



**AGRIBUSINESS  
GIPPSLAND**

**Submission to  
Federal Government Taskforce on  
Agricultural Competitiveness: Issues Paper**

**Agribusiness Gippsland Incorporated**

**16 April 2014**

**CONTACT: PAUL FORD, Chair, Agribusiness Gippsland Incorporated**  
**Email: [ford3nc@bigpond.com](mailto:ford3nc@bigpond.com)**  
**Phone: 0412 519 850**  
**Address: PO Box 1312, Warragul VIC 3820**

## CONTENTS

<b>Foreword/Agribusiness Gippsland</b>	<b>P3</b>
<b>Developing this submission</b>	<b>P4</b>
<b>Agribusiness in the Gippsland Region</b>	<b>P4</b>
<b>Responses to the Issues Paper – Questions for Consideration</b>	
Food security in Australia and globally	<b>P5</b>
Farmer decisions for improving farm gate returns	<b>P5</b>
Enhancing access to finance	<b>p5</b>
Increasing competitiveness of the agricultural sector & its value chains	<b>p5</b>
Enhancing agriculture's contribution to regional communities	<b>p6</b>
Improving competitiveness of inputs to the supply chain	<b>p6</b>
Reducing ineffective regulations	<b>p7</b>
Enhancing agricultural exports	<b>p7</b>
Assessing the effectiveness of incentives for investment/jobs creation	<b>P7</b>
<b>Appendix 1 - Feedback from Gippsland Shires</b>	<b>P9</b>
<b>Appendix 2 – Specific suggestions to enhance competitiveness of Gippsland agribusinesses</b>	<b>P 11</b>

## Foreword

Agribusiness Gippsland Incorporated (AGI) values the opportunity to respond to the Department of Prime Minister and Cabinet's Agricultural Competitiveness Issues Paper. The opportunity to enhance the competitiveness of the agribusiness sector is one that AGI strongly supports.

AGI defines "agribusiness" as all the activities involved in the production, processing and distribution of food and fibre products. In addition to farming and manufacture we see agribusiness includes service industries, raw material suppliers, transport, innovation, education and finance.

Consolidation and promotion of agriculture, food and fibre-processing and related industries into one aligned and focused agribusiness sector brings critical mass. It returns Australia's agribusiness sector to a priority for stakeholder investment, innovation and support. There is no other single step which would more effectively increase competitiveness of the sector.

Agribusiness drives the prosperity of the Gippsland region contributing \$6bn per annum of Gippsland's \$13bn gross regional production. The sector has built a hard won reputation as a globally competitive producer of safe, innovative and high quality products.

Agribusiness is operating in a period of substantial economic, social and environmental change. Our long-term success will depend on the agility by which we foresee and adapt to these changes.

Established in 1997, Agribusiness Gippsland Inc is a not for profit organisation to promote a prosperous sustainable agribusiness sector in the region. The agribusiness value chain extends from local and regional to State, national and global spheres. Agribusiness Gippsland is the voice of agribusiness at a local and regional level.

AGI achieves its mission by building agribusiness networks, identifying priority issues, and partnering in projects at all levels of the agribusiness chain. Our objective is to ensure real outcomes for real people at the local and regional levels.

AGI's *GippyAgChat* newsletter is circulated to 9000 stakeholders. This and the annual Agribusiness Gippsland Conferences form the preeminent communications links across the sector. In the period 2009/2011 AGI has transacted \$550,000 in federal, state and local funding for agribusiness related projects

Projections in global demand for healthy nutritious food provide huge opportunity for Gippsland. Agribusiness needs to substantially grow food production by 2050 with the same amount of arable land and with less water and less energy inputs.

Gippsland's agribusinesses have the opportunity to build long term profitable partnerships in supply of value add food to selected global markets.

These opportunities are immense and investing in agribusiness in Gippsland makes sense. The sector has available great soils, reliable rainfall, secure energy sources, world class innovation and education centre's together with effective road and rail links.

We commend the development of an Agricultural Competiveness White Paper and commit to initiatives which will create a prosperous, sustainable agribusiness sector in Gippsland



Paul Ford, Chair, Agribusiness Gippsland Inc

## Developing this submission

This submission follows a wide-ranging consultation program undertaken by AGI. AGI presented to the taskforce panels in Traralgon in March and Melbourne in early April. In late March, AGI attended a meeting of all Gippsland mayors (or appointees) and municipal CEOs, the Gippsland Local Government Network, seeking their input into our response.

Several of these stakeholders will be making their own submissions. Others support the AGI submission and wish this document to be their response. (See APPENDIX A.). This document was circulated to the GLGN participants for information. AGI has discussed this submission with Committee4Gippsland and supplied a draft to that group. The board of AGI has discussed its response at two meetings.

The hyperlink to the taskforce website has been highlighted in the AGI e-newsletter *Gippzagchat*, (circulation 9,000+) and was the most popular click-through in two editions.

## Agribusiness in the Gippsland region

The Gippsland region is located in the south-east of Victoria. It extends eastwards from the edge of metropolitan Melbourne and north to the New South Wales border. The economy of Gippsland is predominantly based on primary production and secondary processing.

Gippsland's agribusinesses are surrounded by natural heritage comprising snow-fields, wilderness areas, rainforests, extensive lakes and beaches. Some of Victoria's greatest land and marine parks are in the region such as the Alpine, Wilson's Promontory, Tarra Bulga and Croajingolong National Parks.

Gippsland is 4.3 million ha in size. It contains the largest area of public land in Victoria; 37% of the land being occupied by state owned forests, 31% is utilised as freehold land, 21% of the region is national parks and reserves and a further 9% is native freehold forests.

There are more than 6,500 farming families in Gippsland, living in and contributing to small rural communities in the Region. Major sectors include dairy, meat and wool, horticulture, forestry and aquaculture and wild catch fisheries. Across Gippsland there are a range of world class large and smaller niche food and fibre manufacturers.

The region produces 90% of Victoria's electricity and 97% of Victoria's natural gas, with 26% of Australia's oil coming from the Bass Strait fields. This offers the advantage of reliable electricity supply as well as the potential for substantial price benefits via the co-location of power generation industries.

The Gippsland region has a wide range of courier, container, and bulk haulage transport, along with rail transport to the port of Melbourne. The Princes Freeway links Gippsland with Melbourne and other regional centres.

Gippsland hosts world class centres of excellence in innovation and education. These include the National Centre for Dairy Research at Ellinbank and the new Federation University campus at Churchill.

The Gippsland Community Leadership Program is Australia's oldest regional leadership program and is a unique platform for development and growth of emerging leaders across the region.

## Responses to the Issues Paper – Questions for Consideration

### Food security in Australia and globally

- Demand for food in the foreseeable future, particularly for protein exceeds global supply.
- Gippsland agribusinesses have choices and want to develop long-term partnerships in the highest-returning market sectors. These will most likely be both the Australian domestic market and the rapidly expanding affluent Asian and Middle Eastern markets
- The issue of food security in developing markets will be most effectively addressed by transfer of Australian farming and food manufacturing technologies.
- Technology is the key which underpins food security. Gippsland's agribusinesses need to significantly and profitably increase food production on the same area of arable land with less water and less energy inputs.

### Farmer decisions for improving farm gate returns

- A key to improving farm gate returns is to create for farm businesses the agility to integrate a mix of farming systems appropriate to the climatic and economic conditions. A foundation for flexible farming systems is a more accurate and longer-term picture on the economic and climatic conditions in which each farm operates.
- There is a challenge to more effectively collect, collate and analyse data on a wide range of climatic and economic indicators and develop three to five-year scenarios for future conditions for farming.
- These farms can then more accurately decide the appropriate "what now" mix of farm systems to adopt for that business at that time.
- Collation of financial and physical data on individual farms and the ability to use these data bases to get faster, more accurate, more robust data on which to base a "what now" selection of farming systems would enhance the flexible farming systems approach.
- There is an opportunity to enhance the delivery of farming systems advice provided by veterinarians, financial advisors and other consultants.  
Development of an Australian agribusiness sector training package which creates a pool of high level service providers is encouraged. These providers would have significantly increased skills in flexible farming systems, plus networks, and knowledge of data that can more effectively drive farm businesses.

### Enhancing access to finance

- To enhance access to finance, farming businesses need to look at other business models especially for land ownership, and capital investments.
- AGI supports appropriate foreign investment noting that in the region there are seven milk processors that are international companies and that this trend might increase.
- Foreign investment arrangements and partnerships are all options however training and mentoring for international stakeholders will be essential if they are to adapt to Australian farming systems.
- AGI suggests that there are more opportunities for foreign investment in R&D partnerships.
- AGI notes that Port Jackson Partners report *Greener Pastures* outlined some very good funding options and these are referenced in the Agricultural Competitiveness papers.

### Increasing competitiveness of the agricultural sector and its value chains

- AGI advocates for a broad scope for the definition of agribusiness which includes farming, food and fibre processing and all businesses that supports the sector.
- In comparison with global competitors Australia's agribusiness value chains are more divided between the farmgate and food and fibre processors.
- Australia speaks in terms of pre-farm gate and post-farm gate in segmentation of data, policy, advocacy bodies, education and innovation funding.
- Segmentation of agribusiness representation by locality, region, state, national and global levels further complicates this picture.

- There is no Australian common definition of agribusiness, nor methods of calculating value of the agribusiness sector.
- There is no road map of the bodies that represent agribusiness at local, regional, state, national or global levels, gaps in the coverage or how these bodies might be funded.
- AGI is encouraged by the new Federal Government's push to restructure the Australian Department of Agriculture to more effectively align with the reality that agribusiness is a whole-of-value-chain sector.
- Consolidation and promotion of agriculture, food and fibre-processing and related industries into one aligned and focused agribusiness sector brings critical mass. It returns Australia's agribusiness sector to a priority for stakeholder investment, innovation and support. There is no other single step which would more effectively increase competitiveness of the sector.

### **Enhancing agriculture's contribution to regional communities**

- Agribusiness and small regional communities have a symbiotic relationship
- In land mass China and Australia are ranked fourth and sixth-largest in the world. China has a population density of 136 people/sq km; Australia's population density is 2.6 people/sq km.
- Australia is a heavily urbanised country, with more than 90% of its population living in state capitals and other large regional cities, and so the regional population density is even lower.
- By contrast, around two-thirds of the 300,000 Australians employed directly in agriculture and the 1.6 million people in the wider agribusiness sector live in and contribute to small regional communities.
- Local government plays a pivotal role in creating vibrant regional communities which will attract and retain talented people to work in agribusiness in regional locations.
- AGI advocates much greater Federal Government investment to build capability to strengthen small regional communities.
- In AGI's observation building capability in community strengthening is based on key elements including identification and prioritisation of community projects, building a multi-skilled pool of volunteers, grant writing and project management.

### **Improving competitiveness of inputs to the supply chain**

- AGI considers "innovation" to mean the elements of research, development and technical transfer combined in one project that positively impacts the profitability and productivity of agribusiness's daily operations.
- When benchmarked with global competitors Australia's private and public investment in innovation is low, our research infrastructure lacks critical mass, R&D and technology transfer are managed as disconnected elements, intellectual property is seen by many as a barrier to innovation and there is a lack of advanced infrastructure such as rural broadband to facilitate the dissemination and uptake of innovation by Australian agribusinesses.
- AGI contends that a uniquely Australian innovation system needs to be developed, a focus on outcomes for end users, with selection criteria demanding research, development and technical transfer elements be included in the project plan and with scientists deeply networked to agribusiness stakeholders across the chain in their chosen field.
- AGI encourages the deployment of contemporary innovation processes like open innovation, scrum innovation and crowd-sourcing to drive more focused innovation harder and faster. AGI notes that these techniques are deployed by leading food companies like Anheuser-Busch (AB) makers of Budweiser beer, Coca-Cola, Unilever and General Mills.
- Open Innovation uses a trusted intermediary to identify pre-competitive areas for collaborative research.
- Scrum innovation is a technique that addresses roadblocks in a project, finding solutions and thereby reducing time in delivery of outcomes.

- Nokia, for example, uses crowd-sourcing to draw on consumer experiences to generate new ideas about the products they seek. Nokia shares revenues generated from crowd sourced ideas with the initiator.

### **Reducing ineffective regulations**

- AGI notes that Australia's hard-won reputation as a reliable supplier of high-quality, safe and nutritious food is underpinned to a large extent by legislation and regulation that provides objective evidence to that effect. Legislation and regulation that helps maintain that reputation should not be compromised.
- AGI notes that managing regulation is around 4% of farm costs and involves up to 90 Acts administered by a single department.
- AGI supports the need to harmonise and streamline regulations and legislative processes at national and state level and to reduce red and green tape.
- Infrastructure and land-use planning must consider long-term agribusiness needs.

### **Enhancing agricultural exports**

- AGI notes and supports many excellent reports have been written on opportunities for Australian agribusiness exports including; *Australia in the Asian Century*, the National Food Plan, Deloitte's *Catching the next wave* and the ANZ Insight Report *Greener Pastures*.
- AGI highlights the opportunity to include export of agribusiness knowledge, particularly to developing countries. This would include Landcare and stewardship of natural resources.
- AGI supports investment in biosecurity protection as a high priority.
- AGI notes the success of the Victorian Government Trade Mission Program. It has participated in the trade missions and has proactively followed up initiatives from those missions.
- AGI strongly supports Federal Government initiatives to negotiate Free Trade Agreements that tangibly benefit Australian agribusinesses and reduce trade barriers, particularly to ASEAN countries.
- While all these high-quality initiatives enhance agribusiness exports there is opportunity to align them and deploy them more strategically so that all stakeholders are working toward longer-term common goals.
- More data on where and how Australia's agribusiness exports are used and the functionality required would help link innovation teams to these market opportunities and help Australian agribusinesses to build closer and longer-term value-add partnerships as part of a total value chain.

### **Assessing the effectiveness of incentives for investment and jobs creation**

- AGI notes two government programs that inspired agribusiness investment;
- Between 2002 and 2007 the Federal Government budgeted \$114.4 million to deliver a National Food Industry Strategy. The funds were channeled through the Department of Agriculture Fisheries and Forestry for industry led programs delivered by the National Food Industry Strategy Limited.
- \$60m was allocated to the Food Innovation Grants program which was a competitive bidding process by Australian based food processing companies up to \$1.5 million in funding on a matching-funds basis.
- Key features of this program was; the relatively high grant limit encouraged food companies to apply, matching funding meant applicants were focused on real world outcomes and the food company owned any IP negating this as a barrier to innovation.
- In the three years of the FIG program 75 projects were funded for a total investment of more than \$140 million in new innovation.
- In recent years the New Zealand Government introduced the Primary Growth Partnership Program. The PGP is about boosting productivity and profitability, and delivering long-term economic growth and sustainability.
- As at 28 February 2014, total New Zealand government funding paid to the 15 programs underway was \$95.6 million.

- The total PGP funding commitment from government and industry in these programs is \$700 million and they are expected to generate economic benefits worth approximately \$7 billion per year by 2025.
- Again significant private sector investment drives focus on real-world outcomes and job creation.
- AGI supports creation of a significant grant program which inspires Australian agribusinesses to co-invest in innovation projects with real-world impact.



## Appendix 1 – Feedback from Gippsland Region Shires

Council name	Feedback
Bass Coast	<p>GLGN Economic Development managers and officers met 21 March to discuss our response to the Issues Paper. At this stage all we need to do is highlight key issues for our Councils that are not addressed in the Issues Paper. We will have an opportunity to prepare a full submission later in the year when the White Paper is released.</p> <p>We decided that each Council would prepare their own response addressing issues that they felt were particularly relevant to their Shire. The consensus of the meeting was that the Issues paper was already quite comprehensive.</p>
South Gippsland Shire	<p><b>Broad Comments on the Issues Paper</b>            The Issues Paper, which will be developed into a Green Paper is very comprehensive and South Gippsland Shire Council would support its direction and the areas covered. The Green Paper and eventual final White Paper will be critical for Council as they will focus on our greatest land use, largest employer and the base for our Manufacturing businesses. The response at the moment is only commenting on the issues paper but the Green Paper response will be more important.</p> <p><b>Comments on the Agribusiness Gippsland Response</b>            South Gippsland Shire Council supports the Agribusiness Gippsland response and notes their endorsement for the role of Local Government in supporting Agriculture and the communities that support the sector. In section 2 Council would endorse the Agribusiness Gippsland point below:  <i>The key to improving farmgate returns is to create for farm businesses the ability to integrate a mix of farming systems appropriate to the climatic and economic conditions at a particular time.</i>            The issues paper covers drought but we suggest it should cover all natural disasters. The issue is effectively developing a risk management strategy. In our area the biggest risk is probably the outbreak of a cattle disease.            Under the section on <b>Business Inputs</b> it is suggested that we also consider waste issues. The requirements in this area will only increase as time goes on and may be potentially tied to innovation in energy and water systems. Innovative solutions in this area may significantly reduce input costs, improve environmental outcomes and increase capability with other land uses.            From a Local Government perspective one area that appears not to have been covered is the management of competing land uses e.g. farming/residential/commercial. Essentially how do we ensure that there is agricultural land that can be used for agricultural purposes and still land for the other uses?</p>
Latrobe City Council	<p>Latrobe City Council supports the Agribusiness Gippsland Incorporated Submission Framework. The submission is consistent with Council's Economic Sustainability Strategy and Low Carbon Transition Policy. Latrobe City Council suggests that the submission might benefit from reference in <i>7. Reducing Ineffective Regulation</i> or perhaps in <i>9. Assessing the effectiveness of incentives for investment and jobs creation</i> to the Carbon Farming Initiative as outlined in the Emissions Reduction Fund Green Paper. The excerpt from Council's submission provides a summary of this point.  <i>Latrobe City Council is committed to managing and protecting its</i></p>

*natural environment to ensure a lasting legacy for future generations. Council is supportive of enhancements to the Carbon Farming Initiative that will create opportunities for the wider Gippsland region which is rich in natural resources, agriculture and forestry. Education and engagement of landowners is critical to establish and support bio-sequestration and biomass production activities. Council advocates for Carbon Farming Initiative education programs, once the Emissions Reduction Fund is finalised, to outline the risks and benefits of participation and to provide pragmatic advice on how to progress initiatives. One way of doing this is engaging early with the agribusiness sector to support positive outcomes for Latrobe Valley's food production industries and the wider Gippsland agricultural sector. This addition might be important for the competitiveness paper as the ERF expects the farming sector to play a significant role in emission reductions and it is important that the sector be adequately resourced to do so.*

## **Appendix 2 – Specific suggestions to enhance the competitiveness of Gippsland’s agribusinesses**

The following specific suggestions to enhance the competitiveness of Gippsland’s agribusinesses flow from consultation in the preparation of this submission:

**Expedite** applications through the Business Innovation and Investment Visa (Provisional) (Subclass 188) for applicants who invest in agribusiness – or to allow more liberal travel conditions

**Consider** tax-exemption for off-farm income diverted into on-farm capital expenditure.

**Consider** tax-minimalisation benefits for farm vendors providing vendor finance to young, startup farmers.

**Standardise** municipal rates rebates (differential rates) and eligibility criteria for bona fides farmers.

**Investigate** R&D tax concessions for on-farm energy co-generation.

**Extend** the Macalister Irrigation District infrastructure south of the Princes Highway to encourage higher-value agriculture (dairy and horticulture).

**Build** off-river storage on the Mitchell River.

**Investigate** a submarine barrier reducing salinity of Lake Wellington as a possible irrigation source.

**Build** the Tinamba phase 2 project: replacing open channels with pipes and increasing head pressure.

**Introduce** preferential wage support for rural-based trades apprentices.

**Make** satellite, mobile phone and NBN technology a priority for rural/regional areas for commerce and community.

**Quantify** flow-through benefits to local SME’s via natural disaster support to farmers.

**Encourage** emerging regional co-operative producer groups with initial tax incentives.

**Attribute** food processing statistics to agribusiness rather than manufacturing.

**Broaden** the taskforce terms of reference to ‘agribusiness’ rather than ‘agriculture’.

**Include** forestry, fibre and fisheries in the issues-mix.

**Incorporate** more recognition of NRM contributions to farm productivity, specifically Landcare.

**Allow** civilian freight flights to use RAAF East Sale base.

**Investigate** developing an airport at Tooradin.

**Establish** intermodal links at Hillside for future horticulture, mining and forestry shipments, and another near Sale for grain/feedgrain.

**Formalise** Government policy in live trade, animal welfare and social licence issues.