

NORTHERN VICTORIAN FOOD OPPORTUNITY STRATEGY and ACTION PLAN



VOLUME 2 - STRATEGY



**Regional
Development**
Australia

LODDON MALLEE
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and Regional Development Victoria



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Development**

Regional Development Australia
and Regional Development Victoria
HUME



An Australian Government Initiative



Introduction

This document is Volume 2 of three reports prepared by McKINNA *et al* in the course of developing the Northern Victorian Food Opportunity Strategy and Action Plan. The three volumes are:

Volume 1: Situation Analysis

Volume 2: Strategy

Volume 3: Action Plan.

This document, Volume 2 Strategy, outlines the three year strategic plan for the region's food sector and provides a rationale for each strategy platform. It draws from the analysis and burning issues identified in Volume 1. The actions and activities required to deliver the plan are outlined in Volume 3.

The strategy, by design is high level, reflecting the fact that the role of both the Loddon Mallee and Hume Regional Development Australia (RDA) committees are in facilitating and guiding regional strategy, rather than delivering it.

RDA plays an important role in the regions in advocacy by: fostering networks and connections; identifying regional priorities; and facilitating the advancement of those priorities. It is not the role of RDA to deliver the programs outlined in this strategy but to champion the strategy and guide the development of a whole-of- government vision and strategic direction for the agrifood sector in Northern Victoria.

Note: This report has been designed to read on screen to avoid unnecessary printing.

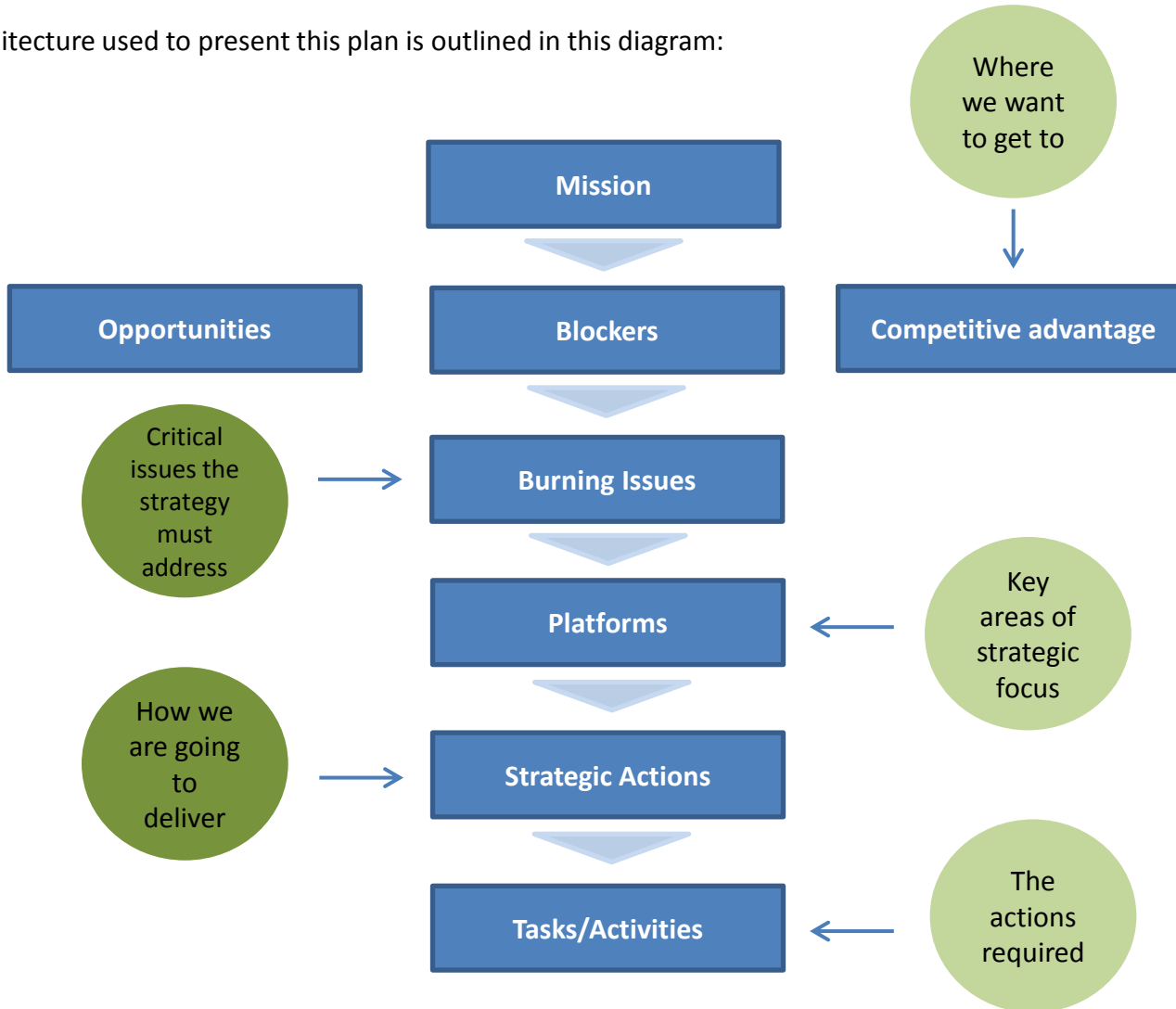
The Purpose of this Agrifood Strategic Plan

The intent of this strategy is captured in all of the following points:

- To paint an aspirational vision for Northern Victoria's agrifood sector based on a realistic assessment of the situation.
- To provide an overarching plan that supports the existing plans of industry and government.
- To identify the challenges and opportunities faced by agrifood producers and processors in the region.
- To outline whole-of-government responses to common so-called 'burning issues' impacting the sector.

Strategy Architecture

The architecture used to present this plan is outlined in this diagram:



Opportunities for the Region's Agrifood Sector

The following are notable opportunities identified in this analysis for the agrifood sector in Northern Victoria:

1. Improving global competitiveness through developing differentiated and novel products that command a price premium.
2. Improving global competitiveness through adoption of new processes.
3. Building regional value through shifting focus to consumer-ready products and relying less on commodities.
4. Diversifying and developing new channels-to-market.
5. Developing new business and asset ownership models.
6. Capability building to grow overall performance right through the supply chain.
7. Capitalising on Australia's global reputation for safe food and sustainable production systems.

Blockers to Building Regional Value

The analysis in Volume 1 identified the following high level blockers to the agrifood sector growth:

- Water efficiency (the upgrade still has some way to go).
- The need to diversify market channels more in the light of the intensified market power of supermarkets in the domestic market particularly.
- Global competitiveness:
 - *Labour availability and cost*
 - *Energy costs*
 - *High \$AUD (forecast to remain around low US\$0.80 to \$AUD)*
 - *High input costs*
 - *Scale*
 - *On-farm productivity*
 - *Out dated technology in processing plants.*
- Transport infrastructure.
- Market access (technical and non-technical barriers).
- Capital.
- Business skill levels.

Competitive Advantage

The analysis in Volume1 Situation Analysis identified the following areas where Northern Victoria agrifood producers have a distinct competitive advantage:

- A state-of-the-art, gravity-fed irrigation system with reliable water on command.
- Mediterranean climate which supports a wide range of agricultural enterprises.
- Soil and land capability that can support a diversity of agricultural activity.
- Location within 10 hours (drivers limits) of three capital cities and 75% of Australia's population base.
- Availability and cost of land.
- Transport connectivity via the Hume, Newell, Calder, Sturt and Murray Valley highways.
- Access to a residential workforce.
- Livability – which is important for attracting quality staff.
- Relatively affordable land.
- Access to support services and technical skills.
- Global reputation of safe food from the region.

Overall Burning Issues

The following are the burning strategic issues for the agrifood sector in Northern Victoria as identified in Volume 1:

- Water efficiency
- Rail and road infrastructure
- Labour availability and cost
- Energy cost and connectivity
- Retailer market power
- On-farm productivity
- Succession planning
- Market access
- Capital and scale
- Compliance and bureaucracy
- Fruit fly infestation
- Business acumen.

IMPORTANT: The strategy platforms on the following page and the subsequent strategy programs have been developed to respond to the above burning issues.



FOOD OPPORTUNITY STRATEGY 2015-2018

Strategy Platform:

| | |
|---|---|
| 1 | ADDRESS LABOUR AVAILABILITY & SKILLS |
| 2 | DRIVE INNOVATION & EFFICIENCY |
| 3 | ATTRACT INVESTMENT |
| 4 | MAXIMISE VALUE FROM WATER |
| 5 | DRIVE MARKET CHANNEL OPTIMISATION |
| 6 | ENSURE ADEQUATE INFRASTRUCTURE |
| 7 | CHAMPION A 'SAFE & SUSTAINABLE' PROPOSITION |

Strategic Intent:

To grow our flexible, motivated and suitably skilled workforce

To drive cultural change and adoption of new ideas that improve competitiveness

To build scale and efficiency at every level of the supply chain

To drive continuous improvement in on-farm efficiency and maximise returns from our water assets

To help businesses develop the channel mix appropriate to their business model

To ensure transport, energy and communication infrastructure is available and cost effective

To promote the region's strongest competitive advantage

Mission:

To reposition Northern Victoria as a progressive and globally competitive food hub



The 12 burning issues identified in Volume 1:
Situation Analysis are responded to in seven strategy platforms

| Strategy Platform: | | Relevant Burning Issue: |
|--------------------|---|--|
| 1 | ADDRESS LABOUR AVAILABILITY & SKILLS | ← Labour availability and cost |
| 2 | DRIVE INNOVATION & EFFICIENCY | ← On farm productivity ← Compliance and government bureaucracy ← Culture and business acumen |
| 3 | ATTRACT INVESTMENT | ← Succession planning ← Capital and scale |
| 4 | MAXIMISE VALUE FROM WATER | ← Water efficiency |
| 5 | DRIVE MARKET CHANNEL OPTIMISATION | ← Retailer market power |
| 6 | ENSURE ADEQUATE INFRASTRUCTURE | ← Rail and road infrastructure ← Energy cost and connectivity |
| 7 | CHAMPION A 'SAFE & SUSTAINABLE' PROPOSITION | ← Market access ← Fruit fly infestation |



PLATFORM 1: ADDRESS LABOUR AVAILABILITY AND SKILLS

RATIONALE

The ability to recruit and retain suitably skilled labour is a universal issue for regional, seasonal industries.

Australia's labour cost is higher than competitor countries and productivity lower.

Because of seasonality, there is a large reliance on 457 and 417 Visa workers which is limiting, requires additional compliance and furthermore, industry's reliance on it presents risk.

There is a shortage of talented, young graduates in the sector.

PLATFORM 1: ADDRESS LABOUR AVAILABILITY AND SKILLS

Aspirational Targets

1. Improved arrangements for seasonal workers
2. Improved uptake of agricultural training and education within Northern Victoria
3. Reduced youth unemployment

STRATEGIC ACTIONS

- 1.1 Advocate to federal government for labour policy reform that recognises the 24/7, temporary and seasonal nature of agrifood.
- 1.2 Assist to improve connections between the regional education and training offer and the needs of agrifood businesses.
- 1.3 Support development of employer clusters that will create career opportunities and pathways.
- 1.4 Support educators to change the image of the agrifood sector and promote career opportunities.
- 1.5 Promote the appeal of living and working in Northern Victoria.

PLATFORM 2: DRIVE INNOVATION AND EFFICIENCY

RATIONALE

A huge challenge facing Australian agrifood businesses is that they are not competitive in a global context. On-going improvement in on-farm efficiency will be imperative to restore competitiveness.

On-going support for innovation is also critical in the processing sector to drive the adoption of new processes and development of new products that can command a premium and reduce reliance in commodity trade markets.

SMEs need support to build business management capability. Many do not have the skills to manage the complexity, risk and volatility of modern agribusiness.

PLATFORM 2: DRIVE INNOVATION AND EFFICIENCY

Aspirational Targets

1. Sustained improvement in on-farm/
manufacturing productivity
2. Increased value-adding in the region through
innovation and new product development

STRATEGIC ACTIONS

- 2.1 Continue to implement initiatives on farms that enable productivity gains.
- 2.2 Help SME agribusinesses with training and support programs that build their financial capabilities, business skills and knowledge.
- 2.3 Promote the critical importance of innovation in the processing sector.
- 2.4 Advocate to the Productivity Commission to reform national, state and local legislation to create red tape efficiencies.
- 2.5 Build capability to manage volatility, risk and business complexity.
- 2.6 Support industry cluster groups that facilitate knowledge sharing, mentoring and cultural change.
- 2.7 Support the development of new and emerging industries.

PLATFORM 3: ATTRACT INVESTMENT

RATIONALE

Major investment is needed in the Northern Victorian agrifood sector at every level of the value chain for it to reach its full potential. Investment is needed in businesses to build scale, to adopt the latest technology and to create efficient infrastructure. The Northern region is not attracting its share of new investment, mainly because businesses are not investment-ready.

It is critical that local government planning schemes and processes are investment friendly.

Capital injection and education about new business models are critical to address the significant succession planning need. Family counseling alone is not sufficient.

PLATFORM 3: ATTRACT INVESTMENT

Aspirational Targets

1. Attraction of new greenfield business to the region
2. Increased adoption of new agribusiness models
3. Improved sustainability of existing businesses

STRATEGIC ACTIONS

- 3.1 Build the profile of Northern Victoria as an attractive agrifood investment destination.
- 3.2 Help businesses to become investment-ready.
- 3.3 Build awareness of alternative farming and agribusiness ownership models.
- 3.4 Promote innovative business models among family businesses to facilitate succession.
- 3.5 Support businesses that are facing transition due to industry shift and necessary change in land use e.g. transitioning from irrigated to dry land farming.
- 3.6 Promote the importance of continually reviewing effective and transparent planning schemes to respond to change and give greater certainty to businesses.

PLATFORM 4: MAXIMISE VALUE FROM WATER

RATIONALE

Water and the region's extensive irrigation grid provides Northern Victoria with its most important competitive advantage in agrifood.

The major investment in the upgrade of the irrigation systems needs to be leverage to full advantage. It is critical that water policy drives optimum water usage.

Important efficiency gains can be made by through on-farm investments and capability building in water management.

PLATFORM 4: MAXIMISE VALUE FROM WATER

Aspirational Targets

1. A transparent water policy that drives maximum water efficiency
2. Improved on-farm water efficiency

STRATEGIC ACTIONS

- 4.1 Promote the importance of effective and transparent water policy, particularly with respect to delivery share, cancellation fees, carry over and environmental water holdings.
- 4.2 Continue to support programs and leverage opportunities for the adoption of on-farm water efficiency improvement.
- 4.3 Encourage investment in private irrigation schemes in areas outside the GMID.

PLATFORM 5: DRIVE MARKET CHANNEL OPTIMISATION

RATIONALE

Supermarkets in Australia are recognised globally as having inordinate market power. Although a significant proportion of commodities produced in Northern Victoria are exported, historically the returns from the domestic market were higher than those from exporting, thereby averaging up the overall returns to producers and processors. In many circumstances, the domestic market value has been eroded in recent years (depending on the industry).

In sectors where export markets have dropped off, gluts have enabled domestic supermarkets to drive prices down to the extent that returns are lower than for exports.

Regardless of the size of a business, a diversified channel mix is essential to mitigate business risk and maximise overall returns. Agrifood businesses need support to find the best mix of market channels for their particular business model. Currently, many traditional family farms are struggling with this as they are 'stuck in the middle ground' – too large to survive on a local farmers market, and too small to deal directly with supermarkets.

PLATFORM 5: DRIVE MARKET CHANNEL OPTIMISATION

Aspirational Targets

1. Improved success rate with new exporters
2. Improved understanding of the need to match business model with appropriate market channel

STRATEGIC ACTIONS

- 5.1 Assist businesses to match their business model to appropriate market channels.
- 5.2 Assist capable businesses to become export-ready.
- 5.3 Reinforce with federal government the need to reform competition policy in relation to domestic grocery channels.

PLATFORM 6: CHAMPION A 'SAFE & SUSTAINABLE' PROPOSITION

RATIONALE

Transport cost and efficiency is a major issue impacting the competitiveness of all agrifood sectors. Energy cost, connectivity and capacity are particularly impacting the efficiency and expansion plans of many processing businesses.

Reliable mobile phones and fast internet connections are critical to agribusinesses.

PLATFORM 6: CHAMPION A 'SAFE & SUSTAINABLE' PROPOSITION

Aspirational Targets

1. Reduced energy costs to business
2. More efficient freight movement and reduced transport costs
3. Regional communications equal to capital cities
4. Northern Victoria is an exemplar in renewable energy

STRATEGIC ACTIONS

- 6.1 Identify priority areas where gas and electricity connectivity, cost and capacity is limiting investment.
- 6.2 Champion the renewable energy credentials of Northern Victoria.
- 6.3 Advocate for reforms to energy pricing policy.
- 6.4 Assess adequacy of existing transport infrastructure to meet current and future needs.
- 6.5 Advocate for improved efficiency on our freight, rail and road networks.
- 6.6 Support continued reform of state and national road transport policy.