

## 2003 Agribusiness Congress Program Update

The program for the August 28<sup>th</sup> event is now almost complete – we only have 3 presenters to confirm, including a special guest presenter.

The confirmed speakers are –

- Allan Nicholls - Director - Agriculture, Mining and Manufacturing – ABS
- Richard Brooks – CEO - National Food Industry Strategy
- Stephen Deady - Special Negotiator – DFAT
- The Canadian High Commission
- Professor Mike Young - Economics and Policy Unit – CSIRO
- David Trebeck - Managing Director - ACIL Tasman
- Mike Hayward - GM Overseas Operations - Meat & Livestock Australia
- Terry Brown - General Manager - Marketing - Australian Pork Ltd.
- The yet to be announced Managing Director of the new organisation Dairy Australia

You can follow the development of the Congress program and get information about registration and how to get to the event from the Association web site at <http://www.agrifood.info>

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## The Australia / USA FTA – Could it cause conflict within Australian Agribusiness?

With the start of negotiations for the Australia / USA FTA having got under way, there looms the possibility of serious political divisions emerging within Australian agribusiness over potential trade-offs for greater access to US food markets.

Lets look at a scenario where there may be conflicting interests. In the blue corner, the industries that stand to gain the most from any advances agribusiness may make as part of the FTA – beef, lamb, sugar and dairy.

Facing off these sectors in the red corner, could well be a sector that finds itself seriously divided, with part of the industry fighting valiantly to retain what it considers to be one of its main comparative advantages over its competitors in the world market and another part joining the others in the blue corner.

Individuals and organisations that are promoting the benefits of the FTA, such as AUSTA in its most recent FTA Analyst communication (April 15<sup>th</sup> 2003, Issue 7) – see below, are signalling the looming reality of this conflict scenario being discussed here.

The sectors within Australian agribusiness tipped to gain most from the FTA, are those in the blue corner mentioned above, beef, lamb, sugar and dairy. Curiously, no one promoting the FTA is making mention of the impacts on the wheat industry of the FTA.

This may be because there is a strong suspicion that it's wheat that will be the sector in the red corner and one of the trade-offs for greater access to the USA will be the removal of the current single desk wheat export marketing controls. US farm sector and agribusiness lobbyists have demonised Australia's wheat exporting single desk for many years. It may well be a prime target for 'reciprocal concessions' negotiated as part of the FTA.

Australia gains larger beef quotas, greater access for lamb, dairy products and for sugar exports and one of the concessions Australia makes is the removal of single desk wheat export controls. A highly plausible scenario...

This is where the prediction of political conflict within Australian agribusiness comes in. If the scenario laid out in this commentary eventuates, and there is a better than even chance that it will, we will see the significant section of the wheat industry that is pro single desk line up against the other industries mentioned above that want to gain more access to US markets. This latter group will be bolstered by the support of those in the wheat industry in favour of deregulation of the current export arrangements.

A receipt for division and a scenario that no doubt will have farming organisations scratching their heads and preparing (one hopes) to manage internal conflict, as pro and con forces within the wheat industry prepare, once again, to battle over the single desk and representatives from other industries line up to have their shot.

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It is interesting to also ponder on those who produce beef and lamb as well as wheat, who may favour the retention of the single desk, where will the alliances of these producers lie when the politics starts to play out? For it is more likely to be a political battle rather than an economic one.

So who will win this looming battle?

Well firstly the debate is not without precedent. As recently as 2001 the Irving Committee conducted yet another study into the benefits or otherwise of government intervention in wheat export marketing. Evidence from this and other studies indicate that removal of the current regime will most likely have no negative impacts on the industry. Many would argue that the current arrangements are anachronistic, particularly with the advent of modern transport and communications.

When all is said and done, supporters of retaining the current wheat export controls may well have already lost the war, a bit like the Iraqi regime was never going to win against the USA, even before the tanks started to roll. Like the Iraqi regime, the forces that appear to be assembled against the single desk (domestic pressure for deregulation from within and outside the wheat industry, pressure from the WTO process, the Australia – USA FTA negotiations, etc) are overwhelming.

One can only hope that the debate will not degenerate into senseless political point scoring and that it doesn't generate long-term division and resentment, within the wheat industry and between industries.

We can also hope that political interests do not cynically use the removal of the current controls as a means of extracting 'compensation' from taxpayers, as a payoff for not making political trouble for the current federal government.

This would be an unfortunate eventuality, as it would smack of blatant pork barrelling (vote buying?) and do a great deal of harm to the credibility of the agribusiness lobby and the whole of the sector in the eyes of the community at large.

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## **Farm groups see prospects for expanding exports to the US**

*FTA Analyst – 15 April 2003 – Issue # 7*

Leading Australian primary industries have taken stock of the prospects for expanding agriculture exports to the US in a Free Trade Agreement. All believe greater access can be secured in an FTA.

This is an important re-evaluation. When the idea of an FTA was first announced by the Howard Government, there was widespread scepticism as to whether the US would agree to allow more farm imports from Australia.

The beginning of negotiations in mid-March prompted a closer look. This has included visits to Washington and assessments of the politics in the US, which come into play.

Our beef, dairy and sugar industries now all believe that additional access to the US market can be secured. They are under no illusions it won't be a tough slog. Even with an Administration as well disposed to Canberra as the Bush Administration is, trade politics in the US capital are always tough. Nevertheless the assessment is that for the first time Australian farm producers will get favourable consideration.

Beef is the biggest farm exporter (earning nearly A\$1.8 billion in US exports in 2002). Lamb exports to the US earned A\$300 million, dairy, A\$81 million and sugar, A\$31 million. The US has controls on all those imports, usually limiting them with a quota.

The Australian goal would be to secure agreements to steadily expand the level of exports each year. This is how it is done in trade agreements. Trade barriers are usually steadily reduced in small steps, not suddenly removed.

It has always been assumed it would be harder to bring about increases in exports of dairy products and sugar to the US. The US farm lobbies are powerful. In the case of sugar, Australian exports to the US have been wound back in recent years.

No one is game to put numbers on how much exports might be expanded. One concern is not to cause undue alarm among US farm groups. However, better prospects have started people thinking about a broader deal.

If the US agrees to increase farm exports, it will certainly want something in return. One thing the US wants is for approval of US investment in Australia to be made more automatic.

Australian business favours that. Many Australian companies, and certainly the State Governments, court US investment, and Australian companies would get the same right when investing in the US. The US is now the largest destination for Australian investment offshore.

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