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Contract agricultural marketing neither inevitable, nor bad for farmers

The growth of contract marketing arrangements for some farm commodities, and the related reduction in importance of more traditional marketing systems such as livestock saleyards and fruit and vegetable markets is neither inevitable, nor an issue necessarily requiring a government policy response, according to a research report released today by the Australian Farm Institute.

The research was carried out by agribusiness consultants from ACIL Tasman, with the dual objectives of investigating the development of contract marketing arrangements in Australian agriculture, and considering whether a policy response is required.

‘There are some farm commodities, such as dairy and poultry meat for which contract marketing arrangements have predominated for decades, and others such as wool and cotton where almost no contract arrangements exist’, explained one of the report’s authors, Mark Barber of ACIL Tasman.

He went on to say that ‘there is certainly evidence that in a number of Australian farm commodity sectors, there has been substantial growth in the proportion of farm production that is marketed under contract. This applies in particular to pork, beef, sheepmeats, fruit and vegetables and wine-grapes. Coinciding with this is evidence that livestock saleyards and fruit and vegetable markets in major capital cities are accounting for a declining proportion of total transactions by farmers.’

The report acknowledges that growth in contract marketing is not inevitable for all farm commodities, and should not be considered to be a superior form of marketing. On the other hand, contract marketing systems should not automatically be considered to be evil arrangement forced on hapless farmers by unscrupulous corporations. There are many Australian farmers whose farm businesses have benefited enormously from contract supply arrangements, and who are more than willing to continue using them.

‘The biggest challenge for Governments is not how to regulate contract marketing systems, but rather how to reduce regulation so as to ensure that all marketing systems are treated equally, enabling the most efficient and effective systems to compete and evolve to the benefit of both farmers and consumers.’

The report concludes that existing regulations, such as statutory single-desk marketing arrangements for a number of commodities, State and Local Government regulations that limit the development of alternative markets like farmers markets, and the compulsory collection of research and development levies for some agricultural commodities, appear to be needlessly constraining farmers’ choice of transaction method and should be repealed so that the most efficient and effective systems can evolve without hindrance.

‘Traditional marketing systems are improving the range of services they offer to farmers and buyers, and becoming more competitive. This is the preferred approach, rather than trying to dictate how markets should operate via regulations.’

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