

3rd Ministerial Meeting on Governance and International Commodity Markets, 6 October 2014

[For delivery by Ambassador the Hon. Mike Rann – TBC]

Statement

[Introductory acknowledgements as appropriate – Distinguished Ministers, Deputy Ministers, Director-General Graziano da Silva, Permanent Representatives, members of the diplomatic corps, Ladies and Gentlemen]

I am honoured to represent Australia at this 3rd Ministerial Meeting hosted by the FAO addressing issues of governance and international food commodity markets.

As a food trading nation, exporting 58 percent¹ of food we produce, Australia can directly contribute to the diets of millions of people globally.

But the challenge remains that hunger still exists and that by 2050, global food demand is expected to increase by around 75 percent², driven by a rising global population as well as a growing middle class.

Global food security will continue to be a critical, but complex, issue for discussion and action. There is no simple solution. It can only be solved through joint action. Australia advocates a comprehensive approach, which includes:

1. open and efficient markets to help move from where it is produced, to where it is needed, and to increase economic growth and investment;
2. focusing on sustainable agricultural productivity – maintaining plant, animal and human health and sustaining the natural resource base;
3. investing in agriculture, including research and development; and
4. emergency assistance and social protection for the vulnerable.

Achieving these four things globally benefits from the support of:

- appropriate governance and institutional architecture;
- initiatives that add value, have membership that is appropriate, active and committed, and which use resources and technology strategically.

So today I would like to focus on the first part of our approach: the importance of **open and efficient global markets with appropriate supporting governance arrangements**.

¹ ABARES Agricultural Commodities – vol. 4 no. 3 September quarter 2014, page 25: “ABARES estimates the share of food production exported from 2010-11 to 2012-13 to have averaged around 58 per cent.”

² Linehan, V., Thorpe, S., Gunning-Trant, C., Heyhoe, E., Harle, K., Hormis, M. & Harris-Adams, K., Global food production and prices to 2050: scenario analysis under policy assumptions, ABARES conference paper 13.6, Canberra, March 2013, page 1. “Associated with these price increases is a 75 per cent rise in the projected real value of world agrifood production and consumption over the same period.”

[International institutional architecture governing global agricultural commodity markets:]

[(a) On open and efficient global markets:]

Australia is committed to global food security. Yet millions of farmers around the world, in all economies, are unfairly disadvantaged by ongoing distortions in world agriculture and food markets, which can impede long term food security.

Trade- and production-distorting measures can lead to greater price volatility, and can create a disincentive for farmers to increase output and productivity. Such measures can also encourage wasteful surplus production that, in turn, weakens commodity prices and returns to farmers.

Further agricultural trade policy reform is important, not only to Australia's food and agriculture sectors, but to ensure that food security objectives of all countries are pursued in ways that do not undermine the livelihoods of farmers around the world.

[(b) On the work of the FAO, its intergovernmental commodity groups, and the various International Commodity Bodies:]

Alongside our commitment to open and efficient global trading markets, Australia places a high value on the ongoing work of the **FAO and its committees** in analysing and monitoring commodity markets. This work enhances FAO member countries' understanding of these markets, and most importantly the capacity for all members to participate in them.

We acknowledge the good work of the various international commodity groups, and the value that Australia and other exporting and importing countries, have gained from them over several decades. Australia has particularly appreciated the work completed by the groups on grains, sugar, wine and cotton.

Australia agrees that a review of the future of all types of commodity groups and committees, both inside and outside the FAO is timely. Re-assessing any entity from time to time is good business practice in a changing world.

Given the changes that have occurred since the commodity groups were set up, we believe review is important to ensure:

- objectives and operations of the groups are effective and meet contemporary needs;
- membership is appropriate;
- both exporting and importing countries are obtaining value from their membership; and
- that the work carried out complements, rather than duplicates so resources are not wasted.

[(c) Price volatility, transparency and stability:]

While global crop prices are comparatively more stable now than a few years ago, **price volatility** will remain a natural feature of global commodity markets. As a major agricultural commodity exporter, Australia has an ongoing interest in how food price volatility is addressed globally.

We agree that the G20-initiated **Agricultural Market Information System (AMIS)** is a good model for encouraging effective commodity markets and for promoting policy coherence between participating countries – two things Australia strongly supports.

But, to be effective, AMIS like any group, needs to meet the needs of members and in turn needs its members to participate with good will and best endeavors. A skilled secretariat that provides continuity is also important.

Australia is grateful to the FAO for hosting the AMIS Secretariat, and for their work, including with international organisations to continue the valuable analysis, capacity building and communication activities on wheat, rice, corn and soy beans.

There are tangible and less tangible benefits of AMIS.

- Its value in providing a forum for measured and open dialogue about responses in times of abnormal market conditions cannot be overstated.

We have been honoured to chair AMIS during our G20 presidential year.

[Increased focus on sustainable agricultural productivity; and increased investment in agriculture, including research and development]

There are many other examples of institutions and governance arrangements that are assisting food security and efficient global commodity markets, and which involve countries working effectively together.

The international agricultural research and development consortiums particularly come to mind, as does the OECD's work on a '**Framework for Analysing Policies to Improve Agricultural Productivity Sustainability**'.

As president of the G20 this year, Australia is also pleased to be involved in developing a **food security framework** that will guide future actions by the G20 aimed at addressing the long-term causes of food and nutrition insecurity.

The framework will be based on a comprehensive analysis undertaken jointly by the FAO and OECD. It will take a 'food systems' approach, looking at boosting agricultural production, but also the rest of the food value chain – areas such as storage, processing and distribution.

The framework will help focus the G20 on the areas where it can add real value, such as increasing responsible investment in agriculture, creating quality jobs in food systems and improving productivity to expand the food supply.

[Emergency assistance and social protection for the most vulnerable]

More broadly, Australia is also committed to rallying international development efforts on agriculture and food security as part of a new **post-2015 development agenda**. It is crucial that this agenda be simple and compelling, with a strong focus on economic growth – including open trade, the private sector and jobs.

[Conclusion]

Optimising the potential of the agriculture and food sector will remain central to global poverty reduction efforts. **Strong institutions, supportive governance arrangements** and **efficient global commodity markets** all have an important role to play.

I thank you for your attention today.