

**EMBARGO: 9pm Wednesday October 26<sup>th</sup>, 2005**

## **Australian Farmers Face Major Challenges From Argentina & Brazil**

Australian agriculture is not price competitive with rapidly growing agricultural exporting nations such as Argentina and Brazil, and will increasingly need to target higher-value international markets to remain profitable, according to a report released by the Australian Farm Institute.

The report – *'Agricultural Development in Argentina and Brazil: Emerging trends and implications for Australian Agriculture'* is the result of a detailed analysis of the agricultural development over the last decade of these two South American nations, and the subsequent implications for Australian farmers and the wider agricultural sector.

The Executive Director of the Australian Farm Institute, Mick Keogh, explained to attendees at the Australian Agri-food Forum in Melbourne today that the farm sectors of both Argentina and Brazil have experienced dramatic growth over the past decade, due to economic reforms in both countries and the development of major new agricultural areas in Brazil.'

'For example, Argentine soybean, wheat and maize production increased by 100%, 30% and 140% over the past 15 years, resulting in a dramatic increase in exports. Argentine beef exports have doubled in volume over the last 3 years, and are anticipated to be at record levels in 2005. Similarly, growth in Brazilian sugar, soybean, pork, dairy, horticulture and beef production has been spectacular, with beef production almost doubling over the past 15 years and Brazil overtaking Australia as the world's largest beef exporter in 2005, as well as being the world's leading soybean and sugar exporter.'

'Most sobering about these statistics is the projection that Brazil still has 60 million hectares of undeveloped land that is suitable for crop production, in addition to the 70 million hectares already developed. This dwarfs Australia's current total of 50 million hectares of land suitable for cropping.'

'Both Brazil and Argentina have now emerged as major global exporters of agricultural products, and the value of net agricultural exports from each of Argentina and Brazil overtook the value of Australia's agricultural exports in 2003, and continue to increase.'

'The implications of these developments for Australian agriculture are significant. A positive outcome is their shared interests with countries such as Australia and New Zealand in freeing up world agricultural trade. Brazil and Argentina are also growing markets for a range of agricultural products and services.'

'Conversely, farm produce from both these countries now competes very strongly with Australian produce in global markets, and in many instances it is apparent that Australian produce cannot be price competitive.'

Both Argentina and Brazil have superior availability of quality natural resources and a more suitable climate for agriculture than is the case in much of Australia. Land and labour costs are also comparably lower and more readily available. Consequently the two countries are highly competitive, especially in bulk commodity markets.

The report identifies that Australian agriculture does have some comparative advantages in areas such as transport and logistics costs, animal genetics, animal health standards, national economic settings, and labour training and education standards.

As a result, Australian agriculture is better able to target higher-value markets which impose more rigorous food safety and quality assurance standards. However, to succeed in these markets requires a much closer integration between Australian farmers and downstream processors and marketers, and enhanced market intelligence and product feedback information for farmers.

The report concludes that for Australian farmers to remain profitable, there will need to be an alteration of mindsets in many commodity sectors, away from farmers being simply producers of bulk commodities to farmers being innovative suppliers of high value products closely targeted at consumer requirements.

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