

Strategic Analysis Paper

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Policy Briefing Paper: Australian Food Systems

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Key Recommendations

- To meet rising food demand Australian food producers must improve their sustainability, productivity and efficiency.
- If Australia is to remain competitive in the global food market, farm export value and volume must increase.
- Rising debt and low domestic capital in the agricultural sector create barriers to development. Foreign and private sector investment must be encouraged to allow for growth.
- Increased investment in agricultural research and development is essential to protect Australia's food security.
- The sustainability of food systems must be addressed. Australia requires an improved food waste management regime, increased transparency in the domestic food market and an increased focus on nutrition security.
- Effective climate change adaptation and mitigation strategies are necessary to ensure sustainable food production.
- Private investment in international rural research should be encouraged to aid regional economic diplomacy and improve Australia's access to new agricultural technology.

Introduction

Australia's long-term food security and the sustainability of its agricultural sector require commitment and prioritisation from all levels of government and private industry. Key considerations affecting us all, involve how we: meet growing food demand, both domestically and abroad; address challenges in supply chains; create more sustainable systems of production and consumption; and generally support the agricultural sector and help it to thrive in the long-term.

In 2014, Future Directions International began a study of Australia's Food Security. This policy brief is the culmination of 12 months of research conducted by the Global Food and Water Crises Research Programme. It broadly identifies and discusses key areas affecting long-term food security and a sustainable food system. FDI will continue to study Australia's food system, providing more in-depth analysis and discussion on key areas of interest.

2014 Key Research Findings

Agriculture

The agricultural sector is a key area for potential economic growth in Australia. Food exports already generate 70 per cent of the agricultural sector's total value and there is potential to increase this. Australian producers need to improve their productivity, efficiency and competitiveness in the global market, to capitalise on growing global food demand.

Climate change, resource scarcity, distribution issues and achieving market access, all create challenges for Australian agriculture. Investment in agricultural research and development (R&D) is currently insufficient to address these challenges. Agricultural R&D intensity has progressively declined in Australia since the 1980s: this may threaten food security between now and 2050. Rising rural debt, a lack of domestic capital funds, limited government support and low domestic demand for farming enterprises, create further barriers to the sector's development.

Australia is experiencing increased foreign investment in agriculture, particularly from State-owned enterprises. This has led to calls for a return to protectionism and the restriction of foreign capital; to avoid that possibility, transparency and approval processes must be addressed and improved upon. Foreign investment, however, must be encouraged, as Australia cannot fund the development of its agricultural sector on its own.

Food Systems

Australia possesses one of the world's safest food supplies, but our supply chains are inefficient and threaten food security. Australia currently wastes approximately \$8 billion worth of food fit for human consumption. As Australia's population continues to grow, improving food management regimes will be a vital step in the task of tackling food waste at all points in the supply chain.

Diet-related disease is putting a severe burden on our health system. Healthy and nutritious food is expensive and the quality and availability diminish in lower socio-economic areas. A larger proportion of the Australian population is malnourished than ever before; but, paradoxically, overweight and obesity are also proving to be a massive social cost for Australia. There is a need for increased public spending on preventive health measures and the creation of healthy environments.

Australia's two largest supermarket chains, Coles and Woolworths, dominate the domestic food system. This duopoly challenges the small businesses and local farmers who compete with the retail giants; this has long-term implications for agricultural sustainability. An improved food system is needed to prioritise transparency and collaboration between suppliers and markets.

Broader Food Security Issues

Australia's food security must be viewed in the context of broader regional and global issues. Climate change impacts will increasingly affect Australian food production. Greater variability in temperatures and rainfall, prolonged droughts and increased incidences of extreme weather events, are all expected to become more prevalent in the coming decades. This trend is expected to disrupt production and affect our ability to produce food. It is evident that climate change presents one of the greatest global challenges we are faced with. To cope with its effects requires a renewed commitment to climate change action, including increased investment in adaptation and mitigation programmes for food production.

Poverty and resource scarcity both threaten food security in the Asia-Pacific region. The Australian government can contribute to regional food security through engagement in international rural development. Private sector investment in that process can assist in building links with foreign research institutions and also contribute to Australia's efforts in economic diplomacy. Australia has considerable levels of skills and experience to offer within the food and water sectors; exporting these skills to our neighbours will assist in achieving greater regional food and water security.

Policy Recommendations

Successful management of Australian food security requires a comprehensive strategy, integrating government programs, private investment and grassroots initiatives.

The government must provide firm leadership on climate change mitigation. We must resolve political uncertainty around climate change and focus efforts on achieving agricultural sustainability. This should be done by: improving efficiency in water use and agricultural inputs; remedying soil and land degradation; and improving the economy's resilience in responding to climate change.

Government negotiation of free trade deals and tariff reductions to promote export trade should continue. Regulatory integration with key trade partners, in particular India and China, is another priority. “Brand Australia” policies should also continue, as they strengthen the reputation of Australian goods in the international market.

Foreign investment in Australian agriculture must be encouraged. The Government should respond to public concern about foreign investment by implementing transparent approval processes for incoming investors. Foreign capital should be welcomed into the sector as long as investors do not encroach on domestic food security.

Australia also requires an integrated investment framework to boost agricultural R&D. Government resources should be allocated towards developing long-term strategies and encouraging closer cooperation between rural industries and universities. Private investment should be encouraged and supported by long-term public initiatives. Incentives are also required to boost public and private investment in international agricultural research. Investing in regional agriculture will both assist Australia in meeting its aid objectives and foster strategic international alliances.

An improved food supply system is required, which will protect smaller producers and consumers from abuses of market power. This could be achieved by the enforcement of a “Voluntary Code of Conduct” by the ACCC to protect against market manipulation. The Government should also review the *Consumer and Competition Act 2010*, in particular to clarify the meaning of “unconscionable conduct” in the Act. The establishment of farmers’ cooperatives would also improve solidarity between smaller growers at a grassroots level.

Significant changes in consumer behaviour will be necessary to improve the sustainability of our food systems. There is a need for the collection of consistent national data to enhance waste accountability. The vast majority of food waste in Australia occurs in the later stages of the food supply chain; this indicates that a bottom-up approach should be used to encourage consumers to reduce and compost their waste.

Finally, consumers need to be encouraged to make healthier food choices. The Australian government has been hesitant to interfere with the private food industry, but obesity is now putting a severe strain on our public health system. Immediate changes to food labelling, nutrition education and access to nutritious foods are crucial, particularly in lower socio-economic and Indigenous communities.

Conclusion

FDI’s research in 2014 was designed to give an overview of Australia’s food systems. The work will continue in 2015 as we review more specific issues in Australian food security.

Australia has one of the most stable food supplies in the world, but productivity is declining despite an increase in domestic and international food demand. The Australian government must address the sustainability of our food production and systems as a matter of urgency.

The issues referred to in this policy brief cannot be viewed in isolation. The Australian, state and local governments must work with the private sector to create a comprehensive and far-sighted management framework.

Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.

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