

Building Australia's Competitive Advantage

In the last five years the Business Council of Australia has prepared a range of documents which provide information on what it will take to build a strong, innovative globally competitive economy into the future. The papers raise a number of issues and identify actions which will aid in increasing the competitiveness of the various sectors of the economy.

In recent years we have seen rapid economic growth and increasing trade from emerging economies which is changing the nature of competition as value chains become distributed across the globe. As a result of the increasing global competitiveness business must focus on being globally competitive even if they are selling domestically. In short Australian business cannot just do more of the same, business needs a change in mindset and will need to develop policy and strategy to foster growth into the future.

From a sector level, competitiveness can be measured by a range of measures including;

- Growth in international market share
- Relative input costs
- Labour productivity performance relative to other countries.

The Business Council of Australia discussion paper identified Agriculture as a sector which has the potential to benefit from this increasing globalisation of markets. However, to achieve this the objective for the sector as a whole must be to maximise growth and to strive to achieve a global significance. The reports suggest that a national sector approach which prioritises policy action and develops specific sector growth strategies is required.

The paper identifies a number of forces which are shaping the future of economic growth;

- Technological change and digitisation,
- Changing demographics,
- Rapid economic growth and more competition from emerging economies,
- Reconfiguration of value chains and the global labour market.

Adoption of technology

One which is becoming more and more apparent in the agricultural sector is technological change and digitisation. Technology is playing an ever increasing role in business and is developing at an accelerating pace. As agricultural producer's, technology has made significant changes to how commodities are produced, marketed and how information is distributed. The reach of technology means that Australian agriculture is now competing on a truly global basis, domestic markets are not as insulated as they were 10 or 20 years ago.

An impact of the adoption of technology is the change is the skill level of agricultural employees who have had to develop the skills needed to effectively utilise the technology. Tractors are typically set up with screens recording a range of data from seed, fertiliser or spray application rates to fuel usage and GPS information. The reality is the agricultural labour force is becoming more highly skilled, with increasing labour productivity.

Competitiveness is increasingly being defined by the capabilities of the workforce and how effectively these capabilities can be applied to specific jobs and tasks. A key point identified in the papers was that "Australia's comparative advantages will come from its people and its capacity to equip them with the skills and capabilities to compete in a global marketplace."





Growth in emerging economies

Agricultural producers are well aware of the increasing importance of the emerging economies of Asia. Various parts of the agricultural sector have been working with these economies for a number of years targeting the growth in the middle classes and the resultant increasing consumption of proteins.

What are the implications for Australian Agriculture? One estimate has agricultural exports rising from \$37 billion (2014) to \$73 billion per year by 2050 in the base case, or \$115 billion under a high-growth scenario. This higher-growth scenario represents the benefits of a structural shift to higher-value products, increased domestic processing and improvements in the agricultural supply chain. (ANZ, Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand, 2012.)

Agricultures competitive advantage

Agriculture is in a strong position and is identified in the report as a sectors that can win at a global scale. The broad sectorial policy goal identified was to: maximise growth and achieve a globally significant presence.

There is no doubt the government does have a role to play to provide producers greater opportunity to grow globally by prioritising decisions and by implementing reforms to drive Australia's comparative advantage.

For the agriculture and food production sectors to establish global significance several structural issues need to be addressed. The agricultural food production sectors need to maximise the potential from the developing economies in Asia. There needs to be a focus on high-quality, high-value-added processed and manufactured food products. There needs to be an increasing focus on developing new export markets most particularly for high value products which provide greater potential for differentiation.

Industry policy should unite producers and food manufacturers, improve logistics and remove trade barriers for access to Asian markets.

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At a farm level the industry needs to explore options designed to achieve improved economies of scale and productivity. Increasing the value of the sector will help to attract investment and further enhance the potential for growth.

Improvements in the transport and logistics network and improvements in food processing are needed to facilitate exports. The commitment in NSW to regional intermodal hubs and the federal government support of the inland rail network are constructive steps forward, but will need to be supported by improvements to the road and port networks across the country.

The continued focus on negotiating free trade agreements with Agriculture included is critical. The New Zealand dairy industry shows how the adoption of a global strategy has enhanced domestic

growth. Initiation of free trade agreements with countries such as China mean dairy exports do not attract the five per cent tariff levied on Australian products, thus increasing the competitiveness of the New Zealand dairy industry. (McKinsey & Company, Compete to Prosper: Improving Australia's Global Competitiveness, 2014).

Note:

This is a brief summary of a series of papers prepared by the Business Council of Australia. Further reading of the following papers will provide readers a more detailed understanding of the many issues touched on in this article.

References:

- Business Council of Australia, Building Australia's Comparative Advantages. <http://www.bca.com.au/publications/building-australias-comparative-advantages>
- McKinsey & Company, Compete to Prosper: Improving Australia's Global Competitiveness, 2014 <http://www.bca.com.au/publications/building-australias-comparative-advantages>
- Business Council of Australia , 2013 Action Plan for Enduring Prosperity. <http://www.bca.com.au/publications/action-plan-for-enduring-prosperity-full-report>