



Feeding Asia, from Downunder

Crawford Fund

Luke Chandler

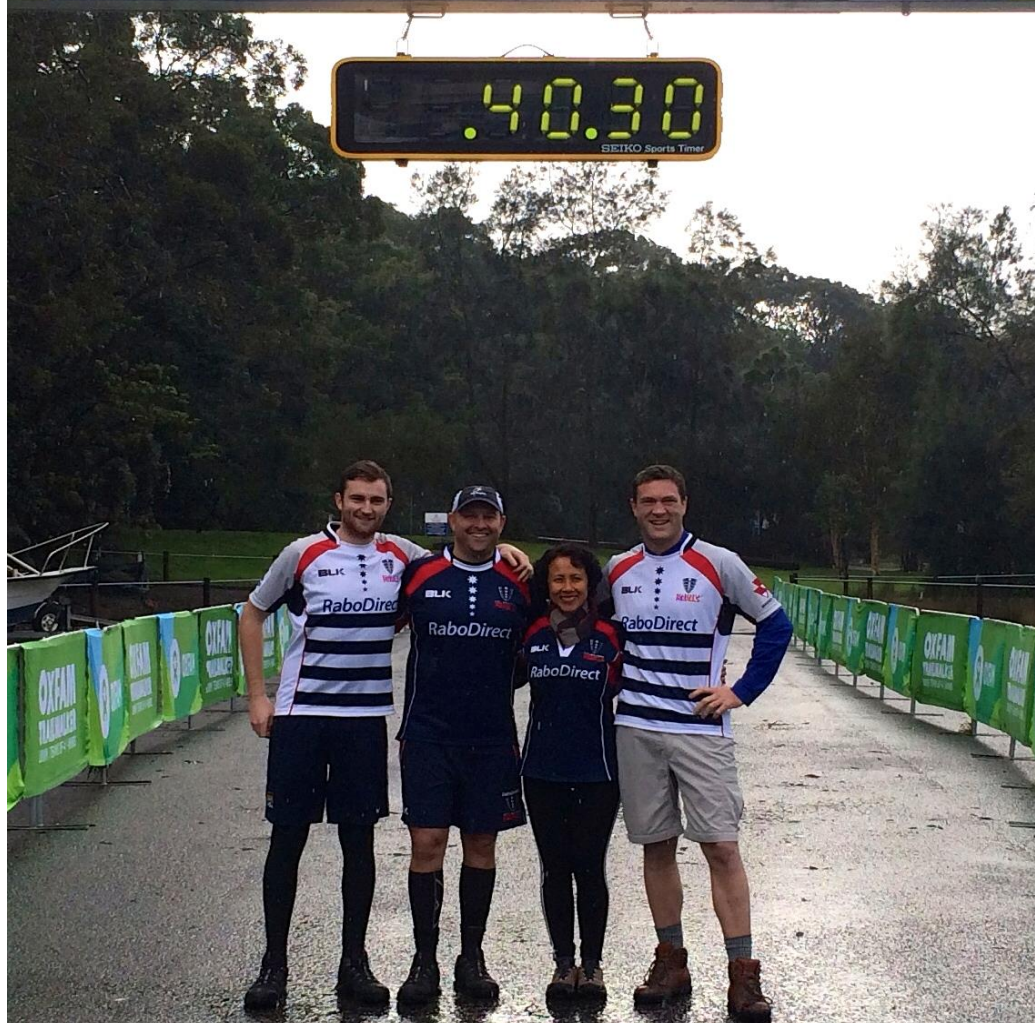
General Manager- Food and Agri Research

START

TEAM UP AGAINST POVERTY

MELBOURNE | BRISBANE | SYDNEY | PERTH

40.30
SEIKO Sports Timer



OXFAM
Australia

FINISH

TEAM UP AGAINST POVERTY

MELBOURNE | BRISBANE | SYDNEY | PERTH

OXFAM
TRAILWALKER
100KM | TEAMS OF 4 | 48HRS

37.50.43
BIRMO Sports Timer

THANK YOU



Food & Agribusiness Research and Advisory

A global network of research professionals

- Over 80 research professionals across 20 offices globally
- Entire F&A value chain from farm inputs and primary production to processors and consumers covered
- Focus areas:
 - Animal Protein
 - Seafood
 - Beverages
 - Dairy
 - Farm Inputs
 - Food Retail & Consumer Behaviour
 - Fruits & Vegetables
 - Grains
 - Oilseeds
 - Sugar & Sweeteners



1

Feeding the world in 2050

2

Australia's role in feeding Asia

3

Importance of supply chains

4

Challenges for Australian agriculture which need addressing

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Challenges for Australian agriculture which need addressing

Food and Farming are in the spotlights

Avoiding the next GFC...



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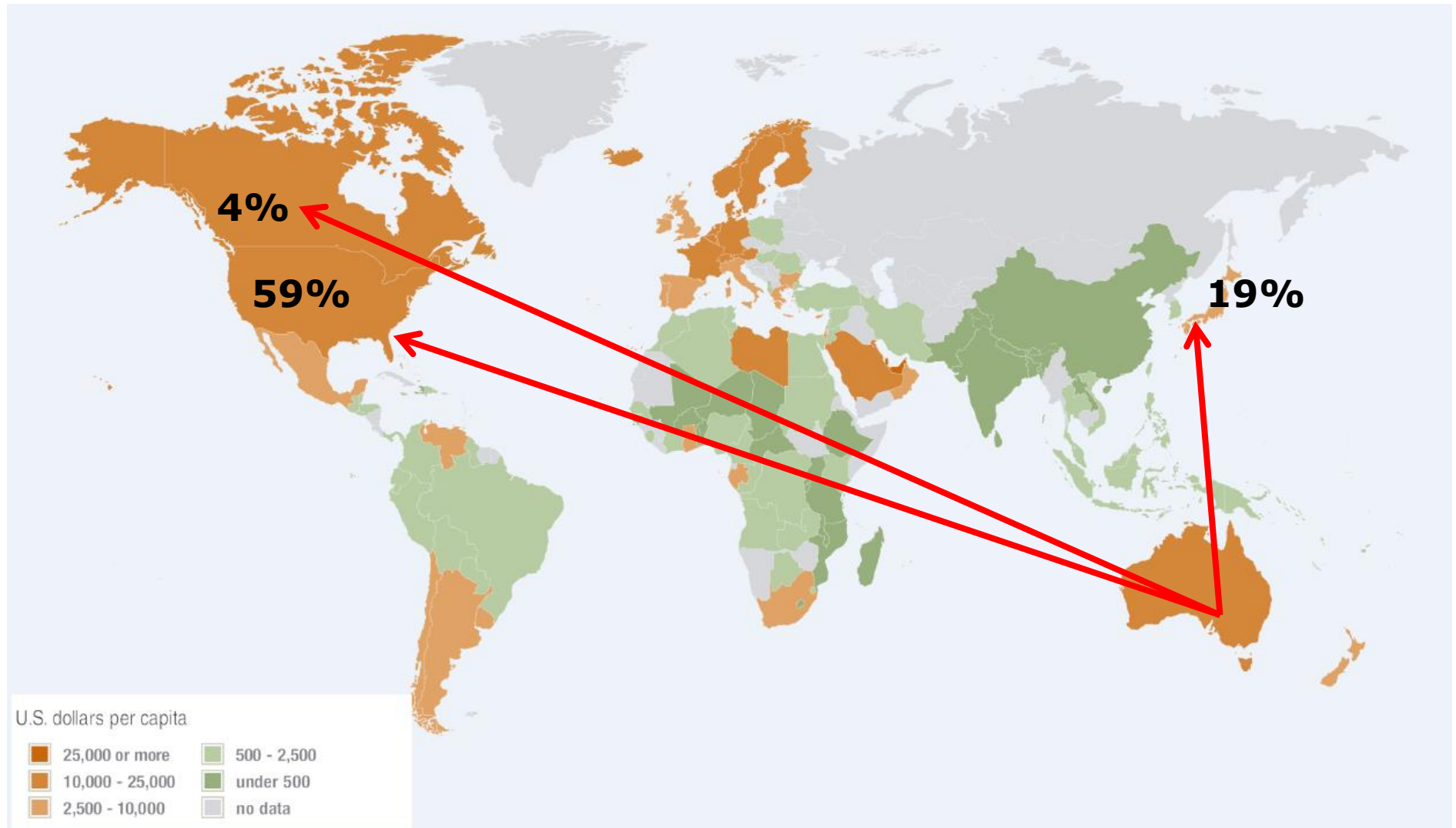
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Importance of supply chains

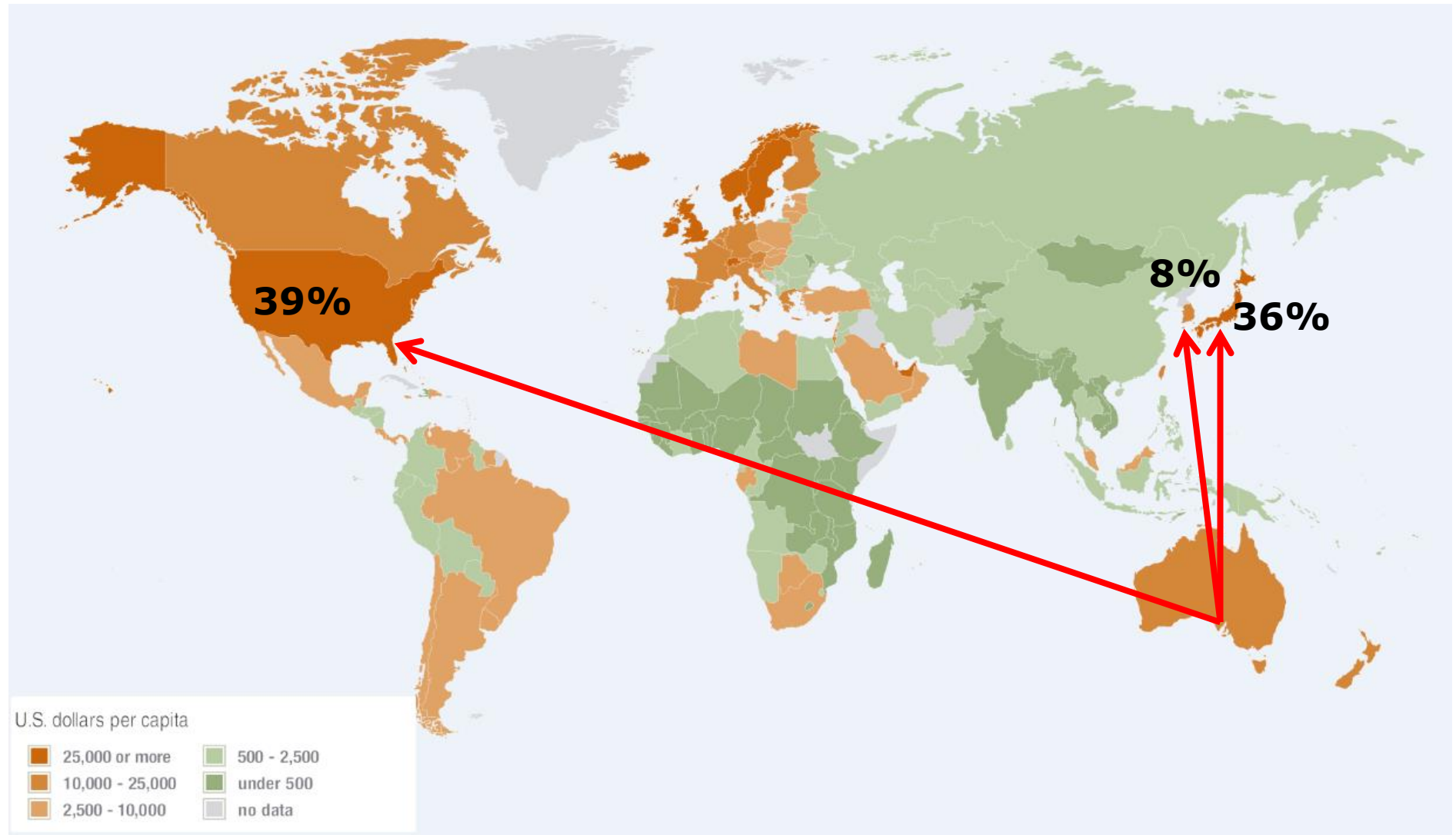
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Challenges for Australian agriculture which need addressing

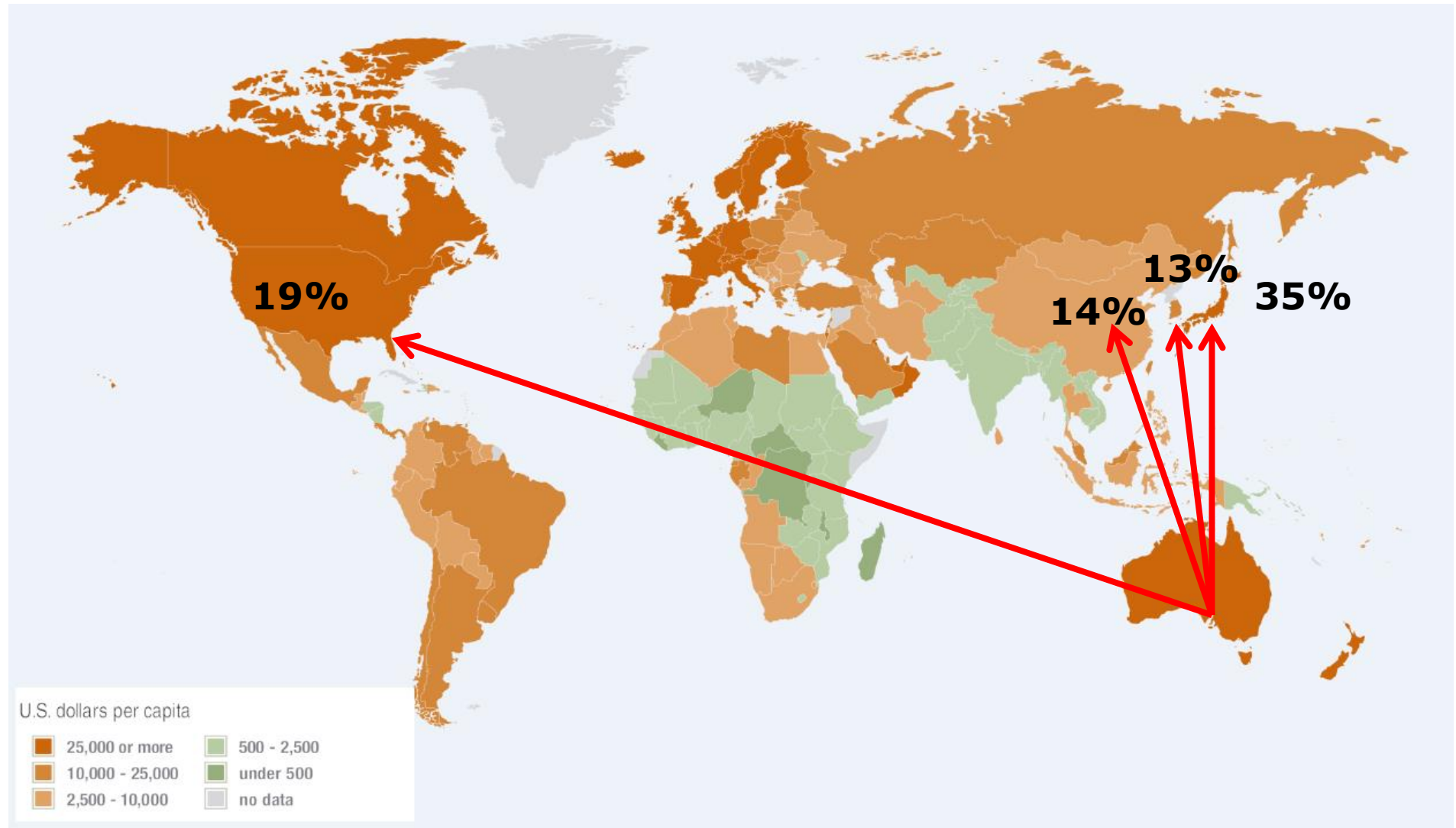
1980 – A world dominated by the US and Europe



2000 – Asia begins to emerge



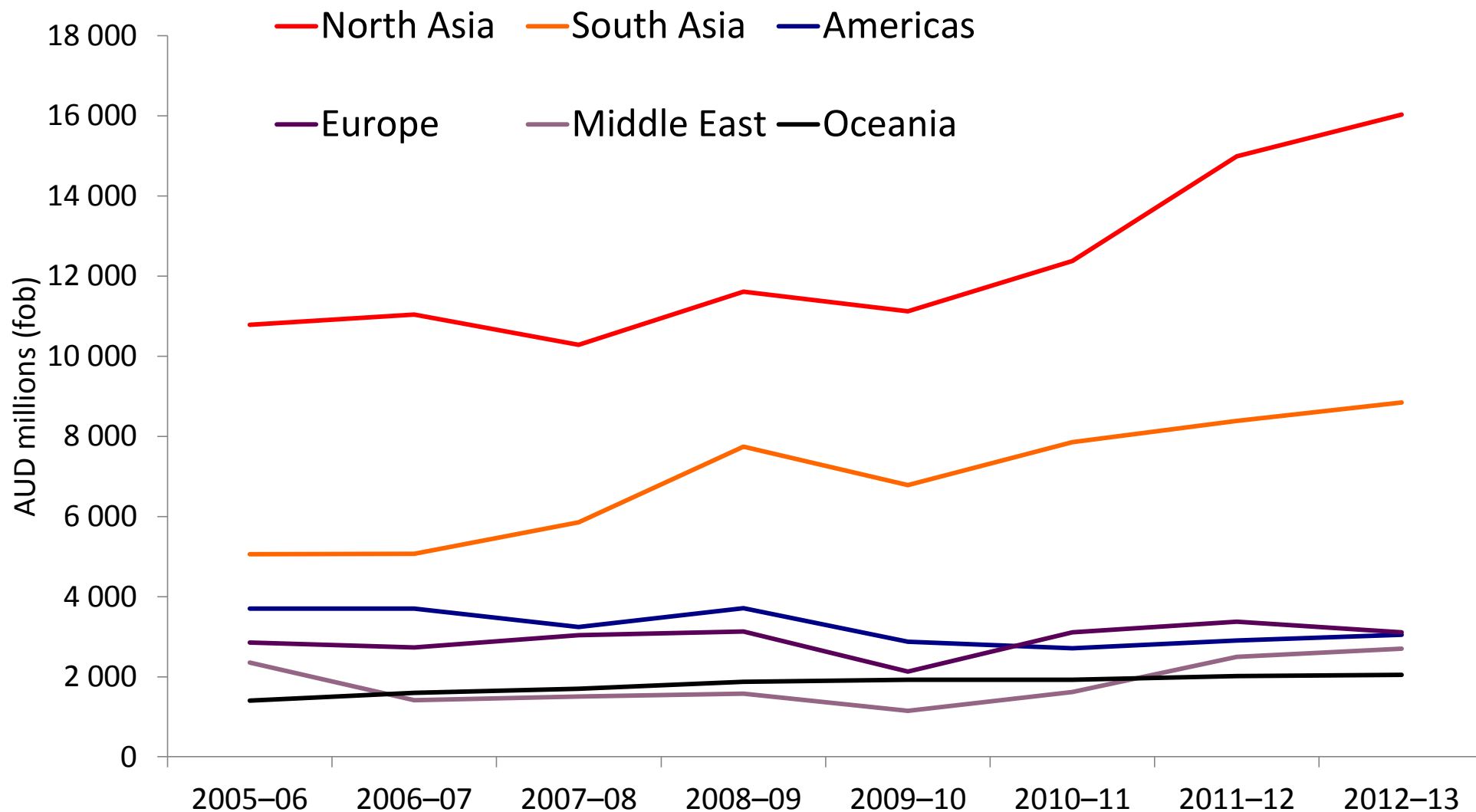
2013 – Income growth throughout Asian region brings drastic change



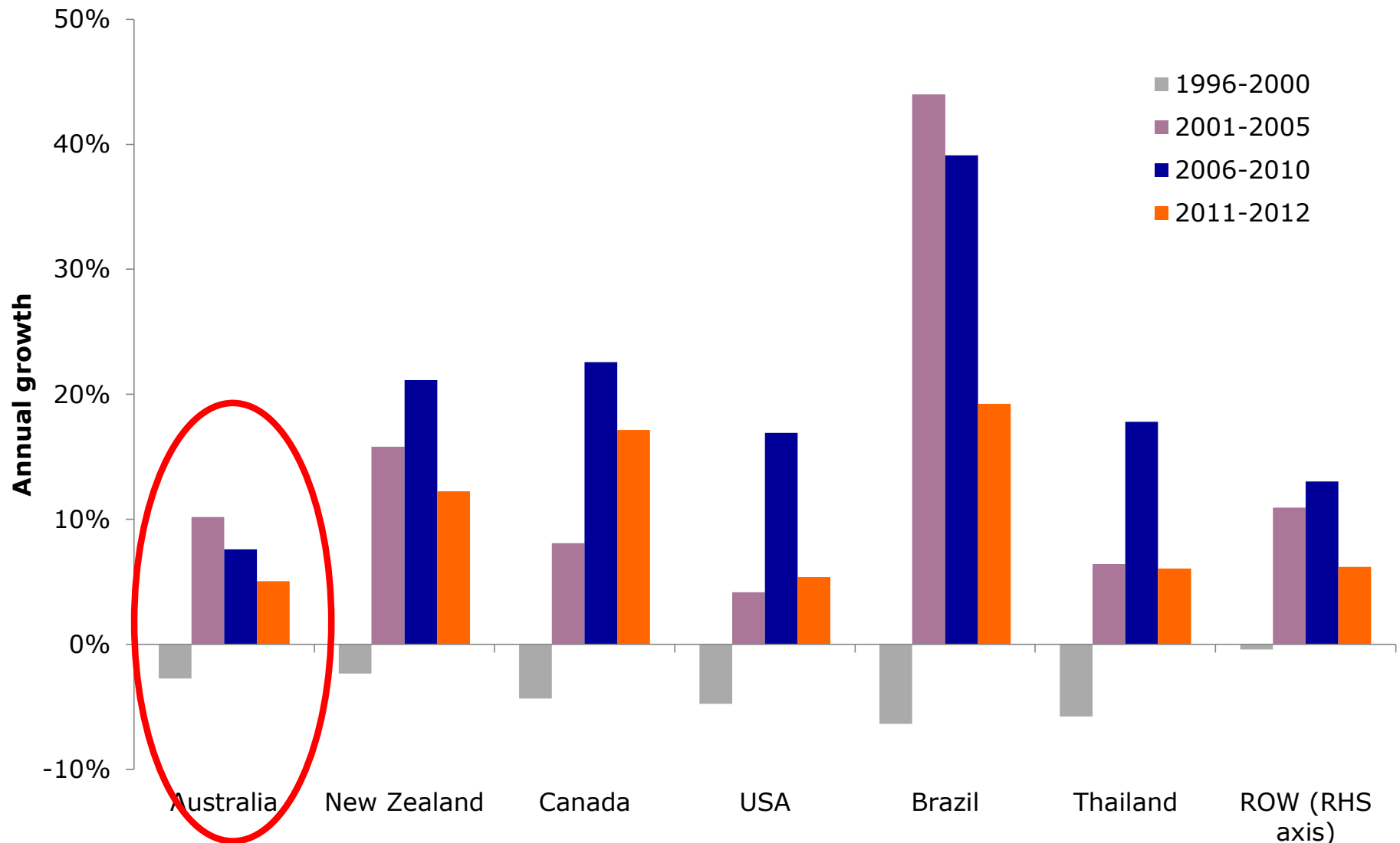




Asia already dominates our export returns

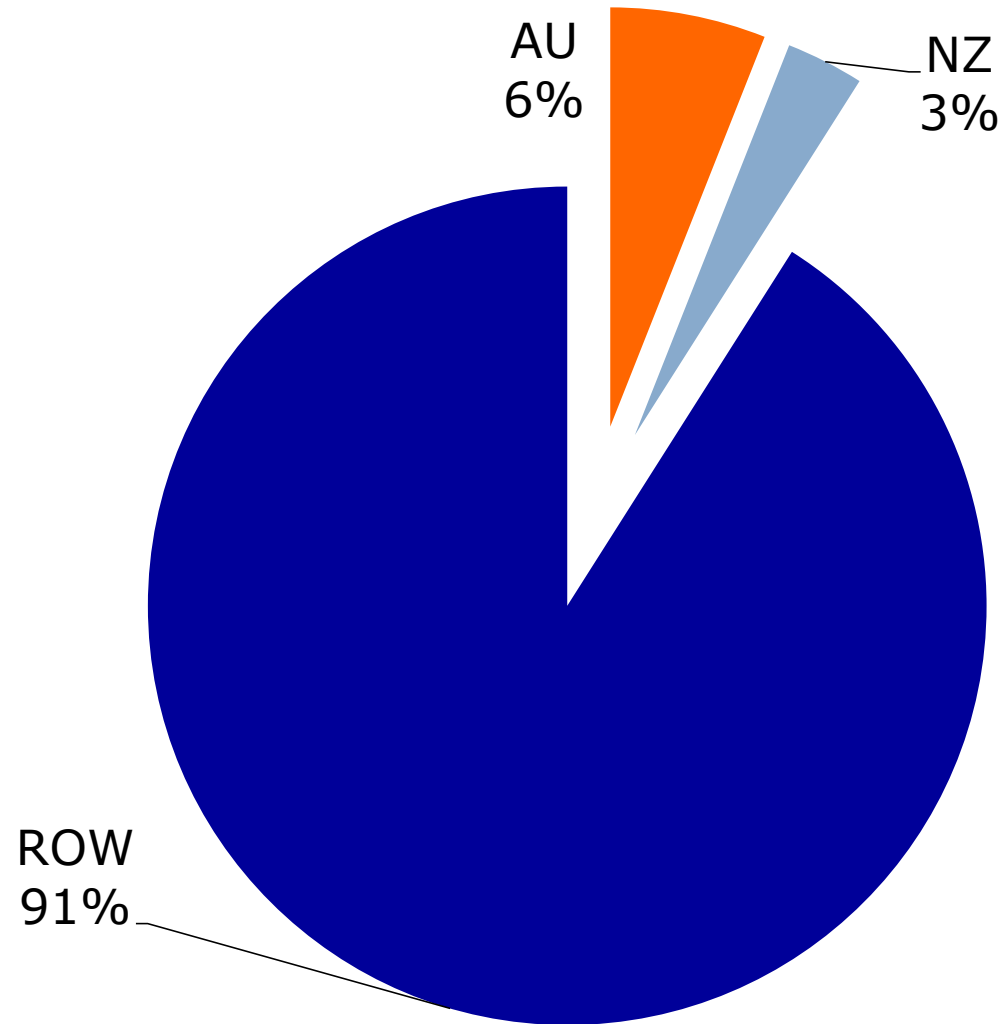


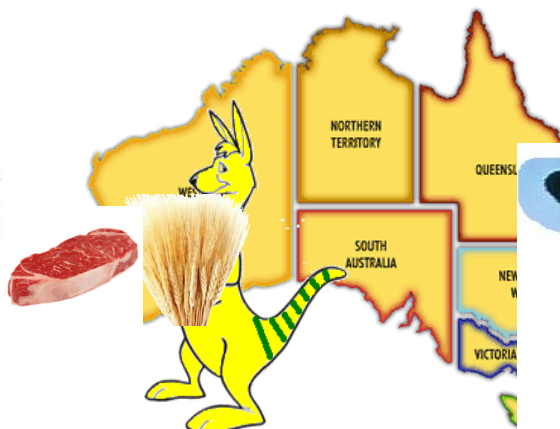
BUT - Australia's agricultural export growth rates are lagging competitors into the region



However, we are only a drop in the ocean

Should we be chasing volume or value?





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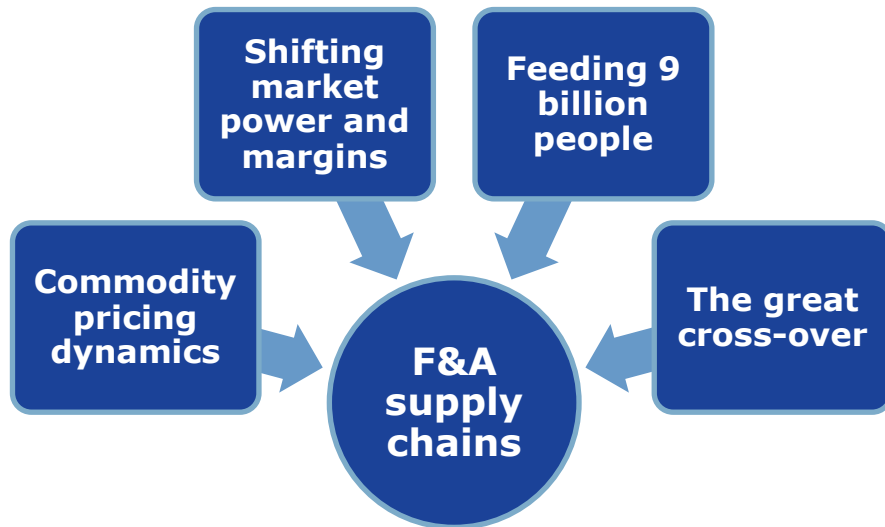
Importance of supply chains

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Challenges for Australian agriculture which need addressing

F&A supply chains are under more pressure and becoming more complex

Four drivers are responsible for the pressure – the first three are well known, the fourth, the great cross-over, is new



Supply chain pressure leads to change with multiple dimensions

Supply chain failures

Re-organisation of suppliers

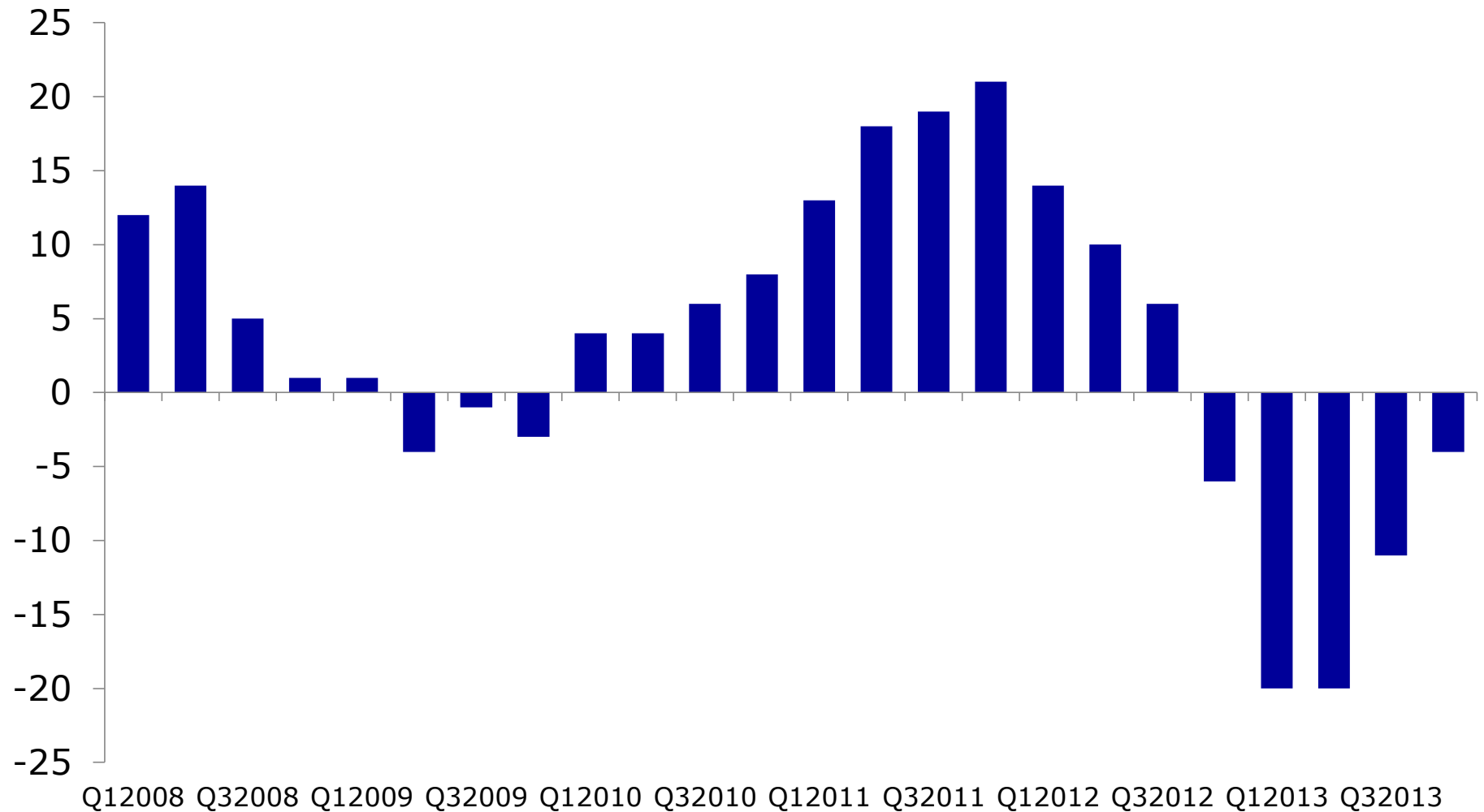
Alignment of supply chains with growth ambitions

Increased strategic priority given to supply chains

When the supply chain breaks....



Consumer Reaction is Clear



Australia's opportunity to supply quality food

Australian agricultural exports are highly prized for their attributes

• Quality

• Functionality

• Traceability

• Disease free status

• Sustainable production



Its one thing to have a story, but its how you communicate it



**BY 2017 TWO-THIRDS OF ALL MOBILE
DATA TRAFFIC WILL BE VIDEO**

**ALMOST 10% OF ALL PHOTOS IN
EXISTENCE WERE TAKEN IN THE
LAST 45 DAYS**



And farmers are already part of the digital revolution



DEDICATED FARMERS SOCIAL MEDIA ACTIVITY

HAS GIVEN US THE #FELFIE



What will our competition look like...?



OR



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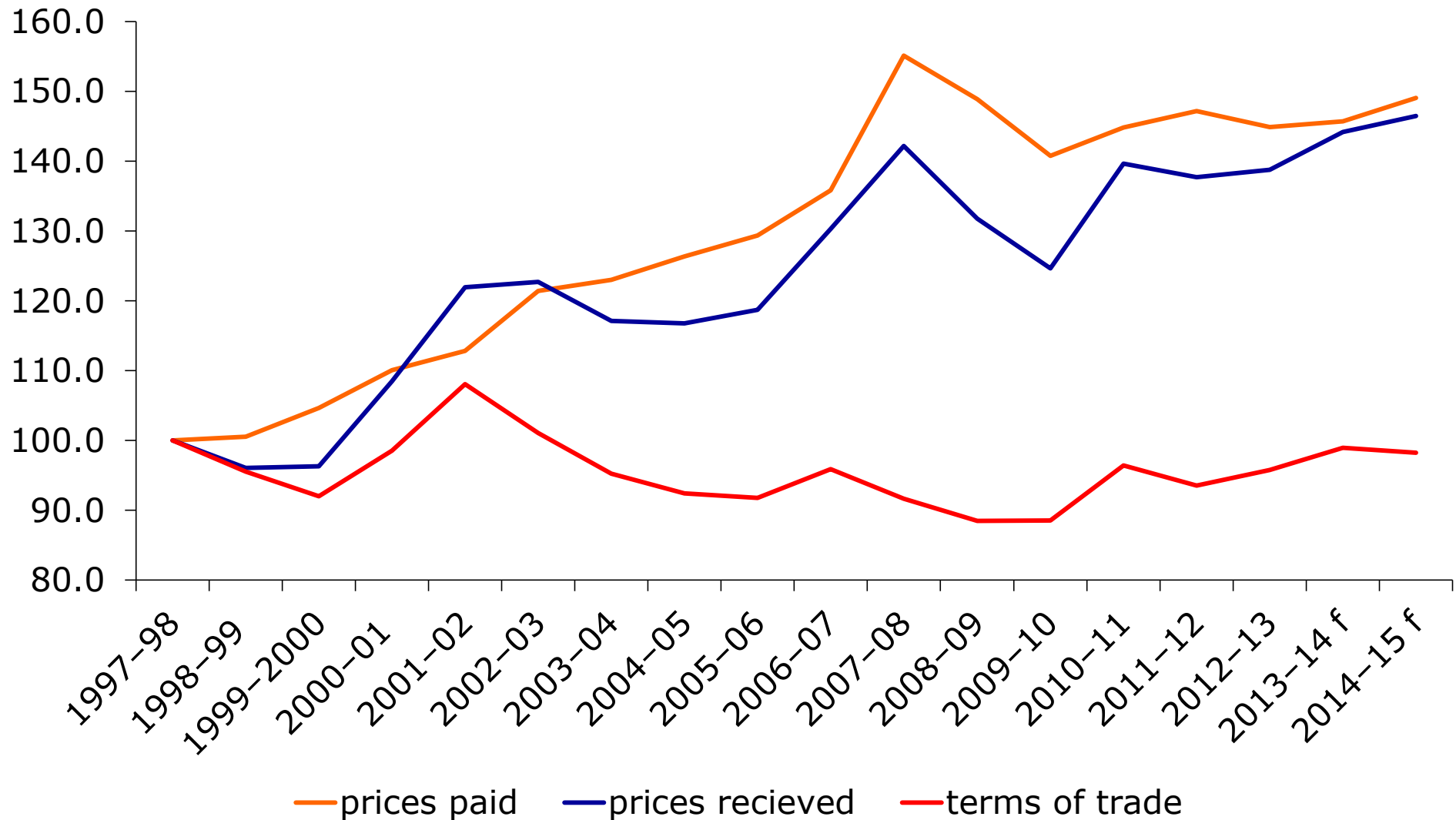
3

Importance of supply chains

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Challenges for Australian agriculture which need addressing

Australian farmers terms of trade



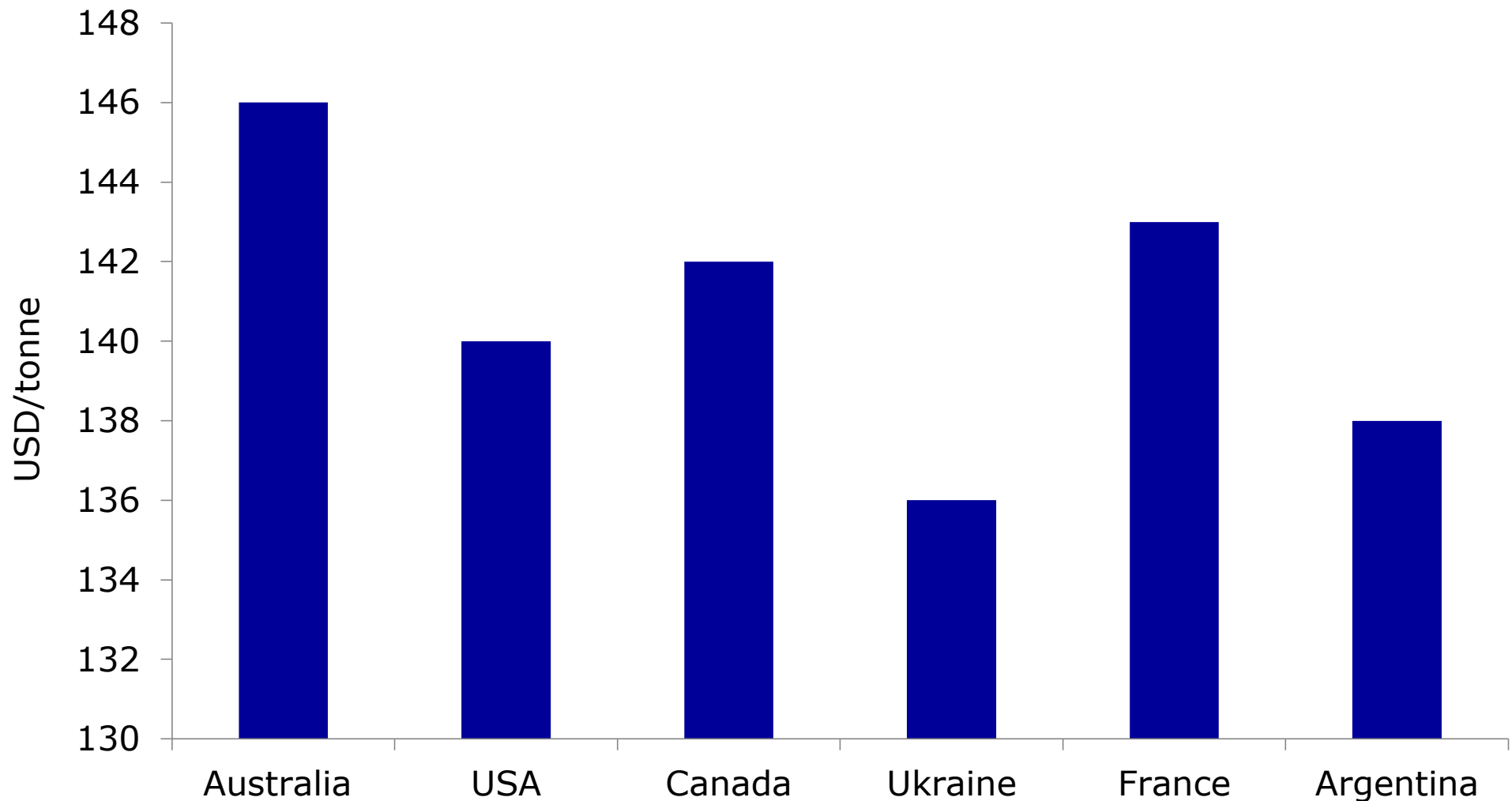
Ratio of index of prices received by farmers and index of prices paid by farmers.

Source: ABARES, Rabobank 2014

Cost of production is high for Australian growers relative to other major wheat producers



Variable farmgate cost of wheat production



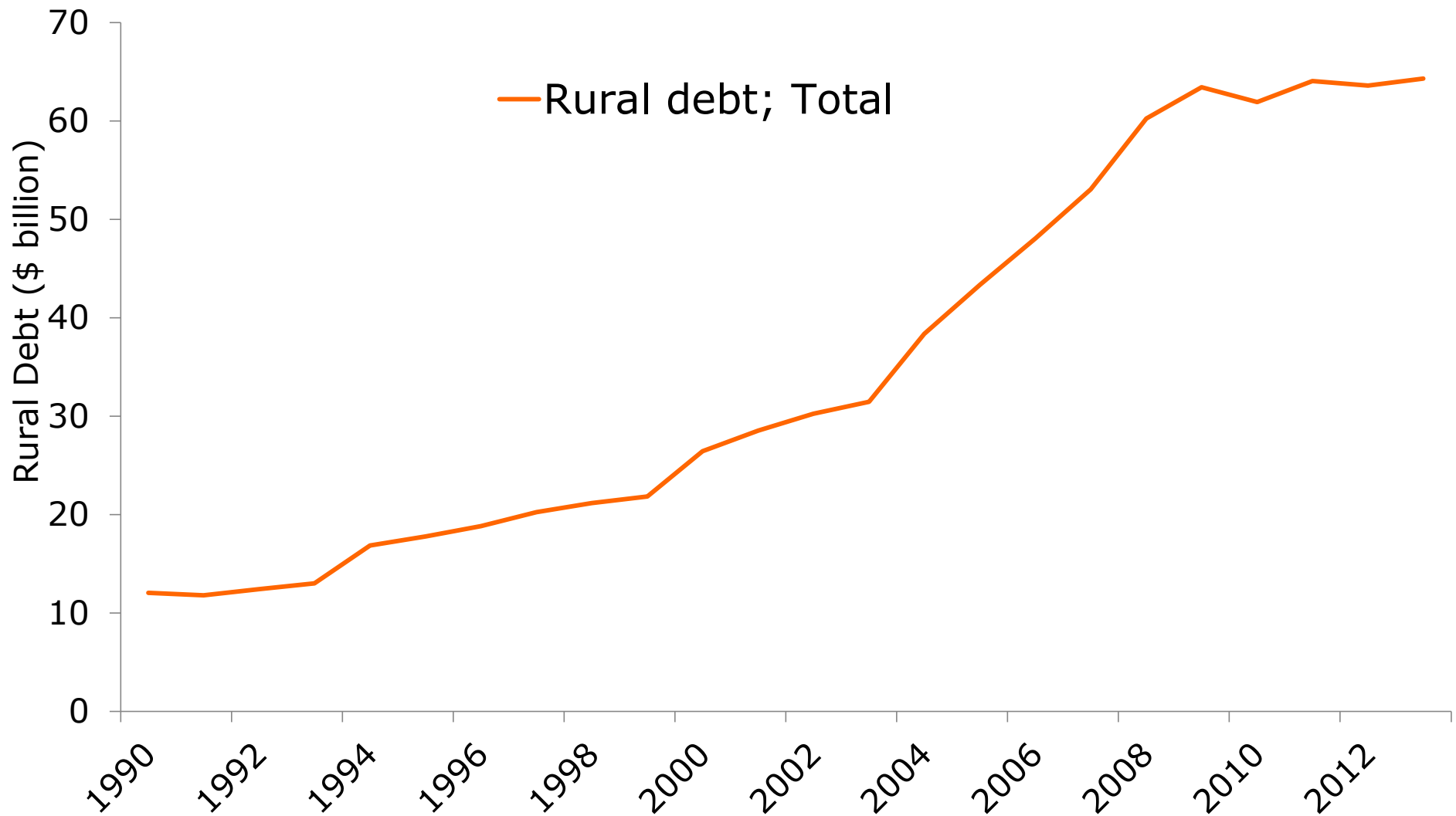
Logistics infrastructure (in)efficiencies



Regulatory Pressures



Capital Constraints: Financing the future



Source: RBA, Rabobank 2014

- **Australian agriculture does have a role to play in helping to meet Asian food demand – BUT – we should not overstate this role or try and be all things to all consumers**
- Our focus should be on quality markets
- Supply chain partnerships will be critical
- Farmers need INCENTIVE
- Challenges need addressing
 - Cost of inputs
 - Red Tape
 - Market Access
 - Supply chain efficiency

Thank you



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Meet the FAR Australia & New Zealand research team...

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Marc Soccio, Senior Analyst (Wine, Horticulture & Rural Economics)

Graydon Chong, Senior Analyst (Grains & Oilseeds)

Matt Costello, Analyst (Animal Proteins)

Lloyd Setter, Analyst (Animal Proteins)

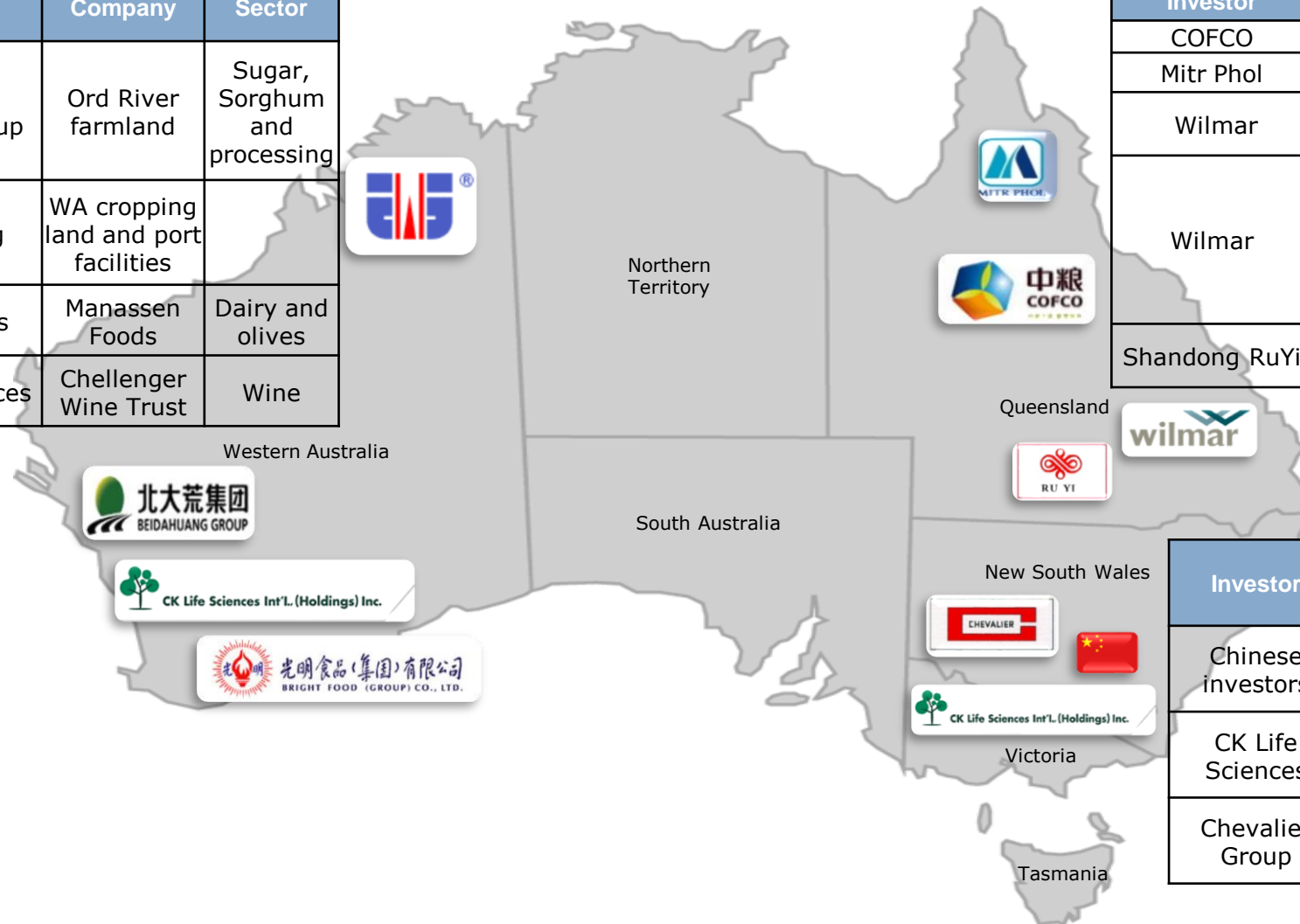
A global team of 80 analysts dedicated to delivering insights into the world's major F&A regions



Asian investment into Australian Agriculture

65% of Australian sugar milling assets are now owned by Asian investors

Investor	Company	Sector
Shanghai Zhongfu Group	Ord River farmland	Sugar, Sorghum and processing
Beidahuang	WA cropping land and port facilities	
Bright Foods	Manassen Foods	Dairy and olives
CK Life Sciences	Challenger Wine Trust	Wine



Investor	Company	Sector
COFCO	Tully Sugar	Sugar
Mitr Phol	MSF Sugar	Sugar
Wilmar	Sucrogen (CSR)	Sugar
Wilmar	Proserpine Co-operative Sugar Milling Association	Sugar
Shandong RuYi	Cubby Station	Cotton

Investor	Company	Sector
Chinese Investors	Mt Falcon station	Beef Cattle
CK Life Sciences	Cheetham Salt	Salt
Chevalier Group	Moraitis	

Global exporters relying on Chinese demand

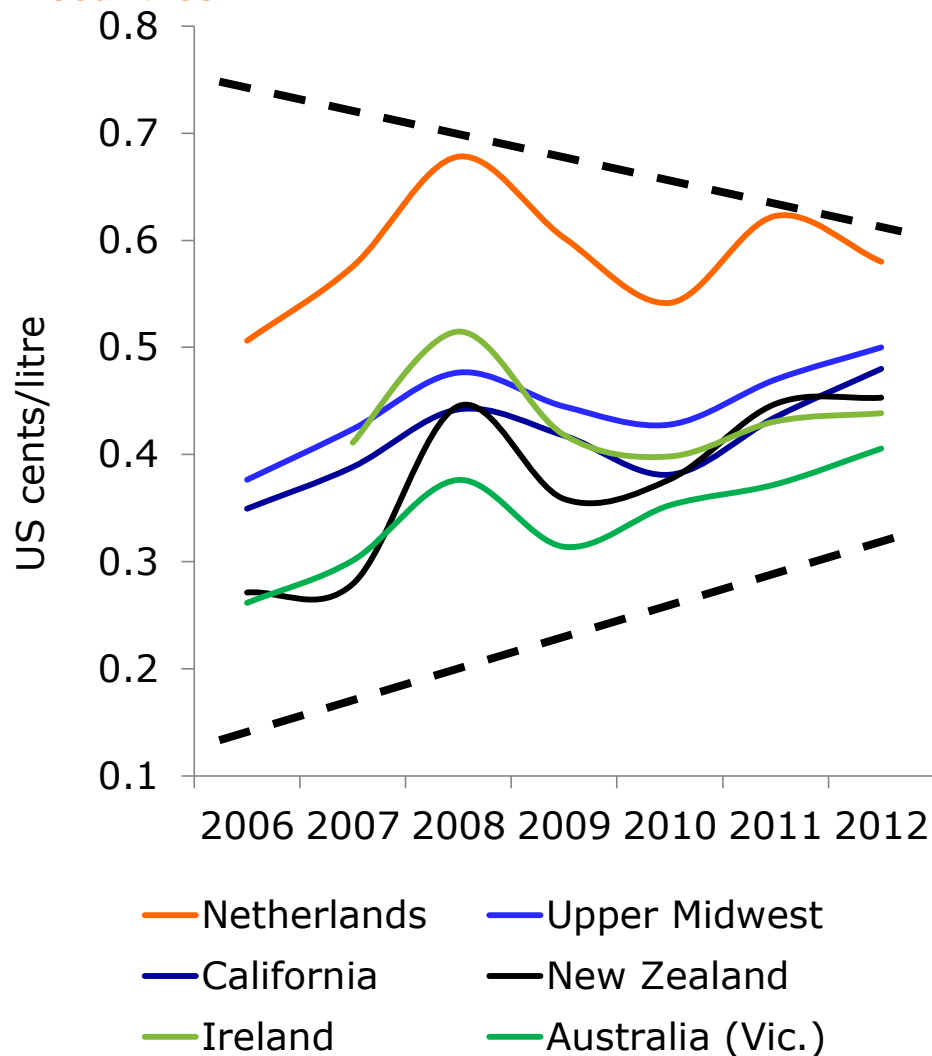
	2003/04	2013/14 (f)	2018/19 (f)
Wheat	6 th	=1 st *	—
Corn	83 rd	5 th	↑
Soybeans	1 st	1 st	↑
Palm oil	1 st	2 nd	—
Pork	7 th	4 th	↑
Beef	23 rd	13 th (6 th)	↑
Sugar	18 th	3 rd	↑

* Equal first with Egypt

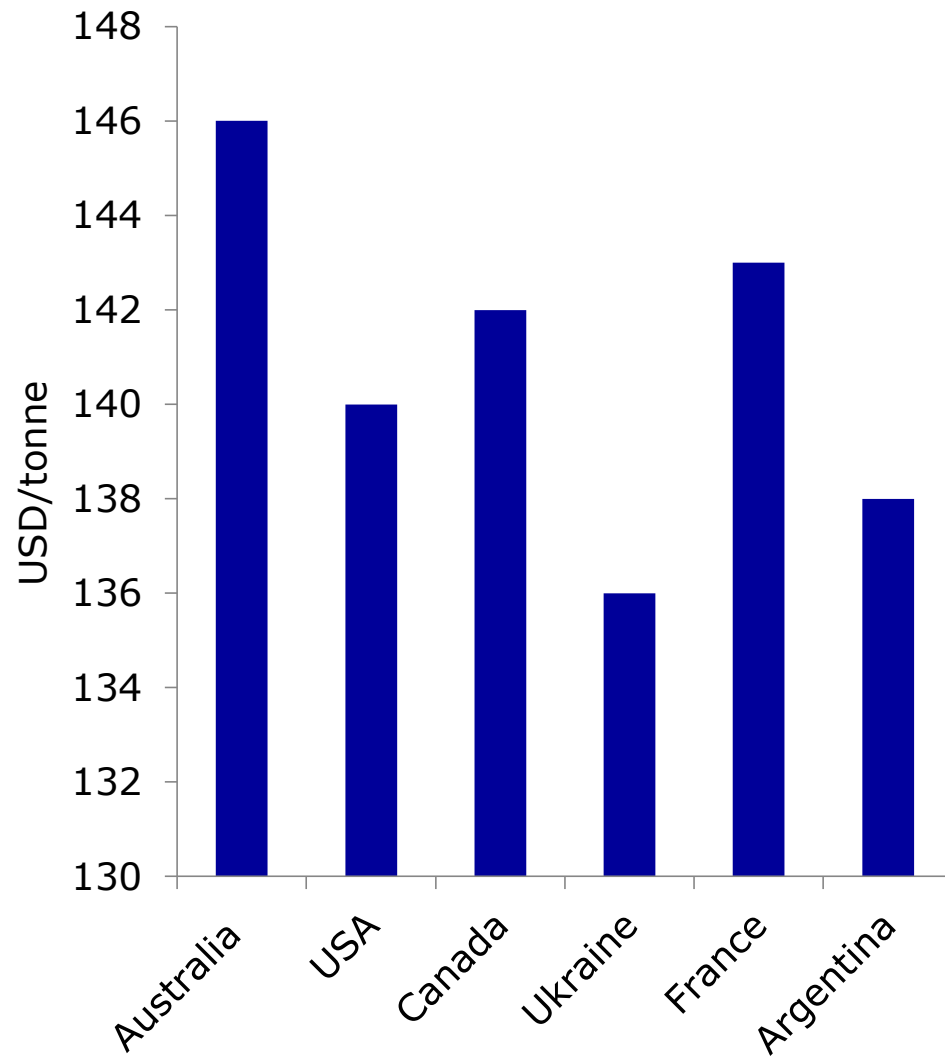
	2003/04	2013/14 (f)	2018/19 (f)
Wheat	4%	6%	4%
Corn	0%	7%	11%
Soybeans	31%	66%	73%
Palm oil	16%	16%	15%
Pork	3%	10%	13%
Beef	0%	3%	5%
Sugar	3%	4%	6%

On-farm competitiveness is under pressure

Farm gate milk production costs in selected countries

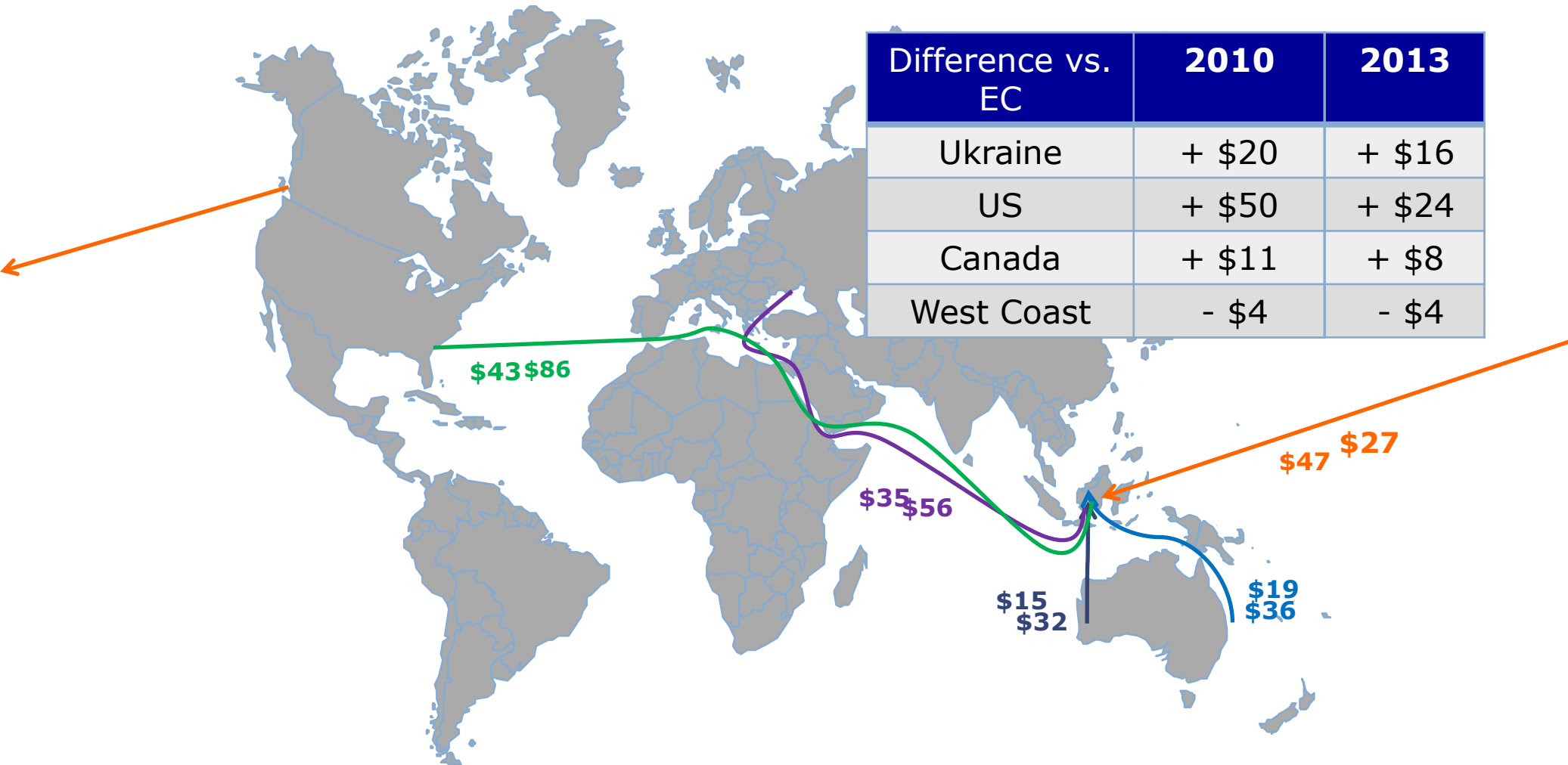


Variable farm gate cost of wheat production, 2012

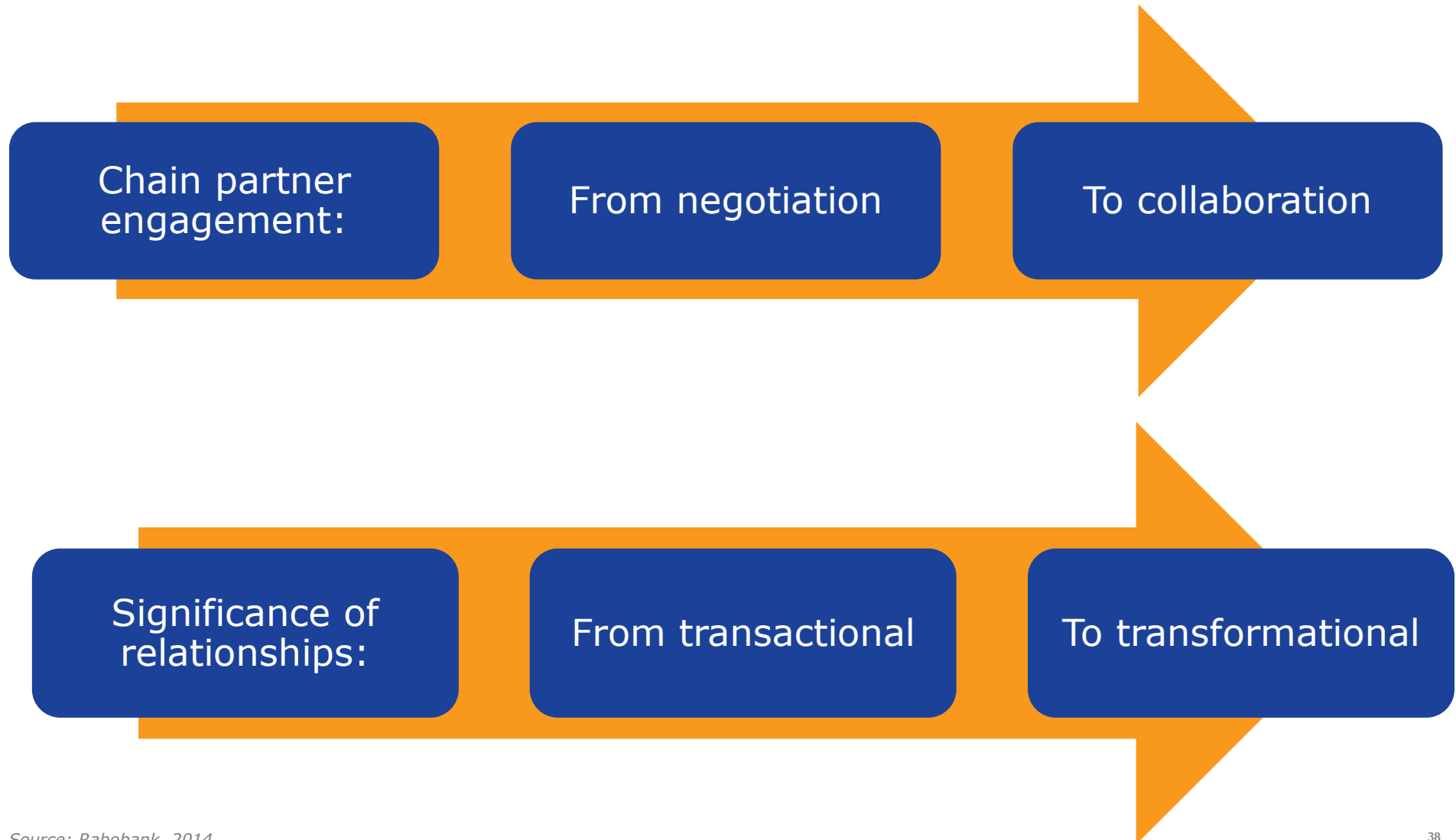


Australia's freight advantage into Indonesia \$8-\$24

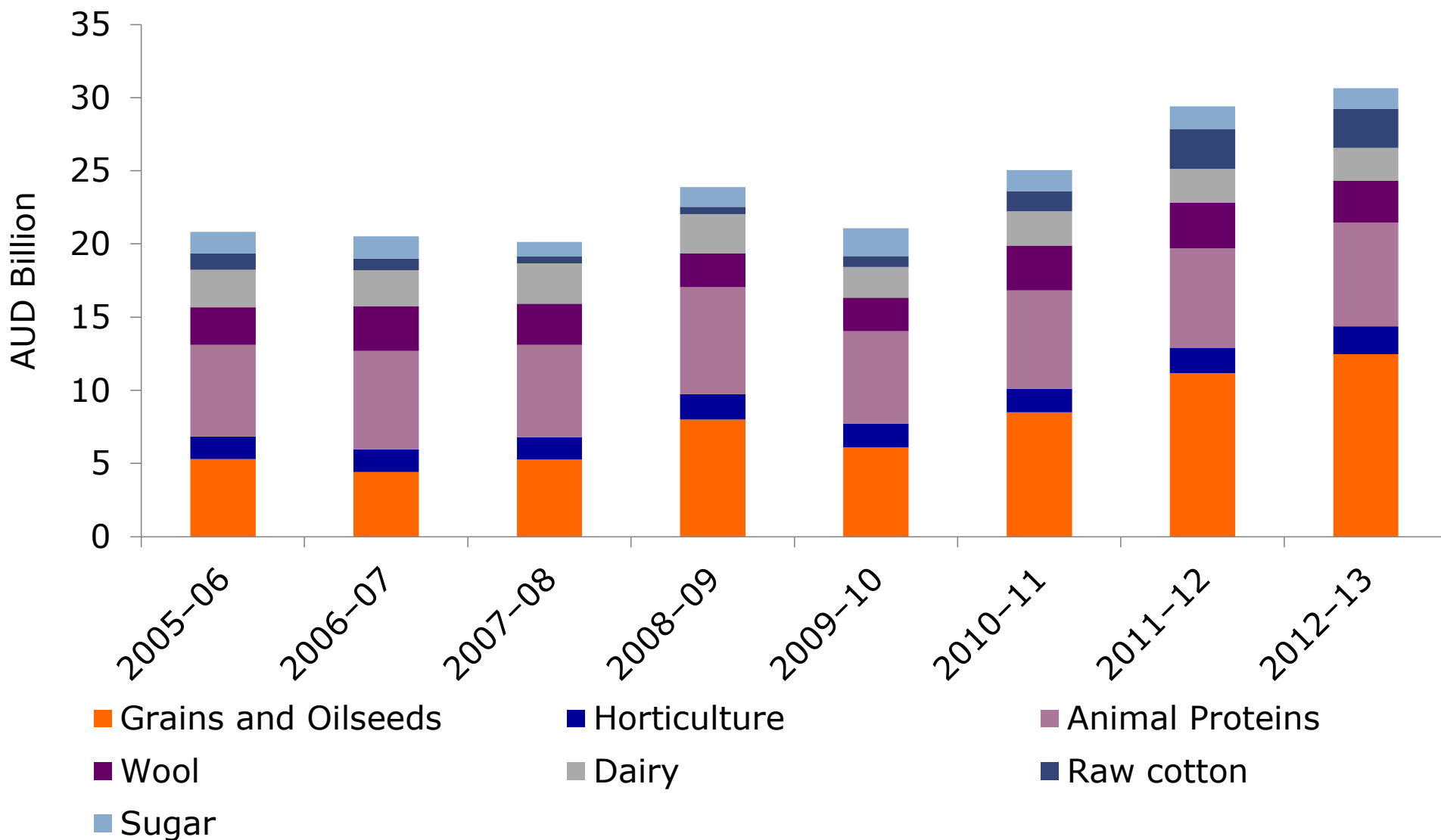
Australia still holds freight advantage over major suppliers, however the advantage is shrinking



Fundamental changes in supply chain relationships are needed

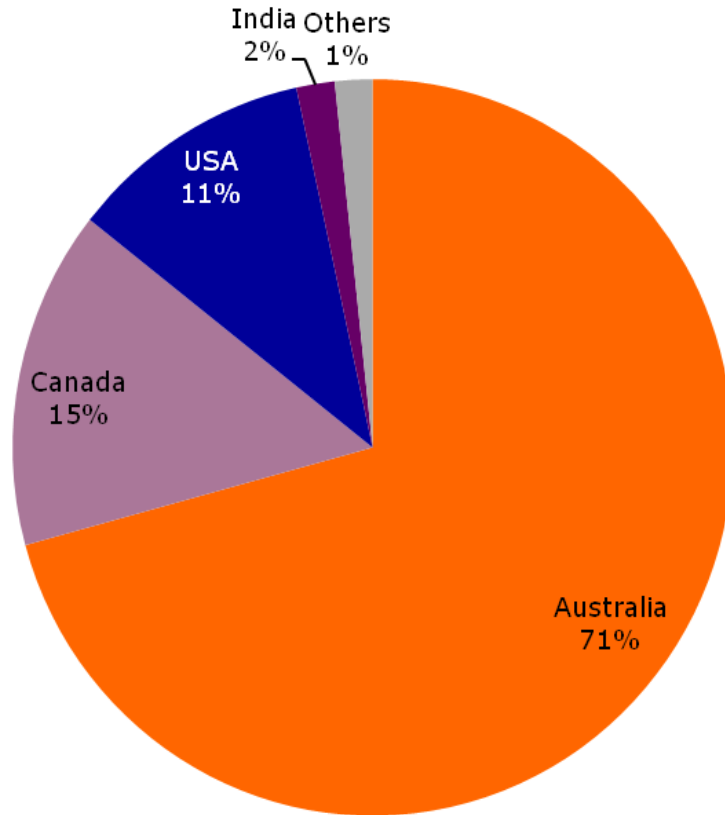


Australian agricultural exports by sector



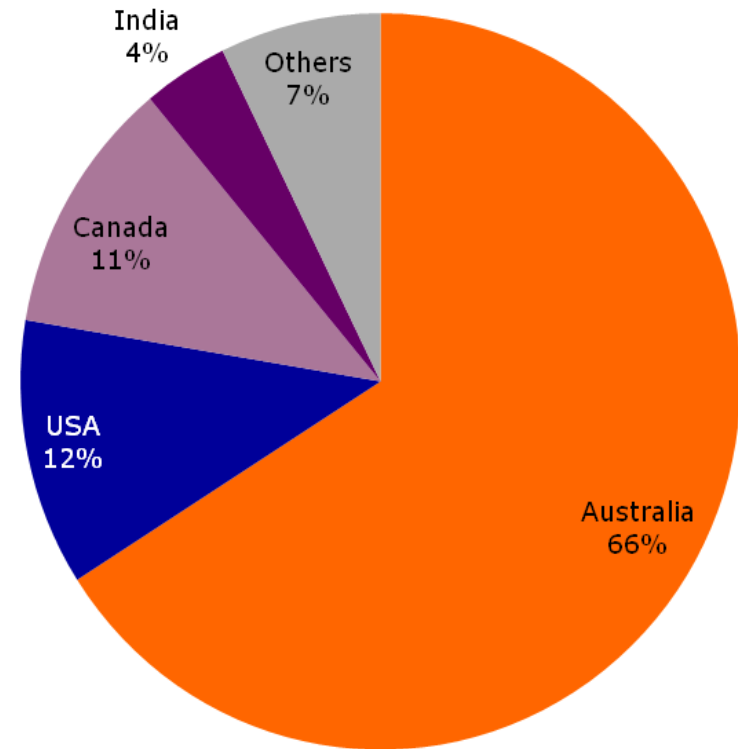
Australia is the main supplier of wheat to the region due to proximity

Indonesia



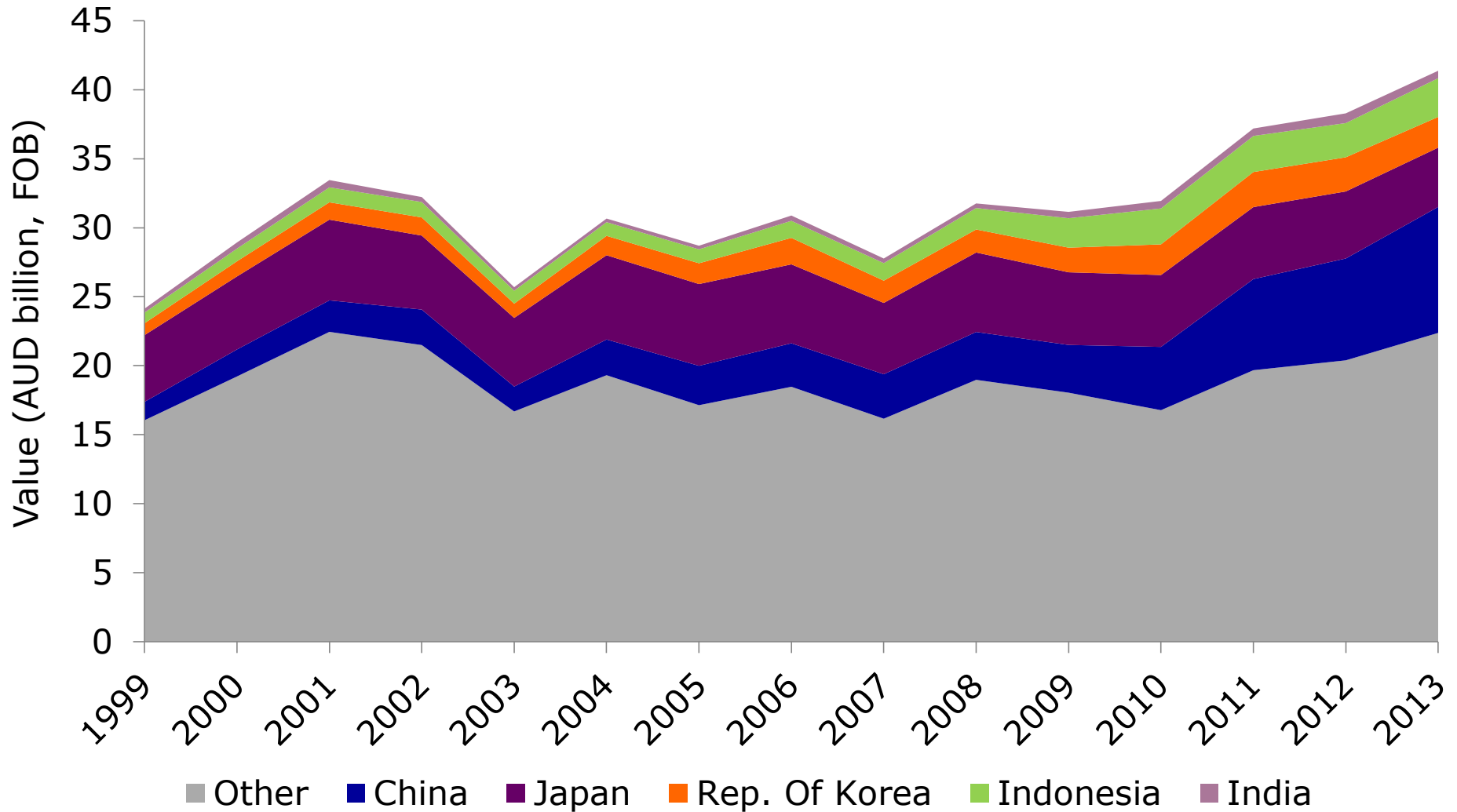
Source: UN Comtrade

Malaysia

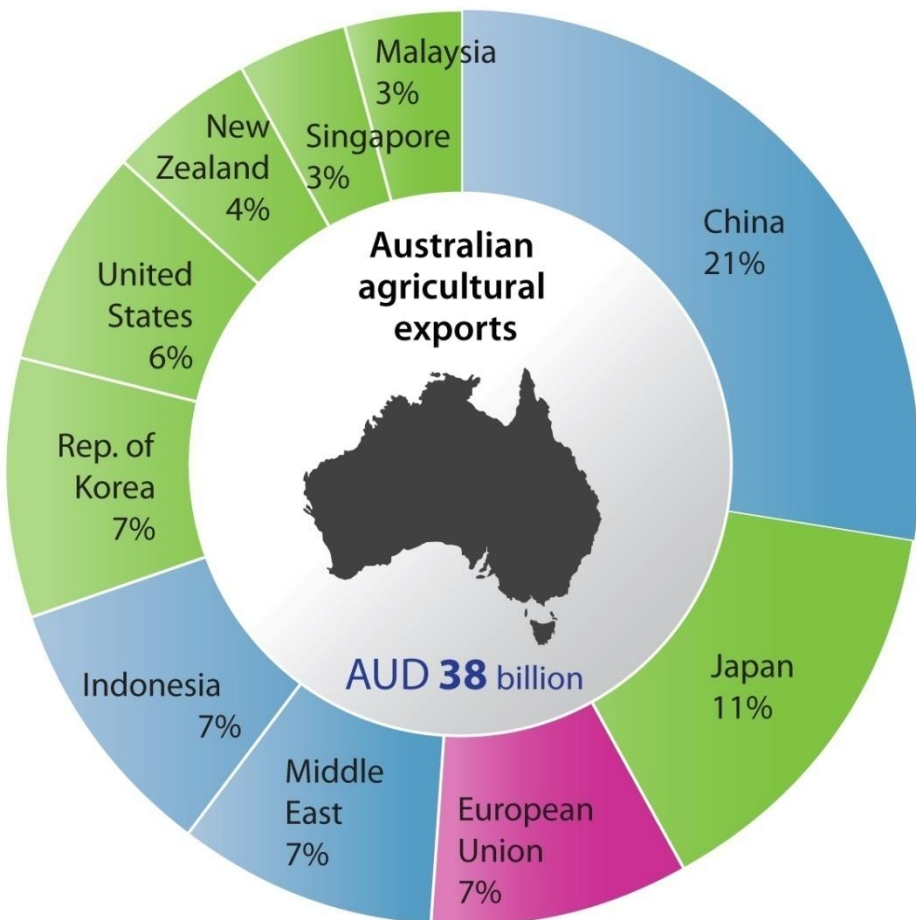


Source: UN Comtrade

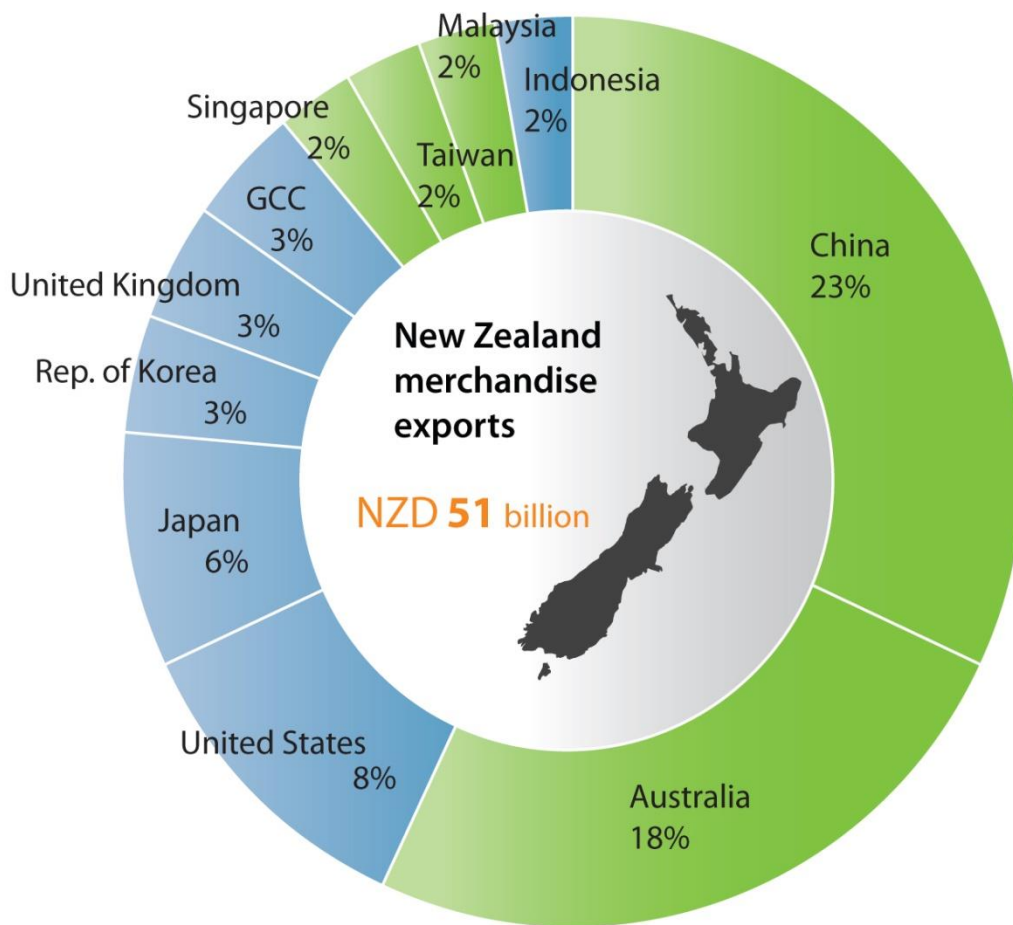
Australia's agricultural trade with Asia-5



Market Access a Rapidly Changing Dynamic



Source: ABARES, Rabobank 2014



Source: Statistics New Zealand, Rabobank 2014

Disease and safety now priority #1 in China

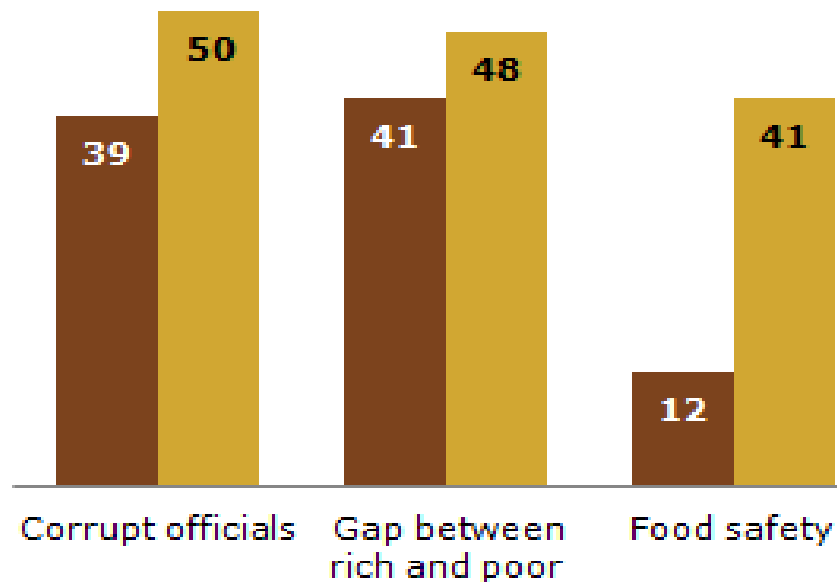


Concerns about Corruption, Inequality, and Food Safety Grow

% Very big problem

■ 2008

■ 2012



PEW RESEARCH CENTER Q24a, Q24f & Q24m.