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*Media release
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Australia risks 'missing the boat for golden opportunity in agriculture' – new report on competitiveness warns

Australia risks missing 'a golden opportunity' to grow its agricultural sector, and addressing this requires a concerted and coordinated approach from all sector stakeholders, a new report on the competitiveness of Australian agribusiness has warned.

Agriculture in Focus 2014: Competitive Challenges, by agricultural banking specialist Rabobank, says Australian agribusiness is facing mounting competitive threats throughout the supply chain, which require resolute and aligned action from industry and government.

The report, which examines Australia and New Zealand's agribusiness sectors, identifies six key challenges affecting the competitiveness of Australia's food and agribusiness industries, which are increasingly coming under threat from a growing group of highly-resourceful international competitors, including countries in South America, Eastern Europe and even Asia.

The report says the critical areas which need to be addressed as a matter of priority are:

- rising production costs both on-farm and beyond farmgate
- international market access
- logistics infrastructure (in)efficiencies
- regulatory pressures
- capital constraints and
- product innovation and development.

Rabobank general manager Food & Agribusiness Research and Advisory Luke Chandler says "while the rising demand growth for food from our Asian neighbours remains a golden opportunity, Australia risks missing the boat without a more co-ordinated effort from industry and government" in addressing these factors, which threaten to impact Australia's future competitiveness in world export markets.

"Broadly speaking, while the competitiveness of Australia's food and agricultural sectors has generally compared favourably in a global context in the past – and this has underpinned our prominent role in global agribusiness market – this situation is far from static," he says.

"Many of Australia's competitors in agricultural markets around the world are investing heavily and becoming much more productive, and this is very much raising the bar for our agricultural industries."



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Mr Chandler says food and agriculture is becoming the subject of increased focus from governments around the world as the challenge of meeting the food needs of a growing and wealthier global population places pressure on farming enterprises.

“However, we need to realise that Australia is not the only agricultural exporter looking to capture this increasing demand,” he says. “Over the past decade highly-resourceful developing countries have begun to assume a greater role in the global export trade of food and agriculture products.

“The potential of countries in South America and Eastern Europe is obvious, but even some major food-importing countries and regions, such as China and the ASEAN-5 nations, are playing a greater role in shaping the export landscape.”

As opportunities to boost direct on-farm cost competitiveness become harder to realise in Australia, the report says, the nation’s food and agribusiness sector must look to broader factors to maintain its competitive edge.

Market access challenges

The report notes, for example, the pressing issue of improving Australia’s international market access, where the process of de-constructing trade barriers in foreign markets is proving to be “incredibly complicated and drawn out”.

As a case in point, in the area of international market access for beef, the report says increased lobbying from international competitors is risking Australia being left behind when it comes to global market access and trade relationships.

“Negotiating ‘most favoured nation’ status for Australia’s food and agriculture suppliers in key markets would ensure local suppliers aren’t needlessly being placed at a disadvantage to our competitors,” Mr Chandler says. “This includes prioritising the further seven Free Trade Agreements (FTAs) Australia currently has in progress, not including the FTA with Korea which is soon to be ratified. Including Korea, the countries involved in these FTAs account for 45 per cent of Australia’s current trade.”

In addition, Australia’s beef industry must set itself apart by investing in strengthening relationships and knowledge exchange frameworks with their foreign counterparts.

“Clearly there is a fundamental need for industry to build even closer working relationships with counterparts in foreign markets through the greater exchange of technology and education, and sometimes investment downstream in the supply chain to provide greater reassurance around long-term supply,” Mr Chandler says.

Inefficiencies in logistics infrastructure

Addressing the inefficiencies in Australia’s logistics infrastructure is another priority in lifting the competitiveness of the agricultural sector, the report says.



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“Higher on-farm costs and slowing productivity growth in many sectors in Australia relative to global peers have increased the importance of driving efficiencies in alternate parts of the supply chain,” says Mr Chandler.

“In the grain industry for example, strong infrastructure and quality improvements by our global competitors is exposing a relative lack of investment in Australian grain logistics infrastructure and the corresponding level of efficiency with which Australian grain reaches export markets,” he says.

“This requires commitment to a unified industry-wide, long-term strategy to invest in infrastructure improvement which involves unilateral input from government, supply chain operators and industry participants.”

‘Road map’ for future

Mr Chandler says that while the solution to the competitive challenges to Australian agriculture does not lie in any one direction, there is a ‘road map’ that can guide industries to build a more competitive and sustainable base for the sector into the future.

“While some competitive factors such as exchange rates and wage costs are beyond the sector’s control, many other issues can be successfully addressed through the concerted and coordinated action of industry and government institutions,” he says.

“There is no question that a food and agriculture sector that has better access to global markets, ready access to capital, more efficient logistics infrastructure, higher value product and processes, a highly sustainable environmental impact, and more affordable production inputs will be better placed to capture the ‘Asian dining boom’.”

However, he notes, the objective should not be for Australia to ‘feed the world’.

“The reality is Australia is not in a position to supply and compete in the high-volume markets,” Mr Chandler says. “Rather our focus needs to be on developing into high-value markets where we can compete on quality and other sought-after attributes where consumers have the capacity to pay. Australia will not be the food bowl of Asia, but we can be the delicatessen.”

Rabobank group Executive Country Banking Australia Peter Knoblanche said ***Agriculture in Focus 2014: Competitive Challenges*** was the first in a series of reports the bank would be releasing which would examine the issues impacting the agricultural sector along the entire length of the supply chain.

“In our view it is vitally important that these issues are examined and addressed in order that our agribusiness sector can benefit and prosper in delivering a vital product to an increasingly hungry world,” he 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 42 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.

Media contacts:

Denise Shaw
Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Jess Martin
Media Relations
Rabobank Australia & New Zealand
Phone: 07 3115 1832 or 0418 216 103
Email: jess.martin@rabobank.com