



17 August, 2015

Hon Jaala Pulford, MP  
Minister for Agriculture  
Minister for Regional Development  
By email: [futureindustries@business.vic.gov.au](mailto:futureindustries@business.vic.gov.au)

Hon Lily D'Ambrosio, MP  
Minister for Industry  
Minister for Energy and Resources

Dear Ministers

**Submission to Victoria's Future Industries: Food and Fibre Sector Discussion Paper**

The Committee for Gippsland welcomes the opportunity to respond to the Victorian Government's discussion paper on the Food and Fibre Sector, as part of the Future Industry Fund. The initiative of developing a vibrant, innovative and competitive food and fibre sector is to be commended. The Committee for Gippsland acknowledges the role of government in setting stable, long-term policies to improve productivity and growth, and in this context, to outline a clear strategy to improve the competitiveness and profitability of the agricultural sector.

The Committee for Gippsland is the peak business and industry body for the Gippsland region. Established in 2011 and sector neutral, we comprise nearly 90 member organisations, including higher education providers, transport operators, agribusiness and food manufacturing companies, community and business groups, energy generators, tourism, retail and the services sector. We aim to positively influence government policy at all levels for the long-term community and economic benefit of the Gippsland region. The Committee for Gippsland enjoys the significant support of our four foundation level members, including Patties Foods, Bank Australia, Federation University and Gippsland Water.

The Committee for Gippsland works closely with our member organisations, and in respect of this submission, we acknowledge and support the recommendations made by several agribusinesses and community organisations in Gippsland.

## **Overview**

The Committee for Gippsland welcomes the identification of the food and fibre sector as a pivotal industry for Victoria. As the discussion paper notes, the sector contributes 4.9 per cent of gross state product and in 2013-14 it accounted for 48 per cent of the state's total goods exports, valued at \$11.8 billion. In addition, the sector employs 191,700 people and underpins the prosperity of many local communities across Victoria.<sup>1</sup>

Gippsland is home to a broad industry base and rich natural resources, making it a premier location for a national food hub. With access to water, high-yield land, transport linkages, an availability of a skilled workforce, it is a prime location for agribusiness investment. The region is also a major food producer, with nearly a quarter of the nation's milk output, 26 per cent of Victoria's beef production, one of the most significant apple and pear growing regions in Australia, and a rich horticultural sector.

Research and development, as well as industry leadership is a key driver in Gippsland, as home to the National Centre for Dairy Excellence, the East Gippsland Food Hub, and more recently the development of a Gippsland Food Plan, which the Committee for Gippsland strongly supports. The Victorian Government's Ellinbank Dairy Research Farm in West Gippsland has produced results that have helped develop Australia as one of the most competitive and efficient dairy producing countries in the world. This work is crucially important and requires continued support and investment.

## **Macalister Irrigation District**

Managed by Southern Rural Water, the Macalister Irrigation District is a vital part of Gippsland's agricultural infrastructure. The Committee for Gippsland strongly supports the development of the Macalister Irrigation District 2030 revitalisation project. The upgrade will increase agricultural production and provide a reduced loss of water to farmers.

The aim of the Macalister Irrigation District 2030 project is to modernise the Macalister Irrigation District, upgrade the supply system and work to generate water savings which will lead to increased food production. The cost of replacing an ageing channel system with a piped network and to automate the channel system in two supply zones, is around \$310 million. So far the project has received \$16 million in Victorian Government funding which has been matched with Southern Rural Water irrigator contributions. This is on top of \$6.4 million irrigators have already spent on early works.

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<sup>1</sup> *Victoria's Future Industries; Food and Fibre Sector – Discussion Paper, July 2015. Page 4.*

The MID produces about 400 million litres of milk annually and Murray Goulburn estimates the additional water could increase milk production in the Macalister region by an extra 24 million litres a year. As the largest irrigation district in the southern half of Victoria with some of Australia's most valuable productive grazing land, the MID 2030 project is expected to promote further growth in the industry as well as attracting new investment.

The MID contributes in excess of \$500m a year to the Gippsland economy and provides a large part of the milk produced in Victoria. There is significant scope to expand production in the MID in areas not currently irrigated within the district bounds, or dried off because of insufficient water available in a given season. Continuing with the modernisation – the \$60 million MID 2030 Phase 1A and Phase 2 projects has the capacity to inject up to \$100 million into the local economy on an annual basis.

There are opportunities to grow irrigated agriculture through the establishment of new irrigation schemes. For example, an off stream storage at Lindenow could secure current production in dry times, and also expand production in areas that are dry land at present. There is scope for some expansion beyond the current MID boundaries to contiguous areas. There may be potential in other areas of Gippsland should this be examined. At present, there is no single body with the mandate or funding to progress such opportunities. A good example of this is Tasmanian Irrigation which is driving the development of schemes in Tasmania.<sup>2</sup>

Typically, less than 40 per cent of licensed volume is used in surface and groundwater systems across the state. There is a policy to promote trading but there are some policy constraints to water moving to its highest value. This includes constraints on upstream trade.

There is also an opportunity to consider providing some of this unused entitlement on a temporary basis to those who are looking to establish or expand a business, and are having difficulty in trading. Given the low usage in most systems this could be done with minimal risk and provide a drive to further economic development.

The total cost of the 1B phase of the MID 2030 project is estimated to be \$60 million. With \$20 million to be invested by irrigators, the Committee for Gippsland is urging the Victorian and Commonwealth governments to invest a further \$20 million each.

**Recommendation 1:**

***That the Victorian Government provide \$20 million towards the development of the Macalister Irrigation District 2030 Revitalisation Project.***

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<sup>2</sup> Tasmanian Irrigation System: <http://www.tasmanianirrigation.com.au/>

## Social License and intensive agriculture

Social licence, and community engagement is an especially important facet of effective regional planning policy. Increasingly, social licence with regard to intensive agriculture has prompted several recent examples of fierce community debate. Government has a role to play in not only setting clear policy frameworks and parameters, but also providing leadership in this debate. There is a risk that regional areas will be deprived of agricultural projects with the potential to deliver necessary jobs and economic revenue because of a small number of vocal activists arguing tenuously constructed claims about loss of amenity.

Broiler farms are a contemporary case in point. There is currently a contested proposal for the development of one in Toonabbie, Gippsland.

Victoria is a net importer of chicken meat, and there are numerous employment and economic benefits available to be gained from carefully selected and adequately planned broiler farms in regional Victoria. Local government already has a difficult role in applying planning laws to applicants, and balancing job creation opportunities with genuine community concerns.

There is a limited capacity for local government to engage in a proactive community discussion around social licence, partly because it is both the regulator and administer, unless an application proceeds to VCAT. Regional Development Victoria is well placed to perform an informed and proactive role in engaging the community on current areas of concern, separate to individual planning applications. Providing information, initiating and facilitating community discussion and working with industry to identify future economic potential is a role RDV is ideally suit to.

The Committee for Gippsland welcomes recent comments by the Victorian Minister for Agriculture and Regional Development about the need to: *work across three levels of government with investors to arrest the decline of production in Victoria.*<sup>3</sup> In developing a response, consideration needs to be given to ensure jobs and economic development in regions like Gippsland where agriculture is an ingrained and integral industry are not diminished because of a small number of vocal activities. Sensible public policy developed in the interests of the overall good needs to be the prevailing outcome.

### **Recommendation 2:**

***That the Victorian Government work with industry and the community to develop a proactive approach to achieving social licence for intensive agriculture projects and developments.***

<sup>3</sup> *Chicken Meat Emergency*, The Weekly Times – page 3. 12 August 2015

## Gippsland Food Plan

The Committee for Gippsland was pleased to be part of the steering committee that supported the development and launch of the Gippsland Food Plan, an initiative of Regional Development Victoria. Importantly, the Gippsland Food Plan acknowledges that the region's food industry is a key pillar of Gippsland's economy, with a farm gate value estimated at \$1.5 billion and generating more than 16,000 jobs. The Gippsland Food Plan sets out the following future growth opportunities for Gippsland's food system:

- The Gippsland region is geographically well-positioned to access national and international markets
- Fertile soils, moderate climate, high rainfall and access to supplementary water resources provide a strong foundation for food production
- Gippsland is expected to be less severely affected by climate change than other Australian regions.
- Gippsland is already home to a diverse range of renowned products and production systems which help the food system to be sustainable and resilient
- Gippsland consists of a network of well-connected regional cities and towns. It also has a diverse workforce and enjoys access to excellent transport, communication, education, training and health services.

The Committee for Gippsland supports the Gippsland Food Plan's four key priority areas to expand the region's food industry:

1. Promoting growth and attracting investment
2. Enabling infrastructure and logistics
3. Innovation and adapting to change
4. Advocacy and policy development<sup>4</sup>

The Committee for Gippsland also supports the recommendations contained in the Gippsland Food Plan, which are:

- Develop a prospectus to promote the Gippsland food industry's capabilities and opportunities for new investment
- Establish a database of all Gippsland food system connections to share information throughout the food system
- Support participation in international trade delegations
- Keep abreast of consumer trends
- Explore opportunities for Gippsland businesses to replace imports
- Work with the Gippsland hospitality and food sector to promote Gippsland foods
- Build local awareness of the quality and range of Gippsland food products.

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<sup>4</sup> Gippsland Food Plan, Regional Development Australia Gippsland: <http://rdagippsland.com.au/gippsland-food-plan/>

## Access to fibre

Forest, pulp, paper and wood products are a significant part of Gippsland's economy. Many of these products underpin the region's manufacturing capacity, and the jobs and communities the sector sustains. The Committee for Gippsland notes the Victorian Association of Forest Industries' finding that:

*The industry is a major driver of economic activity and jobs in Victoria, generating \$6.7 billion of annual sales and service income annual. Much of the income generated by the industry remains in local communities, particularly so in regional Victoria. For example, \$20 million per year goes into the economics of towns such as Bairnsdale and Orbost that have a high dependence on the industry. Cann River, a highly dependent town in far East Gippsland with a population of just 223 people receives more than \$14 million in revenues from industry firms.<sup>5</sup>*

There is a high number of Gippsland based timber related businesses exporting products internationally. Some of them include: Australian Paper, Australian Sustainable Hardwoods, AusWest Timber, HVP Plantations, and South East Fibre Exports. VAFI notes that the Victorian industry is highly regulated, and that increasing competitive pressure from import and scrutiny over management practices is driving performance.

Access to fibre, and consistent policy planning and regulatory frameworks are important requirements for the industry to continue to be sustainable. The Committee for Gippsland strongly encourages the Victorian Government to consider the significance of this industry to the Gippsland economy, particularly in this regard.

## Training, finance and workforce availability

This is a complex area involving several challenges for businesses in Gippsland. It also includes feedback that the farming workforce is an ageing workforce population that is facing several challenges to inject generational renewal to offset retiring farmers. Anecdotal feedback from agribusinesses and financial planners in the region suggests a more concerted effort around succession planning and available finance for the next generation of farmers is a crucial issue.

The Committee for Gippsland supports initiatives to help attract and maintain a skilled and innovative agri workforce. While the family-owned farm model is the predominant one for the sector, many farmers are approaching retirement age and looking to either sell their land or pass it down to the next generation.

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<sup>5</sup> Victorian Association of Forest Industries – *Submission to the Rural and Regional Committee's Inquiry into the opportunities for increasing exports of goods and services from regional Victoria*, April 2014 – page 1: <http://www.parliament.vic.gov.au/images/stories/committees/rrc/IEGS/Subs/045.20140505.VAFI.pdf>

For broader reference on this issue, the Committee for Gippsland draws attention to a number of findings contained in a 2010 Senate Committee *Inquiry into Food Production in Australia*.<sup>6</sup> To help encourage a younger generation of farmers to continue to enter the sector, the Committee for Gippsland believes an increased level of research and development funding for the sector, and better higher education and skills opportunities relevant to the sector, would help address this challenge.

The Committee for Gippsland commends the findings by Agribusiness Gippsland that identifies an Australian agribusiness sector training package which creates a pool of high level service providers. Agribusiness Gippsland notes that these providers would have significantly increased skills in flexible farming systems, plus networks, and knowledge of data that can more effectively drive farm businesses.

In addition, the Committee for Gippsland would be supportive of concerted efforts at both a state and federal government level to provide a revitalised focus on matching higher education outputs with industry needs. Better engagement between business and industry with higher education providers and government departments is something that can help address some of these issues.

The Committee for Gippsland recognises that regional areas generally have a lower rate of retention and attainment of post-secondary education, and so we are supportive of additional pathways that present post-secondary students with a better way to access certificate, diploma and degree choices.

Gippsland offers some benchmarked examples of excellence in industry leadership. For example, the National Centre for Dairy Excellence in Warragul, the East Gippsland Food Cluster, the Regional Development Australia – Gippsland auspiced Gippsland Food Plan, and the Ellinbank research farm are all examples of how the Gippsland region leads the way in leadership, research and development. These models provide strong industry and community dividends locally, and could lend inspiration to other regional areas around Australia also looking to further develop their local industry and skills initiatives.

### **Recommendation 3:**

***That the Victorian Government note and encourage the work being undertaken by Federation University and Federation Training to lift higher education participation rates in Gippsland. Further, that the Victorian Government support the establishment of an industry skills council that would bring together higher education providers, community organisations and industry to collaborate and provide advice and feedback to the Victorian Government on improving attainment and participation rates in Gippsland.***

<sup>6</sup> Senate Agricultural and Related Industries, *Inquiry into food production in Australia*, 2010: [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=agric\\_ctte/food\\_production/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=agric_ctte/food_production/index.htm)

## Excessive regulation

This is an important area where a more concerted effort at all levels of government needs to be initiated to streamline and harmonise regulatory and compliance obligations on food and agribusinesses wherever possible. The Committee for Gippsland recognises the need for regulatory and compliance structures, in order to provide a controlled framework for quality, safety, labelling and other requirements. In consulting for the drafting of this submission, it quickly became evident that food processors in the Gippsland region rate over regulation and excessive compliance and cost requirements as a significant issue.

This includes duplication of regulation, both at a state and federal government level, and at a state and local government level. The Committee for Gippsland notes the efforts of COAG for state and federal government to better address this, and more recently with the initiatives taken by the Federal Government on deregulation.

The Committee for Gippsland also notes Agribusiness Gippsland's submission to the Federal Government's Agricultural Competitiveness White Paper, which includes the fact that 4 per cent of farm costs are taken up through managing regulation, and involve up to 90 government acts administered through a single department.

The feedback received by the Committee for Gippsland includes a non-exhaustive table of compliance fees required by one business. The submission was made by a meat processing business employing under 100 staff.

One of the issues raised was that for many licensing fees, there was no leverage factor, meaning that the same amount was paid for a license whether the company was a small Australian-owned business employing five people, or a large multi-national company employing 300 people. The Committee for Gippsland includes a copy of this table for reference.<sup>7</sup>

### **Recommendation 4:**

***That the Victorian Government continue to investigate ways in which duplication of regulation can be streamlined and multi-layered compliance obligations can be harmonised where there are opportunities to do so.***

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<sup>7</sup> Regulatory Fee Table available upon request as appendix to submission



## Infrastructure and market access

Gippsland possesses some of the highest yield agricultural soil in Australia, and produces a broad variety of high quality, nutritious products. Much of this is sold into the local market, however there is a strong demand internationally for products like dry milk powder and beef. In order to service domestic and global demands for Gippsland's fresh and quality produce, food processors must have access to safe and efficient freight and logistics networks.

The Committee for Gippsland has supported the development of the Port of Hastings since articulating it in its 2011 Strategic Plan. The Gippsland logistics precinct in the Latrobe Valley will play an important role in these developments, as will freight rail and road upgrades. The Committee for Gippsland has identified fast speed broadband as a key infrastructure requirement for the Gippsland region, and supports the fast rollout of the National Broadband Network through Gippsland.

The Committee for Gippsland strongly believes that investment in infrastructure is a primary enabler of productivity. Adequate infrastructure capabilities to support the retention and attraction of additional commercial investment, food producing development and access to market are central to this.

The Committee for Gippsland notes successive Victorian Government planning discussion papers including *Melbourne Let's Talk About the Future*, and its successor *Plan Melbourne* identify the need for a third major airport for Victoria, and for it to be based in an area near Koo Wee Rup, in Cardinia Shire.

The Committee for Gippsland is also pleased to note the Shire of Cardinia's view that; *the development of an additional airport within the southeast Melbourne region will generate a range of economic benefits that will support long-term sustainable employment and economic growth throughout the region.*<sup>8</sup>

*Plan Melbourne's predecessor, Melbourne Let's Talk About the Future, captures the significance of this opportunity well, noting that; Melbourne is a key freight and logistics centre for Australia, but capacity at the Port of Melbourne is constrained. Melbourne Airport is curfew free and is on track to handle more than 40 million passengers. There is adequate capacity to increase the number of aircraft flying into Melbourne Airport for some time but more limited capacity to provide land-based access to the airport. Avalon Airport has plans to become an international airport and a further airport in the south-east.*<sup>9</sup>

The Committee for Gippsland is of the view that airports play an important role in sustaining regional competitiveness and enhancing economic activity. Avalon Airport, located near Geelong, is a case in point.

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<sup>8</sup> Submission to Melbourne Let's Talk About the Future discussion paper, 2013.

<sup>9</sup> Melbourne Let's Talk About the Future, page ix: <http://mvcc.vic.gov.au/about-the-council/~media/Files/About%20Council/Council%20meetings/2013/26%20February%202013/7A%20%20Part%201%20Council%20submission%20to%20the%20Metropolitan%20Planning%20Strategy%20Discussion%20Paper.ashx>

It was declared an international airport in October 2012 and has attracted more than \$53 million Victorian and Federal government funding, which has substantially contributed to the sustainability and prosperity of that region.

For Gippsland and the south-east to meet its ambition of developing as a national food hub, improve its productivity, and enhance employment and higher education participation, a third major airport in the region is required.

**Recommendation 5:**

***That the Victorian Government note the importance of continued investment in regional freight capability and infrastructure capacity for agribusinesses to more efficiently access export markets.***

***That the Victorian Government continue to work with local government and industry in securing and development a site for a third major airport to be based in Cardinia Shire.***

**Conclusion**

Gippsland is home to a high-quality and diversified agribusiness sector. It has the potential to grow substantially by supplying even more fresh, chilled and frozen produce to both national and international markets. One of the keys to achieving this growth will be to address the region's ability to be competitive and secondly, to address the region's ability to innovate through research and development.

A leading indicator of this benchmark will be to enable Gippsland's competitiveness by creating more efficient access to market, for example through improved highways and arterials, freight rail and air access into, and out of, Gippsland. Port access is also a key issue for industry in Gippsland, and the Committee for Gippsland remains committed to ensuring this is on the table at both a state and federal government level.

Gippsland, and Australia, is home to food produce that is among the safest, most nutritious and highest quality food in the world. Leadership and innovation in successfully marketing this to current and emerging markets around the world is a key issue for the industry, and something the Australian Government can continue to play a leading role in promoting.

Along with these efforts, additional focus on reducing import red tape, standardizing food manufacturing accreditations, and investing greater resources into supporting Victorian food producer's access to new markets is another key area to continue to pursue.

The Committee for Gippsland would be pleased to provide additional information on any of the issues raised in this submission. For further detail please contact Mary Aldred on (03) 5623 3219.

Sincerely

A handwritten signature in blue ink that reads "Mary Aldred". The signature is written in a cursive style and is enclosed in a thin blue rectangular border.

Mary Aldred  
Chief Executive Officer