Submission in response to the

Commonwealth Agricultural Competitiveness Issues Paper

Department of Environment and Primary Industries
Victoria

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Key Messages

It is important that the food supply chain as a whole is given sufficient consideration in the Agricultural Competitiveness White Paper. Market access and post-farm gate business competitiveness have significant flow on effects for producers.

Policy areas that impact Victoria’s food and agriculture sector are numerous. In addition to policy and regulation specific to food and agricultural businesses, cross-cutting requirements, such as labour laws have a significant and cumulative impact on the competitiveness of the sector. Victoria considers that further action in the following areas will be particularly important to ensuring the growth and ongoing competitiveness of the agriculture and food sector.

Research, development and extension (RD&E)

Public investment in innovation and RD&E is instrumental to improving the declining rate of productivity growth in the agriculture sector. RD&E has accounted for almost half of total production gains in Victoria’s dairy industry over the past 30 years with a cost benefit ratio of 3 to 1. The National RD&E Framework has identified priorities for government and industry investment. Commonwealth Government leadership and co-investment is required to ensure ongoing commitment to and implementation of the strategies.

Infrastructure

Transport infrastructure has a major effect on local and national productivity including food supply to domestic and global markets. The right investments in transport can make significant improvements to industry competitiveness and lift grower returns. The Victorian Government is making major investments in road, rail, sea and air transport infrastructure and is looking to work with the Commonwealth and private sector to fund initiatives that will improve capacity to move export products efficiently from the farm to ports.

Trade

Victoria produces significantly more food than is required for domestic consumption. Export growth is essential to ensure the profitability of the agriculture and food sector and to take advantage of growing demand in Asia. Victoria is looking for cooperation and leadership from the Commonwealth in opening up new markets and improving access to existing markets, including removing technical trade barriers.

Investment

Substantial investment is required for Australia to take advantage of increasing global demand for food. A strong brand and promotion of Australia as a location for investment could help to attract foreign direct investment. Education about new investment instruments and farm business structures could also assist industry to access the required capital.

Regulatory reform

Reducing regulatory burden directly improves the operating environment for businesses. Australia is a relatively high cost place to do business and has a trade exposed food and agriculture sector, with a large number of small businesses. Reform needs to be business priority driven and outcomes focussed.
Introduction

Victoria is Australia’s leading food and agricultural state. Victoria produces about 25 per cent of Australia’s agricultural products. The gross value of Victoria’s agricultural production totals over $6.8 billion. Over 25 per cent of Australia’s farms are situated in Victoria, with approximately 35,000 farm establishments.

The Department of Environment and Primary Industries (DEPI) supports the Victorian Government’s priority to boost productivity in the food and fibre sector, manage land and natural resources, protect the environment, and respond to emergencies such as fire.

Victoria is working hard to ensure the agricultural sector is able to capitalise on the opportunities presented by growing populations in major export markets. The Victorian Government recently released the Food to Asia Action Plan\(^1\) (see Attachment 1), which outlines current and new actions Victoria is taking to grow Victorian food exports to Asia in the following seven key areas:

- Improved access to Asian markets
- New markets for premium products
- The right workforce to supply Asia
- More efficient movement of products to Asian markets
- Better targeted R&D, extension and innovation
- Streamlined regulation and reduced red tape
- Increased capital investment.

Many of the themes in the Agricultural Competitiveness Issues Paper align with and are relevant to the Food to Asia Action Plan.

Other Victorian strategies that support the food and agricultural industries include:

- **Victorian International Engagement Strategy** – creates opportunities for Victorian businesses to become more globally competitive through strategic engagement
- **Growing Food and Fibre** – invests in actions to increase productivity, innovation and profitability in specific sectors, as well as targeted biosecurity initiatives
- **Victoria – The Freight State** – sets out a long-term plan for managing Victoria’s growing freight task
- **A More Competitive Manufacturing Industry** – steps-up and consolidates support to manufacturing firms
- **Regional Growth Fund** – a $1 billion fund that supports a competitive environment in which regional businesses can operate successfully.

DEPI's response provides information about relevant Victorian Government and departmental research, programs, services and initiatives. The intent is to share experiences and direct the Commonwealth to relevant resources and analysis to help build the evidence base for further action. DEPI has also identified where further Commonwealth action or engagement is important to improving outcomes for the agricultural sector.

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\(^1\) Department of Environment and Primary Industries (2014) Food to Asia Action Plan, Victorian Government
Chapter 1: Ensuring food security in Australia and globally

Key points

- Australia can contribute to food security through ensuring a resilient and productive domestic agriculture and food sector. Commonwealth action and investment in key areas such as infrastructure, R&D, trade and regulatory reform are important to achieving this outcome.
- Climate challenges and increased competition for resources such as land, water and energy pose a challenge to industry profitability and competitiveness. It is critical that Australia has strategies and a regulatory environment that enable and incentivise innovation, technology uptake and adaptation.
- The Commonwealth also has a responsibility to improve global food security through technology transfer for developing nations, and supporting reform of global markets.

1.1 Definition of food security

The term ‘food security’ has appeared in a variety of contexts in recent years. In particular, high food prices and concern over the potential effects of climate change have been catalysts for discussion about food security as countries face the implications of challenges to food supply.\(^2\)

The Agricultural Competitiveness White Paper should include a clear definition of food security and articulate the Commonwealth’s role in contributing to domestic and global food security. In considering food security, DEPI uses the definition of global food security as being the production and distribution of sufficient food to meet fundamental nutritional requirements around the world. National food security is the nation’s ability to meet domestic food demand, which does not necessarily require self-sufficiency. Future food security can be defined as the sustainable production of sufficient food to meet domestic and global food demands in the future.\(^3\)

1.2 Victoria’s role in food security

Victoria is Australia’s leading food and agriculture state. Grain and dairy are Victoria’s main food industry exports, accounting for 43 per cent of the total value of food and fibre exports in 2012-13.\(^4\) Victoria’s skilled farmers, together with its temperate climate, high quality soils and clean water support its world-class agriculture industries.

DEPI contributes to national and global food security by implementing policies that promote an efficient food sector that enables Victoria’s primary producers, processors and other food businesses operating in Victoria to meet increasing domestic and global demand for high quality food.

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\(^3\) ibid

\(^4\) Department of Environment and Primary Industries (2013) Victorian Food and Fibre Export Performance 2012-13, Victorian Government
The Victorian Government is playing a greater role in supplying food to the Asian region in two key ways. On the ‘supply side’ the Victorian Government is committed to boosting agricultural productivity and profitability and has set a target to double agricultural production by 2030. This is supported through Victoria’s Growing Food and Fibre initiative, which aims to increase the productivity and profitability of Victoria’s key food and fibre sectors, so producers can continue to capture global opportunities. On the ‘demand side’, the Victorian Government is creating opportunities for Victorian businesses and helping them connect to markets throughout the Middle East and Asia, and importantly, to meet those markets’ specific needs. Each of these endeavours is a partnership between government and industry.

1.3 Exporting Australia’s technology

Victoria plays an important role in global food security as a provider of technological capacity, including biotechnology and plant biosecurity, to support increased global agricultural productivity.

For example, DEPI possesses nationally recognised R&D capability in plant bioprotection. DEPI plant bioprotection scientists have worked with the Australian Centre for International Agricultural Research on projects to build scientific capability in countries such as Pakistan. Similarly, DEPI scientists have demonstrated plant biosecurity technologies such as the certification and virus testing of seed potatoes that have assisted in gaining market access of seed potatoes to Thailand, supporting Thailand’s own food production systems.

1.4 Food security in emergencies

Although not mentioned in the Issues Paper, it is important to note that there are emergency management and public health laws in place at state and territory levels which empower governments to take action to maintain food supplies if required in the event of a major emergency.

Victoria has responsibility for emergency response and recovery, including disruption to food supply continuity. Under Victorian critical infrastructure arrangements, Victorian departments work closely with the food and grocery sector to build industry resilience against disruptions to the continuity of food supply.

There is ongoing planning and cooperation between industry and agencies with emergency management functions in Victoria to support continuity of food supply in the event of emergencies and major disasters, with considerable investment by the private sector in planning and risk management. Information on Victoria’s broader reform agenda for critical infrastructure can be found in the Victorian Critical Infrastructure Resilience Interim Strategy.

Victoria is working with the Commonwealth on the development of an all hazards plan for food supply chain continuity. The plan is intended to build the resilience of the food and

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3 See Chapter 6.2
grocery sectors, to respond to emergencies including bushfires, flood, cyclones or other unexpected disruptions. It is important that the Commonwealth continue to maintain strategic partnerships and relationships with key food sector stakeholders to sustain and improve resilience of the food supply chain.

1.5 The Commonwealth’s role in food security

The Commonwealth Government and the states both have a role in protecting and improving Australia’s food security status. It is important that Australia has strategies and a regulatory environment that enable the food system to be more profitable and resilient as the food industry adapts and responds to increased competition for resources such as land, water and energy.

The Commonwealth Government’s main responsibilities in relation to Australia’s food security are:

- facilitating trade and investment
- investment in technical and non-technical innovation
- investment in infrastructure
- water reforms
- risk management and preparedness (for example quarantine, national biosecurity, drought reform)
- business regulation
- labour productivity through industrial relations flexibility
- articulating priorities to the community that are necessary to ensure future food security.

The Commonwealth Government’s also has a key role in contributing to global food security through short-term emergency aid assistance, assistance for medium and long-term global food security including technology transfer for developing nations, and supporting reform of global markets.
Chapter 2: Farmer decisions for improving farm gate returns

Key points

• Access to high quality information technology and communication infrastructure is vital for farmers to innovate and make informed and timely decisions.
• Improving the business management skill level of some producers can make a significant contribution to increasing farm profitability.
• There are further opportunities for the Victorian and Commonwealth Governments to work together to ensure that information from importing countries on changes to market conditions are communicated to exporters in a timely manner.
• Accessible, relevant and accurate agricultural statistics are critical to guide government policy making and inform industry decisions.
• Commonwealth action is needed to progress national drought reform consistent with the intergovernmental agreement and national drought principles.

2.1 Farmer decisions and farm gate returns

The profitability of farming businesses depends on factors beyond the farm gate and, importantly, on decisions made at the farm level. Farmers make a range of decisions that influence their business performance, including business structure, scale of production, and diversity of on-farm activity. There are also many facets to a farm business that producers need to manage, including financial, environmental, animal welfare, risk management, occupational health and safety and marketing.

The level of skills, along with tools and advice that farmers receive, enable them to effectively adapt and respond to risks they face, such as drought. Management ability is a central factor that contributes to long term profitability as well as being a key strategy to manage risk.\(^10\) High performing and innovative farms should be held up and used as examples of how to increase farm-gate profitability.

More than two-thirds of Victoria’s farm businesses are receptive to productivity messages to grow their enterprise. Market segmentation has, however, shown a strong relationship between farm scale and increases in productivity. This correlation is backed by DEPI research which has found that 13 per cent of Victorian farms are large (EVAO greater than $500,000) and produce 60 per cent of the total value of Victorian production.\(^11\)

There are some constraints to farmers adopting measures that will assist them in improving their farm gate returns. One major constraint is investment capacity. The majority of Australian farm businesses are too small to provide income to cover both a reasonable level of consumption and investment to maintain future income. In this situation, most farm families will preference current consumption over investment, and as a result, are not able to effectively invest to improve productivity and profitability.

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\(^{10}\) Department of Environment and Primary Industries (2013) Dairy Industry Farm Monitor Project. Perspectives and practices of profitable dairy farms: results from the Dairy Industry Farm Monitor Project 2006-07 to 2011-12

\(^{11}\) Department of Environment and Primary Industries, (2013) Victoria’s Large Farms, Market Analysis Project Phase 1
2.2 DEPI’s agriculture development and extension services

DEPI provides agriculture development and extension services, including farm business training, that aim to boost productivity by increasing the rate of adoption of relevant technologies and management practices by farm businesses. Initiatives related to farm business training and decision making are detailed below.

Farm Business Training

- DEPI provides information and workshops aimed at farm business training, farm planning and preparedness. DEPI provides extension services in line with an investment framework to ensure it is not competing with successful industry programs. Examples include: FarmPlan 21, which provides farm planning services to farmers across Victoria to help them adapt to a changing operating environment and achieve profitable, sustainable farming businesses.
- DEPI’s BESTWOOL/BESTLAMB is a group based network that supports sheep producers to become more productive and profitable. A recent benefit cost analysis of BESTWOOL/BESTLAMB program showed it delivered increased profits by $7,100 per annum for sheep producers.
- Feeding Pastures for Profit, which provides dairy farmers with skills to make decisions about pasture and supplements to maximise profits and work with the available resources. Evaluation of this program provided an estimated $43,000 in annual benefits for participating dairy producers.
- Targeted extension and workshops based on prevailing market and seasonal conditions, such as the grains’ Seasonal Risk Management Program have received annual benefits of $7-$20 per hectare per annum, based on program evaluation.

Making the ‘right’ change to your dairy farm system – A case study from south-west Victoria

Dairy Directions – analysing farm systems for the future is a recent DEPI research program that provided robust analysis of the impact of on-farm changes and innovation on the profitability of dairy farm systems.

The Dairy Directions project examined a farm in south west Victoria. The approach examined how the farm was currently performing; where the owners/operators wanted to be in 10 years’ time; and undertook robust analysis of the possible options they have to take the business forward. The study found that to continue with the status quo farm system would likely see profits decline. Options to increase profit from pasture-based milk production systems involve farmers producing more product through intensification (producing more from the same fixed inputs of land and management) or extensification, where more is produced from more fixed inputs of land and management, or through elements of both.

This study demonstrates that ongoing investment in productivity improvement is needed to ensure the future profitability of farming enterprises. Investment should occur in ways that empower farmers with the knowledge, skills and training that they need to facilitate their own on farm productivity through means of intensification or extensification.

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Assessing which pathway to follow to maintain or create a successful business needs a whole-farm approach. The whole-farm approach can determine whether the goals relating to profit, cash, wealth and risk can be achieved. Decisions that focus solely on technical efficiency measures, or other partial productivity measures, are not compatible with changes that enhance economic efficiency.

Decision making tools and technologies
Timely access to information is important in ensuring accurate decisions can be made in relation to factors affecting productivity.

DEPI engages farmers, agronomists and agricultural consultants via social media and develops smartphone apps such as the Crop Disease app. This app allows users to quickly access information on crop varieties and disease ratings.

DEPI, together with the Grains Research Development Corporation, is also taking a leadership role in the piloting of a new online service delivery platform, eXtension, to connect producers with knowledge to help grow their business. Commonwealth investment and support for these types of innovative programs can increase their success and improve decisions made on farm.

High quality information technology is vital to ensuring the right decisions are made by farmers. The National Broadband Network supports development of a ‘digital economy’ in rural and regional areas, driving fast access to information that is critical to decisions affecting productivity. However, significant gaps in access to broadband and mobile telecommunications still exist in Victoria’s regional and rural areas. An effective broadband strategy should recognise that Australia’s regions are diverse and are subject to their own distinct drivers and constraints to telecommunication development.

2.3 Financial services
The Victorian Government contributes to the Rural Financial Counselling Service on a cost share basis with the Commonwealth Government and provides additional funding, above and beyond the national commitment, for additional counsellors to meet service demand for specific circumstances. Coordination positions, that are considered crucial for mentoring and supporting counsellors, are also funded by the Victorian Government. Given the growing trend towards more complex financial issues faced by clients, there is an ongoing need for this service for farm businesses in financial hardship.

The Victorian Government provides a Farm Debt Mediation service, which requires creditors to offer mediation with farmers before commencing enforcement action. Farmers are able to request mediation, however, in such situations creditors are only obliged to mediate if the farmer is in default. Mediations are arranged through the Office of the Victorian Small Business Commissioner. The cost of mediation is subsidised by the Victorian Government,

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15 http://about.extension.org/2013/12/09/australia-to-pilot-extension/
at a cost of $195 per session for each party, which is significantly lower than the market price.

Since its inception on 1 December 2011, more than 300 Victorian farmers received extra support to manage financial difficulties through the Farm Debt Mediation Scheme. The Rural Financial Counsellors often provide support to farmers preparing and attending mediation as well as assisting farmers to manage financial arrangements post mediation.

2.4 Facilitating farmer access and knowledge of market signals

DEPI plays an important role in identifying, analysing and communicating trends and opportunities in key export markets to agriculture and food businesses.

DEPI builds industry capability and competitiveness through activities such as demonstration value chain projects and targeted training. Demonstration projects are valuable as a means of raising awareness among producers of the productivity gains to be achieved through value chain supply arrangements, and how to position themselves to ensure they receive a fair share of those benefits.

A report by Deloitte\textsuperscript{17} examining what role the Victorian Government should play in international market development identified a strong case for government action to address value chain weaknesses and information asymmetries. These weaknesses and asymmetries discourage Victorian producers from engaging, particularly in emerging markets, where economic growth and demand is strong but penetration of Victorian food and agricultural products is low.

The report noted that establishing and facilitating relationships with value chain partners is important in addressing information asymmetries. It was found that more value could be extracted from relationships with value chain partners if government resources were allocated more flexibly, and in ways that allowed work program activities to provide tactical support that enabled producers to capitalise on specific opportunities as they arise.

There are further opportunities for the Victorian and Commonwealth Governments to work together to ensure that information from importing countries on changes to market conditions are communicated to Victorian exporters in a timely manner.\textsuperscript{18}

Victoria is looking to work with industry and the Commonwealth Government to target key exporters to improve information flow along the supply chain with the goal of lowering rejection levels of produce.\textsuperscript{19}

\textsuperscript{17} Deloitte (June 2008), ‘Review of International Market Development Services to Agriculture and Agribusiness’
\textsuperscript{18} For example, see new actions 1.1 and 1.3 in the Victorian Government Food to Asia Action Plan.
\textsuperscript{19} For example, see new action 1.3 in the Victorian Government Food to Asia Action Plan.
Case studies: Information integration across the food supply chain

One factor impacting farmers’ ability to capture domestic and global opportunities and, in turn, impacting farm productivity and profitability is the degree to which farmers have access to timely, relevant and accurate information to inform production decisions to meet domestic and global food demands.

A Victorian Government case study of a value chain for lamb exports to the United States (US)(20) highlighted the importance of educating producers about maximising information flows through the value chain. The study showed that despite relevant information being collected and made available to agents from Walmart’s retail link database, this information was not being shared with the rest of the chain. Addressing this information asymmetry, for example by developing processes that required information flow back, enabled growers to make better decisions about resource allocation, increasing their profitability and the overall efficiency of the value chain.21

Another Victorian Government study into pear export value chains22 highlighted the importance of information availability as a precursor to export readiness, and areas where government support would be appropriate. Survey participants were asked to identify how they learnt about new varieties, technologies, practices and market information and what type of information they required. They were also asked how the information they received could be made more valuable and about information flows along the value chain. The information available, and participants’ general understanding of the operating environment, reflected the dominant domestic market focus of the industry as many of those surveyed were unaware or only partially aware of off-shore activities, challenges and opportunities in the pear sector.

2.5 Agricultural statistics

DEPI requires a wide range of statistical assets to develop, implement and monitor government policies and services. ABARES statistics from the Commonwealth are critical for DEPI to:

- understand industry structures to assist in targeting government services
- understand industry restructuring to assist in developing industry plans and targets
- develop tools to assess the impact of seasonal and market conditions on industries and farm households
- assess the implications of farm demography for issues such as policy development and sectoral growth
- provide quality policy advice on national and state agricultural, fisheries, food industry, natural resource management (including forestry) and water use issues
- provide a snapshot of the current situation of the production and consumption related to food and fibre production and processing sectors
- provide a snapshot of the current situation of national and state exports, including exports of particular commodities
- determine trends, using time-series

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20 Department of Primary Industries (2010) Sustainable Value Chain Analysis of Victorian Lamb Exported to the USA, Victorian Government
21 The analysis found that one way to address information asymmetry could be through the development of a price quality payment system which would reward contracted lamb producers for producing to meet both retailer and consumer specifications.
22 Department of Primary Industries (2009) Challenges and Opportunities in the Australian Pear Value Chain: In a Victorian Context, Victorian Government
• assess impacts on industry and community of events such as droughts and major business closures (e.g. manufacturing linked to primary production)
• quantify potential benefits of RD&E and potential impact of policy.

The Commonwealth should continue to lead in providing easily accessible, relevant and accurate agricultural statistics to guide government policies and industry decisions.
Chapter 3: Enhancing access to finance

Key points

- National level messaging regarding the strengths of the Australian food industry as a location for investment would be beneficial and provide a consistent platform for individual jurisdictions to complement.
- There is a strong case for government action to encourage and promote awareness of new investment instruments and farm business structures. For example, governments could facilitate industry fora and partnerships that explore new financing options.

3.1 Access to finance

Enhancing access to finance is important to the profitability of farm businesses.

Internal farm equity has not provided the capital investment necessary to maintain high levels of productivity growth in Australian agriculture. Historically, Australian farmers have struggled to spare more than around 12 per cent of revenues for growth-related capital expenditure. Australian agriculture’s capacity to access bank debt as a means to fund growth has also been limited.

In addition, Australian agriculture has found it difficult to attract external capital to finance growth. Agribusiness investment has many positive features, but is viewed as a high risk investment. Agricultural projects also tend to be capital intensive relative to the returns and risk profile, with a long payback period. The approach by investors to the agrifood asset class is cautious. At best, agrifood represents a very small percentage of the portfolio of any major corporate investor, e.g. superannuation funds. This is because it is seen to be high risk relative to the returns from other asset classes.

3.2 New investment instruments and farm business structures

There is a strong case for government action to encourage innovative new investment instruments and farm business structures. Some of Australia’s key competitors are leading the way. For example, a model being explored in the US suggests that rental income from ownership of agricultural land could provide the kind of certainty and stability that the superannuation industry requires. Under the US model, specialist farm management companies lease land from investor owners and take on the operating risk. The superannuation fund gets a stable rental yield in the order of 5 per cent, plus the capital appreciation.

Other ideas are emerging domestically. Recent Nuffield Scholarship winner Damian Murphy has a proposal to institutionalise this idea of ‘agriculture investing in agriculture’, and thinks it could be structured to meet the ‘patient investor’ test. The core of his proposal is providing an institutional vehicle for retiring farmers’ superannuation funds, and also current farmers’ Farm Management Deposits, to be available as an investment pool.

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23 Port Jackson Partners/ANZ Bank (October 2012) Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand
Another example of emerging domestic ideas come from Victorian dairy farmers who are currently seeking alternate fund sources for farm expansion beyond debt finance. Succession issues, the high costs of entry and risk spreading are driving innovative business models such as share farming, leasing and joint ventures. Devondale-Murray Goulburn (MG), Australia’s largest dairy food company, is providing its supplier-shareholders with alternate pathway to farm expansion.\[^{24}\] MG is using its status as Australia’s largest dairy company to attract equity funds for the purchase of farm land identified by its supplier-shareholders as important to their farming success. That land is then made available to MG’s dairy farm suppliers via leasing, which ensures that their experienced dairy producers retain control of the land.

Government could also play a role in bringing together industry experts (including rating agencies) to explore other financing options moving away from a strong reliance on bank debt. For example, Rural Finance Corporation Chief Executive Rob Goudswaard has been reported\[^{25}\] as stating that it “was just a matter of time” before Australia witnesses a shift towards other financial models such as equity providers, mezzanine debts, bonds, foreign investment or superannuation funds. The Commonwealth Government is best positioned to fulfil this proposed role given this requires bringing together multiple disciplines, often operating under national (and international) regulatory requirements and legislative frameworks.

### 3.3 Attracting inward foreign direct investment (FDI)

Foreign investment in Australian agriculture provides an important source of new finance for investment, innovation, and growth. The Issues Paper highlights that foreign investment is vital in driving productivity growth by exposing domestic businesses to new technologies and techniques. Linkages to foreign partners can also improve market access for goods produced.

As highlighted in the attached *Food to Asia Action Plan*, to attract foreign investment, food and agriculture has to ‘stand out from the crowd’ and present investment opportunities that are attractive, meet the requirements of investors and offer good prospects for profitability over the longer term.

As the FDI landscape continues to change and evolve, investment opportunities from emerging markets are also likely to increase over time. The investment attraction efforts of industry and government need to reflect this shift.

*Invest Victoria* promotes Victoria as an investment destination internationally and attracts foreign companies to establish a presence in Victoria. *Invest Victoria* works with investors to gather market information, make contacts, identify appropriate sites for offices and other facilities, link with government services and partner with local suppliers and service providers. *Invest Victoria* also supports the overseas network of Victorian Government Business Offices (VGBOs) in developing global partnership and alliance opportunities for Victorian firms.

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\[^{25}\] “Don’t take it all as red” Weekly Times 25 September 2013 p.23
Business Development Managers, who are based in Victorian-based VGBOs, help businesses to improve their access to export markets and potential partners, attract investors and maintain a focus on productivity and growth. It is important that the Commonwealth also maintains its off shore representation and that there are strong connections with VGBOs.

Commonwealth Government policies need to encourage improved competitiveness of the Australian food industry, making Australia an attractive place for FDI. This involves the removal of barriers and impediments to FDI as well as a sustained focus on supporting food industries to become more productive and competitive. Attracting and retaining skilled workers, including migrant workers, to the food industry and increasing access to international markets are two areas where governments can take a direct role in encouraging FDI.

There is also opportunity for the Commonwealth Government to provide national level messages regarding the strengths of the Australian food industry as a location for investment. It will be important that any such messages are underpinned by a comprehensive understanding of global investment drivers in the food and beverage industry and where Australia’s current and future key strengths lie.

Foreign investment in agricultural R&D

DEPI has built world class scientific capability in plant biotechnology, particularly plant genetics and genomics. This world class capability has enabled the attraction of significant international investment for collaborative and sponsored R&D. Multi-national companies, such as Dow Agrosciences, are investing in plant genetic R&D being undertaken by DEPI’s Biosciences Research Division.26 Such investments attract not only valuable research funding, but also provide DEPI (and Australia more widely) with access to proprietary technologies for application in Australian plant breeding programs.

DEPI generates many technologies that require a commercial route to market to ultimately be utilised by Australian farmers. DEPI’s commercial arm, Agriculture Victoria Services P/L identifies international partners, particularly plant breeding companies, who will invest funds to take DEPI technologies to market.27 Such companies often have scale and financial resources not available to Australian companies. Commercialisation of DEPI’s technology only occurs when there is a net benefit to Australian farmers.

Chapter 4: Increasing the competitiveness of the agricultural sector and its value chains

**Key points**

- It is important that the food supply chain as a whole is given sufficient consideration in the Agricultural Competitiveness White Paper. Post-farm gate business competitiveness has significant flow on effects for producers.
- Regulatory imposts on the food processing sector should be reviewed to support the continued presence of food processing in Australia. The current decline in processing has had significant impacts on local producers, particularly in the horticultural sector. Facilitating industry and research partnerships, such as the Commonwealth’s support of Food Industry Australia Ltd. is a key way government can assist business innovation.
- Victoria supports the finalisation of brand ‘Australia’ and underpinning attributes to strengthen marketing of Victorian food and beverage products being exported and would welcome closer engagement in this initiative.

4.1 Food processing competitiveness

It is important that the Agricultural Competitiveness White Paper consider Commonwealth policy directions that affect the food supply chain as a whole and place equal importance on post-farm gate business competitiveness. Food processing comprises 21 per cent of Victoria’s manufacturing industry, and is vital in supporting the agriculture sector, including Victoria’s large dairy and meat export industry. Three quarters of Victoria’s 3,500 food processing businesses are small and medium-sized enterprises (SMEs). The 25 largest food processing companies account for more than half of food industry revenue. Many large, multinational food processing firms have operations in Victoria, including Mondelez, Mars Foods, Nestle and JBS.

**Food regulation on food processing**

Regulatory reform is an important action governments can undertake to facilitate the competitiveness of Australia’s food processing industry. Developing new regulation in accordance with best practice is fundamental to good government. While Australia’s food regulatory system was originally designed to help protect public health and safety, there is increasing demand for it to be used to address preventative health and consumer values issues. This is particularly the case with new and proposed labelling requirements. For example, in 2011, the then Australia New Zealand Food Regulation Ministerial Council announced a review of food labelling law and policy which made recommendations to improve food labelling.\(^{28}\) One of the key drivers for the review was a concern about the cumulative burden and cost of labelling requirements. However, in assessing the impact of the implementation of the recommendations of the review, the Victorian Government found that there would be considerable additional costs and impracticalities for industry.

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\(^{28}\) Blewett et. al, (2011) Labelling Logic: Review of Food Labelling Law and Policy Commonwealth of Australia
The increasing focus on using the food regulatory system to address preventative health and consumer values issues has the potential to lead to a disproportionate level of regulatory burden on the food processing industry relative to benefits for consumers.

**Competition along the supply chain**

The Australian Competition and Consumer Commission (ACCC), through the Commonwealth *Competition and Consumer Act 2010*, has a direct role in promoting competition and fair trade practices in markets along the food supply chain. The ACCC should continually monitor and work to eliminate anti-competitive arrangements between market participants and ensure truthful marketing and fair dealing. Any review of competition laws needs genuine industry consultation across the food industry.

**Food processing innovation and R&D**

Innovation and R&D are key drivers of productivity improvements. Victoria, through DEPI, has been a major contributor to the *National Food and Nutrition Research and Development and Technology Transfer Strategy*, developed under the National Primary Industries RD&E Framework. This nationally agreed strategy outlines the long-term national research priorities for food and nutrition in Australia.

There are particular barriers to innovation, particularly for SMEs. Three quarters of food processing firms in Victoria are small businesses. SMEs have limited capability to gather the information and skills required to innovate effectively. The competitive funding environment places high demands on SMEs in attempting to draw knowledge from external sources such as the public R&D system.

Facilitating industry and research partnerships is a key way government can assist business innovation. Victoria welcomes the Commonwealth’s support of Food Industry Australia Ltd. (FIAL) as a means of encouraging innovation for small businesses, and enhancing information on market requirements and trends for export markets, such as Asia.

Specific to the food processing industry, the Commonwealth Government has a role in:

- ensuring intellectual property laws provide an incentive to invest in activities where the outcome is uncertain
- coordinating existing state and territory infrastructure around food innovation, such as the development of pilot plants and development of a national food processing innovation network for easier interaction with food companies
- building greater capacity, along with the states and territories, within research institutions to engage with food businesses
- assisting Australian food businesses, along with the states and territories, to acquire the skills needed to establish effective cooperative arrangements.

Further consideration of domestic investment in innovation and human capital development is discussed in chapter 6.

4.2 Agricultural competitiveness with other countries

Economic growth in emerging economies means that foreign companies are adopting new technologies and practices to improve productivity, improving their output while also retaining a low production cost. For example, in the Brazilian agricultural sector, technology growth has been very high at 4.5 per cent per annum, with total factor productivity growing at 2.6 per cent per year. The much slower rate of productivity growth in Australian agriculture, has led to a decline in global market share in certain commodities for Australia. Between 2003/2004 and 2010/2011 Australia’s share of the global table grape market declined from 60 per cent to 25 per cent, while South America increased from 25 per cent to 70 per cent.

Australia’s global market share will continue to come under pressure from these emerging market producers. To maintain competitiveness, producers need to focus on promoting differentiated products. Victoria is seeking to work with the Commonwealth Government on the national food and beverage branding review to support strengthened marketing of Victorian food and beverage products being exported.

International competitiveness: Chile and South Africa

A DEPI analysis into Asian imports of temperate fruits found that Asian imports from Australian competitors in the Southern Hemisphere almost doubled in the past ten years. Over this period Southern Hemisphere suppliers, such as Chile and South Africa, have been able to take advantage of Asia’s growing demand for horticultural products. In contrast, Australian exports to the region have remained relatively stable in both volume and value.

In response to this shift in market share, DEPI undertook an analysis of industry competitiveness in citrus and table grapes (both significant export commodities for Victoria), focusing on Chile and South Africa as key competitors. The competitiveness factors assessed were: quality, understanding consumers, value chains and relationships, innovation, market access, cost of production and price, supply capability and logistics, marketing and promotions, understanding competitors, and economies of scale.

The findings indicated that Australian citrus and table grape exports to Asia hold an advantage over Chile and South Africa in product quality, understanding consumers and supply responsiveness. Chile and South Africa have clear advantages in price, supply volumes, supply continuity and economies of scale.

The findings also highlighted that while Australia’s current strengths include quality, agility and understanding consumers, there are opportunities for improvement in these areas, which could come from innovation in quality control systems, packaging, creating novel approaches to marketing and promotions, and when relevant, through applied science.


32 For example, see new action 2.3 in the Victorian Government Food to Asia Action Plan.
Chapter 5: Enhancing agriculture’s contribution to regional communities

Key points

- There is a positive future and potential for considerable growth in food production in regional Victoria.
- There are significant regional differences across Australia. The White Paper should complement the regional development policies of state and local governments.

5.1 The opportunities presented by regional Victoria

Victoria’s regional cities and communities play a key role in driving the growth and prosperity of Victoria. Regional Victoria accounts for around a quarter of the State’s population, jobs and economic activity.

Regional Victoria has an open and diverse economy and is the primary source of the State’s agricultural output, food production and processing. It is also increasingly the location of a large proportion of secondary goods production and service delivery.

Over the next two decades, the population of regional Victoria is projected to grow substantially from 1.5 million to 1.9 million. This presents significant opportunities for regional businesses and communities. Strong growth also brings challenges. Planning to maximise opportunities in emerging markets while addressing adjustment pressures associated with population growth will be integral to both regional and state prosperity.

Regions and cities expected to experience substantial growth include Geelong, Ballarat, Bendigo, Latrobe Valley, Shepparton, Mildura, Wodonga and Warrnambool. Regional cities are fundamental to supporting growth because of the important role they play in providing primary transport, economic and social links within their respective region, and to Melbourne. Regions experiencing growth tend to have strengths in terms of stock and investment in infrastructure, diversified economic activity and high levels of liveability.

While there is significant growth projected in some areas, many rural and regional communities with an agricultural base are experiencing population declines, due to migration to cities and peri-urban areas.

5.2 Regional development

An important element of regional development activities within Victoria has been the development of a Regional Strategic Plan for each of the five non-metropolitan regions. These plans outline the long term vision for each region and provide a framework for communities to partner with industry, business and government to deliver initiatives and projects tailored to local needs. Each plan identifies strategies and priorities for industry and

business development, transport, community services, health, education, tourism, land use planning and improving the amenity of towns.

The Victorian Government maintains a dedicated Regional Growth Fund in Victoria to promote local identification of projects and to provide flexible funding to supplement existing provision of core services, facilities and infrastructure.\textsuperscript{36} An economic reform agenda to address current challenges, promote growth and ensure regions are well positioned to capitalise on opportunities from global economic shifts, is also a feature of regional development in Victoria. Key priorities, also set out in other chapters of this paper, include:

- improving productivity through investment in infrastructure, skills, creating competitive markets and reducing business costs
- growing economies and export markets to support Victorian businesses through enhanced international engagement
- strengthening capacity to fund infrastructure, maintain high quality services and keep taxes competitive
- supporting industries and employees in transition.

5.3 Indigenous community linkages

The Issues Paper highlights the importance of enhancing the engagement of Indigenous communities as a key area where agricultural development can better benefit regional communities.

The Victorian Government’s \textit{Victorian Aboriginal Economic Strategy 2013 – 2020}\textsuperscript{37} recognises that there is often a labour demand–supply correlation between the geographical location of rural and regional based industries and Aboriginal communities which could bring mutual benefits.

Aboriginal people continue to express an interest in participating in primary industries and many Aboriginal Victorians have a preference to continue to reside in their local communities for work. Combined with these positive factors for increasing Aboriginal employment in regional locations, is a recent growth in the number of Aboriginal students undertaking education and training in some areas of agricultural skills need.\textsuperscript{38}

The \textit{Victorian Aboriginal Economic Strategy 2013-2020} advocates for place based approaches that better link education and training and employment placement strategies for jobseekers. There are a range of supply and demand factors, including the need for closer local relationships, that government, education and training providers, industries and communities need to address together to realise the potential for more Aboriginal people to gain employment in agriculture.

One opportunity to better link education, training and employment placements is through freehold title properties held by Aboriginal communities that currently do, or may, generate important economic benefits such as through agricultural production.

\textsuperscript{38} Department of Primary Industries (2012) Exploring Aboriginal Job Prospects in Victoria’s Primary Industries, unpublished
Chapter 6: Improving the competitiveness of inputs to the supply chain

6.1 Skills, training and human capital

**Key points**

- Raising the profile of the agriculture and food sector in school curriculums can better engage and attract young people to agriculture.
- Retaining young people depends on competitive wages and working conditions, and clear paths for career development.
- Commonwealth action is needed to establish flexible, practical visa settings that meet industry needs. There is also an opportunity for the Commonwealth to expand the overseas Seasonal Worker Program and build awareness of the Skills Passport scheme.

The agriculture and food product manufacturing sectors are currently facing skills shortages, some of which are classified as ‘specialist’. There is a predominance of low-skilled workers in these sectors, despite sectoral trends towards jobs requiring higher skill levels and Victorian Education and Training (VET) qualifications.

Farmers (and farm workers) have lower rates of post-secondary qualifications than most other sectors of the workforce. Formal training qualifications and enrolments in the farming sector are concentrated in the under 25 age group. This outcome can be explained by the demographic structure of farming and the nature of career progression in farming. Completion rates of agricultural qualifications (at a range of levels) are low as people seek particular skill sets and choose not to complete a full qualification.

Research has shown that the farming workforce prefers practical, industry-specific training. Non-formal learning also has a high value (e.g. extension groups, networking with other farmers, on-the-job experience). Farmers often seek formal learning to address immediate and specific skill gaps, learn enterprise-specific skills, understand new technologies and to achieve compliance with regulated standards such as health and safety. In addition to enterprise specific skills, investment in general business and management capabilities will be important to the future of the sector. Profitable farm enterprises often have owners and managers with a high level of business management and staff management skills.

**Skills and training**

Across the sector, new technologies and practices are reducing opportunities for low-skilled roles and increasing the demand for higher skilled workers. However, just over half of the agricultural, meat and bakery workforces have no post-school qualifications, compared to 39 per cent for all other industries.

The *Victorian Training Guarantee* gives Victorians access to government subsidised nationally recognised training. Under the Training Guarantee, enrolments in agriculture,
fishing and food manufacturing courses grew from around 13,500 in 2010 to nearly 15,000 at September 2013. Given these increases, it is critical that the sector has access to high quality graduates with the right skill set. To this end, the Victorian Skills Gateway – a one stop shop for vocational training in Victoria – enables people to find information about where they can find the right training. The Rate Your Training website enables employers to confidentially rate the training their employees have received for the benefit of other employers seeking training.

The Victorian Government has also launched the ‘Grow Your Food and Fibre Career’ website, which highlights opportunities and pathways for young people seeking a career in food and agriculture. Secondary school students can access specific information to move along career pathways into food and agricultural tertiary study, vocational training and jobs. A focus in 2014 will be on career development in schools that offer agricultural science and food technology studies, through a government-funded careers officer based at the Victorian Farmers Federation.

In 2011, the Victorian Minister for Higher Education and Skills called for a parliamentary inquiry into agriculture, education, and training. The inquiry focused on improving and promoting agricultural education and training for Victorian students. Relevant to the Commonwealth, the report highlighted the benefits for students if food and fibre production examples were integrated into the general school curriculum. The report also called for advocacy to ensure that the profile of food and fibre production is increased as the new Australian Curriculum is introduced. The Victorian Government is working with industry and others to implement its response to the inquiry.

Human capital: factors affecting young farmer retention

In 2011, the Victorian Government called a Parliamentary Inquiry into the capacity of the farming sector to attract and retain young farmers and respond to an aging workforce. The Victorian Government’s response to the inquiry included a significant review of factors affecting the retention of young farmers.

The review found that since 1976, the number of young persons in farming has fallen by 75 per cent. Much of this decline can be explained by factors that are unrelated to the “attractiveness of farming” as a career. These factors include the declining number of farms, the ageing of the Australian workforce, later farmer retirement and changing partnering behaviour.

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### Factors affecting young farmer retention

**Fewer farms:** The main cause of the decline in young farmers is the decreasing number of Australian farms. This explains at least 68 per cent of the reduction in the young farmer population.

**Changes in the Australian workforce:** The age structure of the Australian workforce has changed significantly over the past 30 years. As baby-boomers age they are increasing the share of the workforce in older age groups. Meanwhile, Australians aged under 25 years have been entering the workforce later. These changes have flowed through into the farming population, explaining almost ten per cent of the decline in the young farmer population.

**Later farmer retirement:** Older farmers are farming longer and retiring later. Farming till later in life will delay the opportunity for younger persons to enter farming. This accounts for approximately eight per cent of the decline in the young farmer population.

**Changed partnering behaviour:** Many women become farmers by marrying a farmer. The age of first marriage has risen since the 1970s. This has meant women are entering farming partnerships later than a generation ago. This explains two to three per cent of the decline in the young farmer population count.

**Farming less attractive:** Together these above changes explain at least 86 per cent of the decline in the number of young farmers. A portion of the remaining unexplained 14 per cent of the decline may be attributed to the declining attractiveness of farming as an occupation.

Australia has many small farms and a small number of large farms. A quarter of Australia’s farms comprising larger enterprises produce 75 per cent of Australian agricultural output. These larger farms are more likely to attract younger entrants to farming through family succession or in paid management roles.

Attracting young people requires a positive image, but retaining them depends on competitive wages and working conditions, and clear paths for career development. Becoming better managers of people is a key challenge for industry. Fundamentally, competitive opportunities can only be offered by businesses that are profitable, so industry and government must continue to invest in productivity improvements. This principle underpins the Victorian Government’s approach to improving the attractiveness of agriculture as a career.

**Human capital: visa requirements**

Commonwealth action is needed to establish flexible, practical visa settings that meet industry needs. In particular, industry has identified concerns about the impact on the complexity and time required to complete 457 visa applications. A further limitation on the uptake of 457 visas in agriculture is the restriction on occupations that are eligible. There are industry concerns that the Consolidated Skilled Occupations List (CSOL) and occupation descriptions are outdated and do not reflect the modern agricultural skill sets and skill shortages.
The opportunity to recruit through the 457 visa remains open through negotiation of a labour agreement, where a skilled or semi-skilled occupation is not listed on the CSOL. However, there are no existing labour agreements in agriculture and it is likely that this is at least partly due to the considerable burden created by the negotiations with government, which can take six months to complete.

There is also scope for the Commonwealth Government to expand the overseas Seasonal Worker Program (where this helps meet labour demand that cannot be met locally) and strengthen its relevance to industry needs; and to also build awareness of the Skills Passport scheme to improve access to seasonal labour.

The Victorian Farmers Federation has concerns with the employer eligibility criteria for Working Holiday visas. The Federation is seeking to change the criteria from postcode-based, to being available to anyone who is an Australian Taxation Office registered primary producer.

6.2 Innovation, Research, Development and Extension

Key Points

- Strategic and collaborative investment in research and development is necessary to achieve productivity growth and responsiveness to consumer preferences.
- The National RD&E Framework has identified priorities for investment. Commonwealth Government leadership is required to ensure ongoing commitment to and implementation of the strategies.
- There is an opportunity for public sector agricultural RD&E organisations in Australia to leverage co-investment from global-scale private sector agricultural RD&E corporations as has been achieved in Victoria with internationally recognised agricultural biotechnology capability.
- Relevant and accurate information on the application, implementation and benefits of biotechnology needs to be communicated to consumers and industry. The Commonwealth Government could play a leadership role in communicating on this issue.

Innovation and RD&E are key drivers to improving the competitiveness of Australian agricultural and food industries. The importance of RD&E in the agriculture sector has increased due to the declining rate of productivity growth in this sector. Government investment in RD&E is critical in instances where technical risks are higher, it is difficult for industry to capture the benefit and is reluctant to invest, and where spill-overs across industries occur.
Dairy Mega Evaluation: Benefits of pre-farm gate RD&E in the dairy industry

In November 2010, Dairy Australia and the then Department of Primary Industries Victoria, with support from the Gardiner Foundation, agreed to jointly conduct a high level evaluation of the impact of government and industry investment into pre-farm gate RD&E from 1980–2010.

The evaluation was conducted to provide guidance on how to improve future investment in RD&E to enhance the competitiveness, productivity and sustainability of the dairy industry.

The evaluation found that dairy industry production would have declined were it not for industry driven (internal) improvements over the past three decades such as better pasture management and supplementary feeding systems.

It found that Australian farmers have been able to double milk production despite challenging financial and climatic conditions, due in large part to RD&E, which has been a major contributor, particularly in pasture management, supplementary feeding and cow genetics. RD&E accounts for almost half (46 per cent) of total production gains in Victoria’s dairy industry.

The payoffs and distribution of payoffs from RD&E along the food value chain depend on many interacting economic factors. Productivity improvement from RD&E on-farm may benefit processors while improvements post-farm may benefit farmers. The distribution of payoffs along the value chain differs by the nature of change that RD&E induces, the products produced and the markets that are supplied. Understanding these interactions is important to allocating RD&E funds effectively.

The Victorian Government was involved in work undertaken by the Centre for International Economics (CIE) for the CSIRO that quantified payoffs from R&D along the food value chain using a general equilibrium model of the Australian economy with detailed farming, processing and marketing information. The model was used to assess potential payoffs and distributions from various R&D scenarios that lead to demand expansion and productivity improvement. A key finding was that for those industries that were export focused, the farming sectors are likely to benefit from successful R&D into the food processing part of the supply chain. This is because the R&D outcomes increase the derived demand for their products, and, for processors to profit from their successful R&D they will need to pay farmers more to induce increased levels of supply.

National Primary Industries RD&E Framework

National RD&E strategies have been developed for 14 industry sectors and 7 cross sector issues. These strategies have already encouraged more innovation, developed R&D priorities, led to more involvement from industry in RD&E, and identified key areas of investment to improve productivity. The National Primary Industries RD&E Framework (the Framework) has enhanced collaboration and coordination between the parties, focussed national research capability to better address sector and cross sector issues and focussed RD&E resources so they are used more effectively and efficiently.

Centre for International Economics (2012) Payoffs from Research and Development along the Australian Food Value Chain: A General Equilibrium Analysis
Victoria has provided a leadership role in the development and implementation of the Framework, both through the chair of the Primary Industries Standing Committee RD&E Committee and leadership roles in the development and implementation of strategies for Dairy, Grains, Meat, Horticulture, Animal Welfare, Climate Change and Biosecurity. A 2012 independent review of the Framework identified further opportunities for enhancing its effectiveness.47

Victoria has also supported the development of national cross-industry RD&E strategies under the Framework, with DEPI taking a leadership role in the development and implementation of the national strategies for Food and Nutrition, Water in Agriculture, Plant Biosecurity, Climate Change, Animal Welfare and Soil. Sustained commitment to and investment in cross-sectoral strategies is critical.

Implementation of RD&E strategies have been slow, and significant opportunities still exist for collaboration and co-operation across industry, state agencies, CSIRO and universities to implement the national RD&E strategies, and invest in RD&E in line with the Framework. Victoria considers that, while major change is unnecessary, there is opportunity for the Commonwealth to lead in facilitating an improvement in collaboration between all parties.

Victoria’s Growing Food and Fibre initiative

Victoria’s recognition of the importance of RD&E is reflected in the recent Growing Food and Fibre initiative,48 which targets investment in key areas of importance to Victoria and strengthens Victoria’s contribution to the national dairy, grains, meat and horticulture strategies established under the Framework.

This initiative is an additional $61.4 million investment over four years, with $15.7 million ongoing funding in subsequent years which includes:

- $14.3 million over four years and $3.7 million per annum ongoing in Victoria’s dairy industry that focuses on new technologies that will rapidly increase the rate of genetic improvement in dairy cattle and new feeding systems that will improve feed conversion and water use efficiency
- $10.6 million over four years and $2.7 million per annum ongoing in Victoria’s grains industry that will focus on the development of new technologies that accelerate genetic gains in the yield and quality of cereal, oilseed, and pulse crops
- $8.9 million over four years and $2.3 million per annum ongoing in Victoria’s red meat (lamb and beef) industry that focuses on new management practices to improve livestock fertility, weaner survival and pasture utilisation
- $8.1 million over four years and $2.1 million per annum ongoing in Victoria’s horticulture industry that will focus on the development of new orchard production systems for pears, stonefruit and almonds.

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Private sector investment in RD&E

In other countries with significant agricultural sectors, such as the US, the private sector is becoming a more important source of funding for agricultural RD&E. Public sector RD&E organisations in North America and Europe appear to regularly work cooperatively with private sector organisations, to the mutual benefit of the sector and the wider community.

Based on the best available estimates, the total public sector investment in agricultural RD&E in Australia annually is approximately $1.2 billion. The level of private sector investment in agricultural RD&E in Australia is less certain. A survey completed by the Australian Farm Institute in 2011 estimated that the total annual investment could be between $100 million and $200 million. This means that private sector investment levels in Australia are between 10% and 20% of public investment levels, markedly different to the 50:50 public/private split estimated for the US.

There is significant opportunity for the Commonwealth and other public sector agricultural RD&E organisations in Australia to leverage co-investment from global-scale private sector agricultural RD&E corporations.

Food safety RD&E

Managing emerging food safety risks is another key focus for DEPI. Food safety is critical to market access. Managing these risks effectively and at the most efficient point in the supply chain not only needs adequate food safety systems but also requires improving knowledge and understanding of the current and emerging food safety risks through RD&E and communication with industry.

In 2012, DEPI commissioned an independent review into Victoria’s food safety RD&E priorities in the agriculture and fisheries sectors. The review recommendations included the development of a national food safety RD&E strategy and a national framework for establishing investment priorities in food safety RD&E in the agriculture and fisheries sectors; and a national food safety forum comprising food safety policy makers and regulators, market access personnel, RD&E service providers, and peak industry organisations be convened annually to determine national food safety research priorities. While Victoria can play a lead role in these initiatives, the Commonwealth could provide important endorsement and leadership to move these intergovernmental projects forward.

Biotechnology leadership

A key challenge in the uptake of biotechnology, especially gene technology, in agriculture is the tension between consumer concerns about new technologies and the need for agriculture to adopt new technological solutions to increase productivity.

The Commonwealth Government should lead increased effective communication efforts to ensure industry and consumers have relevant and accurate information on the application, implementation and benefits of biotechnology in agriculture in Australia.

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49 Astin A (2012) Review of Victoria’s Food Safety Research, Development and Extension (R,D and E) Priorities in the Agriculture and Fisheries Sector, unpublished report undertaken on behalf of the Victorian Department of Primary Industries
Communication efforts should also include the provision of information on the role of the Commonwealth Gene Technology Regulator and Australia’s rigorous gene technology regulatory system. Key health experts within the Commonwealth Government, along with Food Standards Australia New Zealand (FSANZ), should also provide information to the public about the safety of consuming GM products, and other foods that have been produced or processed using biotechnology.

6.3 Infrastructure

Key points

- Commonwealth co-investment in infrastructure initiatives that will improve industry’s capacity to move export products efficiently from the farm to ports could have large benefits for the agriculture sector. For example, upgrades to the strategically important Mildura rail line are necessary to address risks to the supply chain for commodities, such as grains and horticulture.

Victoria is Australia’s freight and logistics capital. The Port of Melbourne is Australia’s largest port, and Melbourne Airport recently overtook Sydney Airport in airfreight throughput.

The Victorian Government is ensuring the State's leading export infrastructure has the capacity to meet the demands of current and future rural industries, with major recent investments in road, rail and ports. In 2013 the Victorian Government released *Victoria – The Freight State*, outlining a long-term strategy to improve freight efficiency, increase productivity and better connect Victorian businesses, including the food sector, to domestic and international markets.

Both State and Commonwealth infrastructure strategies should aim to provide greater certainty to the agriculture and food sectors in planning for their own investments, which often entail long lead times.

Transport infrastructure

The Victorian Government is investing $28 million as part of its *Transport Solutions* program in 30 carefully targeted projects designed to support regionally based export industries by reducing bottlenecks and improving transport flows. Projects have been developed in collaboration with local government and industry and include road and intersection upgrades, bridge strengthening and improved truck rest areas.

The Victorian Government is also taking steps to increase the deployment of high productivity freight vehicles. The *Moving More with Less* initiative (which has established a ‘Cubic Freight Network’ for longer vehicles operating in Victoria) includes the identification and progressive implementation of a strategic ‘Mass Freight Network’ for access by heavier vehicles.

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50 Department of Transport (2013) *Victoria the Freight State*, Victorian Government


Ports

Victoria’s ports are vital gateways for commodity exports and manufactured products. Several actions being taken under *Victoria – The Freight State* will boost the capacity and efficiency of Victoria’s ports. The Victorian Government has recently announced $110 million to progress the Port of Hastings development to create a world-class container port with land-side transport connections at Hastings.

Opportunities exist to increase the efficiency of customs clearance for food exporters. At present, multiple clearances are required to export food to ensure compliance with Australia’s international obligations, quality requirements and national security interests. Many of these clearances can only occur at ports. Changes to these processes, such as the location of the clearance checks in regional intermodal hubs, would provide significant efficiency benefits for Victoria’s regional food exporters.

Rail

*Victoria – The Freight State* includes a number of strategies and initiatives to increase the capacity and efficiency of the rail network and encourage greater use of rail to move freight. The Government is tackling major bottlenecks along the state’s rail network through targeted infrastructure upgrades, including through co-investment with the private sector.

Moving products efficiently and reliably is integral to the international competitiveness of Victorian products, especially for price sensitive commodities such as grains. For example, 26 per cent of Victoria’s total grain crop (1.125 million tonnes) is transported on the Mildura and Hopetoun rail lines. The export income transported on these two corridors alone is in excess of $1 billion annually. The Mildura rail line is Victoria’s busiest intrastate rail line for freight. It also moves grain and horticulture (citrus, wine grapes, table grapes) to the Port of Geelong for export.

The current condition of the Mildura rail line restricts rail speeds in some stretches to as low as 40 km/hr. This compromises industry’s ability to optimise just-in-time supply chain requirements for export markets, putting at risk export revenues and jobs, and opportunities to capture new contracts.

Victoria needs to work with the Commonwealth and private sector to co-invest in initiatives that will improve capacity to move export products efficiently from the farm to ports including upgrades to the Mildura and other priority rail lines and intermodal hubs.

Victoria also supports further investigation into the potential for standardisation of the Mildura rail line, including assessing the feasibility in the longer term of a new link from Mildura to the transnational network to the north, to facilitate the efficient, reliable and cost-effective transport of produce destined for export.
Airfreight

Airfreight represents less than one per cent of Victoria’s import/export trade by volume, but accounts for over 20 per cent of trade by value. Moving freight by air is especially critical for high-value, time-critical goods, including fresh food products, such as chilled meat, seafood and fruit.

The Victorian Government’s efforts are focused on keeping Melbourne and Avalon Airports curfew-free, maintaining efficient road freight access to these airports for exporting firms and supporting the development of major new freight precincts and handling facilities at both airports.

6.4 Agriculture and veterinary chemical use

**Key points**

- The APVMA needs to consider domestic productivity impacts when determining regulatory controls for supply of agvet chemicals. Regulatory controls significantly impact on the ability of Australian farmers to produce commodities of a suitable quality and yield to meet market demands.

- Commonwealth action is required to resolve regulatory issues relating to low level residues in food. This is a problem for primary producers, particularly those in the horticulture sector. Trace amounts of chemical residues are not a public health issue, but as they constitute a technical breach of the Food Standards Code, producers risk product being rejected by supermarkets and export markets.

One of DEPI’s high level objectives is to achieve productive and competitive agricultural industries through maintenance of market access for Victorian producers. Access to effective agricultural and veterinary (agvet) chemicals is critical for Victorian farmers to produce food and fibre of high quality and yield.

Australia’s market for agvet chemicals is only 1-2 per cent of the world market. The loss of chemicals from the market therefore has significant implications for primary producers. The Commonwealth Government, in determining regulatory controls for supply of agvet chemicals, needs to consider the impact on the ability of Australian farmers to produce commodities of a suitable quality and yield to meet the demand of production markets.

Victoria’s regulatory system is performance outcome and risk based. It contains three main components: management of high risk chemicals and uses, primarily through a training and permit scheme; an auditing and monitoring program which provides feedback on chemical use practices and less prescriptive regulatory requirements and associated support of industry risk management approaches, for example, quality assurance.

Regulation of low level residues in food continues to be a problem for primary producers, particularly for the horticulture sector. Victoria raised the issue of ‘zero tolerance’ of residues in the Food Standards Code where no chemical has been registered by the Australian Pesticides and Veterinary Medicines Authority (APVMA) for the particular crop in question. It

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5 Department of Environment and Primary Industries (2014) Food to Asia Action Plan, Victorian Government
is accepted that trace amounts of chemical residues are not a public health issue, but as they constitute a technical breach of the Food Standards Code, producers risk product being rejected by supermarkets and export markets.

This issue has been without resolution. Victoria notes that FSANZ had advised that a consultation paper was to be released some months ago on changes to the Food Standards Code but that the APVMA subsequently raised concerns with FSANZ. This is an issue that requires leadership and collaboration between the two Commonwealth agencies to enable this long standing issue between primary producers and jurisdictions to be resolved.

6.5 Effectively managing land, water, and energy resources

Key points

- Policy settings and extension activities should encourage the efficient use of land, water and other natural resources. Improvements in this area are necessary to enhance industry competitiveness and are essential in adapting to the challenges of a changing climate.

Water Resources

DEPI’s water management programs\(^{54}\) reduce costs and increase the resilience and competitiveness of Victoria’s agricultural and food sectors, while making sure that rivers and aquifers remain healthy. Examples include:

- Flexible water markets, where entitlement holders are able to make more informed decisions on risk via trade as a result of the new carryover arrangements for surface water entitlements in regulated systems. Improvements are being made to the flexibility of trade in groundwater and unregulated systems.
- Sustainable Irrigation Program, which develops and implements Land and Water Management Plans to reduce the environmental impact of irrigation and improve farm water use efficiency. The project receives annual state funding of about $11 million.
- On-farm efficiencies, which is a cost sharing incentive for irrigators to undertake whole farm surveys and planning. Further funds are available for works to transition to water efficient farming.
- Dryland and Salinity Program, where sustainable water management will be promoted on dryland farms with a focus on advice on how to cope with low or variable water supply.

Soils

Victoria welcomes the finalisation of the National Soils RD&E Strategy to ensure soils research becomes more targeted and collaborative. The importance of the soil resource base to sustainable food production is recognised by Victoria in DEPI’s *Soil Health Strategy* and *Soil Health Policy for Productive Agriculture*. Both these strategies articulate the soil health management goals, outcomes and actions to guide planning and government investment in soil health across public and private land for environmental benefits in Victoria.

Energy Resources

The Commonwealth Issues Paper highlights the significance of energy costs to farm productivity, as well as to consumers and the environment. Historically, Victorians have enjoyed some of the lowest electricity and gas prices in the industrialised world, driven by the abundant and easily accessible brown coal resource in the Latrobe Valley and Bass Strait oil and gas fields. This has been a major competitive advantage, and underpinned economic growth and job creation. However, brown coal is highly carbon intensive and may become less viable in a carbon constrained future.

The Government believes Victoria's brown coal resource still constitutes a strong competitive advantage in global markets and is exploring less carbon intensive uses for brown coal. Through the Energy Technology Innovation Strategy, the Government is seeking to encourage economically viable, high value and low emission uses of brown coal. The Government is also exploring how a coal allocation tender could assist in developing Victoria's coal resource.\(^{55}\)

Land use planning

Decisions about land use planning and zoning are the responsibility of state, territory and local governments. The Commonwealth Agricultural Competitiveness White Paper should recognise regional differences, and that jurisdictions need to maintain the ability to manage competing land uses.

The Victorian land use planning system supports food and fibre production and the maintenance of rural areas for agriculture. The State Planning Policy Framework (SPPF) contains clear statements about maintaining agricultural and rural land.\(^{56}\) The SPPF states that new urban use and growth should be located where infrastructure, transport and associated services exist. It is government policy that the Victorian planning system maintains areas for rural, agricultural and associated natural resource uses while also enabling farmers to adapt and adjust their businesses.

The *Securing Victoria’s Economy*\(^{57}\) strategy also highlights broader actions taken by the Victorian Government in land development for regional Victoria. The government has approved significant new land releases in regional Victoria, which have increased residential supply in Geelong, Ballarat, and the Latrobe Valley, regions identified in chapter 5 as key growth areas vital to Victoria’s future agricultural productivity.

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\(^{55}\) *Securing Victoria’s Economy: Planning, Building, Delivering (2012)*, Victorian Government

\(^{56}\) Department of Transport Planning and Local Infrastructure, *State Planning Policy Framework*, Victorian Government

\(^{57}\) *Securing Victoria’s Economy: Planning, Building, Delivering (2012)*, Victorian Government
Chapter 7: Reducing ineffective regulations

Key points

- Commonwealth regulations have a significant impact on agricultural and food businesses. While many of these are not specific to the sector, they should be regularly reviewed to ensure they are not imposing unnecessary burden or barriers to innovation or transformational change.
- The Commonwealth must play a leadership role to improve the operation of the existing intergovernmental food regulatory system to ensure better regulatory outcomes.
- Evidence to justify using the food regulatory system to address preventative health and consumer values issues is essential to ensure there is not a disproportionate level of regulatory burden on the food processing industry relative to benefits for consumers.

7.1 General regulations

Reducing unnecessary regulatory burden frees business and government resources from compliance activities, allowing for investment by businesses in areas which are key drivers of competitiveness for Australia’s food sector, such as R&D and innovation.

Most regulatory regimes that impact on businesses throughout the food chain are not food sector specific, as they apply to all businesses or business activities. Examples include taxation laws, industrial and employment laws, occupational health and safety laws, environment and conservation laws (including water and native vegetation control) and planning legislation. The Victorian Competition and Efficiency Commission have found that compliance with laws such as taxation and employment laws constitute the largest day to day burden on the food industry.58

The Commonwealth Government needs to consider the impact on food industries of Commonwealth legislation not specifically related to the food industry. For example, optimising labour productivity through labour laws is vital to Victoria’s trade-exposed food sector, both in manufacturing and in food services and hospitality.

The Victorian Government supports a food sector regulatory reform agenda that is driven by industry and focussed on achieving outcomes, while still meeting regulatory objectives. Genuine industry consultation through early and ongoing engagement on regulatory reform proposals builds the evidence base for future regulatory reform and achieving outcome based reform which provides genuine value to Australia’s food sector.

7.2 Regulations administered by DEPI

The Victorian Government is committed to ongoing leadership in policy and regulatory reform that enhances the productivity and competitiveness of the Victorian economy. The Victorian Government has a comprehensive program to improve the efficiency and

effectiveness of regulation, including a whole-of-government target to reduce red tape by 25 per cent by July 2014.

DEPI works with other Victorian Government agencies and the Victorian Red Tape Commissioner to:

- identify regulatory issues by reviewing DEPI programs and through industry consultation
- develop solutions to address key concerns
- deliver reforms that reduce the regulatory burden for the agriculture sector.

DEPI has established a range of regulatory reform initiatives across its Agriculture and Food Security, Water, and Environment and Climate Change portfolios. Recent examples include:

- removing trade restrictions for a large proportion of previously regulated potato growers, while still protecting the industry from the threat of potato cyst nematode
- improving access to perishable 1080 bait products for landowners with pest issues
- focussing weed control obligations for landholders on situations where regulation can deliver significant net benefits
- replacing multiple sets of differing by-laws of water corporations and catchment management authorities with primary legislation and regulations that will contain uniform, streamlined laws
- streamlining reporting requirements for water corporations
- consolidating various instruments managing Victoria’s water resources into streamlined Water Resource Management Orders
- reforms to native vegetation clearing regulations to increase flexibility and reduce delays
- improving the approvals and audit processes of the Environment Protection Authority.

7.3 Victoria’s food regulatory system

Victoria’s food regulatory system, of which food safety regulation of primary production and processing forms one part, is integrated with a nationally coordinated system, where policies and standards are developed nationally and implementation is the responsibility of the states and territories and local government.

The Commonwealth, therefore, has a significant opportunity to influence the development of food safety regulation that impacts on agricultural businesses, such as primary production and processing standards in the Australia New Zealand Food Standards Code.

Victoria recognises that Australia must have robust food safety systems to support export success. However, Victoria considers that there is room to improve the operation of the existing intergovernmental food regulatory system to ensure better policy outcomes.

Victoria notes the intention by the Food Regulation Standing Committee of the national Legislative and Governance Forum of Food Regulation (FoFR) to improve policy development processes affecting primary production and food processing sectors. The Victorian Government has raised concerns in the past within the Forum about the impact of regulatory measures on these sectors.
Greater emphasis on problem definition, early engagement of stakeholders to help identify potential solutions and consideration of non-regulatory measures are important to deliver desired outcomes while minimising costs to industry and government.

Improved policy development processes are particularly important with the increasing demand from public health advocacy groups and some sectors within the community for the food regulatory system to be used to address preventative health and consumer values issues. These have the potential to lead to a disproportionate level of regulatory burden on primary producers, the food industry and government relative to benefits to consumers.

As the chair of the FoFR, the Commonwealth needs to play an active leadership role to encourage reforms to improve the way food policy and regulation is developed. This is within the context that the states and industry bear the costs of implementation.

There is also scope for increased engagement by all jurisdictions’ primary industries portfolios in food policy and regulation, especially in light of current and emerging proposals for new kinds of regulation affecting the primary production and processing sectors. The Food Regulation Agreement was designed to ensure a balanced approach to food policy by enabling ministers responsible for primary industries to be members of the FoFR along with health ministers. This balance is at risk where jurisdictions have a marginal food industry or do not represent a whole of government approach.

The recent Victorian Parliamentary inquiry into the impact of food safety regulation on farm provided a useful insight into the need for all jurisdictions to work together to more effectively apply COAG’s principles for best practice regulation to the development of national food standards. In particular, where regulatory intervention is considered appropriate, regulation needs to be implemented in a way that is transparent and proportionate to risk, and that does not impose unnecessary costs to industry, regulators and, inevitably, consumers and taxpayers. There should always be adequate consideration of co-regulatory, self-regulatory and non-regulatory options, as well as guidance for businesses on how to comply with regulations that reduce costs.

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Chapter 8: Enhancing Agricultural Exports

Key points

- Negotiating and facilitating access to international markets is an essential role for the Commonwealth Government.
- Victoria is looking for cooperation and leadership from the Commonwealth on trade policy, including free trade agreements. Victoria expects the Commonwealth to negotiate trade agreements and protocols with other countries that minimise regulatory impost and recognise Australia’s food safety and regulatory system.
- The Commonwealth should play a leadership role in facilitating collaboration across states in relation to international engagement, and sharing trade information to inform and increase business participation in exporting.
- Australia’s biosecurity status is critical to accessing markets. Victoria supports improved national coordination and collaboration of fruit fly management and is seeking a consistent approach to fruit fly research; a review of the national code of practice; the establishment of an agreed definition for Pest Free Places of Production and low pest prevalence areas; as well as alternative phytosanitary controls.
- Effective, robust systems at the border to protect Australian agriculture from costly and potentially devastating incursions of exotic pests and diseases are essential. Continued Commonwealth investment and collaboration with states and territories to have sustainable, risk-based approaches are necessary to support this.

8.1 Victoria’s agricultural exports

Victoria produces and exports more food and fibre than any other state from just three per cent of arable land. Food and agriculture industries are Victoria’s largest export sector (valued at $9.4 billion in 2012-13),\(^6\) a major employer, and a vital part of the state’s economy.

Australia currently produces significantly more food than is required for domestic consumption. As such, exports underpin returns to growers on the domestic market. To ensure the profitability of the food and agribusiness sector and sustain Australia’s production base, export growth is essential. In response to growing global demand for agrifood commodities, the Victorian Government has set a goal to double agricultural production by 2030.

The rapid growth in Asia’s consumer class presents many new opportunities to put more Victorian food and beverages on Asian tables. The Issues Paper highlights that Asia is a key focus for agricultural exports. The extent to which Victoria’s food sector can capture the opportunities presented by Asia’s growth depends upon its ability to produce higher-value commodities and premium products that are appealing to Asia’s consumers, particularly where Victoria retains a comparative advantage.

\(^6\) Department of Environment and Primary Industries (2014) Food to Asia Action Plan, Victorian Government
As mentioned previously, the Victorian Government has released the Food to Asia Action Plan, which aims to position Victoria’s food sector to increase both the value and volume of exports to Asia’s consumers. This will promote long-term economic growth and sustainable jobs, particularly in regional and rural Victoria. Seven areas have been identified where strategic intervention by the Victorian government, in partnership with industry, is warranted to support this objective. One of these objectives is improving market access.

**DEPI’s role in supporting technical market access submissions**

The Commonwealth Department of Agriculture has the primary role in negotiating technical market access requirements on behalf of Australia. However, given the rapidly escalating number of requirements that need to be managed and negotiated, DEPI can play a vital supporting role, such as with scientific work to support technical market access submissions.

A good example is the Victorian Government’s key project *Changing Global Markets – Agriculture’s Response*. DEPI’s Trade and Investment Branch progressed market access for Victorian table grapes to China by marshalling the resources of other sections of DEPI (Biosecurity Victoria, Biosciences Research) to support collaborative work with the Australian Table Grape Association (ATGA) and Biosecurity Australia.

DEPI worked with the ATGA as part of a specific-purpose committee to develop a technical market access request through the Horticultural Market Access Committee of Horticulture Australia Limited. DEPI then led the development of the market access submission on behalf of the ATGA. For this submission, DEPI was able to enlist the expertise of its scientists to include information on protocols and strategies to control key pests, such as the Queensland fruit fly. This work was submitted to the Commonwealth to inform bilateral negotiations relating to access of Australian table grapes to the Chinese market.

**8.2 Examples of key trade and investment DEPI studies**

**CIE report: Higher value foods: responses in the value chain**

A CIE report *Higher value foods: responses in the value chain* commissioned by DEPI indicates that where market access problems are overcome, export prices are a key driver of profitability. In the horticulture sector, a ten percent increase in export prices boosts profitability by more than double an equivalent increase in domestic demand. Similarly, in dairy a one per cent increase in foreign market access is worth more than double an equivalent increase in on-farm productivity or processing efficiency.

The same report also shows that on-farm value capture is assisted by strong export demand and hindered by reliance on domestic markets. In beef, a one per cent increase in export demand delivers a significantly higher increase in value add than an equivalent increase in on-farm productivity, processing efficiency or domestic demand.

**Evaluation of the Growing the Demand for Victorian Food (GDFV) Initiative**

GDFV was a three-year, $1.5 million strategic initiative which facilitated the appointment of two agrifood specialists in Bangkok and New York to capitalise on trade and investment liberalisation following the passage of FTAs with Thailand and the US in 2005. GDFV
provided numerous ‘first-mover’ advantages leading to over $15 million of new Victorian agrifood exports and $18 million of new foreign direct investment to Victoria.

An evaluation of the Thailand component of the GDVF program as part of the independent *Evaluation of the International Market Development Program* commissioned by the Victorian Government indicated that the placement of an energetic and highly skilled agrifood representative in this market delivered a return on investment of over 30.

The program provided clear opportunities to leverage the Commonwealth Government’s in-market activities and highlights the importance of the Commonwealth’s off shore presence. The program also enabled international relationships that will yield legacy outcomes into the future.

**8.3 Trade missions**

The Victorian Government facilitates export market development though its trade mission program and through the Victorian Government’s *International Engagement Strategy*. Victoria’s ongoing Trade Mission Program focuses on growth markets in Asia and the Middle East. Since November 2010, the Government has delivered 65 outbound trade missions, 23 with a focus on the food sector. More than 750 food companies have participated in trade missions in this period.

Victoria’s international network of VGBOs actively supports food companies with trade and investment activities. Eleven of these offices are located in Asia and the Middle East.

In March 2014, Victoria hosted the second International Food and Beverage Trade Week, bringing around 240 key food and beverage buyers from across Asia to Victoria for a program of activities designed to encourage new trade. Early results are extremely positive and include a contract to ship $3m worth of table grapes to China. Continued trade missions and off shore representation at the Commonwealth level are critical in achieving national priorities and can complement state initiatives.

**8.4 Biosecurity**

Effective, robust systems at the border to protect Australian agriculture from costly and potentially devastating incursions of exotic pests and diseases are essential. Continued Commonwealth investment and collaboration with states and territories to have sustainable, risk-based approaches are necessary to support this.

DEPI Biosecurity aims to minimise the impact of pest, disease, invasive plants and animals, chemical use and residues, and animal welfare incidents upon market access, and the environment and production systems, while ensuring food safety and public health.

Victoria has a Biosecurity Strategy to protect and enhance productivity and market access. The Department works collaboratively with the Commonwealth to ensure good market access. For example, the Department of Agriculture’s National Produce Monitoring System

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62 Department of Environment and Primary Industries (2014), Trade and Investment Branch, Victorian Government

63 This strategy complements the National Plant Biosecurity Strategy
(NPMS) is supported by DEPI, which conducts trace-back investigations into any detections of unacceptable residues in produce. This allows chemical use practices that lead to unacceptable residues to be addressed, before such residues cause market access issues in export markets.

To improve biosecurity outcomes in the red meat industry, Victoria participates in the National Livestock Identification System for identifying and tracing cattle. Victoria is supporting industry to adopt electronic identification for sheep and goats to further improve biosecurity outcomes. Victoria’s Foot and Mouth Disease (FMD) Action Plan is being implemented and national coordination and monitoring is needed to review and report on Australia’s level of FMD preparedness.

The Victorian Government works closely with the horticulture industry to maintain efficient regulatory systems for Victorian horticulture produce to ensure biosecurity incidents are avoided where possible or effectively contained, and that the state’s reputation for safe produce is preserved and acknowledged. Victoria supports improved national coordination of fruit fly management. Victoria is seeking a consistent approach to fruit fly research; a review of the national code of practice; the establishment of an agreed definition for Pest Free Places of Production and low pest prevalence areas; as well as alternative phytosanitary controls.

DEPI Biosecurity aims to minimise the impact of invasive animals on the environment and production systems. DEPI has a five-year plan for managing wild dogs in Victoria, which involves a number of measures, including aerial baiting. Approval was granted by the Commonwealth Government in March 2014 under the Environment Protection and Biodiversity Conservation Act 1999 to commence aerial baiting in Victoria. The Commonwealth should continue to ensure that future approvals can be as timely and streamlined as possible.
Abbreviations

ABARES – Australian Bureau of Agricultural and Resource Economics
ACCC – Australian Competition and Consumer Commission
APVMA – Australian Pesticides and Veterinary Medicines Authority
ATGA - Australian Table Grape Association
CIE – Centre for International Economics
COAG – Council of Australian Governments
CSIRO – Commonwealth Scientific and Industrial Research Organisation
CSOL – Consolidated Skills Occupations list
DEPI – Department of Environment and Primary Industries
EVAO – Estimated Value of Agricultural Operations
FDI – Foreign Direct Investment
FIAL – Food Industry Australia Ltd
FoFR – Legislative and Governance Forum on Food Regulation
FMD – Food and Mouth Disease
FSANZ – Food Standards Australia New Zealand
FTA – Free Trade Agreement
GDVF – Growing the Demand for Victorian Food
GM – Genetically Modified
MG – Devondale-Murray Goulburn
NPMS – National Produce Monitoring System
R&D – Research and Development
RD&E – Research Development and Extension
SME – Small Medium Enterprise
SPPF – State Planning Policy Framework
US – United States of America
VET – Vocational Education and Training
VGBOs – Victorian Government Business Offices
FOOD TO ASIA ACTION PLAN
PUTTING VICTORIAN FOOD AND BEVERAGES ON ASIAN TABLES
By 2030, the number of consumers in Asia with discretionary spending will increase six fold to around 3.5 billion. By 2050, average incomes could match those in the United States and Europe; China and India may overtake the United States as the world’s biggest economies; and the Asian region is likely to be the world’s largest consumer of goods and services. These rapid and dramatic changes, which are taking place on Australia’s doorstep, will generate new opportunities for Victoria’s food and agriculture sector. Most importantly, this Plan will increase the number of jobs and the sustainability of jobs within that sector, particularly in regional and rural Victoria.

Over the coming decades, Asia’s demand for food will double and consumer preferences will change. More people in Asia will seek out high quality, safe and reliable produce from trusted sources. They will consume more dairy and horticulture products and more beef, grains and wine. There will be a greater demand for products such as convenience foods and drinks, fresh goods and foods with added nutritional benefits.

Victoria’s reputation for safe produce, our long record of excellence in agricultural research and innovation, our skilled workforce and our close ties with Asia give us a distinct advantage in meeting these demands. We also have the assets and strengths needed to lift production as demand grows, including well-managed natural resources, world-class export infrastructure and a diverse mix of food and agriculture products and businesses.

The Food to Asia Action Plan is a carefully targeted strategy that will build on these strengths to boost exports of premium food and beverage products to Asian markets.

It builds on our commitment to creating new export opportunities for Victorian businesses. Since December 2010, the Victorian Government’s trade mission program has resulted in projected exports of more than $4.1 billion. For the food sector, this program has delivered significant gains. Since July 2012, 555 Victorian food and agriculture companies have travelled to Asia as part of 13 trade missions, resulting in a projected $1.13 billion of new export revenues.

The Food to Asia Action Plan is the next step in this Government’s efforts towards securing the future of this important and valuable sector. The Plan will help the sector to compete with confidence in Asian markets, engage with Asian customers, suppliers and regulators, and understand and meet the changing food preferences of Asia’s growing consumer class. It will create new and more sustainable jobs, and help to grow the Victorian economy at large.

The Hon Dr Denis Napthine MP
Premier of Victoria
MESSAGE FROM THE MINISTER FOR AGRICULTURE AND FOOD SECURITY

The Food to Asia Action Plan has been developed with advice and input from industry and will be delivered in partnership with Victoria’s food and agriculture sector. The Government has also committed to doubling production of farm produce by 2030, which is supported through the Growing Food and Fibre initiative.

To prepare the Plan, the Victorian Government has sought the advice of industry leaders through the Food and Agriculture into Asia Taskforce (established in June 2013), industry roundtables and individual consultations with representatives from food producers and exporters, trade and business groups, and companies with experience in Asian markets.

Industry has impressed upon the Government that, while Victoria is positioned well to capture the opportunities emerging from Asia’s growth, some major challenges still lie ahead. Tackling the challenges identified by the sector is a core focus of the Food to Asia Action Plan.

Ultimately, to consolidate and build on the sector’s success in Asia will require the production of higher value products that are attractive to Asian consumers and that can evolve as diets change and infrastructure — such as refrigerated storage — becomes more readily available in the region. To do this, government and industry will need to work together to lift levels of productivity, profitability and innovation along the food supply chain. Each of us has an important role to play while sharing a commitment to being smarter, more insightful and more assertive in pursuing export opportunities in growth markets.

On behalf of the Victorian Government, I thank the many industry representatives who contributed to this Plan and who continue to play their part in securing a strong future for our food sector into Asia.

The Hon Peter Walsh MLA
Minister for Agriculture and Food Security
MESSAGE FROM THE MINISTER FOR EMPLOYMENT AND TRADE

Victoria is highly regarded globally as a supplier of safe, high-quality food and beverages.

Across the Asia-Pacific region, we are seeing a large and growing class of consumers who are seeking the best available food and beverage products. Victoria’s strengths begin with a clean, green environment that has several distinct climatic regions, producing everything from grains, vegetables, fruit and nuts to meat, dairy products, seafood and wine.

These sectors are underpinned by some of the world’s highest food safety and biosecurity standards, excellent freight and logistics infrastructure and internationally recognised research institutions working on innovations in food product development and safety.

The Victorian Government’s International Engagement Strategy aims to position our State as a partner for fast growing countries and regions around the world.

Since December 2010, the Victorian Government has led 66 trade missions around the world, generating more than $4.1 billion in new trade and investment. One of our most strategic industries showcased on these missions is the food and beverage sector, where Victoria has globally competitive strengths including the ability to supply fresh produce out of season to Northern Hemisphere markets like China and Japan.

To complement these outgoing missions, we established a major event, International Food and Beverage Trade Week in 2013, which invites international buyers to meet local suppliers. It was a highly successful event and will bring double the number of buyers to Victoria this year.

Now, with the Food to Asia Action Plan, the Victorian Government will provide well-targeted and tailored support for Victoria’s food and beverage exporters to some of the world’s biggest and fastest growing international markets. This will include stronger branding for Victoria as a major food producer, increased promotion of our world-leading food safety framework, and further trade missions inward and outbound.

Victoria has one of the world’s most efficient, productive, safe and reliable food and beverage sectors. This Plan provides the commitment, support, resources and frameworks to build upon its already strong export performance and make Victoria the food supplier of choice for expanding markets across Asia.

All these strengths mean that Victoria is very well placed to be a trusted supplier of high-quality food products that meet the changing needs of consumers, especially in Asia.

The Hon Louise Asher MP
Minister for Employment and Trade

Gulfood, February 2012
Dubai, United Arab Emirates
FOOD TO ASIA ACTION PLAN: HIGHLIGHTS

The Food to Asia Action Plan will put more Victorian food and beverages on Asian tables. It will support Victoria’s food and agriculture sector to be a key driver of economic growth and jobs, especially in regional and rural Victoria. Over the next four years, the Victorian Government will work with industry across seven critical areas to grow exports of premium, safe and reliable food and beverage products to Asia.

Highlights of new actions in the Plan are:

1. **Improved access to Asian markets**
   Reducing tariff and technical barriers to Asian markets through stronger advocacy of Victoria’s interests in free trade agreement negotiations, developing practical new protocols on pests and diseases (such as Queensland Fruit Fly) for Victorian fruit, expanding opportunities for red meat exporters, and ensuring product traceability of sheep through electronic identification.

2. **New markets for premium products**
   Increasing exports by Victorian businesses of premium food and beverage products to Asian markets through in-bound and out-bound trade missions, locating food and agriculture investment specialists in key Asian markets to identify new opportunities and facilitate trade. Also, a pilot program for small and medium-sized enterprises (SMEs) to export directly to businesses in China through online sales will be implemented.

3. **The right workforce to supply Asia**
   Building a workforce with the skills, knowledge and insights to increase premium food exports to Asia by working with Victoria’s food and agriculture industries to develop leadership, management and exporting skills and working with the Commonwealth Government to overcome seasonal labour and specialist skills shortages.

4. **More efficient movement of products to Asian markets**
   Working to improve freight efficiency by removing bottlenecks, increasing rail capacity and turnaround times and, more generally, improving Victorian businesses’ capacity to transport products from the farm to ports.

5. **Better targeted R&D, extension and innovation**
   Opening up new export opportunities through research and development (R&D), extension and innovation targeted to Asian markets, including activities directed towards understanding and meeting Asian consumer preferences and support for small and medium-sized enterprises to collaborate and innovate.

6. **Streamlined regulation and reduced red tape**
   Reducing the regulatory burden on food businesses while maintaining Victoria’s reputation as a producer of safe food by promoting Victoria’s world class biosecurity and food safety systems, and prioritising the review of regulatory reforms that impact on food exporters.

7. **Increased capital investment**
   Attracting new capital investment from traditional and emerging markets into Victorian food-related businesses and agriculture through increased promotion of Victoria’s capabilities to local and international investors, and creating awareness of new investment models and business structures for agriculture.
The food sector is Victoria’s largest aggregated exporter, a major employer and a vital part of the state’s economy, especially in regional and rural Victoria.

Victoria is Australia’s leading food and agriculture state, with a reputation for clean, safe agricultural produce and high quality processed food and beverage products. Total food and fibre (wool and wood) exports for 2012-13 was over $10 billion.

The state’s food sector* is one of Victoria’s strongest and best-performing sectors, with a long history of innovation and adaptation to changing conditions and markets. As well as being a major contributor to economic growth and employment in Victoria, the food sector is our most valuable export category, worth $7.6 billion in 2012-13 and accounting for 26 per cent of Australia’s total food exports – despite occupying only three per cent of the nation’s land. Nearly half of Victoria’s top 100 goods exporters are from agricultural and food processing industries.

**COMPETING IN A GLOBAL ECONOMY**

Victoria’s most valuable food export categories are grains, dairy, red meat, horticulture, wine and prepared foods. Eight of Victoria’s top ten food export markets are in Asia and the Middle East and there has been strong growth in exports to China, Indonesia and the United Arab Emirates (UAE) in recent years.

Victoria’s major competitors are Canada, New Zealand, Brazil, Chile, South Africa and the United States of America (USA). These countries have competitive advantages over Victoria in some areas, including free trade agreements with major markets (New Zealand and the USA*), lower costs of production (Brazil, Chile and South Africa), freight efficiencies (Canada) and strong global branding (New Zealand).

Eight of Victoria’s top ten export markets are in Asia and the Middle East
Change in the value of food exports since 2008-09 (AUD millions)

* On 5 December 2013, the Australian Government announced the conclusion of negotiations for a free trade agreement with South Korea. When in force, the South Korea-Australia Free Trade Agreement will help to improve the competitiveness of Victoria’s food and agriculture exports to South Korea. In Asia, it will add to Australia’s free trade agreements with ASEAN (to which New Zealand is also a Party), Malaysia, Singapore and Thailand.
A vital and valuable sector

Victoria’s food sector makes a major contribution to the state’s economy:

- Food production and processing contributes 10.5 per cent of Victoria’s Gross State Product (GSP).
- The sector employs 145,000 people throughout the state, with more than half of these jobs located in regional and rural Victoria. About one in six jobs in the regions are in food production and processing.
- Food processing comprises 21 per cent of Victoria’s manufacturing industry.
- Three quarters (76 per cent) of Victoria’s 3,500 food processing businesses are small and medium-sized enterprises (SMEs). The 25 largest food processing companies account for more than half (55.4 per cent) of food industry revenue.
- Many large, multinational food processing firms have operations in Victoria, including Mondelez, Mars Foods, Nestle and JBS.
- Industries associated with the food sector – such as transport and logistics, education and training, and agribusiness suppliers – also support many jobs across the state.

Export performance of Victorian food and agriculture in 2012-13

<table>
<thead>
<tr>
<th>Product category</th>
<th>Value</th>
<th>% of Australian exports</th>
<th>Top markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grains</td>
<td>$2,191m</td>
<td>17%</td>
<td>Indonesia (12%), China (11%), UAE (10%)</td>
</tr>
<tr>
<td>Dairy</td>
<td>$1,845m</td>
<td>86%</td>
<td>Japan (23%), China (9%), Singapore (9%)</td>
</tr>
<tr>
<td>Meat</td>
<td>$1,781m</td>
<td>22%</td>
<td>USA (17%), China (12%), Japan (8%)</td>
</tr>
<tr>
<td>Prepared foods*</td>
<td>$878m</td>
<td>46%</td>
<td>New Zealand (34%), China (11%), UAE (10%)</td>
</tr>
<tr>
<td>Horticulture</td>
<td>$563m</td>
<td>52%</td>
<td>Hong Kong (17%), New Zealand (11%), India (9%)</td>
</tr>
<tr>
<td>Wine</td>
<td>$197m</td>
<td>10%</td>
<td>China (28%), UK (16%), USA (8%)</td>
</tr>
</tbody>
</table>

* Prepared foods have been substantially transformed from their raw product basis and may have input from more than one food production industry, such as confectionery and breakfast cereals. The other product categories include commodities and products with some degree of transformation: for example, the dairy category includes cheese and yoghurt.

Source: Victoria’s Food and Fibre Export Performance 2012-13
Like many other industries in Victoria, our food sector is increasingly integrated with the global economy. Many of our food sector firms are highly export-focused and have considerable experience competing in international markets. While the sector stands to gain from increased global engagement over the longer term, some parts are likely to experience a period of transition in the short-term as businesses adapt to a more competitive environment, participation in more complex global supply chains and the changing demands of export markets.

Innovating and adapting
Victoria’s food and agriculture sector has a long record of innovation and adapting to changing markets, industry conditions and weather. Our food businesses have been early adopters of many new production food manufacturing and packaging technologies.

Victoria is an international leader in agricultural biotechnology, with strengths in genomics-assisted breeding of high-quality forages and grains, dairy and lamb genetic innovation for increased productivity, and rapid molecular diagnostics for biosecurity threats. This leadership is being reinforced and extended through initiatives such as Melbourne’s new AgriBio Centre (a world-class facility for agricultural biosciences R&D) and the state’s largest ever international alliance for crop innovation between Victoria’s Department of Environment and Primary Industries and Dow AgroSciences.

Victoria’s clean technology sector is developing a positive global reputation in areas such as water management, energy efficiency and waste management and conversion, with several developments likely to boost productivity and profitability in the food sector. Our small technologies sector is also at the forefront of advances that will change the way we detect and manage pests, track goods along supply chains, develop higher value food products and package and brand processed food.

We are adopting a more intense focus on technology convergence, with initiatives designed to bring together powerful enabling technologies (such as ICT, biotechnology and nanotechnology) to develop new processes, products, materials and tools in sectors such as food and agriculture, manufacturing and natural resource management.

Victoria is home to major research centres that are working closely with our food sector to translate scientific discoveries into commercial products. Centres based in Melbourne include the Australian Dairy Futures Cooperative Research Centre (CRC) in Bundoora, the Advanced Manufacturing CRC in Hawthorn and Mondelez’s Asia-Pacific Chocolate and Confectionery Centre for Excellence in Ringwood. In regional Victoria, the Department of Environment and Primary Industries (DEPI) operates several scientific centres that are national and international leaders in agricultural research, including at Ellinbank (home to the National Centre for Dairy Research and Development), Horsham (a national centre for grain and pulse research), Hamilton (supporting the lamb industry), Tatura (a research leader in temperate horticulture) and Mildura (supporting citrus, almonds and grapes).
Victoria’s leadership in cutting-edge agricultural research has been reinforced by the work of the Primary Industries Climate Challenges Centre at Parkville, a joint venture between the Victorian Government and the University of Melbourne. Established in 2011, this ground-breaking centre focuses on building the capacity of primary industries to manage the risks and opportunities from a changing climate.

Victoria’s strengths and advantages

Victoria’s food sector is well positioned to benefit from emerging global opportunities. The sector has strengths in producing the commodities and products that will experience the strongest demand by Asia’s consumers over the longer term, as well as the ability to take advantage of Victoria’s world class transport, export and research infrastructure, proximity to Asia and an attractive and competitive investment environment. Victoria’s position as a financial and professional services centre and a transport and logistics hub also provide vital support for a growing, productive food sector.

<table>
<thead>
<tr>
<th>Potential to lift production</th>
<th>A highly skilled workforce</th>
<th>Sustainable natural resources</th>
<th>World class export infrastructure</th>
<th>Diverse products and markets</th>
<th>Responsive industry structure</th>
<th>Strong ties with Asia</th>
<th>An attractive investment destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria’s food sector has the potential to lift production significantly through adoption of new technologies, improved management and use of our soils and water, injections of new capital and the application of innovative practices, especially in biotechnology, where large future gains are likely to emerge.</td>
<td>The food sector has access to a skilled Victorian workforce, with expertise obtained over generations across a range of primary production, manufacturing and research disciplines, and graduates from world class training and higher education facilities.</td>
<td>With a temperate climate, and access to the Murray Darling Basin, Victoria has the resources to sustain and expand high quality primary production across the state. Victoria has world-leading expertise in natural resource management, especially in irrigation and soil remediation.</td>
<td>Recent and planned investments are expanding the capacity of Victoria’s major export gateways – the Port of Melbourne, the Port of Hastings, and Melbourne International Airport – and improving road and rail links to these gateways and Avalon Airport.</td>
<td>Victoria’s diverse products – from bulk, raw commodities to high-end, value-added ingredients, retail-ready and foodservice products – are exported to more than 100 markets worldwide. This diversity reduces risk and enables greater responsiveness to changing market conditions.</td>
<td>Over 80 per cent of the Victorian food sector comprises SMEs (with revenue less than $2 million), many of which supply Victorian-based multinational companies helping bigger companies to manage their supply chain risk. These SMEs can also be agile as consumer preferences change.</td>
<td>A significant Asian community living and studying in Victoria, large numbers of Victorians living in Asia and growing two-way tourism assist in building trade and investment links.</td>
<td>Victoria is the only state in Australia with a triple-A credit rating with a stable outlook from major rating agencies. Victoria is also a regional financial and professional services centre.</td>
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</tbody>
</table>
Many new opportunities for the food sector are emerging from Asia’s growth. Capturing these opportunities will boost Victoria’s economy and generate new employment and business opportunities throughout the state.

In the coming decades, population and personal income growth will increase global demand for food. Over the period from 2007 to 2050, Asia’s demand for food is expected to double, led by a rapidly expanding consumer class with a greater ability and willingness to pay for high quality imported food and beverages. By 2030, Asia will be home to two-thirds of the global ‘middle class’,* generating significant opportunities for Victoria’s food sector.

**WHAT ASIAN CONSUMERS WANT**

Rising incomes are already contributing to changes in the dietary habits and preferences of many people in Asia. Today, there is greater demand in the region for meat and processed foods rather than traditional staple grains. Increasingly, the most sought-after products are high quality dairy and horticulture products, beef, wheat, pulses, premium processed products and wine. This demand aligns with many of Victoria’s core strengths in primary production and food processing.

As their discretionary income grows, Asian consumers will also seek out particular types of food:

- Safe, reliable products that come from trusted or ‘clean and green’ sources
- Convenience foods such as pre-prepared meals and high quality, single-serve portions
- Retail ready snack foods and non-alcoholic drinks for an expanding and more affluent youth market
- Functional foods with nutritional benefits.

* Households with daily expenditures between $10 and $100 per person in purchasing power parity terms. The lower amount is chosen with reference to the average poverty line in Portugal and Italy and the upper bound is chosen as twice the median income of Luxembourg, the richest advanced country.

**Asia’s rise**

Asia’s growth is changing and challenging the rest of the world and is likely to be one of the defining features of the 21st century. By 2030, the number of ‘middle class’* consumers in Asia is forecast to increase six fold, representing the global majority. Across the region, this growing – and increasingly wealthy, mobile and globally connected – consumer class is demanding more goods and services, from health care and education to high quality food products.

**Asia will be home to the majority of the global ‘middle class’ by 2030*.**

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* Global middle class population

Source: Kharas, H & Gertz, G (2010), ‘The new global middle class: a cross-over from West to East’ in C Li (ed) China’s emerging middle class: beyond economic transformation, Brookings Institute Press, Washington DC

If Asia maintains its robust economic performance, it could account for more than half of the world’s output in 2050. Average per-capita incomes could match those in the United States and Europe. Rising consumer demand could result in the region being both the world’s largest producer and consumer of goods and services by the middle of the century.

By 2050, China and India may overtake the United States to be the world’s biggest economies and Indonesia and Vietnam are also set to be global economic powerhouses.

While some setbacks to Asian growth may occur and the direction and pace of change is uncertain, it is clear that Asia’s rise in the 21st century offers significant opportunities for Australia and Victoria.
• Fresh and processed foods, supported by the increasing prevalence of supermarkets and convenience stores with refrigerated storage
• Food products that meet cultural or religious requirements
• Fresh fruit, premium confectionery and high-end beverages for corporate, ceremonial and social gift giving.

Victoria’s food sector is well placed to develop products to meet – and keep pace with – these new and evolving consumer choices.

OUR CHALLENGES EXPORTING TO ASIA

While Victoria has considerable strengths and advantages in food and agriculture, parts of the sector face challenges in increasing exports to Asia. Unsurprisingly, many other countries are equally eager to capture the opportunities being generated by a growing Asian consumer class. Victoria’s major competitors are increasing their exports to Asia and some of these competitors (such as Brazil and New Zealand) enjoy cost and trade advantages over Victorian food and agriculture. Some (including the European Union, Canada and the USA) receive significant government support relative to Victorian producers and are more insulated from global shocks.

Our food exporters are disadvantaged in some Asian markets relative to competitors that have secured free trade agreements (FTAs) with these markets. For example, New Zealand’s FTA with China has contributed to a dramatic increase in New Zealand dairy exports to China since the agreement came into force in 2008. Other barriers, such as quotas and the absence of technical export protocols, may also limit market access.

A shortage of capital for farm expansion and productivity improvements, skills and labour shortages in critical areas and variable weather conditions also pose challenges for our food

As wealth increases, so does consumption of animal products

Source: AFI

Population comparisons are represented by bubble size.

Source: Australian Farm Institute

Australian food exports remain internationally competitive despite an uneven playing field

Producer support estimates by country

Source: OECD (2012)
producers, processors and exporters. In addition, around 80 per cent of Victoria’s food businesses are small and medium sized firms that – while being flexible and responsive – can face difficulties in establishing new export markets.

Already, the pace and scale of change in Asia is influencing our economy, institutions and industries. While starting from a position of strength, Victoria’s food sector will need to be even more innovative and nimble to succeed in such a fast-changing region. They will need a well-developed understanding of Asian markets and cultures, and good connections and networks within the region. With China in particular advancing technologically, our businesses must have the skills, capabilities and technology to join – and lead – increasingly sophisticated global supply chains oriented around Asian markets.

Despite these challenges, Victorian food and agriculture has shown enduring competitiveness, continuing to expand into new areas and increase exports. The sector’s resilience and adaptability – combined with the strengths of Victoria’s workforce and economy – provide a firm footing for sustaining the competitiveness of our food and beverage products and securing new opportunities as Asian markets change and expand.

**A PARTNERSHIP FOR THE FUTURE**

The extent to which our food sector can capture the opportunities presented by Asia’s growth depends on its ability to produce higher value products that are appealing to Asia’s consumers, especially in areas that align with Victoria’s competitive strengths.

To achieve this, government and industry will need to work in partnership. Businesses need to invest more in the skills and technology required to move further up the value chain, improve productivity, tailor products and packaging to Asian preferences, and actively seek out new export opportunities.

The Victorian Government recognises that businesses are best placed to make their own assessments about meeting the challenges associated with Asia’s growth. However, the Government can assist businesses in these efforts by investing in transport infrastructure, supporting Victoria’s research sector and providing exporters with information to develop their expertise. The Government is also taking action to reduce the regulatory burden on firms, ensuring the education and training system meets industry needs, and attract new capital investment to Victoria. The promotion of Victorian products through campaigns, trade missions and industry showcases will continue to be a focus of the Government’s efforts, along with directly supporting smaller firms seeking access to markets in Asia.

The Victorian and Commonwealth Governments will continue to work together, as well as with governments in Asian markets, to negotiate improved market access, progress the interests of Victorian food and agriculture businesses, and promote Australia’s high standards of biosecurity and food safety.

With international competitive pressures intensifying and our competitors redoubling their efforts to seize the same opportunity, Victoria cannot afford to rest on our achievements. Our food sector needs to be ahead of the pace of change in Asia and the time to act is now.
The Food to Asia Action Plan will support Victoria’s food sector to increase exports of premium food and beverage products to markets throughout Asia. The plan focuses on practical actions that can be taken to identify, produce and export higher value products that are appealing to Asian consumers in areas where Victoria enjoys a comparative advantage.

With extensive industry input, seven areas have been identified across the food export supply chain where government and industry can work together to grow Victorian food exports to Asia:

1. Improved access to Asian markets
2. New markets for premium products
3. The right workforce to supply Asia
4. More efficient movement of products to Asian markets
5. Better targeted R&D, extension and innovation
6. Streamlined regulation and reduced red tape
7. Increased capital investment

Proposed actions taken in these areas are in line with the Victorian Government’s broader economic agenda and build on existing policies and programs, including the Victorian International Engagement Strategy, Growing Food and Fibre, Victoria - The Freight State, and A More Competitive Manufacturing Industry.

With the majority of jobs in the food sector located in regional Victoria and the future of the sector being of critical importance for regional economies and communities, the plan has a strong focus on actions that support economic and employment growth in regional and rural Victoria.

Other policies and plans
The Government’s economic agenda aims to position Victoria as a strong regional economic centre, the Australian capital of the knowledge economy and a globally-focused economy with extensive international engagement.

Core goals of this agenda are increasing productivity, growing export markets and building on Victoria’s existing strengths in areas such as food and agriculture, business services, manufacturing and freight and logistics.

A number of strategies that aim to advance this agenda also provide support to the food and agriculture industries:

- **Victorian International Engagement Strategy (VIES)** – creates opportunities for Victorian businesses to become more globally competitive through strategic engagement with overseas markets, including Super Trade Missions to markets such as China, India, South East Asia and the Middle East. The VIES is supported by country and regional specific strategies such as Engaging China – Strengthening Victoria, the Victoria – Gulf States Engagement Strategy, Victoria and India – From Engagement to Partnership and the South East Asia Market Engagement Plan.

- **Growing Food and Fibre** – invests in actions to increase productivity, innovation and profitability in the dairy, grains, red meat and horticulture sectors, as well as targeted biosecurity initiatives.

- **Victoria – The Freight State** – sets out a long-term plan for managing Victoria’s growing freight task.

- **A More Competitive Manufacturing Industry** – steps-up and consolidates support to manufacturing firms to help them become more innovative and productive, build collaborative relationships and develop the skills they need to compete.

- **Regional Growth Fund** – a $1 billion fund that supports a competitive environment in which regional businesses can operate successfully and aims to strengthen the resilience of regional industry in the face of structural economic change.
1 IMPROVED ACCESS TO ASIAN MARKETS

Victorian food exporters face a range of tariff and technical barriers in gaining access to many Asian markets. Reducing these barriers will create lucrative new opportunities for our exporters.

While some Asian countries such as Hong Kong and Singapore provide relatively good market access for food and agriculture products, others generally maintain relatively high tariff levels. Non-tariff barriers, such as the absence of technical protocols on sanitary and phytosanitary issues (e.g. Queensland Fruit Fly)* can also significantly restrict access. Acknowledging that Australia’s existing free trade agreements (FTAs) provide competitive advantages in some markets in the region, better access to other markets, including where competitors have, or are seeking to put in place, FTAs are critical to growing exports from Victoria’s food sector.

Through the Food to Asia Action Plan, the Victorian Government will support actions at both state and national levels that will reduce the tariff and technical barriers currently hindering Victorian food exports to key Asian markets.

**Negotiating improved market access**

There are opportunities for Victoria to play a stronger role in international market access negotiations affecting our food sector:

- Victoria will be a stronger advocate for market access on behalf of our food sector with the Commonwealth Government through better coordination of activities across governments and strengthening our trade policy expertise.

- Victoria’s food sector and world class state-based regulators, such as Dairy Food Safety Victoria and PrimeSafe, should have ‘a seat at the table’ in negotiations between the Commonwealth Government and importing countries on technical market access protocols. This will ensure that other countries understand Victoria’s regulatory systems, biosecurity regimes and food safety standards, and are less likely to impose additional regulation on Victorian businesses.

- Information from importing countries or Commonwealth Government agencies on changes to market access conditions will be communicated to Victorian exporters in a more timely manner, improving the food sector’s ability to respond quickly and effectively to these changes.

* These protocols are measures applied to protect human or animal life from risks arising from pests, diseases, disease-causing organisms or harmful substances in food and to prevent or limit damage from the entry, establishment or spread of pests.
### Market access issues facing Victoria

<table>
<thead>
<tr>
<th>Horticulture</th>
<th>Red meat</th>
<th>Dairy</th>
<th>Processed food and beverages</th>
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<tbody>
<tr>
<td>Agreeing to and maintaining protocols around pests and diseases for our horticulture products with importing countries is a complex and time consuming process. Citrus, stonefruits, table grapes and seed potatoes continue to face restrictions in key Asian markets. FTAs between countries such as Chile and Peru with growth markets also provide our competitors with tariff advantages.</td>
<td>Additional requirements placed on meat processors by importing countries – such as the inspection arrangements for abattoirs – are a disincentive to export and limit the competitiveness of Victorian red meat.</td>
<td>While market access is relatively good for most products (particularly commodity milk powders), trade agreements, such as the New Zealand-China FTA, offer distinct tariff advantages to our competitors.</td>
<td>Processed food faces relatively high tariffs, particularly in large markets such as China, Japan and India. Wine tariffs are also relatively high across the region and some competitors have secured distinct advantages through FTAs (such as the New Zealand-China FTA, which has eliminated tariffs on New Zealand wine to China).</td>
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### What we’re doing now

The Victorian Government works with the Commonwealth Government on trade policy, including FTA negotiations and the resolution of technical barriers to trade. The Government also works with the food sector to identify, monitor and address market access issues and overcome export barriers. As well as improving product quality assurance to gain, maintain and enhance market access, the Government communicates with regulatory officials in other countries to understand their import requirements, provides evidence of the absence of significant pests and diseases, and promotes Victoria’s regulatory and biosecurity systems. Our state-based food safety regulators such as Dairy Food Safety Victoria and PrimeSafe play a critical role in maintaining the systems and standards to underpin market access.

### New actions

1.1 The Victorian Government will work with the Commonwealth Government, Industry and other stakeholders to progress Victoria’s interests in market access through:

- Stronger advocacy of Victoria’s interests in Australia’s FTA negotiations
- Better co-operation between governments and industry to resolve market access barriers and more effectively communicate changes to market access conditions to Victorian exporters
- New national export protocols developed with strong industry input and targeted R&D.
Better market access for Victorian horticulture and red meat

Victoria’s horticulture and red meat sectors face specific barriers to increasing exports to Asia. Our horticulture sector is hindered by the absence of agreed protocols (such as disinfestation requirements for the treatment of pests) for fresh fruit in major Asian markets. For example, there is no agreement between Australia and China to export stonefruits. When these barriers are overcome and new protocols established, such as the recent agreement giving Australian table grapes access to China, the gains for Victorian producers can be very large.

Victoria can open up lucrative new markets for the horticulture industry by investing in the science and evidence required to reach new agreements, partnering with industry to ‘road test’ new methods of disinfestation and working with the Commonwealth Government to establish new export protocols with importing countries.

Our red meat industry has an acknowledged record of producing premium, high quality meat products. But FTAs in place with competitors, quotas and additional requirements imposed by importing countries are hampering the industry’s ability to increase exports. Overcoming these barriers is critical if the industry is to capture new opportunities emerging from the predicted substantial increase in demand for meat from the growing Asian consumer class.

What we’re doing now

The Government works closely with industry to maintain efficient regulatory systems for Victorian horticulture produce to ensure biosecurity incidents are avoided where possible or effectively contained, and that our reputation for safe produce is preserved and acknowledged. Victoria also assists countries in the Asia Pacific region to build their own biosecurity systems and capability for mutual benefit.

To improve biosecurity outcomes in the red meat industry, Victoria participates in the National Livestock Identification System for identifying and tracing cattle, and supports the electronic identification of sheep and goats to improve traceability, manage potential biosecurity issues and improve on-farm productivity and disease management.

New actions

1.2 The Government will strengthen Victoria’s management of the impact of significant pests (such as Queensland Fruit Fly) on horticulture exports by:

- Reviewing, with industry support, alternative freight treatment methods to determine the relative costs and benefits of new methods of disinfestation
- Examining, with industry support, phytosanitary co-regulation, pest free places of production and new pest monitoring and treatment regimes.

Promoting Australian produce in Makro Supermarket
Chengdu City, Sichuan Province, China
1.3 Working with industry and the Commonwealth Department of Agriculture (DoA), the Government will target key exporters to improve information flow along the supply chain with the goal of lowering rejection levels of produce.

1.4 The horticulture industry will be encouraged to review its levy payment systems to support critical industry development activities such as pest management, improve competitiveness through better targeted R&D activities and greater promotion in Asian markets.

1.5 The Government will improve export opportunities for Victorian meat processors by working with industry and the DoA to:
   - Develop an expanded Tier 1* export program so that more countries accept Australia’s export certification standards
   - Reduce costs and enhance the flexibility of export certification.

1.6 We will improve biosecurity outcomes, increase information flows across the supply chain and improve farm productivity by supporting industry to adopt electronic identification for sheep and goats.

* Tier 1 is the requirement of the Commonwealth Department of Agriculture (DoA) to permit export of meat. It requires businesses to meet all Australian food safety and hygiene requirements. A limited number of countries accept this level of regulation. Tier 2 requirements include all Tier 1 requirements plus additional market specific requirements that are negotiated between Australia and importing countries such as full on-plant DoA vets at abattoirs.
CASE STUDY: **TAKING OUR TABLE GRAPES TO CHINA**

Victoria’s horticultural industry is reaping the benefits of Australia’s market access breakthrough in gaining entry for table grapes into China.

Australian Table Grape Association (ATGA) CEO Jeff Scott recalled the scene when the first container of crimson seedless grapes was sent to Shenzhen in May 2011. “It attracted a bidding frenzy,” he said. “Every pallet was sold within the space of eight to ten minutes and we were very happy with the prices. The grapes were very high quality and, as the importers have consistently demonstrated, they will pay top prices for good quality fruit.”

ATGA Chairman Richard Lomman emphasised the long-term investment required to finally crack the world’s largest market. “A lot of time and effort has been expended in gaining official access into China,” Mr Lomman said. “We had to convince the Chinese that we have rigorous system-based management processes that will prevent any incursion of pest or disease into China. It has not been an easy road and has required plenty of money and research.”

Australia has significant competitive advantages in exporting table grapes to Asia: our geographical proximity relative to our competitors and our reputation for premium quality produce, which is highly valued in China.

Victoria’s exporters have wasted no time responding to this opportunity. From initial exports valued at almost $60,000 for the 2010-11 season, Victorian table grape exports to China surged to around $174 million, 249 containers at about $70,000 per container, 2012-13. This has driven an 82 per cent increase in the value of Victoria’s table grape exports, which are now the state’s single most valuable horticultural export commodity. Victoria produces approximately 68 per cent of Australia’s table grapes and is by far the largest exporter, contributing 94 per cent of Australian exports.

The ATGA, the Commonwealth Department of Agriculture and the Victorian Department of Environment and Primary Industries (DEPI) worked together to progress this market access issue over eight years. Considerable work has been undertaken to build knowledge of China’s own table grape production, its marketing activities and consumer preferences. In turn, this has influenced research by DEPI scientists who, with co-investment from industry, are developing methods to predict sweetness and other characteristics that will affect table grape acceptance in Asian markets.
Victoria is Australia’s leading horticulture exporting state, accounting for almost half (46 per cent) of the nation’s exports by value. In 2012-13, exports were valued at $563 million, an increase of 27 per cent over the previous year. Exports include fruit (such as table grapes, citrus and stonefruits), nuts, processed food, vegetables, herbs and spices.

Victoria is also Australia’s largest producer by value of apples (59 per cent in 2010-11), pears (87 per cent), asparagus (87 per cent), peaches (87 per cent), stonefruits (71 per cent), table grapes (68 per cent) and almonds (68 per cent).

Top markets for Victorian horticulture exports are Hong Kong, New Zealand, India, Japan and Indonesia. Strongly growing markets are Hong Kong, Indonesia, Thailand, Vietnam and the UAE. The potential for growth is particularly significant in China if critical market access issues can be resolved. There is also increasing demand for Victorian almonds in Asia, especially from India. Opportunities are emerging to breed new varieties of fruits and nuts, and manufacture more significantly transformed products based on fresh fruit, that appeal to Asian consumers.

Our horticulture exporters face strong competition from lower cost producers such as Chile, Peru and South Africa and FTAs give a tariff-based advantage to products from competitors such as the United States and Chile in major growth markets such as South Korea and China. Despite these barriers, Victoria’s reputation for premium, safe fresh fruit and our proximity to and ties with Asia underpin the sector’s strong export performance and potential for future growth.

Further opportunities will arise through:

- Improvements in supply chains (such as more direct transportation and better cold chain infrastructure in Asian countries), so that Victorian fruit reaches its end destination more quickly and in good condition
- An increase in the number of direct passenger flights from Victoria to Asian growth markets (as fresh, premium products are often airfreighted on passenger airlines)
- Building greater confidence in importing countries about the high quality of Australia’s pests and diseases management and developing alternative in-transit treatments for horticulture products (especially for airfreight)
- Negotiating technical protocols to export horticulture products
- Developing ways to manage the phytosanitary treatments required by some importing countries to ensure they do not disrupt supply chains, adversely impact the quality of fruit and reduce the shelf life of particular products.

Government and industry in Victoria are making a substantial investment to boost productivity and competitiveness in the horticulture sector, particularly where there is export potential. Research is focused on improving production methods, non-invasive quality testing and encouraging the uptake of new varieties of pears, apples and stonefruits suited to Asian consumers. The Victorian Government also supports the Horticulture Industry Network, established in 2008, which facilitates collaboration across the industry.
2 NEW MARKETS FOR PREMIUM PRODUCTS

Greater engagement with and understanding of Asian markets – along with targeted branding and trade activities – will provide a strong foundation for increasing the export of premium food and beverage products to Asia.

Many food sector businesses, particularly small and medium sized enterprises (SMEs) face challenges identifying and understanding Asian consumer preferences and market trends, and navigating business and regulatory requirements in Asian markets. Assisting businesses to engage with Asian markets is critical to the sustained growth of Victoria’s food sector. While the Victorian Government has prioritised international market development since 2010, and the food sector has been a major beneficiary, the majority of Victorian food exports can still be attributed to a relatively small number of large, often multinational corporations.

Actions taken through the Food to Asia Action Plan will aim to increase exports by Victorian businesses – especially SMEs – of premium food and beverage products to Asian markets.

Engaging with key Asian markets

While Victorian food producers and exporters recognise the importance of engaging with Asian markets, some face difficulties navigating Asia’s regulatory environments, understanding consumer preferences and identifying the market trends likely to influence food demand, product lines, branding and packaging. Many businesses also need support to better understand cultural considerations and differing business practices when dealing with Asian consumers, importers, partners and governments.

A recent survey of Australian businesses found that understanding the market was the most significant barrier to new exporters (40 per cent), followed by transport and logistics (37 per cent) and the regulatory environment (28 per cent).*

Many Victorian food businesses and supply chain partners are also missing opportunities to collaborate on exporting by building scale, leveraging brands, co-investing in infrastructure or networking with more experienced exporters.

What we’re doing now

Victoria’s ongoing Trade Mission Program, central to the Victorian International Engagement Strategy, focuses on growth markets in Asia and the Middle East. Since December 2010, the Government has delivered 66 trade missions, taking 2,642 companies to 31 countries, resulting in projected exports of more than $4.1 billion. This program has brought substantial benefits for the food sector. Since July 2012, 555 Victorian food and agriculture companies have travelled to Asia as part of 13 trade missions, resulting in a projected $1.13 billion in new export revenues.

Victoria’s international network of Victorian Government Business Offices actively supports food companies with trade and investment activities. Eleven of these offices are located in Asia and the Middle East.

In March 2013, Victoria hosted the inaugural International Food and Beverage Trade Week (FBTW), bringing around 120 key food and beverage buyers from across Asia to Victoria to do business with local food companies. Results to date are extremely positive, with new export sales estimated at $22.5 million over two years. The 2014 FBTW will bring double the number of buyers from Asia to Victoria.

* DHL (2012), Export Barometer
The Government will expand its Trade Program to deepen and strengthen engagement with key Asian markets, through:

- Expanding Victoria’s existing trade mission program with food sector-specific missions
- Increasing resources in key Asian markets, including appointing three food and beverage trade and investment specialists in China, Indonesia and South East Asia as part of the Victorian Government Business Offices network.

We will build and strengthen connections between Victorian businesses and buyers and investors in Asia by:

- Producing a trade directory of food, beverage and agricultural exporters
- Developing capability statements promoting specific aspects of our food sector
- Providing market insights for Victorian exporters engaged with – or looking to engage with – key markets in Asia.

Promoting Victorian products

Our food sector is competing in an increasingly crowded global marketplace.

Victoria and Australia must compete with strong market development and branding strategies by other countries in Asian growth markets. For example, New Zealand, which is represented in 38 markets, boasts arguably the world’s most reputable food brand supported by its ‘New Zealand 100% Pure’ tourism campaign.

Victorian food and agriculture has many highly positive attributes that could be more effectively marketed and promoted, giving our exporters the edge they need to secure new markets in Asia and sustain and grow existing markets in the face of competition from lower cost producers.

What we’re doing now

The Put Victoria on Your Table campaign promotes the quality and diversity of Victorian food and wine and encourages consumer loyalty to Victorian products. The brand has been adopted widely by industry and, while focused mainly on domestic markets, has been used for selected food and beverage trade fairs and missions overseas.

New actions

Victoria will work with the Commonwealth on the national food and beverage branding review to support strengthened marketing of Victorian food and beverage products being exported to Asia.
2.4 Victoria will capitalise on the Inward Mission Program to showcase Victoria’s food and beverages to international buyers and investors.

2.5 Working alongside the grains industry, the Government will develop a guide to the production and quality features of Australian grain for Asian importers.

Helping small exporters
Small and medium sized enterprises (SMEs) often lack the scale, skills, resources and time to build new export markets independently. SMEs also have a tendency to focus on domestic markets, failing to identify developing export markets as viable opportunities or perceiving international markets as too complex or costly to access.

Victorian food sector SMEs could benefit from improved opportunities to collaborate for export, enabling them to share skills and knowledge, build scale, leverage brands or co-invest in infrastructure.

What we’re doing now
The Government recognises the importance of SMEs to the diversity and vitality of Victoria’s economy. Small food exporters can receive specialist assistance to help them become internationally competitive through the Grow Your Business program. They can access the Manufacturing Productivity Networks initiative, which supports collaborative efforts to increase productivity and open up new export markets. The Small Business Mentoring Service is also available to assist small and micro exporters with advice and support.

New actions

2.6 The Government will support a pilot program that enables SMEs to collaborate on an e-commerce platform to supply food and beverage products to China.
CASE STUDY: MURRAY RIVER ORGANICS – EXPANDING INTO ASIA

Based in the Sunraysia district of North West Victoria, Murray River Organics is Australia’s largest grower and producer of premium organic dried vine fruit. The company produces organic sultanas, sun muscat raisins, currants and muscatel clusters from more than 800 acres of vineyard.

Murray River Organics is 100 per cent Australian owned and grown.

To ensure a consistent high standard and quality of product, Murray River Organics is a vertically integrated business that owns and operates the only dedicated organically certified dried vine fruit processing plants in the country. This enables the company to control the quality and sustainability of product and process from paddock to plate.

"Murray River Organics continues to grow and expand its volume of exports. Whilst the major supermarkets here in Australia appear hesitant in supporting locally grown organic produce, our recently launched retail brand ‘Gobble’ is gaining significant traction with our customers in Asia. Our business has expanded materially into South Korea, Japan, Taiwan and we are working on cementing relationships in China, Hong Kong and Singapore. We have also established important sales into the US and Scandinavia, and we are working closely with a number of potential customers in Europe. The coming 12 months will be very exciting for us as we continue to build our export markets." Erling Sorensen, Co-Owner, Murray River Organics.

With assistance from the Victorian Government, Murray River Organics made its export debut by participating in successful trade missions to major international food and beverage shows in Japan, Hong Kong, Seoul and Germany. The company took initial orders from a number of Asian markets and is now leveraging Australia’s reputation as a clean, green agricultural producer to build a highly competitive export business.

In 2013, Murray River Organics won the Governor of Victoria’s Agribusiness Export Award and was a finalist in the Australian Export Awards.
Alba Cheese is a medium-sized manufacturer and exporter of high quality, traditional Italian-style fresh and matured cheeses. The company’s range includes ricotta, mozzarella-style and hard cheeses (parmesan and pecorino-style), cheddar, fetta and semi-ripened bocconcini cheese. Alba Cheese also shred, shave and grate cheese for the retail and food service markets.

Since opening its doors in 1992, Alba Cheese has expanded numerous times due to increased domestic and international demand. In March 2013, the company participated in the Victorian Government’s inaugural International Food and Beverage Trade Week (held during the Melbourne Food and Wine Festival), which provided an opportunity for Victorian-based businesses to explore new export opportunities in South East Asia, China, Japan and South Korea.

As a result of participating in the trade week, Alba Cheese expects to increase exports to new customers in South Korea, Indonesia, Malaysia and Singapore to an annual value of around $3 million.

During the week, the company met with an Indonesian buyer and appointed them as distributor in Indonesia. Once registration of Alba Cheese’s retail range is finalised with Indonesian officials, shipments are anticipated to be worth $750,000. Alba Cheese was also able to network with other Australian and Victorian firms and is now supplying two local manufacturers with products in large quantities.

Alba Cheese has seen the benefits of participating in International Food and Beverage Trade Week and intends to be part of future programs. The company believes that its commitment to natural, preservative-free and color-free products provides a strong foundation for further expansion into Asian markets.
3 THE RIGHT WORKFORCE TO SUPPLY ASIA

The international competitiveness of Victoria’s food sector relies increasingly on building a workforce with strong technical skills, high levels of innovation and productivity, greater understanding of the supply chain and insights into Asian markets.

Jobs in the food sector increasingly demand greater technical expertise, better business management and Asia-relevant skills and capabilities. An ageing farmer workforce, seasonal labour shortages, and challenges attracting the best and brightest to the sector also limit our ability to enter Asian markets and remain internationally competitive.

New actions will focus on developing a Victorian workforce that has the right skills and knowledge to increase the supply of premium food to Asia over the longer term.

Developing leadership and skills in the food sector

Across the sector, new technologies and practices are reducing opportunities for low-skilled roles and increasing the demand for higher skilled workers. However, just over half of the agricultural, meat and bakery workforces have no post-school qualifications, compared to 39 per cent for all other industries.

Lifting skill levels across the food sector workforce will help businesses to remain internationally competitive and to expand their activities in Asian markets. In particular, increasing exports to Asia will require an understanding of global supply chains and insights into Asian markets, as well the ability to develop networks and navigate market access issues. Improving collaboration between industry and education providers in designing and updating course content will ensure that these capabilities are developed and that course offerings are better tailored to industry needs.

What we’re doing now

The Victorian Training Guarantee gives Victorians access to government subsidies for nationally recognised training. Under the Guarantee, enrolments in agriculture, fishing and food manufacturing courses grew from around 13,500 in 2010 to nearly 15,000 at September 2013. Given these increases, it is critical that the sector has access to high quality graduates with the right skill set. The Victorian Skills Gateway – a one stop shop for vocational training in Victoria – enables people to find information about where they can find the right training. The Rate Your Training website enables employers to confidentially rate the training their employees have received for the benefit of other employers seeking training.

As part of the Supporting the next generation of food and fibre producers election commitment, the Government has launched the ‘Grow Your Food and Fibre Career’ website, which highlights opportunities and pathways for young people seeking a career in food and agriculture. Secondary school students can access specific information to move along career pathways into food and agriculture tertiary study, vocational training and jobs. A focus in 2014 will be on career development in schools that offer Asian language and cultural studies, agriculture science and food technology through a government-funded careers officer based at the Victorian Farmers Federation.
New actions

### 3.1
The Government will work with industry to **improve training courses and qualifications for Victoria’s food and agriculture workforce** by:

- Hosting regular government-industry roundtables to understand industry needs for training and provide advice to industry on tools to inform employer and individual choices
- Developing a toolkit to raise awareness among the food sector about the availability of training through the vocational training system and how to better access government support through the Victorian Training Guarantee
- Working with industry to improve the development and design of qualifications
- Enabling greater access to training information through the development of an e-Marketplace pilot
- Trialling student performance and employer satisfaction indicators.

### 3.2
We will **support the development of leadership, management and export skills in the sector** by:

- Increasing food sector participation in the Victorian Government’s Export Skills Program
- Delivering regionally based workshops on doing business in China (through the Australia China Business Council), which will provide practical and tailored export support to the food sector in each Victorian region
- Implementing a demonstration project in the Great South Coast region to strengthen economic opportunities between Victorian and Chinese cities, with a focus on food sector opportunities
- Examining demand for a new, intensive short course for current and future food sector leaders focused on understanding supply chains for export to Asia and developing insights into Asian markets.

### 3.3
The Government will **work with industry to build risk and business management skills**, including:

- Developing and assisting Victorian grain growers to develop additional risk management skills, including advocating to the Commonwealth Government to improve weather information (for example, with a new Doppler Radar in the Wimmera)
- Working with the dairy industry and relevant education and training providers to increase extension services to farmers to build their risk and business management skills.
Strengthening the workforce

Labour shortages are having a growing impact on the Australian and Victorian food and agriculture workforce, and are likely to accelerate in the years ahead. These shortages are compounded by an ageing workforce, and higher levels of remuneration in the mining sector drawing people away from agriculture.

In particular, there is a shortage of seasonal, affordable, entry-level labour for the horticulture industry, which has become more and more reliant on overseas workers for picking fruit at peak season. The meat industry’s shortage of processing workers in abattoirs, especially in regional Victoria, means that it is also becoming increasingly dependent on overseas labour to fill skilled and semi-skilled positions.

Reducing these shortages will improve the productivity of our food sector, as well as giving businesses more certainty and confidence in seeking out and supplying new markets.

New actions

3.4 Victoria will advocate to the Commonwealth Government on visa issues that affect the food sector workforce, urging the Commonwealth to:

- Establish flexible, practical visa settings that meet industry needs
- Expand the overseas Seasonal Worker Program (where this helps meet labour demand that cannot be met locally) and strengthen its relevance to industry needs
- Build awareness of the Skills Passport scheme to improve access to seasonal labour.
A successful collaboration between the dairy industry, the Victorian Government and the National Centre for Dairy Education Australia is addressing skills gaps in the use of home grown feed on dairy farms and helping farmers to boost productivity and improve risk management.

The Feeding Pastures for Profit program provides farmers with the knowledge and tools they need to apply best practice feeding concepts and technologies to growing and managing high quality pasture. The program aims to give farmers the skills and confidence to make major decisions about how much pasture to allocate to their herds and the amount of supplements to offer the herd to maximise profit. These decisions are vital to making the most of available resources to manage risk, adapt to changing conditions and improve on-farm performance, productivity and profitability.

A recent cost benefit assessment by Marsden Jacob Associates found that, from 2008-09 to 2011-12, the Feeding Pasture for Profit program delivered net benefits of around $33.5 million in 2010 dollars, with benefits accruing to farmers beyond the year of their participation in the program. Even on conservative assumptions, Marsden Jacob Associates calculated that Feeding Pastures for Profit achieves benefits 18 times the amount of public and private investment in the program, with annual benefits to farmers averaging about $43,000.

Since 2004, around 1,300 farmers have attended the program. Overwhelmingly, participants report high levels of satisfaction with the program and an unequivocal willingness to recommend it to others. Feedback collected during post-program evaluations confirms the benefits farmers are enjoying after participating in the program:

“I would have been broke without the program.”

“Every dairy farmer should do this program.”

“We have been able to increase overall milk solids by 113 kilograms milk solids per cow over the past 12 months by improving pasture management and increasing pasture consumption.”

“This stuff just works, I can’t understand why people don’t jump on board – it’s just so easy.”

“We have increased production by 30 per cent over three years.”

**CASE STUDY: HELPING DAIRY FARMERS TO DEVELOP SKILLS**
Victoria’s grains industry is concentrated in the state’s north west, but is expanding slowly into other areas.

Crop production is highly efficient and undertaken in an almost entirely rain-fed environment. There are 7,500 broadacre cropping businesses in Victoria, covering 3.5 million hectares or 28 per cent of the state’s farmland. Cereals (wheat, barley and oats), pulses (field peas, chickpeas, lentils and broad beans) and oilseeds (canola) are produced using high capital input and sophisticated technology for cropping. About 18 per cent of producers account for more than 50 per cent of the estimated value of production.

Grains storage and transport infrastructure are well developed and Victoria is an attractive investment destination for multi-national grain traders. More than 25 exporters of bulk containerised grains and processed grain products operate through the ports of Melbourne, Geelong and Portland.

In 2012-13, grains overtook dairy to become Victoria’s most valuable food export category. The top destination markets for Victorian grains by value are Indonesia, China, the UAE, Pakistan and Belgium. In recent years, there has been a substantial lift in exports to China and the UAE (330 per cent and 400 per cent respectively between 2011-12 and 2012-13).

Significant opportunities are likely to open up for the industry through:

- Continuing to develop innovative farming practices that can build crop yield and profitability during variable weather conditions
- Reducing skills shortages in technical agronomy and farm management
- Overcoming capital constraints, which will increase investment in machinery and equipment and improve the industry’s ability to tailor products for new export opportunities.

More broadly, the industry will benefit from more efficient transport connections to export gateways, a reduction in import tariffs for processed grains and a more co-ordinated and concerted effort to respond to the requirements of Asian markets. In particular, there is a significant opportunity to respond to the increased consumption in many Asian countries of bakery products, snack foods, beer and cooking oil.
4 More Efficient Movement of Products to Asian Markets

Major investment in road, rail and ports infrastructure – and a comprehensive new freight strategy – will improve freight efficiency, remove bottlenecks and better connect Victorian food and agriculture businesses with Asian markets.

Victoria is Australia’s freight and logistics capital. The Port of Melbourne is Australia’s largest port and Melbourne Airport is now the nation’s largest mover of airfreight. These attributes give our food exporters a strong competitive edge.

To ensure the state’s export infrastructure has the capacity to support an increase in international trade, the Victorian Government is making major investments in road, rail and port infrastructure. In 2013, the Government released Victoria – The Freight State, a comprehensive long-term strategy to improve freight efficiency, increase productivity and better connect Victorian businesses to domestic and international markets.

In addition to initiatives being taken through Victoria – The Freight State, the Government will deliver new actions designed to improve efficiency and effectiveness in moving food and agriculture products to Asian markets.

Improving freight flows

As the freight task grows, continuing to minimise road and rail transport bottlenecks is becoming increasingly important to moving food exports quickly and efficiently to Asian markets.

Keeping freight moving freely along regional roads is also becoming more challenging as the consolidation of food production facilities across regional Victoria leads to heavier use of these roads.

Victoria – The Freight State

Victoria – The Freight State sets out a long-term plan for managing the growing freight task. The plan includes actions that will improve the efficient movement of freight, increase capacity at major freight gateways, protect vital freight corridors and land uses, and better connect Victorian businesses with local, national and international markets.

Several directions in the new strategy will support food exports to Asia:

- Expanding and upgrading containerised and bulk port gateways to meet the projected three-fold increase in the state’s freight task, including upgrades to the Port of Melbourne and development of the Port of Hastings (Directions 1 & 2)
- Ensuring Victoria has adequate airfreight capacity, particularly for time critical fresh food supply chains (Direction 4)
- Adopting various planning and network management mechanisms to better manage issues related to freight delivery in urban areas and enhance the efficiency of supply chains in regional Victoria (Directions 13, 14 & 15)
- Addressing regional supply chain bottlenecks and promoting more efficient access for regional produce to international markets (Directions 16 & 17)
- Making more use of larger, safer and more productive trucks and increasing network access for higher productivity freight vehicles (Directions 6 & 19)
- Supporting an increased role for rail freight (Direction 10)
- Improving the management of freight impacts on amenity in regional communities (Direction 20).
Making better use of larger, higher productivity freight vehicles (HPFVs) is essential to improving freight flows, making better use of the road freight network and generating productivity and efficiency benefits that will give our exporters a clear edge. However, the use of these vehicles is constrained in many places by the need to strengthen pavements and bridges, and to establish suitable routes for ‘first mile – last mile’ access at the farm gate, intermodal terminals and ports.

What we’re doing now

Victoria’s Transport Solutions program is investing $28 million in 30 carefully targeted projects designed to support regionally based export industries by reducing bottlenecks and improving transport flows. Projects have been developed in collaboration with local government and industry and include road and intersection upgrades, bridge strengthening and improved truck rest areas.

Actions to increase the deployment of HPFVs include the Moving More with Less initiative (which has established a ‘Cubic Freight Network’ for longer vehicles operating in Victoria) and the identification and progressive implementation of a strategic ‘Mass Freight Network’ for access by heavier vehicles.

New actions

4.1 Victoria will work with the Commonwealth and private sector to fund initiatives that will improve our capacity to move export products efficiently from the farm to ports, including:
   - A further round of the Transport Solutions program, focused on the food sector, that will aim to reduce bottlenecks and improve transport flows on roads in key regional areas
   - Upgrades to the Mildura and other priority rail lines and intermodal hubs that will significantly improve turnaround times and reliability for horticulture and grain freight
   - A new Food to Port co-investment program that will provide grants for targeted ‘first/last’ mile local road and rail capacity upgrades to improve key food and agricultural supply changes.

4.2 We will take action to improve access for HPFVs to farms and processing centres to support the dairy and other sectors.

Using our ports more efficiently

Victoria’s ports are vital gateways for commodity exports and manufactured products. While the $1.6 billion expansion of capacity at the Port of Melbourne and the accelerated development of the Port of Hastings will ‘future-proof’ the throughput capacity of Victoria’s ports, there are opportunities for the food sector to access and use existing infrastructure at Victoria’s commercial ports more efficiently.
Opportunities also exist to increase the efficiency of customs clearance for food exporters. At present, multiple clearances are required to export food to ensure compliance with Australia’s international obligations, quality requirements and national security interests. Many of these clearances can only occur at ports. Changes to these processes, such as the location of the clearance checks in regional intermodal hubs, would provide significant efficiency benefits for Victoria’s regional food exporters.

What we're doing now
Several actions being taken under Victoria – The Freight State will boost the capacity and efficiency of Victoria’s ports. The Government is also working with network managers, the private sector and local councils to remove obstacles preventing freight operations from making better use of spare off-peak capacity (especially overnight capacity) on the road and rail networks.

New actions

4.3 The Government will encourage the use of ‘bulk runs’ (the bulk movement of containers into the port by larger exporters) outside normal operating hours into stevedore terminals for agricultural exports.

4.4 Victoria will advocate to the Commonwealth Government to encourage the location of customs clearance facilities at regional hubs to improve the movement of goods to and through ports.

Boosting rail capacity and efficiency
Improving rail capacity and efficiency is especially critical to Victoria’s grains sector, as moving grain to port is more costly in Victoria compared to other grain producing countries, compromising the international competitiveness of our grain exports. Maintaining and upgrading axle loading capacity helps ensure optimal supply chain performance for grains and other sectors. Boosting the capacity of our rail infrastructure will help to accommodate future freight growth, particularly in the grains and horticulture sectors. It will reduce the use of trucks to move produce and alleviate the associated congestion and access issues at our ports.

What we’re doing now
Victoria – The Freight State includes a number of strategies and initiatives to increase the capacity and efficiency of our rail network and encourage greater use of rail to move freight. The Government is also tackling major bottlenecks along the state’s rail network through targeted infrastructure upgrades, including through co-investment with the private sector.

New actions

4.5 We will support further investigation into the potential for standardisation of the Mildura rail line, including assessing the feasibility in the longer term of a new link from Mildura to the transnational network to the north.

4.6 We will improve incentives for V-line to maintain and develop Victoria’s regional broad gauge rail freight network.
Ensuring adequate airfreight capacity

Airfreight represents less than one per cent of Victoria’s import/export trade by volume, but accounts for over 20 per cent of trade by value. Moving freight by air is especially critical for high-value, time-critical goods, including fresh food products, such as chilled meat, seafood and fruit. The majority of Victoria’s airfreight trade is with Asian countries and, as Asian consumers seek out new food products, new opportunities are emerging for high-value food producers and exporters.

Currently, Victoria’s airfreight capacity is limited by a shortage of direct passenger services. While airfreight from Melbourne has now overtaken airfreight from Sydney (and is projected to increase five fold by 2050), this strong growth could be boosted further by increasing the number of direct passenger services from Melbourne to Asian growth markets.

What we’re doing now

The Government recognises the potential of Victoria’s aviation infrastructure in growing food exports to markets in Asia and is working with the operators of Melbourne and Avalon Airports – as well as key regional airports – to ensure that adequate airfreight capacity is maintained into the future. The Government’s efforts are focused on keeping Melbourne and Avalon Airports curfew-free, maintaining efficient road freight access to these airports for exporting firms and supporting the development of major new freight precincts and handling facilities at both airports.

The Government will continue to work with Asian airlines and governments to attract new direct passenger and freight services to Melbourne and Avalon Airports.

Working with industry

Established in 2012, the Ministerial Freight Advisory Council (MFAC) provides a mechanism for government and industry to work together at the highest levels on initiatives to improve the efficiency and productivity of Victoria’s freight and logistics sector.

The creation and operation of the Council reflects the importance the Government gives to partnering with the freight industry and its customers to boost the performance of the sector. While the Council is proving effective, there is scope to strengthen representation from customers in the food and agriculture sector, particularly those exporting to international markets.

New action

4.7 The Government will ensure stronger representation of agriculture customers on the Ministerial Freight Advisory Council.
Across Victoria, a number of projects are removing infrastructure bottlenecks and helping food and agriculture businesses to get their products to market more quickly and reliably. Some of these projects are large scale, others are relatively small ‘fixes’ that still generate substantial benefits.

In Koo Wee Rup, Australia’s largest asparagus growing district, the construction and sealing of 2.5 kilometres of road has given asparagus growing and packaging businesses a smooth, dust-free connection with freeway access to processors, Melbourne markets and the airport. This improved connection will minimise product losses and contamination, reduce quality control issues in asparagus packing sheds (which lead to excessive production costs) and help to preserve the ‘clean and green’ image demanded by export markets. Removing this bottleneck also has the flow-on benefit of improving safety for traffic sharing the road with trucks transporting asparagus.

Another relatively small project that will deliver big benefits is the upgrading of rail signalling in North Geelong and Dunolly. This project will increase train productivity (a key element in reducing grain supply chain costs and improving export competitiveness) by reducing grain train cycle times and increasing grain throughput by rail at the Port of Geelong – a major export gateway for grain from Victoria and southern New South Wales. Without the signalling upgrade, some grain trains have needed to be held in sidings away from the port, leading to additional crew costs, inefficient use of rolling stock and delays to other grain trains.

Removing this productivity bottleneck will mean that up to 200,000 extra tonnes of grain can be delivered to the port by rail each year, leading to less grain being moved by truck and a reduction in truck use and truck congestion at the port.

GrainCorp’s Geelong Terminal Manager, Craig Cochrane said “The new signalling works at Dunolly and Geelong will eliminate many of the holdups currently experienced by rail deliveries and will potentially increase the volume of grain that can be delivered to Geelong by rail”.

**CASE STUDY: REMOVING BOTTLENECKS ON THE ROAD TO ASIA**
WINE: SECTOR OVERVIEW

Victoria is Australia’s third largest wine producing state – behind South Australia and New South Wales – and accounts for about 10 per cent of Australia’s wine exports by value.

Victoria’s wine industry employs over 11,500 people, including around 2,600 people directly employed in grape growing and winemaking. Almost 25,500 hectares of wine grapes are grown across the state’s 21 wine regions.

In 2010-11, 71 per cent (nearly 300,000 tonnes) of Victoria’s grapes were produced for wine making. The balance was used for table grapes and dried grape products.

Victoria’s wine exports were valued at $197 million in 2012-13, with red wine varieties making up the bulk (65 per cent) of wines exported. Our top destination markets by value are China, the United Kingdom, the USA, Hong Kong, Canada and New Zealand. Markets in Hong Kong, mainland China, Singapore and New Zealand markets are growing strongly.

In recent years, oversupply has placed downward pressure on grape and wine prices. Variable and volatile seasonal conditions, smoke taint from bushfires in some regions and the impact of phylloxera have also adversely affected the industry. Despite these setbacks, the industry has very strong export potential in Asian markets as a result of its reputation for high quality and the growth in demand in these markets.

The European Union is the world’s largest exporter of wine and ‘old world’ wine producers such as France, Italy and Spain still dominate global wine exports, including in Asian markets. However, there is a growing appreciation for Australian wine among Asia’s consumers, many of whom are starting to explore new wine styles and sources. China is now Victoria’s most valuable export market for wine and a growing opportunity for wine sales to China is the lucrative ‘gifting’ market.

Through branding and market development, there is an opportunity to position Victorian wine as a premium product internationally, as the majority of bottled wine exported at present is priced below $4.99 per bottle. There are also opportunities to align Victoria’s international wine brand with statewide and regional tourism strategies.
5 BETTER TARGETED R&D, EXTENSION AND INNOVATION

R&D, extension and innovation targeted to Asian consumer preferences will open up new export opportunities in growing markets and improve productivity and profitability along the food and agriculture supply chain.

Higher levels of productivity and profitability along the supply chain are essential to the international competitiveness of Victorian food. Product innovation targeted specifically to Asian consumer preferences is also necessary to secure new export opportunities in growth markets.

Currently, both public and private sector investment in agricultural R&D in Australia is well below that of our major competitors. For example, private sector R&D investment in Australia is 10 to 20 per cent of public investment whereas in the USA it is closer to 50 per cent. While countries such as Brazil, India and China have increased their commitment to agricultural research, Australia’s investment has declined since the late 1970s.

While increased private sector investment in research and development is essential, governments can play a role in strengthening the sector’s productivity, profitability and innovation through targeted co-investment with industry in research, development and extension (RD&E) services.

The Food to Asia Action Plan introduces new RD&E programs focused on building a better understanding of Asian markets and consumer preferences, and ensuring food sector businesses are better placed to meet longer term Asian demand.

Understanding Asian consumer preferences

Most Victorian Government investment in agricultural RD&E is focused on improving productivity pre-farm gate. While this is important, new opportunities are more likely to arise where RD&E and innovation are driven by meeting the tastes and requirements of Asian consumers rather than by securing domestic opportunities or servicing the current needs of primary producers.

What we’re doing now

Victoria has a long record of excellence in agricultural RD&E and innovation. In 2013, the Victorian Premier opened AgriBio, a $288 million state-of-the-art facility that aims to enhance Victoria’s leadership in agricultural bioscience R&D, with a focus on addressing issues around food security.

Other important R&D assets include research centres at Ellinbank (dairy), Hamilton (lamb), Horsham (grains and pulses), Mildura (citrus, almonds and dried, table and wine grapes) and Tatura (pome and stonefruit).

Victoria is also playing a lead role in the National Primary Industries RD&E Framework in dairy, lamb and pulses, as well as some areas of cereals, temperate horticulture, animal welfare, climate change, plant biosecurity and water use in agriculture. The framework aims to better focus Australia’s national research capability and use RD&E resources more efficiently.

Targeting our RD&E activities more effectively towards identifying, understanding and meeting Asian consumer preferences will support the increased production of Victorian food to meet long-term Asian demand.
New actions

5.1 To boost food production, the Government will increase support for RD&E services to improve natural resource management (including soils, water and climate adaptation).

5.2 The Government will support Victoria’s food and agriculture sector to build a detailed understanding of Asian consumer preferences, including:

- Ensuring industry strategies are aligned to the National Primary Industries RD&E Framework, are demand driven and are linked to Asian consumer preferences
- Developing Victoria’s long-term RD&E capabilities with a strong focus on growing Asian markets and meeting Asian consumer demand
- Building long-term science capabilities focused on meeting Asian demand at our regional centres of excellence, particularly in relation to agricultural biosciences (AgriBio at La Trobe University Bundoora campus), lamb (Hamilton), dairy (Ellinbank), grains (Horsham), temperate horticulture (Tatura) and citrus, almonds and grapes (Mildura)
- Upgrading facilities at regional centres of excellence to increase research efficiency and effectiveness
- Participating in the National Food and Nutrition RD&E strategy as a major contributor.

Supporting collaboration and innovation by smaller firms

Many SMEs in the food sector face difficulties becoming more productive and innovative, or developing new products and processes aligned to market opportunities. Smaller firms often lack the physical resources, management capabilities or capital to develop their ideas, adopt new technologies or adapt to changing and emerging markets.

When businesses work together, greater opportunities for innovation are generated. Promoting partnerships, networks and other collaborative ways of working will give our food sector SMEs access to technologies, expertise and supply chains, increasing their prospects for success in Asian markets.

What we’re doing now

Food sector SMEs can access Victoria’s business vouchers program to enhance their innovation capabilities, including Business R&D Vouchers (enabling firms to access the facilities and expertise of Victoria’s research sector), Innovation Skills Vouchers (enables firms develop their in-house capabilities) and Technology Development Vouchers (assisting firms to integrate cutting-edge technologies to improve their products, services and processes).
New actions

5.3 The Government will support SMEs to collaborate and innovate through strategic partnerships with innovation hubs, including:

- Supporting SMEs to access collaboration and open innovation programs at the Mondelez Asia Pacific Chocolate and Confectionery Centre of Excellence and to access the services at CSIRO’s Werribee plant to commercialise their product
- Supporting SMEs to access the services of the Food Innovation Australia Limited (FIAL) precinct for market research and consumer insights
- Supporting grower groups to extend their R&D activities, with a focus on Asian markets.

Supporting dairy innovation and research

Victorian scientists lead the world in systems biology disciplines such as genomics, and have made enormous productivity gains through genetic enhancements to dairy and beef cattle. But more can be done to realise our full potential in genomics research. In particular, there is an untapped opportunity to apply this expertise to the genetic properties of milk to unlock new insights that will help Victoria develop high-value products that appeal to Asia’s consumers.

New actions

5.4 The Government will work with the dairy industry to explore the next generation of milk components that will help to convert milk from a commodity to higher value products for Asian markets.
Joint investment by government and industry in pre-farm gate research, development and extension (RD&E) has been crucial to increasing productivity in Victoria’s dairy industry and to shoring up the industry’s reputation for quality. The Centre for International Economics has estimated that nearly half of the increase in on-farm dairy production has been due to RD&E, with each dollar invested by government and industry delivering at least a threefold benefit. The biggest improvements from RD&E have been through improved pasture production and management, better use of supplements (such as feeding grain to herds) and breeding more efficient cows in converting feed to milk.

Building on these strong gains, government and industry are investing further to improve genetic selection of key pasture species and cows to improve milk yield, milk quality and cow fertility. This work is underway at the AgriBio facility at Bundoora. Investment is also focused on improving the nutrition of dairy cows and making more efficient and sustainable use of natural resources at the National Centre for Dairy Research and Development in West Gippsland.

This research effort is providing a strong foundation for the industry’s growth and export potential. Ian Halliday, Managing Director of Dairy Australia, sees a positive future for the industry. “We know from a demand perspective, both domestically as well as internationally, there is strong demand growth,” he says. “I think we have some really exciting technologies coming through – for example, robotic milking, voluntary milking of cows and genetic research around animal performance and plant performance.” Based on previous results, these emerging technologies are likely to deliver further substantial productivity gains to the dairy industry.

CASE STUDY: DAIRY R&D DELIVERS BIG PRODUCTIVITY

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Mondelez (formerly Kraft Foods) is the world’s second largest food company, producing spreads, chocolate, confectionary and other food products in around 170 countries — including popular brands such as Vegemite, Philadelphia Cream Cheese and Cadbury Dairy Milk chocolate.

Mondelez recognises that innovation is the key to its success and that it must develop new products to remain a global market leader. The company sees working with smaller supply chain partners as critical to developing new product lines for Asian consumers and unlocking opportunities in Asian growth markets.

Supported by investment from the Victorian Government, Mondelez opened its Asia Pacific Chocolate and Confectionery Centre for Excellence in Melbourne in February 2013. The centre is home to the largest food R&D team in Australia, comprising more than 100 food scientists, technologists and graduates.

Stage one of the centre includes a pilot plant for chocolate testing and development, a fully equipped test kitchen and facilities to research consumer preferences and build new brands. Stage two will incorporate a new building to house chocolate fermentation technologies and state-of-the-art packaging technology.

The centre will support collaboration with and between SMEs, offer open access innovation programs and deliver bespoke postgraduate courses in food innovation. This collaborative focus will give SMEs access to research and product development, boosting their manufacturing and innovation capabilities, and helping them gain insights into Asian consumer behaviours and market levers.

Mondelez has expressed strong support for Australian food manufacturing and sees Victoria as 'the heartland of [its] manufacturing footprint'. Mondelez’s President for Australia and New Zealand, Rebecca Dee-Bradbury, says that the company sees the new Asia Pacific Chocolate and Confectionery Centre for Excellence as helping to create "a new generation of Australian food entrepreneurs who will both understand and be able to access Asia’s middle-class consumers at our doorstep".

CASE STUDY: MONDELEZ SHARES ITS KNOWLEDGE
Victoria’s dairy industry, the state’s largest food sector, consists of around 4,500 dairy farms distributed across major production regions in the north and south west of the state, and in Gippsland. Dairy processing firms are located in each of these regions, ranging from Murray Goulburn, Australia’s biggest dairy exporter, to small and medium-sized firms that produce high value, niche products for domestic and export markets.

The Victorian industry is export-oriented, producing nearly 66 per cent of Australia’s total milk, but accounting for 86 per cent of Australia’s dairy exports – around seven per cent of the total global trade in dairy. Japan remains our top market, but dairy exports to China and Malaysia are growing strongly. Despite some difficult conditions in recent years, the outlook for dairy exports is very positive, with a slight decline in exports of milk and cream to Asia being countered by an increase in exports of cheese and whey, and yoghurt and fermented milk products.

With a long record of innovation and adaptation to changing conditions and markets, Victoria’s dairy producers are in a strong position to meet the particular challenges associated with boosting exports to Asia. New opportunities are likely to emerge through:

- Improvements to on-farm business management and the uptake of new technologies
- Attracting higher levels of investment at the farm level
- Overcoming tariff barriers in key markets and negotiating improved market access for Australian dairy products
- Growing demand in Asian markets for value-added dairy products.

The Victorian Government and the dairy industry are working together to overcome these challenges, including investing in initiatives designed to boost productivity across the industry, improving the efficiency and reliability of the water supply to dairy producers, and supporting exporters to identify and access new international markets.

Over time, sustained growth in demand from Asia and improved conditions for milk production are expected to translate into higher farm-gate prices, increased production and profitability, and greater investment in the dairy sector. Increasingly, processors are making large investments in the facilities and technology needed to produce transformed dairy products, such as lactoferrin and other milk extracts, to draw greater value from raw milk and capture higher margins in growing export markets.

In moving into new markets in Asia, our dairy producers will be able to build on Victoria’s well-established track record for productivity gains in milk production through improvements in dairy cattle genetics, new feeding systems, increased pasture growth and irrigation modernisation.
6 STREAMLINED REGULATION AND REDUCED RED TAPE

Minimising barriers to innovation and reducing the regulatory burden on food businesses, while maintaining Victoria’s reputation as a producer of clean, safe food, will sustain the integrity, flexibility and growth of our food and agriculture sector.

Businesses in Victoria’s food sector are subject to regulations set by different parts and levels of government. These regulatory systems are critical to our export capabilities, such as maintaining our highly effective biosecurity and food safety regimes. In other areas, opportunities exist to reform regulatory regimes, reduce compliance costs and ensure food businesses have the flexibility required to support innovation and growth.

New actions taken through the Food to Asia Action Plan will focus on making sure that Victoria’s high food safety standards are recognised by Asian consumers and markets, on minimising unnecessary barriers to innovation and market access, and on reducing the regulatory burden for businesses across the food supply chain.

Maintaining and promoting our reputation for safe food

Victoria, along with the rest of Australia, remains free from many agricultural pests and diseases that affect other countries. Our global reputation for safe, high quality produce is vital to our competitive advantage as a major agricultural and food exporter and will encourage Asian consumers to put premium products from Victoria on their tables.

Consolidating this reputation, while minimising the regulatory burden and compliance costs on farm businesses and the food supply chain, will be a cornerstone of our growing export trade with Asia.

Increasing our advocacy efforts will also ensure that importing countries understand the strength and effectiveness of Australia’s food safety and biosecurity systems, and do not impose duplicative or unnecessary requirements on our exporters.

What we’re doing now

The Victorian Government supports a national approach to food regulation and has adopted national food safety standards. Victoria’s Minister for Health and Minister for Agriculture and Food Security are involved in the national Legislative and Governance Forum on Food Regulation, which brings together Australia’s states and territories, the Commonwealth Government and the New Zealand Government to develop an effective food regulatory system that minimises unnecessary regulation and provides flexibility for innovation.

In 2013, the Victorian Parliament’s Rural and Regional Committee completed an extensive inquiry into The Impact of Food Safety Regulation on Farms and Other Businesses. The Committee made a number of recommendations to improve the regulatory environment for the state’s food sector, including ways to ease the regulatory burden on businesses producing low risk foods and encourage balanced industry development while still protecting public health. The Government supports the majority of these recommendations and is taking action to address key issues identified by the Committee.
New actions

6.1 The Government will increase the promotion of Australia’s and Victoria’s food safety framework so that importing countries recognise our existing high standards and are less likely to impose additional regulatory burdens on businesses.

6.2 In particular, we will increase promotion of Victorian and Australian dairy and meat food safety systems in key Asian markets to reduce unnecessary requirements by importing countries.

6.3 Working with the meat industry, the Commonwealth Department of Agriculture and Meat and Livestock Australia, Victoria will host two-way delegations of officials from key Asian markets to develop awareness of Victorian meat products and underpinning safety systems, and to build stronger relationships in these markets.

Reducing regulatory costs
The food sector is subject to regulation by different parts and levels of government. This can lead to unnecessarily high regulatory costs along the food supply chain, which undermines the competitiveness of Victorian food exporters. In particular, some export accreditation requirements set by the Commonwealth Government impose a high cost on exporters and there can be delays in approval processes, especially when accessing new markets.

We need to make sure we have the balance right between necessary regulatory checks and compliance regimes without generating undue costs and barriers to innovation. Streamlining the number of government and customer quality assurance audits or inspections will also reduce costs for food sector businesses.

What we’re doing now
In 2013, the Victorian Government appointed a Red Tape Commissioner to review regulatory burdens and identify priority areas where regulatory reform will deliver improved outcomes for businesses and communities. In January 2014, the Commissioner announced 36 red tape reforms, including several improvements to regulations covering the farming and fishing sectors.

At the individual firm level, Victorian Government Business Development Managers are working closely with food sector firms as part of the Government’s Business Engagement Model to identify and address regulatory issues.

New actions

6.4 The Government will reduce the impacts of red tape on food businesses by:
- Engaging more with the food sector to identify options to reduce red tape
- Prioritising action on reform proposals made by the Red Tape Commissioner that impact on Victorian food exports
- Improving our education and advisory services to food sector businesses to help them minimise regulatory compliance costs.
Meeting new technical protocols

Meeting new technical protocols (such as phytosanitary requirements) for market access by our exporters requires complex negotiations between many players. The success of these negotiations – usually led by the Commonwealth Government – relies upon research that demonstrates the integrity of Australia’s biosecurity systems and food safety regimes.

Giving food sector businesses and state-based regulators more and better coordinated opportunities to contribute to these processes and provide up-to-date information about R&D activities will improve the quality of negotiations and help to reduce the regulatory burden on the sector.

New actions

6.5 Victoria will advocate to the Commonwealth Government for greater involvement by food businesses and state-based regulators in negotiations on the requirements of importing countries to improve the evidence base underpinning these negotiations and reduce unnecessary regulatory burdens on our exporters.
CASE STUDY: **VICTORIA LEADS ON DAIRY REGULATION**

Even when operating under difficult climatic and financial conditions, Victoria’s dairy farmers and manufacturers have confidence in the safety and quality of their products. At the core of this confidence is Victoria’s highly effective approach to dairy regulation, led by Dairy Food Safety Victoria (DFSV).

Established in 2000, DFSV is the independent regulator of Victoria’s dairy industry. Working in partnership with industry, DFSV makes sure that national food safety standards are met and the safety of dairy products manufactured in Victoria is maintained. DFSV licenses all dairy premises operating in Victoria and approves and ensures compliance with food safety programs across all parts of the dairy production and supply chain. This single system approach reduces duplication and the regulatory burden on businesses, builds skills and capabilities within the industry and gives the industry a sound basis for growth.

Importantly, Victoria’s approach is critical to the positive reputation enjoyed by our dairy industry in global markets. DFSV’s leadership in developing a consistent approach to regulation provides the basis for facilitating market access in Asia. As new products emerge in response to Asian consumer preferences, our exporters can continue to assure importing countries of the safety, integrity and quality of Victorian dairy products.

CEO of DFSV, Jennifer McDonald says “DFSV plays a key role in supporting the dairy industry by assuring market access both internationally and domestically. We do this through an effective regulatory platform that provides a single system approach to deliver integrity and assurance”.

RED MEAT: SECTOR OVERVIEW

Victoria’s meat industry is the state’s second largest food sector, employing over 32,000 people. More than half of the state’s meat processing jobs are based in regional Victoria.

Beef production is concentrated in the state’s southwest, Gippsland, Ovens-Murray and Goulburn regions. The beef industry is dominated by smaller producers, with almost 90 per cent of producers accounting for less than 50 per cent of the estimated value of production.

Sheep production is concentrated in the Western, Wimmera and Central Highlands districts. The sheepmeat industry has a greater share of larger producers.

Victoria’s beef and sheepmeat sectors have experienced strong export growth in recent years: meat exports were valued at $1.78 billion in 2012-13, an increase of 12 per cent over the previous year and Victoria is now one of the world’s largest exporters of sheepmeat. The top markets for Victorian meat are the USA, China, Japan, Indonesia and the UAE. Exports to China increased to record levels during 2012-13, with exports to the USA, Indonesia, Iran and Saudi Arabia also growing strongly.

While the strongest projections in global demand for meat are for beef, the structure of Victoria’s beef industry may be the biggest limitation to increasing supply. At present, almost half the state’s beef production occurs in farms with an estimated output value of less than $100,000. However, the industry has significant potential to continue making productivity gains and build on its record of producing high-grade beef that can capture price premiums in export markets.

Opportunities for the industry are likely to emerge through:

- Lifting productivity by overcoming skills and knowledge gaps in farm management, business practices and best-practice farming systems
- A reduction in the costs of meeting export certification requirements
- Negotiating improved market access in strongly growing Asian markets and promoting understanding of Australian safety standards and traceability systems
- Tailoring products to Asian market demand, such as the consumer preference for marbled beef (in Japan and South Korea) and Halal products (in the Middle East, Malaysia and Indonesia).

In 2012-13, the Victorian Government and industry (Meat and Livestock of Australia) invested around $18 million to boost productivity in the red meat industry, including a new National (Southern) Red Meat Innovation Centre at Hamilton, that will invest in red meat R&D with a focus on projects that improve weaning rates, meat yield and quality, and on-farm productivity.
7 INCREASED CAPITAL INVESTMENT

In an increasingly competitive global investment landscape, Victoria’s food-related businesses and agriculture needs to attract capital investment from traditional and emerging domestic and international markets.

Australian agribusinesses require an estimated one trillion dollars in new capital by 2050 to fully benefit from global growth in demand for food. This comprises growth-oriented investment ($600 billion) to increase production capacity by 125 per cent to 2050 and capital investment ($400 billion) to manage the generational change in farm ownership from small to larger family-owned or corporatised farms.

While investment markets in the post-global financial crisis (GFC) environment continue to be volatile and dynamic, Victoria has succeeded in attracting foreign and domestic investors to parts of our food sector.

Victoria has long been open to foreign investment in food processing and remains the preferred location in the Asia Pacific for advanced food and beverage processing. Nearly 20 major global food companies have already invested in Victoria, including Nestlé (Switzerland), Kagome, Yakult and Kirin (Japan), Olam (Singapore), Unilever and SABMiller (UK), McCain and Saputo (Canada), Fonterra (New Zealand), JBS (Latin America) and American companies Mondelez, Heinz, Campbell’s Soups, Mars Foods, Pepsi and Mission Foods.

While there is ongoing strong interest in Victoria’s farm businesses among foreign investors, especially in China, these investors tend to be focused on larger scale projects that are often not available in Victoria. Domestic sources of growth-oriented capital are not investing in primary production and superannuation funds and other domestic sources of capital are underutilised. This has led to a shortage of growth-oriented capital at the farm level, with traditional sources of farm capital – bank finance and retained earnings – insufficient to cover the investment gap.

In an increasingly competitive investment landscape, Victorian food and agriculture must continue to attract investment from new companies and markets. While traditional markets will provide a significant amount of foreign direct investment (FDI), opportunities from emerging markets are likely to increase over time as developing economies become a growing source of FDI. Our food sector will need to adopt new approaches to attracting investors and be open to exploring emerging sources of capital to seize the opportunities generated by Asia’s growth.

Showcasing Victoria’s investment profile and improving awareness among international companies of Victoria as a safe, secure and welcoming place to invest will also be critical to increasing investment in Victorian food and agriculture.

Promoting Victorian food and agriculture to investors

In a highly competitive global investment landscape, Victorian food and agriculture has to ‘stand out from the crowd’ and present investment opportunities that are attractive, meet the requirements of investors and offer good prospects for profitability over the longer term.

* An estimation made by Port Jackson Partners/ANZ bank in its October 2012 report: Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand
New investment models and business structures are emerging that are likely to be more attractive to certain types of investors. However, farm owners and investors do not always know about these models and structures. At the farm level, there may not be a strong understanding of the full range of options available or the management skills to adopt new approaches.

New ways of doing business are likely to be particularly important to attract investors looking for larger scale opportunities. For example, Murray Goulburn Cooperative is using its status as Australia’s largest dairy processor to attract foreign capital to its suppliers’ farms and then leasing farms back to suppliers.

As the FDI landscape continues to change and evolve, investment opportunities from emerging markets are also likely to increase over time. The investment attraction efforts of industry and government need to reflect this shift.

What we're doing now
Invest Victoria promotes Victoria as an investment destination internationally and attracts foreign companies to establish a presence in Victoria. Invest Victoria works with investors to gather market information, make contacts, identify appropriate sites for offices and other facilities, link with government services and partner with local suppliers and service providers. Invest Victoria also supports the overseas network of Victorian Government Business Offices (VGBOs) in developing global partnership and alliance opportunities for Victorian firms.

Business Development Managers, who are based in Victorian-based VGBOs, help businesses to improve their access to export markets and potential partners, attract investors and maintain a focus on productivity and growth.

New actions

7.1 The Victorian Government will strengthen the promotion of investment into Victorian food and agriculture by:
- Promoting the sector’s capabilities and advantages to international investors through inbound and outbound trade missions
- Encouraging new investment into agriculture and food-related businesses
- Identifying new investment opportunities for Victorian food and agriculture businesses in emerging markets
- Strengthening the promotion of Victoria as an attractive investment destination.

7.2 The Government will provide additional support to industry to create awareness of the full range of business and investment models available for agriculture.
Attracting investment in the grains sector

The Wimmera-Mallee Pipeline Project (WMPP) is part of Victoria’s ‘Piping the System’ project. It is Australia’s largest water saving project, replacing 18,000 kilometres of earthen channels with 9,000 kilometres of pressurised pipeline and associated infrastructure. The pipeline will save an average 103 billion litres of water each year and deliver a continuous water supply to around 9,000 farms and 30 townships across the Wimmera and Mallee.

What we’re doing now

An important part of the WMPP is making sure that farms and other businesses can capitalise on the opportunities arising as a result of the benefits provided by the pipeline, including the development of more intensive livestock industries, on-farm diversification and attracting new investors to the region.

The Government has produced factsheets and information to support the development of the lamb and cattle grain finishing industry in the pipeline region, released a prospectus for value-adding to grain in the region and developed a strategic growth plan that highlights grain production as a competitive strength for the region. We will undertake further work to identify and leverage investment opportunities for firms in this industry.

New actions

7.3 The Victorian Government will develop and disseminate investment information on opportunities for grain finishing livestock in the Wimmera-Mallee region following the completion of the ‘Piping the System’ project.
Olam International, a Singapore-based global supply chain manager of agricultural products and food ingredients, has opened a new almond processing plant in north west Victoria, which is expected to produce around half of Australia’s total almond output. Operating in 20 agricultural commodities across 64 countries, Olam has Australian investments in cotton, wool, grains and pulses, as well as almonds.

To capitalise on the rapidly rising demand for Australian almonds in Asia and the Middle East, Olam opened its $60 million almond hulling, shelling and processing facility near Mildura in March 2013, with support of $1.1 million from the Victorian Government. The plant can de-hull and shell 14 tonnes of almonds per hour and will employ about 19 permanent and 54 casual staff.

Olam’s orchard manager, Robert Gulack, told The Australian newspaper: “World demand for almonds is growing at eight per cent a year and almonds are selling for $7 a kilogram compared to $5.50 two years ago. Australians and Americans currently eat 700g of almonds each year, but in China it’s only 100g per person – with the growing middle class in India and China, and changing eating habits, just imagine the global market.”

With 80 per cent of the facility’s production destined for export, the company’s decision to invest in Victoria was influenced by easy access to the Port of Melbourne for direct export to the growth markets of India and China. Olam Group managing director and CEO, Sunny Verghese, has indicated that Australia is an important part of the company’s growth plans, as it offers particular advantage in climate, research and development capability, and modern supply chain infrastructure.

Olam also recently entered into a $200 million deal to sell 12,000 hectares of almond orchards in northern Victoria to international investor Adveq. Under this arrangement, Olam will lease back the orchards for an initial period of 18 years and continue harvesting almonds. Adveq’s Executive Director, Barry Polmann, said his company is “convinced about the potential of the orchards” after looking to invest in a large agricultural asset in Australia for more than a year.
A BRIGHT FUTURE

As growth and change in Asia picks up pace, Victoria stands to derive substantial economic, business and community benefits from closer engagement with Asian markets. While opportunities will open up for a number of important Victorian industries, the changing dietary preferences of a growing Asian consuming class herald a particularly bright and exciting future for Victoria’s food and agriculture sector.

More than any other Australia state, Victoria’s unique strengths and advantages provide an edge in capturing the potential export opportunities generated by Asia’s growth. With demand for premium food and beverage products likely to increase exponentially over the coming decade, the Victorian Government’s goal is to build a highly productive, competitive and responsive food sector that can keep pace with this demand. We will do this by working in partnership with businesses to be pro-active in building demand and supply of premium products.

As a core element in the Government’s efforts to build resilient, broader and deeper relationships in Asian markets, the Food to Asia Action Plan will help to secure the future of our food sector and its vital contribution to Victoria’s ongoing economic prosperity.
CONSULTING WITH INDUSTRY

Extensive consultation with industry has provided a sound basis for the development of the Food to Asia Action Plan.

The Food and Agriculture into Asia Taskforce was created in June 2013 to provide the Victorian Government with expert advice as the Plan was developed. Throughout 2013 this group of leaders representing the food sector across the whole supply chain met twice to discuss and advise on options and strategies for the Plan. Members of the Taskforce also joined the Premier in China and Japan to promote Victoria’s food and agriculture capabilities and to build support for trade, investment and partnerships with our two largest food export markets.

The Government also convened five industry roundtables to advise on specific issues affecting the grains, meat, dairy, horticulture and processed foods industries. More than 60 industry leaders were consulted directly, including representatives from food producing and exporting firms, trade and business associations, regulatory agencies, ports and airports managers, and companies with experience and expertise in Asian markets.

FOOD AND AGRICULTURE INTO ASIA TASKFORCE

The Hon Dr Denis Napthine MP (Chair), Premier of Victoria

The Hon Mr Peter Walsh MLA (Deputy Chair), Minister for Agriculture and Food Security, Minister for Water

The Hon Ms Louise Asher MP, Minister for Innovation, Services and Small Business, Minister for Tourism and Major Events, Minister for Employment and Trade

Mr Stephen Bradford, former Chief Executive, Port of Melbourne Corporation

Mr Ross Brown, Executive Director, Brown Brothers

Mr Frank Costa AO, Chairman, CostaGroup Australia and member of Committee for Geelong

Ms Rebecca Dee-Bradbury, President, Developed Markets-Asia Pacific, Mondelez International

Mr Grant Dooley, Co-Head, Asia, Hastings Funds Management and former Australian Consul-General in Guangzhou, China

Mr Gary Helou, Managing Director, Murray Goulbourn Co-operative Australia

Mr Barry Irvin, Executive Chairman, Bega Cheese Limited

Mr Donald McGauchie, Chairman, Nufarm and Chairman, Australian Agricultural Company.

Mr Colin McKenna, Founder and Managing Director, Midfield Group

Mr Alan Oxley, Managing Director, ITS Global and former Australian Ambassador to the GATT (now World Trade Organisation)

Mr Anthony Pratt, Executive Chairman, Visy Industries

Ms Gaye Tripodi, Managing Director, Murrawee Farms and Vice President of the Victorian Farmers Federation Horticulture Group

Mr Andrew Weidemann, Chairman, Grain Producers Australia
INDUSTRY ROUNDTABLE NOMINATED MEMBERSHIP

Dairy Roundtable:
Mr Barry Irvin, Executive Chairman, Bega Cheese Limited
Mr Ian Halliday, Managing Director, Dairy Australia
Ms Kerry Callow, President, United Dairy Farmers Victoria
Ms Mary Harney, CEO, Gardiner Foundation
Ms Judith Swales, Managing Director, Fonterra Ingredients Australia
Mr Gary Helou, Managing Director, Murray Goulburn Co-operative Australia
Ms Leone Basher, Commonwealth Department of Agriculture

Horticulture Roundtable:
Ms Gaye Tripodi, Managing Director, Murrawee Farms and Vice President of the Victorian Farmers Federation Horticulture Group
Mr Peter Kelly, Managing Director, SPC Ardmona
Mr David Minnis, General Manager, Minnis Horticulture Services Pty Ltd
Mr Perry Hill, General Manager, Mildura Fruit Company
Mr John Wilson, CEO, Fruit Growers Victoria
Mr Frank Zappia, Director, Koala Grape Producers
Mr Tom Aldred, Commonwealth Department of Agriculture

Grains Roundtable:
Mr Andrew Weidemann, Chairman, Grain Producers Australia
Ms Alison Watkins, CEO, GrainCorp Ltd
Mr David Matthews, Director, The Wimmera Grain Company
Mr Malcolm McMahon, Manager, Emerald Melbourne Group
Ms Philippa Purser, CEO, Cargill Australia
Ms Sian Hewitt, Commonwealth Department of Agriculture
Meat Roundtable:
Mr Colin McKenna, Founder and Managing Director, Midfield Group
Mr Tom Gubbins, Joint Chief Executive Officer, TeMania Angus
Mr Michael Stapleton, Director, Ararat Meat Exports Pty Ltd
Mr Robert Frew, Managing Director, Frew Group Stawell
Ms Jenny O’Sullivan, Partner, Gippsland Food Adventures
Mr Michael Craig, Farmer, Vice President of VFF Livestock industry Group, Councillor for Sheep Meat Council of Australia
Mr John Berry, Director, JBS Australia
Ms Jo Evans, Commonwealth Department of Agriculture

Food Processing Roundtable:
Mr Adam Moore, Managing Director, Bonkers Trading Group Ltd (Baby Royale)
Mr Rob Dolan, Director, Rob Dolan Wines Pty Ltd
Mr Andrew Hewett, Corporate Affairs Manager, H.J. Heinz Co. Australia
Mr Simon Talbot, Director, Corporate Affairs, Mondelez International (Kraft Foods)
Mr Glenn Drew, Affiliate Manager, Mars Chocolate Australia
Mr Dirk Geleit, Director, Meat Tender Pty Ltd
Ms Ruth Gallace, CEO, Sunny Ridge Epicure Pty Ltd (Rebello Wines)
Mr Nat Perri, Export Sales Manager, Select Harvests Food Products
Biosecurity:
The protection of the economy, environment and human health from the negative impacts associated with entry, establishment or spread of exotic pests (including weeds) and diseases.

Comparative advantage:
The ability to produce a good at lower marginal and opportunity cost, relative to other goods, compared to another country.

Competitive or absolute advantage:
Where a country or firm can produce a good or service more efficiently than others, due to low cost, superior technology, or aggressive marketing, perhaps internationally.

Global middle class:
Those households with daily expenditures between $10 and $100 per person in purchasing power parity terms (an absolute approach). The lower bound is chosen with reference to the average poverty line in Portugal and Italy and the upper bound is chosen as twice the median income of Luxemburg, the richest advanced country. Defined in this way by Kharas et al, it excludes those who are considered poor in the poorest advanced countries and those who are considered rich in the richest advanced country.

Industry transition:
The reallocation of resources (labour and capital) among sectors of the economy in response to changing economic circumstances, including trading conditions, or changes in policy.

Pest Free Area:
An area in which a specific pest does not occur as demonstrated by scientific evidence and in which, where appropriate, this condition is being officially maintained. The area may include an entire country, an uninfested part of a country in which a limited infested area is present, or an uninfested part of a country situated within a generally infested area.

Production:
Volume of output (for example, a tonne of wheat).

Productivity:
Productivity is the ratio of a measure of total outputs (by volume) to a measure of total inputs (by volume) used in production. Productivity growth compares changes in this ratio over time, and is the growth rate of outputs that is above and beyond the growth of inputs. An increase in productivity indicates that inputs are being used more efficiently.

Sanitary and Phytosanitary:
Relating to any measures applied to protect human or animal life from risks arising from pests, diseases, disease-causing organisms or harmful substances in food and prevent or limit other damage from the entry, establishment or spread of pests.
Tariff:
Tariffs are taxes on goods being exported from one country to another. The effect of these measures is to raise the price of imported goods and make them less competitive in the importing country, to the disadvantage of exporters in the exporting country and consumers in the importing country. Embargoes, import quotas, and unnecessary sanitary restrictions are examples of such barriers.

Technical barriers:
Government measures other than tariffs that restrict trade flows. Examples of non-tariff barriers include import licensing, variable levies, import quotas, and technical barriers to trade such as the absence of agreed protocols on sanitary and phytosanitary issues.

Tier 1:
Tier 1 is the minimum requirement of the Commonwealth Department of Agriculture to permit export of meat. It requires businesses to meet all Australian food safety and hygiene requirements ie meets all domestic market requirements. There are a limited number of countries that accept this level of regulation.

Tier 2:
Tier 2 requirements include all Tier 1 plus additional market specific requirements that are negotiated between the Australian Government and importing countries such as the United States and European Union. A significant additional requirement is for Department of Agriculture veterinary staff to be on site at Tier 2 premises.