



Senator the Hon. Judith Troeth

**Parliamentary Secretary to the Minister for
Agriculture, Fisheries and Forestry**

**Address to the
National Europe Centre**

Wednesday, 14 May 2003

Check against delivery

Thank you Professor Papadakis for your kind introduction, and for the National Europe Centre's invitation to address this gathering of agricultural policy experts.

I trust that you have had a successful day, and that your discussions on **“Future Policy Prospects in Agriculture for the EU and Australia”** are useful and productive.

In preparing for tonight, I was reminded of the significant trade partnerships between the European Union and Australia. In addition to being our single largest trading partner with two-way trade of A\$44 billion in 2002, the EU also accounted for more than 10 per cent of our total agriculture and food exports.

Over the last decade the composition of trade has changed, most notably through the success of our wine industry whose exports in 2002 exceeded A\$1 billion. These figures provide a useful reminder that the Australia – EU trade relationship remains strong.

Looking through the program for this workshop, I was struck by the similarity of the issues affecting both Europe and Australia – the family farm, rural and regional development, plant and animal health, food safety and sustainable agriculture.

Australian and European policy responses to address these issues, and the drivers of these policies, are very different. The problems we have in Australia, including drought, acid soils, salinity and rural isolation, demand different approaches and different solutions.

In Australia, we have learnt through trial and error that the application of European farming practices, quite often exacerbate our problems. We have found that the best solution is to start from first principles, identify the problems, research the options, continuously improve the way we address the issue and deliver workable, sustainable outcomes – which are appropriate to our conditions.

I visited Europe late last year on portfolio business and observed European agricultural policy first hand. A good proportion of this time was spent on rural R&D, environmental, food safety and rural policy issues.

First, I would like to note that - without exception - the Europeans I met with were extremely impressed with the ‘collaborative partnership’ approach that the Australian Government has developed with industry in determining research priorities through the 13 rural R&D Corporations.

From discussions, it became apparent that European farmers, industry and other key stakeholders were not as involved as the Australian counterparts in determining the direction of investment in rural R&D. In fact, there appeared little coordination between government research and industry research.

The system Australia has, whereby all stakeholders, producers, processors and government are involved in this process is more strategic. And I believe it leads to more targeted, productive outcomes.

Now I recognise that R&D is rarely up there on the list of the top ten dinner conversations – but I firmly believe that R&D is what underpins much of the strength, resilience and competitiveness of Australia's rural sector.

WHY?

Improved productivity has been essential for rural industries to remain viable and internationally competitive. R&D, in many cases funded by the Research and Development Corporations, has been the underlying factor ensuring this growth in productivity.

In fact investment by my government and rural industry has increased \$60m over the past financial year to **nearly** \$500m. The results of our combined investment, provides farmers and resource managers with tools to make better decisions.

But just as importantly, and maybe more relevant to this group, is the way in which Australia's investment in rural R&D feeds into our quarantine program and the economic and scientific data our trade negotiators prize so highly.

Many Australian farmers are grappling with the costs – social, financial and environmental – of one of the worst droughts in the last hundred years.

It is at times like these that we need to take stock and think about how well prepared we are for the future.

For example, although the drought has significantly tested the rural sector on many fronts, farmers are still implementing innovative practices and strategies to manage the risks.

It is important to recognise the toll that drought has taken on families and on the social fabric of many communities.

Earlier payment of income support provides the immediate reassurance of food on the table, and a substantial \$740 million will be spent on drought assistance.

As well as drought, farmers face a range of other challenges:

- a downward trend in commodity prices;
- changing consumer demands;
- the need to reverse environmental damage; and
- increasingly globalised markets.

While each of these is obviously critical to our rural sector, I would particularly like to focus on just one - managing the natural resource base.

There has been a growing recognition over the past decade of the complexity of farming, and the need to respond to change, risk, and opportunity in new ways.

Like all businesses, production issues and the financial bottom line, is the initial concern for primary producers. **However having said that**, farm businesses cannot be sustainable in the longer term if they don't take into account the human and environmental consequences of business decisions. **I hasten to add**, that farmers are cognisant of this and have been working for some time to address these, among other issues.

Farmers often say - "You can't be green when you're in the red". There are few circumstances where it is harder to achieve environmentally sustainable outcomes than in a severe drought. However, lost topsoil and the loss of pasture species that can result from overstocking in drought, for example, may threaten the long-term viability of the enterprise. And in these times, it is important to not only survive current conditions, but also ensure we are here in the long term.

The sound use and management of our natural resources is critical to:

- the long-term productivity and profitability of agriculture,
- the viability of rural communities, and
- the health of the environment.

The message we hear over and over again is that, as producers of agricultural exports totalling close to \$31 billion last year, we have to demonstrate that our products are safe and that the environment is no worse off as a result of their production.

I think it is fair to say that, in contrast to the Commonwealth Government's view - the EU is becoming far more prescriptive in the regulation of farming systems - and in particular what they require of imports into the EU.

Nevertheless I would like to note that in my experience, the EU are extremely impressed with our approach to NRM issues and policies – particularly the way we leave much of this up to local communities to determine priorities.

However I think it is fair to say that pretty soon Australia is going to have to **prove** our 'clean and green' credentials, to ensure that we can sell our goods into a number of markets – including the EU.

This brings me to something – that is dear to my heart –the potential of Environmental Management Systems - or EMS – and similar programs.

Australian industry, farmers and community groups such as Landcare, have been in the driving seat in this area for some time now. The Commonwealth is helping to support industry determine *how and what* needs to be done in this area, and assist them achieve this.

In a major budget announcement last year, \$25 million allocated over five years to work in the area.

I'm pleased to report - having responsibility for this area - that soon I will be announcing measures to make the move towards EMS far easier for farmers. The Commonwealth seeks to support industry, farmers and community groups working together to link industry best practices, and catchment NRM goals. This will help verify that Australian farming systems **are** everything they claim to be – sustainable – in every sense of the word.

Our focus for EMS and similar programs aims to encourage production efficiencies, facilitate NRM outcomes and ensure market access – both domestically and internationally.

I mentioned earlier that the time is coming that we will have to verify environmental stewardship. I would like to stress that the way Australian farmers do this - may be different to that of EU farmers. Again, this reflects the differences in our production systems, and the different ways of verifying safe production systems.

This is another reason why the recognition of each others approaches, would be a major step in moving Australian and EU policy-makers closer together.

Environmental stewardship needs to be conducted at the local level. It needs to be adaptable to local conditions, and it cannot be directed centrally according to a rule- book. The budget announcements last night show that the Howard government is committed to this – nearly \$160M was allocated to achieve this through Landcare and EMS funding.

Irrespective of our policy differences - the European Union is Australia's largest trading partner, with two-way trade exceeding A\$44 billion in 2002.

Between 1998 and 2002 Australian exports of agriculture and food products increased by 15 and half per cent, with wine accounting for almost all of this increase. However, this growth is not a one- way relationship. EU exports over the same period rose by 31 per cent.

It comes as no surprise that Australia has been very critical of the Common Agricultural Policy, particularly its trade distorting features and its negative impact on world agricultural markets. Although we have access to EU markets for some products under preferential arrangements, Australia has been locked out of the EU market for a number of key commodities. At the same time, we have also needed to compete with subsidised EU exports on world markets.

While the Government acknowledges that progress has been made on elements of the C.A.P, our view on the scale of these changes is well documented. High internal prices, continued use of export refunds, a direct payments system linked to production, and limited access to the EU market have all contributed to making EU / Australian agricultural policy a lively debate.

The Government's concern is to ensure that support for the rural sector is targeted, transparent and decoupled from production. Our focus has been to point out that there are better and more efficient ways of supporting farmers. *A lesson learnt from experience.*

The prohibitive tariffs and export competition policies needed to maintain the CAP, shifts the burden of adjustment from the EU, onto other countries. Recognition should be paid to the responsibility of Australia and the EU to avoid taking any actions and policies that impose unfair burdens on other countries. In this regard, Australia will reduce to zero tariffs on goods from the least developed countries, as of the middle of this year.

Further fundamental reform of the CAP, is a key challenge for the EU. We recognise the efforts the Commission is making to have the current 'Mid Term Review' proposals accepted by member states. The decoupling proposals in particular deserve strong support.

The Government believes that fundamental reform would bring significant benefits to EU farmers, encourage greater vibrancy, increase competitiveness and ultimately improve the sustainability of agriculture in the European Union. Not to mention, removing a long-standing thorn in what is, an overwhelmingly positive and constructive trade relationship.

Fundamental reform would also allow the EU to show much needed international leadership, and bring the current Doha Round of negotiations on agriculture in the WTO to a successful conclusion.

The future policy directions for agriculture, from the Australian Government's perspective, are clear.

Decision makers around the world need the political courage to;

- decouple financial support from farm production
- target clear objectives and beneficiaries
- reduce the amount and scope of support
- limit the duration of any intervention, and;
- avoid unintended impacts by regularly reviewing and revising policies.

At the same time, they need to reduce tariffs and eliminate export subsidies.

The available evidence makes a compelling case for further reform of agricultural policies, and for increased market openness - including the EU, US and Japan. The benefits would be substantial, including

- reduced costs to consumers and taxpayers
- improved trade opportunities for competitive suppliers
- less stress on the environment and
- more effective policies that achieve their goals more efficiently.

It is striking for an Australian to visit Europe, and see how most farms operate in relative isolation from many of the market and policy conditions that apply to other businesses. Their decision- making seems to be more strongly influenced by current and expected farm policies - particularly subsidies - than by market conditions and economy-wide policy settings.

This is a great contrast to the innovative, productive, and responsive farmers we have in Australia. It is clear that there is a greater role for markets, and the competitiveness they encourage, in the European policy mix.

Increased efforts are needed to define alternative policy approaches, through broader public consultation.

Governments need to set clear policy objectives and ensure that these are addressed through policies that are tailored and targeted.

I appreciate the opportunity to speak with you on an area that we all have a deep interest in.

I trust that your deliberations will point the way forward for decision makers, and that beneficial results will flow from these efforts.