Australian product are used to the fact that it is safe and I'm really tempting fate now and Lucinda your on MLA so I have to be careful, I don't know when the last e.coli event was, and I sure don't want to wish it on anybody again, we don't have those big scares so regularly now. Its' a given, we manage food safety, we manage the production system, we manage, there's a lot of manage for health, food labelling is getting better, there's a lot more, we've got a more sophisticated consumers out there who understands a lot and is looking for more things, nets that don't catch turtles, nets that dolphins / tunas swim in and dolphins hop out, I don't know how it works, but its' written on the can and we all believe it and we all eat it, which is terrific, but that's the perception, that's what consumers are looking for, ethical production, production that has integrity, they want that to be behind their meal decisions. I think we're going to see more of that as we go forward and I think environmental delivery going to be a fundamental part of our farming practices.

I might just wind up on a little story about a New Zealand taxi driver, yeh New Zealand taxi driver, amazing. A friend of mine was in New Zealand and said to the taxi driver tell me about New Zealand, well he said, New Zealand the most beautiful country in the world and he said that's why tourism good, people want to come to New Zealand and see what a beautiful place it is. Secondly he said we produce the best food in the world and that was it and my friend sort of relayed this to me and I thought about it, if I had a wish, first of all that the taxi driver spoke English, but if you really wanted to know how you were going, if your taxi drivers are saying we produce the best food in the world in Australia, wouldn't that be a wonderful accolade for what we're all about because politicians listen to constituencies, these form views, best protection and best advertising we can have, is that I think our farming sector is doing a good job, I think our farmers look after animals, I think we produce the best food in the world.