



Global Agricultures Productive Capacity

The 2014 Rabobank Global Master Class was held in Australia in early November. Participants included 40 of the world's leading primary producers, amongst whom there were seven Australian farmers. Mark Modra from the Eyre Peninsula in South Australia was one of those lucky enough to be invited. The focus of the global master class was on feeding the world in 2050. The discussion centred on global agriculture and its capacity to increase production safely and sustainably.

Mark found the week long program really valuable, providing the opportunity to connect with agricultural producers from around the globe. "Importantly we are not alone, the challenges we face in Australia are found in other countries, despite political or cultural differences."

One observation was that in countries where there are subsidies, they don't necessarily benefit the farmers. Instead they tend to distort parts of the production system, leading to artificial increases in land prices or corruption of free trade. Mark said he felt "subsidies caused imbalance and can make producers fat and lazy. In Australia, because we have no such market interference, our producers are much more innovative, which they have to be to remain competitive."

Australian farmers are renowned for being innovative, adopting new technology early and for developing this technology to apply efficiency to our production systems. The B-line auto steer system is a classic example of such a technology. Mark believes that Australian producers will continue to lead the way in the adoption of technology, in part due to our labour market and need to be efficient. There are a number of examples where technologies such as computer platforms are aiding in the management of weeds and pests. "So many of our farmers are looking for tools or technologies that they can adopt to increase their profitability, and long term survival in the industry," said Mark.

When asked what he thought was one of the biggest challenges for Australian producers; Mark said he felt it was the ever present cost price squeeze and the overall profitability of farming. "In the past the on-farm focus was on productivity, but in recent times there has been a shift and we see that farmers are now tending

to be more profit oriented. They have needed to change to remain viable in the longer term, and ultimately as profit increases so will production. When prices go up farmers are in a position to increase inputs. Increasing inputs brings with it an increase in risk, but higher returns give farmers more ability to manage that risk."

Of course as farmers we are producing commodities and the prices received are very much driven by supply and demand (nationally and/or internationally). This raises the question of what can Australian farmers do about prices received? Mark believes that we should be working together more and that we should be taking a more strategic look at how we position our products and what product we sell. "Maybe there is a place for the new generation of co-operatives. There are some good examples, such as Fonterra in New Zealand where producers have benefitted from being part of a co-operative. The new style of co-operative is more flexible and reactive to market needs, they are not cumbersome or dictated to by elements of production."

"We really need to look at the product we sell. It is no longer acceptable to grow it and expect that there is a market. We need to know more about what our customer wants, and we need to do everything we can to produce that product. When we do produce that product we also need to market it well, especially if we are to maximise the value. The reputation of Australian grain has fallen in recent years; we are meeting the customer's specifications, but only just. Growers need to question how we position ourselves in the Market. Is blending different grain quality the best way to sure up markets and satisfy customers? Is there a place for the premium quality product and how do we get paid for delivering it?"

During the program a number of the presenters talked about global economics and the production system, giving participants a good understanding of the big picture and of how the whole system works. Mark believes producers need a better understanding of the whole system and that we need to feed that knowledge back to our communities and our politicians. He wonders how many wheat producers realise that only 5% of the consumer price of a processed food goes to the farmer,

Global Agricultures Productive Capacity (continued)

while 50% goes to the big retailer. As producers we need to find a way of getting a fairer share of that end price, without increasing the total price. It is possible in countries such as Zimbabwe, where the price paid to producers is more than in Australia, and the overall cost of the product is less.

So where to from here for Mark? "With the demand for food and fibre set to increase exponentially in the next 35 years, we as producers have a wonderful opportunity ahead of us. We have to work together to find an effective and efficient way to tap that opportunity. We also need to look beyond our paddock, to ask what our customer wants. As an industry, Australian farmers need to send more positive messages about our future, and we need to bring the general public up to speed."

The world is facing one of the greatest challenges of our time – an increasing population, longer life expectancies and fewer resources, all of which are placing an incredible strain on food production systems and supply chains, requiring farmers to produce more with less, while also being sustainable.

These challenges are the crux behind Rabobank's Global Farmers Master Class and F20 Summit events.

Rabobank Executive Board Business Manager Edwin van Raalte said farmers all over the world will have a vital role in tackling these challenges and guaranteeing global food security. "During the Master Class, we have witnessed engagement across countries, farmer to farmer, with discussions dedicated to improving access to food, leadership, communication, social media, sustainability, and the overall future of farming," he said.



Rabobank



courtesy of 'The Australian'