

# **Australian Grains Industry Conference 31<sup>st</sup> July – 1<sup>st</sup> August, Melbourne**

**Report by Fran Murrell, MADGE Coordinator, 9<sup>th</sup> August 2012**

<http://www.ausgrainsconf.com/node/66>

- 1. Overview**
- 2. A GlobStralian grains industry?**
- 3. Investment: land-grabbing and crashing the food system**
- 4. Let them eat biofuel!**
- 5. Fat sick and nearly dead –Western diet goes global**
- 6. Farmers, what farmers?**
- 7. All the way with GMO**
- 8. Conclusion**

## **1. Overview:**

Asia's growing population, with its increasing middle-class, is consuming more milk, meat and wheat. The grain industry conference identified export, especially to this region, as the most profitable and attractive market.

The current widespread crop failures from the US to Russia mean food is in increased demand. The financial sector regards agriculture as the shining sector of the economy for the next five years.

## **2. The GlobStralian grains industry?**

World trade is more efficient and responsible with the globalization of companies, according to Alan Winney of Emerald Group Australia. This has meant the rapid integration from the national to global economy, consolidation through the supply chain by large commodity trading companies and a rush to gain assets.

The Australian Wheat Board (AWB) was sold to agricultural giant Cargill in 2011. Two representatives from Cargill spoke at the conference.

There was no debate about what the domination of the global and Australian food system by a handful of companies means for farmers and consumers. There was also no comment on the unsavoury behavior of these global giants.

“Cargill is one of a handful of powerful corporations that control the [global agricultural system](#).” It is privately owned and its ‘shares are not traded... and details of the company’s finances are hidden from the public...“.

It has been accused of price fixing, pushes a deregulation and free trade agenda, has recalled millions of pounds of meat that caused food poisoning, deaths and miscarriages. It has been linked to human rights abuses, slavery and ecological devastation. It promotes GM crops in its role as a dominant player in the grains industry.

The Argentinian government is [prosecuting Cargill](#), along with other large grain traders, for large-scale tax evasion. Yet at the conference when it was stated that Cargill would benefit farmers and consumers no details were given as to how this may occur and no discussion of Cargill’s previous behaviour.

Speakers at the conference, with the exception of Barnaby Joyce, appeared to have no objection to the current sale of Australian agricultural assets to global companies, foreign investors and sovereign wealth funds.

For further discussion on foreign investment listen to a [Radio National Saturday Extra](#) programme on the issue.

### **3. Investment: land-grabbing and crashing the food system:**

#### Why invest in food?

The demand for consumer goods in the shaky markets of the developed world is flat. Therefore the shining sector of the economy for the next five years is agriculture. This is due to increasing demand from population growth, urbanization and the increasing middle class in the third world.

Diets change from rice to flour and pulses to meat when income reaches \$5000. 1.3 billion people will move into the middle class in Asia in the next 10 years.

### Crash and burn?

Alan Winney, Emerald Group, mentioned that food prices can topple governments. High food prices have led to conflict in the Middle East, S. Asia and Africa and the Arab Spring was sparked by food riots. There have been three price spikes in the last five years. He claims this volatility cannot be fixed without yield improvements and that GM will be important in this regard.

In contrast to views displayed at the Grains conference, many people conclude much of the volatility in food prices is due to investors. “ A significant role is played by the entry into markets for derivatives based on food commodities of large, [powerful institutional investors such as hedge funds, pension funds and investment banks,...](#)”

The deregulation in commodity markets from 2000 onwards has allowed speculation by these investors. The number of futures and options traded has increased five fold between 2002-8. Part of the rush is due to the drying up of alternative markets. The dotcoms crashed in 2001 and the stock market soon after. The US home market vanished in 2007. According to the UN Special Rapporteur on the Right to Food, the food crisis is due to a ‘deeply flawed global financial system’; and that “fundamental reform of the broader global financial sector is urgently required in order to avert another food price crisis.”

### Market famines:

Rob Brealey of PentagNidera criticized Indian governments for interfering in the market. They have used state controls and limits, increased margin requirements on futures contracts, closed futures contracts, and used state owned companies to import and subsidize the distribution of food.

Perhaps the Indian governments are aware that malnourished children are more common in India than in sub-Saharan Africa. “Malnutrition limits development and the capacity to learn. It also costs lives: [about 50 per cent of all childhood deaths are attributed to](#)

[malnutrition.](#)”

Indians are also no doubt aware of the link between [market forces and famine](#). The British brought free market ideology to India centuries ago. “According to a British statistician, who analysed Indian food security measures in the two millennia prior to 1800, there was one major famine a century in India. Under British rule it was one every four years.” Therefore India seems aware of the connection between markets and famine. If you can’t pay for food, you can’t eat.

Is your Pension fund a landgrabber?

65 million hectares of new farmland will be required in the next ten years to grow food for the growing world population according to Philippe de Laperouse of HighQuest Partners.

He suggests that land should be cleared in Africa and South America and that GM crops should be grown. His company organizes [conferences to attract investors](#), including pension funds, for these schemes. Among the threats to these investment he listed:

- A slowdown in growth. Presumably both of the population and of their desire to adopt a resource-intensive milk, meat and grain diet
- Reduction in food wastage - currently 30-50% of all food grown
- A boycott of GM

MADGE pointed out that this is land-grabbing and is unnecessary since [agroecological agriculture](#) has raised agricultural production by an average of 79% and outperforms large scale industrial farming. If this system of agriculture was invested in there would be no need for land-grabbing and land-clearing.

Is your superannuation fund ‘investing’ in these policies that are destabilizing the food system, making food increasingly unaffordable and displacing people from their land?

#### **4. Fat, sick and nearly dead –processed food goes global**

The fattest toddler in the world is Chinese and weighed 63.5kg aged three and a half. Twenty per cent of obese people in the world live in Asia. China has 95 million people with diabetes. Industry analyst Dean Smith had the grace to inform the conference of these statistics.

["Fat's new frontier"](#), an episode of Foreign Correspondent showed that once a diet high in processed food, sugar and oils is introduced then obesity and diabetes rapidly follows.

China had no obesity before 1990. Now a third of adults are overweight and there is a higher rate of diabetes among young people than in the US.

Shortages of butter fat and lard in World War II meant Japanese and US scientists developed technologies to extract oil from corn, cottonseed, sunflower seeds and soya beans. Sugar use increased and companies took advantage of humans' desire for sugary, fatty food.

This diet is causing chronic disease in developing countries as well as in Australia. It is clear that a food industry based solely on maximizing profit will push cheap processed food that makes people ill. This burden of sickness and early death puts strains on the whole economy and causes unnecessary grief and loss.

#### **5. Farmers, what farmers?**

We should look forward to having fewer farmers in Australia according to several speakers. Grain farmers have decreased from 40,000 to 22,000 over the past thirty years. The consensus seemed to be that having fewer farmers is more efficient and that farmers of the future will be young, interested in technology and focused on profit.

Worldwide farmers are aging. The conference was told the average age of farmers in Australia is 58, in China 60, 67 in the Philippines, 65 in Japan and over 80% of farmers are aged over 45 in Indonesia. Urbanization means China lost 72 million farmers in 10 years.

Perhaps farmers are aging as younger people see the poor returns, uncertainty and hard work involved in farming. The increasing dominance of a few giant global agribusiness corporations is a major

factor. These conglomerations wield immense power over the cost of inputs to farmers and the price farmers receive for their crops.

Are the young farmers, focused on profit, technology and size aware that the past results of this approach have led to debt, technology failure and profits being made by agribusiness not farmers?

Associate Professor Phil Howard has created [diagrams](#) to show how this works.

A question from the floor said large levels of debt are restricting succession planning and investment. The response was investment, foreign and otherwise, would address this issue. This appears to offer farmers extra debt; or a loss of equity so investors can profit.

In a discussion between the CEO's of Cargill and GrainCorp the advantages of deregulation and opening to the global market were discussed. Apparently Cargill will help farmers maximize their share through controlling AWB, storage, handling and marketing. The global insight of Cargill is good for farmers and consumers worldwide, we were told. Exactly how Cargill's control of so many assets would translate into farmer and consumer benefits was not explained.

Cargill and GrainCorp CEO's would like to see more investment in rail to get grain and oilseeds to port. They would also like to see labour and manufacturing costs being reduced, a lower Australian dollar and a stronger futures market in Australia to help manage risk.

When asked where Cargill would relocate to, if forced to by Australian cost pressures, the CEO nominated Sudan, Zimbabwe and Colombia. How Australia would benefit from a race to the bottom and relocation of global agribusiness if that does not occur was not explained.

## 6. All the way with GMO

Several speakers thought GM crops were the future and indispensable. They seemed unaware that despite thirty years and vast quantities of research money the two main GM traits are:

- the ability of a GM plant to produce a pesticide to kill certain insects (Insect resistance)
- the ability of a GM plant to survive being sprayed with weedkiller (Herbicide tolerance)

These traits have created 'superpests' and 'superweeds' that are increasing chemical use and reducing crop yields.

The Grains Research and Development Council presented two current GM research projects:

- silencing wheat genes using rnaï to potentially increase yields by 30%
- using algal genes in canola to produce omega 3. The claim is that one hectare of this canola will provide the omega 3 of 10,000 fish

It will be interesting to see if either of these projects becomes an actual crop. Previous announcements of breakthroughs have not resulted in viable crops. CSIRO's research failures to date include:

- GM non-browning fruits and vegetables;
- GM weevil resistant field peas that provoked allergic type reactions;
- salt and drought tolerant crops;
- nitrogen fixation in grains;
- healthier and more nutritious foods; and
- hypo-allergenic grass.

These GM projects have yielded nothing yet [conventional breeding](#) has had success with drought-tolerance, salt-tolerance, yield and disease resistance.

There seems to be a strange mixture of messages being sent out with regard to crop research. On one hand state agricultural departments are facing cuts of between 2-25%. On the other hand billions are being spent on R&D worldwide and Australia is trying to attract some

of this money. Agricultural Minister Joe Ludwig said the Australian government spends \$700 million a year on research.

Australian breeders are increasingly in partnership with the private sector and collaborations include:

- InterGrain and Monsanto
- CSIRO and Syngenta
- Australian Centre for Plant Functional Genomics (University of Adelaide) and Du Pont Pioneer

How can we know where the benefits lie in these arrangements? Have Australian public plant breeders supplied the germplasm and the expertise while the private firms have only supplied the patented breeding techniques and machines? Who obtains the most financial benefit? Why is GM research being pursued when it has a history of failure in contrast to conventional breeding's successes?

One farmer mentioned to MADGE he would like to reduce chemical use and that research was underway to help French farmers to do this. It has been calculated '[a 30% reduction in pesticide use is possible without a loss of farm income](#)'.

Would Australian scientists have even been allowed to research this as they are partnered with companies which sell agricultural chemicals?

The GRDC launched a "[Strategic research and development plan 2012-17](#)". Research is being linked up nationally and an [Australian Grains Genebank](#) will be built in Horsham.

Research groups include:

- CSIRO
- [AgriBio](#) at LaTrobe Univeristy
- [QAAFI Brisbane](#)
- [AEGIC Australian Export Grains Innovation Centre](#)
- [I.A. Watson Research](#) – Narrabri

It was stated that research is increasingly global and Australia is linked with:

- CIMMYT
- ICARDA

## - ICRISRT

It appears that research is more focused on selling patented seeds and techniques internationally rather than helping solve local farming issues.

MADGE had a conversation with a senior representative of the GRDC. He appeared unaware of how growing GM crops has resulted in superweeds and superpests in the US. He also appeared unaware of the 2,4-D GM soy and corn being developed in response to the failure of Roundup Ready GM crops. He did not appear to be aware of the work done by the UN showing how "[agroecology outperforms large-scale industrial farming for global food security](#)".

It is most disconcerting that the Grains Research and Development Council is spending the levies of farmers and public money on GM research without apparently either being aware of its failures or the far superior alternatives.

### **7. Let them eat biofuel!**

There is a wave of [crop failures](#) around the world this year. Drought has affected crops in the US, Russia, China, N and S Korea. This is likely to have far reaching effects including price rises and the potential for food riots.

Speaker Alex Duncan of [McDonald Pelz Commodities](#) noted that if the world is to be fed then the massive misallocation of funds into biofuels has to end. World grain stocks are down to the level of the 1970's which is a recipe for massive price movements. It was a relief to have an assessment of this kind coming from the podium.

In contrast the CEO of GrainCorp thought that it is paranoid to worry about Australian food security. She considers that because 70% of the food Australia grows is exported Australia definitely won't run out of food. She also thought fears of China buying up assets are unrealistic.

It could instead be argued that if Australia's food system over-emphasizes export markets, is ignorant of who is buying land and assets, has no leverage over global corporations geared for export

then there may be a problem for domestic supply. It is already estimated that [5% of the Australian population is food insecure](#).

Several speakers noted that Australia is not a large producer on world scale, growing only about 2-3% of world grains. However, as Australia exports most of its grain, it supplies 12% of the market. It was also noted that although Australian farmers sow the same amount each year the harvest varies dramatically due to weather conditions. In times of increasing crop failure worldwide it suggests Australia should at least consider how to ensure domestic supply rather than assuming that market forces will solve all problems. This is especially important since food shortages and market dominance are linked. (see *Market Famines in "Investment: land-grabbing and crashing the food system:"* above)

Food is increasingly tracking energy markets i.e. when the price of oil rises so does the price of soy. This may be due to the use of biofuels and speculation in food. It may reflect the dependency of the current industrial food system on the use of oil to grow crops. It has been calculated it requires 10 calories of fossil fuel to grow 1 calorie of food.

Having a global food system dependent on: a handful of crops grown in monocultures; requiring an increasing amounts of fossil fuel based pesticides and fertilizers; producing unhealthy processed foods; transported over long distances; controlled by tiny unaccountable group of global companies is risky. It could be disastrous for many in the time of rising oil prices, growing population and increasingly destabilized weather patterns

## 8. Conclusion

The conference focused mainly on the profit opportunities available in a world with an expanding population, increasing wealth in Asia, and a tightening supply of food, feed and fuel.

This approach to the food system is leading to: ill health, malnourishment, farm debt, fewer farmers, political unrest, land grabbing, destruction of land and biodiversity and a vast misallocation of funds. Speakers at the conference occasionally referred to these issues. However the human consequences of their profit and market-based ideologies were mainly either hidden in jargon or ignored. To take many of the presentations at face value required a suspension of reality.

Australian grain farmers were expected to take calmly the message from the conference that there were too many of them. They should lower their labour costs and trust that companies like Cargill would deal fairly with them. Farmers are expected to fight off mining companies, negotiate the markets and deal with increasing debt secure in the knowledge that the global financial system sees profit to be extracted from their sector.

Eaters would have found the conference similarly bizarre. In its strange logic, land must be cleared in S. America and Africa to feed people in Asia a diet high in processed food that causes disease. This is called investment. Investors can speculate on volatile food and feed markets but Governments who intervene in markets are to be condemned. There was no recognition that governments may be doing this to prevent child malnutrition, which can lead to death or lifelong ill health.

The Australian grains industry should channel its agricultural exports to feed Asia we were told. Australians need have no fear of food shortages or price increases in the shops at home because Australia has lots of food to export to Asia. The flawed logic that export markets mean a secure and affordable domestic supply of food, even in times of increasing stress on supply and price, was not addressed.

A similarly perverse approach was taken to research. Agroecological farming has been proven to increase yields, rehabilitate land and be

more profitable for farmers but it was completely ignored at this conference. Instead GM breeding was seen as the way of the future despite it's constant failures and production of superpests and superweeds. The lure of partnerships with global chemical/seed companies appears to outweigh the interests of Australia's farmers, independent research and public health.

**The conference showed that it is essential for ordinary people to get involved and turn around a food system that is dangerously out of control.** We need real investment to solve problems and not as a quick money extracting enterprise for wealthy but disconnected investors such as global agribusiness and pension funds.

The Federal Government has released a Green Paper on Australia's [National Food Plan](#). It supports the development and expansion of the ideas promoted at the Australian Grains Industry Conference. Please register to attend a public meeting on the [Food Plan](#).

If you cannot attend please send the answer to these questions to the [Australian Food Sovereignty Alliance](#). They are preparing "People's Food Plan".

What are:

1. The core values and principles you think should underpin our food and farming systems
2. Your main areas of concern,
3. What you think should be the 3 most important steps that individuals / communities / governments should take in order to address items 1 & 2

Thank you!