

ATSE FOOD AND FIBRE LAUNCH

Sydney, 10 April 2014

We are here today to launch the Academy of Technological Sciences and Engineering (ATSE) report on Australia's opportunities in food and fibre production.

I have always made it a practice when launching a report to do it at the outset. Don't leave it to the end of your speech; get it over with. This not only relieves the doubtless very high levels of tension among the eagerly awaiting audience, but also ensures that I don't forget - which was a lesson I learnt early in my report-launching career!

It's a bit like the Queen making a stirring launch speech when christening a new ship, but forgetting to release the champagne bottle on the string before she leaves the podium.

So, it is a great pleasure to launch ATSE's latest contribution to public policy in Australia: our study of Australia's opportunities in the global food and fibre sector.

I do think it's terrific that ATSE has done this work in the food and agriculture sector. For too long, the agriculture sector in Australia has been something of a "poor cousin" to some of the newer sectors of the economy. Given the significant current importance of the food and agriculture sector – and its potential for significant growth – I think that attitude has been quite wrong.

Until the last decade or so many Australians thought that we were unfortunate to have a resource-based economy. They thought that Australia needed a "modern industrial" economy like most other developed countries. They argued that the terms of trade were in secular decline for commodity producers and Australia needed to join the developed nations' club of processors, manufacturers and service providers.

My view is different. I have always thought that our commodity based economy

gives us an exceptional opportunity in the world economy particularly given our geographic place in the world. There is a rising national awareness that soft commodities will be a critical part of Australia's future post-the mining boom. The mining boom is by no means yet over but the dining boom - for which Australia is just as well placed - is just beginning.

As developing economies in our region have "taken off" our resources and energy have been there to support their growth. We now see our agriculture -our food and fibre - being in just the right place at just the right time to support the standards of living take off of millions of the new middle class throughout Asia.

Where we have long exported unprocessed wheat and wool, there are now enormous new opportunities for exporting higher value processed food and meat and fibre products to more demanding middle-class Asian consumers and discerning middle-class Asian palates.

I should emphasise that I am by no means complacent. As an economist, I continue to fear that as the mining boom subsides, there is a very real risk of an ugly economic downturn in Australia. Living standards may well have to fall as we adjust from recent record-high terms of trade (even higher than the 1830s gold rush) to a new international economic environment, less favourable to Australia. We have become accustomed to year on year incomes growth of 2 to 3 percent. Without the energy and minerals boom, maintenance of growth of that order will just not be achievable.

But it could be that our soft commodities – our food and agriculture – will save us yet again. It could be that we will again be Donald Horne's "lucky country". If we play our cards right, rather than slump economically after the mining boom (which is the default outcome) we may find ourselves the lucky country yet again. The downturn may be cushioned or even staved off altogether by a relative shift to the large scale export of soft commodities and the value-added products and ancillary services that the sector can spawn.

Today's report is about maximising our national chances to do that.

But there is more to the story than simply exporting more of our traditional agricultural commodities.

Australia already has a latent image in developing countries as a source of safe, clean, high-quality, technically advanced, professionally turned-out products, products which are produced by people who care about their impact on the environment and manage their farming operations responsibly. Australian products can carry an 'aspirational' association in the minds of the billions of Asian consumers now entering the middle class for the first time in their lives.

Building on this concept of the provenance of our soft commodities is just one of the themes of today's report but one which I'd like to single out for a moment.

Increasingly, 'provenance' is becoming an issue that consumers care deeply about. (Where does this product come from? What is its story? Who is it associated with? Which authorities take responsibility for the safety and quality of these products? Is the product an undifferentiated price taker or a unique new market maker? What history, what associations does it carry in the minds of potential consumers?)

Provenance is something for which European, Californian and other wealthy consumers, for example, are prepared to pay a lot of money. We are seeing it also more and more on our own restaurant menus. At a more prosaic level, consumers in China care deeply about, say, the provenance of their infant milk supplies (after some terrible encounters with adulterated milk powder). Sadly, there are many similar examples throughout the developing world.

Australia has a great story to tell about the provenance of its food. The idea of branding Australian food to capitalise on its Australian provenance is an exciting possibility in this report. It's clean, it's safe, it's produced to the highest developed country standards, it does not carry a long environmental tail. It has many qualities, including qualities of appeal to aspirational consumers.

I think the idea of branding for Australian provenance will be a really worthwhile idea for the coming decades.

It has one other special advantage for me and that is that it will allow us to escape from the silliness of decades of economic nonsense about Australian content, Australian made, made in Australia, produced in Australia from local and imported contents, designed in Australia and processed in China, and so on. Australia's future lies in joining not denying global supply chains, sourcing inputs from best value/best quality suppliers wherever they may be, and offering

the final product on the basis of a broad notion of Australian provenance and overall Australian responsibility for the product - not on the basis of a narrow, artificial notion of “Australian content”.

So today in summary, I have emphasised two things:

- The possibility that soft commodities may save Australia from a nasty post-mining boom slump; and
- That the concept of Australian provenance may become a powerful tool for Australia as we tackle Asian middle class markets.

Anyway, today we're launching a very important and timely report. It is good to see ATSE focusing on food and agriculture, and particularly on the contribution which science, technology and engineering can make to the future prospects of our food and agriculture sector. It is good that the views of the science community are being fed into some important current national processes, including the development of Minister Joyce's White Paper.

So it's good to have this report 'out there' now because there is a lot to be done if our food and agriculture potential is to be maximised – and not all of the things to be done are the responsibility of governments. The national effort to exploit our opportunities will always benefit from a shared hymn sheet and I hope that ATSE's report today will contribute to that emerging national consensus about what needs to be done by whom and when.

Finally, I want to single out one person (it's always unfair to single out one person but I will anyway) and that is Professor Snow Barlow. Snow has been the principal author of the report. I have known Snow for many years and have always thought he was a great Australian, who has contributed a lot to our agriculture sector. This report strengthens that long-standing view. Congratulations, Snow and thank you.

I should remind you: the report is now officially launched!

Thank you.