



10

PRIME MINISTER

SPEECH BY THE PRIME MINISTER, THE HON P.J. KEATING, MP

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Let me begin with a story about a fish - tuna to be more specific, Australian Southern Bluefin Tuna. Beautiful food - especially raw.

At the bottom end of the market - the canned fish end - tuna fetches about \$2 a kilogram. At the top end - at the sashimi end in Japan - the price is around \$40 a kilogram.

In the last three or four years the quota for Southern Bluefin Tuna available to the Australian industry reduced by around 70 per cent. But in the same period the value of our exports has risen dramatically.

The difference is tuna farming. In 1991-92 the industry was worth \$1.8 million. Today it is worth around \$50 million.

By 2000, it may be worth around \$200 million.

Tuna farmers in South Australia have become business people. They are no longer hunting and selling a declining resource for low value uses.

They now harvest the tuna for sale in Japanese sashimi markets 4 days later. They have invested in a culture of science and husbandry, markets and distribution. And they are succeeding in a highly competitive market.

The lesson of South Australian tuna farming is being learnt around the country. In Western Australia they are about to begin a trial tuna farm. In South Australia they are investigating the possibility of applying the same principles to rock lobsters.

I am sure the lessons will not be lost on this audience.

We don't need to restrict ourselves to fish.

The Australian dairy industry tells a similar tale. The number of dairy cows in Australia has declined by 10 per cent in the past decade and the number of dairy farms by 30 per cent.

But the gross value of dairy production has doubled in money terms and the value of exports has more than trebled. We now export over 40 per cent of our annual milk production and over half of our manufactured products.

In both these industries the potential to grow is almost unlimited. But doing so will require not just maintenance of their present levels of energy, efficiency and enterprise - it will need constant improvement.

And responsibility of course will not lie with the industry alone. It will require improvements in the way we do things right across the nation.

I think this is the point that Reg Clairs is making when he says we have to shift the emphasis from the principle of screwing the cheapest price out of the supplier into one of working together from the bottom up to satisfy the end customer.

I know Reg Clairs has a passionate belief in the potential of our food industry. I know he believes that what has been done in tuna farming and dairy farming can be done right across Australian agriculture and horticulture. And I know he believes in it at least in part because he has pulled off something of a revolution in food with Woolworths. He knows from personal experience that radical change is not only necessary but possible.

I have had some experience of change making in the past decade or so.

Anyone who has experienced change has also experienced resistance. Half the problem is fear or a lack of confidence - the innate side of conservatism.

You can't change that in people and it is pointless to try.

But what we can do is make people understand. In the end what drives change is recognition of necessity - and opportunity. Necessity pushes it along and opportunity pulls it, if you like-

And once it gets going the confidence comes. Change breeds change and success breeds success.

This is where government and management have their principal roles. First, to recognise what has to be done, second to create the environment in which others will begin to recognise it. In a sense, it's our job to start the chain reaction.

I could give you two obvious examples from the past decade.

Take the Accord. The Accord has changed the culture of work and productivity in Australia and in turn it helped to change the culture of inflation. It has quite dramatically changed the country.

A second example would be the Landcare movement. Landcare has changed the farming culture as the Accord has changed the industrial relations culture.

And with the change in the culture new horizons constantly emerge.

I have to say that I share the view of Reg Clairs.

The fact is that food should be Australia's long suit.

We have the land, the skills, the scientific base and 120,000 farmers determined to succeed.

And we have the markets - as never before we have the markets.

I was in Indonesia earlier this week talking to President Soeharto about our relationship with that country of 180 million people, and about the next steps to be taken in the development of APEC.

The trade prospects for both the bilateral relationship and our relationship with the region are simply immense. And the prospects for food exports are second to none. The total food market in the Asian region is estimated at almost \$900 billion, and food imports are growing at a consistent average of 12 per cent per annum.

For all that, it is not easy to get a foothold in these highly competitive markets.

It requires work, dedication, skill and adaptability. It requires the willingness to embrace change as well as the capacity to do it. And I think we are seeing that capacity and willingness in modern Australian farmers.

And as the dairy and seafood and many-other industries demonstrate, when these markets are cracked there are huge rewards.

The Government has been working with industry to see how we can best position ourselves. We have been looking at new products and new production methods.

We have found, for instance, that the potential is not only in those goods we currently produce. There are all sorts of Asian food items, such as soya products and specialist vegetables, which we can produce and sell both into Asian and our own domestic markets.

Sakata Rice Snacks for example is establishing a rice cracker business manufacturing plant in Victoria with the support of the Government's Innovative Agricultural Marketing Program. We currently import all our rice cracker requirements. This operation will not only play a significant import replacement role but also see export markets developed in Asia.

At present, our imports of Asian food items are adding about \$800 million a year to our trade deficit.

We have also found that the companies which do best are those who establish networks with Asian partners and maintain a strong physical presence in their target countries.

We have found that success depends on a strategic view - a long view.

And, of course, it depends on quality and reliability of supply.

It means delivering the right product to the right place at the right time.

That creates a major challenge for our freight system - particularly air freight.

At present air freight is the poor cousin - a very poor cousin - to the passenger trade. Ninety per cent of our air freight leaves on passenger planes - which means that flight times and capacities are designed to meet the passenger needs, not the needs of our food customers.

Our distribution systems on the ground are also underdeveloped and will have to be improved.

Those tuna would arrive sooner - and in better condition - if they could go direct. And I'm pleased to say that the industry and the Government are working on the problems.

As you probably know, a number of groups in the community as well as government bodies including the Agrifood Council, have been working on how we might improve our transport links and air freight system - particularly how we might improve our capacity to meet our aspirations for exports of perishable and time sensitive goods.

To build on these initiatives, I have asked my colleagues, Laurie Brereton and Bob Collins, to look at the state of our infrastructure, and our distribution system and the world air freight business and deliver an action plan by the end of November.

Freight is one of many problems we have to overcome. And we will.

To give you a non-farm example. IBM's operation at Wangaratta is getting an increasing share of the Japanese market because it is able to supply Japanese customers more rapidly and reliably than any of its competitors around the world including the USA, Germany and Sweden.

The average import cycle time for all its products from Australia is just 2 1/2 days.

The Wangaratta plant has become super efficient by improving the coordination between each link in the chain and with no increase in freight or handling costs.

There is surely no reason why we cannot have similarly well coordinated systems for all our time sensitive exports.

I don't think there is much I can tell this audience about either the problems or the possibilities for food production and export.

But I would like to repeat what I said up in Roma a month or so ago. That is, we do need as an industry and as a nation to commit ourselves to sustainable practices.

On that same trip that ended in Indonesia, I visited Papua New Guinea and talked to our partners in the South Pacific Forum. Some of these countries are losing their forests to logging at a rate which is tragic and scandalous.

The Solomon Islands, for instance, will have no forests left to log by 2003. Yet in condemning the activities of unscrupulous timber companies in other countries, we cannot ignore what has happened and is still happening here in Australia.

On the way to Papua New Guinea we flew up the Darling River, and the evidence of devastation through bad land management practices is frightening.

We simply have to turn this around. Whatever we do in our food industry, in future it will have to be done in a way that is sustainable.

We need to grow a food industry which is sensitive to the environment - more than that, which restores and rebuilds it.

That is the only kind of food industry worth passing on to our children.

It is also the only one which can guarantee that the ranks of our 120,000 farming families and the communities which depend upon them are not decimated over the next 10 or 20 years.

Sustainable agriculture is also the best way to get maximum returns on what we grow. It is in the end the only path to premium products and premium prices.

Let me dwell for a second on those farming families. They are a great national resource - they contribute not only to the national product but to the national character and spirit. We have to keep them on the land - and it follows that the land they farm must be able to sustain the use they make of it.

I know that the Landcare movement has produced something like a revolution among Australian farmers. It has tapped their passion for the land itself and created a much more favourable environment for further necessary change.

I include in that a greater willingness to look on farming as a business and as a science. From there it is a much shorter leap to becoming more adaptable, more efficient and more capable of adopting a long-term strategic view.

And perhaps the lesson to learn from this is that when you start thinking about sustainable agriculture, you start thinking more clearly about the industry itself. In other words, when we start recognising the environmental necessities we begin to more generally recognise the commercial necessities.

A more scientific - or sustainable - approach has implications for quality and efficiency. It therefore has implications for exports, as well as implications for the long-term future of farming communities and families.

The point I want to make is that we have a lot more in our favour than just the land and the markets, and we have done a lot more in recent times than perhaps we give ourselves credit for.

I mentioned Landcare, but there is more than that. Earlier this year I set up the Land Management Taskforce and they will be reporting to me in the next few weeks. The taskforce recognises that sustainable agriculture dependent on the ability of those 120,000 farmers to manage in a complex natural and commercial environment.

I also mentioned the work I have asked Laurie Brereton and Bob Collins to do on freight, but I could give you a very long list of things already done - of hundreds of millions of dollars spent on aviation infrastructure since One Nation was introduced in 1992.

Equally, we could talk about the money the Government is spending on research and development or on efforts to combat salinity, or on road and rail, or on the environment of the Murray Darling, or in the past 12 months on drought relief.

For all the hardship it has dealt to farmers and all the cost to the nation, the drought itself has constituted a considerable extension of the learning curve. It has forced upon us with new intensity the recognition that we must do more to drought proof our farming land.

There have been huge changes, not least among them, I think, changes in the relationship between the Government and farmers and the industry itself.

The greatest changes of all, of course, have been the structural reforms that have affected all areas of the economy.

Those deregulatory reforms of the 80s did more to overcome the perennial structural problems of Australian agriculture than anything else we will ever do.

Floating the dollar delivered the biggest increase in competitiveness we have ever achieved in Australia. Dismantling the tariff wall greatly reduced the burden on our internationally competitive industries. The Accord meant that the depreciation in the exchange rate did not simply translate into higher wages but rather into a permanent increase in our competitiveness; and it has meant greater productivity, flexibility and industrial harmony than Australia has had since the end of World War II.

And to these reforms must be added APEC and the GATT - the benefits to flow to Australia's agricultural industry from the Bogor Declaration and the Uruguay Round will be beyond measure.

Reciting these initiatives is not a way of saying that all that can or should be done has been done.

As I have said more times than I can count, the process of reform never stops.

But reminding ourselves of how far we have come does have a worthwhile purpose. It does - or at least it should - give us the confidence to meet the new challenges and embrace new aspirations.

And when I say "we", that is precisely what I mean. Governments can always give a lead, they can always do more to get the environment right, they can lend a helping hand in the market places of the world or on the farms themselves when disaster - like the recent drought - strikes.

Governments can joint venture - in reality and metaphorically - at all sorts of levels. But I think what we have to do from now on in the food industry is recognise that the chain which ends on the dining tables of Taipei and Tokyo begins with the land itself. It begins with Australian soil and water. And everyone engaged in our agricultural industry needs to understand that.

We need to recognise that everyone engaged in the industry - from the farmers to the distribution networks, the packagers, the transport companies, the banks, the funds, the trade officials, the manufacturing companies, the regional authorities, the CSIRO, all tiers of government and all tiers of the industry - needs to work in accord with each other and with a sense of common purpose.

That means a shared ethic of efficiency and excellence, a shared commitment to sustainability and - though I am sometimes suspicious of people who habitually use the word - a shared "vision".

Earlier this week we all read about the World Bank's calculation that Australians were the richest people in the world. I happen to think that in many ways we are - but of course there are more important things to be read into their calculation than that assessment.

The ratio of resources to population in Australia has always made us relatively rich and quite properly encouraged us to believe that our potential for development is virtually unlimited.

But there have been, as they say, certain downsides. We could start with the current account deficit.

Our resource richness was bound to make us a large importer of capital.

It was also inclined to make us at times complacent. Remember the "resources boom" that was going to carry us on a wave into eternal prosperity - without an efficient manufacturing industry, without downstream processing, without working as hard as we have in recent years to get into new markets and shape the world trading environment.

And the same resource richness made us wasteful and destructive with the environment.

We all know that this cannot go on any more. And not only the agricultural industry knows it.

A fortnight ago I opened the McArthur River zinc and lead mine in the Northern Territory. It is a model of a new age of mining in Australia. It takes considerate and intelligent account of Aboriginal interests and Aboriginal rights under the new Native Title regime.

It also takes account of the fragile and precious environment. Mount Isa Mines has gone to great lengths to protect this environment.

And the McArthur River mine will earn in the region of \$300 million a year for the next 20 to 30 years.

What is happening in mining, we can do in our forestry and fibre industries. We must do it. In these industries and in agriculture necessity is now driving us.

This is a conference of experts and interested parties. It is a conference of the players in the agribusiness game. And I don't want to tell any of you things you already know.

But I do want to reaffirm that as a government we are very conscious of our role and responsibilities in this industry - particularly our responsibilities towards the natural environment of this continent and the prosperity and well being of future generations who will inherit it from us.

For that reason, as we see it, there is no more important business in Australia than agribusiness.

And we also take the view that there is no business with more potential - potential for doing good for Australia and good for the environment. For that matter - good for the world.

Let me conclude by reiterating that we should be proud of what we are doing with tuna or dairy or, in fact, parts of most agricultural industries. But the changes as a whole are coming too slowly. We must find a faster path to sustainable agriculture, and become a global supplier of food.

In the very near future I will be inviting some key players to a meeting to discuss how we can best set the ball rolling.

The essential thing is that the private sector - the farmers, the processors, the retailers, the distributors, the banks and funds - drives this process.

And it must be driven with a long-term view, with an environmental as well as a commercial strategy - and with a determination that the industry delivers benefits right across the Australian community.

I have absolutely no doubt that it can be done.

The trouble with visions is that they are readily translated into mirages - the horizon keeps receding and the exploring party develops the habit of stopping too often for a drink.

So let's make it perhaps earlier than 2020, and get started on it straight away.

Thank you for inviting me to speak at this conference.

It has been a very important meeting. If in 10 or 15 years' time we are applying to all the things we grow in Australia the same principles as they are applying to tuna in South Australia - the principles of conservation and sustainability, premium product and rapid and reliable delivery - it may yet prove to be an historic one.

I sincerely hope so.