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Food Security in the Asian Century

Craig Emerson

Paper prepared for presentation at the “The Supermarket Revolution In Food: Good, bad or ugly for the world’s farmers, consumers and retailers?” conference conducted by the Crawford Fund for International Agricultural Research, Parliament House, Canberra, Australia, 14-16 August 2011

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SIR JOHN CRAWFORD MEMORIAL ADDRESS

Food security in the Asian Century*

The Hon. Dr Craig Emerson MP

Minister for Trade

Abstract



This Sir John Crawford Memorial Address touches on aspects of the balance between demand for and supply of food, and on visionary approaches to food security that emphasise the importance of markets as well as production itself. Sir John Crawford had the vision of Australian economic integration with Asia. We need to draw on his vision and do the right thing by Australian farmers, the nation and the region by meeting the food security challenge head-on through rational economic policy making.

The Sir John Crawford Memorial Address has been held since 1985, in honour of the distinguished Australian civil servant, educator and agriculturalist in whose name the Crawford Fund was established. Sir John was a remarkable Australian who contributed at the highest levels, and was a passionate supporter of international agricultural research for development.

Sir John Crawford was a mentor of mine at The Australian National University when I was undertaking my PhD course under the supervision of another great Australian, Professor Ross Garnaut. Sir John was always available to give me guidance about positioning Australia to take its place in the Asian region.

In delivering this oration just a day after returning from leading a 100-strong business mission to China, I am strongly aware of the boundless opportunities for further economic integration between our two countries.

In the second decade of the 21st Century, we confront a big, new land-use challenge — the issue of food security. It is entirely possible that the quest for food security will become one of the defining issues of the 21st Century.

Around the world one billion people already go to bed hungry every night: that is one in seven of our fellow human beings. Images from the refugee camps on the border between Somalia and Kenya are a daily reminder of the suffering in the Horn of Africa.

World food prices spiked in 2008; the price of rice trebled and the price of wheat and palm oil doubled. Food riots broke out in more than a dozen countries. Better seasonal conditions and the global recession caused an easing in food prices for a couple of years, but now they are surging again. Rising food prices have been a contributing factor in the Arab Spring, first in Tunisia, then in

* This is an edited version of Dr Emerson's address.

Egypt and now in several other Arab countries. Rising food prices explain much of China's 6.5% inflation rate, and Indonesia is worried about the impact of rising food prices on the poor.

Food shortages and high food prices would be a powerful force for instability within nations and potentially a source of conflict between them. Governments understandably will want to feed their people, and at affordable prices. If they cannot do so, food riots will follow and the instability witnessed in 2008 and now evident in much of the Middle East will spread to their countries.

Yet the response of many governments to rising food prices has been precisely the wrong one. Of 81 developing countries surveyed by the Food and Agricultural Organization, 25 applied export controls on their food production during the 2007–08 food price surge. While the role of speculators in food price rises has been greatly exaggerated, it is clear that the imposition of export controls has led to speculative activity that has amplified the price effects — to the great cost of the world's poorest countries dependent on food imports.

Now that high food prices have returned we must learn the lessons of recent history and respond in a rational way.

To determine the rational policy pathway we must first diagnose the problem. Rising food prices are not the product of speculation. Nor are they a temporary phenomenon, a consequence simply of poor harvests. Rising food prices are a market response to fundamental imbalances between the demand for and supply of food.

The world's population is forecast to reach 9.3 billion by 2050, an increase of 2.4 billion on today's level. As incomes rise, especially in Asia, demand for high-quality protein foods such as beef, pork, poultry and sheep meat will soar. If these meat types are raised intensively in feedlots, using grain for animal feed, the pressure on grain prices will be all the greater. Depending on the meat type, between 3 and 10 kilograms of grain would be needed to produce 1 kilogram of meat; and if they are raised extensively within high-population countries, land clearing will damage or destroy ecosystems and carbon sinks while releasing even more carbon into the atmosphere.

Though the natural instinct of governments of emerging economies will be to drive for self-sufficiency in as many basic foodstuffs as possible, they will tend to give the highest priority to self-sufficiency in staples such as rice and wheat. By doing so, they will create what economists call an opportunity cost. That is, to the extent that governments succeed in substantially achieving self-sufficiency in staple grains they will foreclose on opportunities to achieve self-sufficiency in other grains and in high-protein meat sources.

Pessimists and political opportunists see the desire for food security of major emerging countries as a threat. In truth, it is an unsurpassed opportunity for Australian farmers. Over the last quarter century Australia has established itself as a reliable supplier in meeting Asia's minerals and energy security needs. In the next quarter century Australia can establish itself as a reliable supplier in meeting Asia's food security needs.

In seeking security in minerals and energy supplies from Australia, importing countries such as Japan, Korea and China have not sought to own all of Australia's mines or energy sources. Rather, they have wholly owned some, taken equity positions in others, or acquired no equity and instead relied just on binding long-term contracts. So it can be the case with food security.

Attaining secure supplies of food does not of itself necessitate the purchasing of large areas of prime agricultural land, as some people would have you believe. It might involve our regional neighbours who possess large investable surpluses taking equity positions in existing agribusinesses. It might involve new joint ventures. It might involve some land purchases.

The history of pastoral development in Australia has not been dominated by Australian-only investment. At first British and then American investors brought in the foreign savings needed to develop Australian agriculture. Nowadays, our large agribusiness companies have extremely diverse ownership.

The world's need for food security to the middle of the 21st Century will open up exciting new commercial opportunities for the development of Australian agriculture. As the real price of food continues to rise, ideas will gain a commercial basis they may have lacked previously. Water catchment and conservation proposals that have been dismissed or never conceived at pre-existing food prices may become viable in a world seeking food security. At higher real food prices, technologies and infrastructure to lift the productive capacity of Australia's rangelands may come into play.

Rather than diverting existing food supplies into foreign investors' home markets, a visionary approach to the food security issue would involve growing more food from more productive land holdings in countries such as Australia. Alarmists warn that foreign investment in Australian agriculture to meet the region's food security needs will involve the export of Australian produce into those markets at below-market prices. However, no such proposal has ever been made.

As well as exporting food to international markets at international market prices, we should be doing everything in our power to ensure those markets function efficiently. Just as the imposition of export controls has exacerbated the food security problem, so have other interventions in the market.

Government support still accounts for 22% of the total receipts of agricultural producers in OECD countries. Farm subsidies in the United States and Europe are low at present by historical standards, owing to high food prices, but the budgetary costs are still huge. For the period 2007–09, farm subsidies in the US averaged US\$30 billion per annum, and in the European Union they averaged US\$128 billion per annum. What better time to lower them further and put binding limits on them?

The US Congress is searching for Budget savings to rein in the country's burgeoning public debt. Farm subsidies should be a prime candidate. So, too, should the European Union, many of whose members are heavily burdened with debt, be looking to cut its farm subsidies. And agricultural export subsidies, the scourge of the 1980s, could be eliminated by agreement in the Doha Round of multilateral trade negotiations.

Average tariffs on agricultural products in middle-income countries and high-income countries exceed 22% — four times the average tariffs on non-agricultural products.

Member countries of the World Trade Organization should be offering each other much better access to each other's markets for agricultural goods.

That none of this is happening is a real tragedy that throws into doubt the strength of the world's resolve to come to grips with the global food security challenge.

Through a visionary approach to meeting the region's food security needs, rural and regional centres could expand, boosting regional development in Australia and taking the population pressure off our big cities.

Developing regional Australia was the centrepiece of my 2006 book, *Vital Signs, Vibrant Society*. Now the market is creating the opportunity for that regional development to proceed. We should seize that opportunity instead of regarding it as a threat. At the turn of this century, mining and agriculture were being regarded as old economy, and the information technology revolution as the new, weightless economy. China's and India's transformational industrialisation and urban development have proved that analysis for mining to be wrong. And urbanisation and wider economic development in China, India, Indonesia and other parts of the Asia Pacific region will prove the analysis of agriculture as old economy wrong too.

Sir John Crawford had the vision of Australian economic integration with Asia. Let's draw on his vision and do the right thing by Australian farmers, the nation and the region by meeting the food security challenge head-on through rational economic policy making.

The Hon. Dr Craig Emerson MP, Acting Minister for Foreign Affairs (August 2011) and Minister for Trade, has been the Member for Rankin in Queensland since 1998. Apart from Trade, he has had federal portfolio responsibility for small business, competition policy, consumer affairs and deregulation. He has been a Post-Doctoral Fellow at the Australian National University and has around 20 publications to his name, including a book setting out a vision and plan for Australia's future. In addition to his work of more than 25 years in public policy, including with the United Nations, Dr Emerson has successfully run his own small business.