Victorian Chamber of Commerce and Industry

AGRIBUSINESS TASKFORCE REPORT

HARVESTING GROWTH FOR VICTORIA

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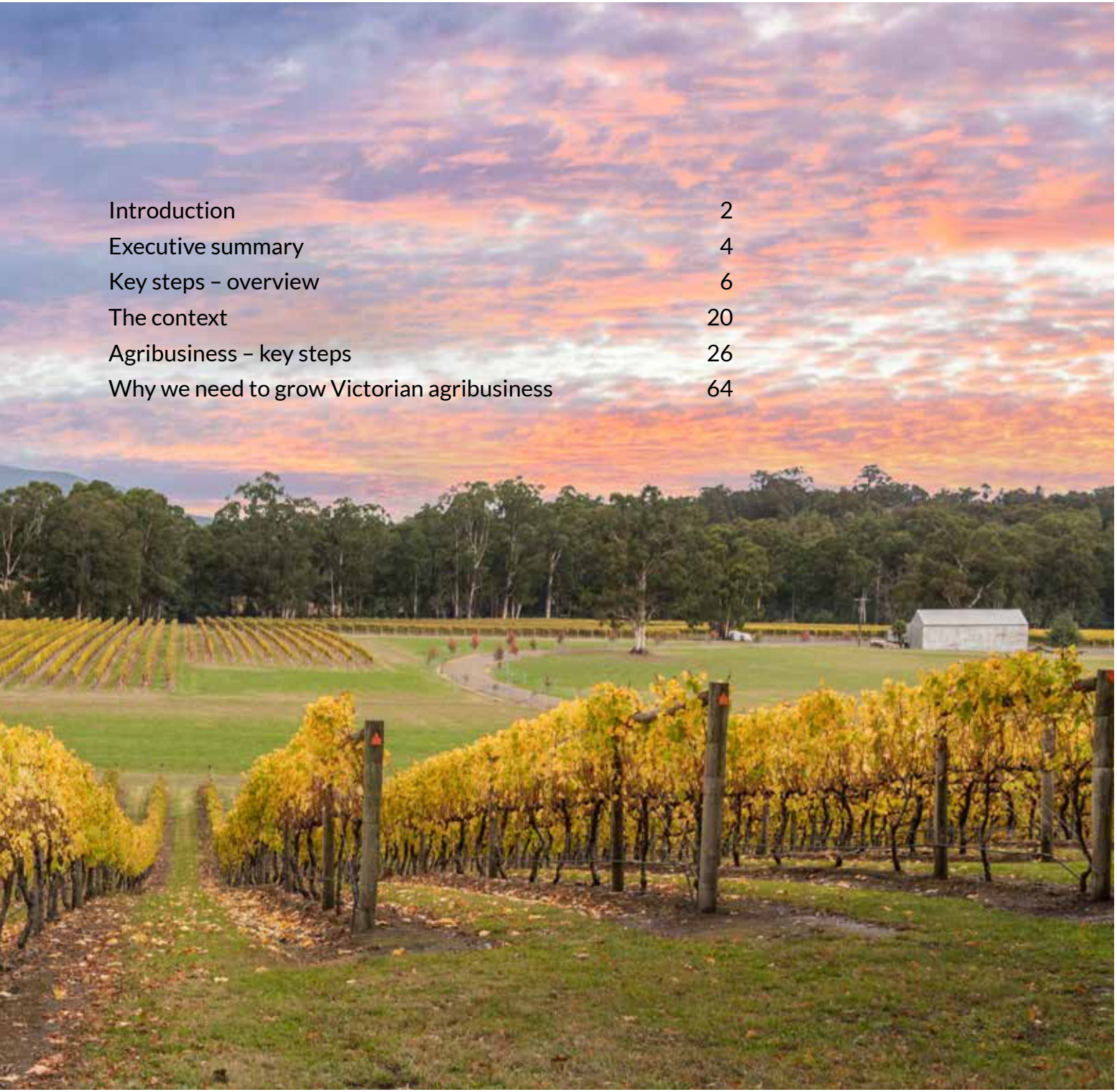

INTRODUCTION

Mark Stone AM
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Chief Executive

Employing over 190,000 people, agribusiness is at the core of Victoria's economy, generating significant output, income and investment across the state.

Agribusiness encompasses agricultural production and food and beverage manufacturing. Important industries include dairy, beef cattle, sheep, grain and fruit and vegetable production.

Agribusiness exports are strong and growing. The Victorian agribusiness sector accounts for 29 per cent of all Australian food and fibre exports.

Buoyed by a low Australian dollar, prospects for continuing growth are healthy as Victorian agribusinesses strive to become more innovative and internationally oriented.

Success, will not happen by chance. The industry must overcome a number of challenges, including the lack of recognition and understanding by the wider community of the significance of agribusiness to the State economy. As a result, the sector is not always seen as a high priority among policy makers and fewer resources flow into agribusiness investment, infrastructure, education and training.

Technology adoption levels are not as high as they need to be. Levels of collaboration across the food chain varies. The branding of Victorian agribusiness products in international markets is also fragmented. Scale economies and value adding in the production process is low in a number of industry segments.

Infrastructure gaps, particularly transport infrastructure, are holding back agriculture's supply chain productivity. The regulation of agriculture remains excessive with many producers shackled by costly and unnecessary red tape.

The pipeline of investment opportunities in the Victorian agribusiness sector is relatively limited. Where opportunities do exist, awareness levels are low. Some investors are being deterred by negative community perceptions of international investment while others see agribusiness as a high risk investment area.

Another major barrier is skills gaps and difficulties attracting and retaining young people in agribusiness employment. There is a comparatively low number of agricultural graduates from higher education and a visible lack of succession planning in an industry characterised by an ageing workforce.

Competition for land is impacting land values and availability. Emerging biosecurity threats are bringing new challenges.

The agribusiness industry and governments at all levels must work together to overcome these challenges and convert threats into opportunity.

The Victorian Chamber of Commerce and Industry urges policy makers to focus on the following steps to give Victorian agribusinesses the best chance to realise their potential:

1. **Increase quality, innovation and value capture across the agribusiness supply chain.**
2. **Grow new agribusiness markets.**
3. **Facilitate investment and increase output.**
4. **Fast-track infrastructure and reduce transport and distribution constraints.**
5. **Improve workforce skills, grow jobs and build business capacity.**
6. **Lower agribusiness costs and reduce red tape.**

A range of recommendations accompanying these steps have been developed by business through the work of the Victorian Chamber's Agribusiness Taskforce.

I take this opportunity to thank Taskforce members who shared their time, expertise and experience in coming together to identify issues, opportunities and ideas that will accelerate Victorian agribusiness success into the future.

29%

of all Australian food and fibre exports accounted for by Victorian agribusiness

47%

of all Victorian goods exports accounted for by agribusiness

EXECUTIVE SUMMARY

Agribusiness is key to Victorian jobs, output, trade and investment. Victoria is also vital to the nation's agricultural production, contributing nearly 25 per cent of the total gross value.

Agribusiness is a diverse sector, important to the prosperity of regional communities and a range of allied goods-producing and service industries connected through an extensive supply chain.

Victorian agribusiness is a strong export performer. Renowned for high quality 'clean and green' produce, it is well placed to take advantage of the fast growing Asian marketplace.

However, strength at home will not guarantee agribusiness success abroad. Competition is intensifying from established markets like the USA and New Zealand, and emerging economies like Brazil.

Many businesses in the agribusiness sector, particularly small businesses, find it difficult to identify and understand international consumer preferences and emerging market trends. Other businesses struggle to meet overseas orders for supply of large quantities of products on a timely basis.

What is needed is a coordinated national brand for international marketing of Australian agrifoods based on common and consistent imagery across jurisdictions. Also needed is more support to help Victorian agribusinesses better understand shifting consumer wants, needs and incomes in priority overseas markets.

The efficient adoption of productivity-enhancing and cost-saving technologies is critical to the competitive success of Victoria's agribusiness sector. However, compared to other countries and industries, the Australian agriculture

sector scores relatively low on innovation and does not generate high levels of intellectual property (IP).

Similarly, public funding of Research and Development (R&D) is predominantly directed towards agriculture with comparatively little support for the food manufacturing sector. It needs to be rebalanced to support sector wide research and development that has stronger commercial outcomes. Clusters and agricultural extension services can help by providing a valuable channel for agribusinesses to network, connect with other parts of the industry and collaborate with researchers on joint initiatives relevant to the sector.

It is important that competitive gains are not eroded due to delays caused by bottlenecks and ageing transport, water and telecommunications infrastructure.

In this regard, the Victorian Government's new $25 million Local Roads to Market Program is a welcome initiative to upgrade local roads, intersections and bridges used by Victorian farmers, food transporters and agribusinesses. Work must now begin on identifying the most important practical projects that will benefit agribusiness.

Infrastructure improvements are not the only priority to keep Victorian agribusiness competitive. New technologies and practices within the sector are increasing the demand for higher skilled workers. However, the majority of the agribusiness workforce is over 45 years and many employees have no post-school qualifications, highlighting a significant need to upskill many existing workers.

Measures to increase student demand for formal agribusiness education and training must therefore also be a priority for policy makers. Reforms must promote a more positive image of agriculture, improve awareness of agribusiness careers and training options, and make agribusiness education and training more accessible in Victoria.

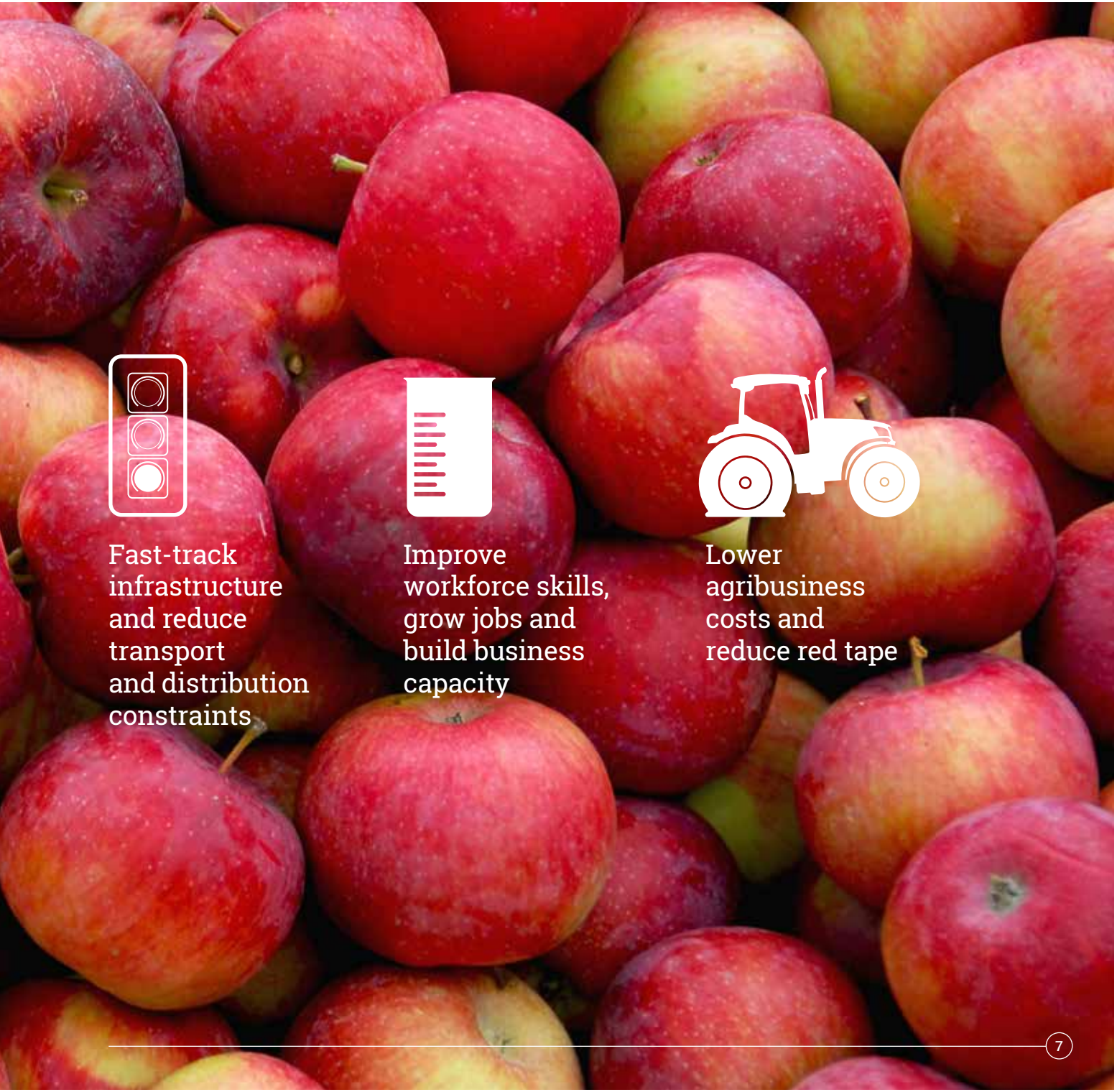
Staying competitive also depends on the ability of agribusinesses to operate in a low cost and efficient regulatory environment. However, the multitude of inconsistent regulatory requirements across jurisdictions makes it difficult for agribusiness to understand their obligations and raises the cost of doing business. Reform priority areas must include land use planning, food regulations, the operation of wine taxation and the backpacker tax.

KEY STEPS – OVERVIEW

Increase quality and innovation across the agribusiness supply chain

Grow new agribusiness markets

Facilitate investment and increase output



Fast-track infrastructure and reduce transport and distribution constraints

Improve workforce skills, grow jobs and build business capacity

Lower agribusiness costs and reduce red tape

01 Increase quality and innovation across the agribusiness supply chain

- Encourage state and local government investment in food clusters, including the Geelong Seafood Cluster, Plenty Food Group (formerly North East Food Cluster) and East Gippsland Food Cluster.

- Review the existing level of government funding in agribusiness industry research and development to ensure it is sufficient to underpin long term, transformational research and related extension activities.

- Embrace advances in gene editing technologies that have the potential to accelerate productivity in crop and animal systems while reducing negative impacts on the environment.

- Strengthen agricultural extension - the application of scientific research and new knowledge to agricultural practices through farmer education. Groups like the Birchip Cropping group have a R&D and extension structure focusing on issues in their own region.

- Encourage all businesses within the agribusiness value chain to collect and share information on an open source platform (e.g. the UK's mySoil app).

- Increase agribusiness exposure to disruptive and productivity enhancing technologies and encourage the agri-tech sector to more proactively integrate into domestic and international value chains.

- Fund an agribusiness supply chain development program to connect more established agribusinesses with Victoria's agri-tech sector.

- Support the expansion of AgTech innovation hubs like SproutX and leverage increased public-industry-private partnerships, including strategic collaboration with universities.

- Build collaboration and capabilities among Victorian agribusinesses by funding a series of 'Best Practice' seminars and site visits that highlight the experience of businesses who have successfully transformed their business model and culture to develop new commercial opportunities in the domestic and international agribusiness sector.

02 Grow new agribusiness markets

- Develop a coordinated national brand for international marketing of Australian agrifoods, integrating aspects of both export and tourism brands based on common and consistent imagery across all jurisdictions. Position this brand in premium markets, recognising that ongoing promotion is still important in traditional markets like the USA, UK and Europe.

- Facilitate the realisation of benefits from free trade agreements by increasing funding for the Free Trade Agreement Export Pathway Program to provide Victorian small and medium sized agribusiness with a dedicated hotline, workshops and one-on-one coaching to build awareness of Australia's three new FTAs with Japan, South Korea and China.

- Strengthen research support to help Victorian agribusinesses better understand shifting consumer wants, needs and incomes in priority overseas markets. Improved awareness of these trends will help agribusinesses ensure their supply capacity is more closely aligned with demand from high-value market segments.

- Re-align agribusiness international engagement support programs towards individual business needs. The objective should be to build capability and capacity among agribusiness exporters in priority geographic markets.

- Improve pre and post trade mission support for trade engaged agribusinesses. This needs to include more tailored business matching in priority markets including China, Japan, Indonesia, India and Korea. Relatedly, examine the opportunity to outsource the delivery of inbound and outbound trade missions to the private sector in light of the skills, expertise and experience existing among employer bodies, bilateral chambers and the corporate sector.

- Fast track the development and adoption of serialisation to 'trace and track' individual items through the entire agribusiness supply chain. Serialisation validates both the product itself and legitimises the supply channels, both of which are vital to assuring consumers they are receiving the genuine food product for which they have paid.

- Fast track the implementation of the Victorian Wine Strategy to drive growth in food and wine tourism and ensure Victorian agribusiness leverages its clean, green, high quality reputation on the world stage.

- Close the education gap in Asian cultural and language skills by reforming the school curriculum to ensure that Asian cultural and language studies are a core unit of study among Victorian high school students.

- Develop more detailed and timely data and information on Victoria's agribusiness service exports, including their nature, value and destination. This will assist business and policy makers to better determine where new opportunities or threats exist and the program or policy responses needed to maximise success.

03 Facilitate investment and increase output

> The Federal Government should work with the agriculture sector, the financial sector and financial regulators to facilitate greater levels of institutional and retail investment in agriculture through listed agricultural companies and other investment products. Individual Victorian agribusinesses need to focus on ways to make their companies more visible and appealing to fund managers. For example, working with food and agribusiness advisors to develop tailored investment proposals.

> Consider the use of tax holidays or concessional tax arrangements to attract new productive investment that provides a significant net addition to Victoria's agribusiness base, including (but not limited to) new technology, productivity, employment, and access to international markets. The cost of any package of assistance must be less than the long term benefits to the Victorian economy.

> Investigate establishing an Enterprise Zone at Avalon airport, unlocking a key development site, consolidating infrastructure, attracting business and creating jobs. To achieve this, the Enterprise Zone could fast track the processing of development and building permits, provide fast-tracked access to the NBN, provide payroll tax exemptions and rent holidays within the zone and grants to businesses making large investment in plant, machinery and infrastructure.

> Pilot a new $5 million Regional Agribusiness Trade and Investment Ready Program, delivered by industry, to identify and support small sized Victorian regional agribusinesses seeking inward investment as part of their business growth and trade expansion strategies.

> Encourage investment, including foreign investment in agribusiness that is productive and strengthens food security. Current foreign investment screening thresholds are too low and risk increasing the cost and complexity of investing in Australian agriculture. The Federal Government needs to review the thresholds which trigger investigation by the Foreign Investment Review Board and ensure proposals are subject to a test that assesses the level of productivity and value add to the Australian economy. There must also be disincentives for unproductive land-banking.

The Taskforce notes that the recently established national register of foreign ownership of agriculture land will provide an evidence base for policy interventions and increase transparency around the Treasurer's decisions, helping address public concerns about proposed foreign investments in agriculture. However, the register should also include information on land value and whether investments are owned partially or wholly by foreign government interests.

> Develop and promote a positive narrative about the role of Foreign Direct Investment (FDI) in lifting agribusiness output and efficiency, transferring new technology, management knowledge and culture, increasing employment and raising incomes and living standards. There are areas of Australia (e.g. the Southern Riverina in NSW) where the community has actively embraced FDI and opportunities are being harnessed to benefit industries, regions and their local communities.

> Support investor confidence and certainty by ensuring consistency and stability in policies relating to planning, land use, the environment, energy and water. Ensure food security and competitively priced and reliable energy supplies remain a priority.

04 Fast-track infrastructure and reduce transport and distribution constraints

- Progress the specific priorities for key Victorian agribusiness regions identified by the Agribusiness Taskforce (see section 4 for details).

- Through state and local government planning systems, preserve agricultural land and support agribusiness in peri urban areas including Bunyip, Werribee, Bacchus Marsh and Daylesford. This is needed to support local business and employment, ensure food security and future proof agricultural production.

- Undertake an audit of the adequacy and efficiency of all strategically significant local roads, intersections and bridges used by farmers and producers in getting their goods to market. The audit must aim to improve connections for agriculture produce, particularly to port, arterial roads and national highway freight networks. Allied benefits would include enhanced road safety, less product damage and reduced travel times.

- Provide funding for the development of a detailed, fully costed business case for establishing a pipeline to supply water from the eastern treatment plant to the Bunyip Food Belt south east of Melbourne. Explore the feasibility of reversing the flow of the Sugarloaf pipeline to provide water security to towns and communities in both directions.

- Complete the North – East Link to support the transport of agricultural products around the state and to the Port of Melbourne. This vital road link will help address the growing freight truck traffic from the Dandenong area to the Hume and Western Freeways and relieve congestion in Melbourne's north-eastern suburbs. Less congestion cuts the cost of doing business in Victoria which is of particular importance to the trade-exposed agricultural sector.

- Accelerate the pace of the NBN rollout in areas of regional Victoria that will provide the greatest benefit to agribusiness establishments. Address mobile blackspots in rural farming communities.

- Finalise a site for a new airport in Melbourne's southeast, maximising opportunities for private sector investment. Leverage the experience of the Brisbane West Wellcamp Airport in facilitating agribusiness exports.

- Progress the construction of a new east-west runway at Melbourne Airport and fast-track other major developments listed in the 2013 Melbourne Airport Master Plan that are crucial to supporting the movement of increased volumes of high quality, perishable agribusiness products destined for the international marketplace.

- Standardise Victoria's freight rail network to reduce the complexity and cost of transporting freight (grain in particular) both within the state and nationally. The Murray Basin Rail Project is a key component of this task and must be completed as a priority.

05 Improve workforce skills, grow jobs and build business capacity

- In collaboration with agribusiness associations, develop a carefully messaged and widely communicated industry-wide career awareness initiative that explains what the agribusiness sector is, what it produces, who it sells to and what it contributes to Victoria. It must be clear that the industry offers a diversity of career options; jobs that require many different skill sets.

- Monitor the impact of the new 2017 Funded Course List to ensure vocational education and training subsidies reflect the real costs of training, particularly in regional locations.

- Prioritise the establishment of the Food and Fibre Industry Advisory Group (IAG) to provide timely advice to the Victorian Skills Commissioner on agribusiness skill demand pressures and future industry skills needs. As part of this, review whether current practices for collecting and disclosing data on VET are meeting the needs of the agribusiness sector and training providers.

- Promote regional agribusinesses access to the $30 million Regional and Specialist Training Fund to support agribusiness sectors with unique employment or skill needs. Ensure measures are in place to enhance access to agribusiness vocational education and training in regional Victoria such as increased use of information and communications technology to deliver training courses.

- Maintain the maximum loan cap of $15,000 for all agricultural courses and qualifications funded under the Commonwealth Government's VET Student Loans Bill 2016 (which replaces the VET FEE-HELP loan scheme).

- Expand Victoria's existing city farm models (e.g. the Centre for Education and Research in Environmental Strategies in Brunswick, and Myuna Farm in the City of Casey) by establishing a city farm at the Melbourne Showgrounds. The city farm should provide metropolitan based students with hands-on agricultural experience be linked to Victoria's Tech Schools to ensure there are clearly articulated career pathways attached to education and training qualifications.

- Ensure continued funding support for Victoria's Local Learning and Employment Networks (LLENs) given their important role in helping young people remain engaged, or re-engage, in education or training.

- Amend the Working Holiday Maker Programme to allow both Working Holiday (Subclass 417) and Work and Holiday (Subclass 462) visa holders to work an additional six months with one employer in Victoria, if they work in the agribusiness sector. This would give working holiday makers the same visa rights in Victoria as they are provided in Northern Australia. In addition, give Work and Holiday (Subclass 462) visa holders the opportunity to access a second 12 month visa if they work for three months in Victoria's agribusiness sector.

06 Lower agribusiness costs and reduce red tape

- Undertake a comprehensive inquiry into the cumulative burden of food regulation in Victoria, building on and updating the Victorian Competition and Efficiency Commission's 2007 Inquiry. Priority areas for review should include meat regulation and the primary production standards under the Australia New Zealand Food Standards Code.

- Encourage greater inter-government cooperation over the design and conduct of regulations in the agribusiness sector. A more consistent approach would improve outcomes in the areas of heavy vehicle regulation and road access, and the use of agricultural chemicals and veterinary medicines.

- Encourage Victoria's Environment Protection Authority to work more collaboratively with agribusinesses to help them to understand the environmental regulations that affect them and their obligations under those regulations.

- Increase the quality and number of inspections conducted on imported food at the Australian border. This will protect consumers from the risk of imported food not meeting Australian standards and allow Victorian agribusinesses to compete on a level playing field.

- Reduce the Wine Equalisation Tax rebate cap from $500,000 to $350,000 and tighten eligibility for receiving the rebate, as announced in the 2016-17 federal budget. This will restore the integrity of the system and support small regional producers.

- Introduce a more efficient and equitable volumetric tax structure for alcohol. Any changes need to be phased in over an extended period to ensure that sudden price rises or falls do not adversely affect production or consumption decisions. Appropriate transitional support will also be necessary to support producers that might be adversely affected by the changes.

- Ensure that the implementation of a 15 per cent tax on working holiday makers does not adversely impact on the availability of seasonal workers required by Victorian agribusiness.

- Adopt a consistently used definition of 'agribusiness' that incorporates the primary production sector and the food and beverage manufacturing sector.

THE CONTEXT

Agribusiness is important to Victoria.

Victoria's agribusiness industry is a major contributor to state-wide jobs, growth, trade and investment. The sector is vital to the prosperity of many regional communities. It is diverse with important industries including dairy, beef cattle, sheep, grain and fruit and vegetable production. It has connections to many other industries within its extensive supply chain including various trades, transport and distribution, processing and packaging, land management, marketing, retailing and research.

Victoria's comparative advantage in the agribusiness sector is significant. The sector is a key driver of the state's economy with food and fibre manufacturing, agriculture, forestry and fishery accounting for 4.9 per cent of Victoria's Gross State Product (GSP).

Victoria is a major contributor to the nation's agricultural production, contributing nearly 25 per cent of the gross value.[1] The breadth of goods and services provided by the sector is vast. It ranges from the production of fruit, nuts, vegetables, fish, wheat, wine, beef and dairy to agronomic, property management and financial services.

Importantly, agriculture and farming underpins the strength and profitability of other agribusinesses, manufacturers and retailers in what is an extensive industry supply-chain. The sector is a significant employer, accounting for over five per cent of total employment in Victoria, more than half of which is located in regional and rural communities, where agribusiness accounts for approximately one in six jobs.[2]

The depth and breadth of Victorian agribusiness should not be underestimated. Victoria's ability to supply safe, nutritious and sustainable food has positive spinoffs for individual wellbeing and public health.

Like many industries in Victoria, the agribusiness sector is dominated by small and medium sized enterprises. A total of 66 per cent of Victorian agriculture businesses are non-employing. However, 25 of the largest food processing companies account for more than half (55.4 per cent) of food industry revenue.

Victorian food and fibre producers have a strong presence in key export markets and the state is well placed to take advantage of the demands of the rapidly growing middle class in Asia. Victoria's agribusiness sector already accounts for 29 per cent of all Australian food and fibre exports and a significant 47 per cent of all Victorian goods exports. China is the dominant export market, accounting for 24 per cent of these exports.[3]

Victoria is a major contributor to the nation's agricultural production, contributing nearly 25 per cent of the gross value.

However, despite its success to-date, the sector's ability to forge new opportunities in markets at home and abroad cannot be taken for granted. A number of headwinds to sustainable growth exist and must be overcome as a priority.

Infrastructure gaps, particularly transport infrastructure, are holding back agriculture's supply chain productivity. As the Productivity Commission has recently noted, the regulation of agriculture remains excessive with many producers shackled by costly and unnecessary red tape.[4] Planning and development processes can be a significant source of unnecessary burdens for agribusinesses.

Similarly, while there is strong interest among investors, the pipeline of brownfield 'investment ready' projects in the Victorian agribusiness sector is relatively limited. Where opportunities do exist, awareness levels are low. Some investors are being deterred by negative community perceptions of international investment. Others see agribusiness as a higher risk investment than areas like real estate and infrastructure.

Another major barrier is skills gaps and difficulties attracting and retaining young people into the sector. There is a comparatively low number of agricultural graduates from higher education and a visible lack of succession planning in an industry characterised by an ageing workforce.

Technology developments present many benefits but adoption levels are not as high as they need to be. Cross sectoral collaboration and information sharing also needs to strengthen. In the face of intensifying international competition, there is a high risk of losing market share unless there is a visible scaling up of farming enterprises. Put simply, Victoria needs more large, capitalised and efficient farms.

Environmental change threatens agricultural yields and land values and must be carefully managed through adaption strategies. Emerging biosecurity threats are bringing new challenges and will require new solutions.

The agribusiness industry and governments at all levels must work together to overcome these challenges and convert threats into new commercial opportunities.

1 ABARES Agriculture, Fisheries and Forestry in Victoria, 2015.
2 Victorian Government, Victoria's Future Industries, Food and Fibre Sector, Discussion Paper, 2015.
3 The Boston Consulting Group, Food and Fibre Fact Pack, February 2015.
4 Regulation of Australian Agriculture, Productivity Commission Draft Report, July 2016.

THE CONTEXT CONTINUED

Opportunities and threats

Opportunities	Threats
> Increased international demand for high quality agribusiness products, particularly from the growing Asian middle class. > An upward trend in many global agricultural commodity prices.	> With the exception of niche and premium products, many Victorian agribusinesses are restricted by their scale and the productivity of their capital and workforce. High cost structures characterise the industry.
> Improved access to high growth markets through new Free Trade Agreements (FTAs) and increased competitiveness through a lower exchange rate. > Close geographic access to Asia and a multicultural Asian demographic.	> The industry is fragmented and the way it is represented is fragmented. The voices of the sector are often in conflict, or emphasise industry problems. This adds to negative perceptions of agriculture in the wider community.
> Australia and the UK are working to establish a bilateral Trade Working Group with the purpose of being ready to fast-track free trade negotiations once Britain formally leaves the European Union. This has the potential to open up new agribusiness trade opportunities over the medium term.	> Declining commitment by governments to agriculture as an economic priority for the state. Agribusiness support by the three tiers of government is fragmented. > A lack of consistency and certainty in policy areas like energy, water and planning can undermine investor confidence.
> A global reputation for producing premium quality, safe and sustainable agribusiness produce. > A stable domestic market assists in building a solid production base.	> An increasingly competitive global marketplace with fierce competitors who possess strong market development and branding strategies. > Fragmented branding among products and the promotional efforts of the state and federal governments in the international market place. > Government program support is often short term in nature and not always well aligned to individual business needs.
> Potential to lift efficiency and productivity through the adoption of digital ICT and knowledge technologies, better infrastructure and stronger collaboration at all levels of the supply chain.	> Due to low margins on commodities and volatility in agricultural input and output prices, the sector often encounters difficulty accessing and attracting competitively priced finance in an increasingly competitive global investment market.

Opportunities	Threats
> Low levels of taxpayer subsidies means the 'indirect' influences on farm decision-making that exist in heavily subsidised agricultural sectors overseas are not present in Australia. This business environment has resulted in a highly competitive industry.	> Despite recent efforts to promote STEM in schools, real public funding of agricultural R&D has declined over most of the past decade. University research often targets academic or pure research topics in collaboration with international researchers. More needs to be done to strengthen engagement with industry, tackle local industry challenges and orientate research towards applied, commercial outcomes.
> A diverse portfolio of products and services ranging from bulk, raw commodities to retail-ready and niche products that are responsive to changing consumer tastes.	> Unpredictable environmental changes, including low and variable rainfall, affecting yields and land values. > Ageing and expensive transport, water and telecommunications infrastructure. > Significant investment in agriculture and food manufacturing is needed to develop efficient scale. > Land use conflicts.
> Strong existing connections in the global marketplace and opportunities to further leverage links to global supply and value chains.	> Skills shortages in key growth areas. While the Victorian Government's Tech Schools initiative is welcome, government policies for universities and vocational education and training have not actively supported the teaching of agriculture, contributing to the demise of agricultural faculties and colleges.
> Australia possesses stable economic and political systems with high food safety standards.	> A confusing, overlapping and inefficient regulatory system governed by multiple regulators. Financial limitations on local government investment in economic development infrastructure in many parts of regional Victoria.
> Victoria has significant natural resources and world leading expertise in natural resource management.	> In some sectors, low value adding in the transformation of raw materials or ingredients. Conservatism and cultural resistance to change and continuous improvement.

THE CONTEXT CONTINUED

Definitional issues

An agreed, clear and consistently used definition of Victorian agribusiness is needed. As the following table shows, no consistent definition of agribusiness is currently in use. This inconsistency makes it difficult to compare performance across time periods, sectors and geographical locations.

Furthermore, current trade statistics tell only part of Victoria's agribusiness success. They obscure the value that agribusiness services (e.g. agronomic, animal health testing and vaccines, land and resource management, financial and property services) contributes to the Victorian economy.

Organisation	Definition of agribusiness
Victorian Government Future Industries Strategy	Farming, fishing, forestry, food and beverage and textile, clothing and footwear manufacturing.
Australian Bureau of Agricultural and Resources Economics and Sciences	Agriculture, fisheries and forestry
Commonwealth Department of Industry, Innovation and Science	Agriculture, aquaculture, fishing, hunting and trapping, food product manufacturing, beverage and tobacco product manufacturing and machinery and equipment manufacturing
Victorian Government Food to Asia Action Plan	Agricultural production and services, and food and beverage processing for human consumption

The Agribusiness Taskforce calls on policy makers to adopt a consistently used definition of 'agribusiness' that incorporates the primary production sector and the food manufacturing sector.

EDUCATION AND TRAINING
AGRITOURISM
TRADES AND SERVICES
RESEARCH AND DEVELOPMENT
ENERGY AND ENVIRONMENT
REGULATIONS
HUMAN CAPITAL
ACQUISITION, LEASING AND PREPARATION OF LAND
PRODUCTION
PROCESSING AND PACKAGING
BRANDING AND MARKETING
DISTRIBUTION AND RETAILING
CONSUMER
Victoria's agribusiness value chain is diverse and the sector's scale and connectivity significant

KEY STEPS

agribusiness

Increase quality and innovation across the agribusiness supply chain

Grow new agribusiness markets

Facilitate investment and increase output

Fast-track infrastructure and reduce transport and distribution constraints

Improve workforce skills, grow jobs and build business capacity

Lower agribusiness costs and reduce red tape

01 Increase quality and innovation across the agribusiness supply chain

The efficient adoption of productivity-enhancing and cost-saving technologies is critical to the sustainable growth of Victoria's agribusiness sector.

Victoria's agribusiness sector is home to a number of food and fibre research centres that have a strong record of innovation. These include, La Trobe University's AgriBio, one of Australia's premier bioscience facilities, and the CSIRO's Food Innovation Centre in Werribee which helps food, ingredient and equipment manufacturing companies access expertise, technologies and support.

Similarly, the new Monash University-based Food Innovation Centre will help open new pathways to Asian markets for Victorian food businesses by providing a one-stop-shop for food and fibre businesses to access world-class product and packaging design and development services, sensory evaluation, consumer testing, visualisation, and research laboratories. The creation of the Food Innovation Centre demonstrates that innovation is not limited to products. It can include improved packaging to ensure produce arrives fresh to end consumers. It can also involve the transformation of low value products into higher value pre-prepared convenience meals.

Value can be added by reputation building steps that strengthen quality, safety and reliability of supply. It can include developing and adopting new processes and business models to reach customers. For example, Saint David's Dairy, a micro-dairy in Fitzroy has developed a process that produces milk as close to its natural state as possible and sells it directly to cafes. The realisation that value creation grows exponentially as you get closer to the consumer has been a centrepiece of agribusiness reform in New Zealand where the sector's traditional focus on production and processing activities has been challenged.

However, compared to other countries and industries, the Australian agriculture sector scores relatively low on innovation and does not generate high levels of intellectual property (IP).[5] Moreover, public funding of Research and Development (R&D) is predominantly directed towards agriculture with comparatively little support for the food manufacturing sector.[6] This needs to be rebalanced to support sector wide research and development that has stronger commercial outcomes.

Collaboration, or the sharing of resources, risk and ideas, is a powerful tool to spur innovation. However, the level of collaboration between agribusinesses and research organisations is not always high, especially in supply chains concentrated with large corporate players where a break down in alignment and trust can result in an unwillingness to share ideas and information.

Agribusiness networks and clusters can help to break down these barriers by providing a valuable channel for agribusinesses to network, connect with other parts of the industry and collaborate with researchers on joint initiatives relevant to the sector.

Agricultural extension services also play an important role improving information flows, closing knowledge gaps and focusing on issues where there are substantial benefits to farmers from changing their practices.

Greater horizontal and vertical coordination in the agribusiness value chain needs to occur in order to bolster the industry's capacity to develop new or improved products, respond to changing consumer tastes and/or improve productive efficiency. Smaller agribusinesses need to be more comfortable with initiating and adapting to disruption, not wait until the price of new technology drops to a point where the innovation no longer provides a competitive advantage.

Innovation and entrepreneurship does not just require greater technical expertise. It needs to be complemented by better business management and Asia relevant skills and capabilities. Unfortunately, many segments of the industry are characterised by an ageing workforce and many rural youth are lured by the thought of better jobs elsewhere. Not surprisingly, skills gaps and labour shortages continue to confront many businesses.

Greater effort, therefore, is needed on a number of fronts; to improve succession planning between family generations, to improve the skills base of existing operators and their workforces; and to attract new entrants who can help build resilient, innovative agribusiness operations.

The challenge for both government and industry is to ensure that the innovation and research undertaken is efficiently commercialised, more rapidly adopted and applied throughout all tiers of the value chain. AgTech, which operates in the initial input and production phases, is especially important in helping improve productivity and the use of resources. SproutX, a new AgTech innovation hub, aims to assist grassroots ideas get off the ground and has already received over 1000 applications from start-ups and will target the commercialisation of 10 AgTech start-ups per annum.[7]

The Victorian government has an important role to play in putting in place supportive policies and in providing efficient infrastructure, services and regulatory frameworks that foster business development in this space. Key to this will be to continue to work at both the state and federal level to assist sustainable production through appropriate regulation of biological controls, gene editing and modification technology, chemical and other inputs.

To stay competitive and respond to changing consumer values and market preferences, the agribusiness sector needs to embrace advances in science and technology. New genetic engineering tools such as CRISPR-Cas9 have been successfully tested in crops, including wheat, rice, soybeans, potatoes, sorghum, oranges and tomatoes. It is considered to have a spectrum of agricultural applications, from boosting crop resistance to pests to reducing the toll of livestock disease.[8]

Victoria's ability to develop further capacity and maximise the uptake of innovation will require policy makers to continue to support science based policies that are balanced with the development of stewardship principles around the state's plant, animal and natural resources. These include minimising food safety risks, having minimal impact on the natural resource base, ensuring rehabilitation and maximising the environmental benefits from soil carbon and ecosystem services.

5 Department of Industry, Australian Innovation System Report, 2015.
6 Building Australia's Comparative Advantages: A 21st Century Agrifood Sector, Business Council of Australia, 2015, Page 51.
7 StartupAUS, Powering Growth: Realising the Potential of AgTech for Australia, September 2016.
8 Brodwin, Erin. Everything you think you know about genetically modified food is about to change, Tech Insider, April 2015
9 ATSE, Agribusiness in Australia by 2030.

Farms
are becoming more
like factories: tightly controlled
operations for turning out reliable
products, immune as far as possible from
the vagaries of nature. Thanks to better
understanding of DNA, the plants and animals
raised on a farm are also tightly controlled. Precise
genetic manipulation, known as “genome editing”,
makes it possible to change a crop or stock animal’s
genome. This technology, it is hoped, will be more
acceptable to consumers than the shifting of whole
genes between species that underpinned early
genetic engineering, because it simply imitates
the process of mutation on which crop breeding
has always depended, but in a far more
controllable way.

Geoffrey Carr
The Economist: Technology
Quarterly, 2016

Recommendations

- Encourage state and local government investment in existing and new food clusters, including the Geelong Seafood Cluster, Plenty Food Group, (formerly North East Food Cluster) and East Gippsland Food Cluster. Governments can also support clusters through the provision of Secretariat and support staff, conferences and other business matching activities, small projects (initially run as pilots but with the potential to grow into bigger projects), and international activities (matchmaking, study tours, trade missions and project work).

- In order to remain competitive and responsive to market preferences, embrace advances in gene editing technologies that have the potential to accelerate productivity in crop and animal systems while reducing negative environmental impacts. The introduction of desired genetic variants (or suppression of undesirable ones) has the potential to improve drought and disease resistance, reduce the use of fertilisers, herbicides and pesticides, and increase nutritional profiles.[9]

- Review the existing level of government funding in agribusiness industry research and development to ensure it is sufficient to underpin long term, transformational research and related extension activities.

- In order to help identify new areas for research, development and innovation, encourage all businesses within the agribusiness value chain to collect and share information on an open source platform (e.g. the UK's mySoil app).

- Strengthen agricultural extension - the application of scientific research and new knowledge to agricultural practices through farmer education. Groups like the Birchip Cropping group have a R&D and extension structure focusing on issues in their own region. Stakeholders involved in the Alpine Valleys Dairy Pathways Project are exploring how to improve support for farming families who are making complex decisions about retirement and farm succession. Such collaborative models should be adopted more widely across the agribusiness sector.

- Develop and promote a comprehensive database of all research and development projects conducted through agricultural research and development organisations and the federal government relevant to the sector in Victoria.

- Increase agribusiness exposure to disruptive and productivity enhancing technologies and encourage the agri-tech sector to proactively integrate into domestic and international value chains.

- Fund an agribusiness supply chain development program to connect more established agribusinesses with Victoria's agri-tech sector. Support the expansion of AgTech innovation hubs like SproutX and leverage increased public-industry-private partnerships, including strategic collaboration with universities.

- Build collaboration and capabilities among Victorian agribusinesses by funding a series of 'Best Practice' seminars

and site visits that highlight the experience of businesses who have successfully transformed their business model and culture to develop new commercial opportunities in the domestic and international agribusiness sector.

> Promote alternative research and development funding models to encourage collaboration across agribusiness supply chains, including international partnerships. A good mechanism is the operation of supplier development groups, such as those operated by Sainsbury's UK, where retailers fund farmers and suppliers to adopt leading edge technologies.

CASE STUDY: SUCCESSFUL AGRICULTURE EXTENSION

Birchip Cropping Group

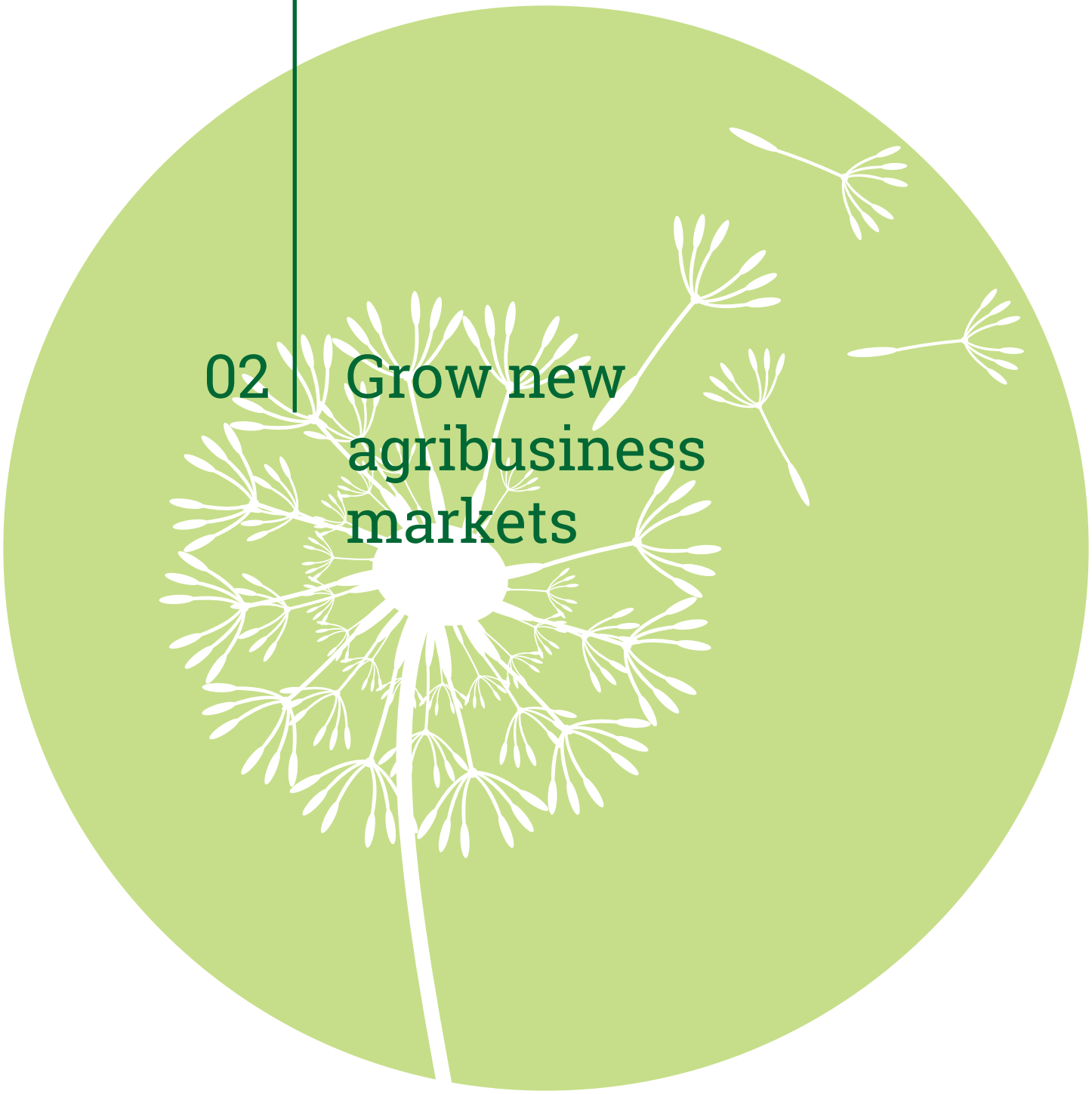
In 1992 a group of Birchip and district farmers who were keen to see agricultural research in their region, established the Birchip Cropping Demonstration Sites (later to become BCG).

Initially, their motivation was to see how grain varieties, pulse crops and agricultural products performed in local soils and conditions, and to share this information for the betterment of grain growers in the region. Local farmer, Trevor Grogan, donated 16 hectares (40 acres) of land which hosted research trials for the next 10 years.

The initiative proved an exceptional success with over 500 people attending the first field day, clearly demonstrating a thirst for local, farmer-driven agricultural research. From these humble beginnings, BCG has grown both in size and stature, now boasting 20 staff, over 400 members and a strong reputation for exceptional field research and professional extension activities.

Today BCG research trial sites are established across the Wimmera and Mallee, with trials looking at all aspects of farming including agronomics, farming systems (including livestock), climate, plant nutrition, crop diseases, weed and pest management and risk management.

Birchip Cropping Group, 2016



02 Grow new agribusiness markets

The Victorian agribusiness sector accounts for 47 per cent of the state's total goods exports. Major export products include fresh and frozen beef and lamb, wheat, powdered milk, cream, wool, cheese, almonds, cereals, grapes, sheep skins and hides, fresh fruit and wine.

China is the biggest market for Victorian agribusiness products by a significant margin. Exports to China in 2014-15 reached $2.8 billion or 24 per cent of total agribusiness exports. The next largest market is Japan, followed by the USA, New Zealand and Indonesia.

Global demand for agribusiness food products is forecast to be 70 per cent higher by 2050 than it was in 2007.[10] This growth is underpinned by significant long-term economic, societal and demographic changes, particularly in developing countries.

These forces include:

> Rapid growth in the world's population which is predicted to rise from 7.4 billion to nearly 10 billion by 2050.[11]
> Rising incomes, particularly in Asia where the number of consumers with discretionary spending is expected to reach a significant 3.2 billion people by 2050.
> Strong urban expansion. By 2050, the world population will be two-thirds urban and one-third rural.[12]

As incomes rise, urban consumers have a more diverse diet and consume more protein. They spend more on convenience foods, fast food and in restaurants. Coupled with increased access to new markets made available through free trade agreements with Japan, China and Korea, Victoria is well positioned to become a key supplier to growing markets in the Asian region. It is predicted that China will account for 43 per cent of global growth in agriculture demand by 2050.[13]

Agritourism, otherwise known as food tourism, also presents strong prospects. Food and wine experiences are being increasingly sought after as consumers desire to better understand where their food comes from, how it is produced and where it is produced. Agritourism allows regional economies to showcase what's good about the region, its unique growing conditions and natural resources (pristine air, water and soils).

Key agribusiness products prominent in agritourism include wine, craft beer and spirits, gourmet foods (cheese, olives, condiments, and confectionary), fruit, vegetables, nuts, meat and seafood.[14] However, realising these opportunities will not be easy. Global competition is fierce and Australia is not the only country with a strong reputation for producing safe and reliable products from trusted 'clean and green' sources. New Zealand, the USA and Canada possess similar competitive advantages and have strong market development and branding strategies.[15] Countries like Malaysia, France and Brazil also have strong reputations in relation to food safety, quality, value, sustainability and health.[16] Victorian agribusiness therefore clearly needs to differentiate itself to remain competitive.

The Victorian Government has recognised that although some regional brands are well received in the domestic market, the existence of state and regional brands can potentially confuse international customers if they are not well conceived and implemented within a national context.[17] For this reason, the Agribusiness Taskforce supports the development of a national brand for international marketing, integrating aspects of both export and tourism brands. The Taskforce also supports brand targeting of premium markets with common and consistent imagery.

However, brand strength alone is no guarantee of success. In an era where the counterfeit market internationally is growing rapidly, complete product traceability is a must for agribusiness in order to guard against large costs to public health and reputational damage.

Victorian Chamber Free Trade Agreement Export Pathway Program

The FTA Export Pathway Program is aimed at building greater awareness of Australia's three new FTAs with Japan, South Korea and China as well as increasing utilisation. The program has been developed for Victorian small and medium sized businesses in both metropolitan and regional Victoria. The program has three major arms: an FTA advice phone line, a series of dedicated FTA workshops and one-to-one coaching. Businesses have benefited from improved general awareness of the opportunities presented by the North Asian FTAs, knowledge on how they can grow their business by using the FTAs and strategies to enter these three key markets. The program is supported by the Australian Government and will run until the end of 2017.

> In some regions, the economic value of agritourism is likely to be bigger than the value of the primary produce. And if visitation growth continues to increase like it has over the past five years, agritourism could become an important sector in its own right.
>
> Deloitte, Agritourism, Agribusiness Bulletin

Serialisation involves the tracking of individual items through the entire supply chain. Every item produced has a serial number; the details of when and where it was manufactured can be confirmed by querying a database.

Serialisation is used extensively in the aerospace, chemicals and pharmaceuticals industries. While the agricultural sector faces challenges in implementing an effective serialisation system (lack of standards in relation to serial codes and managing the vast data generated)[18], the Taskforce considers it a priority. Serialisation validates the product itself and legitimises the supply channels, both vital to assure consumers they are receiving the genuine food product for which they have paid.

Despite Australia having ten Free Trade Agreements in force, a number of non-tariff trade barriers continue to hamper the international engagement efforts of Victorian agribusiness. These include cultural and language barriers, quota restrictions, complex in-country administrative procedures, in-country permit, licence and registration requirements and intellectual property protections.

Furthermore, even though it is high quality, food produced for the Australian market does not always meet the changing needs and tastes of international consumers. It is important that we challenge the assumption that strength at home is a recipe for success abroad. Many businesses in the agribusiness sector, particularly small businesses, find it difficult to identify and understand international consumer preferences and emerging market trends.[19] Other businesses struggle to meet overseas orders for supply of large quantities of products on a timely basis.

All of these constraints are compounded by intensifying competition from both established markets like the USA and New Zealand, and emerging economies like Brazil.

70%

rise in global demand for agribusiness food by 2050, relative to demand in 2007

2/3

of the world's population will live in urban environments by 2050

10 V Linehan et al. Food demand to 2015: Opportunities for Australian agriculture.
11 UN DESA report, World Population Prospects: The 2015 Revision.
12 UN DESA report, World Urbanization Prospects: The 2014 Revision.
13 Austrade
14 Deloitte, Agribusiness, Agritourism Bulletin.
15 The Boston Consulting Group, Food and Fibre Fact Pack, February 2015.
16 Business Council of Australia, op. cit.
17 Victorian Government submission to the Agricultural Competitiveness Green Paper, January 2015
18 Harry Mulder, Omron Electronics Oceania, Manufacturers' Monthly, August 29, 2016
19 Victorian Government, Food to Asia Action Plan, March 2014.

Recommendations

- Develop a coordinated national brand for international marketing of Australian agrifoods, integrating aspects of both export and tourism brands based on common and consistent imagery across all jurisdictions. Position this brand in premium markets, recognising that ongoing promotion is still important in traditional markets like the USA, UK and Europe.

- Facilitate the realisation of benefits from free trade agreements by increasing funding for the Free Trade Agreement Export Pathway Program to provide Victorian small and medium sized agribusiness with a dedicated hotline, workshops and one-on-one coaching to build awareness of Australia's three new FTAs with Japan, South Korea and China.

- Strengthen research support to help Victorian agribusinesses better understand shifting consumer wants, needs and incomes in priority overseas markets. Improved awareness of these trends will help agribusinesses ensure their supply capacity is more closely aligned with demand from high-value market segments.

- Re-align agribusiness international engagement support programs towards individual business needs. The objective should be to build capability and capacity among agribusiness exporters in priority geographic markets.

- Improve pre and post trade mission support for trade engaged agribusinesses. This needs to include more tailored business matching in priority markets including China, Japan, Indonesia, India and Korea. Relatedly, examine the opportunity to outsource the delivery of inbound and outbound trade missions to the private sector in light of the skills, expertise and experience existing among employer bodies, bilateral chambers and the corporate sector.

- Fast track the development and adoption of serialisation to 'trace and track' individual items through the entire agribusiness supply chain. Serialisation validates both the product itself and legitimises the supply channels, both of which are vital to assuring consumers they are receiving the genuine food product for which they have paid.

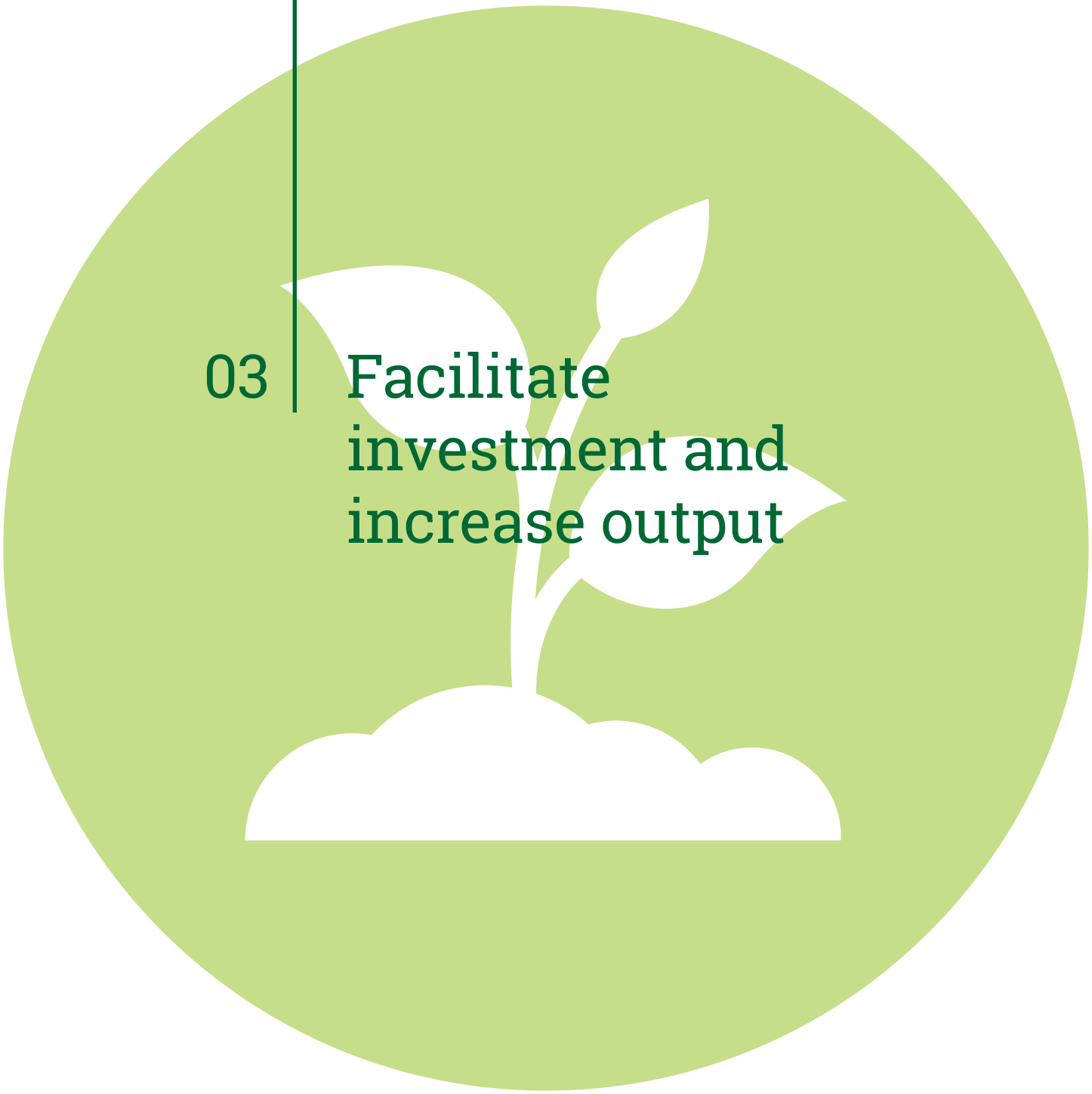
- Fast track the implementation of the Victorian Wine Strategy to drive growth in food and wine tourism and ensure Victorian agribusiness leverages its clean, green, high quality reputation on the world stage.

- Close the education gap in Asian cultural and language skills by reforming the school curriculum to ensure that Asian cultural and language studies are a core unit of study among Victorian high school students.

- Develop more detailed and timely data and information on Victoria's agribusiness service exports, including their nature, value and destination. This will assist business and policy makers to better determine where new opportunities or threats exist and the program or policy responses needed to maximise success.

“It is important that we challenge the assumption that strength at home is a recipe for agribusiness success abroad.”

03 Facilitate investment and increase output



In order to remain a significant long-term contributor to the economy, investment in Victorian agribusiness needs to be forward-thinking and strategically focused on leveraging the sector's competitive advantages.

It is estimated that Australian agribusinesses requires $600 billion in new capital by 2050 to fully benefit from global growth in demand for food. [20] This investment will be needed to improve farm productivity, overcome land and water scarcity, remove market access limitations and address skills shortages. Unfortunately, domestic sources of growth-orientated capital are limited by our market size and are unlikely to meet all of the sector's investment needs. For this reason, foreign investment needs to play a more significant role in supporting growth.

Australia is seen as a 'safe' place to invest by foreign investors. However, public concern surrounds foreign investment in the agribusiness sector, including fears over food security and loss of sovereign control over prime agriculture land. While the Taskforce considers food security must remain a priority for policy makers, it is important that these myths are dispelled with better information and a more informed debate about the role of foreign investment in agriculture.

The Taskforce also agrees with the Productivity Commission finding that the recent lowering in the Foreign Investment Review Board screening threshold from $248 million to $15 million has the potential to increase the cost and complexity of investing in Australian agriculture and may deter investors, impeding improvements to the sector's competitiveness and productivity.[21]

While there is solid interest in Victorian farm businesses among foreign investors, the pipeline of 'investment ready' projects in the Victorian agribusiness sector is limited. Many international investors focus on large scale projects, few of which are available in Victoria.[22] They are also often looking for 'brownfield' projects that incorporate a management transition plan but it is often difficult to ascertain timely and detailed information on what opportunities are available.

Land use tensions, urban sprawl and the operation of planning and zoning laws can also create difficulties for investment and affects the capacity of Victorian producers to grow food in the areas in which it is demanded, which in turn impacts its quality and affordability. The Taskforce notes the State Government's recent announcement that it will undertake planning reforms to simplify and clarify land use planning requirements relating to intensive animal farming in Victoria.

Small and medium sized businesses also report difficulties in obtaining domestic finance and attracting foreign investment. Some attribute this to Victoria's agribusinesses not being 'investment ready' due to their relatively limited experience in raising capital beyond traditional bank lending arrangements.[23]

While there are some exceptions, like Vic Super, and AgCAP, many Australian super funds do not have a strong history of investing in domestic agriculture. Recent research has shown that less than 0.3 per cent of assets held with default superannuation fund products (MySuper) are within the agriculture sector.[24] Similarly, the chequered performance of numerous high fee, tax driven agricultural and timber schemes has tainted the experience of many Australian retail investors.[25]

Nonetheless, the value of Victorian farmland increased by 11.6 per cent

208%

approximate increase
in the value of Victorian farmland
between 2000 and 2014

annually between 2000 and 2008 and by 4.2 per cent annually between 2008 and 2014. When farm income is added to this performance (between two to five percent) to make the measure comparable with the investment returns from the other asset classes, farmland is relatively appealing: The gross returns for ASX investments in the 10 years to 2014 are 7.1 per cent, and 7.0 per cent for residential property (compared with 9.5 per cent and 9.8 per cent for the 20 year average).[26]

While there is the potential for attractive returns from agriculture, there are a number of factors impeding greater levels of investment. Many superannuation funds are constrained in their ability to invest in the agriculture sector by the limited availability of listed agricultural companies, which only represent 0.44 per cent of the ASX 200 index, and other investment products. There are positive trends globally when it comes to major institutional investments in agriculture. Institutional investors in Europe, North America, and Asia are moving into agricultural investments and New Zealand Super recently reported it has a 2 per cent allocation reserved solely for agribusiness which will result in an additional $700 million being invested in the New Zealand agriculture sector.[27]

Greater levels of investment in the sector by superannuation funds, other institutional investors and retail investors would provide much needed liquidity for the Victorian agribusiness sector. The Taskforce does not consider that superannuation funds should be compelled to invest in agribusiness. Such a move would potentially undermine the independence of trustees in making diligent investment decisions on behalf of fund members.

However, other measures could be used to encourage superannuation funds to take a more active interest in agribusiness. For example, Australian superannuation funds could be required to allocate dedicated resources to research domestic agricultural investment opportunities. Similarly,

The top 10 foreign investment interests in Australian farmland by country

UK 27,504,000 ha

USA 7,727,000 ha

Netherlands 2,976,000 ha

Singapore 1,862,000 ha

China 1,463,000 ha

Philippines 1,119,000 ha

Switzerland 1,069,000 ha

Jersey 944,000 ha

Indonesia 774,000 ha

Japan 685,000 ha

agribusinesses that fail to secure investment would benefit from constructive and genuine feedback from superannuation funds as to why this is the case.

As with financing models, Australian farm business structures have tended to be conservative in their nature and are dominated by structures suited to family farming enterprises. There are a range of alternative forms of farm operation available, such as collaborative farming, leasing and joint ventures. Separating land and asset ownership from business management can be a powerful enabler of improved competitiveness and benefit groups at different stages in their careers, such as new farmers and retiring farmers.[28]

A limited number of Victorian agribusinesses are adapting to current investment trends. Digital developments have seen a closer alliance between consumers and producers. Global markets have brought the crowdfunding business model to the agribusiness sector with a number of successful websites recently opening including Crowdfooding in the UK, Philly Cowshare in the US and Cultivate Farms based in Albury-Wodonga.

20 Port Jackson Partners/ANZ Bank, Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand, 2012.
21 Productivity Commission, op. cit.
22 Victorian Government, Food to Asia Action Plan, March 2014.
23 Victorian Government, Victoria's Future Industries, Food and Fibre Sector, Discussion Paper, 2015.
24 https://www.bdo.com.au/getattachment/Insights/Publications/Food-Agribusiness/Australian-superannuation-fund-investment-in-agric/Agribusiness-Superannuation-Investment-Report-2015.pdf.aspx
25 Dominic McCormick, Exploring Agriculture Investment, Money Management, 30 January 2015
26 Ashby, Duncan. Grains Research Development Corporation: Is agricultural land a good investment. Decisions on farm land tenure: buying, leasing and the alternatives, March 2016.
27 https://www.bdo.com.au/en-au/insights/articles/food-agribusiness/role-of-agriculture-institutional-portfolio
28 Ashby, Duncan. op. cit.

Recommendations

> The Federal Government should work with the agriculture sector, the financial sector and financial regulators to facilitate greater levels of institutional and retail investment in agriculture through listed agricultural companies and other investment products. Individual Victorian agribusinesses need to focus on ways to make their companies more visible and appealing to fund managers. For example, working with food and agribusiness advisors to develop tailored investment proposals.

> Consider the use of tax holidays or concessional tax arrangements to attract new productive investment that provides a significant net addition to Victoria's agribusiness base, including (but not limited to) new technology, productivity, employment, and access to international markets. This should be used in conjunction with existing investment attraction and facilitation activities. The cost of any package of assistance must be less than the long term benefits to the Victorian economy.

> Investigate establishing an Enterprise Zone at Avalon airport, unlocking a key development site, consolidating infrastructure, attracting business and creating jobs. To achieve this, the Enterprise Zone could fast track the processing of development and building permits, provide fast-tracked access to the NBN, provide payroll tax exemptions and rent holidays within the zone and grants to businesses making large investment in plant, machinery and infrastructure.

> Pilot a new $5 million Regional Agribusiness Trade and Investment Ready Program, delivered by industry, to identify and support small sized Victorian regional agribusinesses seeking inward investment as part of their business growth and trade expansion strategies.

> Encourage investment, including foreign investment in agribusiness that is productive and strengthens food security. Current foreign investment screening thresholds are too low and risk increasing the cost and complexity of investing in Australian agriculture. The Federal Government needs to review the thresholds which trigger investigation by the Foreign Investment Review Board and ensure proposals are subject to a test that assesses the level of productivity and value add to the Australian economy. There must also be disincentives for unproductive land-banking.

The Taskforce notes that the recently established national register of foreign ownership of agriculture land will provide an evidence base for policy interventions and increase transparency around the Treasurer's decisions, helping address public concerns about proposed foreign investments in agriculture. However, the register should include information on land value and whether investments are owned partially or wholly by foreign government interests.

> Develop and promote a positive narrative about the role of Foreign Direct Investment (FDI) in lifting agribusiness output and efficiency,

transferring new technology, management knowledge and culture, increasing employment and raising incomes and living standards. There are areas of Australia (e.g. the Southern Riverina in NSW) where the community has actively embraced FDI and opportunities are being harnessed to benefit industries, regions and their local communities.

> Fast-track major regional investments and reduce costs and delays by establishing a one-stop-shop for local, state and federal government regulatory approvals. Ensure consistent processing of development applications across local governments.

> Support investor confidence and certainty by ensuring consistency and stability in policies relating to planning, land use, the environment, energy and water. Ensure food security and competitively priced and reliable energy supplies remain a priority.

"The case for agriculture exposure to investment portfolios remains convincing...Over the very long term agriculture in many countries has offered attractive pre-tax returns and strong diversification benefits..."

Dominic McCormick,
Exploring Agriculture Investment,
Money Management,
30 January 2015

04 Fast-track infrastructure and reduce transport and distribution constraints

Modern and reliable transport, water and telecommunications infrastructure is critical to the competitiveness of Victoria's agribusiness sector.

The largest port in Australia, the Port of Melbourne, and the curfew-free Melbourne Airport, provide Victorian businesses with a competitive advantage in exporting products. Food and fibre exports made up nine of the top ten containerised commodities exported through the Port of Melbourne in 2014-15.[29]

However, it is important that this advantage is not eroded due to delays caused by bottlenecks and ageing rail and road infrastructure. There is clearly room to improve the efficiency and capacity of Victoria's freight network. The Victorian Government's Regional Economic Development and Services Review found that the first and last kilometres of supply chains are often the least efficient links in the transport network and can add to both the cost and time taken to transport goods.[30]

Initiatives announced by the State Government in Victoria's Regional Statement and 2016-17 State Budget attempt to overcome some of these bottlenecks. Measures include the establishment of the Agriculture Infrastructure and Jobs Fund (that includes support for the next stage of the Macalister Irrigation District), funding for the Murray Basin Rail Project, and upgrades to a number of regional roads and bridges to improve safety and productivity.[31]

Particularly welcome is the new $25 million Local Roads to Market Program to upgrade local roads, intersections and bridges used by Victorian farmers, food transporters and agribusinesses. Work must now begin on identifying the most important practical projects that will benefit agribusiness. Support for local governments to deliver infrastructure improvements relevant to the sector must be forthcoming.

Access to reliable and efficient telecommunication infrastructure is vital for safety, trade, innovation and education. Reliable and affordable mobile and internet access is vital for everyday business operations and even more so if Victorian agribusinesses are going to maintain their competitive advantage.

New technologies, particularly around sensors and tracking devices, have the potential to support agricultural productivity gains.[32] Unfortunately, substantial areas of Victoria are still unable to access quality telecommunications services, with an estimated 44 per cent of regional businesses affected by broadband infrastructure limitations in 2015.[33]

Water is a vital input for both the production and processing of food and fibre products and Victoria's irrigated agricultural sector uses 75 per cent of Victoria's water resources.[34] Unfortunately, supply across Victoria has been impacted by changing environmental conditions which have reduced seasonal allocations for irrigators and reduced the availability of stock and domestic water supplies. The demand structure for water has also changed significantly in recent years, exacerbating competition between industries for water use, increasing allocation prices in dry periods.[35]

Water infrastructure improvements and allied measures to improve the reliability, pricing and management of water are therefore key to ensuring the industry can successfully adapt to different water availability and use scenarios and remain competitive.

For example, recognising that urban growth is taking over many existing farmland areas and new food production areas will be needed, local governments and water authorities in Bunyip Food Belt region south east of Melbourne are working hard to protect and support the growth of the Bunyip Food Belt as a key food producing area for metropolitan Melbourne and Victoria.

The Eastern Treatment Plant is currently producing recycled water to a 'Class A' standard, which could be utilised by agricultural producers in the surrounding region. However, a pipeline is required to transport the recycled water to agricultural producers in the region.

29 Port of Melbourne website, portofmelbourne.com/about-the-port/trade-and-statistics/trade-statistics, accessed 16 May.
30 Victorian Government, Regional Economic Development and Services Review - Final Report, 2015.
31 Victorian Government, Victoria's Regional Statement Victorian Budget 2016-17, 2016.
32 Australian Government, Regional Telecommunications Review, 2015.
33 Victoria Government, Submission to the Agricultural Competitiveness Green Paper, 2015.
34 Victorian Government, Regional Economic Development and Services Review - Final Report, 2015.
35 Victorian Farmers Federation: Submission to the Department of Environment, Land, Water and Planning in response to the Water for Victoria discussion paper, May 2016.

Recommendations for key agribusiness regions

Gippsland region agribusiness infrastructure priorities

> Provide funding for the development of a detailed, fully costed business case for establishing a pipeline to supply water from the eastern treatment plant to the Bunyip Food Belt south east of Melbourne.

> Complete the duplication of the Princes Highway between Traralgon and Sale. Fund the Traralgon Bypass.

> Fund stage 2 of the Macalister Irrigation District modernisation program.

> Finalise a site for a new airport in Melbourne's southeast, maximising opportunities for private sector investment. Leverage the experience of the Brisbane West Wellcamp Airport in facilitating agribusiness exports.

Hume region agribusiness infrastructure priorities

> Improve water and telecommunications (ICT) infrastructure.

> Fund the Shepparton Bypass.

> Progress the Rutherglen Bypass.

> Construct a rail freight link to the Goulbourn Valley Freight and Logistics Centre (GV link) in Shepparton.

Wimmera Southern Mallee region agribusiness infrastructure priorities

> Progress the Horsham bypass.

> Develop freight and logistics precincts to collect and distribute goods.

> Complete the Grampians Peaks Trail project to compliment agritourism opportunities in the region.

Mildura region agribusiness infrastructure priorities

- Complete the Murray Basin Rail Project
- Fund the Mildura truck bypass
- Progress the Loddon South West Pipeline and Mitiamo Pipeline to enable the diversification of agricultural enterprise.

Bendigo region agribusiness infrastructure priorities

- Fund stage three of the Bendigo airport redevelopment to deliver a contemporary business park. This will capitalise on the stage one and two investments in a new runway and associated ground infrastructure.
- Progress the development of the Marong Business Park.

Great South Coast region agribusiness infrastructure priorities

- Improve the freight network to support local production, imports and export. Priorities need to include improved local road safety and efficiency, for example, passing lanes, widening sealed shoulders.
- Enhance rail capacity, for example, track duplication, signalling, and larger rolling stock.
- Increasing transport gateway capacity, for example, handling facilities, cranes, bulk loaders, shipping berths, rail sidings.
- Progress the funding of the development of the 12 Apostles Trail and support new accommodation investment to compliment agritourism opportunities in the region.

Geelong Region agribusiness infrastructure priorities

- Upgrade freight connections from the Geelong Ring Road to the Port of Geelong.
- Support heavy vehicle bypass works on the Geelong road freight network.
- Investigate an intermodal facility in Geelong's north to optimise the use of rail in the transport of freight and minimise secondary distribution by road.

Profile of key regional agribusiness activities

Mildura
Wine, dried fruits, citrus fruits, olives and vegetables.

Wimmera Southern Mallee
Poultry, piggeries, oilseeds, cereals and wheat.

Great South Coast
Dairy, forestry, horticulture, wool, livestock and fishing.

Geelong
Drylands farming, aquaculture, fisheries and agritourism, livestock and timber.

Bendigo
Sheep, fruit and vegetables, nuts, eggs, wine, dairy and wool.

Gippsland
Dairy, vegetables, beef and sheep, timber, paper products, horticulture and fishing.

Hume
Dairy, wine, food processing, beef, grain, horticulture and forestry.

CASE STUDY: FACILITATING AGRIBUSINESS EXPORTS

Brisbane West Wellcamp Airport

The Brisbane West Wellcamp Airport opened in 2014 and is the first privately funded major airport in Australia.

It is located 150km west of Brisbane, just outside of Toowoomba. The extremely fertile farming land in south-east Queensland has allowed the region to become a premium food and agricultural producer.

Located in the centre of this key food producing region the new airport is rapidly becoming a major air cargo hub for both inbound and outbound air freight.

The 2.87 kilometre runway is capable of catering for Boeing 747's for both passenger and freight transport. The associated business park provides a range of aviation, logistics, transport and corporate support.

The airport is driving the growth and investment by high value add food producers that are using the air link to export directly to key Asian markets. It provides a prime example of how infrastructure and transport links can drive agribusiness development and exports.

3002

Reforms that will benefit agribusiness across the state

- Through state and local government planning systems, preserve agricultural land and support agribusiness in peri urban areas including Bunyip, Werribee, Bacchus Marsh and Daylesford. This is needed to:
  - support local business and employment
  - ensure food security
  - future proof agricultural production
  - maintain environmental values and biodiversity
  - enhance tourism and recreation

- Undertake an audit of the adequacy and efficiency of all strategically significant local roads, intersections and bridges used by farmers and producers in getting their goods to market. The audit must aim to improve connections for agriculture produce, particularly to port, arterial roads and national highway freight networks. Allied benefits would include enhanced road safety, less product damage and reduced travel times.

- Make strategic investments in Victoria's rural water infrastructure such as those being undertaken as part of the Macalister Irrigation District modernisation program. Explore the feasibility of reversing the flow of the Sugarloaf pipeline to provide water security to towns and communities in both directions.

- Complete the North – East Link to support the transport of agricultural products around the state and to the Port of Melbourne. This vital road link will help address the growing freight truck traffic from the Dandenong area to the Hume and Western Freeways and relieve congestion in Melbourne's north-eastern suburbs. Less congestion cuts the cost of doing business in Victoria which is of particular importance to the trade-exposed agricultural sector.

- Accelerate the pace of the NBN rollout in regional Victoria and ensure it strategically prioritises areas where upgraded internet access will provide the greatest benefit to agribusiness establishments. Address mobile blackspots in rural farming communities.

- Standardise Victoria's freight rail network to reduce the complexity and cost of transporting freight (grain in particular) both within the state and nationally. The Murray Basin Rail Project is a key component of this task and must be completed as a priority.

- Ensure the capacity of the Port of Melbourne is progressively expanded to meet the future trade needs of Victorian agribusinesses.

- Finalise a site for a new airport in Melbourne's southeast, maximising opportunities for private sector investment. Leverage the experience of the Brisbane West Wellcamp Airport in facilitating agribusiness exports.

- Progress the construction of a new east-west runway at Melbourne Airport and fast-track other major developments listed in the 2013 Melbourne Airport Master Plan that are crucial to supporting the movement of increased volumes aof high quality, perishable agribusiness products destined for the international marketplace.

- Amend coastal shipping laws to substantially reduce barriers to entry for foreign vessels, in order to improve competition in coastal shipping services (per the Federal Government's Competition Policy Review).

- Ensure agribusiness clusters and hubs are supported by efficient infrastructure and logistical services.

05 Improve workforce skills, grow jobs and build business capacity

The Victorian agribusiness sector employs approximately 191,700 people. More than half of these are located in regional Victoria where the sector accounts for one in six jobs.[36]

Although employment in the sector is spread across a large number of SMEs, output by value is dominated by a small number of large businesses (25 of state's largest food manufacturing companies account for more than half of the industry's revenue).

New technologies and practices within the sector are reducing opportunities for low-skilled roles and increasing the demand for higher skilled workers. Despite this, the majority of the agribusiness workforce is over 45 years and more than half have no post-school qualifications, highlighting a significant need to upskill many existing workers. Unfortunately, agribusiness has struggled to attract and retain students.

In 2015 there were 24,175 students enrolled in agriculture, environment and related studies in Victoria. Most were studying at a Certificate III level and were 25-44 years of age. The overwhelming majority were males and studying through a TAFE. While the Victorian total represents 27 per cent of the number of students enrolled in these courses nationally, Victorian enrolment levels have declined by 22 per cent compared to 2014, the largest decline across all states.[37] This low demand for formal agricultural training puts at risk the ability of the sector to stay competitive at a time when the skills of the agribusiness workforce needs to rise to higher, more technical and sophisticated levels.

In part this reflects the traditional focus of the agribusiness sector on on-the-job learning and practical experience. However, it also reflects an outdated perception of agriculture career pathways. Research shows career advisors in schools are not encouraging students to take agricultural courses despite 90 per cent of agriculture graduates finding jobs.[38] Parental attitudes can also be influential with studies showing some farm owners actively discourage their children from pursuing farming as a career.[39]

The sheer diversity of the agribusiness sector poses a challenge for education and training. As the G21 Agribusiness Forum has remarked, 'there is not a diverse enough range of training options in the region to meet the variety of needs of the agriculture sector. Therefore, to undertake training and education individuals often have to travel outside the region. This acts as a major barrier to educational attainment as individuals do not have the opportunity to leave their operations or places of employment for a large amount of time to undertake study'.[40]

Problems have also been compounded by limited public transport options, inadequate student accommodation and declining rural populations (and pool of potential employees) as a result of people moving to larger towns and cities. Low workforce numbers can give rise to what are called 'thin markets'. Thin markets in vocational education and training (VET) are those in which the actual and potential number of learners is too small to attract training providers.

The existence of thin markets impacts the delivery of tertiary education services. Few education providers actively operate in regional locations, although there are some positive signs this is beginning to change. La Trobe University has recently unveiled a new agribusiness degree that will be offered at Bendigo, Shepparton, Wodonga and Mildura. Deakin University has indicated it will explore opportunities to offer a new Bachelor of Agribusiness course unique to the Warrnambool Campus.

Similarly, last year Melbourne University launched a new agriculture curriculum that provides students with a broad understanding of the technical and scientific aspects of farming systems in

22%

decline in enrolments in agribusiness-related courses in Victoria, when compared to 2014

90%

percentage of graduates from agriculture courses that secure gainful employment

its first year. From second year, students specialise with a major in production animal health, plant and soil science or agricultural economics. This approach gives agriculture graduates broad knowledge of the industry and specialised skills, allowing them to enter the industry with an understanding of their role in the supply chain, as well as that of farmers, consultants and agribusiness professionals.

Very recently, independent vocational agricultural training provider, Rural Industries Skill Training Centre (RIST) and CQUniversity have entered into a partnership that will allow rural Victorian students to have access to a Bachelor of Agriculture course delivered from the Hamilton campus of RIST.

Such initiatives are welcome. They are needed to address existing skills shortages and ensure the agribusiness workforce is able to meet the many challenges the sector will need to respond to including more onerous quality assurance standards, the use of more complex technologies on farms, changing animal welfare and natural resource requirements, and increased climate variability.

With these issues in mind, the Taskforce considers measures to increase student demand for formal agribusiness education and training must be a priority for policy makers. Reforms must promote a more positive image of agriculture, improve awareness of agribusiness careers and training options, and make agribusiness education and training more accessible in Victoria.

Local Learning and Employment Networks, or LLENs, create strategic, sustainable partnerships that improve education and transition outcomes for young people. Using their knowledge of the region to influence strategic planning and broker partnerships among key stakeholders, LLENs help young people remain engaged, or re-engage, in education or training. Their work must continue to be strongly supported.

With low levels of students studying agribusiness at the VCE level, the Taskforce reinforces calls to integrate food and fibre into relevant subjects in the curriculum and strengthen partnerships between schools and the agribusiness sector.[41]

36 The Boston Consulting Group, Food and Fibre Fact Pack, February 2015.
37 NCVER, Total VET students and courses 2015: data slicer, 26 July 2016.
38 NCVER, Readiness to meet demand for skills: a study of five growth industries, 2014.
39 Succession Planning in Australian Farming, Australasian Accounting, Business and Finance Journal, 2012.
40 Parliament of Victoria Education and Training Committee, Inquiry into agricultural education and training in Victoria, November 2012
41 Ibid.

"Sector leaders need to get into schools and tell students their career stories; companies need to support teachers to incorporate primary sector themes into the curriculum. School camps need to become farm stay experiences, and urban farms developed to enable every kid to build industry awareness".

KPMG (New Zealand)
Agribusiness Agenda
2015

Recommendations

> In collaboration with agribusiness associations, develop a carefully messaged and widely communicated industry-wide career awareness initiative that explains what the agribusiness sector is, what it produces, who it sells to and what it contributes to Victoria. It must be clear that the industry offers a diversity of career options; jobs that require many different skill sets.

> Monitor the impact of the new 2017 Funded Course List to ensure vocational education and training subsidies reflect the real costs of training, particularly in regional locations.

> Prioritise the establishment of the Food and Fibre Industry Advisory Group (IAG) to provide timely advice to the Victorian Skills Commissioner on agribusiness skill demand pressures and future industry skills needs. As part of this, review whether current practices for collecting and disclosing data on VET are meeting the needs of the agribusiness sector and training providers.

> Promote regional agribusinesses access to the $30 million Regional and Specialist Training Fund to support agribusiness sectors with unique employment or skill needs. Ensure measures are in place to enhance access to agribusiness vocational education and training in regional Victoria such as improved public transport, more affordable student accommodation and increased use of information and communications technology to deliver training courses.

> Maintain the maximum loan cap of $15,000 for all agricultural courses and qualifications funded under the Commonwealth Government's VET Student Loans Bill 2016 (which replaces the VET FEE-HELP loan scheme).

> Expand Victoria's existing city farm models (e.g. the Centre for Education and Research in Environmental Strategies in Brunswick, and Myuna Farm in the City of Casey) by establishing a city farm at the Melbourne Showgrounds. The city farm should provide metropolitan based students with hands-on agricultural experience and access to expert information and advice. It should be linked to Victoria's Tech Schools to ensure there are clearly articulated career pathways linked to education and training qualifications.

> Ensure continued funding support for Victoria's Local Learning and Employment Networks (LLENs) given their important role in helping young people remain engaged, or re-engage, in education or training.

> Conduct a feasibility study into how existing Victorian agricultural colleges can be better utilised to deliver agribusiness education to school, VET and higher education students.

> Encourage VET and higher education providers to continue to work together to improve pathways between agricultural VET and higher education courses. This includes collaboration to market careers in agribusiness to undergraduate students from relevant disciplines such as science and natural resource management and to attract more

students into agricultural research.

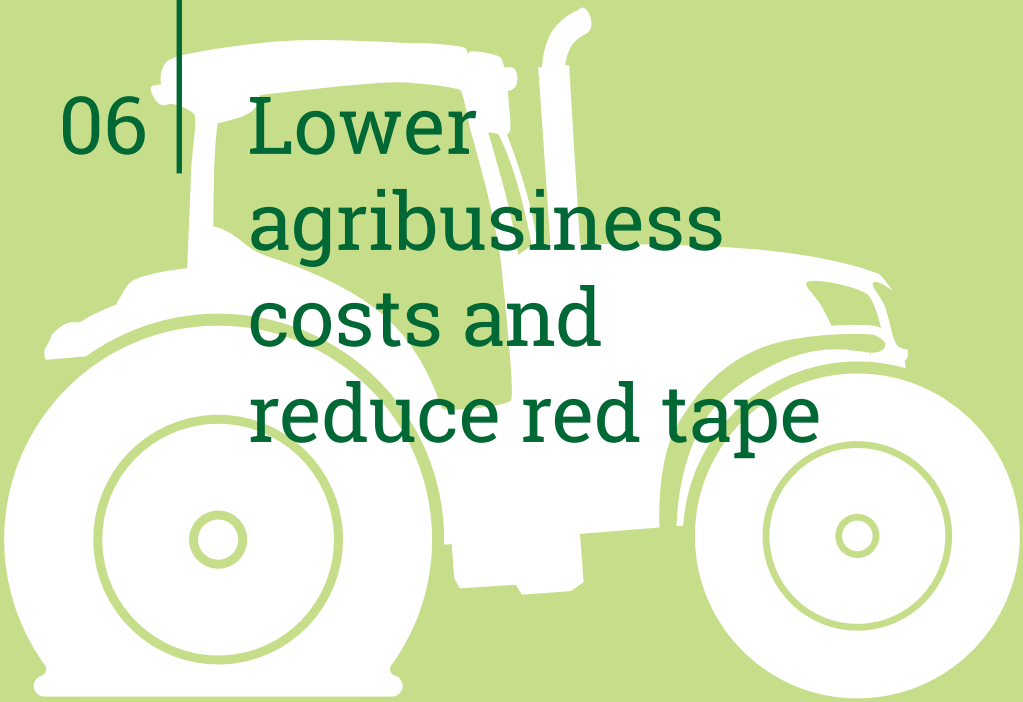
> To address skill shortages in regional Victoria, encourage universities to offer more rural bonded scholarships in key growth industries where recipients commit to working for three or more continuous years in a rural or remote area of Victoria upon graduation.

> Amend the Working Holiday Maker Programme to allow both Working Holiday (Subclass 417) and Work and Holiday (Subclass 462) visa holders to work an additional six months with one employer in Victoria, if they work in the agribusiness sector. This would give working holiday makers the same visa rights in Victoria as they are provided in Northern Australia. In addition, give Work and Holiday (Subclass 462) visa holders the opportunity to access a second 12 month visa if they work for three months in Victoria's agribusiness sector.

27 per cent of the of the students enrolled in agriculture, environment and related courses nationally are studying in Victoria. 90 per cent of agriculture graduates find jobs. Despite this, Victorian enrolments have declined by 22 per cent compared to 2014, the largest decline across all states.

This low demand for formal agricultural training puts at risk the ability of the sector to stay competitive at a time when the skills of the agribusiness workforce need to become more technical and sophisticated.

06 Lower agribusiness costs and reduce red tape



The success of the agribusiness sector is intrinsically linked to its ability to operate in an efficient regulatory environment.

A robust regulatory system with consistent standards in quarantine, food safety and food labelling is essential to maintain Victoria's reputation as a producer of high quality and safe products. However, when regulation is excessive or unnecessarily burdensome, it can raise costs to business, end users and the community, which in turn can reduce economic activity, inhibit trade, constrain productivity and restrict competition.

Because Victoria's agriculture sector is characterised by small businesses, and regulatory burdens have a significant and disproportionate impact on small business, lower regulatory burdens are essential for the sector's competitiveness.[42]

The number of regulations impacting the agribusiness sector is vast. They are also implemented by multiple agencies across all levels of government. For example, food regulation in Victoria is determined by the national body Food Standards Australia New Zealand and managed by two state government departments (Department of Health and Human Services and Department of Economic Development, Jobs, Transport and Resources), two state statutory authorities (PrimeSafe and Dairy Food Safety Victoria) and seventy-nine local Councils who regulate all food businesses not licensed by the statutory authorities.[43]

The table below highlights the range of activities throughout the agriculture value chain that are subject to complex regulations at the federal, state and local government levels. The multitude of inconsistent regulatory requirements across jurisdictions makes it difficult for agribusinesses to understand their obligations and raises the cost of doing business.

Value chain stage	Activities subject to regulatory obligation
Acquisition, leasing and preparation of land	Land tenure, native vegetation management, building regulations, natural and cultural heritage, environmental protection and pastoral leases.
Production and processing	Biosecurity, agriculture and veterinary chemicals, pest disease control and response, water access and regulation, animal welfare, building regulations, temporary labour and access to technologies and chemicals.
Transportation of products to market	Animal welfare, livestock regulation and identification, road access, land transport regulations, vehicle and machinery licensing
Marketing	Food packaging, food certification for exports and food safety

The Taskforce notes the State Government's recent decision to introduce legislation to permanently ban the development and production of all unconventional gas in Victoria, including hydraulic fracturing ('fracking') and coal seam gas. This will give confidence and certainty to many parts of the agribusiness sector given the importance of the state's 'clean and green' reputation.

The Taskforce also notes the State Government's recent announcement that it will undertake planning reforms to simplify and clarify land use planning requirements relating to intensive animal farming in Victoria.

Although streamlining food regulation in Victoria has been a government priority for years, not enough progress has been made.

Food Standards Australia and New Zealand play an important role in developing and administering standards that safeguard Australia's food supply, helping to maintain our reputation for producing high quality, safe products. Many Victorian agribusinesses allocate significant resources to comply with these standards. However, there are concerns that some imported goods do not meet these strict standards and testing undertaken on them is insufficient and much less comprehensive than those imposed on Australian businesses.

The Taskforce has identified a number of issues with the taxation of wine that are impacting wine producing business across Victoria. The Wine Equalisation Tax (WET) rebate was intended to benefit small wine producers in rural and regional Australia. The rebate effectively exempts approximately $1.7 million of each producer's domestic wholesale wine sales from tax by providing a rebate.

However, rather than supporting small producers as intended, some bulk wine producers have taken advantage of the scheme, claiming multiple rebates and undercutting small producers.

The Taskforce notes the recent Federal Government decision to impose a 15 per cent tax on working holiday makers. While this represents an improvement on the proposal originally contained in the 2016-17 federal budget, it is still a significant increase in the tax burden on working holiday makers who currently pay no tax on income below the tax free threshold.

The removal of the tax free threshold and the introduction of a 15 per cent tax rate has the potential to harm the agribusiness sector, particularly in remote regional locations where seasonal workers are required for harvesting and processing products. It has the potential to dissuade potential workers from coming to Australia or cause them to reduce the length of their stay. A reduction in the number of working holiday travellers to Australia would have a significant and detrimental effect on the agribusiness sector.

42 Productivity Commission, Regulation of Australian Agriculture - Issues Paper, 2015.
43 Agriculture Victoria, www.agriculture.vic.gov.au, Accessed 16 May.

Recommendations

- Undertake a comprehensive inquiry into the cumulative burden on food regulation in Victoria, building on and updating the Victorian Competition and Efficiency Commission's 2007 Inquiry. Priority areas for review should include meat regulation and the primary production standards under the Australia New Zealand Food Standards Code.

- Encourage greater inter-government cooperation over the design and conduct of regulations in the agribusiness sector. A more consistent approach would improve outcomes in the areas of heavy vehicle regulation and road access, and the use of agricultural chemicals and veterinary medicines.

- Encourage Victoria's Environment Protection Authority to work more collaboratively with agribusinesses to help them to understand the environmental regulations that affect them and their obligations under those regulations.

- Increase the quality and number of inspections conducted on imported food at the Australian border. This will protect consumers from the risk of imported food not meeting Australian standards and allow Victorian agribusinesses to compete on a level playing field.

- Reduce the Wine Equalisation Tax rebate cap from $500,000 to $350,000 and tighten eligibility for receiving the rebate, as announced in the 2016-17 federal budget. This will restore the integrity of the system and support small regional producers.

- Introduce a more efficient and equitable volumetric tax structure for alcohol. Any changes need to be phased in over an extended period to ensure that sudden price rises or falls do not adversely affect production or consumption decisions. Appropriate transitional support will also be necessary to support producers that might be adversely affected by the changes.

- Ensure that the implementation of a 15 per cent tax on working holiday makers does not adversely impact on the availability of seasonal workers required by Victorian agribusiness.

- Adopt a consistently used definition of 'agribusiness' that incorporates the primary production sector and the food manufacturing sector.

WHY WE NEED TO GROW VICTORIAN AGRIBUSINESS

A failure to support continuing agribusiness growth will put state economic, trade and jobs growth at risk.

The Taskforce considers this is not an option and urges policy makers to do what they can to avoid an agribusiness future characterised by:

- A fall in the sector's share of output, investment and employment.
- Declining value adding and productivity growth.
- Further fragmentation in value chains and branding.
- Missed opportunities in high growth export markets.
- A leakage in spending and investment from regional and rural communities.
- Continuing skills shortages and a further exodus of young people from agribusiness careers.

Conversely, the Taskforce considers that with the right blend of policies and programs, the Victorian agribusiness sector will be characterised by:

- Rising output and productivity through increased scale economies in agricultural production.
- High levels of innovation and value adding in the production process.
- Rising employment and more young people pursuing agribusiness careers.
- A growing share of exports in priority markets.
- Increased institutional, retail and foreign investment in agribusiness.
- Stronger vocational and higher education outcomes among the agribusiness workforce.

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