11 March 2015

The Hon Jaala Pulford MP

Minister for Regional Development 8 Nicholson Street

East Melbourne, VIC, 3002

Dear Minister

**Re: Review of DEDJTR Regional Service Delivery Model and Strategic Directions for Regional Policy**

#  About AUSVEG

AUSVEG is the National Peak Industry Body representing the interests of Australian vegetable and potato growers. We represent growers around Australia and assist them by ensuring the National Vegetable Levy and the National Potato Levy are invested in research and development (R&D) that best meets the needs of the industry.

AUSVEG also makes representations on behalf of vegetable and potato growers to ensure their interests and concerns are effectively communicated to all levels of government, in the public sphere, and throughout relevant areas of the private sector.

Yours sincerely



Richard J Mulcahy Chief Executive Officer

## Contents

1. [About AUSVEG 1](#_bookmark0)
2. [Queries 1](#_bookmark1)
3. [Industry Profile 3](#_bookmark2)
4. [Education and Training 5](#_bookmark3)
5. [Inter- and intra-regional Transport Connectivity 7](#_bookmark4)
6. [Irrigation 10](#_bookmark5)

## Industry Profile

Victoria contributed approximately $984 million to the gross value of vegetable production in 2012- 13, which was the highest of all the states. Gross value of production for all of Australia in 2012-13 was approximately $3.7 billion, therefore Victoria contributed approximately 25 per cent of the gross value of production.

According to ABARES, Victoria represents approximately 17% of Australia’s total number of vegetable growers (for vegetable growing farm businesses with an estimated value of agricultural operations greater than $40,000).

Potatoes, tomatoes and mushrooms were the main vegetables produced in Victoria in 2012-13, having the highest gross values out of all vegetables at $146 million, $106 million and $80 million respectively.

Victoria is the largest vegetable exporting state, contributing 31% of Australia’s vegetable export value in 2013-14.

On average, the Victorian vegetable industry’s financial performance is relatively good in comparison to other Australian states. The profit received in 2013-14 of $263,000 was the second largest, and was far greater than the national average profit of $40,000.

Since registering a loss of $7,850 on average in 2011-12, Victorian vegetable growers’ profits have increased over the past two years. This is due to average cash receipts increasing at a faster rate relative to average cash costs, as shown in Figure 1

**Figure 1: Victorian grower’s financial performance (average per farm)**

Source: ABARES Australian vegetable growing farms: An economic survey, 2012- 2013 and 2013-2014.

.



Victoria’s cash costs are greater than Australia’s national average for every single category; in total, this equated to an average difference between Australia and Victoria of $948,000 per farm. Victoria is the only state to experience higher costs for every cash cost component due to their increased scale of operation, a stark contrast to the situation experienced in New South Wales.

**Figure 2: Cash costs of vegetable growers (2013-14)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *AUS* | *VIC* | *Difference* |
| *Total Cash Costs* | *$641,000* | *$1,589,000* | *$948,000* |
| *Contracts Paid* | *$60,000* | *$267,000* | *$207,000* |
| *Hired Labour* | *$140,000* | *$305,000* | *$165,000* |
| *Vehicles, Plant & Equipment Maintenance* | *$33,000* | *$74,000* | *$41,000* |
| *Packing Charges & Materials* | *$53,000* | *$120,000* | *$67,000* |
| *Seed* | *$44,000* | *$90,000* | *$46,000* |
| *Freight* | *$38,000* | *$93,000* | *$55,000* |

*Source: ABARES Australian vegetable growing farms: An economic survey, 2012-13 and 2013-14*

Despite Victorian growers’ production costs being considerably higher than the national average, their rate of return (excluding capital appreciation) has been outperforming the national average for most years (except in 2011-12, where Victorian growers expended the most on contracted work out of any other year).



## Education and Training

## Access to skilled labour

Australian growers are facing increasing difficulty in attracting and retaining skilled workers. While skilled migrant workers can assist to a certain extent, access to a skilled workforce from season to season remains an issue.

The transient nature of migrant workers often results in a loss of productivity resulting from the need to continually train new staff. This disparity between the labour required and the labour available inflicts ongoing damage to the horticultural industry.

It is vital to the future of Australian horticulture that local workers are highly skilled and job-ready, and that systems of qualification are responsive to the needs of industry. Ensuring that qualifications within horticulture can provide Australian workers with a desirable skill-set and identifiable opportunities to develop a career may assist in attracting workers to the industry and enable growers to draw from a skilled and willing local workforce. Having labourers available who have been trained in required skills and are in a position to gain familiarity with a farm’s operations over the course of multiple seasons would provide huge benefits for Australian growers. The flow-on effects to the national economy of an increasingly skilled and able workforce would also be significant, providing increasing returns on initial training investment and strengthening Australia’s economic capacity.

## Education

The number of students applying to study agriculture at universities across Australia dropped by 4.9% in 2014 (source: [The Australian](http://www.theaustralian.com.au/higher-education/students-flock-to-agriculture-courses/story-e6frgcjx-1226557085926); [Department of Education](http://www.education.gov.au/undergraduate-applications-offers-and-acceptances-publications)), and the number of students offered places to study agriculture in Victoria dropped by 7.5% in 2014 (source: [The Australian](http://www.theaustralian.com.au/higher-education/students-flock-to-agriculture-courses/story-e6frgcjx-1226557085926); [Department](http://www.education.gov.au/undergraduate-applications-offers-and-acceptances-publications)  [of Education](http://www.education.gov.au/undergraduate-applications-offers-and-acceptances-publications)). The demand for graduates outstrips supply by five to one – annual demand is for approximately 5000 graduates (source: [The Australian,](http://www.theaustralian.com.au/higher-education/students-flock-to-agriculture-courses/story-e6frgcjx-1226557085926) [ACDA](http://www.csu.edu.au/__data/assets/word_doc/0006/362049/CAPACITY-IN-AGRICULTURE-for-PMSEIC_RAL.doc))

In the 1980s, 23 university campuses around Australia provided agriculture and agricultural science degrees; only 10 remained in 2013, producing fewer than 750 graduates annually (source: [The](http://www.theaustralian.com.au/higher-education/students-flock-to-agriculture-courses/story-e6frgcjx-1226557085926)  [Australian](http://www.theaustralian.com.au/higher-education/students-flock-to-agriculture-courses/story-e6frgcjx-1226557085926)).

Farming has traditionally been considered to have relatively low education levels comparative to other sectors; however, over the three decades to 2011, the proportion of farmers with a bachelor degree or above has increased six-fold (source: [ABS](http://www.abs.gov.au/AUSSTATS/abs%40.nsf/Lookup/4102.0Main%2BFeatures10Dec%2B2012#EDUCATION)). Employment for graduates from agriculture courses is more than 90% (source: [Australian Council of Deans for Agriculture](http://www.csu.edu.au/__data/assets/pdf_file/0006/861378/Labour-Market-Clarity-for-Agriculture-Graduates.pdf)).

***Figure 4:*** *Enrolments and completions in undergraduate agriculture courses*

 

 *Source:* [*ACDA*](http://www.csu.edu.au/__data/assets/pdf_file/0003/362046/Allen-Report-Rebuilding-the-Agricultural-Workforce-Report-Jan-2012.pdf)

These factors clearly display the importance of investment in agricultural education and the potential value to regional development in doing so.

## Inter- and intra-regional Transport Connectivity

## Infrastructure

The Australian agriculture sector depends on a robust and efficient transportation system to move agricultural produce around the country at low costs. Transport is particularly important in Australia given the wide-spread and largely rural location of the majority of agricultural production, and the vast distances between many farms, processing plants and transport hubs. To this end, the efficient transportation of vegetables is extremely important in ensuring Australia takes advantage of its export opportunities.

Two major issues are of vital importance to the vegetable industry:

* The need to reduce the high costs of domestic trucking and freight from farm to retail and port hubs.
* The need for shorter transportation times to improve the freshness of vegetables from farm to market.

## Special dispensations for vegetables in recognition of status as perishable items

## Domestic trucking and freight costs are comparatively high in Australia largely because of the long distances produce is often required to travel to be transported. Current trucking regulations put vegetable growers at a major disadvantage as vegetables are treated as a non-perishable item. Consequently, many drivers are forced to stop driving to rest, often for an extended period of time, when they are within an hour of their destination. This forced delay significantly impacts the freshness of the vegetables being transported but also imposes additional costs on growers translating into lower returns on already very cheap products with little profit margins to withstand price fluctuations.

To overcome this problem, special dispensations should be made to drivers transporting vegetables. For example, drivers transporting live cattle have special dispensations due to the welfare of the cargo. Highly perishable goods such as vegetables should be allowed the same concessions, since a large amount of produce could become damaged or valueless in a short period of time. Overall, such regulations impose significant delays along the supply chain, reduce the freshness of Australian produce and ultimately our competitiveness. In the majority of cases, a dispensation of no more than an extra hour will allow for those trucking vegetables to be able to reach their destination without experiencing spoilage.

In many cases, these dispensations could be provided without requiring legislative action. Developing a suite of beneficial changes to existing policy, legislation and regulation could include increases in the Higher Mass Limits network to service key regional vegetable growing locations on a point-to-point basis, utilising the Performance Based Standards process to achieve greater trailer length, and allowing for more flexible driving hours through establishing a vegetable sector template in the new Advanced Fatigue Management (AFM) Scheme. Government-provided cost assistance to support transport companies in developing AFM for the vegetable sector would also greatly aid in increasing productivity

**Need for efficiency in heavy vehicle road access, load limitations and other regulations**

Heavy vehicle regulations often create costly and timely delays for vegetable producers along the supply chain. With escalating rationalisation taking place within the agricultural processing sector, farmers are increasingly required to cross state borders when taking their produce to market. However a major area of transport inefficiency for vegetable farmers is that heavy vehicle regulations are inconsistent across various states and local councils. This is demonstrated through:

1. Lack of widespread road access for vehicles that can carry Higher Mass Limits (HML), especially in Victoria, limiting the use of higher productivity vehicles (HPVs). However, their usage is currently restricted as HPVs are forced to decouple trailers or unload their freight to a smaller vehicle in order to pass through particular local government areas either to enable freight to leave the point of origin or to reach their destination. The limited HML road access is demonstrated in the diagram on below.

***Figure 5:*** *Road access as specified by Performance Based Standards (PBS) road class*



*Source: Productivity Commission – Local Government as Regulator, 2011*

1. Inefficiencies involved in meeting road conditions (e.g. curfews, load limitations) that vary across local councils and/or organising road access permits from various local councils and state authorities to enable heavy vehicle road access on restricted roads. This results in forced rest periods, inability to optimise transport loads and significant administration work that forces up the cost of transport for farmers. This is clearly demonstrated in the following table that shows the differences in regulations across major state roads.



While the 2009 introduction of the National Heavy Vehicle Regulator was a valuable at the national level, AUSVEG feels that greater work is needed to improve efficiencies in transporting fresh vegetables, especially to enable farmers to access international markets.

Recommendations

* Drivers transporting vegetables need to be allowed special dispensations, to ensure vegetables remain fresh and remain competitive when transported. This could include developing a suite of beneficial changes to existing policy, legislation and regulation which would allow for increased mass or trailer length and more flexible driving hours.
* Government-provided cost assistance to support transport companies in developing AFM for the vegetable sector would also greatly aid in increasing productivity.
* Oversize vehicle regulations need to be less restrictive, particularly where there are minimal risks to society to enable increases in transportation efficiency.

## Irrigation

Access to water, and water quality, is on-going issue for Victorian vegetable growers, particularly in the Werribee, Cranbourne and Central Highlands regions.

Increasing water prices, and issues such as salinity and ageing irrigation infrastructure, are burdening the Victorian vegetable growers already confronting rising production costs.

To ensure the Victorian vegetable industry’s viability, growers require access to high-quality, cost- effective, sustainable and reliable water for the purpose of irrigation.

The sections below briefly outline a draft proposal prepared by stakeholders in the Central Highlands region, which demonstrates the importance and potential benefits of investment in irrigation infrastructure.

## Problem definition

The Central Highlands irrigation region is historically responsible for the majority of processing potato production in Victoria. This potato production has benefited the state through supply of potatoes to the McCain factory in Ballarat and other potato processing businesses. This in turn has provided a large number of jobs and economic benefit to the region and state, with a large volume of potato products exported interstate.

*Irrigation*

Water availability and irrigation of potato crops is critical to cost of production efficiency and meeting crop quality specifications. In the past ten years, many of the other irrigation districts in Victoria have been ‘modernised’ with the support of government funding. Modernisation is the practice of taking old technology irrigation systems and updating them to provide water savings, labour savings, energy savings and a competitive advantage to farmers and rural economies.

Since 2009, the region has experienced dual impacts of drought which has impacted production: first through increasing cost of production through decreasing economics of scale at the farm gate; second, through market impacts where subsidised potato products are being imported from Belgium and Netherlands and undercutting domestic product.

The drought also resulted in water restrictions. These restrictions limited the area of potatoes each farm could produce, and resulted in approximately 50% of the contract tonnage from the region being taken to either NSW or SA where water was available. This tonnage has only gradually returned to the region over time due to the contractual arrangements in place with processing factories.

Improvements to irrigation efficiency and increased production are required in both normal and drought seasons if the Victorian industry is to maintain the benefits of achieve economies of scale.

## Proposed solution

## A proposed solution is to facilitate the upgrade of irrigation technology to increase the competitiveness of the region and provide water savings, labour savings, energy savings and production efficiency.

*Water savings*

Changing from old travelling gun irrigation to new centre pivot and linear move irrigation technology could achieve an approximate 30% reduction in the amount of water used in the region. The water saved can then be used to grow additional crop on the same land area, as irrigation water is the limiting factor in production across the region.

Labour savings

There are considerable labour savings associated with the new technology as a result of the automated and accurate application of water. Experience in the region suggests that there is the potential to reduce irrigation related labour by 70-80%. This saving will be achieved during summer holidays, which represents peak irrigation season, and the most difficult period for vegetable operations to obtain labour.

Energy savings

Old style travelling guns use water under high pressure to operate, the high pressure is required to achieve the movement of water through long pipes (friction losses) and to achieve sufficient pressure to spray long distances. New technology irrigators run under low pressure which will allow for substantial energy savings.

Production efficiency

Adoption of new irrigation technology will improve crop uniformity and yield across the paddock for additional production for the same amount of input resources.