

Rural affairs and agriculture

Agriculture is the PRIMARY INDUSTRY in the Australian economy. The reality is that the wealth of this nation was first defined in agricultural terms and it is fast returning as the driver of our future prosperity.

The rural and regional economy of Australia is increasingly dependent on farmers' prosperity. Similarly, as the resources boom begins to slow, the national economy is dependent on the export of Australian produce to bring in export income and provide a major injection of capital to the national economy to underpin sustainable economic growth.

No civilisation in history has survived long after it foregoes the importance of the economic viability of its agricultural production base. Australia is one of the few countries that expects its agricultural producers to subsidise consumers domestically and internationally, by being forced to compete in markets with foreign producers who are heavily subsidised to increase production with little or no exposure to market or production risk.

In 1996, the National Farmers Federation (NFF) posed a question: "Why have farmers' high productivity performance not translated to a more satisfactory profitability outcome for Australian farmers?" In 2013 they are still asking the same question.

The aggressive trade liberalisation ideology pursued by consecutive governments over the past two decades has severely damaged rural industries and their communities. Farm debt is steadily increasing while net farm incomes are not increasing with the debt. This trend demonstrates market failure in the agricultural sector.

The result of successive government to deregulate agricultural market arrangements has seen increasing market power in the post farm gate sector of the supply chain and structural change that moves the profit in agriculture away from the producers. Again, gross farm debt has been increasing steadily while net farm income remains constant. This trend highlights the failure of agricultural market reform in Australia to deliver any benefit to the farm sector.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), continually forecasts a bright future for Australian agriculture based on potential increasing demand due to a combined increase in population and increasing affluence in key markets. Fundamentally though, the reality is that no central government in the world wants food prices to increase and the majority of the population growth is unlikely to be able to pay even the true cost of production for their food.

Engel's Law is an economic truism that has been proven repeatedly, proving that the proportion of income consumers spend on food does not increase in line with their increasing income. This phenomenon belies the notion that agriculture will benefit from increasing affluence in line with their inherent increasing agricultural production costs, which do not follow Engel's Law. In effect, the agricultural economy will always fall behind the broader economy with the free market mentality that economic rationalists have so fervently and recklessly pursued. Free marketers are killing Australian agriculture and by extrapolation, rural and regional Australia and all industries that feed off it.

There is a public and politically promoted notion that it is the role of Australian farmers to meet the increasing global food challenge. The reality is that Australian farmers are business people and their primary obligation is to feed, clothe and educate their own families and those who work for them. This is becoming increasingly difficult. If society generally wants Australian farmers to feed the world then there needs to be a strong market signal sent that underpins the economic success of current and future farmers.

KAP is committed to Australian agriculture and rural and regional Australia and believes that supporting Australian farmers will provide the necessary economic stimulation to reinvigorate this sector of the economy and ultimately underpin the Australian economy.

KAP will pursue policies that:

- mandate ethanol use in Australia, providing structural support to grain and sugar industries;
- support the Mandatory Renewable Energy Target which will benefit rural infrastructure;
- mandate the allocation of premium shelf space in supermarkets for Australian produce;
- underwrite a national multi-peril crop insurance scheme to mitigate production risk;
- reduce interest rates and manage the Australian currency down to improve the sector's international competitiveness;
- stimulate investment in infrastructure, including roads, rail and ports;
- implement WTO compliant tariffs to protect Australian producers and manufacturers where they are unable to compete with subsidised imports;
- stiffen biosecurity conditions on imports and properly resource quarantine and inspections services;
- provide an arbitrated price for agricultural produce where farmers request it;
- establish a rural development bank to facilitate generational equity transfer;
- implement "orderly" marketing where industry structures undermine reasonable market power to producers (as perceived currently in dairy, egg and sugar industries); and
- restore vital irrigation water to agriculture in the Murray Darling Basin.