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Global food security and strong trade links key to future competitiveness of Australian agriculture – report

The world's increasing focus on food security and safety – along with Australia's strong trade links with major importing markets – will be among the key factors supporting the international competitiveness of Australia's agricultural sector in 2013, according to a newly-released industry report.

In its flagship **Agriculture in Focus 2013** report – examining the outlook for Australian and New Zealand agriculture – specialist food and agribusiness bank Rabobank identifies key opportunities and challenges for the competitiveness of Australian agricultural commodities in the year ahead.

Overall, the report finds the outlook for many Australian agri commodities remains robust, despite some ongoing challenges to competitiveness.

“Global supply and demand fundamentals indicate an increased reliance on exportable supplies from Australia in 2013, which should help bolster local prices, largely off-setting the currency drag (from the high dollar),” the report says.

However, the report cautions, maintaining competitiveness is vital in order to take full advantage of the opportunities.

“Enhancing the international competitiveness of Australian agribusiness is becoming increasingly challenging. Where possible, these challenges must be tackled in 2013 to mitigate the impacts of the elevated Australian dollar and to unlock the growing opportunities for the sector into the future,” it says.

Food security and safety

Chief among the opportunities for the Australian agricultural sector are those presented by the pressing global need to provide food security to rapidly-expanding and increasingly wealthy populations, particularly in developing Asian economies.

The report says Australia is well placed to increase the volume of agricultural exports into the Asian region due to its competitive advantages, including superior product quality, developed trade linkages and geographic proximity.

“The issues of food security and food safety provide enormous opportunities for Australia's and New Zealand's agricultural sectors,” the report says. “Both countries have ample supply of high quality food and agricultural products, and comfortably sit on the doorstep of a fast-growing region.”



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However, extracting and retaining maximum value for that production – along with maintaining and developing competitive advantages – will be key to ongoing growth in exports, says Rabobank analyst Tracey Allen.

“The Australian agribusiness sector is expected to play a major role as a reliable supplier of high quality, safe food over the next decade, however it is not the only country eyeing the opportunities presented by the increasing food demand from a rising middle class in Asia. Maintaining competitiveness is vital to take full advantage of the opportunities,” she said.

Food safety is also an important factor identified by the report. “Plagued by local food safety issues, many trading partners are seeking the assurance of high quality imported food and agricultural products,” Ms Allen said. “And stringent food quality and safety frameworks already underpin production systems in Australia.”

Trade links

Throughout 2013, Australia’s strength in international trade links with key importing markets is expected to be a distinct competitive advantage for the country’s agri exporters, according to the Rabobank report.

“The inability of many, particularly developing countries, to feed growing populations through domestic production means that governments are aiming to facilitate trade flows and offshore investment in agriculture as a means of securing food supply,” Ms Allen said.

“Trade relationships and agreements are integral in developing and maintaining efficient access to global markets. The continued facilitation of trade flows to ensure stable food stocks globally in 2013 is expected to help support the local prices of agri commodities in Australia.”

The recently-signed Free Trade Agreement (FTA) with Malaysia is one trade relationship expected to benefit Australia in 2013, linking trade between the two countries across sectors including dairy, wine and processed food.

The report says foreign interest in Australia’s agricultural assets also looks set to continue in 2013, with Australia’s reputation for quality food production placing it as an attractive destination for investors.

Other issues

Other key issues facing the agricultural sector in 2013 identified by the Rabobank report include the strong Australian dollar, increasing regulatory pressures and sector employment.



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The strong Australian dollar is forecast to remain elevated for at least another 12 months, challenging the competitiveness and profitability of Australian agricultural exports, the report says.

“The elevated currency makes the pursuit of future productivity gains in Australian agriculture all the more critical,” Ms Allen said.

In addition, increasing regulatory pressures are creating some extra headwinds across the agricultural sector adding to the cost of production, as well as creating uncertainty, limiting resource availability and driving change in farming practices.

While attracting current and future generations to agriculture is a priority for all of the farming sector, Ms Allen says. “The challenge is not just meeting and being able to afford immediate labour requirements to get the job done, but identifying from where the next generation of farm owners, managers and agribusiness leaders will emerge,” she said.

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Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has more than 110 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 47 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank Australia & New Zealand is one of Australasia’s leading rural lenders and a significant provider of business and corporate banking and financial services to the region’s food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.

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