

*The voice of Australian farmers since 1979*



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## **Global Opportunities for the Pastoral Industry**

**46<sup>th</sup> PGA Pastoral Conference**

**Kalgoorlie, Western Australia**

**Address by Ben Fargher, Chief Executive Officer**

**National Farmers' Federation**

**1 July 2005**

- Sandy McTaggart, Barry Court distinguished guests ladies and gentlemen.
- Thank you for the invitation Sandy, it is a great pleasure to be here in Kalgoorlie, speaking at my first PGA Pastoral Conference since becoming NFF CEO this year.
- NFF as always has a very big agenda, but now more than ever we are busy fighting for our members in the areas of our strategic priorities:
- We seek to reduce farm business costs, by pushing for industrial relations reform; drought policy reform; transport infrastructure; and access to world-class telecommunications.
- We seek to ensure sustainability, by advocating for resource security as it relates to both water and land and native vegetation.

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- And we seek to increase farmers revenue, by pushing for international trade reform.
- I will be staying for the duration of your Conference to ensure I have the opportunity to hear your views on all of these issues – what you think NFF is doing well and suggestions on where we can improve.
- Today, I am going to focus my comments on trade policy.
- As you are aware, since our formation in 1979, NFF has led the charge in Australia for domestic and international trade policy reform.
- On the domestic front, since our formation NFF has called for the unilateral reduction of all domestic tariffs.
- To some this may seem counter-intuitive. It's not. Tariffs have an inherently negative impact on farmers due to the higher prices they must pay for inputs and the upward pressure tariffs put on the exchange rate. Essentially, tariffs are a tax on Australian consumers and exporters.
- Some advocates of tariff protection argue that moves towards free markets and globalisation destroy political sovereignty. These advocates are often those who fantasise of a 'Fortress Australia'. In NFF's view, this approach would be disastrous for economic growth and the farm sector and untenable in today's globalised world.
- I have been told by those involved in establishing NFF that the PGA understood this dynamic long before many others in the rural sector did.
- I pay tribute to the PGA leadership of the past for facing the hard decisions and leading on this issue.
- And I pay tribute to the current leadership also, to Sandy and Barry and others, because some say that the hard fights have been fought and won.

- But I disagree.
- The fights in which our organisations engage on behalf of farmers today certainly have changed, but they are no less important now than in the past and indeed, may be more important.
- Our adversaries in today's world - groups like extreme animal welfare activists or extreme green groups – are well organised and often well funded.
- They move quickly and use the media to make their case.
- These groups don't necessarily let facts stand in the way of an argument either – making them even more tricky to combat.
- And in today's Australia we don't have the inherent protection of having as many people in metropolitan Australia who understand our issues - but that's a topic for another day.
- On the international front, NFF remains committed to achieving our goal of a fundamental improvement in the fairness of international trade rules for trade in agricultural products.
- We do this not to pursue some form of free market philosophy as such, but because of the cold hard facts that trade reform will result in more dollars in the pockets of Australian farmers.
- That's good for farmers and graziers, good for regional communities and good for this nation.
- Looking at Western Australia in particular, there is no doubt that WA's agri-food, fibre and fisheries industries play a major role in the State's economy.
- In 2003/04, the West Australian agri-food sector, including value adding via food processing, was responsible for AUD\$9.5 billion worth of products.<sup>1</sup>

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<sup>1</sup> WA Department of Agriculture (2005)

- Adding the direct flow-on effects to other sectors of the economy, the WA agri-food industry contributed more than AUD\$10 billion to the State's economy.
- The bulk of WA agricultural exports go to the North-East Asian region, followed by the ASEAN region, Middle East and Europe.
- Key export markets for agri-food products are Japan, China/Hong Kong, Indonesia and South Korea.
- The issue of course is that you face barriers exporting into these markets.
- This is why we seek reform.
- Some argue we are beating our head against a brick wall – that we will be waiting forever.
- Well, much has been achieved.
- Just the mere fact that the World Trade Organisation (WTO) international trading system is a rules-based system is vitally important.
- The WTO as an independent umpire, through the dispute settlement process, has meant that Australian farmers have protected themselves against illegal practices – such as United States (US) lamb tariffs.
- Recent WTO cases against the US on cotton and the European Union (EU) on sugar place pressure on those countries to reform.
- And we have seen direct benefits from the WTO agriculture negotiations. Tariffs on beef in Japan for example, have reduced from around 70 per cent in the early 90s to around 40 per cent today. Yes, still too high but much lower nonetheless.
- But it's true – much remains to be done.

- Agriculture remains the most distorted sector of world trade.
- And Australian farmers face tariff barriers or have to compete against subsidised product in many, many markets.
- The WTO agriculture negotiations remain NFF's number one priority to achieve change.
- When the current WTO Round, the Doha Development Round, was launched in November 2001, all WTO Ministers agreed to a comprehensive mandate on agriculture.
- The mandate calls for:
  - substantial improvements in market access;
  - reductions of, with a view to phasing out, all forms of export subsidies; and
  - substantial reductions in trade-distorting domestic support.
- NFF fully endorses this mandate and we will not support an outcome that falls short of this.
- And we must focus in particular on market access.
- Analysis shows that over 90 per cent of the potential gains from trade liberalisation for the beef industry would come from market access improvement.
- And more than 60 per cent of the potential gains for the Australian sheapmeat industry would come from increased market access, particularly in Europe.
- Progress has been made since the disappointment of Cancun in 2003.

- The so-called July Framework agreed last year was a step in the right direction but since then progress has been frustratingly slow and unless the agriculture negotiations can move forward soon the entire Round will be put in jeopardy.
- Why?
- Because developing countries now make up more than 100 out of the 148 WTO members and they are overwhelmingly agricultural economies.
- Developing countries will not make further commitments in other areas of negotiations until the major agricultural subsidising developed countries such as the EU, Japan and the US give them fair access for agricultural products.
- So without progress on agriculture we know there will be no outcome.
- And neither should there be.
- NFF's message to the world is simple - 50 years after GATT / WTO members moved in concrete terms to provide fair and equitable rules for trade in industrial products, farmers continue to be denied the same opportunities.
- Farmers do not want special treatment. We are only asking for the same opportunities that have been accorded to industrial products for decades.
- Australian and Cairns Group farmers are among the most efficient farmers in the world and we want the opportunity to compete in a trading system that is not distorted by layers of unfair protection.
- This December the WTO's 148 member countries will gather in Hong Kong for their 6<sup>th</sup> Ministerial Conference. Farmers and graziers want Hong Kong to deliver what was promised when the Round was launched.

- Importantly, NFF is not just sitting around waiting to see what will happen in Hong Kong.
- NFF is actively lobbying the Commonwealth Government to ensure our trade policy priorities are well known. We are also working with and co-ordinating industry groups to ensure we are taking collective action where appropriate.
- NFF works internationally also, with like-minded farmers through our membership of the International Federation of Agricultural Producers and leadership of the Cairns Group Farm Leaders Forum, to aggressively push for change.
- Earlier this year NFF launched an international campaign highlighting Cairns Group farmer support for trade reform. The campaign titled “Farmers support free trade – Damn right we do!” has put our CGFL group on the map to be taken seriously by the WTO’s major players.
- NFF will keep this campaign going and we will throw every trade resource we have in the lead up to Hong Kong toward protecting and enhancing the interests of Australian farmers.

## **Bilateral trade agreements**

- In recent times we have seen the emergence of bilateral or, so-called Free Trade Agreements.
- Australia has FTA’s with Singapore, Thailand the US and New Zealand. And the Australian Government is currently negotiating with China, Malaysia, the United Arab Emirates and ASEAN/New Zealand.
- This is a big agenda.
- FTA’s are a second best option to the WTO, but NFF has supported the launch of all these negotiations, as they are important markets for Australian farmers.

- NFF will continue to insist that agriculture be at the heart of all these negotiations and at the heart of any concluded agreements.
- All these negotiations have the ability to provide significant benefits to Australian farmers through addressing important market access and quota constraint issues and through addressing so called “behind the border” issues.
- Australia is now evaluating the prospect of entering into a Free Trade Agreement with China, our third largest trading partner.
- China is also Western Australia’s second largest market for agri-food exports valued at approximately AUS\$532 million.<sup>2</sup>
- China is an important agricultural export market for wool, cotton, grains, dairy, red meat and animal products, live animals, rice, sugar and horticulture.
- China has huge growth potential with a current population of around 1.3 billion. As China grows it will clearly become a more important market for Australian farmers.
- NFF’s position on the China FTA as with all bilateral deals is simple. The agreement must be comprehensive, WTO-consistent and must include all agricultural products – in the end, resulting in entirely free access for Australian agricultural exports over the shortest timeframe possible.
- Western Australian farmers stand to benefit significantly from a high quality FTA with China that, for example, eliminates all tariffs and quota constraints on wool exports.
- Western Australian farmers have opportunities from other Free Trade Agreements also – both finalised and under consideration.
- For example, the Free Trade Agreement with the US (AUSFTA) came into force on the 1 January this year. Western Australian

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<sup>2</sup> WA Department of Agriculture (2005)

agri-food exports to the US are in excess of AUS\$187 million. The WA Department of Agriculture believe that the implementation of the AUSFTA will present new opportunities for Western Australian agrifood exporters, particularly in the dairy and wine sectors.<sup>3</sup>

- The Thai Free Trade Agreement (TAFTA) also came into effect on 1 January. Thailand is Western Australia's fourth largest market for agri-food products in the ASEAN region.
- Under TAFTA, agricultural products such as meat, dairy, grains and related products, fruit and vegetables, sugar, beer, wine and spirits - previously subject to tariffs and quota restrictions - will see these being either eliminated or expanded over a transition period varying according to the product, before final elimination of the tariff rate quota.
- Proposals for a Free Trade Agreement with Malaysia commenced in July 2004 and parallel scoping studies completed early in 2005. With agri-food exports for 2003-04 in excess of A\$211million, Malaysia is Western Australia's 2nd largest trading partner in the ASEAN region. Malaysia has progressively reduced import tariffs (between 0-5 per cent) on a wide range of processed food products, however, there are still various forms of trade distortions in place.<sup>4</sup>
- Despite these opportunities, NFF believes the WTO still offers the best opportunity to fix many of the major structural problems in world trade.
- There is still more than A\$1 billion a day being spent on trade distorting agricultural support around the world – this is criminal.
- And the WTO remains the only vehicle available to us to fundamentally reform the EU Common Agriculture Policy or the US Farm Bill.

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<sup>3</sup> WA Department of Agriculture (2005)

<sup>4</sup> WA Department of Agriculture (2005)

## The Road Ahead

- In summary, 2005 will be a critical year for agricultural trade policy in Australia.
- If progress isn't made in the WTO negotiations this year, political issues in the US and Europe will hinder prospects of a speedy and high quality outcome in the next few years.
- Bilateral deals offer opportunities, provided they have agriculture at their heart.
- Of course the WTO Round and the FTA's currently under negotiation will not be judged by pastoralists and graziers on whether their processes are successful – or on the mere signing of final agreements.
- They will be judged on how much new trade they create.
- And so they should be.
- Thank you.