

**Transcript of speech to ABARE Outlook 2008, National Convention
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Thank you very much Phil and good morning. When I was first sworn in, within a few days, the Prime Minister insisted, and this was mentioned yesterday, that we travel together and that trip was out to Roma to Matt and Anna Ahern's property, their cattle station. The morning that we went to leave, the future of agriculture was on the front page of every paper and was leading every news item and it actually had nothing to do with our trip. It was because ABARE had just released some projections, projections that were discussed further yesterday, of what would happen with respect to climate change; if Australia did nothing, where would we be?

As the Prime Minister referred to yesterday, those figures found with respect to wheat, beef, dairy and sugar production, a projected a fall in production of 9% by 2030, 13% by 2050. The export figures were even more alarming. Exports were projected if Australia did nothing in preparation for climate change, to fall by 63% by 2030 and by 79% by 2050.

Those figures and discussions and trips and visits to properties that I've had since then have very much framed my thinking in terms of how we can all work together to make sure that agriculture, fisheries and forestry, our primary industries collectively, have the sort of future that we all know is possible, that we all know requires hard work on the ground and hard work and hard decisions at the policy level.

Since that time, I have been on a series of visits – I tried to list them all in Parliament once, and Joe Hockey stood up and complained, so I didn't even get through the list. But it's certainly been diverse. It's been from the Ta Anne Mill, looking at [*inaudible*] processing and forestry in Tasmania, and through to Muirs Glenorchy factory and seeing some of the processing in seafood there by Muirs, which we all know is one of the flagship restaurants of Tasmania.

The visits going through the wheatbelt of WA and meeting on other occasions with South Australian wheat farmers, and discovering – and I'm sure that this will be a revelation and shock everyone in this room – that there are times when not everybody in Australian primary industries agrees with each other. Working my way through those issues, and making sure that, whether people agreed with me or disagreed with me, I've spent as much time as I could listening, learning and developing policy based on the evidence as it was presented.

The scale of some of the issues is probably best explained in terms of how I've started to get my head around the scale of what we're dealing with. When I visited Lachie Gall's property, which I referred to in a different context last night, out at Broken Hill, Lachie had been searching on the internet – and he said, 'ah, Tony, your electorate is 37 square kilometres, is it?' To be honest, I didn't have a clue so I just nodded politely and said, 'yeah, yeah'. He said, 'we have a paddock that's 40'.

The sense of the scale, of the diversity from a property that size through to the properties even larger – some of the cattle stations going out through central Australia, through to the smaller cherry farms that I've visited in different parts of the country. The scale and diversity is extraordinary. And we've already

started in our first 100 days, delivering on a range of issues that touch on different parts of the sector. Whether it's initiating a quarantine and biosecurity review, whether it's visiting and providing further flood relief for the communities in Emerald and Kyogle. Whether it's the market access issues in trying to get better protocols and now seeing cherries from Tasmania make their way into the United States. Or whether it's making sure that we maintain and continue to lead world's best practice in our live export industries, with the upgrade of three abattoirs in Libya. Or whether it's the Torres Strait fisheries buy-back, to make sure that we've got sustainable fisheries on into the future. But all those issues go into different parts, as though you could divide up this portfolio into a whole series of pigeonholes.

If I start a simple objective of what we want to build, and that's to build a modern Australia with a vibrant and strong future that delivers for working families in our primary industries. Start with that as a simple objective, and then say, okay, what are the threats, what are the challenges? What are the issues that we have to deal with now, that when you were looking at the future of the primary industries a decade ago, two decades ago or fifty years ago, might not have been front of mind. And there's two, there's two issues that I believe, as external pressures, provide the thrust of all the policy responses that we're going to need to look at in the months and years ahead.

It's first of all – and I've already referred to it – the issue of climate change; and secondly, the issue of the shrinking globe. Each of those carries some unusual opportunities and some particular challenges. But for each of those external pressures – climate change and a shrinking globe – we need to remember the rest of the world is facing them too. Which means that the countries that get organised first, the countries that get on the front foot, will be the countries that have the opportunity to thrive in the face of those pressures.

Each of them requires actually a different way of crafting the policy response. Climate change demands – probably more than ever before – that we actually find ways of cooperating and collaborating, not just between industry and government, not just between levels of government. Even within Federal Government programs, which have always tended to provide these little compartments that don't necessarily tend to interrelate with each other, climate change demands with some of the over-arching issues which impact across every sector, really demands that we find ways of working with that cooperation and collaboration.

In a slightly different way, the shrinking globe, with the increased challenges of trade and the increased competitiveness that all our industries are going to face, demands that we do something a bit different. That is, instead of simply looking at what's going on with the primary producer, that increasingly – and I know some sectors have already done this very well, but across the board we need to be increasingly willing to look at the whole of the value-chain. All the way, whether it's from paddock to plate, or as the seafood industry reminds me it's from water to waiter. I haven't worked out what the alliteration is for timber yet, but I'm sure there's forest to frame, or something like that. The whole length of that value chain, and to look along it and say, okay, where are the best opportunities for productivity growth? Where along the value chain, whether it's at the producer end or further along can we really make some differences in productivity? If we do that, then we do help everyone along the value chain.

It will sometimes be the case that the best thing that can be done, save for [*inaudible*], is in transport. Certainly the grains line issue bring that to mind, where there are a series of issues, it may be logistics, it may be international market access, or it may actually be reforms in technology in looking after the land and the on-farm strategies. But we need to start with the principal of looking the whole way along that value chain and saying, where can we help best? Where can we best drive the further growth in productivity? So I want to look at each of those in turn.

First of all, with respect to climate change, you'd be aware from the promises that were made before the election campaign about our commitment to Australia's farming future. A lot of this will be further fleshed out when we get to the May Budget. But it's \$130 million over four years in the forward Estimates going across three programs: climate change and adaptation, worth \$60 million over 4 years. There will be some, but not all, of the FarmBis-style programs that will be able to operate within a climate change framework to help with the training on the farm to make sure we can get better on-farm strategies in dealing with the adaptation involved with climate change.

Secondly, the climate change adjustment program: \$55 million over those 4 years. That will be an opportunity for when some of the tougher decisions are made in terms of major adjustment, to provide the rural financial counselling service. But also, I want to stress, any of these major adjustment decisions that might arise because of the pressures faced with climate change are decisions that ultimately belong to the property owner. I do not see it as my role to be auditing farms and telling people what they can and can't grow and when they are or are not viable. Those decisions have always been made in the past by the producers themselves. They are tough decisions but they will continue in the future to be made by the producers themselves. Notwithstanding that, there's an area of support for the government in helping people through finding out what options might be available, what different crop varieties or different forms of farming might become a better opportunity and looking, when you're getting to the tough adjustment decisions, of making sure the financial counselling and the other measures to assist people in making those difficult decisions work their way through.

Finally, and most importantly as part of Australia's farming future, the commitment to research and development: \$15 million on climate change and productivity research and the two go hand in hand. I don't want us to ever be in a situation where we are told that the only way to reduce emissions is to reduce production. I don't believe we are going to be faced with that problem but I want to make sure that we actually we go right to the other side of that equation. I want to make sure that in the process of dealing with climate change, we are constantly driving productivity and constantly getting better outcomes for producers and for everybody who works along that value-chain.

There's been some mention, from time to time, and I know there's differences of views around the country on this, with respect to the extent to which research into genetically modified crops ought to be part of this. I don't view it as the be-all and end-all. I don't view it as a silver bullet. But I do believe that GM will provide one piece of the puzzle in dealing with climate change.

Too often with climate change we just talk about climate change, we just talk about lack of water, higher temperature, and sometimes we get to major weather events. We cannot forget, from the ABARE report of the end of last

year, that one of the most serious results of climate change is increased proliferation of weeds, pests and disease. That provides particular demand for the best information and the best IP to be developed so we can be growing the smartest crops. While GM hasn't gotten a long way yet in terms of drought-resistance or drought-tolerant crops, then there may still be significant advances in the future, it has gone a long way in terms of pest resistance, a very long way.

If I can give a simple example – and I know we tend to drift back to canola with GM because of the extent to which it's become part of Australian farming – but if you look at a nation like India. Over four years, India has increased its canola production by 75% in the process of adopting GM. They have gone in cotton from being a net importer to being the second largest exporter in the world.

Now these decisions as to whether or not, state by state, people should go down the GM path, will always be made by state governments talking to their own producers. I will not for a moment hide my belief that I think this will provide one piece of the jigsaw puzzle in dealing with climate change and that will have to be some part of research that is being conducted in making sure that we're well-prepared.

The issue of climate change also brings to mind the review of Exceptional Circumstances. It was mentioned by the Prime Minister yesterday and I had a good discussion with my state colleagues about this in Cairns last Friday. The starting principal of course is that anyone currently on EC relief needs to know that they have certainty that the relief systems that are in place remain for them. They're, so to speak, quarantined.

In terms of any review of EC, what was decided by the Ministers last Friday was that we have to deal with a range of issues. The first is that in dealing with anything about drought policy is that we have to start with the concept that if we keep settings the same, that if we don't actually conduct a review, if we do what some people have argued in the paper today and say, let's just wait till the end of the drought before we look at reviewing anything, we've got this problem. The circumstances where we all believe people are genuinely needy in situations of real hardship, where they have a right to expect there will be some sort of helping hand offered to them, those circumstances if we keep the settings of a one-in-twenty, one-in-twenty-five year event will no longer apply to many droughts. The climate is changing. You don't get what continues to be a one-in-twenty-five year event, six years in a row. If we do nothing, people on the land will be placed in an intolerable circumstance. So that's the first driver for needing to conduct a review of the process.

But the Ministers last Friday were insistent that the review should not only deal with the economics of how we can improve the system and how we can do it better, it also has to deal with preparedness. But front and centre of the communiqué released from Cairns last Friday was that any review also has to deal with the social policy. We cannot separate from any review of drought the fact in the current settings we are facing suicide rates and mental health issues way out of proportion with the rest of the nation. We need to make sure that those issues are considered in the course of reviews as well.

Some people have asked me what's the form of the review, when will it kick off, how many will there be, will it be state or federal, will it be joint. We tasked our departments to come up with that advice to be reported back to us when the

Ministerial Council meets in April. It's at that point, when we go into the next stage, to a formal process of working out how we can conduct Exceptional Circumstances assistance in an improved, better and more relevant way for the climate challenges we now face.

The emissions trading scheme – you would have seen different reports and you'd be aware of the Prime Minister's direction to me yesterday, to have a look more closely at what can be done with respect to soils. We all know that soils actually provide a really important part of doing some work and involving preventing the release of greenhouse gases, soils are critical. They're also one of the most difficult areas to count. In the same way the timber industry's faced with the problem of how do you count timber once logged, we all know that it's not emitted immediately, but how do you actually count when the carbon becomes emitted?

There are difficult issues with counting and particular issues within the agricultural sector. There are about 70% of carbon emissions throughout the nation that practically can be counted. But the issue as to whether or not our primary industries ought to be included and, if they are to be included, how should it happen and when should it happen, is a decision that's only going to be made after extensive consultation with industry. I want to hear your views; I want to know the diversity of views. I'm a member of the Cabinet Sub-Committee on Climate Change where many of these issues are being discussed. This is something that will provide a major challenge, significant opportunities as well, and I want to make sure that we work through that together.

So there are some of the key challenges with climate change. But we've also got the shrinking world. We've got the fact that more and more product is making its way across international borders. Information and technology passes over national borders more quickly than it ever has in the past. The Government views the DOHA round as being the critical place that holds the most potential to being able to achieve long-term outcomes to assist our exporters. But let's make no mistake, even if we are to get a good outcome in DOHA, there are particular problems with other barriers to trade that our primary industries face. In particular, breaks on technical market access and also consumer-driven campaigns which can be highly misleading and can really put us on the back-foot if we don't fully engage with the argument and engage with it early.

In terms of the technical barriers to trade, I've got to say that this is one of the issues that surprised me when I was conducting visits over the last couple of months visiting as many properties as I could as quickly as I could. It surprised me the number of people who raised the market that they want to access where either there were quarantine barriers that certainly didn't appear to be science based, or there were protocols in place that appeared to be way over the top. We've had some successes, whether it be mangoes to China, Korea and Japan, whether it be cherries now making it to the United States that I referred to earlier. But I do now see it, and this is something I didn't see the day I got the portfolio, but I certainly do now see a key part of my role in trying to make sure that we can down the technical barriers to trade on a bilateral basis wherever we possibly can. That's part of being able to deliver what might otherwise look on paper like we got through a FTA or a multilateral engagement or through the WTO, but which doesn't actually make a difference in the ground in terms of producers or people further along the value chain, until you get over the technical barriers.

But the other issue that we have to confront head on are some of the consumer driven campaigns. There's a series of these, some with respect to animal rights issues where there can be very different perspectives when you look at some of these issues in a more sober way.

But it's also the case that I have to express upfront my deep concern about the food miles campaign in Europe. The food miles campaign there is a campaign pretending to provide consumers with information as though the key issue in carbon emissions and emissions of greenhouse gases is how far the product has travelled. We all know that transport costs are a very small portion of greenhouse emissions of the total value chain issue in terms of greenhouse emissions and impact on climate change. And yet, to have a campaign starting to get some legs in some parts of the other side of the world, which wants to lead consumers to believe that the distance travelled is the be-all and end-all is a campaign that is nothing more than protectionism and a campaign deliberately designed to deceive. I think we have to use every opportunity we can to make those messages loud and clear so that consumers are not conned by a campaign designed to make them think that they're being environmentally friendly, but they're actually been given the wrong indicators.

To deal with a shrinking world, we also have to make sure that we have our own competitive systems running effectively. I'm still waiting for a final draft from Parliamentary Counsel on the final draft, as a result of consultation that has happened over the last few days, there have been some minor amendments as a result of that consultation. But I expect that we are now within 24 hours of the public release of the legislation which will be the exposure draft to deal with the new arrangements for wheat marketing.

In that legislation, we have had to grapple with some key challenges that have come out of the consultation that I've had, many with people in this room now. To deal with the challenge of how we make sure that the buyers and proposed exporters of wheat actually are reputable businesses to make sure that the grower ends up being paid. How do we also make sure that while putting probity controls in place we don't have ongoing punishment for issues that have now already been dealt with coming out of the outcomes of the Volcker report. We also have to make sure that we don't design a system in such a way that we replace a single monopoly exporter with three monopolies at the port terminals of ABB, CBH and Graincorp. The legislation, when you see the exposure draft, I do believe had dealt with these challenges. But once it's been released, there will be a 4 week process of consultation on that. There will also, I expect, be a Senate inquiry process and an independent expert group by the 20th March will have released its discussion paper on how we might deal with the industry functions previously performed by AWB. In this way, I believe, particularly with soft commodity prices where they are around the world at the moment, we have a real opportunity to open up markets and I what believe will end up being significant gains for growers. But those consultation processes will take on their new formal status when the exposure draft is released, which, as I say, I expect will be within the next 24 hours.

There's also an issue where climate change and the shrinking world intersect. Climate change, as I mentioned, involves – and we don't talk about it often enough – increased challenges with pests, weeds and diseases. In the same way that more people will come back and forth from overseas, the more products come back and forth from overseas, the more challenges there are accordingly as these two issues intersect with making sure that we have robust

biosecurity in Australia. I'm pleased that for the first time since the Nairn review which was commissioned by the previous Labor Government in 1995, we do now have under Roger Beale AO, we now have a thorough review of our biosecurity and quarantine services being undertaken. Some people have expressed concern about the timing and about it only being scheduled for five months. The reason for the timing is I want to make sure that we can fold the recommendations coming out of that review into the process as quickly as possible to make sure that it's part of the 09-10 Budget. If those involved in the review decide that they need to ask me for extra time, that will be a decision that they make and I will deal with that request when it comes.

But I do want to make sure that we get the balance right between having a thorough review and implementing the changes that might be required as quickly as possible. The events of recent years have shown what the challenge can be when there are breakouts. The Callinan inquiry will deal with the issue of exactly what the causes of EI were. Notwithstanding that, I want to make sure that our systems are as robust as possible and the challenges of a shrinking world and the challenges of climate change make that review more urgent and more important than it otherwise would be. There'd be an argument for having it anyway in terms of longevity since the last review. But with those twin external challenges coming down, it really is an urgent time to conduct that thorough review of our quarantine and biosecurity services.

I want to say, as the Prime Minister said yesterday, I am optimistic. I really am. I think it's important to be optimistic for two reasons. First of all, everywhere I go people lament how difficult it can be to keep young people on the land. I've got to say, if we talk down the industry, we're probably not helping; if we talk down the sector, we're probably not helping. But there's another reason why I think we should be optimistic: because the optimism is well-founded. I began my address today with some pretty startling statistics that were released by ABARE back in December. But there's one thing that we've got to remember when I mentioned those statistics – all that modelling was done on the basis that Australia would do nothing in preparing for the future with climate change.

I want to assure you than in dealing with the challenges of a shrinking world and the challenges of climate change, from the comments I've made today I've left you in no doubt that doing nothing is not an option at a federal level. The State Ministers agreed with me on Friday last week: doing nothing is not an option at a state level. We will address these challenges, we will get in front of the rest of the world. The opportunities that lie ahead are going to involve some tough policy, some hard work and a whole lot of cooperation of us working together for the sector. There will be people in 20 years time who won't know that we did it, who will never thank us for it, that's just life. If I wanted thanks, I probably would have tried a different job. They're not going to know that we were the people there are the time when these challenges came down and we made sure that we were prepared for the future. But they don't need to know that it was us; we need to know that they'll be there. We need to know that we have done our work to deal with the external challenges that we face and to make sure that we don't just tread water, we don't just have a sustainable sector, but that we have a vibrant, energetic sector set to grow, and set to provide continued productivity for this nation well into the future.

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