

**Farming beyond the farm gate –
Does the gap between the city and the bush matter?**

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An enduring element of Australian culture during the 200 or so years since European settlement has been the differences between urban and rural Australia – the city and the bush.

In poetry, lyrics and writing, the differences between the city and the bush have been a rich vein of material, which has been well mined by poets and writers such as Banjo Patterson, Henry Lawson and A D Hope, and in more recent times by Les Murray, Judith Wright and Tim Winton.

Perhaps the harshest critic of urban Australia was A D Hope, who in 1939 described the five capital cities as ‘five teeming sores each draining Australia of her people and vitality’, a sentiment many non-urban Australians might heartily endorse today.

There is no doubt that this gap between the city and the bush has widened over recent decades, and this was highlighted to me a few years ago when I was asked to visit one of my children’s classes at a Sydney suburban primary school and talk about living on a farm.

My first question to the kids was: ‘How many of you have ever been on a farm?’. From memory, no more than two or three put up their hands.

I then proceeded to tell them some pretty basic things about life on a farm, such as the fact that the drinking water is collected from the roof. The look of abject horror on the kids faces astounded me, as did the stream of questions about having to drink water that birds had ‘pooed’ in, or that had dirt off the roof in it.

At that stage I immediately abandoned the next part of the talk, which was to explain where milk and meat came from!

That the gap between the city and the bush seems to be widening should not be surprising. Whereas perhaps 30 years ago most people living in cities had some connection with rural Australia through a relative, this is not the case any more.

Today’s multicultural Australian society consists of a mix of overseas and indigenous people. Recent population estimates identified 23% of the population as overseas-born, while 43% of those born in Australia had at least one overseas-born parent. In addition, 80% of the population lives within 50 kilometres of the coast, which means there is only limited connection or opportunity for urban people to become familiar with rural areas. In fact, in my experience kids living in many areas of urban Australia are now more likely to have traveled overseas than to have visited an Australian farm.

The fairly obvious question that arises from this is – ‘Does it matter?’ Is it really important that there is some connection and understanding between the city and the bush?

In my talk this evening I am going to argue that it does matter. I think that for three different, but linked reasons, the perceptions that city people have about Australia's farmers are critically important to the future of agriculture, and also to farm profitability.

Global agricultural market developments

Probably the first and most important reason that Australian farming needs a 'good' relationship and reputation amongst Australia's urban population is a very simple one – in an era of global food abundance and growing wealth, 'consumers rule', and the attitudes of consumers are a key factor in the market success of any product.

Some in this room no doubt began farming in an era when global food shortages were a major concern, and all that was required of farmers was that they produce as much food as possible. Indeed, in reading a bit about William MacGregor Troup, in whose memory this lecture is held each year, it is easy to gain the impression that his 'six sheep per acre' mantra was relevant to a time when the sole concern of farmers was to maximise output, and the community was enormously supportive of farmers doing just that.

Mac and many more like him were all too successful. Statistics compiled by the Food and Agriculture Organization (FAO) of the United Nations (UN) show that, despite the global population almost doubling to six and a half billion in the thirty years to 2005, global food production per capita has actually increased by 27% over that same period

This means there is almost 30% more food produced globally per person now, than there was thirty years ago.

The bulk of that growth in output has occurred in developing countries, with Asia and South America, in particular, boosting agricultural output per capita by 180% and 160% respectively. In a major analysis of future global food supply written in 2005, the FAO concluded that:

'Competition in global commodity markets will intensify in the medium term. Coupled with marked productivity gains at the world level, this will result in a further drop in real prices for most agricultural commodities'.

There are a number of implications arising from this global abundance, with perhaps the first and most significant being the increasing globalisation of food and fibre supply systems.

Even though barriers restricting agricultural trade remain relatively high, especially in developed countries, the value of global agricultural trade has been growing in real terms over the past 20 years by between 4 and 5% per annum according to the World Bank, and increased from US\$243 billion in 1980–81 to US\$467 billion in 2000–01.

The result is that in virtually any market around the world, competition between agricultural exporters has intensified and, as we are seeing in Australia, even traditional domestic markets are experiencing import competition.

The most intense competition is occurring in markets where products are largely undifferentiated and are sourced predominantly on cost. Examples include bulk grain and dairy markets, and markets for ground beef or horticulture products for processing uses. Developing countries such as Brazil, Argentina, China, Russia and Uruguay are extremely competitive in these markets.

As a relevant example of the intensity of the competition, an Australian fruit processing company faced with supply shortages in recent years has found it can import equal quality fruit from China with a landed price 30% lower than the prices being paid for fruit grown next door to the cannery.

But what is also happening is that wealthy consumers and the retailers that supply them are becoming increasingly fussy, not just about the quality of food and fibre they purchase, but also about the 'system' used to produce that food or fibre.

This is reflected in the global growth in demand for information about the 'non-functional' aspects of food and fibre production. This includes information about the region the product originated from, as well as the production system that was used, be it organic, or GM free, or animal welfare friendly, or Fair Trade, or even carbon neutral.

Perhaps the most readily available example of this is the fact that the organic food sector has been the fastest growing segment in food markets in Europe and North America, and was estimated globally to be worth US\$28 billion in 2004.

Australian farmers have the systems and technology to compete successfully in these higher value markets where fussy consumers are prepared to pay more. As an added bonus, farm products from developing countries struggle to compete in these markets, because their national and local systems don't have the same degree of integrity.

However, unless wealthy Australian and international consumers believe Australian produce delivers some of these particular characteristics and comes with a good reputation, they will simply choose other produce.

For that reason, a good relationship between the city and the bush in Australia is a foundation stone for Australian farmers in being able to succeed in markets that offer higher returns.

Australian agriculture's social licence to operate

The second area where I think urban perceptions of Australian farmers is and will be increasingly important is an issue that some term 'agriculture's social licence to operate'.

This is a vague term in some respects, but it basically covers a range of issues that define the extent to which farmers are constrained or accountable in their day-to-day operations.

In areas including workplace safety, pesticide use, noise and odour management, landuse planning, animal welfare regulations, and even the use of new technologies such as genetically modified organisms (GMOs), communities and governments are progressively making decisions that express a lack of confidence in the ability of farmers to make sensible decisions on these issues in the interest of the wider community.

It should be pointed out that the extent to which the community trusts farmers to make decisions in the interests of the entire community is not just an issue in Australia. In a range of different jurisdictions including Europe, Japan and America, farmers are facing considerable pressure to be more accountable and to improve compliance with community expectations, even if these community expectations are driven by the noise emanating from small groups of activists who are passionate about very specific issues. The current criticism that the wool industry is facing over mulesing is an example of this sort of advocacy.

It is interesting to note that in both Europe and North America, communities have been prepared to support the introduction of GMOs, despite consumers in those regions being perhaps more fussy than those in Australia. Part of the reason that GMOs have not been introduced in Australia is the past ambivalence of farmers towards their introduction, although I think that is now changing. But I suspect the other part of the reason is that the 'gap' between the bush and the city is perhaps less pronounced in both Europe and North America as a consequence of the less urbanised population, and a past history of real concern about food security – especially in Europe.

In talking about agriculture's social licence to operate, it is also worth noting that, in some instances, the sector certainly has needed to do to clean up its act. The cotton industry, for example, did enormous damage to its reputation during the 1990s with repeated instances of pesticide contamination of food, water and soil.

On another issue, that of workplace safety, the sector's record is relatively poor partly because most comparisons are made with sedentary office-based occupations where the biggest danger is a severe paper cut!

However, even if we believe that the claims and demands made by some groups in the community are completely unjustified, the fact remains that the connection between the city and the bush has obviously weakened to the point where even incorrect or misleading information is sufficient to convince people in the city that farmers need to be subject to tighter regulation and control.

Unless agriculture can find ways to bridge the growing gap between the city and the bush, I think we will find that in the future, our social licence to operate will be increasingly proscribed by governments, making it harder to sustain the high rates of productivity growth that have been so essential to farmers' ability to remain profitable.

Access to resources

The third area where I believe the gap between the city and the bush will create increasing problems is agriculture's future access to resources. In referring to resources, I mean in particular the three resources that are absolutely critical to the operations of a farm, namely land, water and people.

On access to land, there are some real challenges that arise in competing uses for land, especially in areas close to major cities and in high amenity areas. I am frequently reminded of this issue when I travel from Sydney down the NSW south coast, and observe the gradual disappearance of the dairy industry in that region – especially within two or three hours' drive of Sydney where wealthy urban people have acquired land for their weekenders.

For those farmers approaching retirement age and thinking about superannuation, this is no bad thing, but for new entrants into the sector who do not have a big bank account it makes the entry price unsustainable. I suspect the increases in farm land values over recent years will escalate the development of business models that separate land ownership and farm operation, similar to the share farming models that have emerged in the dairy industry.

Where the real challenge is arising is where highly productive agricultural land is being converted to non-agricultural uses. In close proximity to Sydney, Brisbane and Melbourne, prime

agricultural areas are quickly disappearing under a sea of McMansions, and I wonder whether future generations might question the wisdom of planning decisions that allowed this to happen.

But the reality is that city people are not sufficiently concerned about this to require their political representatives to prevent it. While recognising that it is not a simple policy issue, governments have not yet felt any strong need to preserve prime agricultural land.

Perhaps the only instance I am aware of where innovative policy has been applied to this issue is in the US – where in some regions the development rights were purchased off existing farmers, and then permanent caveats were placed over the land in question to ensure that it remained available for agricultural production. Similar policies have also been applied in parts of Europe.

Again, I would make the point that this suggests that those communities value agriculture and farming more than seems to be the case in Australia.

The Australian community has also exercised its ‘values’ in relation to land use in decisions that have been made concerning the establishment of national parks and conservation areas, and also when it comes to issues such as grazing cattle in alpine regions.

There is some rethinking starting to occur on these issues as governments come to realise that having seventy million hectares of national parks Australia-wide also brings with it management costs and responsibilities, but it seems that, at present, the community values conservation activities as much or more than it values agriculture.

On the issue of water and the relative value the community places on different uses, I don’t think I need to do much more than point to recent public debate to illustrate the dangers inherent in a poor relationship between the city and the bush.

It is pretty clear from that debate over recent months that there are real community concerns about the sustainability of Australian water management, and, in particular, the view seems to be that water going to agriculture is essentially wasted, and a lot of it would be better off returned to the environment.

Two aspects of this debate have been interesting. The first is that it is never made clear exactly what the objective is in returning water to the environment. The second is the notion that water that goes to agriculture is wasted, and would be better off diverted to the environment or to urban lawns. Somehow the fact that most of the water used by agriculture ultimately ends up in city consumers’ stomachs and on their backs seems to get overlooked, as does the fact that the rest of the water is used to generate some pretty handy export income for the nation.

Again, I think these perceptions and attitudes about water have developed as a consequence of the growing gap between the city and the bush.

In many ways, the key resource that agriculture needs to maintain access to is people. If farming is able to attract smart and energetic people, they will bring with them the intelligence and energy to overcome most of the other challenges the industry faces.

Unfortunately, over the past decade agriculture has really struggled to attract people – especially into tertiary training, but the industry has also failed to hold on to some highly skilled practitioners who are now driving trucks and providing their farm-developed welding skills to the mining sector.

This is an issue that can be papered over for a few years by farmers deferring retirement or relying on part-time labour, but in the longer term the sector's ability to attract high quality employees will depend on farm profitability, and the image the industry conveys to the rest of the community.

Once again, the gap between the city and the bush is an important factor in relation to the challenges farming faces in Australia in securing access to good people resources.

The future

Taken together, all these issues could easily lead to a great deal of pessimism about the future prospects for Australian agriculture. A quick summary of the situation seems to be that we are unloved at home, and unneeded abroad!

However, I think there are reasons to be optimistic, despite the challenges I have highlighted, and paradoxically, some of the reasons to be optimistic arise from some of these challenges.

The first reason for my optimism stems from trends that are evident in the changing diets of populations in developing countries, many of them Australia's near neighbours.

As these populations are becoming wealthier, their diets are changing and more closely resembling western diets, with increasing consumption of fruit and vegetables, meat, and dairy products. Available statistics for China, for example, show quite strong increases in daily consumption levels of meat and dairy products, and declining dietary importance of cereals. At the same time, however, statistics show that the amount of arable land in China is shrinking, and water scarcity is becoming a greater problem.

These changes aren't limited to China. Enormous growth is also occurring in consumer wealth in countries such as India, Thailand, Malaysia, Vietnam and the Philippines, and bringing with it the same increase in demand for high quality, western-style foods.

Australia is well-positioned to meet this increased demand, with our red-meat industries in particular having the capacity to increase production, and our dairy sector also able to expand output.

A second reason for optimism arises from the trend I spoke of earlier, whereby wealthy consumers are becoming increasingly demanding about their food, and even the non-functional aspects of their food such as the environmental sustainability of farm production systems, and the animal welfare and other standards that are applied in its production.

One lesson learnt in recent years, in the beef industry in particular, has been that Australian farm production standards (and our post-farm hygiene, food safety and traceback standards), have been robust enough to meet the requirements of some of the world's most particular consumers in Japan, Korea and the US.

And what has also emerged from that experience is that those consumers are prepared to pay a premium for our products partly because of these standards – and as a result, we haven't had to compete on price with other, lower-cost beef producers.

The infrastructure that has developed around Australian agriculture, which includes the physical infrastructure, administrative and analytical systems, and the knowledge and skills of farm personnel, means that Australian agriculture is better equipped to meet the requirements of fussy, high-wealth consumers, than many of our developing-economy competitors are.

In fact, somewhat paradoxically, the more fussy global or Australian consumers get, the better off Australian farmers might be.

Responding to this trend, Michael Luscombe, the new CEO of Woolworths, has already foreshadowed that Woolworths is starting to consider ways to reward environmentally sustainable farmers, and European retailers have already gone some way down that path with their EurepGAP farm accreditation system.

The critical question arising from this is: 'How can Australian farmers maximise their opportunities to participate and profit in high-value markets serving these wealthy consumers?'

Perhaps the first step we need to undertake is to repair the relationship between the city and the bush in Australia. There are different ways this can be done, and I think the Farm Day initiative started by Debbie Bain here in Victoria is a great first step. I suspect a lot more word-of-mouth goodwill is created through that activity than millions of dollars spent on television advertising.

A second step that is needed is a firm 'No whinging' rule for anyone in a leadership role in agriculture. I really think agriculture does itself enormous harm by regularly taking the approach that the only way to get government attention is to cry 'disaster'. While this might result in short-term support, it does great damage to the longer term profile of the sector, and drives away the smart young people that are the most critical resource for the future of the industry.

Promotion and goodwill programs won't be enough, however, to counter criticisms of farmers on issues such as the environment and animal welfare. On environmental issues, in particular, I think the time is fast approaching when Australian farmers will need to get serious about adopting environmental accreditation programs that provide certification for farm businesses which meet certain environmental standards.

Farm environmental accreditation systems have the potential to be a very positive way to reassure the wider Australian community about the environmental and other management standards of Australian farmers, and will help maintain agriculture's social licence to operate.

At the same time, voluntary and cost-effective farm environmental accreditation systems can better equip Australian farm produce to compete in higher value international markets that are not accessible to farmers without such accreditation, or from countries that don't have the same biosecurity infrastructure.

In concluding, I want to make a couple of very simple points.

In global terms, Australian agriculture is no longer a low cost producer, nor is it an essential source of food and fibre. The world, and Australia, could survive quite happily without our products.

This means Australian farmers are now competing in consumer-driven global markets in much the same way that the makers of iPods or computer games are. In consumer-driven markets, suppliers only survive if they keep meeting or exceeding the expectations of consumers.

Consumers don't need iPods or computer games, but, given the right approach, can be made to want them, and to pay a premium for them. The challenge for Australian farmers and the entire agricultural sector is to adopt this same consumer-driven approach, and find ways to make consumers want to pay a premium for Australian farm products.

A side effect of successfully doing this will be to close some of the gap between the city and the bush – a very important need if farming is to prosper and grow in Australia in the future.

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