

# Our natural environment

Australia's pristine natural environment is important to both agriculture and tourism, as well as our quality of life. We must invest in it wisely and protect it from harm



Demand from Asia  
will grow rapidly



Our agricultural  
capacity is limited



We must focus on  
quality, not quantity



We must protect our  
unique environment

Australia's agricultural sector was once the bedrock on which the economy was built. To this day, the sector is still an important part of the nation's exports. More broadly, our pristine natural environment underpins our quality of life and contributes to the ongoing growth of our tourism and leisure industries.

Most Australians were horrified to read about the collapse of the Murray Darling ecosystem, resulting in the mass deaths of millions of fish. This was followed shortly thereafter by the destruction of hundreds of thousands of head of cattle in North Queensland, as a result of catastrophic flooding. Meanwhile, almost every year brings new reports of damage to the Barrier Reef, one of the most iconic parts of Australia.

Looking forward, the emergence of a substantial middle class in Asia is creating significant new demand for Australia's food exports, especially for protein. The latter is significantly more intensive in agricultural terms and – whilst this creates some environmental challenges – the fact remains that there will be a significant opportunity for Australia's farmers.

Importantly, Australia has only limited capacity to meet this demand. Australia must concentrate on the demand for high quality produce, rather than simply quantity, thus making the most of Australia's pristine supply chain. Australia's non-GM crops also attract significant price-premiums in Asian markets.



The prospective impact on farm gate profitability of a shift to premium products is substantial – so long as the growers in question find a way to participate in the value that is created further down the supply chain.

In developing agricultural and land use policy, great care must be given in decisions related to the use of water. This has long been a sensitive and highly-politicised issue. This means it is all-the-more important that policy-making is properly informed by scientific study and long-sighted economic analysis.

Meanwhile, inbound visitor numbers from Asia in general and China in particular continue to grow. In 2018, Chinese visitors exceeded New Zealanders for the first time, generating A\$11.7bn in spending. These trends are driven by long-term demographics, and will continue for decades to come.

There is an enormous opportunity for further investment in Australia's tourism industry, both to improve the quality of existing destinations, as well as to open up regions of extraordinary natural beauty to visitors from Asia and beyond. In doing so, care will be required to protect the natural environment, and cultural sensitivity to embrace and make the most of the nation's extraordinary cultural heritage.





**Acknowledge the value created by our natural environment**



**Encourage the development of new sources of equity for farms**



**Improve the management of our environment, informed by science**



**Invest in infrastructure to open up the North of Australia to tourism**



**Improve export logistics for agricultural production**



**Provide cost-effective mechanisms to insure against catastrophes**



To make the most of Australia's natural heritage, there are six areas that government policy must address.

**Acknowledge the value of nature.** First and foremost, much greater recognition must be given to the value created as a result of our natural environment, both on the land and around our coasts. There are many areas of policy where a philosophical shift is needed so that proper recognition is given to the longer-term economic impact of short-term decisions related to the environment.

**Improve the management of our environment.** Environmental decision-making is fraught with political sensitivity. Recent disasters in the Murray Darling river system amongst others highlight once again that decision-making needs to be driven by objective scientific and economic analysis and long-term thinking, not short term political expediency. This should, in turn, help to *reduce* the political risks associated with such decisions, something most politicians should welcome.

**Invest to improve agricultural export logistics.** Whilst large scale sectors such as grain benefit from excellent domestic and export logistics, emerging sectors need support to develop supply chains that ensure international markets are addressed effectively and the high margins that result from the quality of our production are captured at least in part by growers.

**Develop new sources of equity for farms.** Relatively little equity is available to support investment in the agricultural sector. New sources of long-term capital are required, particularly if more efficient, larger projects are to be realised. This will be particularly important for industrial-scale initiatives such as those designed to harvest and store floodwater which would otherwise eventually be lost to the ocean.

In this context, careful consideration needs to be given to foreign investment matters. Whilst there has been caution regarding inbound investment into agriculture from some countries, in some cases this may have been the only available source of capital, without which the projects in question would not proceed.

**Invest to open up Northern Australia to tourism.** Australia's far North is poorly served, with Darwin being the only international airport between Cairns and Port Hedland. Whilst this reflects sparse population density in those regions, there are opportunities to develop significant tourism and leisure projects to serve rapidly growing Asian markets.

**Provide cost-effective catastrophe protection.** Finally, a national scheme should be introduced to provide agricultural producers with cost-effective catastrophe insurance, along similar economically sustainable lines to the national terrorism risk reinsurance scheme.

