Great South Coast
GROUP

FOOD & FIBRE STRATEGY & ACTION PLAN

DOCUMENT 2:
STRATEGIC PLAN & INDEPENDENT ANALYSIS

2015 - 2020

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Global Outlook

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To see a better way … **try a fresh set of eyes**

Introduction

This document presents the Strategic Plan component of the Great South Coast Group Food and Fibre Strategy. The full suite of documents pertaining to this project includes:

Document 1: **Project Summary**

Document 2: **Food & Fibre Strategy & Independent Analysis**

Document 3: **Action Plan**

This document, the **Strategic Plan**, outlines the strategy platforms, programs and rationale for a five-year strategic plan.

The Food & Fibre Strategy was commissioned by the Great South Coast Group (GSCG) as a priority project in the economic development pillar of The Great South Coast Regional Strategic Plan. The connections to the GSC regional plan are noted in this plan.

The strategy has been devised to complement the well-considered local industry strategies that already exist. Local industry bodies for dairy and forestry in particular are well organised. In order to avoid overlap with industry plans, this strategy endeavours to address high level issues that impact the food & fibre sector as a whole. **The strategy itself is intended to be a catalyst for improving cross-industry collaboration and will require cooperation from all stakeholder groups to succeed.**

A further important caveat is that the strategy does not aim to address every single issue impacting food & fibre businesses in the GSC. Instead, it advocates acting decisively in the areas where it can have most influence over the next 5 years, e.g. the broader labour issue is addressed in the GSC Regional Plan, so this strategy focuses on food & fibre career pathways.

The independent analysis conducted by Deloitte Access Economics that informed this strategy is appendixed. While best available data sources were utilised, the limitations of ABS and census data means that some information is dated or very general in nature, therefore some knowledge gaps remain.

Regional plans relevant to this strategy

Some of the most relevant existing strategies from government and industry that provided background to this plan are listed below. This strategic plan has been designed to minimise overlap with existing plans and aims to collaborate and consult with the proponents of other relevant plans. The key ones are summarized in Document 2: GSC Food and Fibre Strategy Situation Analysis (Deloitte Access Economics section):

FEDERAL GOVERNMENT	Agricultural Competitiveness White Paper
STATE GOVERNMENT	GSC Regional Growth Plan Food to Asia Action Plan GSC Regional Transport Strategy
LOCAL GOVERNMENT	Great South Coast Regional Strategic Plan Various economic development plans Beyond the Bell Initiative
INDUSTRY	Filling the glass: Impact study of growth in Western Victorian dairy industry Western Victoria Dairy Industry Strategic Plan 2014 -2019 Timber Towns Victoria Strategic Plan 2013-2015 GORRT Shipwreck Coast Master Plan (in draft)

Plan stewardship

Execution of this plan will require continued support from the Great South Coast Group to underpin administration and delivery of key activities. Further investment by the Great South Coast Group would be justified on the basis that the total food and fibre supply chain represents 60% of the GSC regional economy and employs an estimated 21.6% of the region's workers. Ongoing investment in the development of the region's Food and Fibre sector by the member LGAs is likely to be rewarded with direct flow on effects throughout the whole regional economy.

In addition to support from Great South Coast Group, project and grant funding will also be required to deliver specific activities outlined in the plan.

In the short term, it is proposed to develop a 'hands on' Food and Fibre Council (**FFC**) as outlined in Program 6.1, to continue to advise the Great South Coast Group board on matters relating to the sector, as well as to seek out the resources required to implement this strategic plan. Over time, as this Council matures and establishes a stronger funding base, it is hoped that a number of sub-committees or working groups could be formed to focus specifically on issues related to RD&E, Education, Agri-tourism and industry networking. There are individual projects within the plan which could also be delivered by short term task forces with stakeholders who have a particular interest in the issue.

Strategy architecture

OPPORTUNITIES

- Lifting the productivity of the estimated 40% of farms that are not reaching their true potential (or helping these farmers transition out)
- Leveraging the growing global demand for protein and our reputation for safe and sustainable food
- Further developing the market for provenance branded grass-fed beef and lamb
- Turning our strengths in animal welfare and food safety to a marketing advantage
- Investing in additional value-adding (creating value through branded and differentiated products)
- Leveraging our leadership position in livestock breeding and genetics
- Developing new cropping industries (e.g. legumes, poppies, pyrethrum)
- Building local supply chains for locally produced food
- Growing the value of output from small land holdings through intensive, high value products
- Taking a leadership role in food and fibre education (RIST, Timboon, Deakin, RMIT, Longerenong, SW TAFE)
- Better leveraging our tourism assets (which also improves liveability); and
- Growing exports, particularly through more value-adding.

BLOCKERS

- A significantly under-performing cohort that lack the inclination to strive for best-practice production.
- Lack of effective infrastructure (road, rail, energy, IT)
- Capital shortfalls at every level of the supply chain.
- Shortcomings in the labour market:
  - *Prohibitive cost*
  - *Seasonal gaps*
  - *Labour availability*
  - *Skill levels*
- Blockers to uptake of agricultural education and learning options
- A premium food industry without the critical mass necessary to reach its potential
- Distance from policy makers

COMPETITIVE ADVANTAGE

- Relatively reliable rainfall
- Temperate climate (which relative to other areas, may actually benefit from climate change e.g. more summer rainfall)
- Fertile soil and a variety of soil types
- Longer and later growing season, higher yields
- Most properties have scale relative to the enterprise.
- Diversity in the food and fibre economy makes economy more resilient
- An iconic international tourist attraction
- Leadership in genetics in beef and sheep
- Strong industry led R&D programs
- Potential access to a vast water resource
- Safe and sustainable production protected by a compliance framework
- Proximity to domestic markets
- Deep sea port (bulk only)
- Access to Avalon Airport
- Strength in grass-fed beef, particularly breeding
- An emerging new education model for affecting cultural change.

The situation analysis report identified 12 burning issues

1. There is a need to inspire cultural change and drive entrepreneurism
2. Capital injection is critical to growth
3. Traditional farm business models need to evolve to improve profitability
4. Skill development and education need a holistic strategy
5. The cost of labour means we are under-staffing
6. The potential of the water asset needs to be unlocked
7. Growth in infrastructure has not kept pace with growth in production
8. There is scope to increase productivity significantly in the underperforming cohort.
9. Value-adding is an un-met opportunity
10. The region lacks a clear identity in food and fibre
11. The gourmet sector needs critical mass to leverage the tourism assets
12. Simplification of governance systems that protect our safe food reputation is required.

Great South Coast

REGIONAL STRATEGIC PLAN

Position for Economic Growth

Agriculture, forestry & fishing
Manufacturing
New & renewable energy
Tourism

Improve our Connections

Transport
Power & telecommunications
Social networks
Infrastructure

Sustain our Natural Assets

Natural resources
Climate change impacts
Settlements & land use

Strengthen our Communities

Skills, jobs & education
Health & wellbeing
Healthy, livable communities

Great South Coast

REGIONAL STRATEGIC PLAN

FOUR PILLARS

Position for Economic Growth

Improve our Connections

Sustain our Natural Assets

Strengthen our Communities

FOOD & FIBRE GOAL

GOAL 1.2
To grow the value and capacity of the Great South Coast's food and fibre industry

FOOD & FIBRE STRATEGY & ACTION PLAN

Great South Coast GROUP

GOAL 1.2
To grow the value and capacity of the Great South Coast's food and fibre industry

2020 STRATEGY MAP

PLATFORM	INTENT
LIFT ENTREPRENEURISM & INNOVATION	To lift underperforming businesses, improving regional productivity, sustainability and prosperity.
DRIVE INVESTMENT & BUSINESS TRANSITION	To attract the capital and expertise required to enable business transition, adapt business models and support new entrants to the sector.
INCREASE REGIONAL VALUE-ADD	To retain a greater share of the value of our food & fibre economy and reduce reliance on commodities by increasing first-stage processing.
GROW AGRI-TOURISM CHANNEL	To leverage our tourism assets into profitable consumer food & fibre markets that grow local economies, enhance livability and lift our profile.
BUILD OUR REGIONAL IDENTITIES	To grow awareness of the GSC's food & fibre regions, credentials and areas of competitive advantage.
CHAMPION FOOD & FIBRE ADVOCACY	To successfully influence food & fibre policy in the region by advocating with a coordinated voice that represents every sector and supply chain.
REALISE THE WATER OPPORTUNITY	To sustainably capture the full potential value of the GSC's underutilised water resource.
NURTURE FOOD & FIBRE CAREERS	To attract talented young people to the food and fibre sector by outlining clearer career pathways and offering more integrated learning approaches.

Please note that the eight strategy platforms are not listed in order of priority. They are numbered on the following pages for ease of reference.

However, ten priority projects have been nominated at the end of this document. They have been chosen because they provide the foundations needed to deliver the strategy.

1 LIFT ENTREPRENEURISM & INNOVATION

RATIONALE

There is an estimated under-performing cohort of 40% of businesses who are not participating in industry programs to grow or lift productivity. Assisting this cohort to either lift their performance or transition out of the sector will unlock potential for considerable economic growth. In farming the cohort includes: older farmers transitioning to retirement; traditionalist unwilling to embrace new methods; run down farms due to lack of profitability required to reinvest. Pasture degradation, lack of stock shelter belts and poor land management are evident on some farms. In agri-tourism, the cohort includes many who regard it as a hobby rather than a profession, which damages the industry for others.

While there is much business improvement activity being driven by industry bodies, there are many businesses on the fringes that do not participate and 'fall through the cracks'.

The GSC already exports over 30% of its food and fibre outputs. Many current exporters are passive 'price takers' and not export-capable in their own right. With growing global demand for the region's products, there is scope to grow more differentiated and niche products from both large and small enterprizes.

The focus of this platform is driving transition through attracting new entrants, promoting new farming systems, showcasing new business models and assisting SMEs to service export markets.

1 LIFT ENTREPRENEURISM & INNOVATION

	PROGRAMS
1.1	Facilitate greater collaboration in RD&E by bringing together all stakeholders to identify priority productivity improvement projects and share R&D insights
1.2	Increase participation in business benchmarking, networking and mentoring programs to improve business acumen
1.3	Support an adventurous program of activities to stimulate creative thinking and innovation
1.4	Reposition the image of food and fibre by promoting the sector's importance and recognizing professionalism and excellence
1.5	Improve local knowledge of export supply chains and assist capable businesses to be 'export ready'
1.6	Support innovation in sustainable production to protect our sector's resources

2 DRIVE INVESTMENT & BUSINESS TRANSITION

RATIONALE

Capital is a constraint to growth at every level of the food & fibre supply chain. It is needed to build scale, drive business transition, invest in technology, further value-add commodities and to develop infrastructure. There is considerable interest by investors, but the challenge is in connecting them to appropriate opportunities. External investors can also contribute supply chain connections and important business know how.

Many agribusinesses are reluctant to borrow capital or take on equity partners, or they are not investment-ready. A reliance on bank finance alone, limits their borrowing capacity. The financial barriers faced by young, talented operators keen to start food & fibre businesses are high. Start-up capital requirements feel insurmountable.

The need also exists to drive long term business transition. Many landholders have already reached retirement age without a transition plan and want to stay on the property. Family business challenges exist in all parts of the supply chain.

There is a need to develop and promote new land occupancy and agribusiness models, which will support long term transition (over decades) and allow more progressive and ambitious operators to run food & fibre businesses in the region, independent of land ownership.

2 DRIVE INVESTMENT & BUSINESS TRANSITION

	PROGRAMS
2.1	Build the profile of the Great South Coast as a food & fibre investment destination
2.2	Help businesses become investment ready/receptive
2.3	Promote alternative business and occupancy models
2.4	Develop support programs to finance young people into food & fibre businesses
2.5	Promote the need for long term business transition planning
2.6	Educate producers about upstream food and fibre supply chains and where they fit within them

3 INCREASE REGIONAL VALUE-ADD

RATIONALE

Predominantly, the food and fibre sector across the GSC is commodity-based. The vast majority of regional value is generated by dairy, meat, wool and grain, which to a large extent are extensively value-added elsewhere.

Increasing value-adding within the GSC would not only create regional economic activity and jobs, it would reduces transport costs; be more environmentally sensitive; and improve global competitiveness. Value-adding activity within the region is already occurring with dairy companies, meat processors and others all making major investments, however the opportunity exists to drive this harder.

The constraint to further value-adding is less about capital (capital can be easily found with a valid business case), and more to do with entrepreneurialism and 'selling' the opportunities. There are immediate opportunities for value-adding grains and oil seeds.

Value-adding does not necessarily mean further processing, it can be achieved through branding or creating high-value products through differentiation and segregated supply chains (e.g. organic food or poppies marketed through closed-loop supply chains).

3 INCREASE REGIONAL VALUE-ADD

	PROGRAMS
3.1	Identify opportunities and develop the business case for regional value-adding projects
3.2	Broker business partners/investors to connect them with local value-adding investment opportunities
3.3	Promote opportunities for producers to value-add, creating high-value products through differentiation and segregated supply chains
3.4	Educate industry about strategic alliances in trading

4 GROW AGRI-TOURISM CHANNEL

RATIONALE

A strong agri-tourism sector is a critical component of the GSC food and fibre action plan, not only because it has the potential to be a regional economic driver in its own right, but also because of its important role in building the profile of the region as a food producer.

The GSC is home to two iconic tourism assets: the Great Ocean Road (and Apostles); and the Grampians. Arterial roads to Adelaide ensure a steady flow of traffic through the region. The visually appealing farmland has unrealised potential for more touring routes, farm gate sales and farm stays.

The GSC has four agri-tourism/gourmet food groups which are developing, despite limited resources. There is an opportunity to improve connectivity and collaboration across the groups to build a bigger story (i.e. a 4 night product, rather than a 1 night product).

The blockers to development of the GSC agri-tourism/gourmet food sector are: a lack of critical mass; seasonality; poor yields per visitor; inconsistent customer service levels; limited premium accommodation; and lack of a local supply chain for regional food. This limits the ability to showcase regional produce to visitors and give locals the opportunity to champion it.

This platform has a number of social benefits including scope to generate jobs (hospitality is the biggest employer of youth); increase livability; create a viable market for small farm, niche produce.

An estimated 7% (and rising) of fresh food is sold through fresh food markets. Such markets can be an important social connector in regional communities.

4 GROW AGRI-TOURISM CHANNEL

	PROGRAMS
4.1	Partner with GORRT to further develop an coordinate agri-tourism opportunities in alignment with Shipwreck Coast Master Plan
4.2	Support capability building in skills such as product development, marketing, on-line selling and customer service
4.3	Establish the feasibility of one or more regional food directory portal/s with on-line selling capability
4.4	Establish localised freight consolidation clusters for food and beverage
4.5	Establish regional supply chains and promote buying and championing local produce
4.6	Establish a network of viable farmers markets across the GSC
4.7	Develop a 'farm stay' product offering

5 BUILD OUR REGIONAL IDENTITIES

RATIONALE

Critical to the success of GSC's agrifood and fibre sector is to build its profile with consumers/customers, community, investors, governments and in global markets. The contribution and significance of the region's food and fibre sector to the economy is not well understood by policy makers. The local and global profile of the region as a major producer of quality, safe and sustainable food and fibre needs to be raised. Part of the problem is producers are all using different provenance terminology in their product branding e.g. South West, Western District, Great Ocean Road, Otways, Green Triangle, etc.

A major constraint to regional branding is that the agri-food and fibre sector is commodity-based so product identify is lost when it leaves the region to be value-added. Promoting the premium and gourmet food sector and their hero products within the region will help make the point that GSC's food and fibre credentials are robust.

A strong regional identity is also important for attracting investment. Anecdotal suggestions are that the region is not attracting its share of investment relative to other parts of Victoria.

Developing a regional identity in food and fibre will be challenging because of the size and geographical diversity of the GSC, but it is not impossible. Carefully crafted brand architecture will be required. For agri-tourism a number of regional sub-brands may be necessary. Tourists present an opportunity to convey our agrifood and fibre story to the wider community.

5 BUILD OUR REGIONAL IDENTITIES

	PROGRAMS
5.1	Play a leading role in the GSC brand architecture study to ensure it addresses promotion of food and fibre provenance
5.2	Promote the GSC's food and fibre credentials through tourist experiences
5.3	Promote our food and fibre story from within, raising pride within local communities

6 CHAMPION FOOD & FIBRE ADVOCACY

RATIONALE

Critical to the success of this plan is a coordinated and strategic approach to advocacy on behalf of the food and fibre sector. The research underpinning this report has highlighted pivotal issues including inadequacies with respect to infrastructure (rail, road, electricity and IT connectivity); the burden of red tape and bureaucracy; and issues around labour policy (penalty rates, 417 and 457 visas, etc.). As already recognised by the GSCG, these issues have impacts far wider than the agricultural and tourism sectors. However, it is important that the food and fibre constituents of the GSCG forcefully and strategically add their point of view to these advocacy discussions.

A key theme that needs to be continually and forcefully voiced is the importance of food, fibre and agri-tourism to the regional economy and to community livability; as well as the major contribution these industries make to the Victorian economy and national exports.

At present, messages to decision makers are diluted and distorted because of the fragmented manner in which they are being delivered by each industry sector as well as individual businesses. Decision makers are being confused. A coordinated, holistic and strategic approach will have far more impact. The unclear branding of the region and its distance from Melbourne and Canberra also complicates the advocacy story.

6 CHAMPION FOOD & FIBRE ADVOCACY

	PROGRAMS
6.1	Establish a GSC food and fibre peak body (Food and Fibre Council) representing all stakeholder groups across the supply chain
6.2	Improve internal and external communications across all industries of the GSC food & fibre sector
6.3	Work with the GSCG 'Improve our connections' strategy pillar to advocate for improved digital, rail, road and power infrastructure.
6.4	Build stronger linkages with green triangle agrifood and fibre community and smooth out trade blockages over state boundaries.

7 REALISE THE WATER OPPORTUNITY

RATIONALE

The potential exists to sustainably increase regional productivity and value by tapping into the under-utilized components of underground water reserves. Although 100% of water entitlements have been allocated, it is estimated that as little as 40% of them are being fully utilised. Some entitlement holders do not use their allocated water and/or there are restrictions in trading the water to other users. Unlike the northern irrigation areas, there is not a well-developed trading market or trading mentality, (although trading platforms have recently improved). The true capacity of the underground water system and its ability to recharge during high rainfall events has not been fully tested due to low take up.

The Dilwyn aquifer is essentially untapped because of its depth and the cost associated with extracting this water. There are questions around the quality of this water and the economic feasibility of tapping into it which need to be answered.

Because the region has reliable natural rainfall, the concept of value-adding via irrigation is not fully embraced. This shift would require further cultural change.

Notwithstanding the above, there is still scope to improve water efficiency across the supply chain in light of the increasing value of water and the uncertain impacts of climate change.

7 REALISE THE WATER OPPORTUNITY

	PROGRAMS
7.1	Advocate for change to water policy to to better utilize water resources to support sustainable growth of the food and fibre sector
7.2	Advocate for more rigorous testing of the capacity, quality and recharge of the underground water system to underpin the case for increasing entitlements
7.3	Lobby for a private irrigation system tapping into the Dilwyn aquifer
7.4	Promote water trading in the region utilizing new water trading platforms
7.5	Promote the business case for irrigated farming and shift community attitudes to farming sustainably and efficiently with ground water
7.6	Support education programs that drive best practice water use and NRM as part of Whole Farm Planning and manufacturing
7.7	Advocate for the protection of water quality in our systems

8 NURTURE FOOD & FIBRE CAREERS

RATIONALE

Labour is a universal challenge in the food, fibre and tourism sectors, issues being: availability, reliability, skills, seasonality, wage rates and conditions. The general labour issue is addressed in the GSC Regional Strategic Plan as well as government forums and as such, this platform focuses on the issue from an education pathways perspective.

This platform aims to promote the benefits of food, fibre and tourism careers, in order to retain or attract back, many of young people who currently leave the region to pursue education. Nurturing intellectual capital is critical to the success of the sector and achieving cultural change. Professionalizing the image of the sector will be an important aspect of improving its attractiveness to young people.

It is ironic that there are high levels of youth unemployment and very low education attainment across the region while food & fibre businesses have labour shortages; and places in training programs are available. A central part of the problem is that, despite the global opportunity, agriculture has a poor reputation with young people and their influencers. The broad range of career opportunities across food and fibre sectors is not well understood. There a lack of integration and gaps in the agrifood education continuum from primary through to tertiary education. A holistic agrifood education strategy is required with significant collaboration between educators and industry.

8 NURTURE FOOD & FIBRE CAREERS

	PROGRAMS
8.1	Host a regional summit to bring educators and industry together and highlight the need for holistic food & fibre education strategy in the GSC
8.2	Establish an industry cluster to develop apprenticeships, internships and career pathways within local food, fibre and tourism
8.3	Support innovative school-based programs to develop interest in food & fibre as a career choice
8.4	Support programs that match disengaged youth with on-the-job training opportunities in food, fibre and tourism businesses
8.5	Reposition the image of ‘agriculture’ as ‘food and fibre supply chains’ and promote the sector’s importance throughout the wider community

TOP 10 ACTIONS

	STRATEGY PROGRAM		ACTION
1	6.1	Establish a GSC food and fibre peak body (Food & Fibre Council) representing all stakeholder groups across the supply chain.	6.1.1 Approach local industry leaders to participate in this group as industry ownership will be key to success.
2	2.1	Build the profile of the Great South Coast as a food & fibre investment destination.	2.1.1 Develop and E prospectus outlining very specific opportunities for investment in food & fibre.
3	8.1	Host a regional summit to bring educators and industry together and highlight the need for a holistic food & fibre education strategy in the GSC.	8.1.1 Make the establishment of a regular education and training forum a priority action for the new Food & Fibre Council.
4	7.1	Advocate for change to policy to better utilize water resources to support sustainable growth of the food and fibre sector.	7.7.1 Issue a position paper on changes to water policy to support food and fibre industries to relevant government departments and ministers
5	1.1	Facilitate greater collaboration in RD&E by bringing together all stakeholders to identify priority productivity improvement projects and share R&D insights.	1.1.1 Convene and facilitate a summit that includes government, industry and private RD&E funders/providers.
6	5.1	Play a leading role in the GSC brand architecture study to ensure it addresses promotion of food and fibre provenance.	5.1.1 Work with Great South Coast Group to address the regional branding challenge in relation to agrifood & fibre.
7	3.1	Identify opportunities and develop the business case for value adding products.	3.1.1 Commission consultancy to identify and scope out value-adding opportunities.
8	4.1	Partner with GORRT to further develop and coordinate agri-tourism opportunities in alignment with Shipwreck Coast Master Plan.	4.1.1 Seek funding for additional resources to support the development and interconnectivity of the 4 (or more) food trails in cooperation with GORRT.
9	1.4	Reposition the image of food & fibre by promoting the sector's importance and recognizing professionalism and excellence.	1.4.1 Build on existing dairy industry awards to expand awards for excellence across all food and fibre sectors.
10	2.3	Promote alternative business and occupancy models.	2.3.1 Conduct a number of regional workshops on alternative farming business models.

Deloitte Access Economics

Food and Fibre Strategic Action Plan – situational analysis

Great South Coast Group – Victoria

FINAL REPORT

Situational Analysis

Scope

- **Agribusiness profile for the Great South Coast Region**
  - Utilising qualitative, quantitative and geographical information
  - Scope, size and spread of agribusiness sectors
- **Assessment of the agribusiness growth opportunities for the Great South Coast Region:**
  - Identification of elements of competitive advantage
  - Analysis of demand drivers
  - Prosperity mapping
  - Assessment of future opportunities
- **Strengths, weaknesses, opportunities and threats (SWOT) analysis for key agribusiness sectors**

Note on data sources

Key points

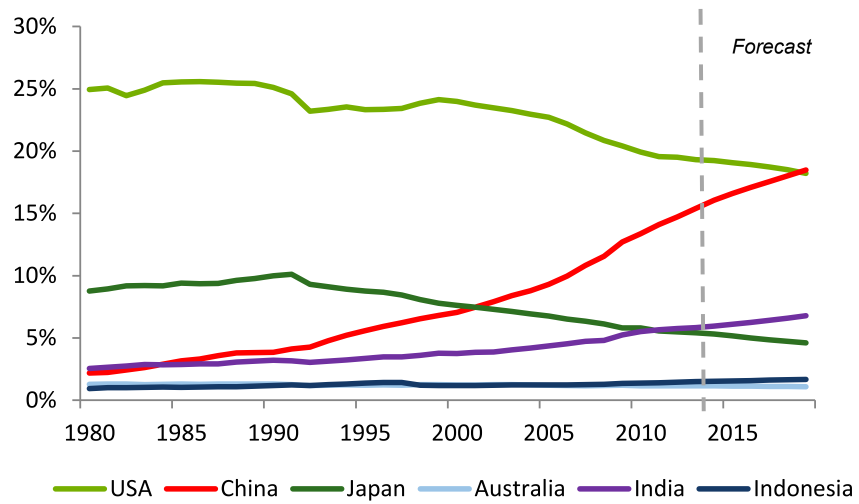
- The situational analysis is a desktop study which involves an analysis of the best data sources available to Deloitte Access Economics
- It therefore draws upon on a variety of sources including ABS, ABARES, DEPI, MLA, Fisheries Victoria, Tourism Research Australia etc.
- There are varying degrees of accuracy with these data sources and different time series data availability.
- In terms of data accruacy:
  - ABS census data is questionable at the small area level (i.e. SA2, SA3, SA4, LGA level)
  - For this reason, the ABS data does not provide definitive numbers on employment or value of production
  - Rather, the value of the ABS data is in drawing comparisons between regions, sectors and through time.
- In terms of time series data:
  - The analysis draws upon the longest time series data available for different analyses and therefore there are different base year starting points for different charts

1. Global trends

1. Global trends

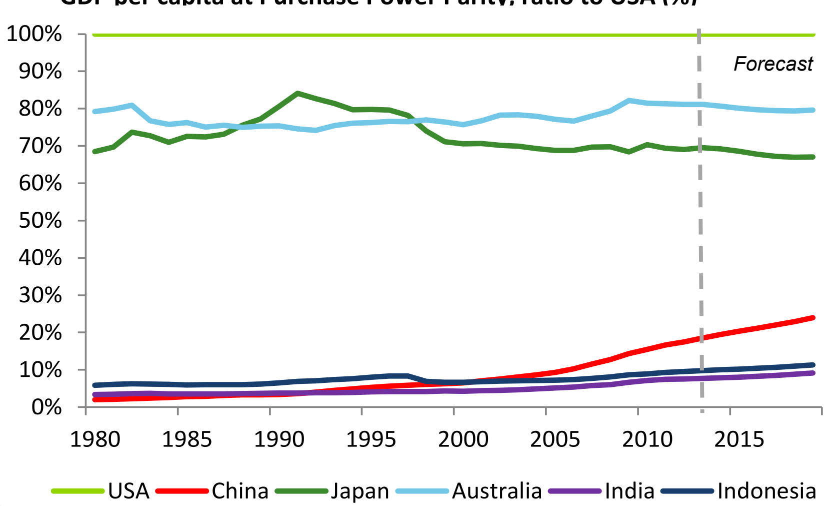
Growth in Asia

Share of World GDP at Purchase Power Parity (%)



Source: International Monetary Fund (2015), *Cross Country Macroeconomic Statistics*

GDP per capita at Purchase Power Parity, ratio to USA (%)



Source: International Monetary Fund (2015), *Cross Country Macroeconomic Statistics*

Asian countries are experiencing rapid growth…

- GDP growth in Asian countries has been high over the two decades 1993–2013 with China averaging annual GDP growth of 10%, India 7% and Indonesia 5%.
- By contrast the USA's GDP has grown at an average 2.5%, Australia 3.4% and Japan 0.9%
- Despite a recent (managed) slowdown in China's growth rate to below 8%, China will be the largest economy in the world by 2020 on PPP basis
- The growth is being driven by population increase and industrialisation which results in higher incomes and in turn fuels further growth

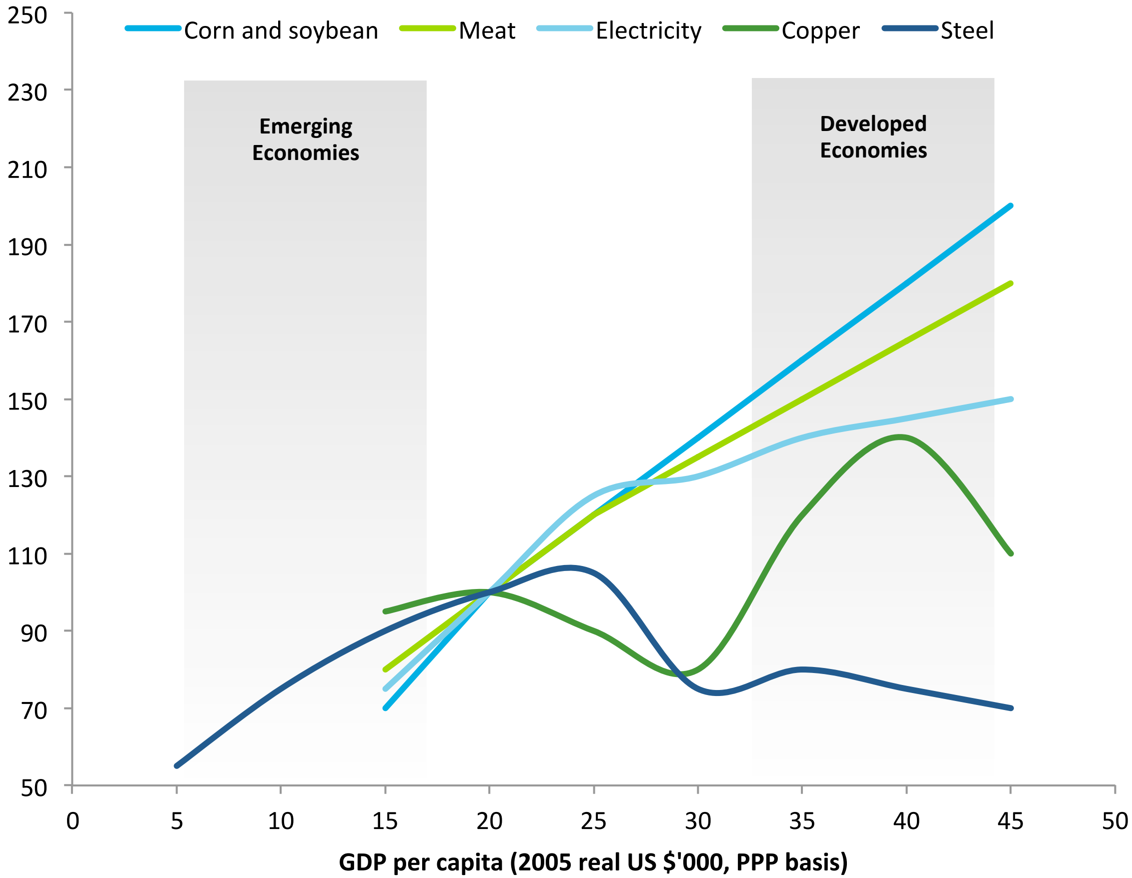
…and still have a long way to go

- Despite Developing Asia's rapid advancement , GDP per capita still remains below 20% of the USA for these countries (China 19%, India 8% and Indonesia 10%)
- Urbanisation of 'developing Asia' will continue for the foreseeable future even if not quite at the rate we have seen in the recent past

1. Global trends

Growth drivers

Demand for alternate commodities
Demand index



Source: BHP Billiton

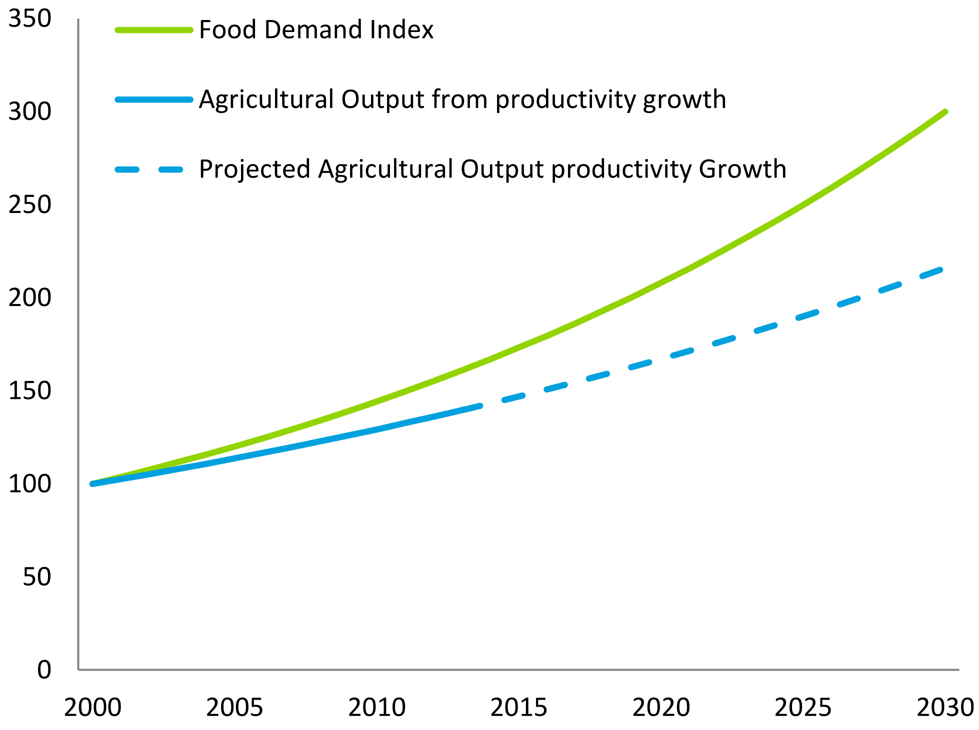
Growth from consumption

- As economies transition from the emerging stage to developed stage, their GDP per capita increases and they experience a change in consumption patterns across commodity classes.
- The initial stages of economic growth are typically associated with a surge in steel demand, as countries invest in the infrastructure (roads, rail, commercial developments, industrial facilities).
- However once countries establish infrastructure (and steel intensity peaks), demand tends to shift towards a range of other commodities that are needed for the next wave of growth.
- In the chart to the left, the demand for meat protein, and also corn and soybean ,is significantly higher in developed countries than in emerging economies.
- So not only will an increasing population demand produce but the volume and quality of produce demanded on a per capita basis will be the most significant driver of opportunity.

1. Global trends

Supply constraints

Food demand compared to agricultural output from productivity growth in China (2000-2030)
Index



Source: Fuglie (2013), 2013 Gap Report

Arable land quality and availability

- China's increasingly urbanised landscape has resulted in the shrinking of the nation's arable land from 14% in 1999 to just 12% in 2012
- In addition, a recent report (from China's environmental ministry) estimated that one fifth of the country's arable land is contaminated by pollutants, both reducing land available for productive purposes and also creating a preference for clean, safe, imported produce

Agricultural demand / supply gap

- As a result, China increasingly faces a scenario of decreasing domestic food availability based on current demand and supply predictions
- It is estimated that 72% of Chinese food demand in 2030 can be met by maintaining the current productivity growth rate
- As a result imports will be critical for closing the gap between domestic production and demand
- China will increasingly look to reliable and safe suppliers of agricultural produce – this presents a huge opportunity for the Australian agricultural sector

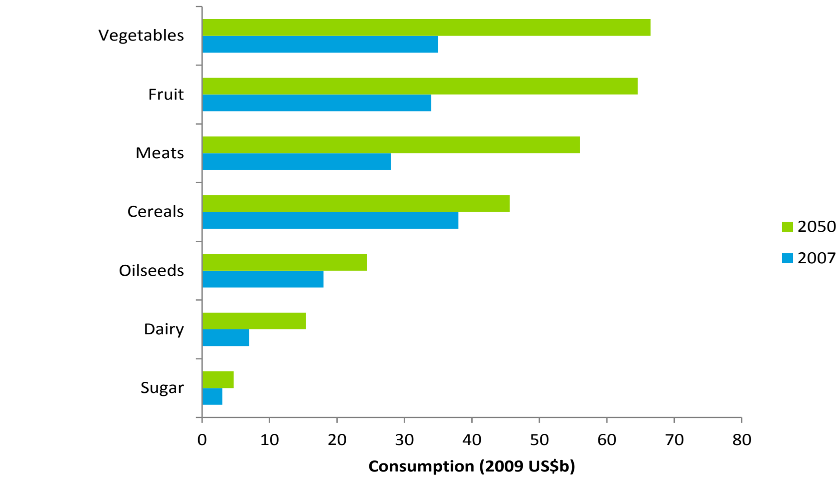
1. Global trends

Food consumption forecasts

Asian demand drivers

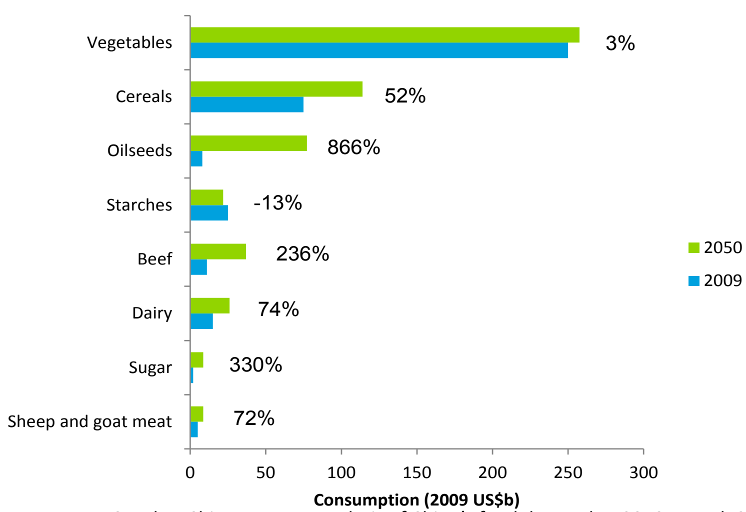
- According to ABARES 2050 forecasts:
    - Chinese demand for beef, dairy, sugar and oilseeds will increase significantly (see chart bottom left).
    - India's future demand patterns look a bit different with the largest value increases expected from fruit, vegetables and dairy (see chart bottom right).
    - A similar trend towards higher value food is also expected to be seen in other developing countries such as ASEAN countries (see chart top right) and also African countries

ASEAN agrifood consumption forecast (2007 – 2050)



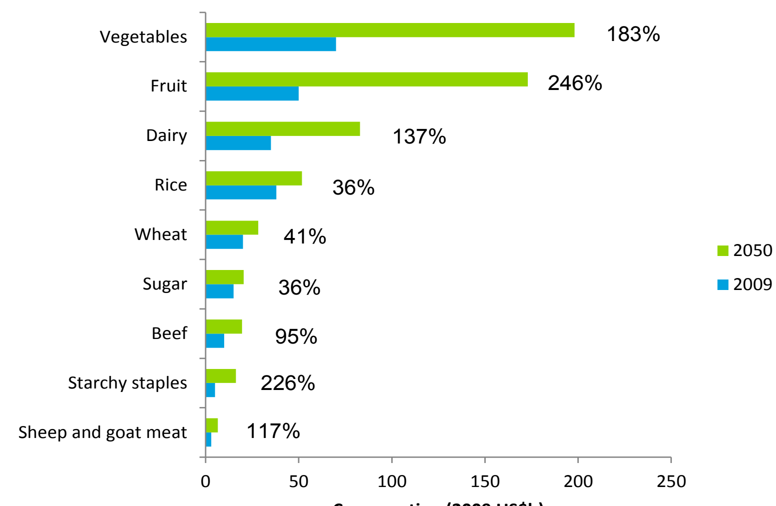
Source: ABARES, *What Asia wants – Analysis of Asian food demand to 2050, Oct 2013*

China agrifood consumption forecast (2009 – 2050)



Source: ABARES, *What China wants – Analysis of China's food demand to 2050, March 2014*

India agrifood consumption forecast (2009 – 2050)



Source: ABARES, *What India wants – Analysis of India's food demand to 2050, Nov 2014*

1. Global trends

Summary

Key points

- GDP growth in Developing Asia countries has been extremely high over the last two decades, driven by population increase and rising incomes.
- In spite of this sustained high growth, GDP per capita in Developing Asia still remains very low compared to developed economies, indicating there is much growth to come.
- As economies transition from the emerging stage to developed stage their GDP per capita increases, and they experience a change in consumption patterns across commodity classes – from infrastructure related commodities (such as steel) to consumption related commodities such as food.
- In tandem with growth, the increase in population and urbanisation has resulted in a decline in arable land availability
- Furthermore, the rapid industrialisation of developing countries has lead to land degradation (with China reporting high soil pollution in a recent report).
- ABARES demand forecasts for key economies (China, India and ASEAN countries) are for big changes in fruit and vegetables, meat, dairy and sugar products towards 2050.

Implications for the Great South Coast

- The Great South Coast is well positioned to benefit from this growth story in Asia, due to relative close proximity to these countries – providing a supply advantage over some other key competitors.
- In addition, the Great South Coast is extremely strong in the major commodities being demanded – especially beef, sheep meat and dairy. But also has well-established industries in fisheries, cereals and oilseeds which are also likely to experience strong growth.
- Furthermore, the Great South Coast has a reputation for clean, green and safe produce (e.g. 100% pasture fed beef) which is increasingly being sought after.

2. Overview of Great South Coast regional economy

2. Overview of GSC regional economy

Regional boundaries and facts

Regional facts	
• Population (2011):[10]	• **120,659** *(2.1% of Victoria)*
• Gross Regional Product (2013):[11]	• **$5.85 billion** *(1.85% of Victoria)*
• GRP per capita (2013)	• **$48,504** *($54,993 for Victoria)*
• Area:[12]	• **26,400 square km** *(12% of Victoria)*
• Median individual income ($/week):	• **$418**
• Total employment in region (2014):[4]	• **59,800**
• Largest Industry by Employment (2011)[1]	• **Agriculture, forestry, fishing (15.6%)**
• Unemployment Rate (2011)[7]	• **5.17%**

Map of Great South Coast Region

Source: Great South Coast Group website

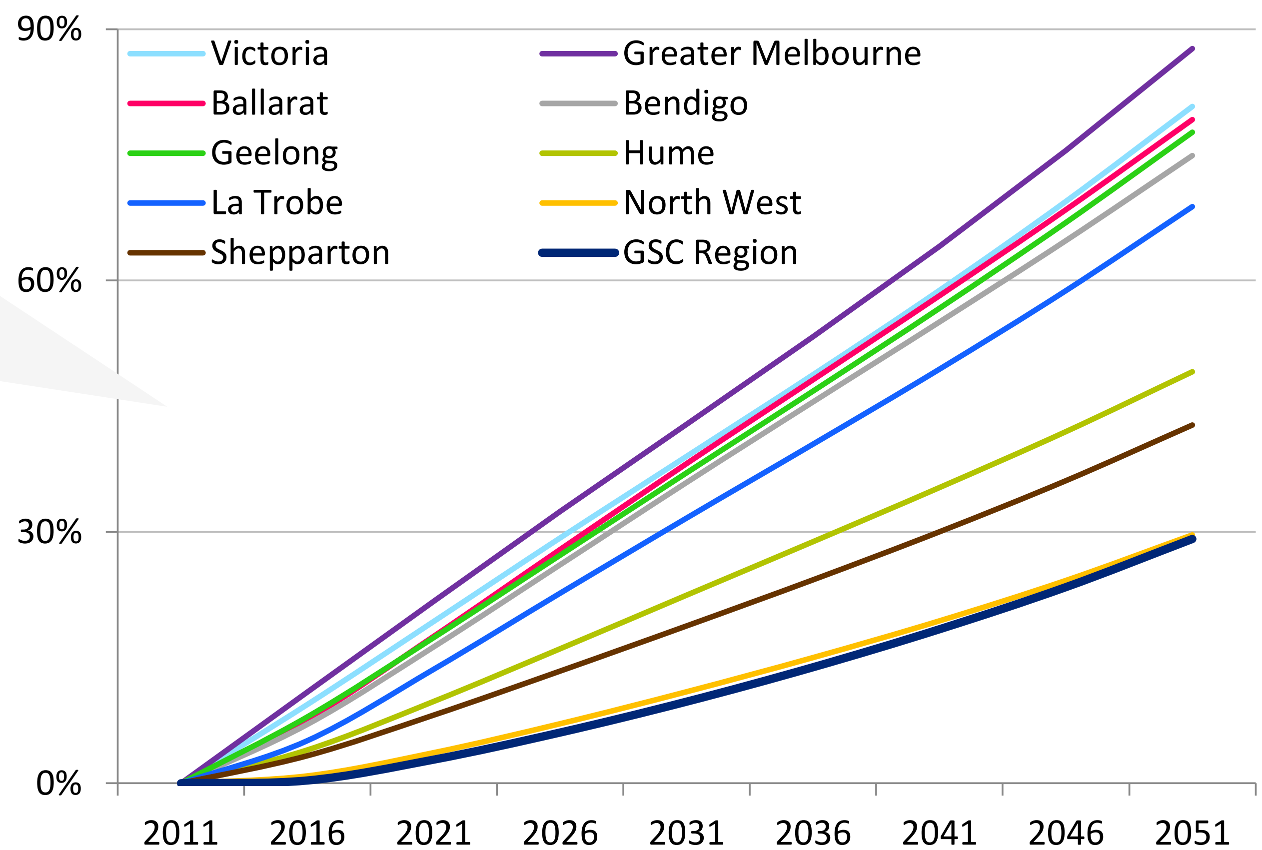
Includes the councils of
- Corangamite
- Glenelg
- Moyne
- Southern Grampians
- Warrnambool
- Colac-Otway

Overview of GSC regional economy

Population

The GSC Region (along with the North West) has the lowest projected population growth in Victoria to 2051

Forecast population growth 2011 to 2051, by region

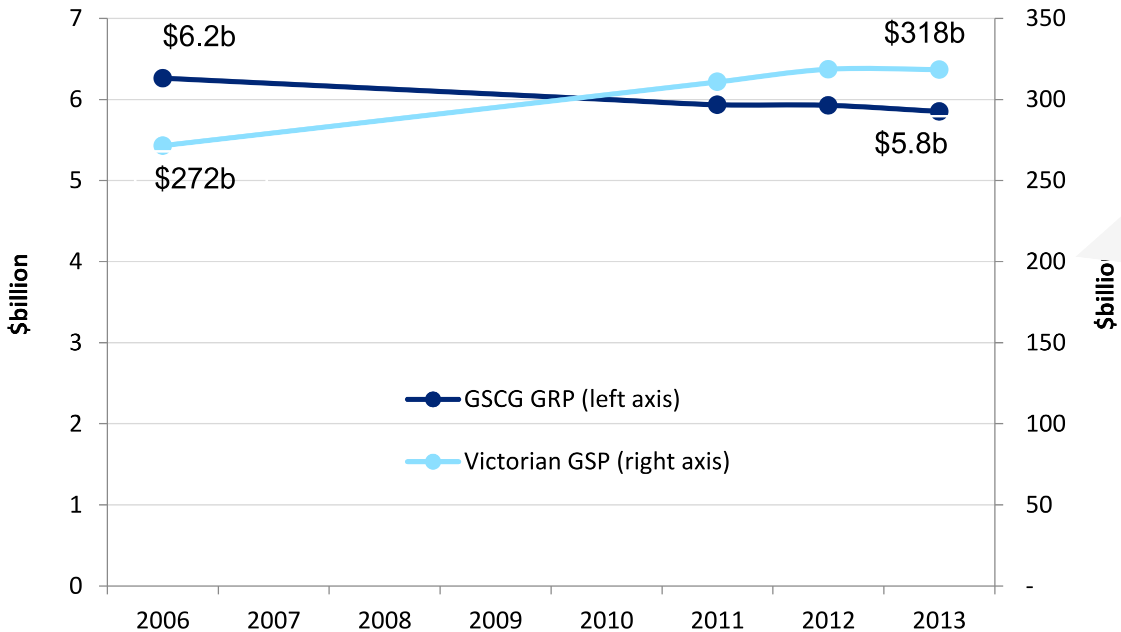


Source: Department of Transport, Planning and Local Infrastructure (2014), *Victoria In Future 2014*

Overview of GSC regional economy

Gross Regional Product

GSCG Gross Regional Product and Victorian Gross State Product, 2006 to 2013



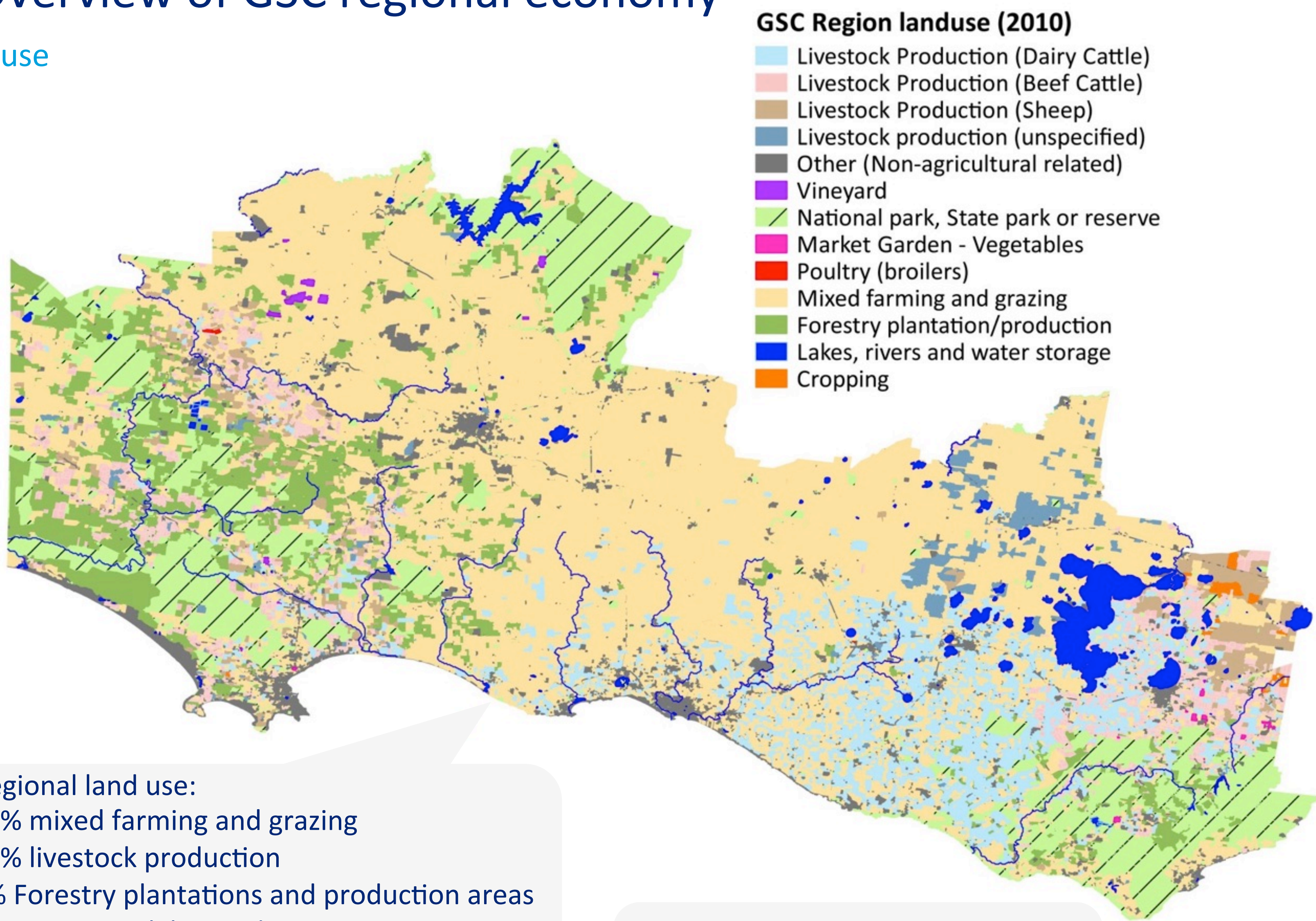
Source: ABS, *5206.0 Australian National Accounts: National Income, Expenditure and Product*; Deloitte Access Economics (2014), *Economic contribution of Deakin University's Warrnambool campus*

The value of the GSC regional economy has declined in GRP terms from $6.2 billion in 2006 to $5.8 billion in 2013.

Agriculture, forestry and fishing is the main sector contributing to this decline.

2. Overview of GSC regional economy

Land use



GSC regional land use:

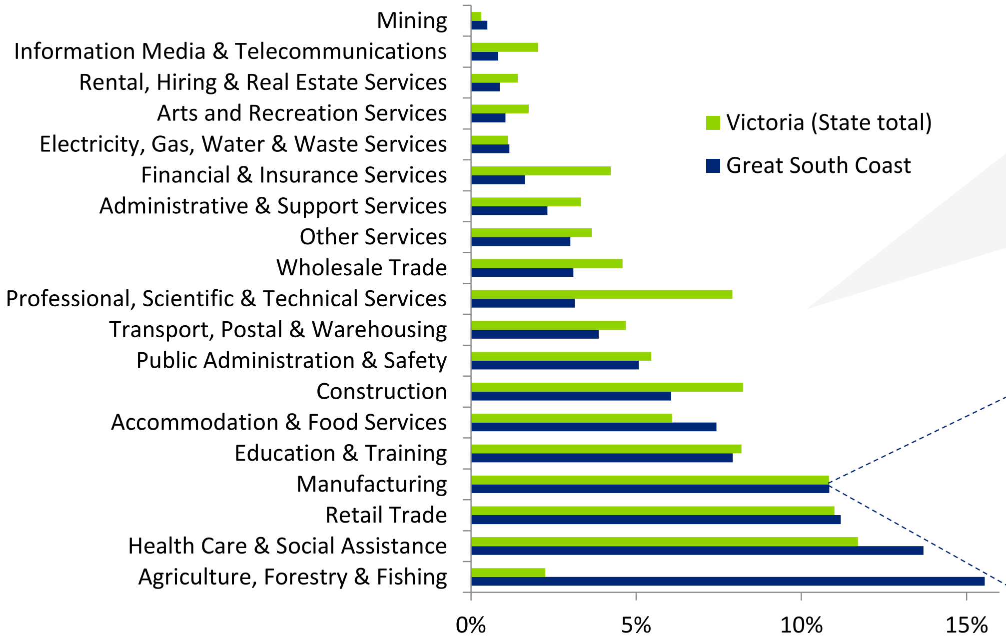
- 47% mixed farming and grazing
- 16% livestock production
- 8% Forestry plantations and production areas
- 18% reserves, lakes and rivers
- 10% other non-agricultural land uses

Combined, agricultural and forestry production account for 72% of land use in the GSC region.

2. Overview of GSC regional economy

Employment

Sectoral breakdown by proportion of regional employment, GSC Region vs. Victoria

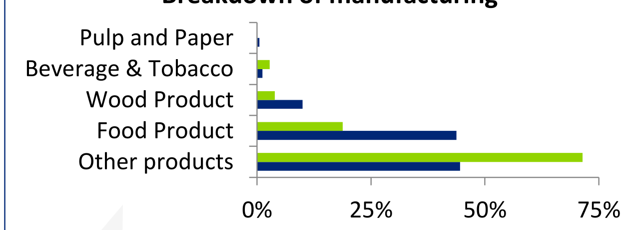


Source: Australian Bureau of Statistics (2011), *2011 Census – Employment, Income and Unpaid Work*, Employment by industry and place of work

Agriculture, fisheries and forestry is the largest sector in the GSC region accounting for 15.6% of regional employment (compared to 2.2% of Victorian employment as a whole).

Other important sectors include Health Care and Social Assistance, Retail Trade and Manufacturing

Breakdown of manufacturing



Note: The largest sub-sectors in "Other products" includes primary metal, metal product and fabricated metals, basic chemicals and chemical products, machinery & equipment, non-metallic and furniture.

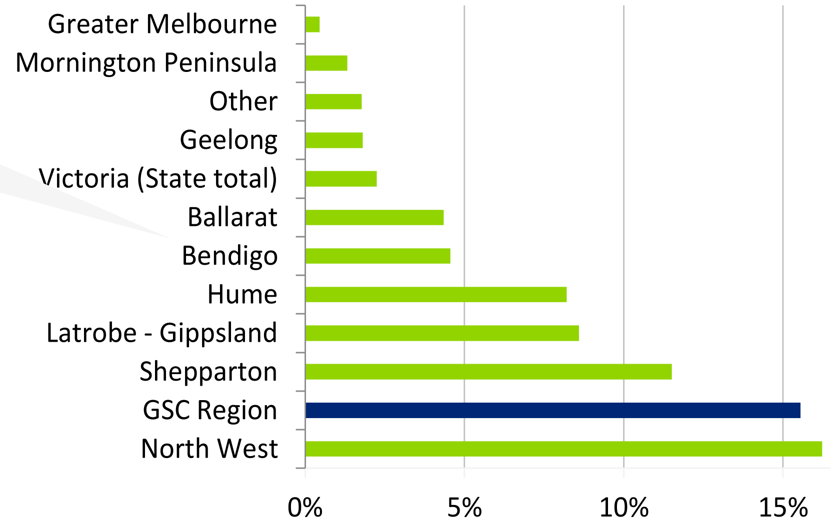
Agriculture fisheries and forestry increases to 21.6% when food, beverage and wood product manufacturing is taken into account.

2. Overview of GSC regional economy

Agriculture, forestry and fishing in GSC – Importance of sector

Agriculture, fisheries and forestry is more important to the GSC region than any other Victorian region, except the North West

Proportion employed in the agriculture forestry & fisheries sector (2011)



Source: Australian Bureau of Statistics (2011), *2011 Census – Employment, Income and Unpaid Work*, Employment by industry and place of work

Importance of agriculture to the GSC region

- Food and fibre production underpins an estimated 60% of Great South Coast economy.[1]
- The agriculture, forestry and fisheries sector generates over $2.1 billion for the GSC region, the vast majority of which comes from agriculture ($2 billion).[2]
- At the farm gate, production in the region was more than $760 million with milk and livestock sales being the dominant contributors.[1]
- In addition, manufacturing generates over $4 billion annually and significant portion of this value comes from the processing of agricultural products, such as dairy and meat processing.[1]
- In addition, a significant proportion of the GSC population is employed in sectors that directly or indirectly support the agricultural, fisheries and forestry sector, such as administration and professional, scientific and professional services.

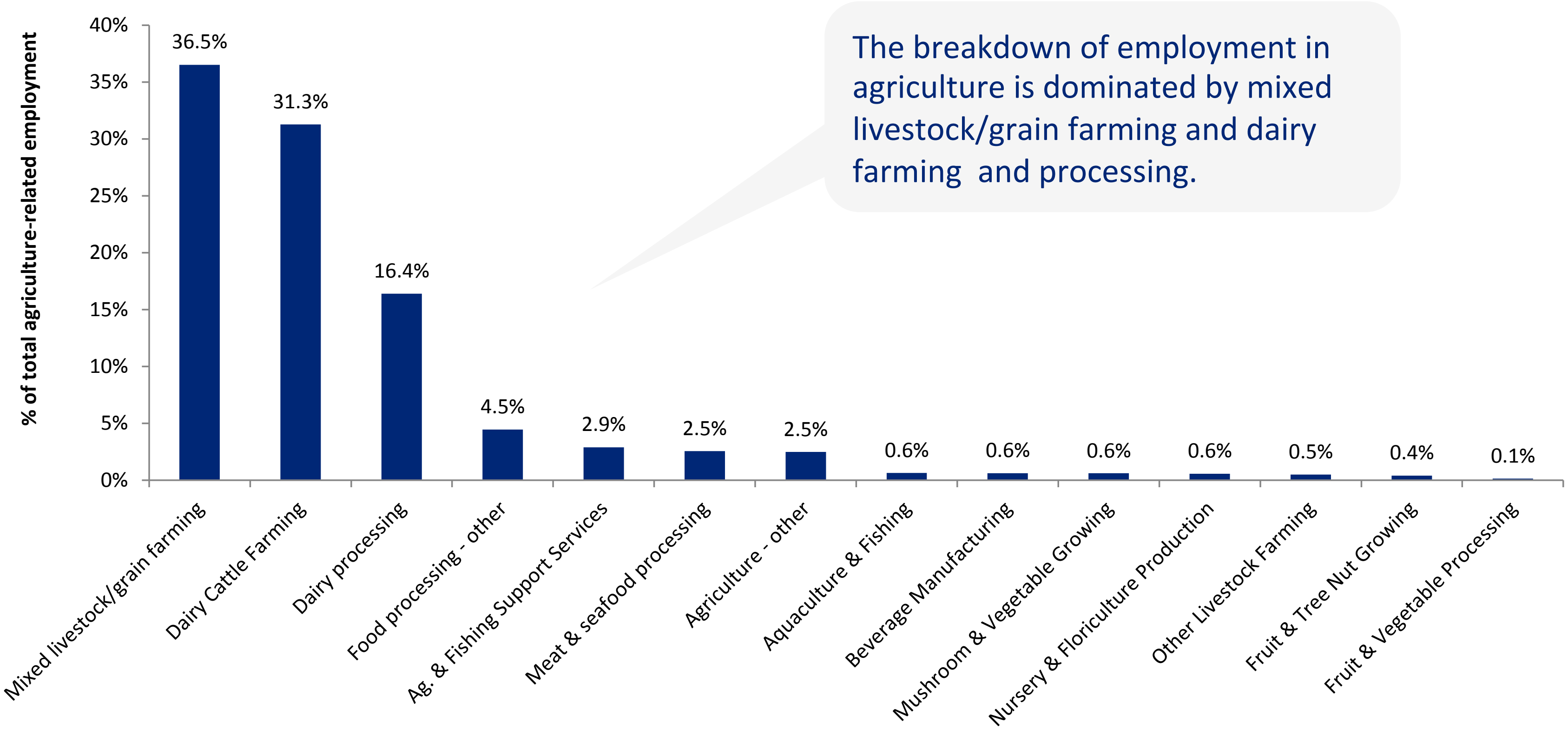
Importance of exports to the GSC region

- The region exports about 30% of its output, which is higher than other Victorian regions.
- Of the key commodities, 92% of wool is exported, grains (82%), skim milk powder (77%), beef (45%) and lamb (35%).
- In 2014, the total value of agricultural produce exported through Portland was $536 million.[4] This is bulk produce only.
- Exports grew at an average annual rate of 3.5% from 2001 to 2011.

2. Overview of GSC regional economy

Agriculture, forestry and fishing in GSC – Employment

% people employed in agriculture-related industries (2011)

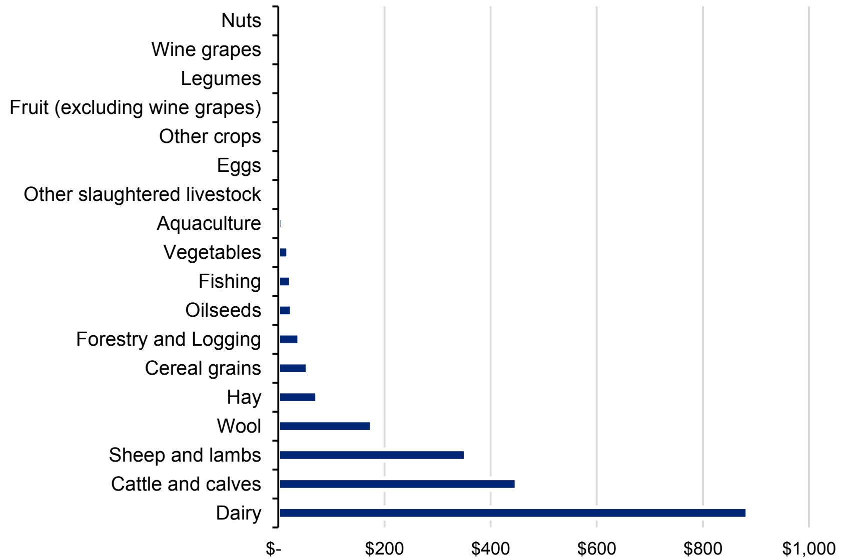


Source: Australian Bureau of Statistics (2011), *2011 Census – Employment, Income and Unpaid Work*, Employment by industry and place of work

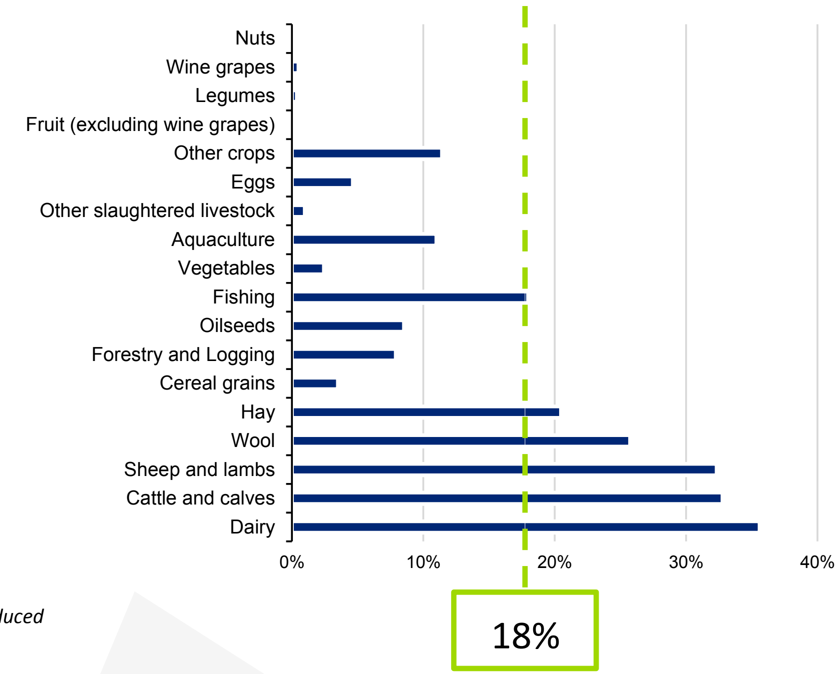
Overview of GSC regional economy

Agriculture, forestry and fishing in GSC – Gross value of production

GSC Gross value of agricultural production ($m) (2011)



GSC proportion of Victoria's gross value of production (%) (2011)



Source: ABS agricultural census, 2011 - ABS (2012,2013,2014), *7503.0 - Value of Agricultural Commodities Produced*

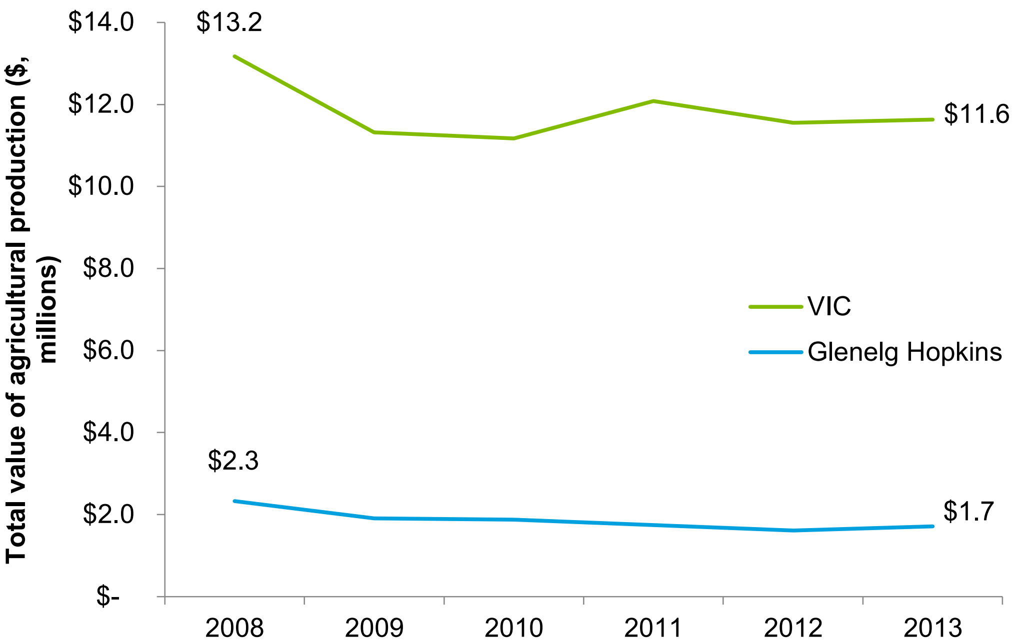
GSC agricultural production represents **18%** of Victoria's Ag, forestry and fishing production.

Dairy represents 36% of state production, while other livestock (cattle and sheep) represents 31%.

Overview of GSC regional economy

Agriculture, forestry and fishing in GSC – Gross value of production

Change in the gross value of agricultural production: Glenelg Hopkins region compared to the rest of Victoria, 2008 to 2013



Since 2008, the gross value of agriculture has declined.

This is a similar trend to the rest of Victoria

Source: ABS agricultural census, 2011 - ABS (2012,2013,2014), *7503.0 - Value of Agricultural Commodities Produced*

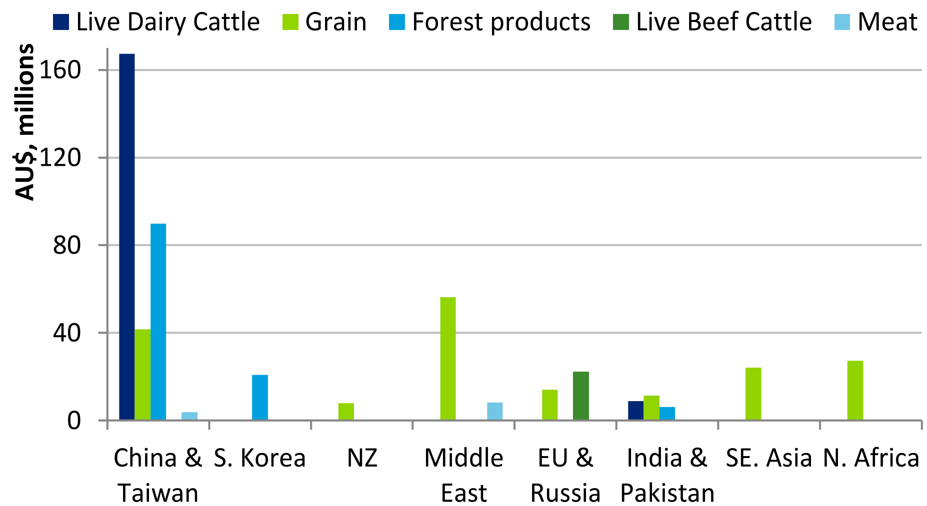
2. Overview of GSC regional economy

Significant infrastructure

Port of Portland

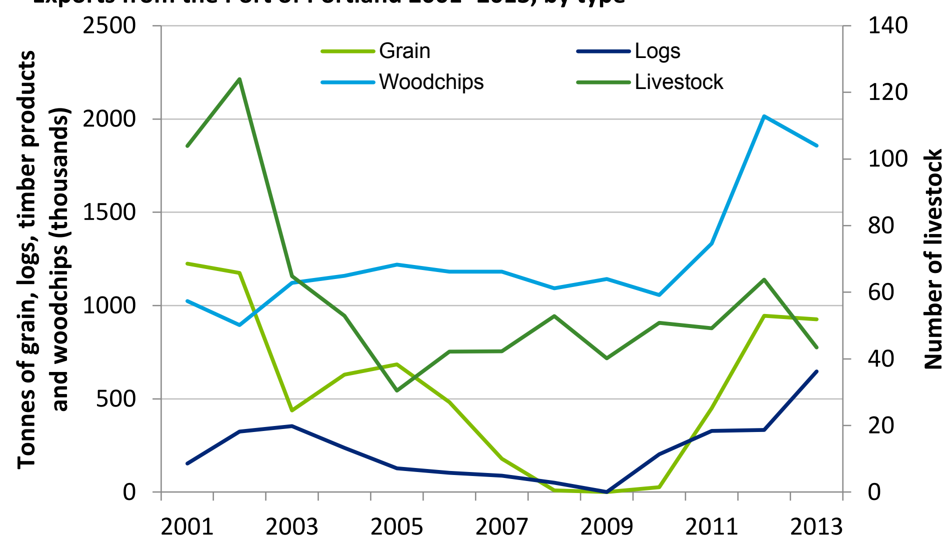
- Bulk handling Port (no containers)
- Exported products include timber, livestock, mineral sands, grains and woodchips.[1]
- 6.2 millions tonnes of trade worth $2.5 billion comes through the Port of Portland annually.
- Primary export gateway of the region, and enables direct access to national and international markets.
- As one of Australia's few deep water ports, it also attracts cruise ships.[5]
- The port is a hub for wild catch fishing in the region, providing permanent berthing facilities for approximately 50 commercial vessels. [1] Other key fishing ports include Apollo Bay, Warrnambool, Port Campbell and Port Fairy
- About 400 people are directly employed at the port.[1]
- Trade is expected to grow from an estimated $1.5 billion per annum in 2009 to $2.5 billion over the following five to ten years.[6]
- Port expansion is constrained due to a limited area for expansions, freight coordination issues, and noise and planning restrictions.[7]
- There is also no standard gauge rail link to Portland
- The bottom right chart shows grain exports through the Port of Portland declined substantially between 2006 and 2010 due to drought reducing grain production.[8]

Exports from the Port of Portland in 2014, by type and destination



Source: GTIS/ABS (2014), Australian Customs data, 2014

Exports from the Port of Portland 2001 -2013, by type



Source: Ports Australia website

2. Overview of GSC regional economy

Summary

Key points

- According to ABS statistics, agriculture, forestry and fishing (including first stage processing) is the largest sector (21.6% of regional employment) of the GSC economy and occupies 72% of the land area.
- Only the north west of Victoria has a larger proportion of people employed in agriculture, forestry and fishing.
- The largest commodity sectors (by value) are dairy, cattle and calves, sheep meat and wool.
- Food processing is also a major industry in the GSC – particularly for meat and dairy processing.
- The region also boasts a key bulk handling port (Portland) which transports agricultural produce of bulk grain, live animals and forestry products from surrounding regions and employs 400 people.
- However the gross value of agriculture, forestry and fishing has declined faster than the rest of Victoria from 2008 to 2013, due to the decline in agriculture, forestry and fishing which is a common trend for Victoria's regions.

2. Overview of GSC regional economy

References

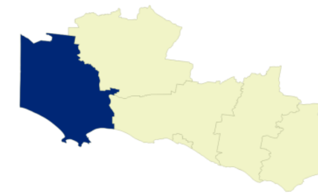
Information sources

1. Regional Development Victoria (2010), *The Great South Coast Regional Strategic Plan*
2. ABS (2012), *7503.0 - Value of Agricultural Commodities Produced, Australia, 2010-11*
3. EverGraze website, *South West Vic (lower): About the region, <http://www.evergraze.com.au/south-west-vic-lower/>*
4. Port of Portland data, 2014 (unpublished, provided by DEPI)
5. Great South Coast Group (2014), *Great South Coast Regional Growth Plan*
6. Great South Coast Group (2014), *Great South Coast Regional Transport Strategy*
7. Great South Coast Group (2014), *Great South Coast Regional Growth Plan: Background report*
8. Personal communication with internal Deloitte infrastructure expert
9. Regional Consultations, 2015
10. ABS (2011), *Census of Population and Housing*.
11. SED Consulting (2011), *GSC Cumulative impacts study*
12. ABARES (2014), *Agriculture, Fisheries and Forestry in the Warrnambool and South West region of Victoria*

3. GSC sub-regional breakdown

3. GSC sub-regional breakdown

Glenelg Shire

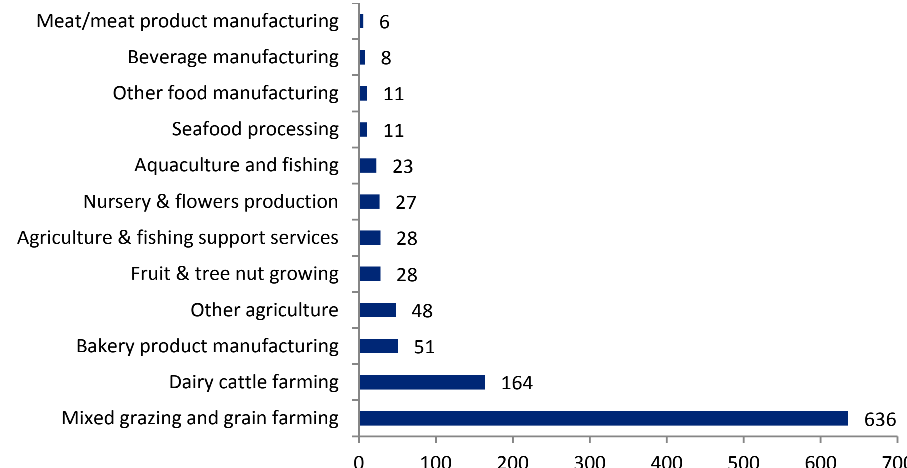


Population (2011):	19,848	Area (000 ha):	625
Pop density (no. p/ha):	0.03	GRP (2013, $m):	$772
Annual rainfall (mm):	624(Casterton)	GRP per capita:	$38,895

Key characteristics and trends

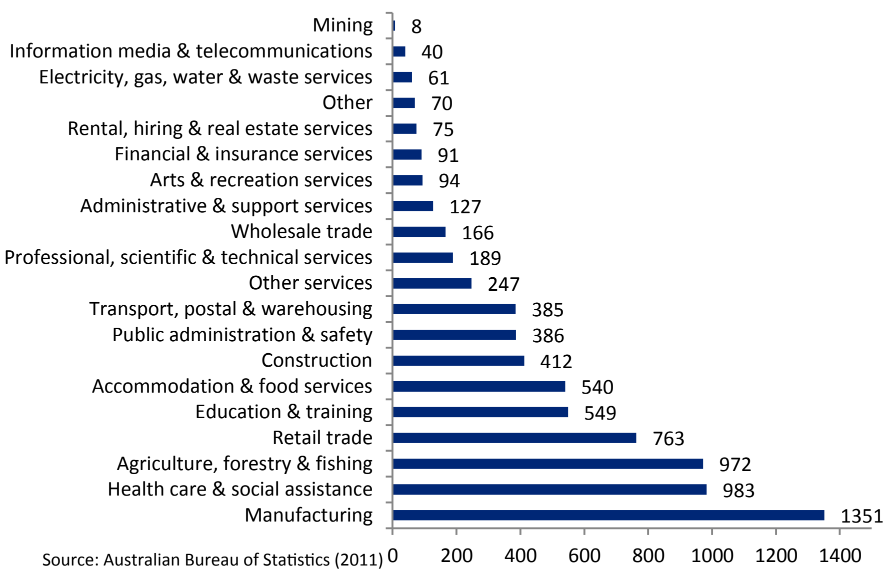
Projected population growth to 2031	0.1% per annum (low growth expected)
Rainfall variability (Index)	Low (0 to 0.5)
Highest value agricultural commodities	Beef, sheep meat, milk, wool and hay
Key food processing industries	Baked goods, seafood and beverages
Agriculture related employment	13.9% of people employed in the region

No. of people employed in agriculture related industries by place of work (2011)



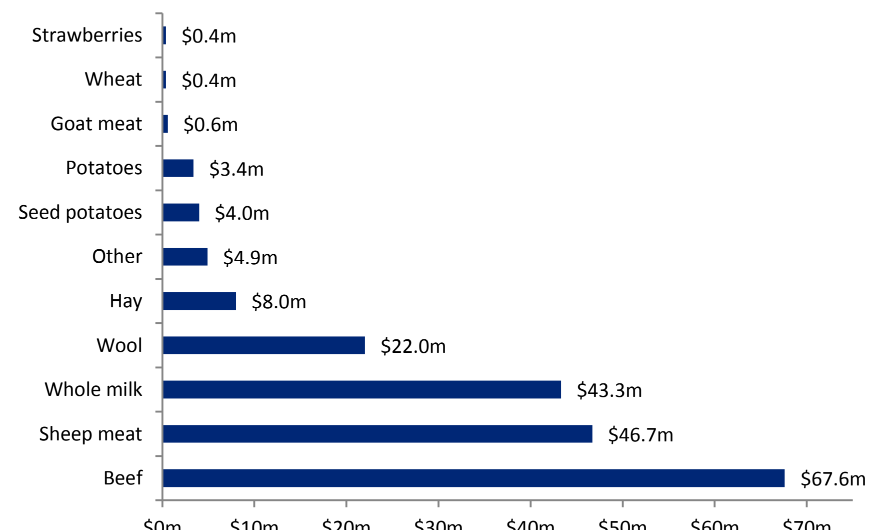
Source: ABS (2011), Census of Population and Housing: Employment by Place of Work

Sectoral breakdown of regional employment



Source: Australian Bureau of Statistics (2011)

Gross value of agricultural production ($m) (2011)



Source: ABS (2011), Agricultural Census

3. GSC sub-regional breakdown

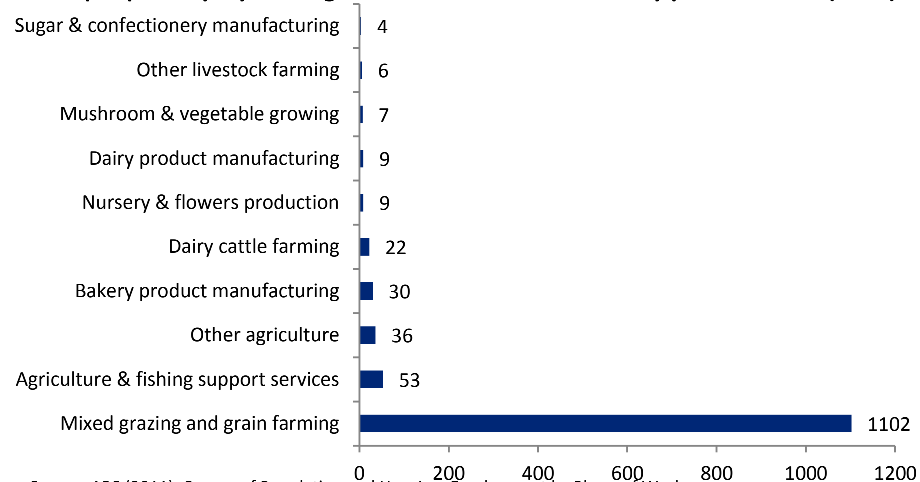
Southern Grampians Shire

Population (2011):	16,571	Area (000 ha):	668
Pop density (no. p/ha):	0.024	GRP (2013, $m):	$827
Annual rainfall (mm):	632(Cavendish)	GRP per capita:	$49,906

Key characteristics and trends

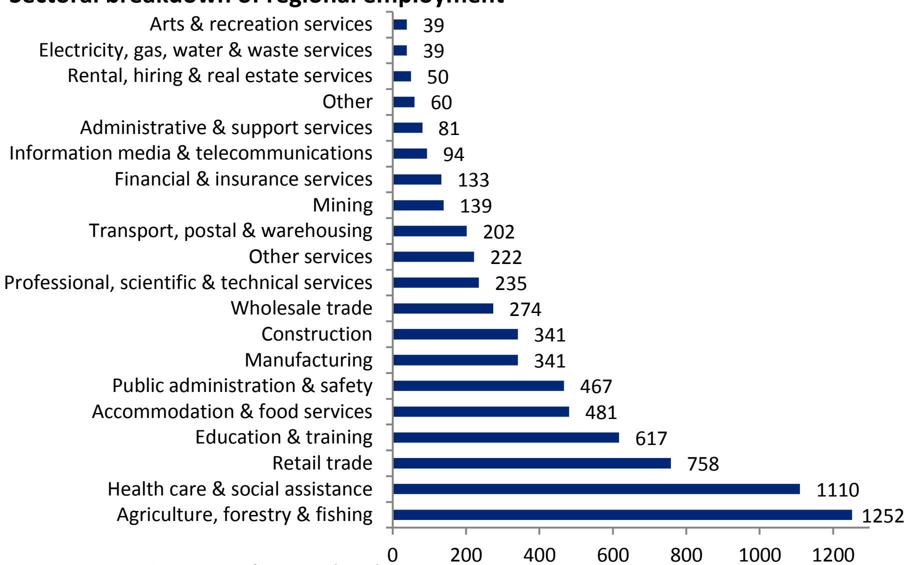
Projected population growth to 2031	-0.1% per annum (mild decline expected)
Rainfall variability (Index)	Low (0 to 0.5)
Highest value agricultural commodities	Sheep meat, Wool, Beef, Canola and Hay
Key food processing industries	Dairy, baked goods, meat and beverages
Agriculture related employment	18.4% of people employed in the region

No. of people employed in agriculture related industries by place of work (2011)



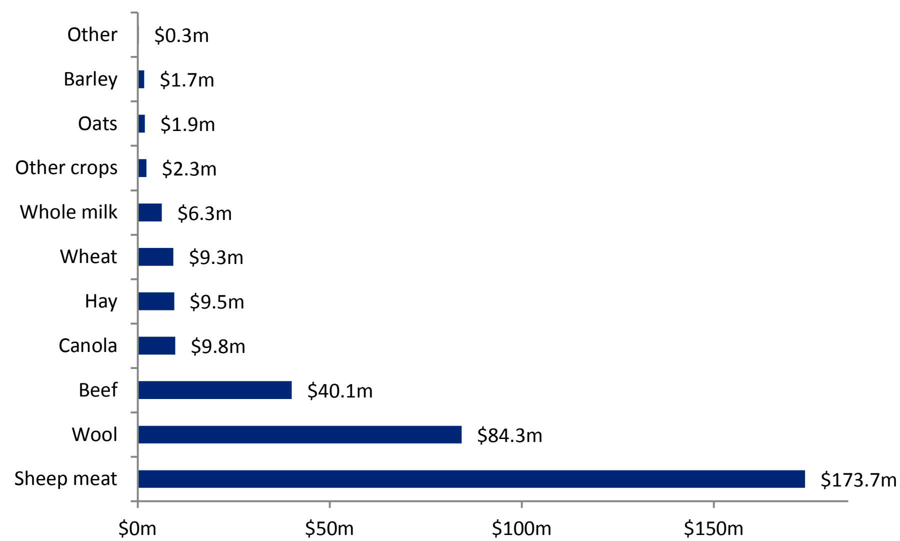
Source: ABS (2011), Census of Population and Housing: Employment by Place of Work

Sectoral breakdown of regional employment



Source: Australian Bureau of Statistics (2011)

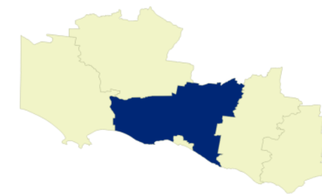
Gross value of agricultural production ($m) (2011)



Source: ABS (2011), Agricultural Census

3. GSC sub-regional breakdown

Moyne Shire

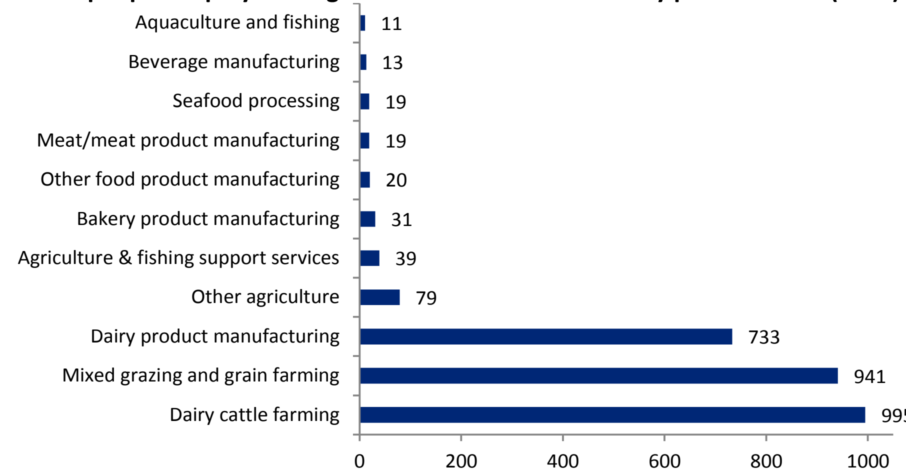


Population (2011):	**16,167**	**Area (000 ha):**	**550**
Pop density (no. p/ha):	**0.03**	**GRP (2013, $m):**	**$1,006**
Annual rainfall (mm):	**703**(Hawkesdale)	**GRP per capita:**	**$62,225**

Key characteristics and trends

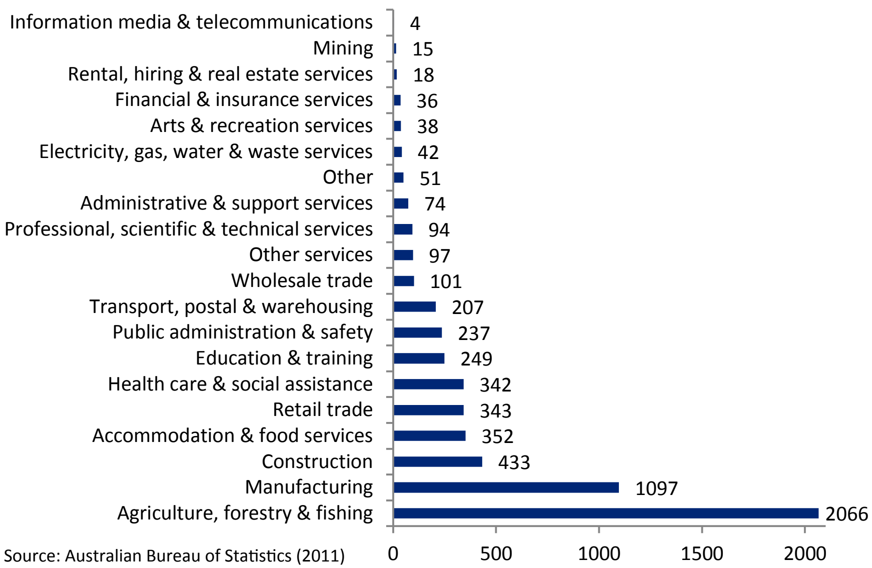
Projected population growth to 2031	0.6% per annum (low growth expected)
Rainfall variability (Index)	Low (0 to 0.5)
Highest value agricultural commodities	Milk, Beef, sheep meat, wool and hay
Key food processing industries	Dairy, baked goods, meat, seafood & beverages
Agriculture related employment	49.2% of people employed in the region

No. of people employed in agriculture related industries by place of work (2011)



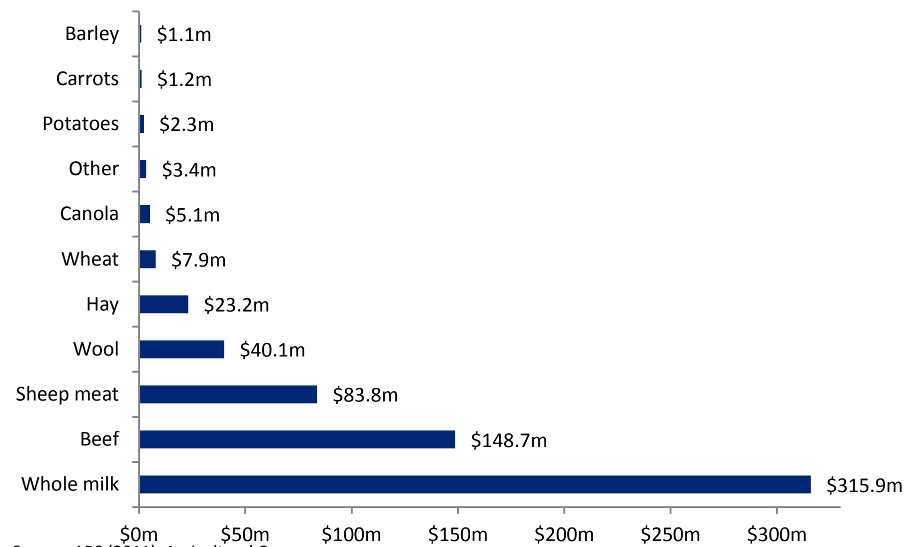
Source: ABS (2011), Census of Population and Housing: Employment by Place of Work

Sectoral breakdown of regional employment



Source: Australian Bureau of Statistics (2011)

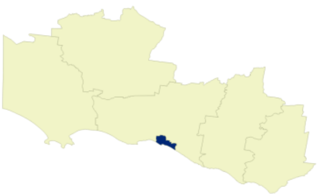
Gross value of agricultural production ($m) (2011)



Source: ABS (2011), Agricultural Census

3. GSC sub-regional breakdown

Warrnambool City

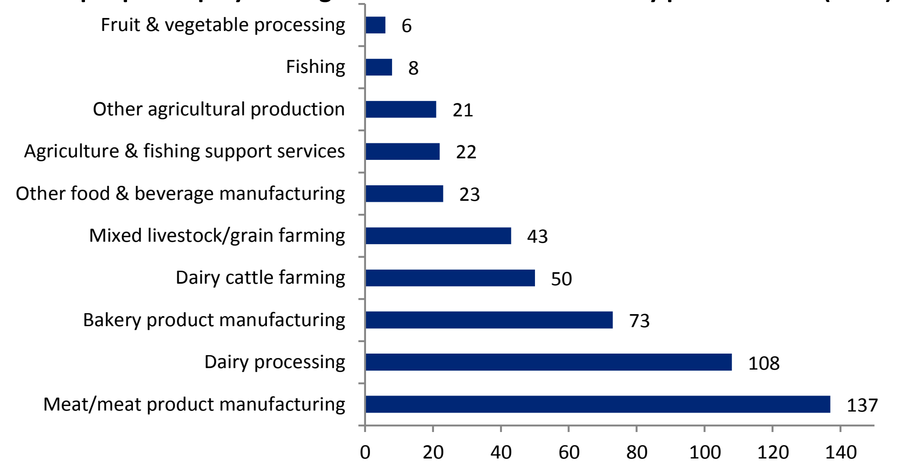


Population (2011):	32,667	Area (000 ha):	121
Pop density (no. p/ha):	0.27	GRP (2013, $m):	$1,382
Annual rainfall (mm):	722(Warrnambool)	GRP per capita:	$42,306

Key characteristics and trends

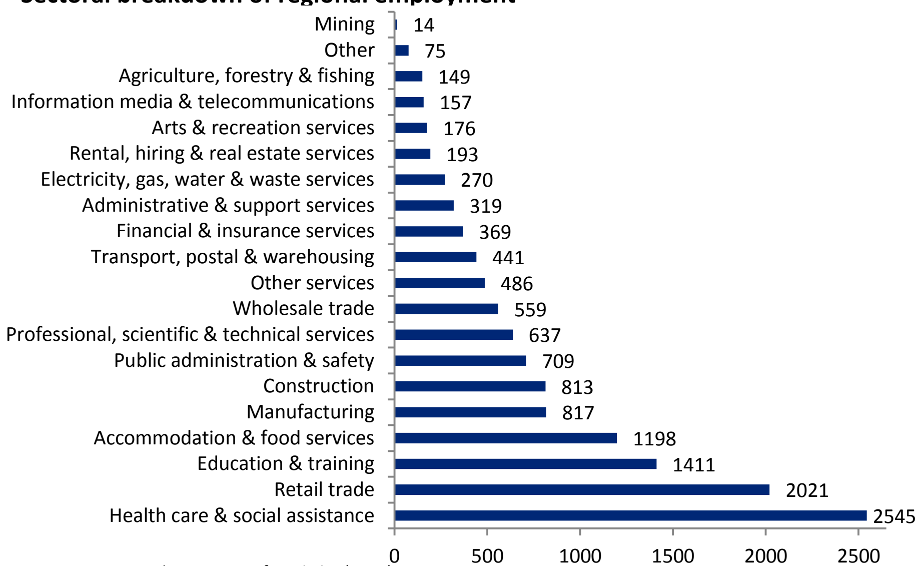
Projected population growth to 2031	1.1% per annum (low expected growth)
Rainfall variability (Index)	Low (0 to 0.5)
Highest value agricultural commodities	Milk, beef, sheep meat, wool and hay
Key food processing industries	Meat, dairy, baked goods
Agriculture related employment	3.7% of people employed in the region

No. of people employed in agriculture related industries by place of work (2011)



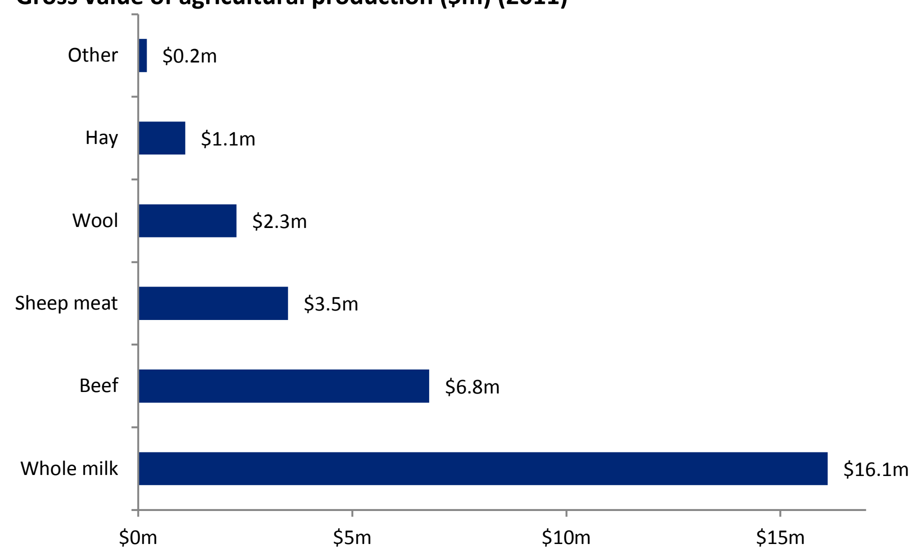
Source: ABS (2011), Census of Population and Housing: Employment by Place of Work

Sectoral breakdown of regional employment



Source: Australian Bureau of Statistics (2011)

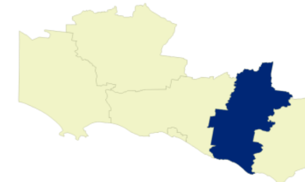
Gross value of agricultural production ($m) (2011)



Source: ABS (2011), Agricultural Census

3. GSC sub-regional breakdown

Corangamite Shire

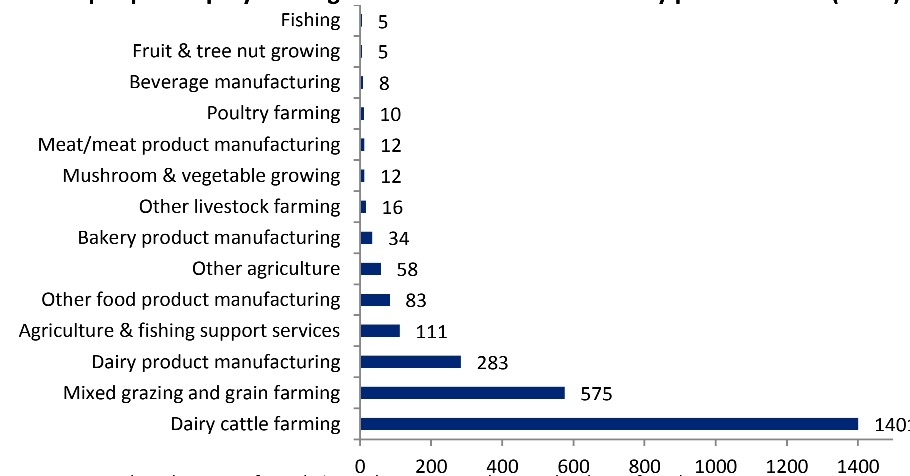


Population (2011):	16,526	Area (000 ha):	442
Pop density (no. p/ha):	0.04	GRP (2013, $m):	$965
Annual rainfall (mm):	767 (Camperdown)	GRP per capita:	$58,392

Key characteristics and trends

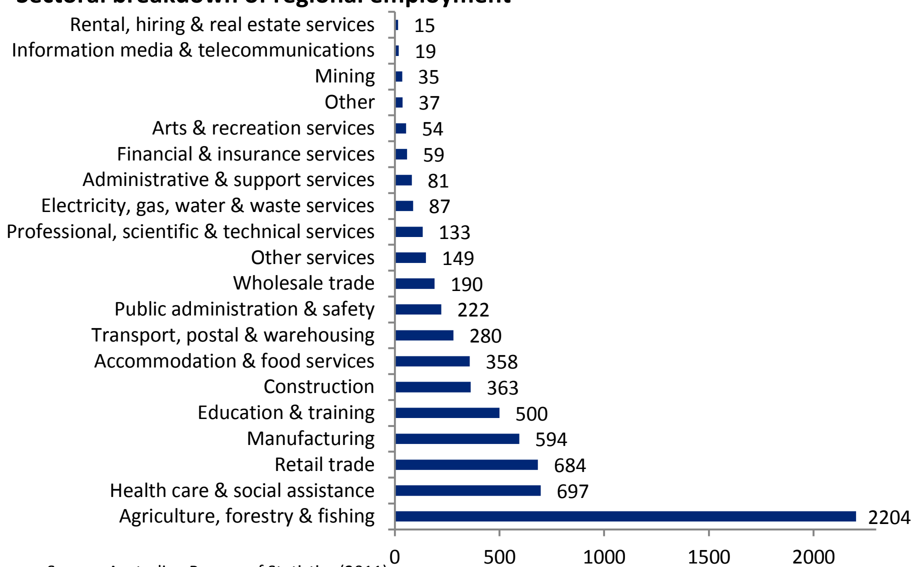
Projected population growth to 2031	-0.1% per annum (mild decline expected)
Rainfall variability (Index)	Low (0 to 0.5)
Highest value agricultural commodities	Milk, beef, sheep meat, hay, wool and wheat
Key food processing industries	Dairy, baked goods, meat and beverages
Agriculture related employment	38.6% of people employed in the region

No. of people employed in agriculture related industries by place of work (2011)



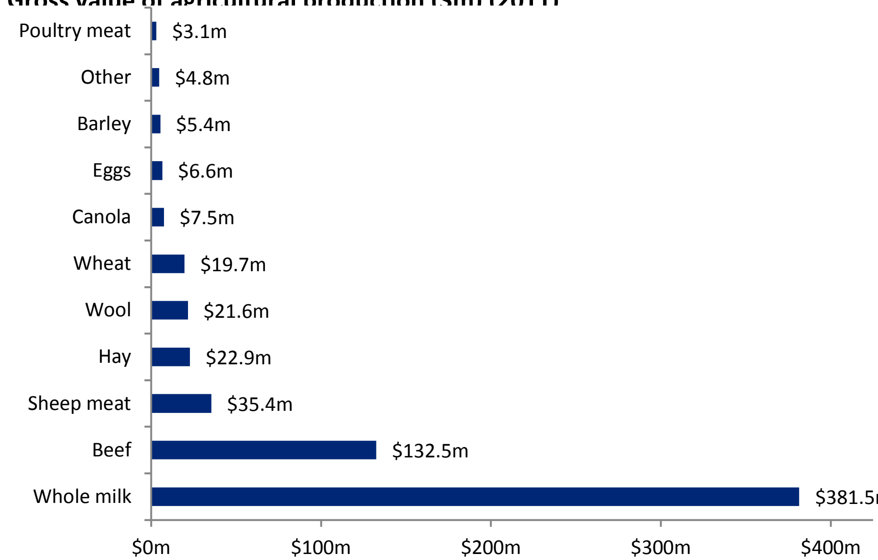
Source: ABS (2011), Census of Population and Housing: Employment by Place of Work

Sectoral breakdown of regional employment



Source: Australian Bureau of Statistics (2011)

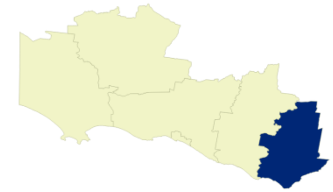
Gross value of agricultural production ($m) (2011)



Source: ABS (2011), Agricultural Census

3. GSC sub-regional breakdown

Colac-Otway Shire

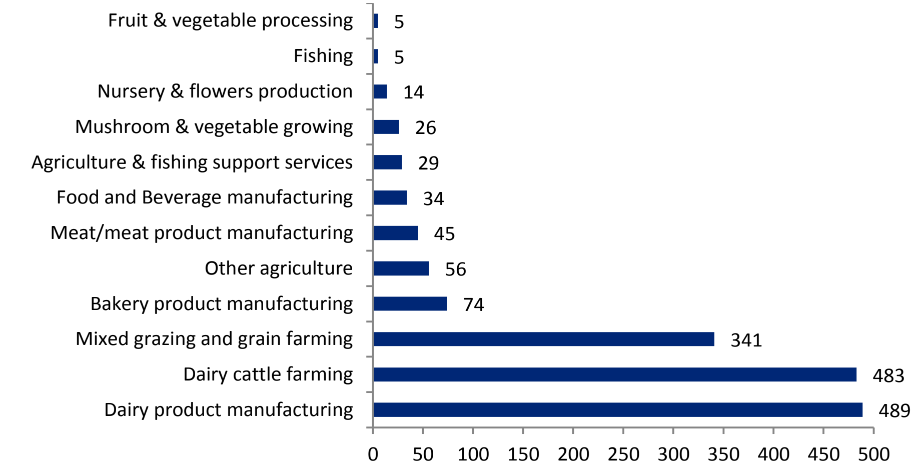


Population (2011):	20,799	Area (000 ha):	344
Pop density (no. p/ha):	0.06	GRP (2013, $m):	$900
Annual rainfall (mm):	731 (Colac)	GRP per capita:	$43,271

Key characteristics and trends

Projected population growth to 2031	0.4% per annum (low growth expected)
Rainfall variability (Index)	Low (0 to 0.5)
Highest value agricultural commodities	Milk, beef, sheep meat, hay and wool
Key food processing industries	Baked goods, seafood and beverages
Agriculture related employment	19.2% of people employed in the region

No. of people employed in agriculture related industries by place of work (2011)

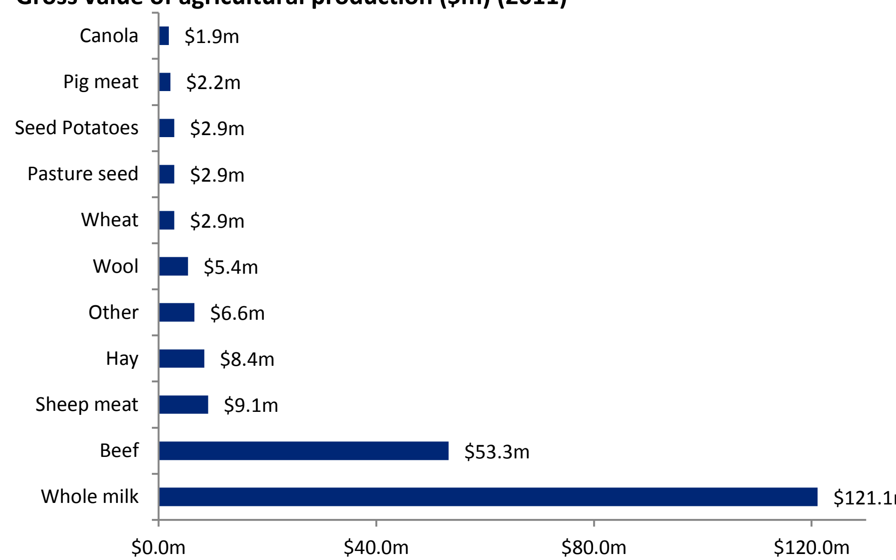


Source: ABS (2011), Census of Population and Housing: Employment by Place of Work

Sectoral breakdown of regional employment

Source: Australian Bureau of Statistics (2011)

Gross value of agricultural production ($m) (2011)



Source: ABS (2011), Agricultural Census

3. GSC sub-regional breakdown

Summary

Key points

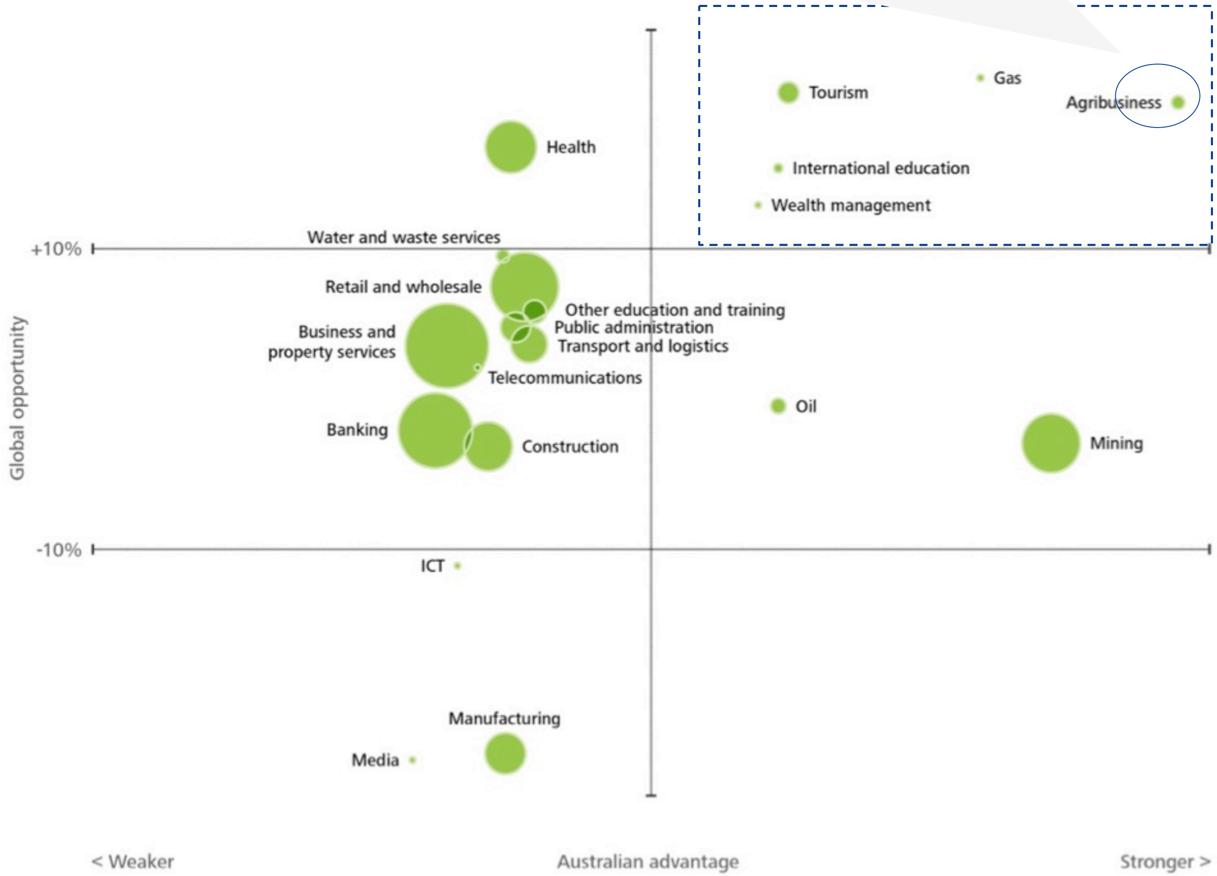
- Rainfall is higher in the east of the region than in the west of the region, and also higher in the south than it is in the north
- The rainfall variability index is low for the whole region
- Moyne and Corangamite are the shires with the highest total value of agricultural production, the highest proportion of the workforce employed in agriculture and the highest GRP per capita
- 93% of dairy (by value) is located in the east of the region – in the shires of Moyne, Corangamite and Colac-Otway
- 72% of sheep farming (sheep meat and wool by value) is located in the shires of Southern Grampians and Moyne
- 63% of beef cattle farming (by value) is located in the shires of Corangamite and Moyne

4. Opportunity and competitive advantage

4. Opportunity and competitive advantage

Growth potential of the Australian economy – prosperity map

Considering global opportunity and Australia's comparative advantage, a recent Deloitte report nominated **agribusiness** as one of five sectors of the Australian economy that are most strongly positioned for future growth.



Source: Deloitte 2014, *Building the Lucky Country, Positioning for Prosperity*

Deloitte Report: Building the Lucky Country

- The Deloitte report identifies a number of sectors in the Australian economy that are poised to provide Australia's future growth as the mining boom transitions
- These are sectors that exhibit strong global growth (the higher up the graph the greater the growth potential), but also sectors that Australian has strong comparative advantage relative to our direct competitors (further to the right the greater the comparative advantage)
- Five super sectors (the "Fantastic Five") have been identified as critical to Australia's future growth fortunes
- These five sectors represent areas in which the Australian economy has the greatest opportunity to seek further prosperity

4. Opportunity and competitive advantage

Agribusiness opportunity – regions and agribusiness sub-sectors

A more focused prosperity map framework assesses the growth opportunities of regions in Australia and the sub-sectors of agribusiness, using a tailored set of agricultural ‘demand drivers’ and ‘factors of advantage’

Demand drivers
• Population growth • Increase in per capita incomes • Supply constraints in growing economies • Urbanisation resulting in declining fertile land • Increased health consciousness • Safety assurance • Other demographic changes (ageing population) • Security of supply • Animal welfare concerns • Freshness • Environmental considerations • Demand for organic produce

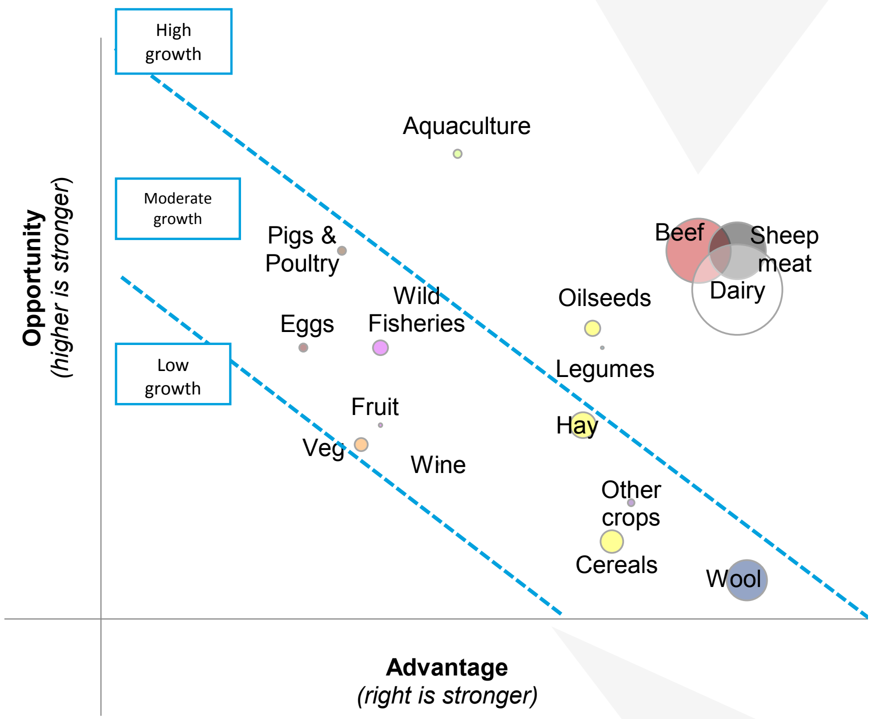
Theme	Factors of advantage
Macroeconomic	• Terms of trade, exchange rates • Economies of scale • Economies of density
Innovation	• Access to technology • Education and training • Research, development and extension • Age of workforce (ageing population) • Product differentiation
Natural resources	• Rainfall water availability • Irrigation water availability • Soil fertility • Area of arable land • Biosecurity • Length of growing season
Access to markets	• Spatial proximity to market (export) • Spatial proximity to market (domestic) • Trade barriers and access to markets
Cost of supply	• Regulatory burden • Land use conflicts • Cost of inputs – intermediates • Barriers to entry/exit • Cost of inputs - labour costs • Access to capital, investment attraction
Infrastructure	• Efficient supply chain and logistics

4. Opportunity and competitive advantage

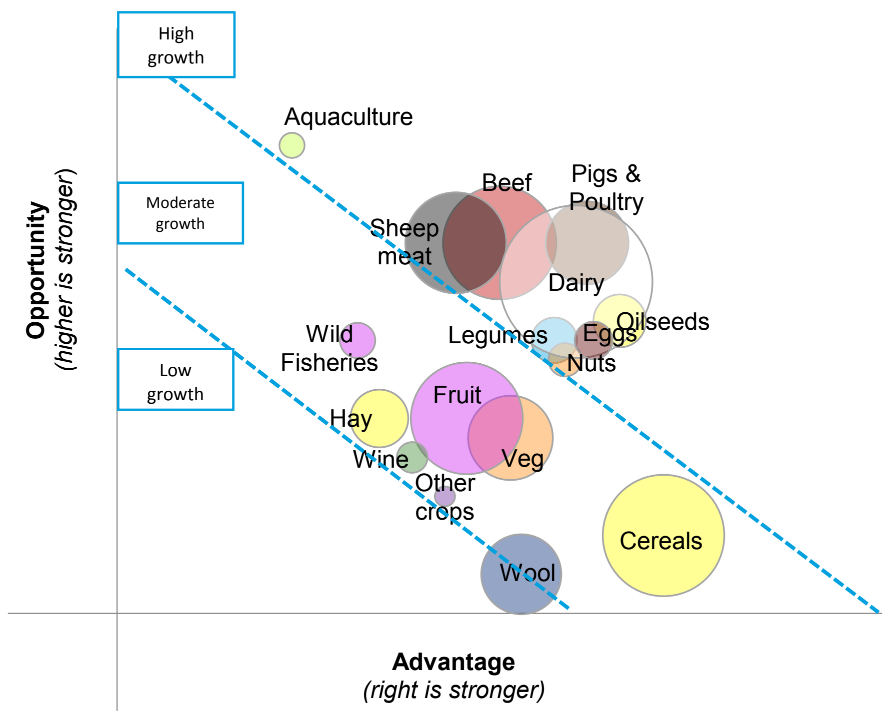
Agribusiness in Victoria and the Great South Coast

The beef, sheep meat, dairy, fisheries and aquaculture sectors have stronger advantage scores than the Victorian average placing them firmly in the area of high growth potential. These are also the three largest sectors in the region.

Great South Coast



Victoria



Wool, hay and other crops also have stronger advantage scores than Victoria, placing them in further to the right

4. Opportunity and competitive advantage

Demand drivers (opportunity axis) for agribusiness in Victoria and the Great South Coast

Increased "base load" demand for food

- Population growth is likely to increase overall demand for food, but more so for staple crops such as cereals
- Urbanisation encroaching on prime fringe agricultural land in developing countries, is also likely to increase overall demand for Australian produce that is export-oriented such as beef, dairy and grains
- Urbanisation may also create demand for higher value produce such as horticulture which requires fertile land
- Derived demand from the increase in global biofuel production for oilseeds
- Growth in fibre expected to come mainly from synthetics

Demand for higher value food (protein and status foods)

- Animal products of beef, lamb, dairy, pigs and poultry, aquaculture and wild fisheries are the highest protein sources of all sectors
- Vegetable products of legumes and nuts are also excellent sources of protein
- As hay and grains are a key feed source for some livestock production (and in times of low rainfall), it also benefits from the demand for protein albeit to a lesser extent
- Demand for status foods such as wine, meat, dairy products (cheese) and seafood (oysters, lobster etc.)

Demand for quality, safe, freshness and supply security

- Domestic demand for freshness is likely to increase demand for most food types, especially those that are perishable
- Increasing domestic health consciousness is likely to increase domestic demand for fruit, vegetables, legumes, nuts and fish products but decrease demand for red meat, wine and dairy products
- Health consciousness is also likely to drive demand for oilseeds as an alternative to tropical oils
- Supply security is an increasing attribute of food for some countries, and increases demand for export oriented produce that have lower risk and can guarantee supply
- Quality and safety demands will affect all food sectors

Demand for ethical produce

- Animal welfare concerns will increase demand for free range production and also favour lower footprint produce (fruit and vegetables)
- Animal welfare concerns may also have some positive impact on Australian food processing as live trade practices comes under increased scrutiny
- Demand for organic production is increasing, albeit off a low base

4. Opportunity and competitive advantage

Factors of advantage (advantage axis)

Australia vs. the world

Advantage

- Australia scores well on quality of infrastructure in Global Competitiveness Index – **good overall quality of infrastructure**
- Australia has high rating for biosecurity as measured by cattle disease outbreaks – **high biosecurity levels**
- Australia has excellent access to technology according to technological readiness indicator in Global Competitiveness Index – **technology ready**
- Australia's education system is world class – **high education levels**
- Australia scores highly for innovation in Global Competitiveness Index which includes R&D activity and quality – **innovative culture**

Disadvantage

- Australia is a high cost labour environment – **high labour costs**
- Australia has an ageing workforce according to the World Bank age dependency ratio – **ageing workforce**
- Australia has high burden of Government regulation according to Global Competitiveness Index – **regulatory burden**
- High $AUD, although is expected to be much lower than recent times with a projected longer term average of around $USD 0.75c – 0.80c which will benefit export oriented sectors – **high dollar**

Great South Coast vs. Victoria

Advantage

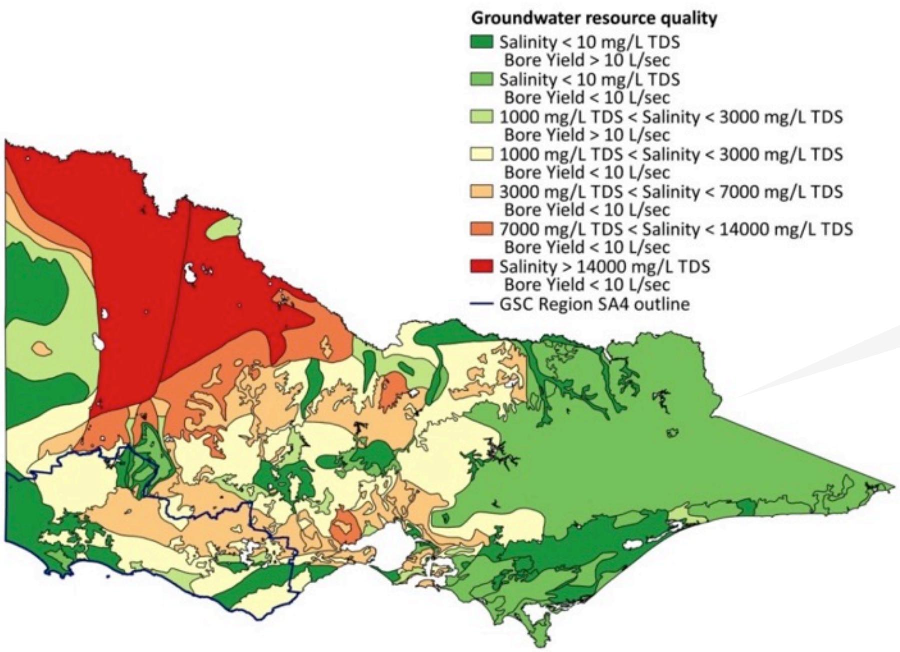
- GSC has the largest businesses (by $ value) in Victoria for dairy, beef, lamb and wool – **economies of scale**
- GSC has a high density of production compared to Victoria for dairy, beef, lamb and wool – **economies of density**
- GSC has higher and more reliable rainfall than the Victorian average (although this varies significantly between sub-regions) – **reliable rainfall**
- GSC is around the Victorian average for irrigation water resources , although has high yielding and good quality groundwater – **groundwater availability**
- GSC has the second highest grazing land fertility (as measured by carrying capacity) – **good soil fertility**
- GSC has significant port to export grains and live animals – **key port**

Disadvantage

- Due to distance from capital city, GSC has a higher cost of intermediates (fuel, fertilizer, chemicals etc.) than the Victorian average – **high input costs**
- GSC is less than the Victorian average for distance of population to highway – **supply chain efficiency**
- GSC has higher wage rates for beef, wool and lamb than the Victorian average – **high labour costs**
- GSC is a greater distance away from key Melbourne ports for dairy, beef and lamb exports compared to Victorian average – **distance to other ports**
- GSC are further away from domestic markets than most other regions of Victoria – **domestic market access**

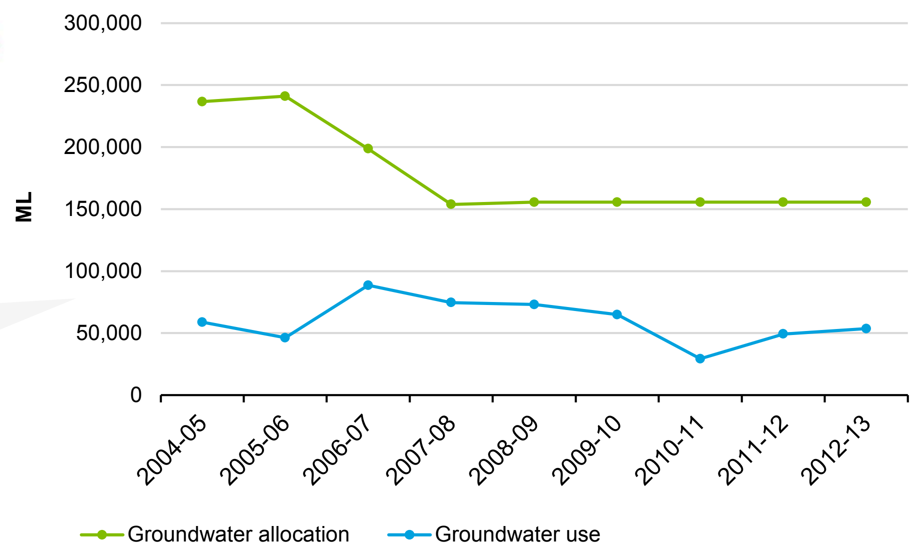
4. Opportunity and competitive advantage

Natural resources capacity – groundwater availability



Groundwater yield and quality is extremely high in certain areas of the GSC region, particularly the Glenelg water supply protection area.

Allocation of permissible consumptive volume versus groundwater use in GSC groundwater management areas and water supply protection areas



While groundwater resources are 100% allocated in the region, it has been an underutilised resource over the nine years to 2012-13 with use well below sustainable diversion limits.

Source: Compiled from Victorian Water Accounts reports 2004-05 through 2012-13

4. Opportunity and competitive advantage

Summary

Key points

- The drivers of global demand for food products are aligned to the industries which the GSC are strong in – dairy, beef and sheep meat in particular. In addition, aquaculture and oilseeds are also established in the region.
- Compared to the rest of the world, Australia is strong in the advantage factors that relate to innovation and technology adoption and also in biosecurity (i.e. Australia's safe and sustainable reputation)
- Compared to other Victorian regions, GSC has some key competitive advantages in natural resources such as high rainfall , low rainfall variability, high quality groundwater supplies and good quality soils
- On the disadvantage side, however, the GSC is further away (on average) from domestic markets and key export ports for beef, dairy and sheep meat
- Australia's regulatory burden, high labour costs and ageing workforce are also key challenges which are felt in the GSC region.

5. Situational Analysis – Beef

5. Situational analysis – beef

Dashboard

TREND: Growing

GSC Region production:	$449 mil[1]	VIC exports:	$1 bil[2]
% of VIC production:	33%[1]	VIC % of Aust. Exports:	14%[2]

Key industry characteristics & trends

- On average, South West livestock properties ran 402 cattle in 2013-14.[4]
- R&D activity – Hamilton Red Meat Research Centre funded by $1.75m.[8]
- Export demand is strong due to a declining $AUD, tight competitor supply conditions (e.g. USA), strong growth and changing preferences in Asia, post-GFC economic recovery and Free Trade Agreements.[3]
- Beef prices have recovered in recent times due to record low cattle numbers from strong 2014 live export and slaughter numbers. [3]

Key markets & export competitors

- Relative to the rest of Victoria and Australia, the GSC exports a low proportion of its beef production.
  - GSC Exports: 45%.[2]
  - VIC exports: 71%.[8]
  - Australian exports: 75%.[8]
- Key Australian beef exports markets: USA (31%), Japan (23%), Korea (12%) and China (10%).[3]
- Key live export markets for GSC: China.[3]
- Key export competitors: USA, Brazil, India and New Zealand.[3]

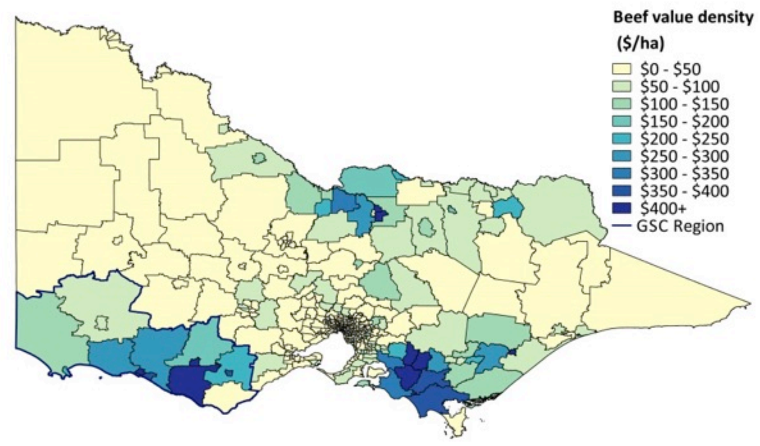
Key products

- Processed beef (100% grass fed)
- Breeding and genetics
- Store cattle

Supply chain

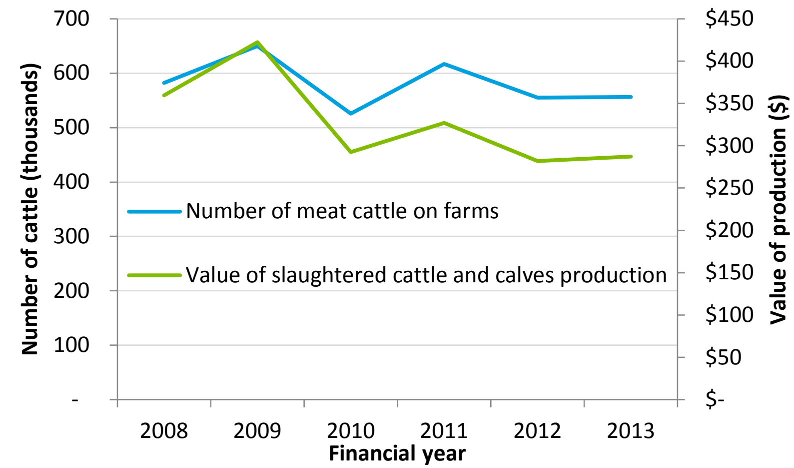
- Major meat processing plants in Warrnambool and Colac. [2]
- Increase in boutique meat processors in the region (Timboon & Camperdown)
- Few feedlots in region as cold climate
- Port of Portland exported $184.8 million worth of live dairy cattle and $22.3 million of live beef cattle in 2014.[5]

Value density of beef production by SA2 region ($ per ha)



Source: ABS (2011), Agricultural Census

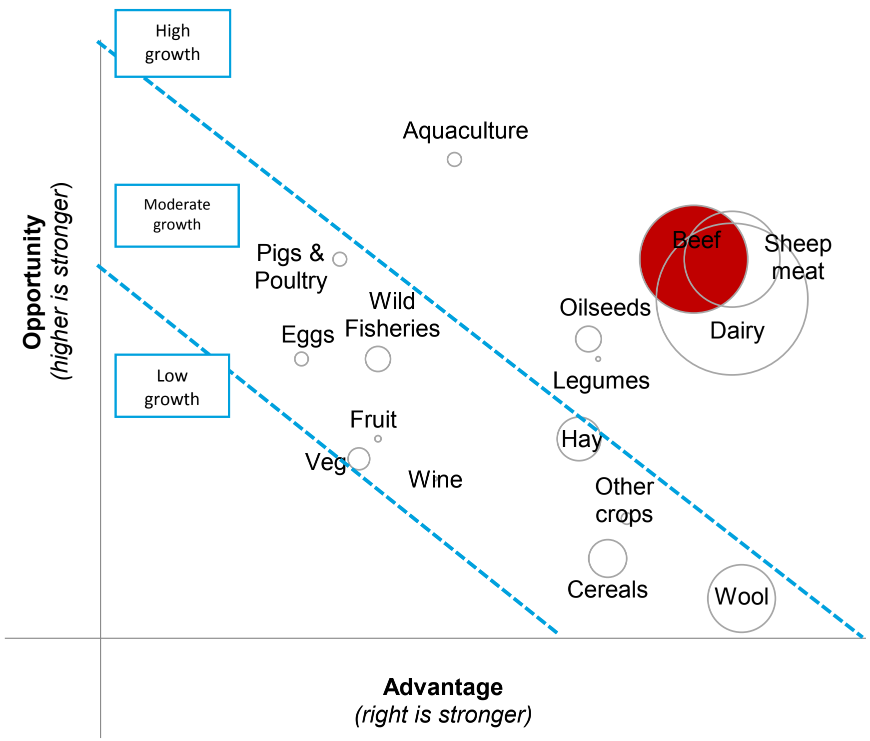
Value of production & livestock numbers (Glenelg-Hopkins NRM region)



Source: ABS, Value of Agricultural production and Agricultural commodities (2008-2013)

5. Situational analysis – beef

Prosperity map



Global Opportunities

- Demand for protein-rich foods as a result of higher incomes is driving an increase in global beef consumption – **demand for protein**
- Beef consumption is associated with brand status – **higher incomes**
- Some environmental and animal welfare concerns (feedlot and live trade practices) – **welfare concerns**
- Higher domestic prices and consumer preferences have reduced domestic beef consumption and are forecast to further reduce consumption by 1.1% in 2015.[3] – **reducing domestic demand**

Factors of advantage

- 100% grass fed
- High and reliable rainfall
- The average value of beef production on GSC farms is the highest in Victoria, possibly due to breeding cattle for genetics – **economies of scale**
- GSC has higher soil fertility levels for grazing – **better carrying capacity**
- GSC has a large area of agricultural land (second to the north west) – **large area of arable land**
- GSC has good proximity to export markets (for live trade) through the Port of Portland – **access to markets**
- Free Trade Agreements with China, Korea and Japan will see tariff removals over the next 10 years – **removal of trade barriers**
- Chinese bans on US and Brazilian beef imports (due to outbreaks of BSE) have favoured Australian beef – **disease free status**

5. Situational analysis – beef

Supply chain

Service providers

- Saleyards (Colac, Warrnambool, Camperdown & Hamilton)
- 21 stock feed companies
- 27 livestock agents
- 71 veterinarians
- 38 agricultural machinery providers
- 14 farm consultants
- 37 farm contractors
- 35 farm/rural suppliers

Farms

- The South West has approximately 39% of Victoria's beef cattle and 29% of properties running beef cattle.[6]

Processors

- Meat processing plants in Warrnambool and Colac.[8]
- The Midfield Meats abattoir in Warrnambool is the primary meat processor.[5]
- Boutique meat processors in Timboon and Camperdown

Saleyard, aggregation facility

- There are five livestock saleyards in the GSC regions and others in the surrounding regions.
- Saleyards are located at Warrnambool, Hamilton, Colac, Camperdown and Casterton.

Domestic beef

- 55% of the GSC region's beef is consumed by the domestic market.[2]

Export beef

- 45% of the GSC region's beef is exported out of Melbourne Ports.[2]

Live export

- Port of Portland exported $184.8 million worth of live dairy cattle and $22.3 million of live beef cattle in 2014.[5] Majority of this trade was for genetics rather than consumption.

5. Situational analysis – beef

SWOT analysis

Strengths

- 100% grass fed beef **– Growth market**
- **Reliable rainfall**
- Absence of BSE and other diseases – **Disease free status**
- **Economies of scale and density** provide a high standard and low cost of infrastructure and agricultural support services that would not be available to a small or widely dispersed sector.
- **Proximity to Portland Port** for live trade
- **Large area of prime grazing land** allowing for large scale and high density cattle production.
- **Reputation for high quality and bio-secure beef products**, which gives the GSC Region an advantage over producers in countries with incidences of cattle disease outbreaks or food safety scares.

Weaknesses

- **Free Trade Agreements of competitors** such as the Free Trade Agreement between NZ and China, which is currently has more favourable tariffs and future reductions although will eventually be a level playing field
- **Ageing workforce and youth relocation** is reducing the availability of farm workers, particularly in regional areas such as the GSC.
- **Capital** needs exceed current levels of investment.
- **Input costs** such as fuel, fertiliser and chemicals are relatively high in Australia and even higher in regional areas such as the GSC region.
- **High labour costs** compared to competition in other countries
- **Regulatory burden** is high in Australia.

Opportunities

- Australia geographically close to countries of high demand growth
- **Australia's reputation for high quality and bio-secure** food products leaves it well placed to meet this increasing demand.
- **Meat demand** is growing due to rising incomes in Asia.
- **Consumer animal welfare consciousness** is increasing, providing opportunities for free range cattle farmers to sell beef at a premium.
- **Free Trade Agreements** will significantly reduce tariffs over the next decade, increasing margins and/or reduce prices to increase demand.
- **Lower Australian Dollar, lower interest rates and lower oil prices, and the post-GFC global economic recovery** increase profitability
- Substantial and underutilised **groundwater availability**
- **Leveraging opportunity from decline in US herd**

Threats

- **Disease outbreak** (such as mad cow disease) would be catastrophic for Australian beef, as would face bans into China.
- **Competition** from other countries with efficient supply chains (e.g. EU, USA and Canada). Lifting of Chinese bans on US and Brazilian imports.
- **Increased consumer animal welfare consciousness** may lead some farmers to experience reduced prices, increased welfare activism and adverse legislative changes.
- **Reduced domestic demand** from high prices and consumer preferences has increased reliance on exports, increasing associated risks such as exchange rate and recession in key markets. The response of domestic consumption to lower prices is uncertain.

5. Situational analysis – beef

References

Information sources

1. ABS (2012), *7503.0 - Value of Agricultural Commodities Produced, Australia, 2010-11*
2. Regional Development Victoria (2010), *The Great South Coast Regional Strategic Plan*
3. MLA (2015), *Australian cattle: Industry projections 2015*
4. Great South Coast Group (2014), *Great South Coast Regional Transport Strategy*
5. Port of Portland data, 2014 (unpublished, provided by DEPI)
6. EverGraze website, *South West Vic (lower): About the region, <http://www.evergraze.com.au/south-west-vic-lower/>*
7. Australian Lot Feeders' Association website, *About the feedlot industry* <http://www.feedlots.com.au/index.php?option=com_content&view=article&id=67&Itemid=111>
8. DEPI (2014), *Beef Industry Profile*

6. Situational Analysis – Dairy

6. Situational analysis – dairy

Dashboard

TREND: Recovering

GSC Region production:	$884 mil[1] 36%[1]	VIC exports: VIC export share value:	$2.3 bil[6] 85%[6]

Key industry characteristics & trends

- Corangamite and Moyne rank second and third respectively of Victorian LGAs in terms of gross value of dairy production.[1]
- After more than a decade of continuous strong growth, dairy production plateaued since 2000. However, production increased by more than 5% from 2007-2012 (see chart right).[4]
- To meet extensive on-farm investment needs, the industry is actively seeking foreign investment and investigating alternative business structures.[6]

Key markets & export competitors

- China ($369m), Japan ($359m), Singapore ($220m)[5] and Indonesia (184m).[6]
- The Chinese export market for premium UHT milk is projected to grow by 50% from 2012 to 2017.[6]
- Australian dairy exports account for approximately 7% of the global market ($2.76 billion), Victoria accounts for approximately 85% of these exports.[6]

Competitors (% of the global dairy market): NZ (37%), EU (31%), and USA (11%).[6]

- NZ dairy is 51% of China imports (Australia is 4%)

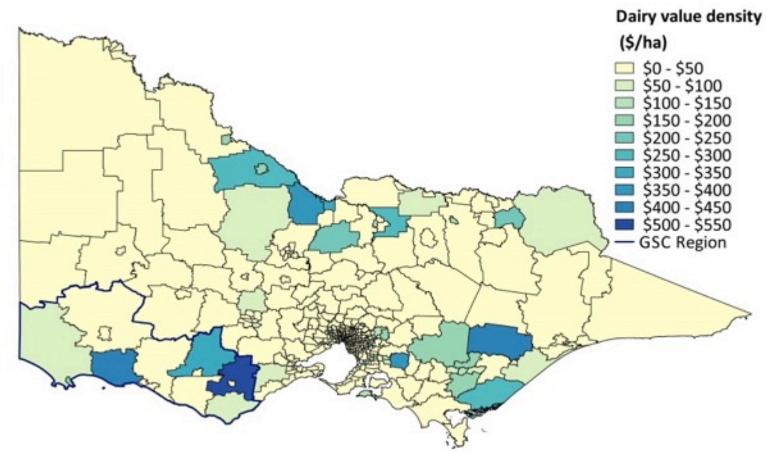
Key products

- Fresh and UHT milk
- Milk powder
- Cheese
- Butter
- Boutique products (Buffalo and sheep milk products)

Supply chain

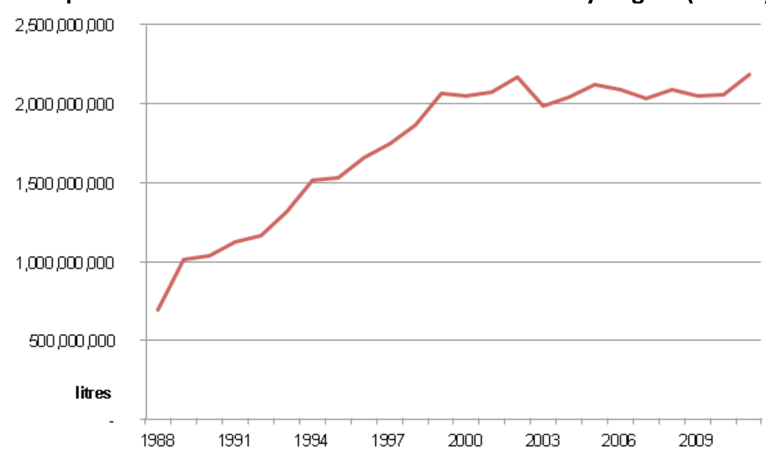
- 4 major processors.[3]
- Growing presence of boutique processors in the region
- Dairy products transported to Melbourne ports by road.[4]
- Exports through the Port of Melbourne: 131,735 kg, $687m.[3]

Value density of dairy production by SA2 region ($ per ha)



Source: ABS (2011), Agricultural Census

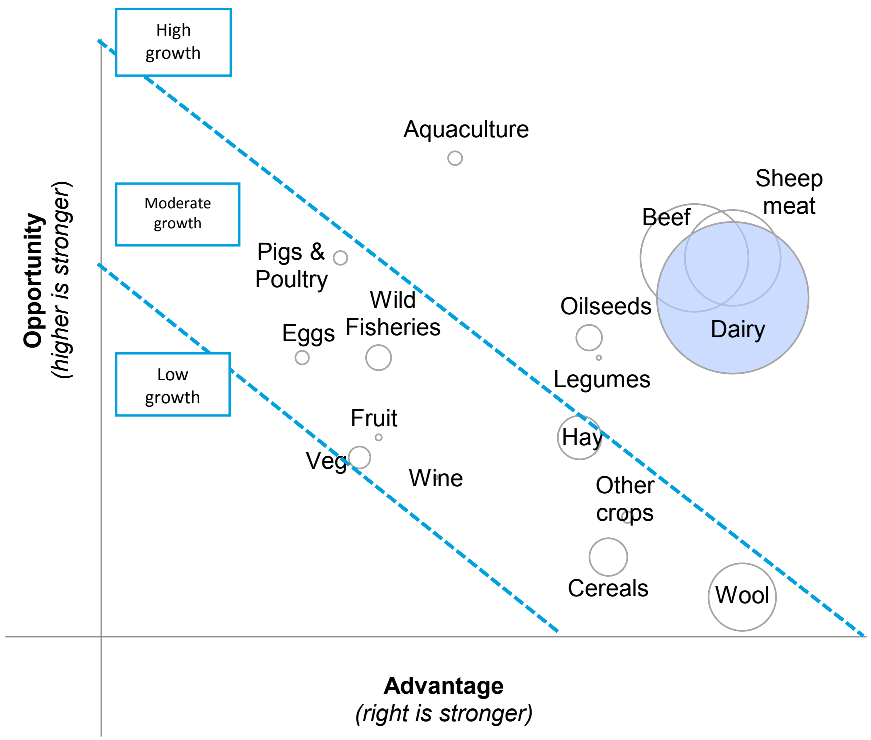
Milk production from 1990 to 2013 for WestVic Dairy Region (RMCG)



Source: RMCG Filling the Glass

6. Situational analysis – dairy

Prosperity map



Global Opportunities

- Demand for protein-rich foods as a result of higher incomes is driving an increase in global dairy consumption – **demand for protein**
- Strong demand for product quality and safety from recent food safety scares for dairy e.g. infant formula contamination scares in China – **demand for safe, quality produce**
- Brand status considerations for certain dairy products such as cheese – **higher incomes**

Factors of advantage

- Rainfall higher than Victorian average **– reliable rainfall**
- Access to 'red wheat' grain sources – **access to cheap grain**
- Predominantly dryland production means producers in region do not have high fixed water charges or contend with fluctuating water prices – **input costs**
- The average value of dairy production on GSC farms is the highest in Victoria – **economies of scale**
- GSC has higher soil fertility levels for dairy cattle grazing – **soil fertility**
- Free Trade Agreements with China, Korea and Japan will result in the removal of tariffs over 10 years – **removal of trade barriers**
- GSC has highest proportion of dairy workforce with tertiary agricultural qualification in Victoria – **high education levels**

6. Situational analysis – dairy

Supply chain

Breeders / Saleyards

- Specialist breeders in region
- Five livestock saleyards in the GSC regions and others in the surrounding regions.

Service providers

- 21 stock feed companies
- 27 livestock agents
- 71 veterinarians
- 38 agricultural machinery providers
- 14 farm consultants
- 37 farm contractors
- 35 farm/rural suppliers

Dairy farms

- 1500 farms
- 440,000 cows in 2011-12
- 2.1 billion litres of milk a year

Processing

Fonterra (Dennington, Cororooke & Cobden)

- Annual intake 600m litres
- Butter, cheese, fresh milk and powders

Warrnambool Cheese and Butter (Allansford)

- Annual intake 880m litres
- Fresh milk, cheese, whey, cream, milk powders, butter, anhydrous milk fat

Murray Goulburn (Koroit)

- Whole milk power, skim milk powder, butter, anhydrous milk fat, and whey powders

Bulla and United Dairy (Colac)
Boutique processors (cow, buffalo and sheep milk products)

Domestic markets

- The domestic market consumes approximately 500kt of dairy products (butter, cheese etc.) and 20kt of fresh milk per annum.[4]

Exports

- Export through Melbourne Ports (131,735 kg, $687m)
- 77% of skim milk powder produced is exported
- Dairy heifer exports from Portland

Sources:

- WestVic Dairy strategic plan, Beattie (2011), RMCG Filling the Glass
- GSC Regional Transport Strategy (2014), p.15

6. Situational analysis – dairy

SWOT analysis

Strengths

- **Reliable rainfall**
- **Economies of scale and density** provide a high standard and low cost of infrastructure and agricultural support services
- **Proximity to export ports** for live heifers
- **Large area of prime grazing land** allowing for large scale and high density dairy production.
- **Reputation for high quality and bio-secure dairy product** compared to countries with incidences of disease outbreaks or food safety scares.
- **Education and training** – the GSC has highest proportion of dairy workforce with tertiary agricultural qualification in Victoria
- **Grain supplies** are abundant and close.
- **Extensive dairy processing facilities**

Weaknesses

- **Further from domestic and export markets** for dairy products than other regions of Victoria
- **Superior Free Trade Agreements for competitors** such as the Free Trade Agreement between NZ and China.
- **Aging workforce and youth relocation** is reducing the availability of farm workers, particularly in regional areas such as the GSC.
- **Higher input costs** such as fuel, fertiliser and chemicals due to distance from Melbourne
- **Skills and labour availability**[7]
- **Productivity issues –** inefficient logistics from farm to processors[7]

Opportunities

- Australia geographically close to countries of high demand growth
- **Australia's reputation for high quality and bio-secure** food products leaves it well placed to meet this increasing demand.
- **Free Trade Agreements** will significantly reduce tariffs over the next decade making exports cheaper and stimulating demand.
- **Lower Australian Dollar, lower interest rates and lower oil prices, and the post-GFC global economic recovery** increase profitability
- **Industry expansion** – planned 50% increase in production volumes to 3 billion litres per year by 2020 to meet projected demand.[3]
- Opportunity for value-adding as high % of produce going out as 'bulk' produce[7]
- Processing capacity and productivity increases[7]

Threats

- **Biosecurity outbreak** would substantially reduce demand and price premiums over dairy from countries that have experienced outbreaks of disease such as the infant formula contamination scares in China.
- **Competition** from other countries with efficient supply chains and reputations for high quality dairy (e.g. New Zealand).
- **Increased consumer animal welfare consciousness** may lead some farmers to experience reduced prices, increased welfare activism and adverse legislative changes.
- Rising energy costs[7]
- Access to water and power supply to enable growth[7]
- Inability to get milk volumes into processors[7]

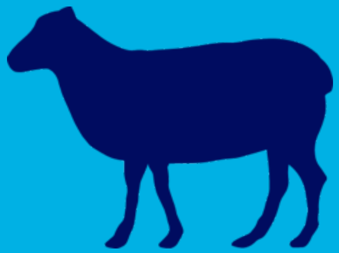
6. Situational analysis – dairy

References

Information sources

1. ABS (2012), *7503.0 - Value of Agricultural Commodities Produced, Australia, 2010-11*
2. Regional Development Victoria (2010), *The Great South Coast Regional Strategic Plan*
3. WestVic Dairy (2012), *Filling the Glass: An impact study of growth in the Western Victorian and southeast South Australian dairy industry*
4. Great South Coast Group (2014), *Great South Coast Regional Transport Strategy*
5. DEPI (2014), *Victorian Food and Fibre Export Performance Report*
6. World Economic Forum (2015), *Global Competitiveness Report 2014-15*
7. Regional consultations, 2015

7. Situational Analysis – Sheep meat



7. Situational analysis – sheep meat

Dashboard

TREND: Growing

GSC Region production: $353 mil[1]
% of VIC production: 32%[1]
VIC exports: $898 mil[3]
VIC % of Aust. Exports: 39%[3]

Overview & key industry trends

- The GSC region accounts for 28% of the Victorian Sheep flock, with approximately 4.5 million head of sheep.[3]
- The GSC region is the highest value VIC SA4 region in terms of sheep meat production, with the Southern Grampians being by far the highest value Victorian SA2 region (see chart top right).[1]
- The VIC sheep population has fallen by a third since the mid-1980s. This reduction was predominately due to reduced wool production, with lamb production increasing over the same period (see lower right chart).[3]

Key markets & export competitors

- Domestic market: $2 billion.[3]
- Sheep meat exports: 35% of the GSC region's lamb is exported.[4] Key Victorian sheep meat export markets: the USA, China, United Arab Emirates and Iran.[3]
- Victorian sheep meat exports are forecast to reach 58% of production by 2020, up from approximately 55% currently. [3]
- Victorian live exports: 186,033 head, worth $18.8 million were exported in FY2014, through the ports of Portland and Geelong. Major live export markets include: Qatar, Kuwait and United Arab Emirates.[3]

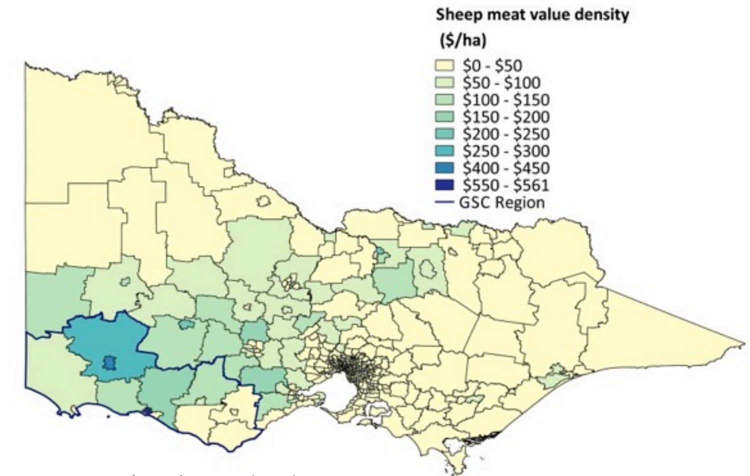
Key products

- Prime lamb
- Mutton
- Live sheep
- Genetics

Supply chain

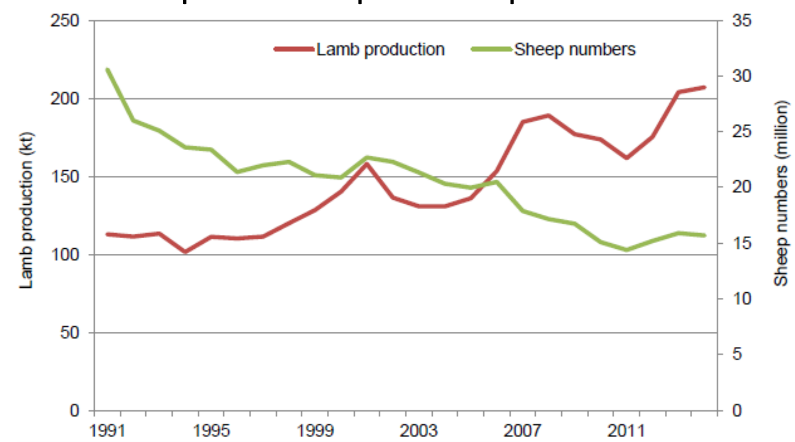
- GSC sheep meat is primarily exported through the Port of Melbourne.[5]
- Major meat processing plants in Warrnambool and Colac.[3]
- Genetic live trade through Portland

Value density of sheep meat production by SA2 region ($ per ha)



Source: ABS (2011), Agricultural Census

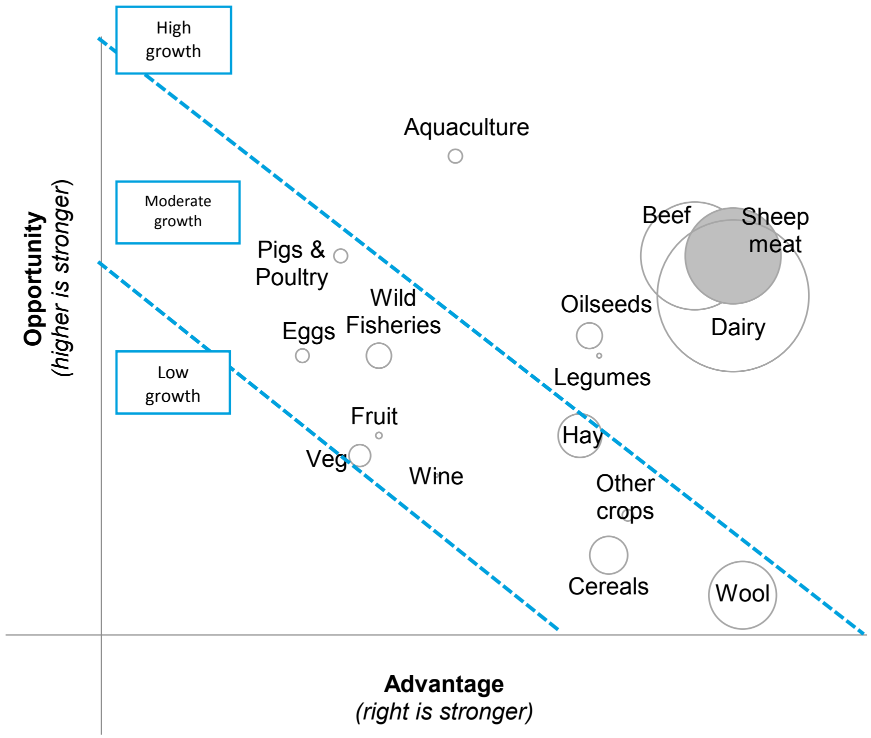
Victorian lamb production compared to sheep numbers



Source: DEPI (2014), Sheep Industry Profile

7. Situational analysis – sheep meat

Prosperity map



Global Opportunities

- Demand for protein-rich foods as a result of higher incomes is driving an increase in lamb consumption – **demand for protein**
- Lamb consumption is associated with brand status – **higher incomes**
- Some environmental and animal welfare concerns (farming and live trade practices) – **welfare concerns**
- Higher domestic prices and consumer preferences have reduced domestic lamb consumption – **reducing domestic demand**

Factors of advantage

In addition to the overall factors of advantage for Australia (slide 24):

- The average value of sheep meat production on GSC farms is the highest in Victoria – **economies of scale**
- GSC has higher soil fertility levels for grazing – **better carrying capacity**
- GSC has good proximity to export markets (for live trade) through the Port of Portland – **access to markets**
- Free Trade Agreements with China, Korea and Japan – **removal of trade barriers**

7. Situational analysis – sheep meat

Supply chain

Service providers

- 21 stock feed companies
- 27 livestock agents
- 71 veterinarians
- 38 agricultural machinery providers
- 14 farm consultants
- 37 farm contractors
- 35 farm/rural suppliers

Farms

- The GSC region accounts for 28% of the Victorian Sheep flock, which approximately 4.4 million head of sheep.[3]

Saleyard, aggregation facility

- There are five livestock saleyards in the GSC regions and others in the surrounding regions.
- There are saleyards at Warrnambool, Hamilton, Colac, Camperdown and Casterton.

Processors

- Meat processing plants in Warrnambool and Colac.[2]
- Meat processing employs more than 1000 people in the GSC region.[3]
- The Midfield Meats abattoir in Warrnambool is the primary meat processor.[5]
- National numbers (2013).[7]
  - 21.9 million head of lamb slaughtered
  - 9.5 million head of mutton

Domestic sheep meat

- The domestic market consumes approximately $2 billion worth of sheep meat.[3]

Export sheep meat

- Primarily exported through the Port of Melbourne.[8]
- 35% of the GSC region's lamb is exported.[1]
- National numbers (2013).[7]
  - Lamb: 214,000 tonnes swt, main markets: US, China and the Middle East.
  - Mutton exports 172,000 tonnes swt

Live export

- A small percentage of the GSC flock is exported through Portland.[8]
- National numbers (2013).[7]
  - 1.88 million head

7. Situational analysis – sheep meat

SWOT analysis

Strengths

- **Reliable rainfall**
- **Economies of scale and density** provide a high standard and low cost of infrastructure and agricultural support services that would not be available to a small or widely dispersed sector.
- **Proximity to export ports** for live sheep trade
- **Large area of prime grazing land** allowing for large scale and high density sheep and lamb production.
- **Reputation for high quality and bio-secure sheep meat products**, which gives the GSC Region an advantage over producers in countries

Weaknesses

- **Superior Free Trade Agreements for competitors** such as the Free Trade Agreement between NZ and China.
- **Further from domestic and export markets** for sheep meat products than other regions of Victoria
- **Aging workforce and youth relocation** is reducing the availability of farm workers, particularly in regional areas such as the GSC.
- **Input costs** such as fuel, fertiliser and chemicals are relatively high in Australia and even higher in regional areas such as the GSC region.
- **High labour costs** compared to competition in other countries
- **Regulatory burden** is high in Australia.

Opportunities

- Australia geographically close to countries of high demand growth.
- Middle East sheep meat growth
- **High quality and bio-secure** food products in high and growing demand and Australia's reputation leaves it well placed to meet this demand.
- **Meat demand** is growing due to its association with social status in many countries coupled with rising incomes in Asia.
- **Consumer animal welfare consciousness** increasing, providing opportunities for free range sheep meat to be sold at a premium.
- **Free Trade Agreements** will significantly reduce tariffs over the next decade, increasing margins and/or reduce prices to increase demand.
- **Lower Australian Dollar, lower interest rates and lower oil prices, and the post-GFC global economic recovery** increase profitability

Threats

- **Biosecurity outbreak** would substantially reduce demand and price premiums over sheep meat from countries that have experienced outbreaks of disease
- **Competition** from other countries with efficient supply chains and reputations for high quality sheep meat (e.g. New Zealand).
- **Increased consumer animal welfare consciousness** is a major threat **and** may lead some farmers to experience reduced prices, increased welfare activism and adverse legislative changes.
- **Reduced domestic demand** from high prices and consumer preferences has increased reliance on exports, increasing associated risks such as exchange rate and recession in key market risks. The response of domestic consumption to lower prices is uncertain.

7. Situational analysis – sheep meat

References

Information sources

1. ABS (2012), *7503.0 - Value of Agricultural Commodities Produced, Australia, 2010-11*
2. DEPI (2014), *Sheep industry profile*
3. Regional Development Victoria (2010), *The Great South Coast Regional Strategic Plan*
4. Great South Coast Group (2014), *Great South Coast Regional Transport Strategy*
5. Sydney Morning Herald (2013), *Last mill standing: an evolution in textile mills*
6. MLA (2015), *Australian sheep: Industry projections 2015*
7. DEPI (2014), *Victorian Food and Fibre Export Performance Report*
8. Port of Portland data, 2014 (unpublished, provided by DEPI)

8. Situational Analysis – Wool

8. Situational analysis – wool

Dashboard

TREND: Decreasing

GSC Region production:	$175.8 mil[1]	VIC exports:	$1.3 bil[8]
% of VIC production:	26%[1]	VIC % of Aust. Exports:	42%[10]

Overview & key industry trends

- Wool production has been in long term decline, driven by falling wool prices (see lower right chart).[3]
- A substantial proportion of this reduction resulted in substitution to sheep meat production.[3]
- However, since 2010 the value of Victorian wool exports have increased by 49%, up from $883 million to $1.3 billion.[3]
- Wool prices have been trending upwards since the early 1990s .[3]

Key markets & export competitors

- 92% of the GSC Region's wool production is exported.[4]
- Key export market is China, which accounted for $874 million (66%) of Victorian wool exports and 52% of Victorian wool production. [3]
- From 2013 to 2014, wool volumes exported to China reduced by 15% resulting in a 9% reduction in the value of wool exports to China.[3]

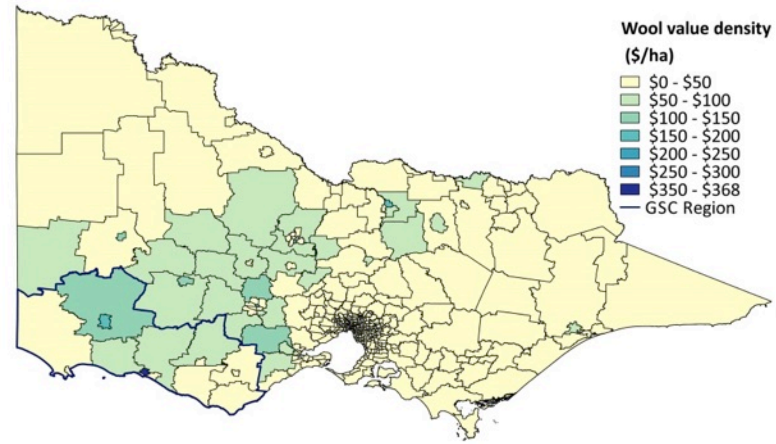
Key products

- Superfine wool

Supply chain

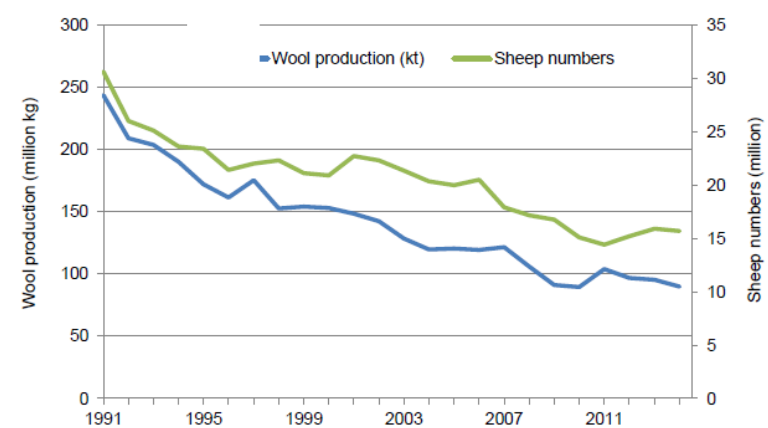
- Wool is transported from GSC Region farms to processors in Hamilton, Geelong and Melbourne. [5]
- GSC wool is primarily exported through the Port of Melbourne. [5]

Value of wool production by SA2 region ($m)



Source: ABS (2011), Agricultural Census

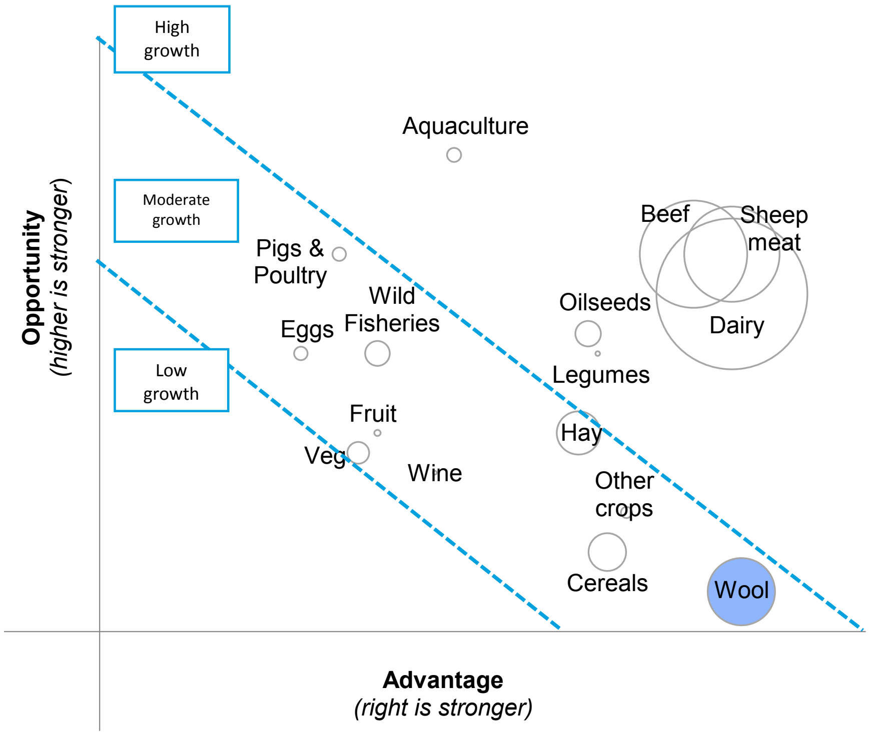
Victorian wool production compared to sheep numbers



Source: DEPI (2014), Sheep Industry Profile

8. Situational analysis – wool

Prosperity map



Global Opportunities

- Lower wool exports predicted over the short to medium term horizon
- Lower oil prices increase competitiveness of substitutes (synthetics) – **strong substitutes**
- Some increase in demand from developed economies and wealthier consumers

Factors of advantage

- Reliable rainfall
- Large area of arable land
- Region is known for superfine wool production
- GSC has the largest sheep businesses in Victoria – **economies of scale**
- GSC has higher soil fertility levels for grazing – **better carrying capacity**
- Lower regulatory burden than other sectors – **low regulation levels**
- Lower barriers to entry and exit compared to other sectors – **low barriers to entry**

8. Situational analysis – wool

Supply chain

Saleyard, aggregation facility

- There are five livestock saleyards in the GSC regions and others in the surrounding regions.
- There are saleyards at Warrnambool , Hamilton, Colac, Camperdown and Casterton.

Farms

- The GSC region accounts for 28% of the Victorian Sheep flock, which approximately 4.4 million head of sheep.[3]

Service providers

- 21 stock feed companies
- 27 livestock agents
- 71 veterinarians
- 38 agricultural machinery providers
- 14 farm consultants
- 37 farm contractors
- 35 farm/rural suppliers

Brokers

- 10 major wool brokers service VIC
- Wool is transported from GSC Region farms to brokers in Hamilton, Geelong and Melbourne.[5]
- -95% of wool from GSC region is sold through the Melbourne selling centre (via Auction)

Buyers

- Around 40 buyers in Australia
- Top 10 account for 80% of wool purchased

Australian textile mills

- Creswick Woollen Mills is the last coloured wool spinning mill in Australia.
- There are three other mills that make carpet yarn from wool.[6]

Exported wool

- 92% of the GSC Region's wool production is exported.[1]
- Primarily exported through the Port of Melbourne.[5]

8. Situational analysis – wool

SWOT analysis

Strengths

- **Economies of scale and density** provide a high standard and low cost of infrastructure and agricultural support services that would not be available to a small or widely dispersed sector.
- **Proximity to ports** – the GSC is relatively close to export ports compared to more remote regions in Australia and internationally.
- **Large area of prime grazing land** allowing for large scale and high density wool production.
- **Strong branding** e.g. "Merino " and Woolmark
- **Substantial and underutilised groundwater availability** reducing the region's susceptibility to drought and climate change

Weaknesses

- **Superior Free Trade Agreements for competitors** such as the Free Trade Agreement between NZ and China.
- **Aging workforce and youth relocation** is reducing the availability of farm workers, particularly in regional areas such as the GSC.
- **Capital** needs exceed current levels of investment.
- **Input costs** such as fuel, fertiliser and chemicals are relatively high in Australia and even higher in regional areas such as the GSC region.
- **High labour costs / labour intensity** from shearing
- **Regulatory burden** is high in Australia. Although IBISWorld 2014 considers the level of regulation for sheep farming as light and steady.
- **Work fashion changes** have reduced the demand for wool suits.
- **Strong substitutes** (i.e. synthetics) create downward price pressure.

Opportunities

- **Free Trade Agreements** will reduce tariffs over the next decade, increasing margins and/or reduce prices to increase demand.
- **Lower Australian Dollar, lower interest rates and lower oil prices, and the post-GFC global economic recovery** increase profitability
- **Growth** in wool-based interior textiles and knitwear

Threats

- **Competition** from other countries with efficient supply chains and reputations for high quality wool (e.g. New Zealand).
- **Increased consumer animal welfare consciousness is a major threat** that may lead some farmers to experience reduced prices, increased welfare activism and adverse legislative changes.
- **Competing land uses**, particularly sheep meat

8. Situational analysis – wool

References

Information sources

1. ABS (2012), *7503.0 - Value of Agricultural Commodities Produced, Australia, 2010-11*
2. DEPI (2014), *Sheep industry profile*
3. Regional Development Victoria (2010), *The Great South Coast Regional Strategic Plan*
4. Great South Coast Group (2014), *Great South Coast Regional Transport Strategy*
5. Sydney Morning Herald (2013), *Last mill standing: an evolution in textile mills*
6. MLA (2015), *Australian sheep: Industry projections 2015*
7. DEPI (2014), *Victorian Food and Fibre Export Performance Report*

9. Situational Analysis – Fisheries and aquaculture

9. Situational analysis – fisheries and aquaculture

TREND: Decreasing

Dashboard

GSC Region production:	$31.6 mil[1]	VIC exports:	$170 mill[4]
% of VIC production:	15.6%[1]	VIC % of Aust. Exports:	14%

Overview & key industry trends

- Viral Ganglioneuritis disease has increased abalone mortality rates. This was a key contributor to the 63% decline in Victorian abalone production from 2001 to 2012. [3]
- Long term decline trend in catch quotas
- In 2012, wild catch fishing accounted for 77% of Victorian production and aquaculture accounted for the remaining 23%.[3]
- Abalone farming is main aquaculture
- Competition from oil and gas mining

Key markets & export competitors

- The Victorian deep sea trawling fleet provides up to 7,000 tonnes of fresh fin fish to Melbourne Fish Market each year. [5]
- Victorian fisheries exports: Hong Kong (48%), Japan (15%), Singapore (11 per cent), Vietnam (9 per cent), China (5 per cent) and Thailand (4 per cent) in 2011-12.[3]
- 90% of Rock Lobsters and King Crabs are exported live, mainly to Asian markets.[3]

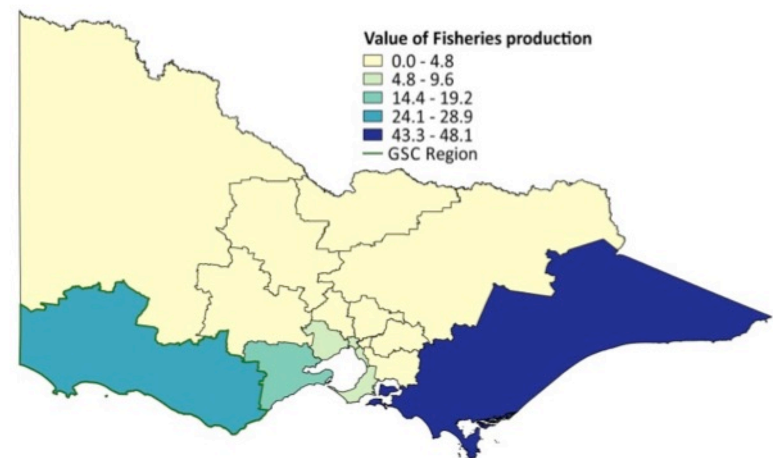
Key products

- Abalone
- Southern Rock Lobster
- King Crab
- Tuna and other trawled fin fish
- Jig squid
- Pipies

Supply chain

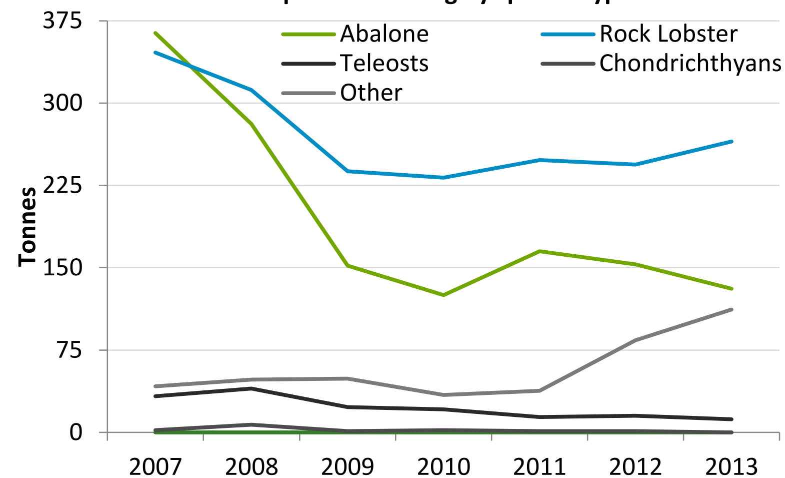
- Port of Portland accounts for more than 40% of Victoria's catch value and is the State's largest rock lobster port.[5]
- The main seafood processing centres are Warrnambool, Portland, Port Fairy, Apollo Bay and Port Campbell. [3]
- No local supply chain for seafood

Value of fisheries production ($m) by SA4 region



Source: ABS (2011), Agricultural Census

Tonnes of catch for GSC ports of landing by species type



Source: Fisheries Victoria (2013, 2010), Commercial Fish Production

9. Situational analysis – fisheries and aquaculture

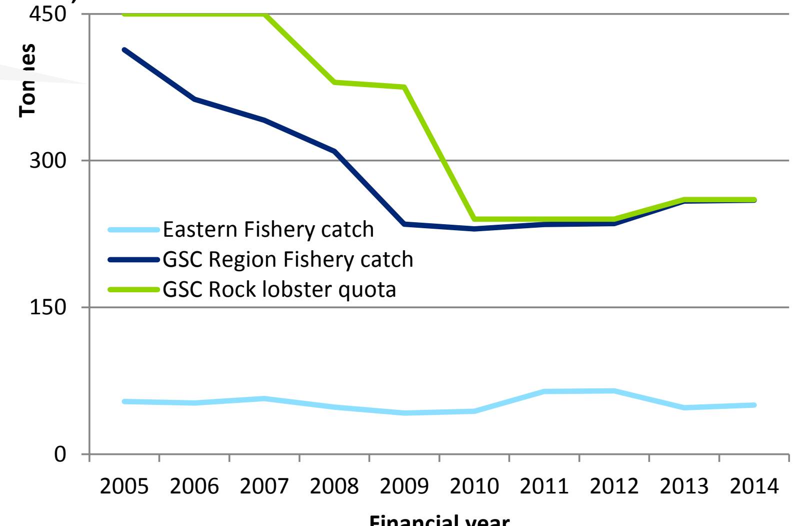
Lobster

The region has the largest southern rock lobster industry in Victoria, although reduced quotas from 2007 has limited the industry's catch

Southern rock lobster

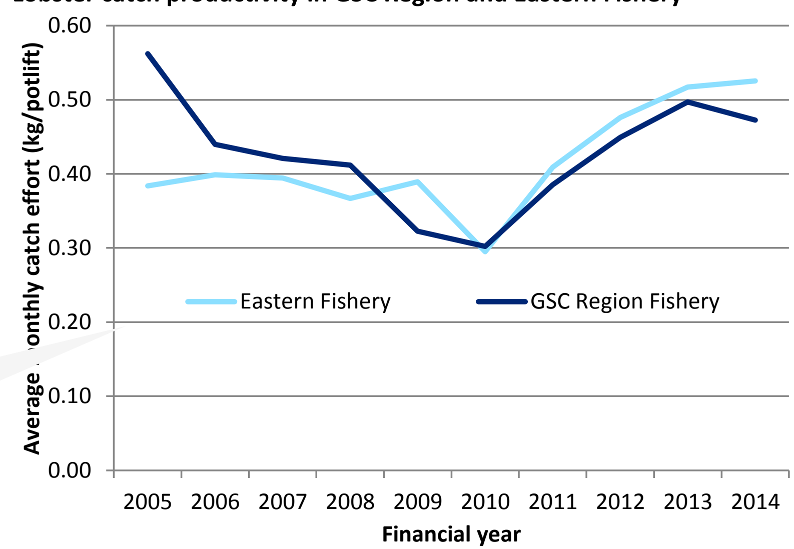
- The Rock Lobster Fishery is Victoria's second most valuable fishery.[6]
- The largest rock lobster fisheries ports in the GSC region are Portland, Port Fairy, Warrnambool, Port Campbell and Apollo Bay.[6]
- Competing southern rock lobster regions include the: south west coast of WA, south coast of NSW, Tasmania and New Zealand.[6]
- 90% of the rock lobster (and king crab) are exported live, mainly to Asian markets.[1]
- Market down turn in China due to austerity drive by current government (i.e. reduction in Chinese Government banquets)

GSC Region Fishery lobster quota and actual catch and East fishery actual catch, 2003-13



Source: DEPI website, *Monthly catch rates by zone*

Lobster catch productivity in GSC Region and Eastern Fishery



Source: DEPI website, *Monthly catch rates by zone*

Productivity has increased from 2010, after declining for the previous five years (2005 to 2010)

9. Situational analysis – fisheries and aquaculture

Abalone

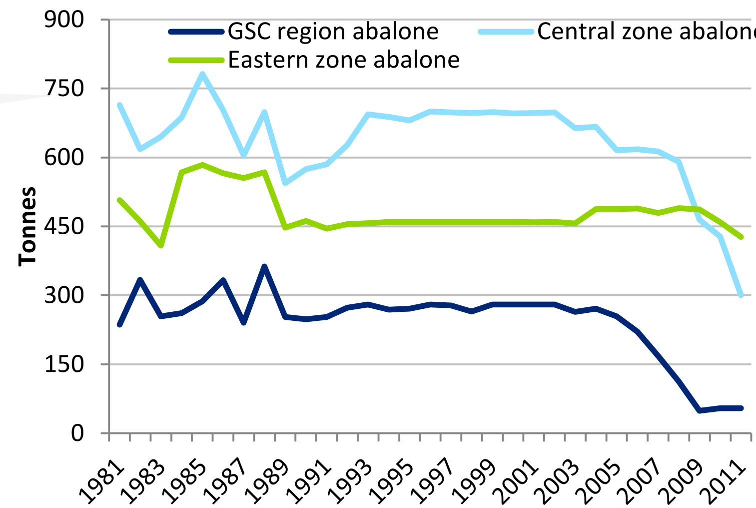
Catch of abalone was consistent with quotas until viral disease outbreak in 2005 contributed to significant decline and hasn't recovered

Abalone

- The GSC region abalone catch was 54 tonnes in 2010/11, representing approximately 7 per cent of the total Victorian catch (see upper right chart).[7]
- 2 x aquaculture enterprises in the region for abalone
- Commercially harvested abalone supply multi-million dollar export markets.[8]
- Viral Ganglioneuritis disease has increased abalone mortality rates. This was a key contributor to the 63% decline in Victorian abalone production from 2001 to 2012.[3]
- As most abalone is exported, exchange rate movements have a significant impact on export values and therefore production.[3]
- Market down turn in China due to austerity drive by current government (i.e. reduction in Chinese Government banquets)

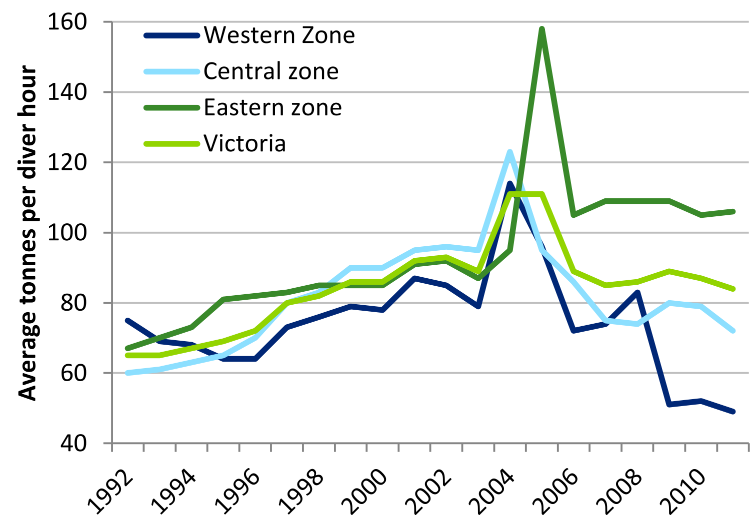
Dramatic productivity decline from 2004 reflecting outbreak of viral disease

Victorian Abalone catch by region



Source: DEPI website

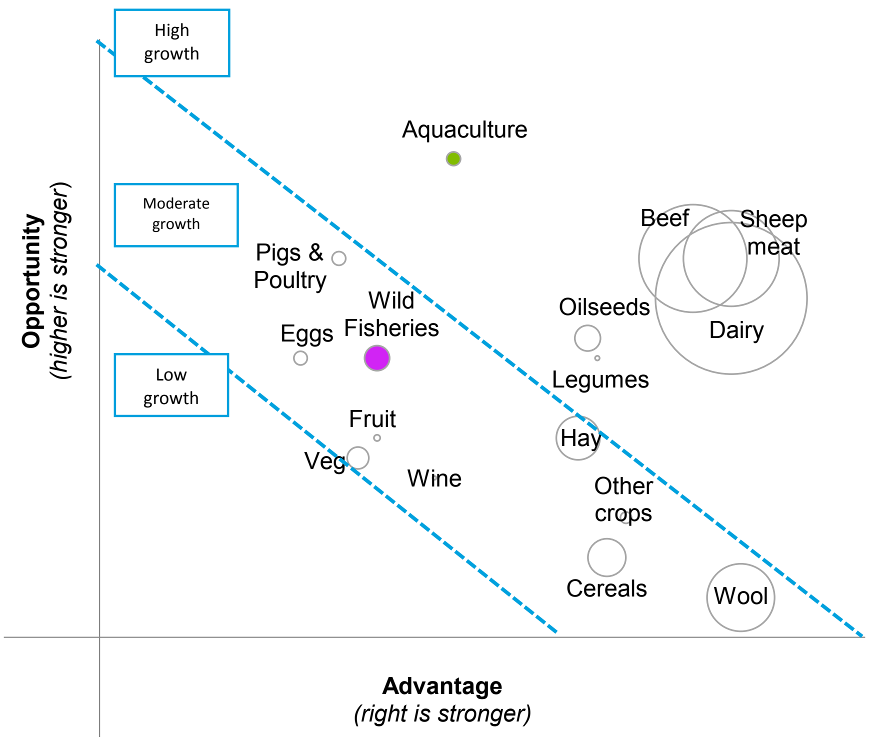
Victorian abalone productivity (kg/hour) by region



Source: DEPI website

9. Situational analysis – fisheries and aquaculture

Prosperity map



Global Opportunities

- According to the Food and Agriculture Organisation (FAO) Outlook report Aquaculture is one of the fastest growing food sectors. All future fisheries growth is expected to come from aquaculture – **Aquaculture fast growing sector**
- Demand for protein-rich foods as a result of higher incomes is driving an increase in fish consumption – **demand for protein**
- Fish have better conversion ratio of feed over other sources of protein – **efficiency**
- Wild fish are in demand but stocks are declining. Aquaculture represents an alternative to wild caught fish – **sustainability considerations**
- Fish is likely to be increasingly demanded from a health conscious domestic population – **health consciousness**

Factors of advantage / disadvantage

- Fisheries and aquaculture have a lower average workforce age than other sectors – **low age of workforce**
- High barriers to entry/exit due to significant start-up costs to establish operations, demanding working conditions and number of licenses required to start farming – **barriers to entry**
- Fishing not affected by Australia's low rainfall, water availability or soil fertility
- Some economies of density advantages over other sectors due to industry clustering in coastal areas – **benefits of industry clustering**
- high level of regulation in the sector with regulations from both the Commonwealth and State Governments which regulate issues of sustainability (environmental protection), overfishing, biodiversity, export controls, food safety, limits to development, wastewater and water quality and licenses, permits and quotas – **high regulatory burden**

9. Situational analysis – fisheries and aquaculture

Supply chain

Commercial fishing hubs

- *Port of Portland (berthing facilities for 50 commercial vessels), accounts for 40% of Victoria's catch value*
- *Apollo Bay and Port Campbell have small fishing industries*

Aquaculture enterprises

- *Two abalone aquaculture enterprises*

Processors

- The main seafood processing centres are Warrnambool, Portland and Port Fairy.[3]

Domestic market

- *7000 tonnes of fresh fish to the Melbourne Fish Market annually*

Export

- *$1 million worth of king crabs exported primarily to Asian markets*
- *Abalone is supplied to multi-million dollar export markets.*

Live export

- 90% of the rock lobster (and king crab) are exported live, mainly to Asian markets.

9. Situational analysis – fisheries and aquaculture

SWOT analysis

Strengths

- **Economies of scale and density** provide a high standard and low cost of infrastructure and agricultural support services that would not be available to a small or widely dispersed sector. Fisheries/and aquaculture have some additional economies of density advantages over other sectors due to industry clustering in coastal areas.
- **Reputation for high quality and bio-secure seafood products**, which gives the GSC Region an advantage over producers in countries with incidences of food safety scares.
- **Efficiency** - Fish have better conversion ratio of feed over other sources of protein
- **Resilience -** fishing not affected by Australia's low rainfall, water availability or soil fertility**.**

Weaknesses

- **Superior Free Trade Agreements for competitors** such as the Free Trade Agreement between NZ and China.
- **Aging workforce and youth relocation** is reducing the availability of fisheries workers, particularly in regional areas such as the GSC.
- **High labour costs** compared to competition in other countries
- **Regulatory burden** is high in Australia , particularly for fisheries due to sustainability and environmental protection concerns.
- **High barriers to entry/exit** due to significant start-up costs to establish operations, demanding working conditions and number of licenses required to start **farming**
- **No local** supply chain
- **Proximity to ports** a constraint for airfreighted live seafood.
- **Lack of sheltered bays**

Opportunities

- **Asian food boom** countries are geographically close to Australia
- **High quality and bio-secure** food products in high and growing demand and Australia's reputation leaves it well placed to meet this demand.
- **Premium seafood demand** is growing due to its association with social status in many countries coupled with rising incomes in Asia.
- **Free Trade Agreements** will significantly reduce tariffs over the next decade, increasing margins and/or reduce prices to increase demand.
- **Lower Australian Dollar, lower interest rates and lower oil prices, and the post-GFC global economic recovery** increase profitability
- **Aquaculture one of the fastest growing food sectors** according to the Food and Agriculture Organisation (FAO) Outlook report.
- **Health consciousness** is driving increased demand for fish.
- Emerging **Pipi industry**

Threats

- **Further abalone disease outbreaks** would substantially reduce available supply and potentially compromise markets
- **Sustainability issues** with wild fish are in high demand but stocks are declining. Although Aquaculture represents an alternative to wild caught abalone.
- **Chinese Government** policy changes impacting reduction in banqueting
- Continued **reduction in quotas** from fisheries managers
- Competition for marine resources **from oil and gas mining**
- Exposure to **illegal fishers**
- **Rising cost of coastal land**

9. Situational analysis – fisheries and aquaculture

References

Information sources

1. ABS (2012), *7503.0 - Value of Agricultural Commodities Produced, Australia, 2010-11*
2. Port of Portland data, 2014 (unpublished, provided by DEPI)
3. ABARES (2014), *Agriculture, Fisheries and Forestry in the Warrnambool and South West region of Victoria*
4. DEPI (2014), *Victorian Food and Fibre Export Performance Report*
5. Great South Coast Group (2014), *Great South Coast Regional Transport Strategy*
6. DEPI website, *Rock Lobster: Fishery overview*, <http://www.depi.vic.gov.au/fishing-and-hunting/commercial-fishing/rock-lobster/fishery-overview#stats>, accessed February 2015.
7. DEPI website, *Abalone catch and effort*, <http://www.depi.vic.gov.au/fishing-and-hunting/commercial-fishing/abalone/abalone-catch-and-effort>, accessed February 2015.
8. Regional Development Victoria (2010), *The Great South Coast Regional Strategic Plan*

10. Situational Analysis – Grain crops

10. Situational analysis – Grain crops

Dashboard

TREND: Recovering

GSC Region production:	$55 mil[1]	VIC exports:	$2 bil[3]
% of VIC production:	3%[1]	VIC % of Aust. Exports:	15.6%[3]

Key industry characteristics & trends

- A drying climate due to climate change is increasing grain production in the region, as production moves south (most grain production is in the North West Region).[2]
- In 2014, the Commonwealth Government introduced the *Mandatory Port Access Code of Conduct for Grain Export Terminals* to ensure all grain producers have equal access to export terminals regardless of terminal ownership.

Key markets & export competitors

- 82% of GSC grain production is exported.[2]
- VIC grain export markets: China (15%), Indonesia (7%), Yemen (7%), Vietnam (6%), Egypt (5%), South Sudan (4%), Thailand (4%), Pakistan (4%), S. Korea (3%) and the UAE (3%).[3]
- ABARES forecasts that ASEAN country wheat imports will increase by 40% from 2007 levels, to reach $4 billion by 2050 (in 2007 dollar terms).[7]
- Western Australia is the largest grains producer by production value, with a production that is double the size of Victoria ($4 billion).[6]
- The neighbouring North West Region is by far the largest grains producer in VIC.

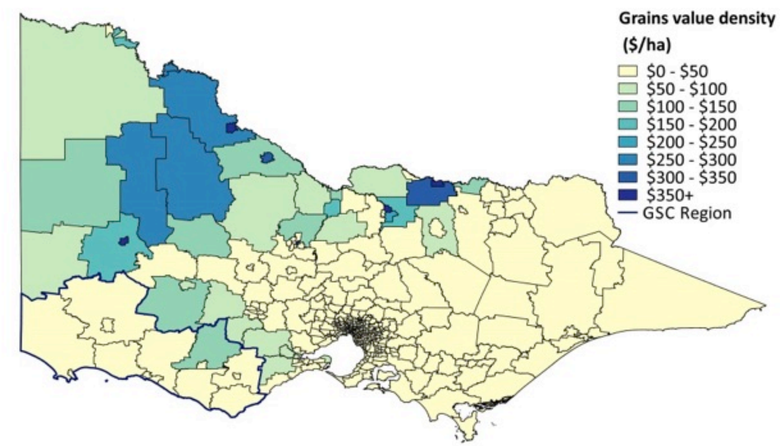
Key products

- The grains produced in the GSC region are predominately wheat (71%) and barley (25%) and oats (4%).[1]
- Flaxseed
- Red wheat
- Legumes emerging industry

Supply chain

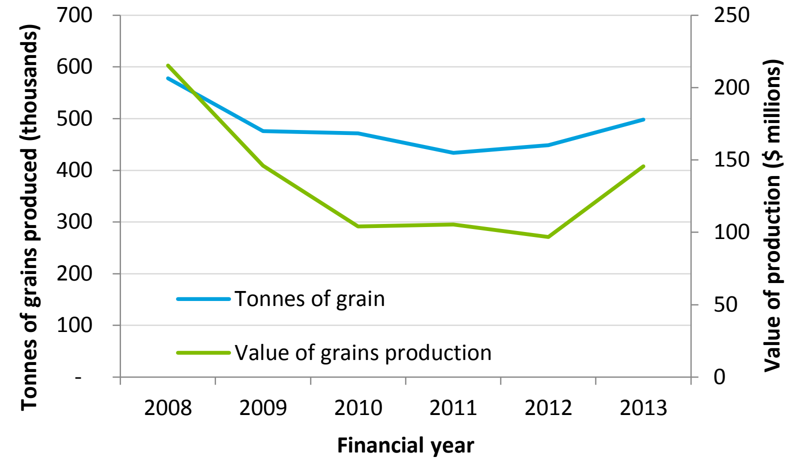
- GSC grain is predominately transported by road and exported through the ports of Portland, Melbourne and Geelong.[4]
- No standard gauge rail link to Port of Portland
- Segregation of grains for very specific markets (container transport)

Value of grains crop production by SA2 region ($m)



Source: ABS (2011), Agricultural Census

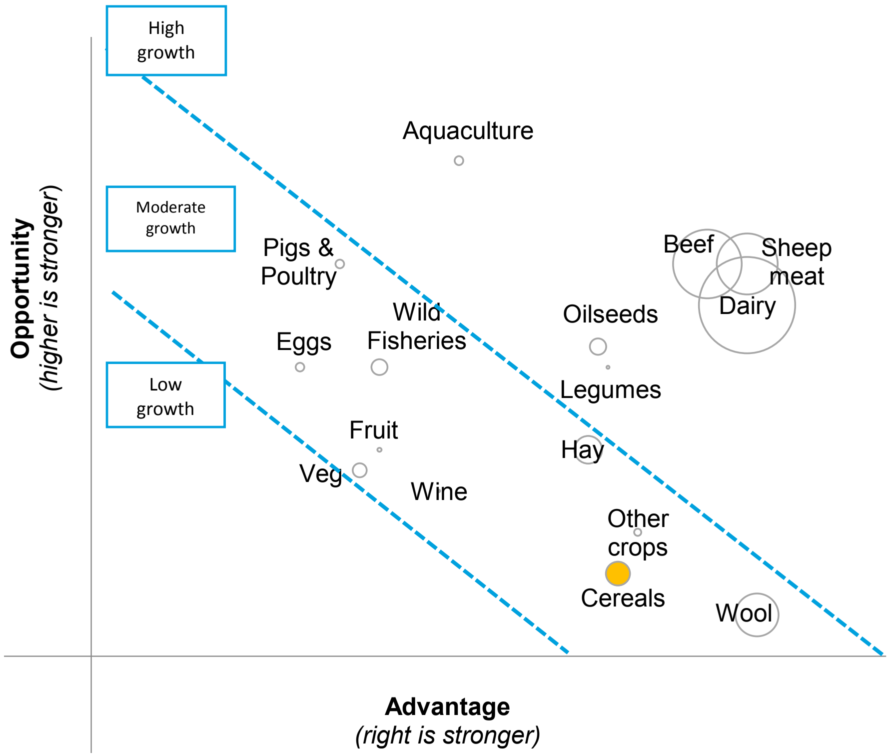
Value of grain production & tonnes (Glenelg-Hopkins NRM region)



Source: ABS, Value of Agricultural production and *Agricultural commodities (2008-2013)*

10. Situational analysis – Grain crops

Prosperity map



Global Opportunities

- As a staple crop, grain demand will continue to increase in line with the general increase in demand for food and fibre – **global population growth**
- The westernisation of food tastes in Asia is driving increased demand for certain grain types, such as wheat (e.g. through increased bread, crackers, cookies and cakes consumption), particularly for the wealthier classes – **higher incomes**[7]
- A warmer, drier climate is expected to increase grains production in the GSC Region as grain production moves south from the North West Region of Victoria – **well positioned for climate change**
- Growth in cropping in the region

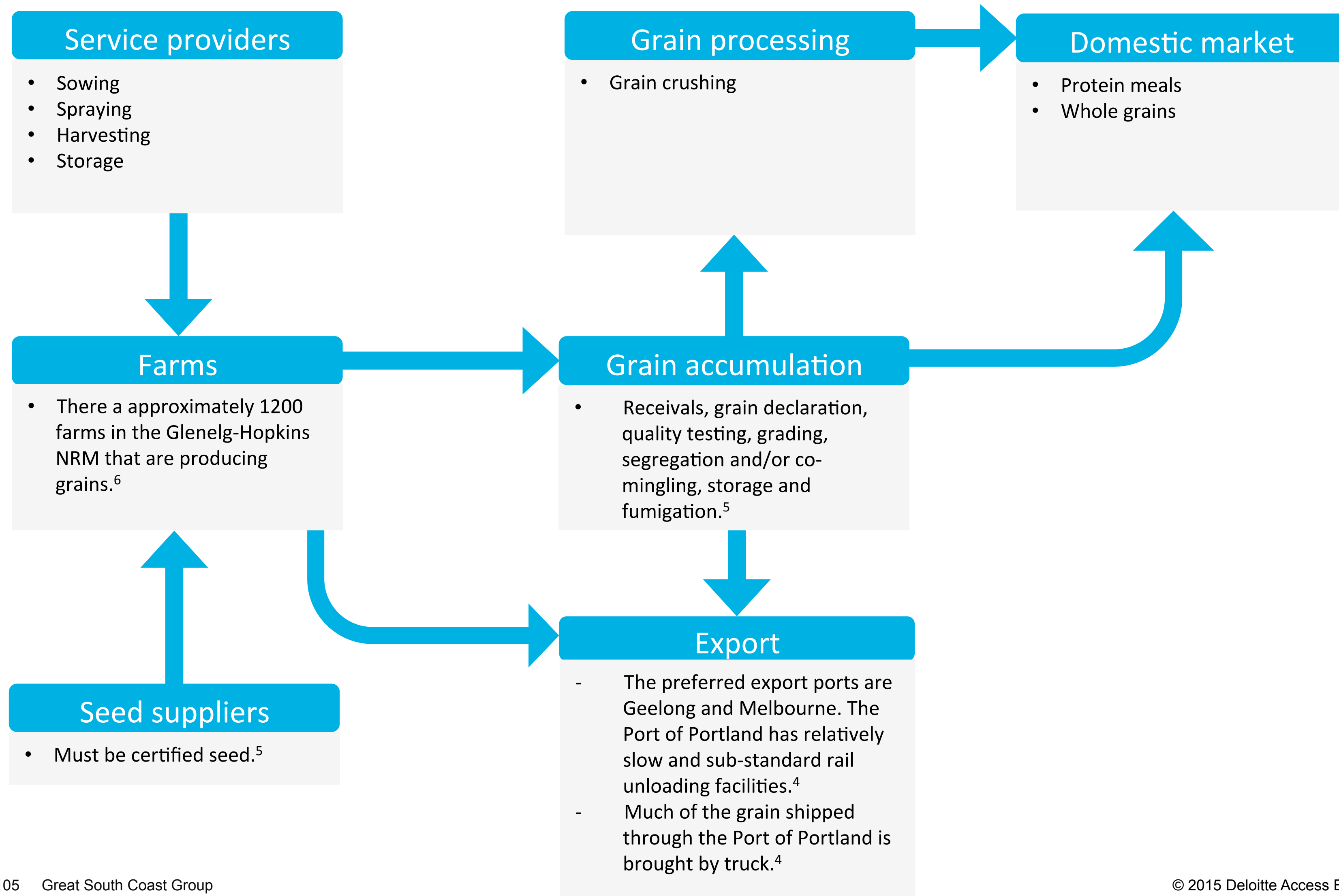
Factors of advantage

In addition to the overall factors of advantage for Australia (slide 24):

- GSC has a large area of agricultural land (second to the north west) – **large area of arable land**
- GSC has good proximity to export markets through the Port of Portland – **access to markets**
- Free Trade Agreements with China, Korea and Japan will see tariff removals over the next 10 years – **removal of trade barriers**
- Proximity to the North West Region provides the GSC region with access to substantial grains cropping expertise – **education and training (indirect)**
- Proximity to the North West Region provides the infrastructure benefits of that region's large scale of grains production – **economies of scale (indirect)**

10. Situational analysis – Grain crops

Supply chain



10. Situational analysis – Grains

SWOT analysis

Strengths

- **Economies of scale and density (indirect)** proximity to the North West Region provides the GSC with a high standard and low cost of infrastructure and agricultural support services that would not be available to a small or widely dispersed sector.
- **Proximity to ports** – the GSC is relatively close to export ports compared to more remote regions in Australia and internationally.
- **Large area of arable land** allowing for large scale and high density grains production, though increases would displace grazing land.
- **Reputation for high quality and bio-secure agricultural products**
- **Substantial and underutilised groundwater availability** reducing the region's susceptibility to drought and climate change
- **Positioned to take advantage of a warmer climate** – a warmer climate will shift grain production south, increasing the comparative advantage of GSC grain production relative to the North West Region

Weaknesses

- **Free Trade Agreements of competitors** such as the Free Trade Agreement between NZ and China, which is currently has more favourable tariffs and future reductions although will eventually be a level playing field
- **Aging workforce and youth relocation** is reducing the availability of farm workers, particularly in regional areas such as the GSC.
- **Capital** needs exceed current levels of investment.
- **Input costs** such as fuel, fertiliser and chemicals are relatively high in Australia and even higher in regional areas such as the GSC region.
- **High labour costs** compared to competition in other countries
- **Regulatory burden** is high in Australia. IBISWorld 2014 considers the level of regulation for grain growers as medium and decreasing.

Opportunities

- To **lift productivity** even further
- **Asian food boom** countries are geographically close to Australia
- **High quality and bio-secure** food products are in high and growing demand and Australia's reputation leaves it well placed to meet this demand.
- **Grains demand** for certain grains is growing due to rising incomes and a westernisation of diets in Asia.
- **Free Trade Agreements** will reduce tariffs over the next decade, increasing margins and/or reduce prices to increase demand.
- **Lower Australian Dollar, lower interest rates and lower oil prices, and the post-GFC global economic recovery** increase profitability

Threats

- **Competition** from other major grain producing countries, particularly those with sophisticated supply chains and close proximity to major grain export destinations.
- **Drought and crop disease and failure** are ever-present threats that have the potential to substantially reduce grains production.
- **Middle East geo-political developments** – as the Middle East is a major export destination for Australian grains (particularly wheat), instability or trade restrictions resulting from geo-political developments in the Middle East would substantially reduce the demand for Australian grains.

10. Situational analysis – Grains

References

Information sources

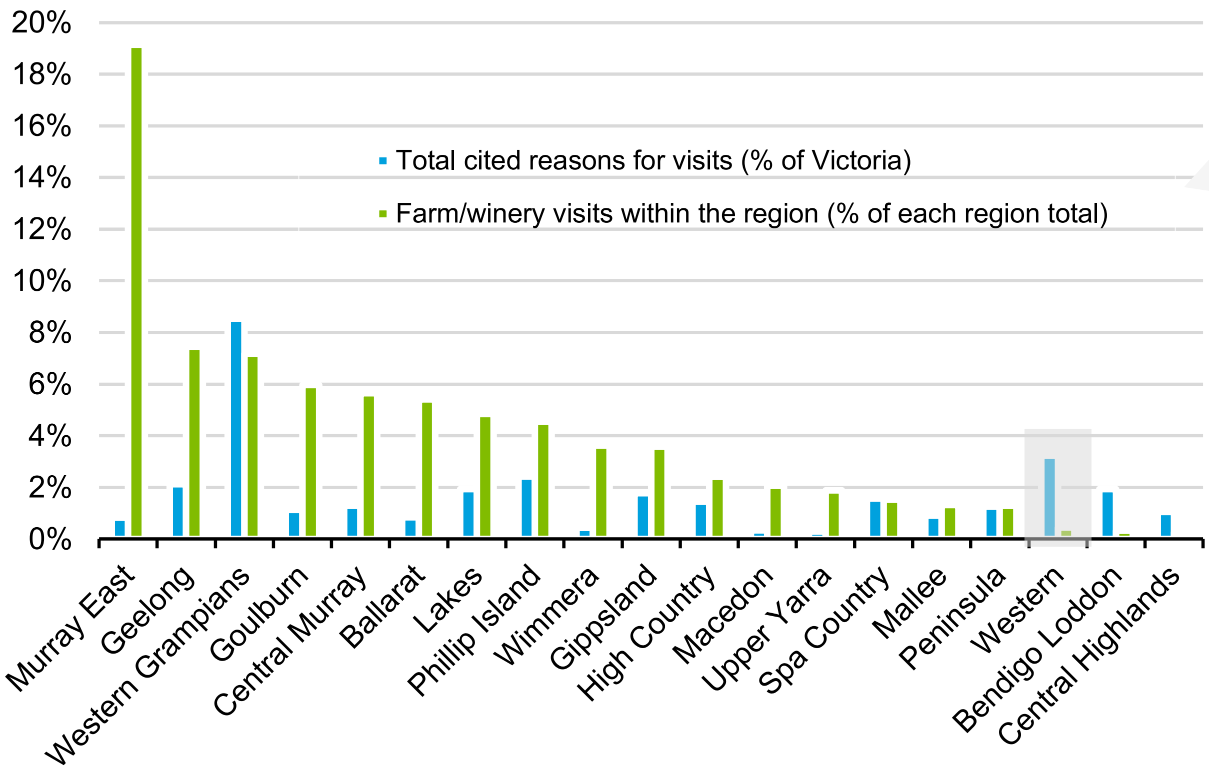
1. ABS (2012), *7503.0 - Value of Agricultural Commodities Produced, Australia, 2010-11*
2. Regional Development Victoria (2010), *The Great South Coast Regional Strategic Plan*
3. DEPI (2014), *Victorian Food and Fibre Export Performance Report*
4. Great South Coast Group (2014), *Great South Coast Regional Transport Strategy*
5. DEPI (2014), *Grains industry profile*
6. ABS (2009-2014), *Agricultural commodities (2008-2013)*
7. ABARES (2013), *What Asia wants: Long-term food consumption trends in Asia*

11. Other industries

11. Other GSC agricultural industries

Agri-tourism

International and domestic visitors – % of individual activities on trips 2013-14 (%)



Source: Tourism Research Australia 2014, *International and domestic visitors for Victoria*

The agri-tourism data suggests that despite having the second highest cited reasons for visits of the state, the Western Region was the third lowest in terms of visitors citing they had visited the region to visit farms or wineries

12. Strategic initiatives

Great South Coast Regional Strategic Plan

DRAFT

The Strategic Plan outlines a plan for the region's long term sustainable growth. It identifies five key strategies – positioning the region for economic growth, improving connections, sustaining natural assets, the strengthening of the economy, and increased regional collaboration.

Opportunities

- Meat production and dairy production are identified as key industries for value adding economic growth.
- Catering to growing demand in Asia for high quality produce.
- Aquaculture is a commodity emerging as one with strong growth potential.
- Agri-based tourism

Challenges

- The region's economic vulnerability to international trade fluctuations, climate variability and climate change due to its dependence on agriculture.
- Workforce shortages due to ageing population, demographic changes, and comparatively low education and skill levels.
- Threat of losing high quality agricultural land to the competing needs of peri-urban and rural residential development.
- Availability of groundwater
- Identify and manage constraints to the growth of the Port of Portland so that it can continue to accommodate demand.
- Trend of decreasing investment in agricultural research capacity.
- Capacity of the transport system (in particular the Port of Portland and its supporting road and rail systems) to manage projected bulk freight volumes.
- Manufacturing is heavily dependent on agriculture

Priorities

- ✓ Grow the value and resilience of the region's food and fibre industry, by encouraging diversification and value-adding.
- ✓ Develop a recognisable "brand" and product offering, with a focus on promoting the region's high quality produce.
- ✓ Identify opportunities for import replacement in the dairy, timber, horticulture, fishing and meat industries.
- ✓ Build on the region's existing agricultural research capacity.
- ✓ Meet future labour and skills demands of current and emerging industries.
- ✓ Upgrade road and rail infrastructure to meet projected agricultural freight volume demands.
- ✓ Implement the *Green Triangle Freight Action Plan* to facilitate growth of the region's major industries.
- ✓ Manage water reserves to provide for long term needs of agriculture, industry, residents and environment.
- ✓ Monitor changing rainfall gradients and production zones in the timber, dairy, grand and broad acre grazing industries.
- ✓ Manage land use competition between agricultural/horticultural industries and residential sectors

Alignment with existing policy and strategies

- Great South Coast Regional Growth Plan
- *Australia in the Asian Century White Paper*
- *Green Triangle Freight Action Plan*

Great South Coast Regional Growth Plan

DRAFT

The Regional Growth Plan provides a regional approach to land use planning in the Great South Coast Region to underpin economic and population growth.

Opportunities

- Further value-adding opportunities exist in major industries, as well as greater diversification of agriculture and production and processing enterprises.
- Climate change may enable economic diversification through new industries.
- Potential for the Port of Portland to expand to support existing and new export markets

Priorities

- ✓ Increase value-add and diversification of existing industries
- ✓ Investment in innovation and development, as well as infrastructure
- ✓ Support economic development of marine assets by encouraging the development of marine infrastructure
- ✓ Continue to grow food production related industries in order to support agriculture as a primary source of economic prosperity.

Challenges

- Managing competing demands for agricultural land, such as urban encroachment into highly productive agricultural areas.
- Overcoming constraints to the expansion of the Port of Portland, and the development of related industries in the port precinct.
- Managing climate change risks
- Ageing population and demographic changes

Alignment with existing policy and strategies

- Great South Coast Regional Strategic Plan
- Regional Growth Plans of surrounding regions
- Plan Melbourne

Down The Track – dairy strategy

DRAFT

Down The Track provides a strategic direction of the Western Victorian and South East South Australia Regional Dairy Industry. It outlines a growth plan to set a path for future decision making in the years leading to 2020, and contains fairly specific strategies to achieve the priorities outlined below.

Opportunities

- Significant growth potential for low cost dairy production due the region's inherent advantages, which include availability of significant manufacturing infrastructure, and the potential for conversion of beef and sheep farms to dairy production.
- Development of new by-products and increased opportunities for differentiation and specialisation

Priorities

✓	Attract, build, and sustain a skilled workforce
✓	Sustainable land and water needs met by supply
✓	Farm, transport and processing, plant infrastructure that improves productivity
✓	National dairy functions located in the region, and marketing and processing facilities
✓	Power and communication of at least an urban standard
✓	Profitable farm, processing and service businesses, growing equity
✓	Deliver new products that the market demands.
✓	Improve cattle by understanding cattle needs, use & supply. Meet cattle feed need by supply.

Challenges

- Shortage of both skilled and unskilled labour, poor industry levels of formal succession planning, labour competition from other industries are some of the human resourcing challenges. The availability of suitably qualified people in research and extension field over the next 5 to 10 years is also an issue.
- The natural resource management issues include increasing customer demands for ethical and environmentally friendly production systems, water resources and changing climate conditions.
- Key capital investment issues include increasing land values, rising farm debt levels and reduced confidence of farmer to invest in production growth.
- Continuing to improve productivity, despite higher input costs, skill shortages and rising land prices, and other factors.

Alignment with existing policy and strategies

Precursor to *Filling the Glass*

Filling the Glass – dairy strategy

Filling the Glass is an impact study of growth in the Western Victorian and south east South Australia dairy industry. It is designed to provide better understanding of the likely pattern of growth, challenges , and provides recommendations to the regional dairy industry as to how it should facilitate growth. An implementation plan with specific actions to achieve the priorities below is also outlined.

Alignment with existing policy and strategies

- *Down the Track*

Opportunities

- Filling the Glass outlines what will be needed in order to meet the projection of the industry growing to 3 billion litres by 2020 made by Down the Track. In particular, it notes the following factors as key to achieving projected growth:
    - i. that in the future, dairy farms will be less in number, greater in size and more complex
    - ii. the need for a larger workforce
    - iii. greater investment and debt , and by extent, risk
    - iv. a processing sector that is more cost competitive
    - v. the service sector needs to develop its people and product to meet a changing processing sector (e.g. higher-level management due to more complex farm businesses)

Challenges

- Limitation to growth (in order of priority) are business confidence and profitability, people's desire and capacity to adapt, availability of the required skills and labour, water availability, access to power, road infrastructure and environmental impact.
- Real costs have increased over time, causing firms to either improve efficiencies or exit. If average profit margins continue on their decreasing trend, unprofitable farm businesses will exit the market, and ongoing investment in production efficiencies will be made more difficult.
- Achieving projected growth will mean substantial investment and debt (approx. $4.8m and $1m respectively), which will increase the pressure to maintain profitability and magnify the impact of management errors. Business will be more complex and involve significantly more risk.

Priorities

✓	A focus on "profit, not production" which should inform industry wide investment in R&D, extension, training and promotion.	✓	Work across the supply chain to identify tools that manage price volatility to support confidence growth throughout the chain.
✓	R&D and training investment should be used to identify and develop necessary skills to operate large dairy farms profitably.	✓	Use Down the Track strategy to lead and co-ordinate growth and structural adjustments in the regional dairy industry.
✓	Support the development of the South West Interactive Dairy Centre as a centre of excellence to showcase the industry.	✓	WestVic Dairy should prioritise the development and adoption of more water use efficient irrigation practices.
✓	Work with local and state governments to ensure policies and programs facilitate farm consolidation and industry rationalisation.	✓	Support the preparation of transport plans specifically focused on freight volumes and vehicle movements on local roads
✓	Work with relevant bodies to develop a mechanism to reduce the environmental impacts of exporting nutrients and pollutants.	✓	Prioritise fertiliser efficiency, effluent management and dietary supplements within R&D and extension budgets.

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Great South Coast Regional Transport Strategy

This strategy aims to identify the pressures and demand growth patterns on the road and rail transport, resultant bottlenecks and strategically significant corridors to cater for growth. It outlines a regional approach by considering the hierarchies of strategic road assets established by the member councils , and identifies needs on an aggregated level.

Opportunities

- Ensure the regional freight network strengthens the competitive advantage of the region.
- The broad gauge West Coast rail line (used for freight and passenger services connecting to Melbourne) and the Portland line (linked to the national standard gauge freight network) are both under-utilised, and offer potential to take pressure of road networks and the cites and towns they pass through.

Challenges

- The ability of the GSC transport network to cater for a growing freight task in order to enable growth of local economy and connectedness in the region

Key freight routes to improve or maintain (in order of strategic rating)

✓	Colac Otway : Hamilton Highway, Princes Highway West, Colac-Ballarat Road, Great Ocean Road, Timboon-Colac Road, Colac-Lavers Hill Road
✓	Corangamite: Hamilton Highway, Princes Highway West, Colac-Ballarat Road, Foxhow Road, Great Ocean Road, Mortlake – Terang Road, Cobden – Stoneyford Road , Warrnambool – Cobden Road, Cobden – Port Campbell Road, Camperdown – Cobden Road
✓	Glenelg: Princes Highway West, Henty Highway, Woolsthorpe – Heywood Road, Condah – Hotspur Road, Portland – Casterton Road, Portland – Nelson Road, Dartmoor – Hamilton Road, Ettrick – Tyrendarra Road, Myamyn – Macarthur Road
✓	Moyne: Princes Highway West, Hamilton Highway, Woolsthorpe – Heywood Road, Hopkins Highway, Great Ocean road, Spencers Road, Hamilton – Port Fairy Road, Penshurst – Warrnambool Road, Warrnambool – Cobden Road, Warrnambool – Caramut Road
✓	Southern Grampians: Hamilton Highway, Henty Highway, Penshurst – Macarthur Road, Coleraine – Edenhope Road, Hamilton –Dartmoor Road, Glenelg Highway, Hamilton – Port Fairy Road, Penshurst –Warrnambool Road
✓	Warrnambool City Council: Princes Highway West, Warrnambool-Caramut Road, Hopkins Highway, Bridge Road

Alignment with existing policy and strategies

- Victorian Freight and Logistics Plan
- Green Triangle Region Freight Action Plan
- Great South Coast Regional Growth and Strategic Plans
- Port of Portland Land Use Study
- Regional Growth, Strategic and Transport Plans of surrounding regions
- Victorian Local Ports and Marine

Food to Asia Action Plan

A Strategic Action Plan for securing export opportunities for Victorian businesses to Asian markets by enhancing business confidence in competing and interacting with customers, suppliers and regulators in Asian markets, as well as increasing the understanding of the changing food preferences of Asia's growing consumer class and how to meet this need.

Opportunities

- Across the Asia-Pacific region, there is a large and growing class of premium food and beverage consumers.
- Victoria has a strong and trusted brand for high quality, safe food.
- Victoria is geographically close to Asia.
- Victoria has the capacity to increase food production.

Challenges

- Many export competitors have competitive advantages through:
  - Free trade agreements (e.g. NZ and USA)
  - Lower production costs (e.g. Brazil, Chile and South Africa)
  - Freight efficiencies (e.g. Canada)
  - Strong global branding (e.g. NZ)
  - Government subsidies (e.g. the EU and USA)
- Variable weather conditions (e.g. droughts and floods)
- Skills shortages and an aging population
- Capital shortages for farm expansion and productivity improvements.
- Many agricultural businesses are small to medium size, making establishing it difficult to access export opportunities and navigate regulatory and free trade arrangements.

Priorities

- ✓ To provide well tailored support to Victorian exporters
- ✓ Strengthen Victoria's brand as a trusted high quality, safe food producer
- ✓ Improve access to Asian markets through FTAs and regulatory arrangements
- ✓ Open new markets through in-bound and out-bound trade missions
- ✓ Ensure that training and education programs are in place to reduce skill and knowledge shortages
- ✓ Improve infrastructure and remove bottlenecks to make export supply chains more efficient
- ✓ Facilitating R&D to increase business innovation and adaptability to best meet Asian consumer preferences
- ✓ Streamline regulation and reduce red tape
- ✓ Help to attract capital investment in the Victorian agricultural and agri-business sectors by local and international investors.

Alignment with existing policy and strategies

- Builds on Victorian Government commitments to increase export opportunities for Victorian businesses under the Trade Mission Program
- Aligns with the Victorian Government's International Engagement Strategy to partner Victoria with fast growing regions.