

Monday 23 June 2014

Let them eat imported cake

Can agriculture grow if food processing dies?

This is the critical question facing the agriculture and food sectors of Australia. 'The question is brought into stark relief by the fact that Australia is now a net importer of processed food, and in fact a growing amount of the imported processed food is made of Australian produce that is shipped overseas in an unprocessed form, and then re-imported as a processed and packaged consumer product' said Mick Keogh, Executive Director of the Australian Farm Institute.

'An analysis of a wide range of different processed foods reveals that virtually all categories are facing a declining trade balance (imports into Australia are growing faster than exports from Australia). This even applies to products - such as cheese, wine and beer - for which Australia has previously had a reputation for being a competitive producer.

'The specific causes of the decline in competitiveness of the Australian food processing sector are difficult to identify with any certainty. There is no doubt that the relatively high exchange rate of the Australian dollar over the past decade is a factor, as is the structure of the retail food sector in Australia which is dominated by two major supermarket chains and is the most concentrated supermarket sector in the world.

'Australia's relatively high wage rates are also a factor, although the continued growth in manufactured food imports from other relatively high-wage countries such as France, Italy and the Netherlands indicates that relative wage rates may not be a critical factor. The limited size of the Australian market is also undoubtedly a factor, although New Zealand food processors - with a much smaller domestic market - are some of the most successful and fastest-growing sources of Australian processed food imports.

'The future challenge for Australia arises from the fact that if current trends continue, less and less of the food grown in Australia will be processed here, and more and more will be shipped overseas in a relatively raw form and then re-imported as processed food.

'This has implications for Australian agriculture and the national economy, given that food manufacturing is the largest employer in the manufacturing industries in Australia, and that many of these jobs are in regional locations.

'It also has implications for the farm sector more directly, as it means it will be increasingly difficult in the future to extract any recognition from the marketplace for the higher food safety, biosecurity, animal welfare and environmental standards associated with Australian farm production' said Mick Keogh.

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MEDIA RELEASE

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This Winter 2014 edition of the Farm Policy Journal contains papers contributed by a range of industry experts, each of who provides a perspective of the implications of these developments for Australia, and the response that should be made by industry and government. The contributors are as follows;

- *The declining competitiveness of Australian food processing?* by Gaétane Potard, Research Officer, Australian Farm Institute
- *Drivers of industry success and decline*, by John Freebairn, Ritchie Chair in Economics, University of Melbourne
- *Will the demise of the Australian food-processing sector have a negative impact on Australian agriculture?* by Alistair Watson, freelance economist
- *Food security and the role of Australia's manufacturing sector*, by Geoffrey Annison, Deputy Chief Executive, Australian Food and Grocery Council
- *Food bowl to Asia: the policy context*, by David McKinna, Principal, McKINNA *et al*
- Interview with Terry O'Brien, Managing Director, Simplot Australia

The Winter 2014 quarter *Farm Policy Journal* is available online at the Australian Farm Institute website www.farminstitute.org.au or by phoning (02) 9690 1388.

Ends

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