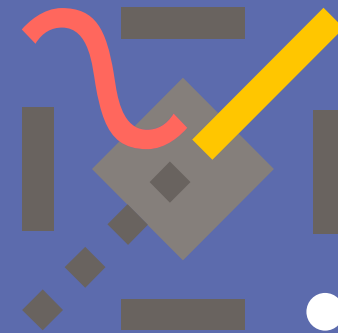


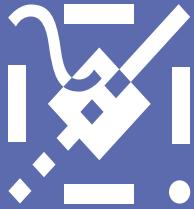
Sunraysia Export Alliance Scoping Study

Regional Development Australia
Loddon Mallee

January 2019



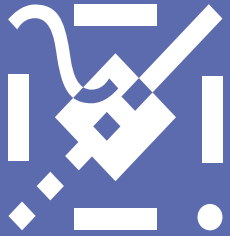
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It is important that the reader has an understanding of the the background to this project to fully appreciate the basis for the conclusions and recommendations put forward.

1. Project background

Introduction

The Loddon Mallee RDA Committee supports its important agrifood sector as articulated in Strategic Direction 1 of the Loddon Mallee Regional Strategic Plan: *Foster our comparative advantages in agriculture, food processing and other regionally significant industries.*

In order to support this strategic intent, the RDA committee sought to investigate the potential for an export alliance for the Sunraysia agrifood sector that would primarily exist to drive business capability in exporting, based on the underlying rationale that growing exports is the best way to build regional economic prosperity. Similar groups such as Queensland's Food Leaders Australia had set a precedent for this type of industry alliance (described later in this document). The purpose of the alliance would be to assist businesses that are not currently exporting at all or not exporting at their full capacity to improve through capability building, collaboration, regional promotion, mentoring and other initiatives.

Project aim

The purpose of this project has been to undertake a preliminary assessment of the potential for an industry export alliance in Sunraysia and report on the level of industry interest in such a concept. The intention in the original brief was to follow up with development of a business model for the network, subject to there being sufficient interest.

The McKINNA *et al* project team has extensive experience in export market development covering all of Australia's key export markets across multiple categories including red meat, fruit and vegetables, dairy products, wine and seafood. The project team also has a long history of working with Sunraysia agrifood producers.

Report structure

Sections 2 and 3 of this report aim to provide important context to the research findings by providing a summary of the Sunraysia agrifood economy and snapshots of the key export industries.

Section 4 lists some of the export support networks currently available to industry. This is followed in Section 5 by an outline of the potential roles, functions and benefits of an export alliance.

Section 6 provides a description of the key challenges that are likely to present to the region's agrifood sector over the next few years, some of which potentially pose a significant threat.

Sections 7 and 8 of the report provide an assessment of the need and interest in such an alliance, ending with the authors' independent recommendations and possible actions.

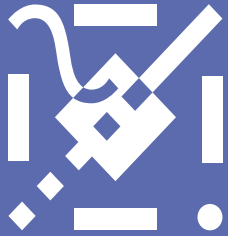
Methodology

Qualitative research was conducted with over 20 stakeholders from the agrifood business community, peak industry bodies and relevant agrifood export and industry development agencies. Two of the peak industry bodies declined the invitation to participate and responded in writing.

The majority of interviews were conducted in-person, in the region and these were supplemented with telephone interviews where that approach was more practical and cost-effective.

Discussions were also held with project steering committee members, individually and as a group.

Note: Although Sunraysia has a large sector of wine grape growers, the wine industry was not included in the scope for this study because Wine Australia and Wine Victoria both have a number of export market development programs in progress.



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2. Sunraysia agrifood economy

The Sunraysia agrifood sector is one of Australia's largest and most important horticultural hubs. It is currently experiencing an export boom.

The key asset that underpins the Sunraysia agrifood economy is the Murray Darling irrigation system which is comprised of a number of public and private irrigation infrastructure networks.

The Sunraysia region is home to many of Australia's leading growers and exporters of citrus, table grapes, summer fruit, almonds and dried fruit. It also has significant vegetable and avocado businesses.

Because of the synergies across the wider region, the Sunraysia economy must be thought of as a tri-state, riverine district spanning Victoria, New South Wales and South Australia for a 300 km radius.

The Sunraysia agrifood economy

The Sunraysia agrifood sector is one of the richest and most important horticultural districts of Australia. The region accounts for over 80% of Australia's citrus exports and an estimated 90% each of Australia's summer fruit and table grape exports. It is also the nation's largest almond production region.

Historically, Sunraysia has also been home to Australia's dried fruit industry and although that sector is smaller, it was once very important and has recently begun to recover from a considerable downturn. As a result, much of the production area devoted to dried fruits has either been converted to other agricultural enterprises or sold for urban development. More recently the dried fruit industry has been attracting corporate investment in new fruit plantings and processing facilities.

The Sunraysia region also has a notable vegetable sector with one of the largest carrot growers in the southern hemisphere supplying Australian supermarkets from the region. Potatoes, cucumber and lettuce are also grown here. There is also a large organic vegetable grower who exports and significant asparagus operations that are largely export-oriented.

Many other smaller industries are emerging in Sunraysia including premium melons, pistachio, passionfruit, some walnuts and dates. Potential new industries include cherry production with growers trialling low chill varieties in the area.

The wider Mallee region has extensive broadacre cropping operations outside the irrigation grid. This sector is heavily dependent on rainfall and has adapted well to climate change through new farming practices, largely around precision farming and no-till techniques.

The Sunraysia agrifood economy is currently experiencing boom conditions, largely on the strength of unmet demand for citrus, summer fruit and table grapes from China and other North Asian markets as well as rising global demand for almonds. Despite the current period of prosperity that this is fostering, agriculture generally and horticulture specifically are notoriously volatile industries with risk exposure to weather (seasonal fruits are highly vulnerable to adverse weather), pest and disease, market volatility and exchange rate fluctuations.

The recent boost in the Sunraysia agrifood sector has flowed through to many support industries. The agricultural supply and service companies are also leveraging the upside of the cycle and represent an equally important part of the Sunraysia agrifood economy. As a result, the Sunraysia agrifood sector has undergone a rapid transformation since the millennium drought, which caused many agribusinesses to sell their water assets in order to survive economically. Smaller businesses, particularly in the dried fruit and wine grape growing industries, disconnected from their irrigation scheme and some of that land is now either vacant or being used for urban development.

At the same time, there has been substantial investment and corporatisation in the more buoyant industries such as citrus, table grapes, summer fruit, dried fruit and almonds. Large multinational and publicly listed companies such as Costa, Nutrano, Select Harvests, Olam and and Murray River Organics are investing heavily. Underpinning much of this investment has been overseas superannuation funds who have acquired land and water assets for sale and lease back to agribusiness operators.

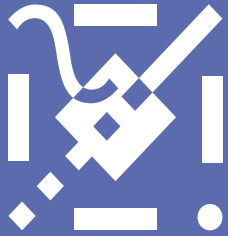
Structural adjustment in the agrifood sector

The structural adjustment in Sunraysia's agrifood sector in the last five years has been substantial and many businesses have profited richly, however, this rapid rate of growth has effectively 'increased the stakes'. Fruit exporters in particular are highly exposed to agricultural risk as well as market risk from geopolitical sensitivities. Most agribusinesses are exposed to these economic cycles over a number of years.

The turnaround point for the fruit exporters has been the granting of workable market access to China over recent years. This has enabled the growers to legally service the strong demand from China for Australia's fresh fruit, based on its seasonality, quality, safety and provenance credentials. A similar market dynamic has occurred in Japan, South Korea and Taiwan.

A catalyst for the change in the economic fortunes of the region has been the development of workable protocols for exporting from a region where presence of Fruit Fly has been declared. Sunraysia is not free from Queensland Fruit Fly and this situation requires the Australian government to negotiate biosecurity protocols that allow market access. These protocols vary from country to country. Market access negotiations are notoriously subject to geopolitical influence and market access can be lost very quickly because of issues that have little to do with the biosecurity threat. Fruit fly does weaken the negotiating power of Australian growers and gives markets like China the ability to effectively shut down the trade overnight.

A small, emerging agrifood sector in Sunraysia that is also experiencing change is that consisting of the many micro food processing businesses. There is an eclectic mix of artisanal products being produced in Sunraysia including flavoured olive oils, condiments, boutique beers, gin, nut blends, pink salt, processed legume snacks and flours and more. While these businesses are initially servicing local farmers markets, some are developing a broader distribution. Most of these artisan businesses are not export-ready and the majority are not enjoying anywhere near the same economic boom as the fresh fruit exporters.



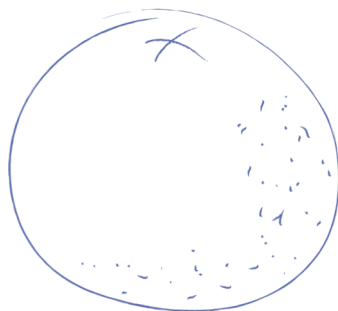
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3. Key industry snapshots

The Sunraysia irrigation district could arguably own the title 'fruit bowl to Asia', in that the region exports a wide range of fruit including citrus, table grapes, summer fruit, dried fruit and almonds, predominantly to Asia. In 2017 Sunraysia exported an estimated \$1.4 billion of fruit and nut products. Although ABS statistics do not provide export data at regional level, it is widely believed that Sunraysia is either the second or third largest horticultural export region in Australia.

Historically, the Sunraysia horticultural sector was built around soldier settlement blocks that were established in the post-war period, but over time there has been a large amount of property rationalisation. Although small blocks still exist, predominantly the key exporting industries are dominated by corporate agribusinesses, some of them still controlled by the founding families.

This section profiles the main exporting industries in Sunraysia in brief.



Citrus industry snapshot 2017/18

Export volume	260,000 tonnes 19% annual growth
Export value	\$440 million 31% annual growth
Sunraysia share of industry exports	85%
Key export markets:	China Japan Hong Kong 20 others

Citrus industry overview

The citrus industry has enjoyed a remarkable turnaround in the past 4 years from a down cycle when fruit prices were low, water costs high and export opportunities limited. At that time, trees were being bulldozed and properties abandoned. The outlook now is that of a booming industry with export market growth driving industry prosperity and new investment. This turnaround was due to breakthroughs in negotiating workable market access protocols into highly profitable North Asian markets. There are now strong export markets for both navel oranges and easy peelers (mandarins) as well as tangelos.

Most of Australia's top citrus export pack-houses and the marketing companies who handle most of the citrus exports from Victoria, South Australia and New South Wales are located in Sunraysia including:

- Mildura Fruit Company (owned by Manassen Foods – a Chinese government investment of Bright Foods)
- Seven Fields (owned by Nutrano Group – large, unlisted horticultural conglomerate)
- Sim Fresh (owned by the Simonetta family).

The citrus processing sector is in long term decline in the face of competition from low cost imported juice concentrates. Many Valencia trees (the preferred variety for juicing) have been replaced with eating varieties for export. Mildura Fruit Juices Australia (also owned by Manassen Foods) processes citrus in bulk formats for domestic clients, but exports are minimal and it does not market its own brands.

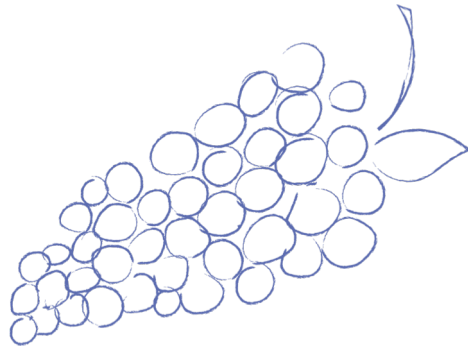


Table grape industry snapshot 2017/18

Production	164,000 tonnes
Export volume	113,000 tonnes 70% of production
Export value	\$384 million
Sunraysia share of production	80%
Share by export market:	
China	38%
Indonesia	15%
Japan	10%
Hong Kong	7%
Vietnam	4%

Table grape industry overview

Like citrus, the table grape industry in Sunraysia is enjoying a period of spectacular growth and prosperity. Exports have expanded fourfold in as many years. The majority of table grape production and almost all of the exports are from the Sunraysia region, mostly around Robinvale, which has an ideal microclimate and soil type for table grape production.

Like citrus, the turning point for the table grape industry was gaining market access into China with a workable protocol. China has an insatiable appetite for Australian grapes because of their counter season, sweetness, colour and the fact that they coincide with the Chinese New Year holiday celebrations. This export market is likely to grow even more as the distribution footprint for Australian grapes in China extends out into the tier three and four cities, in line with rising incomes in these more remote markets. The table grape industry has made a concerted effort to diversify exports into other markets to reduce reliance on China.

Because of the post-harvest perishability of table grapes, most major growers have their own packing sheds which are required to be export accredited.

Exports have not only driven expansion in table grape production, but have also impacted industry value substantially. Prior to the opening up of these profitable export markets, the vast majority of table grapes were sold through supermarkets at less than \$1 per kilo. The average export price in 2017 was \$3.48 per kilo. In the face of this rapid escalation of profitability, there has been much activity in new plantings of table grapes. Many growers are converting from wine grapes or dried fruit to ride the table grape export wave. The boom has also attracted significant corporate investment.



Summer fruit industry snapshot 2017/18

Includes nectarines, peaches, apricots, plums

Production	110,000 tonnes
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Export volume	18,000 tonnes 27% annual growth
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Export value	\$65 million
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Victorian share of production (includes Yarra and Goulburn Valleys)	70%
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Share by key export markets:	28%
China	19%
Hong Kong	14%
Singapore	8%
UAE	5%
Saudi Arabia	26%
Other	

Summer fruit industry overview

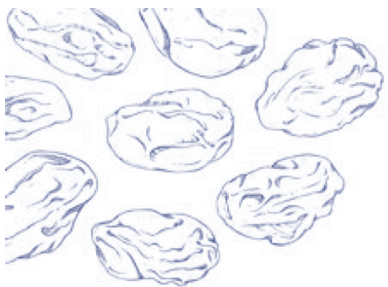
The summer fruit industry is in a much earlier stage of the export development cycle relative to table grapes and citrus and is enjoying an exhilarating growth trajectory. The expectation of this has prompted many growers to speculate with new plantings that will continue to come into full bearing in the next few years. Exports grew last year by 27%.

The summer fruit production area within Sunraysia is predominantly located around Swan Hill/ Nyah, where soil types and climate are highly suited to summer fruit production, particularly for nectarines which are in demand in China.

As per the situation for table grapes, the opening up of export market access for summer fruit has not only driven investment in production increases but also spectacular value increases because having strong export markets has reduced the industry's exposure to supermarkets who were able to take advantage of the oversupply situation for some years. In 2017, the average value of exports was \$3.36 per kilo, which is well above the price achievable from supermarkets during the peak season.

Like the other highly seasonal fruit industries, the summer fruit industry is becoming more corporatised and adopting new technologies including trials of robotics to improve quality and reduce labour costs and risk.

Victoria is the largest export state for summer fruit and Victorian growers are exporting to over 20 markets.



Dried fruit industry snapshot 2017/18

Production (from 400 growers)	17,000 tonnes
Export volume	3,709 tonnes
% of production exported	70%
Export value	\$15 million
Sunraysia share of exports	90%
Key export markets: South East Asia Japan Europe	

Dried fruit industry overview

The dried fruit industry has undergone a massive downscaling from its peak of around 90,000 tonnes in the early 1990s compared to the current production of 17,000 tonnes. Production dropped as low as 10,000 tonnes at one point in the cycle.

The dried fruit industry has been hit on a number of fronts. Some market segments have been undermined by cheap imports from Turkey, both in the Australian domestic market and also in traditional export markets. More than any other industry, dried fruit was impacted by the millennium drought when water prices became uneconomic and many growers decided to sell their water to reduce debt. Some blocks were disconnected from the distribution system (as part of the environmental buyback scheme). These growers are now more exposed to the temporary water market.

The biggest issue for the dried fruit industry is shortage of throughput for processing due to growers withdrawing from industry or moving into other enterprises. This supply constraint is now more pressing as the industry is experiencing a resurgence. Duxton, a major Asian investor in Australian agribusiness, is currently developing dried fruit orchards with plans to export premium dried fruit to Asia.

There are three major players in dried fruit processing and marketing: Sunbeam (owned by Manassen), Australian Premium Dried Fruits (owned by the Scalzo Family) and Murray River Organics (ASX listed company). The latter is building a state-of-the-art processing and distribution centre over the border from Mildura in NSW. All companies are expanding export markets in Asia, where Australia's light-coloured fruit is in high demand, as well as continuing to supply the European bakery market.



Almond industry snapshot 2017/18

Production (Robinvale, Riverland, MIA/Griffith)	130,000 tonnes
% of crop processed in Sunraysia	70%
Export volume (10% annual growth)	75,000 tonnes (in shell)
Export value	\$495 million
Share by export market:	
India	28%
Europe	25%
China	15%
Vietnam	11%
Other	21%

Almond industry overview

Almonds have been the great agribusiness success story for Australia in recent years, with rapid and on-going expansion.

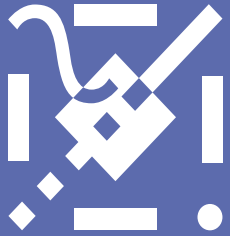
Virtually all of Australia's almond production occurs within a 200 km radius of Mildura. The Sunraysia/ Riverland is one of the few regions in the world suited to almond production, which is highly dependent on suitable soil type and micro-climatic growing conditions.

The almond industry has become highly corporatised with large-scale, plantings and efficient processing plants. Much of the industry is financed through investment from overseas superannuation funds. There are three major processors, Select Harvests (ASX listed,) and Olam Australia Pty Ltd (a wholly owned subsidiary of Olam International listed on the Singapore stock exchange) both of whom have processing plants located near Robinvale. The third player is Almondco, a grower-owned cooperative located in South Australia.

Global demand for almonds is outstripping supply, despite the rapid rate of new plantings. Pricing is highly volatile, set by California which produces over 90% of the world's almonds. Annual production levels are volatile being highly sensitive to pollination and weather conditions that can cause prices to fluctuate considerably. Almonds are also vulnerable to appreciation of the AU\$ against the US\$.

Because almonds are one of the highest value irrigated crops they are outbidding lower value water users such as dried fruit and wine grapes for temporary water.

Almond exports to China have had massive growth in the last season as a result of tariffs imposed on the USA by China in the current trade wars.



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4. Industry support networks

The industries that dominate the Sunraysia agrifood sector have extremely active industry peak bodies that represent virtually all of the exporters from the region. Growers who are exporting already or are considering exporting also have access to other support services and networks, some of which are funded through their compulsory levy system.

The purpose of this section is to provide a high level profile of these support networks and the type of services that they provide to assist exporters.

Industry peak bodies

The agrifood categories that account for the vast majority of Sunraysia's production and exports are represented by extremely active industry peak bodies. The industry associations are the lead agencies for industry development, advocacy and in the past few years have had a singular focus on export market development.

Most major horticultural industries have a compulsory agricultural levy collected by the Australian government for the purposes of research and development. The R&D levies collected are matched by government funding on a dollar for dollar basis. Some industries also have additional marketing levies for the purpose of promotion and marketing, although these are not matched by government. The levy funds are managed by Hort Innovation a statutory Research and Development Corporation, but are often allocated to the peak industry bodies on a project basis for service delivery.

All of the peak bodies in Sunraysia have been responsible for delivering the export market development component of their levy programs. The export market development activities include in-bound and outbound trade missions, participation in trade shows, in-country representation and other activities.

The peak bodies representing the major agrifood industries in Sunraysia are as follows:

The Australian Table Grape Association (ATGA), is the industry representative body for commercial table grape growers nationally. The ATGA is a not-for-profit organisation representing Australian table grape growers, processors and marketers.

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Summerfruit Australia Limited (SAL) is the summer fruit industry voice on national and international issues. It works closely with other interest groups, government and supply chain partners to maximise profitability for the industry. It is active in China during the season and in market access lobbying through its export group SEDA.

Citrus Australia Ltd is the recognised peak industry body representing the nation's commercial citrus growers. Established in 2008 as a not-for-profit company, Citrus Australia has over 300 grower and affiliate members and an expanded Citrus Australia team that provides vital services to the industry including market access and export development activity.

Dried Fruits Australia (formally the Australian Dried Fruit Association) is the national body for the dried vine fruit industry representing the whole supply chain including grower, processor and marketer members.

The **Australian Almond Board (ABA)** is the peak body representing growers, processors and marketers and exists to provide a platform for industry members to collectively respond to industry-wide issues, invest in research and development and marketing, share knowledge and interact with government and other stakeholders.

The fact that Citrus Australia, Table Grapes Australia, the Almond Board and Dried Fruits Australia have their head offices located in Mildura is testament to the dominant position of the Sunraysia region for these industries.

Industry support networks

Victorian State Government

The Victorian State Government offers a suite of services to the agricultural sector via RDV, Agriculture Victoria and Trade and Investment Victoria.

Agriculture Victoria has been very active in export market development programs working closely with industry peak bodies to facilitate market access and trade development. Activities including supporting trade shows and trade missions, hosting overseas networking events and facilitating promotional activity. The Department initiated the highly successful 'Now in season' program to promote Australian seasonal fruits in Southeast Asian markets (**Note:** the 'Now in season' program is now managed by Hort Innovation and has been rebranded under the Taste Australia campaign).

The State government has a network of Trade and Investment offices located in the key business centres of the world. These offices have assisted the various Sunraysia exporting industries in trade development activity.

RDV is actively supporting businesses with its various grant programs that provide matched funding for growth. As already explained, much of this growth is in export markets.

Mildura Regional Development

Mildura Regional Development Corporation is a not-for-profit corporation predominantly funded by Mildura Rural City Council. It is responsible for economic development and tourism for the region. Under a new CEO, Mildura Regional Development has changed direction with a heavy focus on agri-technology and precision horticulture.

Mildura Regional Development has made an application to form a Smart Horticulture Cooperative Research Centre, which is still pending. The core focus of this centre would be on attracting start-up companies within the agri-technology space such as SproutX, Crop Logic, Water Save and Dream Harvest, some of which are co-located in its offices. The organisation has access to seed funding capital to finance start-ups.

The intent of the Smart Horticulture program is to apply the latest technology to solve problems within the horticultural sector. It attempts to bring together technology providers with the agrifood businesses to provide practical, fast, real-world solutions that have not been satisfactorily solved by universities or industry-funded research.

Industry support networks

Hort Innovation and Austrade

The federal bodies Hort innovation and Austrade collaborate closely in export market development activity for horticulture. The recently launched Taste Australia brand managed by Hort Innovation has been developed to bring all messaging about Australian horticulture into focus under a common theme.

Hort Innovation manage industry participation in the key international trade shows and horticultural expos such as Fruit Logistica in Hong Kong and Berlin, and Gulf Foods in Dubai. Austrade representatives also have a presence at these events to assist industry exhibitors.

Hort Innovation oversee and facilitate the funding and strategy development of all of the export market development programs of each of the peak industry bodies. These strategies all include a component of industry export capability building.

Austrade have been engaged in much of the above activity offering general advice to the industry peak bodies and fee-for-service advice to individual exporters. The Australian Industry Group delivers the Austrade 'Trade Start' program in Sunraysia that works with individual businesses, coaching them to build export capability.

Horticultural Industry Network

Established in 2008, the Horticultural Industry Network (HIN) is a network of 29 state and national horticultural industry organisations brought together by Agriculture Victoria from the Victorian Government to increase industry collaboration and the rate of practice change within horticultural communities.

HIN works closely with the CEOs of the horticultural peak bodies to identify industry needs and priorities and then develop programs, with a focus on facilitating uptake and adoption of innovation towards increased productivity and profitability of Victoria's horticulture industries.

While HIN is not specifically active in export development work, it remains an important communication network on issues impacting exporting such as biosecurity threats and fruit fly.

The HIN administrator is located in Mildura.

Sunraysia education and research institutions

Sunraysia Institute

Sunraysia Institute (SuniTAFE) offers a range of certificate level courses in agriculture, horticulture, agribusiness, food processing and wine processing.

Mallee Regional Innovation Centre (MRIC)

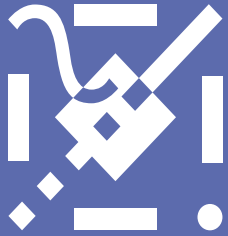
MRIC is a place-based research initiative focusing on regions of the Mallee where horticulture is the dominant form of agriculture. It is a joint venture led by University of Melbourne in conjunction with La Trobe University and Sunraysia TAFE and will deliver applicable, real-world solutions to some of the challenges facing agribusiness in the Mallee (e.g. water delivery, horticultural production, energy use and environmental water). The primary focus of MRIC is to translate research into industrial innovation, specific to the needs of the region.

La Trobe University

Although La Trobe has a campus in Mildura, it does not offer agricultural courses in the region at present but there are scholarships offered for the Bachelor of Business (Agribusiness). Chances for Children and Mallee Family Care scholarships have been established to support local students to study Agribusiness at the La Trobe University campus in Mildura. The scholarship funds have been generously donated by three significant local agribusiness companies, Wakefield's Transport, Nangiloc-Colignan Farms and Mildura Fruit Company. The intention is to encourage more people from the Sunraysia community to enter agribusiness professions.

The La Trobe Bundoora campus is home to the Agri Bio Centre, a collaboration between La Trobe University and the Department of Agriculture. This is a centre of excellence in higher-level agricultural research.





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5. Roles, functions and benefits of an export alliance

The intent of this project was to explore the potential to establish an export alliance for the agrifood industries within the Sunraysia region. The underlying rationale is that boosting exports provides the best opportunity for economic development for the region because of the oversupply situation for most fruit and vegetables in the domestic market, resulting in low pricing.

The original briefing from the steering committee did not provide any specific details as to the desired functions, structure or business model of an export alliance so this section aims to outline what this could consist of.

Potential roles, functions and benefits of an export alliance

McKINNA *et al* has been actively involved with horticultural export market development over many years and has considerable direct experience with the specific industries involved in this proposed alliance. Essentially, export market development includes the following functions:

1. Investigating market access pathways
2. Building export readiness and capability
3. Developing customer networks
4. Market research and intelligence
5. In-market promotion
6. Regional brand building
7. Facilitating collaborative export models.

1. Investigating market access pathways

With respect to market access, there are two key functions that a regional export alliance could be involved in:

1. Advocacy in relation to promoting the desired market access protocols i.e. presenting the business case to government via the Hort Innovation market access pathways framework to support market access negotiations for a category.
2. Providing leadership in the development of protocols, in other words assisting a region in becoming compliant with the negotiated market access protocols. In the case of Sunraysia, the priority here would be area freedom from fruit fly.

2. Building export readiness and capability

Entering export markets for the first time is extremely complex and challenging and requires considerable expertise and resources. At a very minimum export readiness and capability requires:

1. Understanding the customer requirements, preferences and product specifications.
2. Expertise in terms of deal-making in negotiating the price and trading terms.
3. Becoming export compliant (exporters need to be certified with specific requirements for each market). Each shipment must be inspected by an Authorised Officer. Packing facilities also need to be compliant and subject to regular audits. This all involves considerable effort.
4. Establishing adequate and cost-effective supply chains to market including freight and logistics in partnership with a network of supply chain partners to perform the necessary trading and distribution functions.
5. Capability in terms of the very complex documentation that is required for exporting.
6. Financial management of the export trade including foreign exchange transactions.
7. An understanding of how to manage dispute resolution.

Export capability requires scale and personnel capacity beyond most small agri-businesses. To be successful requires a long term commitment and considerable financial resources. When inexperienced exporters export in response to opportunistic enquiries, it usually ends badly with serious losses.

3. Developing customer networks

Some regions within Australia are quite proactive in assisting exporters to build customer networks. The most common network building methods are:

- Market visitation programs involving organised market tours by exporters, meeting with customers, market and supermarket visits, etc.
- In-bound trade missions whereby a group of buyers from targeted countries are brought to the region, usually as part of a broader Australian-wide tour program. Typically these missions involve farm and pack-house visits, presentations and receptions. A useful role for regional organisations is to ensure that their region is on the itinerary for in-bound missions organised by the various state and federal trade authorities.
- Participation in international trade shows. There is an annual calendar of international trade shows specialising in horticulture and food, the most influential within the Asian region being Fruit Logistica in Hong Kong in September.
- Leveraging sister city relationships to build networks.
- Making available a data base of local producers for buyers to source local products from.
- Informal sharing of non-competitive leads is a natural consequence of improved industry networking. Often exporters get requests from their customers for products that they do not grow themselves and will happily provide the buyer with a recommendation of who could supply.

4. Market research and intelligence

A potential role of an export alliance could be to provide market research and market intelligence. The most common form of market research for regions, is market visits described previously. There have been incidences where a region provides funding support for in-country market research for a particular commodity of importance to the region.

5. In-market promotion

Another potential role for a regional export alliance would be to initiate or participate in in-market promotions during the peak season. This could involve supermarket in-store tastings and promotions or hotel and restaurant menu promotions with a focus on food and wine from the region. It is common in Asian markets to cross promote a region's food with tourism e.g. Southern Rock lobster with Tasmania.

6. Regional brand building

From time to time various regions across Australia have trialed regional branding programs whereby produce from the region is marketed under an umbrella brand. There are a number of regions that have begun to participate in international trade shows with a regional stand and banner.

7. Facilitating collaborative export models

Collaborative export models enable agrifood producers who would ordinarily be too small to export efficiently as an individual business to achieve the scale required to export through partnering with others. Often networking and facilitation is needed to find the right partner to collaborate with.

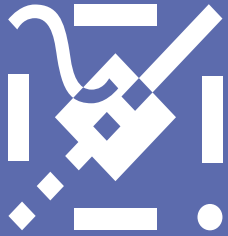
Most smaller agrifood businesses are not resourced to take advantage of the export opportunity in their own right and would benefit greatly from adopting a collaborative export model, which can provide advantages such as:

- Allowing smaller businesses to participate in more markets
- Providing access to markets and customers
- Improving returns to growers through closed-loop supply chains
- Improving market power
- More efficient freight and logistics
- Quality and compliance systems/processes
- Funding a skilled, professional export manager
- Providing the critical mass required for brand-based marketing
- Access to better market intelligence
- Spreading risks associated with exporting.

Collaborative export models can be applied to situations such as:

- Regional collaborations within a single category (e.g. a number of summer fruit growers sharing a common packing facility and/or marketing function)
- Regional collaborations with complementary categories (e.g. organic vegetable farmers exporting a range of organic vegetables under a common brand)
- Multi-region/single category models (e.g. a Sunraysia grower partnering with a grower of the same product in Queensland to extend the seasonal window).

Collaborative export models can range from informal communication and cooperation through to structured, formal collaborative business agreements. Much careful thought needs to be given as to the structure of the collaborative entities and the business model, which needs to be appropriate to the scale and sophistication of the participating businesses. An industry export alliance could assist a group of business to work through these issues to form a successful collaboration by offering an independent facilitation service.



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6. Sunraysia agrifood sector challenges

Notwithstanding the historically buoyant period of prosperity and high levels of optimism in the industries in focus, Sunraysia's agrifood sector is exposed to a number of threats and challenges in the longer term including:

- 1. Water cost and availability*
- 2. Fruit fly*
- 3. Labour*
- 4. Over exposure to the China market*

1. Water

The prosperity of Sunraysia is underpinned by its irrigation scheme. All of the main industries in the region (with the exception of broadacre cropping) are totally reliant on affordable, reliable water that is available when they need it.

The situation with water fundamentally changed in Australia when it was de-coupled from land titles over a decade ago, resulting in the introduction of water trading markets. The impact of this change was amplified as it occurred during the millennium drought when the Government was buying back water for the environment. Many small properties sold their water to reduce debt and some also became permanently disconnected from their irrigation delivery system (a condition of the buyback scheme). This event particularly impacted the dried fruit industry which was suffering at the time from intense competition from cheap fruit from Turkey.

Most farming businesses no longer own all of their water requirements and commonly buy from the water market either through short term trades or short and long term lease arrangements. Many agribusinesses have sold their water entitlements to improve the capitalisation of their businesses.

Water prices are extremely volatile, driven by weather-related supply and demand. In dry years, such as 2018, demand significantly increased, supply reduced and prices increased.

Owning a water entitlement does not necessarily guarantee availability. The managing authorities determine the percentage of the entitlement that will be allocated for the season. Only in seasons of abundant supply do title holders get 100% allocations.

Superimposed over the year-to-year volatility is a fundamentally critical long term issue. Demand for water is growing and supply is less reliable in the face of climate change. Water is becoming more costly and less reliable in periods of peak demand. In a situation of increasing prices, water flows to the highest value crops such as almonds and table grapes, who are able to pay more. At some point, it could become uneconomic for growers of lower value crops such as carrots, dried fruit, and potentially even citrus, to buy water.

The almond industry is in the middle of a rapid expansion program, which will require large parcels of water to support the young trees as they come into full bearing.

This season, Sunraysia's water supply will be impacted by climate change as well as reduced flow from the Darling system due to low rainfall. In years ahead, increased water usage in New South Wales for cotton is likely. The more concerning supply issue for Sunraysia is the peak load demand capacity. Water from the catchment areas must flow through the Barmah choke, a narrow constriction in the river system and there is a limit to the daily flows that can move through the choke of around 9,000 megalitres. This limits the amount of water available downstream at peak times. As the usage expands, (as is occurring due to increased plantings), there will be insufficient peak demand water in the summer when it is most needed.

In summary, availability and pricing of water could have a major impact on the future prosperity of the Sunraysia agrifood sector. Water is a highly political and emotional issue with strong and differing positions held by the three states impacted.

2. Fruit fly

Fruit fly has been a long term a concern in Sunraysia, impacting the three biggest export sectors: citrus, table grapes and summer fruit.

Many overseas markets, notably the high-value North Asian markets of China, South Korea, Japan and Taiwan, classify fruit fly as a 'pest of concern' and require countries to comply with strict (and often impractical or uneconomical) protocols to gain market access. It took many years to negotiate workable protocols for Sunraysia fruits to China and Japan. When agreement was reached, opening up these new markets gave those industries a major boost. However, achieving market access comes at a cost, because compliance with the protocols can variously involve extended cold treatment, fumigation or irradiation for fruit fly which adds to cost and compromises fruit quality. In some markets the protocols are so onerous that they become impractical or uneconomical.

For markets with biosecurity protocols there is usually a zero tolerance of fruit fly in shipments and the discovery of an infestation could have disastrous effects for the whole industry, potentially causing immediate closure of the market at the height of the season.

Pests of concern are often used as a negotiating point in the complex geopolitical agenda that underpins market access. Depending on the situation, protocols could be changed at short notice without apparent good reason.

The ideal situation would be to have Sunraysia declared a 'Pest Free Area' (PFA) for fruit fly, which would greatly simplify market access and significantly reduce costs for growers.

A large amount of money has been allocated to this aim and the State government has recently appointed Rural City of Mildura to pursue this project. The reason the council has been engaged to manage this funding is that the fruit fly risk is predominantly originating from backyard trees, not so much from orchards because growers are highly diligent in terms of trapping to achieve effective control.

The achievement of PFA status for fruit fly in Sunraysia would be an extremely difficult task and take many years to achieve, but it would make a fundamental difference to the Sunraysia agrifood economy and would remove the significant threat to the major exporting industries of loss of market access or introduction of unworkable and costly protocols.

3. Labour

Labour is a primary issue for the agricultural sector throughout Australia but it is amplified in Sunraysia because the horticultural industries are highly labour intensive with many units of seasonal labour required throughout the year for activity such as pruning, picking, planting and packing.

While seasonal, casual labour is a constant concern, agrifood industries in Sunraysia face labour issues at every level of the workforce.

Casual labour

Sunraysia has a very strong demand for seasonal, casual labour and is heavily reliant on backpackers and so-called 'grey nomads' to carry the peak load, particularly during the critical picking season. Shortages of casual labour at certain time periods can have very damaging consequences due to spoiled fruit.

The issues with casual labour are in having adequate labour when required, reliability of labour, compliance with OHS and immigration requirements, providing suitable accommodation and affordable pay rates. These issues have been well documented in other studies. The risks and responsibilities associated with labour compliance rests with the farm business, even when labour hire companies are used.

Skilled labour

Growers indicate that there is also a shortage of skilled, permanent labour in Sunraysia. The adoption of technology in agriculture is now becoming quite complex and horticultural need to have increasingly high skill levels. Businesses report having great difficulty recruiting and retaining experienced workers.

The unrealised opportunity to collaborate on skills training was noted by one respondent in the consultation. Common needs are certificate level training in horticulture, food handling, train-the-trainer and supervisory skills.

Managerial and supervisory staff

With the increasing corporatisation of agribusinesses, there is growing demand for supervisors as well as middle and senior management. Despite highly attractive salary packages, agribusinesses find it very hard to fill supervisor and managerial positions with employees of the appropriate experience, knowledge and people skills.

The labour issues facing these agribusiness are not unique to Sunraysia but are amplified by the intensely seasonal nature of the horticultural sector and the greater volume of labour and skill demand in a remote region.

It is also recognized that throughout regional Australia there is a 'brain drain' occurring with talented young people migrating to capital cities to pursue education and career pathways. Despite the livability of Sunraysia, like all regional cities, it has difficulty retaining its talented young people. Notwithstanding the fulfilling career opportunities in agribusiness, it is not seen to be an attractive career path. To address this, there needs to be a stronger working relationship between businesses, career advisors, education providers and the community in Sunraysia as is occurring in other agrifood regions around Victoria.

4. Over exposure to China

It is of some concern that the region's agrifood sector has a heavy market exposure to Mainland China. In 2017/18, the percentage of total exports that went to China by each industry were:

Citrus 27%

Table grapes 38%

Summer fruits 28%

Almonds 15%

The above proportions are rather high considering the risks associated with that market. The gaining of market access into China has been the single biggest factor in the turn-around of the Sunraysia economy, driving strong demand and attractive pricing. The heavy demand for Australian fruit from China has also driven up prices for Australian fruit in other export markets. However, the downside of having a high exposure to China is that it can be notoriously erratic in terms of market access policy and implementation. As the dairy and meat industries have found, a boom situation can quickly turn sour causing major disruption with damaging financial impact.

The abrupt loss of market access to China in the peak of the season would significantly impact these fruit industries, because if new markets could not be found quickly, a massive oversupply situation would prevail causing all prices to fall.

Both baby food and beef producers lost market access to China literally overnight, without warning. These industries are not as vulnerable as time sensitive, perishable, seasonal fruit.

It is not just the potential loss of markets that is the danger, but also the financial losses associated with fruit still in transit.

Market access is often impacted by the broader geopolitical agenda, not just biosecurity issues, so exporting industries can innocently get caught up in the fall out, causing serious financial damage which can take considerable time to recover from. The stand off between Presidents Trump and Xi and issues in the South China Sea are examples of situations that could easily escalate into a trade crisis.

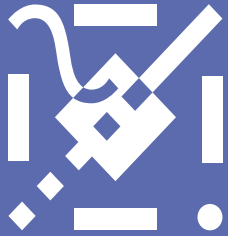
In some respects, Sunraysia's agri-industries do have some protection, in that there is strong counter-seasonal demand for their products in the northern hemisphere and Australian fruit has a reputation for being premium. The Achilles heel dragging on these industries is fruit fly in that a detection in a shipment could change the current protocols and cause disruption to trade. Its presence presents a constant disadvantage in trade negotiations.

The exposure to China needs to be put into perspective. The China threat may never happen, but it is a looming and potential risk. All industry bodies have identified the risk and have been very proactive in developing market diversification strategies in their export plans. The exposure to China has been substantially reduced from the position it was at a year or so ago, but nevertheless, an abrupt disruption would have a major impact on the Sunraysia economy.

Other challenges

While the four main challenges for Sunraysia's key exporting industries have been highlighted in this document, there are a number of other issues and constraints to industry growth that are common to most of the industry sectors in focus. These include:

- Infrastructure (in particular the need to upgrade the Calder Highway) and rail connectivity
- Difficulties in dealing with building and planning issues
- Common issues in food processing such as managing waste run off
- Remoteness of farms impacting OH&S
- Other environmental sustainability challenges.



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7. Assessment

After a considered assessment of the Sunraysia agrifood environment and listening to industry representatives, it is proposed that the greatest opportunity for assisting exporting businesses from the region lies in developing a broad agrifood network, rather than an export-focused alliance.

Industry engagement has shown there is little appetite for a formal export alliance in Sunraysia.

This section outlines the key reasons and expounds on the opportunity for a broader agrifood network.

Key reasons for a lack of industry support for an export alliance

1. By virtue of the commodity mix, the Sunraysia agrifood sector is one of most established and successful clusters of export-oriented businesses in Australia.
2. The industries that represent upwards of 90% of the region's exports are comprehensively represented in export development by experienced, well-organised and funded peak bodies.
3. All of the major industries have structured levies with matched government funding for export market development activity. Such activity is guided by a formal export market development strategy. All of these strategies have 'export capability building' platforms in them, although some industries are more successful at implementing them than others.
4. The vast majority of businesses who are not engaged in the industry export programs are a long way from being 'export ready' and as such, participation in an industry export development alliance *per se* is unlikely to accelerate this.
5. The establishment of a Sunraysia regional agrifood brand as part of an export alliance is unlikely to be adopted by industry. Furthermore, Hort Innovation's Taste Australia program has a very clear mandate to build the brand proposition of 'Brand Australia' (i.e. the marketing messages that endorse the selling features of Australian products) for all horticulture.
6. The establishment of a regional export alliance for Sunraysia is perceived as counterproductive to the interests of the region's agrifood businesses, who are already well advanced in export activity of their own. Adding another export program may be divisive and a duplication of effort.
7. The Sunraysia agribusiness sector is driven by a culture of entrepreneurism and fierce independence, which is not conducive to cross-sector networking and sharing of ideas. However, because an effective cross-sectoral agrifood alliance has never existed in the region, these businesses have never experienced the benefits of networking or working together to advocate on common issues that fall across state or industry borders.
8. Despite the lack of enthusiasm from industry for an export alliance, there is an opportunity for a more broadly based industry network to provide a platform to canvas/advance issues of strategic importance to the region's agrifood sector. Such an organisation could function as a whole-of-industry development and support network.

These issues are explained in more detail in the following pages.

1. Sunraysia businesses are already experienced exporters

It is estimated that last financial year, horticultural exports from Sunraysia were in excess of \$1.4 billion. In general, the larger agrifood businesses in the region are highly experienced and mature exporters.

Typically, these businesses are family corporates and listed or multinational corporates that are well resourced with experienced export managers on staff. All these businesses have access to professional trade advice. These organisations already have strong networks in the markets in which they trade.

These businesses are unlikely to gain any real benefit from participating in a regional export alliance. Furthermore, because of the highly competitive and independent culture of the businesses within Sunraysia, it is unlikely that they would participate in an export alliance if one was created.

2. The exporting industries are already represented by peak industry bodies active in export market development

The five major industry sectors that comprise the vast bulk of the Sunraysia agrifood economy i.e., citrus, table grapes, dried fruit, summer fruit and almonds are represented by long-established, well-organised peak bodies that provide industry development and support services, advocacy on key policy issues and export services.

Significantly, four of the five peak industry organisations have their head office in Mildura, which is testament to the importance of the region for their industries. It also means that issues for that industry in Sunraysia, often set the agenda nationally.

All of the peak bodies are actively involved with export market development with the CEOs of each organisation regularly travelling through the target export markets and representing their industry's issues and needs.

The peak bodies are the key contact point between organisations such as Austrade, Hort Innovation and industry members in relation to all export and market access matters.

As with any industry organisation, there are always those who are dissatisfied with how it is being run or who fail to engage with the organisation and choose not to participate in its programs, but in general, the peak bodies effectively represent their industries and focus on the priorities of their members.

Most enjoy high levels of member support. The culture of some industries mean these programs are more inclusive than others.

3. The levy system already funds export development activity

All of the five industries mentioned in the previous section are subject to compulsory levies for research and development and some also have optional marketing levies. The other industries such as avocado, vegetables and grains also have levies, that support export market development. Levies are collected on behalf of the industry by the Department of Agriculture and Water Resources through organisations such as Hort Innovation or other RDCs and eligible expenditure is matched dollar for dollar by the government.

Because the industries in focus in this project (with exception of dried fruits) are already export-oriented, a high percentage of the R&D budget is allocated to export activity. The industries have an export development strategy as part of their industry levy investment strategy. Under the R&D regulations, export market development is eligible for matched government funding, with the exception of consumer-facing promotions. The levy funds are used for activities such as in-bound and out-bound trade missions, participation in trade shows, in-country representation, developing market access pathways, export capability building, etc.

Each industry has an advisory panel with grower and independent representatives who advise on the development of the export strategy, the allocation of the budget and they oversee the activities. McKINNA *et al* has reviewed a number of the industry export strategies and in working with these organisations over many years, it is difficult to see how these could be improved on with a Sunraysia export alliance.

4. Those businesses not engaged in industry export programs are a long way from being export ready

While there are some mid-sized businesses who are not active in their respective industry peak bodies, it is hard to justify separate support networks for them when they are not proactive about taking up the resources available through their industry body or willing to collaborate with others in their own industry.

Some of the mid-sized businesses that do not choose to work with their industry programs can take advantage of programs such as those offered by government or other organisations e.g. TradeStart.

Aside from the major industries discussed previously, the remainder of the Sunraysia agrifood sector comprises of small or even micro businesses involved in gourmet and artisanal food production. Most sell their product within the region via farmers markets and local food outlets. These smaller businesses are far from being export ready, most of them do not even have the critical mass to service supermarkets and other mainstream outlets in the domestic market.

There is no doubt that these small businesses would benefit greatly from a network to provide support in terms of business development and collaboration. In particular, these organisations lack skill in terms of marketing, product development, supply chain development and building scale. The needs of these businesses would fall outside of the agenda of an export alliance or network.

5. The establishment of a Sunraysia regional agrifood brand is unlikely to be supported

One of the potential roles of an export alliance could be the establishment of a regional umbrella brand under which Sunraysia businesses could market their goods. Over the years, many Australian regions have attempted to establish regional brands but with limited success. Any attempt to establish a regional brand in Sunraysia is unlikely to get support from the main exporting industries. There have been previous attempts.

Branding is a complex subject to explore in any depth and is beyond the scope of this report. The challenges around establishing a regional brand for Sunraysia are as follows:

1. While the 'brand Australia' message is still being established for horticulture in export markets (Hort Innovation has recently introduced a new campaign to express brand Australia for horticulture called 'Taste Australia'), a regional brand would only serve to clutter and confuse this message and its value proposition of quality, trusted food. Australia's presence in international food shows is compromised by having state and regional brands displayed alongside the brand Australia story. Contrast this with New Zealand where there is a single minded story that *New Zealand* is the provenance brand. Consumers in Australia's key overseas markets have only limited knowledge of Australian geography so attempting to establish a regional brand with scarce resources and seasonal products is a futile exercise. The challenge is to build the profile of 'brand Australia' through supporting the new Taste Australia campaign.

2. Although well known in Victoria, Sunraysia as a region has almost no profile in global markets. Even local businesses are unclear about where the region begins and ends. 'Mildura' has some awareness with Chinese trade buyers but this is unlikely to translate to consumers in China.
3. Export buyers make brand choices for fruit based on the company name and the pack-house number. In fresh fruit exporting, these are the most critical points of branding.
4. The significant costs of establishing and supporting a regional brand would be difficult to resource. Most agrifood businesses under-invest in their own marketing and would see little value in spending on a regional brand, which they feel would add little value.
5. Managing the brand would also present challenges. For brands to be effective they must consistently deliver on the value proposition and promise to the customer. This requires discipline and any regional brand would need to be underpinned by a code of practice and compliance framework. This adds complexity as well as cost and is always a potential tension point with brand users. The organisation Brand Tasmania does this in Tasmania but functions largely as a licensed branding program.

Essentially, a Sunraysia export brand would only confuse consumers in export markets. Other local governments have attempted regional promotion at trade shows, without adding any value.

Brand Sunraysia

A key theme to emerge from the industry consultation on this project is that 'Sunraysia' is a rather vague concept. There are no defined geographic boundaries for Sunraysia.

At best, 'Sunraysia' is a generic term used in Victoria to define the irrigation district and in this context it is thought to cross the SA and NSW borders.

Few businesses in the region use the term 'Sunraysia' in marketing their products, with most expressing a preference for 'Product of Australia' on their packaging. In export markets most horticultural businesses are committed to the Hort Innovation recommendation of driving 'Product of Australia' as the key message, rather than regional promotion.

There was no interest from industry in developing a regional food brand around the 'Sunraysia' terminology for exporting. However, a regional brand for Sunraysia's gourmet, artisan producers in the domestic market would be a very different proposition but may have its own challenges.

The website Sunraysia.com is a privately owned brand of fruit juice.

"Sunraysia? I'm not even sure people use that term anymore."



6. A regional export alliance for Sunraysia is perceived as counter-productive

There is a strong view held by the peak industry bodies that the introduction of a regional export alliance would be unnecessarily disruptive and divisive. As has been described earlier, industry feel that their export market development and support services are more than adequately catered for. They emphasize that the Sunraysia region is one of the most successful agrifood export regions of Australia.

The Summer fruit and Almond peak industry bodies specifically, did not want to be included in the engagement process for this project, feeling strongly that it was a distraction and could cause industry fragmentation. Both organisations stated that they are busy implementing their own export strategies.

7. Sunraysia's agribusiness sector is characterised by a culture of entrepreneurism and fierce independence

The driving force behind the success of the Sunraysia agrifood sector is a strong spirit of entrepreneurialism and independence. The founding fathers of the Mildura irrigation system, the Chaffey brothers from Canada, were brought to the region by Alfred Deakin to establish the irrigation scheme. The brothers were visionary entrepreneurs who laid the foundations for what is now one of Australia's richest agricultural areas. This spirit of entrepreneurialism has permeated the region. Businesses that started off as small soldier settlement blocks post World War Two have now grown to multi-million dollar family corporations.

More than any other agricultural region in Australia, businesses in Sunraysia tend to be stoic, independent, highly competitive and very private, keeping to themselves. The larger corporate operators are also protective of their intellectual property. This culture is explained by industry themselves as being due to the diverse ethnic make-up of the area. For this reason, Sunraysia does not have a positive history of working together, even on issues of critical importance to producers. Several attempts have been made previously to establish regional committees or task forces to advance issues such as water policy or fruit fly, but in all cases they folded due to lack of momentum.

Given the high level of support services that already exist for exporting, it is hard to see the proposal to form a regional export alliance gaining adequate endorsement.

The opportunity for a more broad based regional agrifood network

In the course of the consultation for this project, it became apparent that there is an opportunity for a more broadly based agribusiness network. As outlined previously, the Sunraysia agrifood sector is one of Australia's largest and most important production hubs and yet faces considerable threats and challenges to its sustainability.

Most other major agrifood regions have such a network. Some examples include:

- East Gippsland Food Cluster
- Great South Coast Food and Fibre Council
- Central Highland Agribusiness Forum (Cultivate)
- Daylesford Macedon Produce
- Food and Agribusiness Network, Sunshine Coast
- Food Leaders Australia (Toowoomba)
- Food SA
- Plenty Food Group
- Barossa Fine Food
- Mornington Peninsula Gourmet
- Murraylands Food Alliance.

In various ways, these organisations have been effective at advancing key projects and unifying their agrifood sector. Some of them have been driven by passionate individuals and others have had a significant catalyst that has given rise to their development.

The structure and business models of regional agribusiness networks vary, but typically their purposes include:

- Formulating a regional agrifood strategic plan outlining the opportunities for the sector and the constraints to growth
- Advocacy around regional issues
- Capability building events and training
- Facilitation of regional projects
- Networking events with guest speakers, e.g. breakfast events, dinners, conferences, etc.
- Field days and shed meetings
- Electronic newsletters
- Agribusiness awards
- Facilitation of overseas study tours
- Facilitation of scholarships and internship programs
- Mentoring programs
- Linkages between peak industry bodies on common issues.

Importantly, such groups also serve a function of being a touch point in the region for governments, politicians and regulatory agencies and other bodies to communicate with the wider agrifood industry in an efficient and timely manner. Many in industry do not understand the critical importance of engaging effectively with government with a considered and agreed position on key issues.

Business model and funding

The business and funding models vary between industry network groups but typically they are registered as not-for-profit companies with a representative board. Some of them have a full-time or part-time CEO or secretariat, often funded through local government support. In some cases they are initiated and strongly supported by local government.

Most of these agrifood industry networks are funded through a combination of membership fees, sponsorships, grants and fundraising events. Commonly they seek government funding through grants for particular projects. Some examples are profiled on the following pages, all of which had a different catalyst for their inception and a specific purpose.

SNAPSHOT: Food Leaders Australia

Location	Toowoomba
Membership	All agrifood and food manufacturing businesses
Activities	<ul style="list-style-type: none"> • Training • In/out-bound trade missions • Business coaching • Lead generation • Local content • Seminars
Funding	<ul style="list-style-type: none"> • Membership fees • Government funding • Mining industry support
Partners	<ul style="list-style-type: none"> • Uni Southern QLD • Local council
Catalyst for existence	QLD government local content legislation

Food Leaders Australia (FLA) was cited in the original project briefing as an example of a regional agrifood network which could serve as a model for the Sunraysia export alliance. In the authors' view, although FLA demonstrates the principle of a regional agrifood network, it is not a good example because it exists because of the unique situation with Queensland government legislative support for mandatory local content.

FLA was established in Toowoomba as an offshoot of the Toowoomba and Surat Basin Enterprise with a specific purpose of assisting the development of the food and agricultural sector. The catalyst for formation of FLA was the development of the mining industry in the region. In Queensland a condition of granting a mining licence includes a social licence requirement, whereby a stated percentage of expenditure by the mining companies must be supplied by businesses within the region. FLA was established specifically to build capability and supply chain capacity to enable businesses to be able to supply the needs of the mining projects, however its mandate has broadened since then. The aim of the group is now to support members by bringing investment and export opportunities into the agrifood sector, as well as working with existing food producers, processors and exporters to capitalise on local and export markets.

Although membership fees are a source of funding, the initiative is heavily subsidised by revenue streams from mining licensees as a condition of the mining licence being granted.

SNAPSHOT: Food & Agribusiness Network

Location	Sunshine Coast
Membership	All agrifood and food manufacturing businesses
Activities	<ul style="list-style-type: none"> • Training • In/out-bound trade missions • Business coaching • Events • Networking events • Training events
Funding	<ul style="list-style-type: none"> • Membership fees • Local government funding • Sponsorships
Partners	<ul style="list-style-type: none"> • Uni Sunshine Coast • Noosa Council
Catalyst for existence	Noosa Food & Wine Festival

The Food and Agribusiness Network (FAN) describes itself as an 'agribusiness cluster'. While the membership includes many small and micro businesses, there are also large corporate members with multi-million dollar turn overs, who are every active in the events and activities.

FAN acts as an information conduit between its over 200 members and local and state governments and its other collaborating partners. As well as being the representative voice for the agrifood sector, it plays a valuable role in education and networking, particularly for the many artisan food producers in its membership, some of whom are new to the food industry.

Member events, workshops and training courses are well attended and the networking has resulted in a high rate of collaborations between members.

FAN delivers a number of training programs under contract for other agencies such as Advance Queensland.

The membership of FAN spans the whole food value chain including chefs and food service operators.

SNAPSHOT: Food SA

Location	South Australia
Membership	All agrifood and food manufacturing businesses
Activities	<ul style="list-style-type: none"> • Advocacy • Training • In/out-bound trade missions • Business coaching • Events • Networking events • Training events • Mentoring • Business lead generation
Funding	<ul style="list-style-type: none"> • Membership fees • State govt funding to deliver prescribed programs
Partners	<ul style="list-style-type: none"> • PIRSA • SARDI
Catalyst for existence	Outsourcing of the State government's food program to an industry partnership

While Food SA is an industry representative body, it has a close working relationship with the State Government of South Australia who provides \$1 million annual funding for Food SA to deliver a number of State Government food industry programs. This funding is supplemented by membership fees from industry.

Food SA supports the development of the food industry in South Australia through running events and providing services to members. The services include a focused export market development program with in-bound missions and assistance in out-bound trade events. Food SA runs a South Australian stand at Fine Food Australia and other trade shows.

There is a very strong culture of mentoring within Food SA and larger corporate members have always shown a willingness to support new entrants. This culture has evolved within the organisation over a number of years.

Food SA also has a subsidiary company that manages the Australian pavilion at SIAL, China a major food show.

Food SA is the 'go to' organisation for the South Australian government on any issue related to the food industry. There is a close working relationship between industry and government.

Factors to consider in establishing a broad-based agrifood network in Sunraysia

As was highlighted previously, it is surprising, given the significance of the Sunraysia agrifood sector and its importance to the the economy that such an agrifood network does not already exist. There does not appear to be an overarching strategic plan for the Sunraysia agribusiness sector, which again, is surprising given that there are highly significant strategic issues that pose a future threat to the sector such as water policy, fruit fly freedom, regional labour, transport infrastructure and others.

It was suggested during the consultation for this project that previous attempts had been made over the years to form such a network without enduring success. The regional organisations profiled in this report all had a strong catalyst for their formation (e.g. Food SA formed when government outsourced key programs to the industry body). Sunraysia agribusinesses have not found a common need that is compelling enough to get behind such a network and in the final analysis, it is really up to the collective agribusiness sector in Sunraysia to decide whether the formation of a more broadly based agribusiness network would be beneficial.

Potential barriers to the establishment of a network include:

1. The tri-state nature of the Sunraysia agrifood economy

The Sunraysia agrifood economy covers the riverine areas of Victoria, New South Wales and South Australia. Mildura is effectively the default capital of the tri-state region although much of the horticulture is in Swan Hill as well.

The cross-over of local government and state jurisdictions greatly adds to the complexity of strategic planning for the region. For example, water policy is a highly contentious issue with each state strongly holding differing positions. It would be a lot simpler to form a Mildura region agribusiness network with participation from across the borders, which is likely to happen naturally.

2. The increasing corporatisation of the agrifood sector

As has been highlighted in this report, the agrifood sector is becoming increasingly corporatised. Some of the agribusinesses are listed on the stock exchanges of Australia or another country, or are wholly owned subsidiaries of large international corporations. Furthermore, many of the traditional family businesses have grown into corporations in their own right and are managed along corporate lines.

Large corporations may not see the value in participating in a business development network on the basis that they are well-resourced and well-managed companies with access to the best expertise and support that money can buy. They are also highly protective of their corporate intellectual property. They may however be interested in supporting strategic issues of significance such as water policy or infrastructure issues. However, corporations tend not to get involved with compromising party political issues.

As other business development networks have found, the participation of corporations (to the extent that they wish to be involved) can be a great asset to a network because of their size, resources and influence and the fact that they can play a valuable informal mentoring role.

3. The culture of independence and privacy

As was highlighted earlier, McKINNA *et al's* experience in working across Sunraysia for many years is that, more than any agribusiness region, it is made up of private family businesses who operate in a highly competitive environment and prefer to do things own way. Some do not even participate in their own industry associations, despite the fact that they pay levies.

The consultation revealed that this situation is changing somewhat, with the younger generations within these businesses tending to be much more eager to collaborate and participate in industry development, advocacy and capability building networks.

4. The fact that most in the region have not experienced the benefits of such an organisation

The CEOs of the industry networks that were interviewed in this research suggested that there is a definite element of "*Build it and they will come*" with such industry bodies. Because many of the business operators interviewed in the research had never experienced the benefits of a regional agrifood network nor had they invested in professional development or mentoring opportunities for themselves or their managers, they had not experienced the benefits that it could add to their business.



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8. Recommendations

Recommendations

Based on this preliminary scoping study involving a program of industry engagement and applying McKINNA *et al*'s extensive experience in export market development, the following recommendations are offered:

1. Note the report's assessment indicating a lack of interest from industry and industry representatives in a regional export alliance and the explanation of the reasons given.
2. Investigate the opportunity to establish a broad based agrifood network, the scope of which could include:
 - *Advocacy for strategic issues common to agrifood industries in the Sunraysia area*
 - *Articulate the long term strategic vision for the region's agrifood sector*
 - *Champion industry development activity*
 - *Facilitate industry networking, professional development and informal mentoring*
 - *Promote the region's agrifood strengths and offering*
 - *Provision of advice to MRIC on potential research projects to drive innovation and industry development.*

Sunraysia's agrifood sector faces some significant challenges that need a voice including water, fruit fly, labour issues, roads and infrastructure and more. Developing an agrifood network may also offer a touch point for government and other organisations to more efficiently progress these issues and engage with the wider industry. It is likely to require strong leadership, stewardship and perseverance to pursue this opportunity.

3. Investigate the opportunity to establish an affiliated industry development cluster within the gourmet and artisan food community of the Sunraysia area to increase market opportunities for emerging producers in the domestic market and build the capability needed to support business growth. This cluster could promote regional provenance and coordinate projects to capitalise on funding opportunities.

Possible actions

1. Facilitate a meeting with the key stakeholder groups to canvass the level of interest and propensity to form a broad-based regional agribusiness network. It is suggested that the CEOs of networks from other regions be invited to make presentations to the group on their organisations and the benefits that they offer industry. The meeting should be structured with a clear agenda and purpose. The outcome from this meeting will provide clear guidance as to the future direction for this initiative. The participants should include but not be limited to:
 - The CEOs and Chairs of the key industry peak bodies for citrus, table grapes, dried fruit and almonds.
 - The CEO and Mayor of the Rural City of Mildura and Swan Hill Rural City Council
 - The CEO and chair of Mildura development Corporation
 - Managers of the major agribusiness corporations in the region including processors
 - Representatives of the education providers including Sunraysia Institute, La Trobe and Melbourne Universities
 - Regional managers of RDV and Agriculture Victoria
 - Regional managers of significant agribusiness support services including banks, transport logistics companies and agricultural agencies.
2. Convene a meeting with the gourmet and artisan food community to assess whether there is any interest in forming an industry development cluster along the lines of the Sunshine Coast's Food and Agribusiness Network. This group would not necessarily have an export agenda and could include local boutique wine and spirits businesses as well as the local hospitality industry.