

Submission to Australian Government

Agriculture Competitiveness Green Paper

December 2014



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1. INTRODUCTION

This document represents a submission on behalf of the East Gippsland Food Cluster Inc (EGFC) to the Australian Government's Agriculture Competitiveness Green Paper.

The submission acknowledges the scope and complexity of the Green Paper. It is however not the intent of this submission to comment on all of these themes or the full scope of consultation questions. The submission seeks to highlight current strengths, as well as some of the key opportunities and pressures faced by agrifood businesses operating in Eastern Gippsland, as well as important considerations for supporting and aligning regional and regional business requirements and activity with broader policy settings.

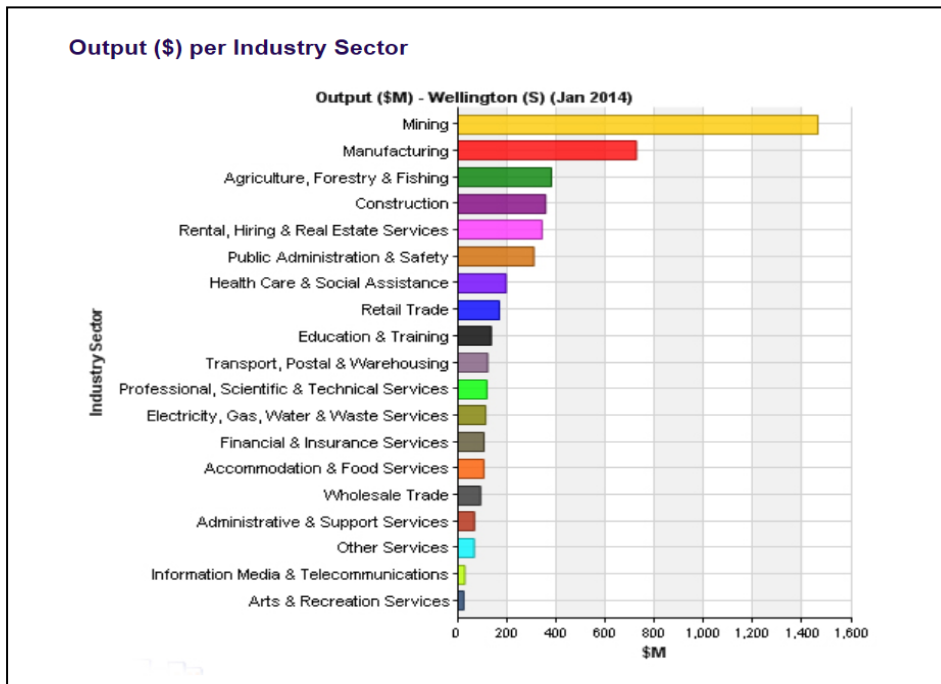
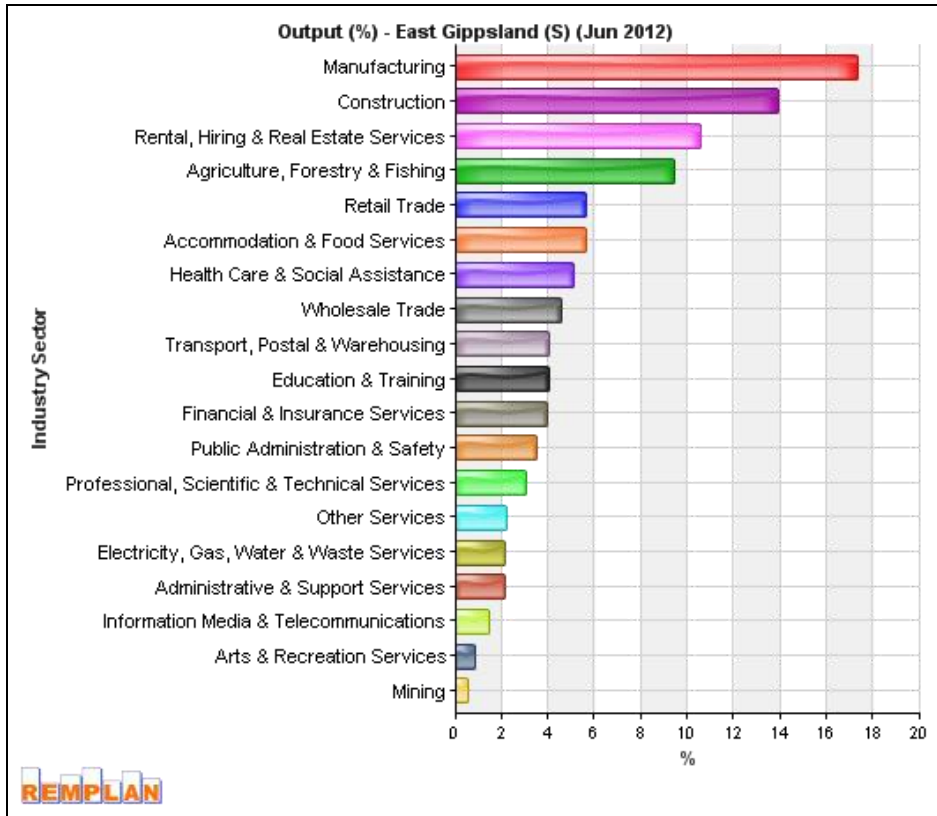
This submission has been prepared by the East Gippsland Food Cluster's Executive Officer. It seeks to draw on the collaborative and collective strategies and activities of the EGFC, and the thinking that underpins them. It does not claim to reflect the individual views of all the EGFC members, and is not seeking to make representations on behalf of individual businesses who are members of EGFC.

1 THE EAST GIPPSLAND FOOD CLUSTER

1.1 THE IMPORTANCE OF EASTERN GIPPSLAND'S AGRIFOOD SECTOR

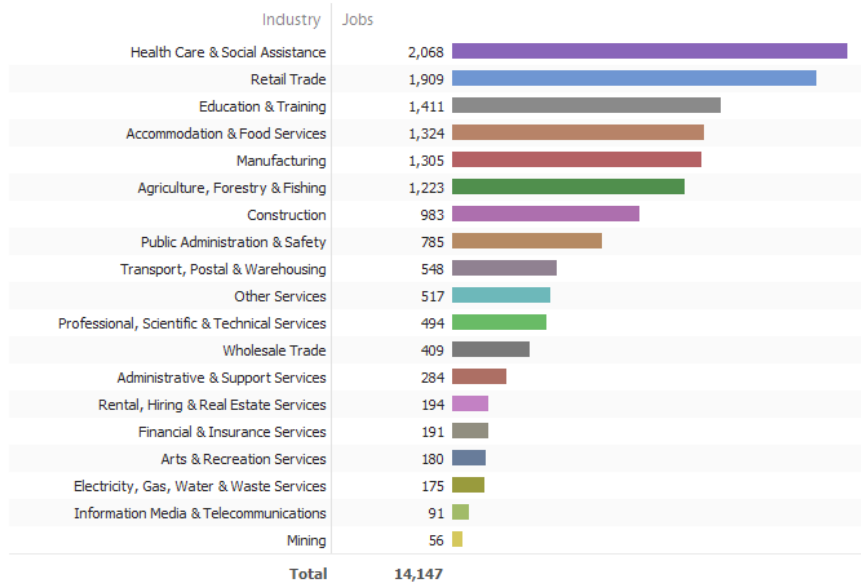
The agrifood sector makes a critical contribution to the Eastern Gippsland economy.

For the purposes of this report, and in view of the East Gippsland Food Cluster's membership base, the Eastern Gippsland economy is considered to encompass both East Gippsland and Wellington local government areas. The respective role of the agrifood sector in terms of both economic output and employment is seen in the tables and figures below. It should also be noted that a significant proportion of 'manufacturing' is attributed to the agrifood sector; particularly in the East Gippsland local government area



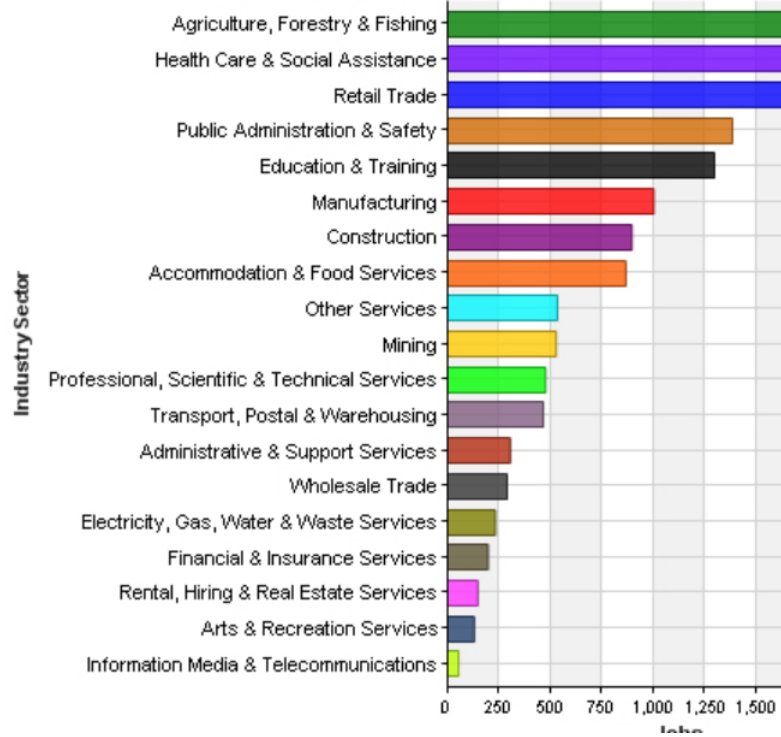
Employment by Industry - East Gippsland

► All Industries - All Zones



Employment per Industry Sector

Employment (Jobs) - Wellington (S) (Jan 2014)



'Meat' production, dairy, 'cereals and grains', 'horticulture' (particularly vegetables) and food processing are considered to be the most significant sectors. Eastern Gippsland is however also known for its wild caught seafood, wineries and a diverse range of niche fresh produce and artisan products.

The region's agricultural, and broader agrifood sectors, are considered to remain key propulsive sectors of the regional economies into the future.

1.2 ABOUT THE EAST GIPPSLAND FOOD CLUSTER

The East Gippsland Food Cluster Inc (EGFC) is an industry member-based not-for-profit collaborative network, which supports the following purposes:-

- 1 Sustainably growing the Eastern Gippsland Food Sector;
- 2 Looking for opportunities to improve productivity through innovation and supply chain synergies;
- 3 Developing workforce capability to support the sector and promote industry excellence.

EGFC members include the region's major food manufacturers and horticulturalists, as well as a diverse range of other food producers and processors. EGFC member's fresh produce and manufactured products make significant contributions to Australia's wholesale, retail and food service markets, with some exports.

The Victorian State Government, together with the East Gippsland and Wellington Shire Councils are also key stakeholders in the EGFC.

The activities of the EGFC are overseen by a Board, which includes member representatives, as well independent directors who add to the diversity of skill sets that drive the strategies and projects of the cluster.

One of the key principles of the EGFC is collaboration: *"striving to achieve mutually beneficial outcomes for our businesses and community through collective effort, whilst respecting that there will sometimes be competitive tensions"*.

The cluster operates largely on 'project' basis. This means that there is a 'pool' of concepts (ideas) which are aligned with the EGFC's purpose, and from which the Board from time to time selects (as resources permit) for priority focus, and these move into subsequent phases of 'pre-feasibility', 'feasibility' and 'implementation'.

The collaborative approach of the EGFC means that projects seek to create shared value for cluster members, external strategic partners, the broader regional community, and other key stakeholders. "Innovation", "Excellence", "Sustainability", and "Fair Go" are other key principles that underpin cluster activity.

The EGFC has also played a key role in the development of the Gippsland Food Plan (GFP), which is an initiative of the RDA- Gippsland Committee. The GFP is considered an important regional initiative that will support the region in continuing to explore and

understand the complexity of the food system, in order to enhance current performance and build future opportunities.

The EGFC is therefore well positioned to play a key role in supporting a competitive agricultural sector, as well as a broader sustainable Australian food system, through its engagement in proactive and innovative activity at an industry and regional level.

More information on the East Gippsland Food Cluster is available at (www.eastgippslandfoodcluster.com.au).

2 AGRICULTURAL COMPETITIVENESS – GREEN PAPER

2.1 Overview

The EGFC in principle supports the nine (9) policy principles which have been defined in the Green Paper.

EGFC however considers agriculture as a key element of broader value-chains and systems, and that it is important to look at these systems in their entirety. In Eastern Gippsland agriculture is strongly linked to the region's important manufacturing sector, and many of our farming businesses are increasingly involved in processing/value-adding activities. In addition EGFC recognizes a trend towards vertically integrated supply chains, and considers that in relation to export, domestic value-adding as far as possible should be a focus. Food businesses are also increasingly being judged by consumers on their economic, environmental and social performance, and recognize that in many instances their competitiveness in the future will depend on improvement in business performance beyond that of price competitiveness.

EGFC therefore considers the Green Paper should adopt a more 'whole systems' approach, and consider value-chains and broader food and agribusiness systems; rather than just 'primary production'.

EGFC therefore strongly advocates that the key policy reflect a commitment towards achieving a world's best-practice balanced set of economic, social, and environmental outcomes, and include-:

- A focus on sustainable production which protects/enhances the natural resources on which production depends – soil, water and bio-diversity, and a need to continue to sustain a focus on reducing greenhouse gas emissions;
- Reducing unnecessary regulation, etc (as per Principle 5'), but with a specific reference to protecting and enhancing Australia's high standards and reputation as a producer of higher quality and safe food;
- A more specific link to supporting the 'health and well being' of Australians through Policy Principle 9.

EGFC also considers that because it is anything but 'business as usual' in the sector, the final White Paper will also need to consider the kind of structural and leadership requirements

that will support the outcomes sought. Skills that support systems thinking, drive alignment, foster collaboration, support transformational change, and facilitate genuine and meaningful engagement are considered critical.

EGFC also acknowledges that there is a complex interplay around the role of all three (3) levels of government (as well as that of RDA"s) in relation to agriculture and agrifood systems, and that alignment needs to be driven across all levels of government activity to seamlessly support appropriate and mutually beneficial outcomes.

2.2 Infrastructure

In principle EGFC supports Policy Ideas 1 and 2 and the need to build, as well as improve, existing transport infrastructure.

EGFC also supports Policy Idea 3 and the need to enhance communications. EGFC also recommends a focus on both the demand and supply side in relation to information and communications infrastructure. In particular there needs to be more emphasis on supporting the utilisation of online technologies to access market insights and intelligence, market products, and to support productivity gains and environmental best-practices in farming systems.

2.3 Working with the State and Territories

EGFC supports elements of Policy Idea 4, as it relates to inconsistency across state based food safety regulators, and the impacts for businesses engaged in national supply chains and logistics processes, as well as potential consistency of 'brand Australia' in export environments. Any streamlining however needs to ensure that the highest levels of food safety and standards are sustained.

EGFC also supports Policy Idea 5 and the need to protect the natural resource base, and notes the often competing tensions associated with different land uses. EGFC has formally adopted a position that "the EGFC is not supportive of any form of mining activities that pose a threat to prime agricultural land, waterways and aquifers", and supports improved landuse planning that protects prime agricultural land.

In relation to Policy Idea 6, a number of farming businesses have recently undertaken subsidized farm energy audits through collaborative initiatives between the Australian Food and Grocery Council and the EGFC, which have delivered a number of positive outcomes and case-studies. A policy environment that removes the uncertainty in relation to renewable energy would be welcome and be more conducive to investment in renewable energy/energy recovery systems through.

2.4 Competition and regulation

EGFC generally welcomes Policy Idea 7; particularly:-

1. more transparency of price throughout the supply chain;
2. the introduction of new marketing mechanisms that shift the balance of power to the producer. Here, we draw attention to our own initiative, which is currently referred to as

a “Regional Produce Aggregator” (RPA) that aims to connect regional producers directly with a range of customers via an innovative eCommerce and distribution platform¹, and whereby the producer is the ‘price setter’. This recognizes that:-

- businesses could benefit through collaborative marketing and market access mechanisms;
- there are opportunities within the increasing interest in the consumer base around where their food comes from and how it is grown (i.e. provenance and people);
- electronic platforms, when supported by innovative distribution systems, open up new opportunities for producers (i.e. process).

Whilst this initiative is still in early implementation, if proven, the model may represent significant opportunities for other regional producer groups.

3. Support for co-operative approaches. The above mentioned RPA is based around a new entity that will manage marketing, eCommerce and distribution. As part of this initiative the EGFC has examined a number of structural alternatives, and is currently moving down a path of a company based on ‘co-operative’ principles where producers have an option to sell their produce via the platform, as well as become shareholders. The choice of a ‘corporate’ model rather than an incorporated ‘co-operative’ reflects well documented concerns associated with co-operative structures often being unable to ensure long term strategy and effective management and decision-making.

This initiative is receiving some support through the Victorian Government’s ‘Food and Fibre Marketing Co-operatives’ programme which has been managed by ‘Rural Finance’ (now Bendigo Bank). EGFC believes this to be a good example of support that could facilitate further ‘co-operative’ models, as well as their extension beyond marketing to include supportive infrastructure and equipment.

2.5 Finance, business structures and taxation

Many of the elements contained within this section are outside of EGFC’s capacity to comment.

EGFC however acknowledges the alignment that exists between our projects and other key regional plans such as the East Gippsland Shire’s Economic Development Strategy and the Gippsland Food Plan, and the opportunity that this represents for supporting alignment between industry and all levels of government policy and plans.

Such alignment has also provided support for exploring important potential opportunities. A current example exists whereby the EGFC, through support from a Gippsland Regional Food Plan fund, has been able to facilitate a preliminary feasibility study into a meat processing facility in East Gippsland. If this identified opportunity proves viable, this would proceed to more detailed planning and an ‘investment prospectus’. Because such an initiative falls outside the direct scope of our existing businesses, this potential mutually beneficial

¹ BUSINESS PLAN (Commercial in Confidence) for an “Eastern Gippsland Regional Produce Aggregator”, East Gippsland Food Cluster, March 2014

opportunity for our region and a diverse range of stakeholders would not have been explored without assistance.

Another example relates to the preliminary discussions between the EGFC and a major financial institution, which has a strong focus on supporting regional communities, in relation to aligning an emerging 'wealth management strategy' with infrastructure requirements to support aggregation, distribution and value-adding of local fresh produce. Again, if proven viable, this would represent an exciting model for further leverage.

The challenges associated with an increasing number of farmers approaching retirement age, without succession strategies and where possible looking to dispose of their farm land for higher value housing developments, are well acknowledged. EGFC therefore welcomes the broad range of strategies of an Agricultural Competitiveness White Paper which support a new generation of farmers, and where the value of farming land is more strongly aligned with sound and sustainable business investments and returns.

EGFC therefore strongly advocates for:-

- Regional development funds that support regional economic development plans in identifying feasible investment opportunities that support enhanced and transformative capabilities for the agricultural sector;
- Enhancing opportunities to match regional investment opportunities with a range of investors;
- Exploring innovative investment strategies to support land transferring to the next generation of Australian farmers. These could include how institutional investment, as well as an Australian 'sovereign wealth fund', that support a transition from 'tenancy' to equity participation/ownership.

2.6 Foreign Investment

EGFC supports the need for more transparency in relation to foreign investment – particularly as it relates to agricultural land.

EGFC would like to see more focus on investment to support value-adding post farm-gate, distribution and connectivity with new markets. EGFC would also welcome opportunities for better 'matching' of regional opportunities with a range of investors.

EGFC therefore considers government at all levels have a role in facilitating appropriate investments that are in line with regional plans, industry needs and community values.

2.7 Education, skills and training, and labour

EGFC recognizes the complex set of challenges associated with:-

- an ageing workforce, and the agrifood sector not generally considered an employment sector of choice – particularly for young people;
- an increasing number of retiring farmers, and investment barriers for young people wishing to enter the sector;
- the need for sustainable and compliant workforce solutions to support seasonal fluctuations;

- the need to support new and transformational capabilities now and into the future;
- the barriers faced by many young people in our region in accessing tertiary education.

EGFC therefore welcomes the broad range of related policy ideas.

In addition EGFC highlights a number of related regional initiatives, whereby EGFC works closely together with key partner organizations such as East Gippsland Shire Council, Wellington Shire Council and Gippsland East Local Learning Network (GELLEN). These include our-:

1. Eastern Gippsland Agrifood Traineeship programme, which is now into its third year of implementation and was the winner of the '2014 Victorian Training Awards Industry Collaboration Category'. This program connects young people with the opportunities available to them across the full 'paddock to plate' spectrum before making their choices of preferred career and development pathways. This programme, whilst on a relatively small scale, has demonstrated mutually beneficial outcomes for young people and farming businesses, and preliminary plans are underway to expand the model to other parts of the Gippsland region and beyond;
2. Sustainable Workforce Solutions Feasibility Study, which is currently investigating solutions for sustaining a regional agrifood workforce that supports mutually beneficial outcomes for businesses, workers, the community and the image of the agrifood sector. In particular it involves-:
 - mapping the seasonal workforce requirements of Eastern Gippsland Agrifood businesses (numbers and skills);
 - investigating innovative and collaborative models such as those associated with 'Shared Service' delivery to better support efficiency, effectiveness and compliance across a range of Human Resource Management areas in farming businesses;
 - investigating opportunities for better alignment between industry needs and public policy as they relate to engaging Australian and foreign workers in the sector.

We are also keen to see opportunities to support-:

- I. Alignment of Australia's newest regional university; Federation University, with the needs of the Gippsland agricultural sector. Accordingly we are discussions with Gippsland East Local Learning Network, Federation University, Federation Training, and Agribusiness Gippsland in order to explore short, medium and longer term strategies to support better alignment of VET and University Education with the needs of the region's agricultural sector. This initiative also recognises that as a result of the complex and systemic challenges evident in the agricultural sector, there are many factors that are negatively influencing both the 'supply and demand' of appropriate education and training programmes, not only in agriculture but, across the whole 'paddock to plate' spectrum. Accordingly market driven supply mechanisms are not currently considered effective in supporting the needs of the agricultural sector;

- II. An East Gippsland Trade Training Centre, which has an agrifood focus. EGFC is pleased to note the East Gippsland Shire Council's Economic Development Strategy 2014-2017 supports the idea of regional Trade Training Centres (TTC) that are industry led. We also note the East Gippsland Secondary Colleges Alliance success in securing funding through the Australian government for an agrifood focused TTC. Such initiatives however must be developed and rolled out in genuine partnership between education, industry and other key stakeholder groups if they are to deliver mutually beneficial outcomes. EGFC considers that a local TTC should also be linked, in accordance with 'hub and spoke' concepts, with a national centre of excellence as per Policy Idea 14 d, and in order to support research, development and extension as per the item below.

EGFC therefore strongly advocates for -:

- Ongoing financial support and incentives for supporting skills development in agriculture (and more broadly agrifood);
- Investigating further synergies and opportunities for a range of mutually beneficial outcomes through aligning 'Seasonal Worker' programmes with Free Trade Agreements and Foreign Aid delivery;
- Supporting local training and course delivery on 'hub and spoke' models whereby 'spokes' deliver according to general demands, and 'hubs' support specialist knowledge services in alignment with 'national centres of excellence';
- Considering a variety of regional areas for a range of 'national centres of excellence', and further considering that Eastern Gippsland would be a prime location for a national centre of excellence with a focus on vegetable and salad production.

2.8 Drought

East Gippsland has encountered major droughts in 1997/98 and 2002/07, causing significant hardship for many regional farmers.

EGFC supports the broad range of policy ideas outlined in relation to 'increasing drought preparedness' and 'in drought support', however considers that this also needs to include other kinds of natural disasters such as flood and fire.

EGFC notes the " East Gippsland Climate Change Mitigation and Adaptation Plan" (East Gippsland Catchment Authority), which highlights the challenges faced by farmers in relation to the extended duration of drought, as well as those associated with natural disasters and highly variable weather patterns.

EGFC therefore advocates for support for 'Risk Management', and the 'Identification of appropriate Adaptation Pathways and Planning' for drought and other natural disasters at the farm level to occur within the framework of this Mitigation and Adaptation Plan, and that these be considered alongside, and to further inform, national frameworks and policy areas.

2.9 Water and natural resource management

East Gippsland's important agricultural sector is underpinned by its natural assets, and 'sustainability' is a core principle adopted by the EGFC.

Water security is of vital importance to the region's agriculture sector, which is well acknowledged in the "Gippsland Regional Sustainable Water Strategy" (2011). This water strategy provides for the work currently being undertaken by a group of regional stakeholders (inclusive of a number of EGFC members) to explore options for improving winter-filled storage within the Mitchell River catchment as part of a Lindenow Valley Water Security Project. The EGFC welcomes the reference to this initiative in the Green Paper.

EGFC, together with East Gippsland Water, the East Gippsland Shire Council and Federation University is currently exploring nutrient and energy recovery from regional organic waste streams, and the mutually beneficial outcomes for businesses and the environment that this might support.

Eastern Gippsland, with its vast tracts of public land, faces significant challenges associated with pests and weeds, and increasing feral animal populations; particularly wild dogs and deer. These pose particular problems for farmers.

EGFC therefore strongly advocates for -:

- support for investment in infrastructure and systems that enable more efficient use of water whilst balancing the needs of healthy natural ecosystems;
- the Lindenow Valley Water Security Project (Mitchell River) be considered for possible capital investments;
- continued support into understanding and managing soil ecosystems and the role they play in production, nutrition, nutrient management, water holding capacity, and carbon abatement and sequestration;
- support for on farm research into new and evolving models for sustainable production systems;
- support for investment in infrastructure and innovative systems that create shared value to support increased waste recycling, beneficial reuse and innovative symbiotic relationships (i.e. waste water from food processing facilities being diverted to hydroponics, aquaponics, etc);
- where viable, supporting market driven strategies to support the eradication and/or management of feral animals; particularly wild deer;
- continued support for community/industry led action on local natural resource management challenges, but with clarity around community and industry led 'responsibilities' versus the 'accountabilities' of government and government agencies.

2.10 Research, development and extension

Research and innovation is at the heart of East Gippsland's most successful and sustainable farming businesses, and is required for building new and transformative capabilities for the future.

EGFC supports the general policy ideas in this area.

As previously discussed EGFC supports the concept of ‘centres of excellence’, and how they may be implemented in accordance with hub and spoke models. Eastern Gippsland with its considerable and growing horticulture sector (vegetables and salad varieties) is well positioned to be home to a facility that fits within this kind of model.

2.11 Biosecurity

EGFC considers biosecurity essential to protecting domestic and regional agriculture as well as broader natural assets and diversity.

2.12 Accessing international markets

EGFC endorses the view that Australia, and regional areas such as ours, can make a significant contribution to global food security, thereby representing significant trade opportunities. This however must not comprise local and national food security.

Currently very little East Gippsland produce finds its way into export markets. This is considered largely due to:-

- Strong demand in the Australian domestic market;
- Limited capabilities to manage export profitably and with minimal risk (many businesses have had negative experiences);
- International competition;
- Trade barriers;
- Unreliable logistics chains for limited shelf life products.

EGFC recognises however that there are many opportunities associated with market developments, rapidly improving logistics chains, and the rapid emergence of eCommerce; particularly in China (i.e. immediate launch of Alibaba’s Taobao Australia after the China Free Trade Agreement was signed). These are also opportunities identified in the Business Plan of our ‘Regional Produce Aggregator’ (RPA) project. The RPA, which is based on an innovative eCommerce and distribution platform, is considered as potentially providing an opportunity to “bundle up” the demand and supply of premium regional produce in order to get that produce effectively and efficiently to existing as well international markets.

Eastern Gippsland’s exports, as well as its further opportunities for export , need however to be considered in relation to the diversity of markets and the demand for low cost as well high end food products. There is a need to continue to identify what market opportunities this represents for our businesses and the capabilities that will be required to effectively leverage from these opportunities

EGFC has welcomed the excellent initiatives of the Victorian State Government; inclusive of Trade Missions and various skill development programmes to support export readiness and other related capabilities.

EGFC therefore supports the policy ideas relating to this area, and in particular advocates for:-

- Support for collaborative marketing approaches and stronger on-ground presence in target international markets;
- Continued access to market insights through an organization such as ‘Food Innovation Australia Limited’ (FIAL);
- Support for innovation to develop products that are aligned with market insights (also supported by an organization like FIAL);
- Support for branding strategies that integrate branding hierarchies, which recognize the individual business, regional brands (provenance) under a broad umbrella of ‘brand Australia’. This might need to consider other aspects such as ‘commodities vs niche/artisan’; ‘premium vs good quality’, etc for different market segments;
- Identifying more opportunities for innovation and value-adding regional produce in Australia to support export strategies.

3 CONCLUSIONS

EGFC is committed to supporting a competitive and sustainable agricultural and agrifood sector for Australia, and for the benefit of our region. We believe that it is important to create the appropriate policy and strategic frameworks that empowers local action and provides for ongoing opportunities for macro policy settings to inform and be informed by activity at the local and regional level.

EGFC trusts that our submission will make a positive contribution to the development of a final Agricultural Competitiveness White Paper.

Further information and consultation is available through Dr Nicola Watts, Executive Officer, East Gippsland Food Cluster (nicola.watts@EGFC.com.au) and Mr Andrew Bulmer (Chairman, East Gippsland Food Cluster (andrewbulmer@bigpond.com)).