



ECONOMIC DEVELOPMENT COMMITTEE

FINAL REPORT

**Inquiry into Export Opportunities for
Victorian Rural Industries**

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Economic Development Committee

Report into Export Opportunities for Victorian
Rural Industries

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ECONOMIC DEVELOPMENT COMMITTEE

FUNCTIONS OF THE ECONOMIC DEVELOPMENT COMMITTEE

The Economic Development Committee is an all-party, Joint Investigatory Committee of the Parliament of Victoria established under section 4EC of the *Parliamentary Committees Act 1968*.

The Committee consists of seven Members of Parliament, three drawn from the Legislative Council and four from the Legislative Assembly. The Committee carries out investigations and reports to Parliament on matters associated with economic development or industrial affairs.

Section 38 of the *Parliamentary Committees Act 1968* prescribes the Committee's functions as follows: to inquire into, consider and report to the Parliament on any proposal, matter or thing connected with economic development or industrial affairs, if the Committee is required or permitted so to do by or under the Act.

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Parliamentary Committees Act 1968

TERMS OF REFERENCE TO THE ECONOMIC DEVELOPMENT COMMITTEE

EXPORT OPPORTUNITIES FOR VICTORIAN RURAL INDUSTRIES

The Governor in Council, under section 4F of the **Parliamentary Committees Act 1968**, requests that the Economic Development Committee of Parliament inquire into, consider and report to the Parliament on export opportunities for Victorian rural industries, with a particular emphasis on:

- The identification and demand for niche rural products in overseas markets;
- Victoria's strengths in niche rural industries;
- The level of support provided to niche rural industries by State and Commonwealth Governments;
- The use of information and communication technology;
- The role of statutory agriculture bodies in developing and promoting niche industries overseas; and
- The sale of Victorian food and agriculture products abroad and an examination of barriers or impediments.

The Committee is required to report to Parliament by 30 September 2003.

Dated: 15 April 2003

Responsible Minister:

Steve Bracks
Premier

Clerk of the Executive Council

Acronyms

ABS	Australian Bureau of Statistics
AFFA	Department of Agriculture, Fisheries and Forestry - Australia
AHEA	Australian Horticultural Exporters' Association
AMC	Australian Meat Council Ltd
APEC	Asia-Pacific Economic Cooperation
AQIS	Australian Quarantine and Inspection Service
AWB	Australian Wheat Board
BSE	Bovine Spongiform Encephalopathy
CER	Closer Economic Relations
DFAT	Department of Foreign Affairs and Trade
DIIRD	Department of Innovation, Industry and Regional Development
DoI	Department of Infrastructure
DPI	Department of Primary Industries
EFO	Export Facilitation Officer
EMDG	Export Market Development Grants
EMS	Environmental Management System
EUREP GAP	European Produce Retailers Good Agricultural Practice Programme
GM	Genetically Modified
HACCP	Hazard Analysis and Critical Control Point
ICT	Information and Communication Technologies
JAG	Joint Action Groups
MAF	New Zealand Ministry of Agriculture and Forestry
MLA	Meat and Livestock Australia Limited
NFIS	National Food Industry Strategy
NIDP	New Industry Development Program
NLIS	National Livestock Identification Scheme
NOIE	National Office for the Information Economy
NZFSA	New Zealand Food and Safety Authority
OECD	Organisation for Economic Co-operation and Development
RIRDC	Rural Industries Research and Development Corporation
RMO	Regional Marketing Officers
SARS	Severe Acute Respiratory Syndrome
SHINE	Swan Hill International Network and Exports
SME	Small and Medium Sized Enterprise
SRI	Specialised Rural Industry
SWNZ	Sustainable Winegrowing New Zealand
UDV	United Dairyfarmers of Victoria
VBC	Victorian Business Centre
Vegfed	Vegetable and Potato Growers' Federation of New Zealand
VGBO	Victorian Government Business Office
VFF	Victorian Farmers Federation
WTO	World Trade Organisation

Chairman's Foreword

As a debtor nation, Australia relies heavily upon its export performance. Victoria has a key role to play in maximising the nation's export potential.

Harnessing our export capability involves the rural sector just as much as Melbourne, for it is outside the city that much of the State's food production and processing is based. In essence, this Report is a tribute to the ongoing effort of countless rural Victorians whose lives and livelihoods revolve around our food industry.

The Inquiry was a challenge to the Economic Development Committee as it ran across two Parliaments, involved 14 different MPs, and received evidence over more than two years. The current Committee inherited the Inquiry only a few months ago, and I would like to thank my Parliamentary colleagues for their efforts in meeting a very demanding deadline.

No Parliamentary Committee can function without dedicated staff, and the Economic Development Committee has been well led over recent years through Executive Officer, Richard Willis. He has been ably assisted throughout the Inquiry by Tania Esposito, Frances Essaber and Andrea Agosta, and the Committee greatly appreciates their contributions.

I would also like to thank the many witnesses who gave unselfishly of their time, as well as Parliamentary, Government and industry representatives in New Zealand, whose co-operation and contributions greatly assisted the Committee's deliberations.

Much has been achieved by Victoria's rural industries over recent years. However, there are a number of challenges for rural industries to achieve further growth in the future. This Report is hopefully a signpost towards continued success and prosperity.

Tony Robinson, MP
Chairman

Chapter 1: Introduction

The Committee's Terms of Reference required an investigation into the export opportunities for Victorian rural industries with a particular focus on State and Commonwealth government support provided to rural industries and an examination of barriers and impediments to the sale of Victorian food and agriculture products overseas.

In view of the significance of food exports to the State's economic growth, the Committee's investigations and recommendations within this Report deal predominantly with opportunities for Victorian food exports, including niche and emerging export opportunities.

The Inquiry was undertaken by Economic Development Committees of the 54th and 55th Parliaments. During the course of the Inquiry, written submissions and public hearing evidence was received from a wide range of organisations and individuals including government agencies, industry associations, and rural export businesses. A large proportion of evidence was gathered during a series of hearings throughout Victoria.

The Committee also conducted interstate briefings in Canberra and Sydney and meetings with New Zealand government and industry representatives to examine the success of that country's food related export industries.

Chapter 2: Overview of Victoria's Rural Export Industries

This chapter provides a statistical overview of Victoria's processed and unprocessed food and fibre exports, which were valued at \$7.6 billion at December 2002. This figure represents an increase of \$3.7 billion over the last decade but is down \$500 million from the previous year. A further decrease was experienced in the first half of 2003.

The Committee notes that the recent decrease in the value of food and fibre exports can partly be attributed to the impact of the drought and the rise in the Australian dollar. A number of variable market fluctuations across each food sector may also impact on export sales over a short-term period. Some of these factors include quarantine and biosecurity issues and other non-tariff barriers.

Victoria's main food and fibre exports are dairy, wool and meat and strong growth has been recorded in the horticulture and wine sectors over the past ten years. The State's rural export performance as at December 2002 can be summarised as follows:

- Dairy exports were valued at approximately \$2.4 billion representing 87 per cent of Australian dairy exports. Japan and the Philippines are the two largest markets with China emerging as an important market.
- Wool exports were valued at \$1.4 billion in 2002 with China and Italy the key markets. Victoria is the largest national exporter of wool.
- Meat industry exports were valued at \$1.28 billion in 2002. The two main types of meat exports from Victoria are beef and lamb. The USA is the largest market for Victorian meat exports.
- Victorian grain exports, dominated by wheat, were valued at \$983 million in 2002. The major export markets are Japan, Vietnam, Korea and Pakistan.
- Victoria is the largest exporter of horticultural products nationally with horticulture exports valued at \$503 million in 2002. Fresh fruit represents half of Victoria's horticulture exports (\$252 million) with major items being grapes and citrus and the major markets being Hong Kong, Malaysia and Singapore. The second largest volume of horticulture exports is processed fruit, valued at \$129 million. Key markets are New Zealand, Japan, Canada, United Kingdom, Germany and USA.
- Wine exports were valued at \$317 million in 2002 and have experienced the largest growth in recent years among Victoria's food and fibre exports. The USA is the major destination for wine exports from Victoria comprising 47 per cent (\$147 million) of total wine exports, followed by the United Kingdom and Canada.

The Report also outlines export opportunities in niche specialised food industries including goat, pork and game meat, Asian vegetables, specialised dairy products including specialty cheese and yoghurt, organic products, seafood products such as yabbies and abalone, pulses and nuts, gourmet salt and essential oils.

Chapter 3: Maintaining Victoria's Competitive Advantages

The Report highlights the importance of freight transportation infrastructure, skills base, climate, water and energy supply, and communications to the growth of the State's rural export industries.

With respect to freight infrastructure, the Committee addresses the need for standardised rail gauge throughout regional Victoria, the development of intermodal freight hubs in strategic locations, the need to upgrade the State's comprehensive road network and the further development of existing seaports (including channel deepening in Port Phillip Bay) and airports.

The need to secure sustainable water supplies and to develop an effective salinity management program is of significant importance to the growth of Victorian rural industries and the economic development of the State.

Of particular concern to the Committee is the lack of analysis of Victoria's long-term future water supply requirements to enable rural industries to achieve sustained export growth. The State Government's September 2003 *Green Paper on Water Usage* should form the basis of a more detailed study into the projected water supplies for the State to at least 2015.

The Committee's evidence also highlights significant shortages of skilled and unskilled labour in many rural Victorian towns. This has largely been brought about by declining populations in smaller rural and regional cities and the shift in employment away from agriculture and manufacturing sectors towards the service sectors. Evidence also revealed that shortage of labour is particularly evident in horticultural industries where seasonal harvests are labour intensive.

The Committee recommends the Government should compile a comprehensive data base of skilled labour shortages in Victorian agricultural industries and actively promote and market regional agricultural and manufacturing industries as employment preferences in order to address rural and regional skill shortages. The Government's Skilled Migration program is also seen as an important initiative that could be expanded to focus on attracting existing skilled labour from within metropolitan areas and interstate to fill skilled labour shortages in rural Victoria.

The importance of Victorian rural export industries utilising information technology such as email and internet to market their products overseas, is also examined by the Committee. The Committee notes there is a requirement incumbent on the Commonwealth Government, following its decision to proceed with the full sale of Telstra, to ensure that rural businesses throughout Australia are able to access reliable and cost effective information and communication technology.

Chapter 4: Overview of Government Support Provided to Rural Industries

This Chapter outlines the key areas of State and Commonwealth government assistance available to rural businesses with a particular focus on food industries.

The main State Government assistance is provided through the Department of Innovation, Industry and Regional Development; the Department of Primary Industries; and the Department of Infrastructure.

The Department of Innovation, Industry and Regional Development provides support through a number of program areas including the Food Group within the Regional Industries Division, and Food Victoria which provides a framework for government and industry to enhance the international competitiveness of the Victorian food sector. General assistance to rural industry is available through various Regional Victorian Business Centres and Overseas Victorian Government Business Offices. The Department also assists rural businesses in attending overseas trade fairs to explore export opportunities.

The Department of Primary Industries' main assistance to rural businesses is provided by the Agribusiness Initiative that aims to promote the development and expansion of fresh and processed agricultural and horticultural sales from Victoria through the provision of market support services. A key aspect of the Agribusiness Unit's activities is the Naturally Victorian initiative which encompasses various programs targeted at substantiating Victorian clean, green and environmentally sustainable production systems and expanding market opportunities. The Department has also assisted in the establishment of various Agribusiness Forums to develop partnerships between local business, industry sectors and government agencies to promote the growth of local agricultural industries.

The Department of Infrastructure provides assistance to rural businesses through various infrastructure projects and through the functions of the Freight, Logistics & Marine Division which deals with ports, intermodal and logistics and rail freight.

The Commonwealth Government plays an essential role in assisting rural business develop export opportunities. Trade promotion and export facilitation services are provided by Austrade with an extensive network of offices throughout Australia and overseas. A key component of Austrade's assistance is the provision of Export Market Development Grants (EMDG) which encourage small and medium sized Australian businesses to develop export markets. Over \$33 million in EMDG grants were awarded to Victorian companies in 2002-03.

The Commonwealth Department of Foreign Affairs and Trade also plays a crucial role in improving market access for Australian products overseas through negotiations in international trading forums including the World Trade Organisation (WTO) and the Asia Pacific Economic Cooperation (APEC) group and lobbying individual Governments to reduce barriers or eliminate impediments to Australian exports.

Further Commonwealth assistance is provided through the Department of Agriculture, Fisheries and Forestry Australia (AFFA). Key functions within AFFA relevant to this Inquiry include the New Industries Development Program, the National Food Industry Strategy and the Australian Quarantine and Inspection Service (AQIS).

Chapter 5: Analysis of Government Support to Rural Industries

The Committee's evidence highlights the concerns of a number of rural businesses over the roles and responsibilities of State and Commonwealth Government departments. Evidence illustrates confusion over the range of assistance programs on offer, a lack of clear distinction between various government functions and a bureaucracy that is often insufficiently export focused.

The Committee found that several export assistance programs across State and Commonwealth Governments appear to be very similar in nature and accordingly has recommended that the State Government, in conjunction with the Commonwealth Government, review its full range of support programs targeted at rural businesses to ensure they complement and not duplicate each other.

There is also a clear need for improvement in the dissemination of government support to rural businesses, together with a review of government staff development and training, to ensure staff have a greater understanding of the needs and challenges facing rural businesses.

One of the main issues emerging from the Inquiry is the lack of a clear distinction between the support provided to rural industries by the Department of Innovation, Industry and Regional Development's Food Group, Food Victoria and the Agribusiness Unit within Department of Primary Industries. The Committee believes that the role of the separate departmental units appears to be very similar with all three focusing on developing and growing Victoria's food export industry.

Throughout this Chapter, several examples are provided of duplication in State Government services to food export businesses, including support provided to new and emerging specialised rural industries, the existence of separate Government offices in the same regional location and the involvement of both departments in accompanying Victorian food export companies at various overseas trade fairs. Duplication also appears to exist in web-based information and the publication of food industry newsletters by the Government.

The Committee has recommended that Victoria's food industry would be better served by the Government combining the functions of the Department of Innovation, Industry and Regional Development's Food Group, Food Victoria and the Department of Primary Industries' Agribusiness Initiative within one Department.

During the Inquiry, the most frequently criticised government agency was the Australian Quarantine and Inspection Service (AQIS). The criticisms related to perceived high fees and charges, the bureaucratic and often inflexible nature of AQIS inspectors and an overall perception that AQIS was not adequately focused on delivering practical and timely assistance to export businesses.

The Committee notes that recent Commonwealth Government initiatives including a 40 per cent reduction of AQIS export fees and charges, and actions taken to improve client services are positive measures. However, it is essential that AQIS further promote its client services and improve its communication with clients.

Evidence was also received on the concept of quarantine regionalisation within Australia. The Committee comments on the need for an enhanced quarantine regime, which recognises Australian geographic diversity, with respect to protecting Australian exports from unnecessary restrictions during isolated disease outbreaks.

Chapter 6: Substantiating Victoria's Clean and Green Image

Committee evidence highlights the importance of substantiating Victoria's clean, green image through world's best practice quality assurance systems.

The Committee examines various quality assurance measures undertaken in Victoria including the State Government's Naturally Victorian Initiative which focuses on demonstrating and promoting Victoria's clean, green and safe agriculture credentials with the ultimate aim of increasing Victorian food exports. Various initiatives are also being adopted by rural export businesses such as the National Livestock Identification, the Hazard Analysis and Critical Control Point (HACCP) food safety system and Environmental Management Systems.

By way of comparison, the Committee provides an outline of some of the key government and industry initiatives being undertaken in New Zealand to verify its strong clean and green image. Government initiatives include the establishment of the New Zealand Food Safety Authority and AgriQuality which performs testing, analysis and the establishment of quality assurance systems for animal, plant and food products. New Zealand industry quality assurance initiatives include Sustainable Winegrowing New Zealand, the Dairy Clean Streams Accord and the NZ Fresh Produce Approved Supplier Programme.

The Committee recommends that the State Government conduct a benchmarking study of Victoria's quality assurance programs in view of the progressive action taken by government and industry in New Zealand to substantiate and promote its clean and green image.

It is also recommended that the State Government encourage agricultural industries in Victoria to continue the adoption of internationally recognised quality assurance systems and practices, for the future sustainability of Victoria's rural export industries and to enhance export opportunities.

In order to illustrate the potential economic value of the various environmental management systems and quality assurance systems being undertaken, the Committee has recommended that the State Government undertake a study into the economic values of the State's clean and green image and the market opportunities.

Several witnesses also raised with the Committee their concern about the impact of GM food on the State's 'clean and green' image and food export opportunities. The Committee discusses these concerns but is not in a position to make any recommendations on the impact of GM crops on the State's food export opportunities.

Chapter 7: The Need for an Industry Co-ordinated Approach

Consistency and reliability of supply are essential for rural businesses to achieve sustainable export success. Given the comparatively small size of Victorian agribusinesses, there is a need for Victorian rural businesses to co-ordinate export activities through co-operative ventures and industry associations.

The Report outlines the various industry associations that currently represent key rural export industries in Victoria such as Dairy Australia, Meat and Livestock Australia, Horticulture Australia Ltd and the Australian Wine Export Council. Specialised and emerging rural industries are also increasingly recognising the value of industry associations.

The services provided by industry associations, including export promotion, R&D, and marketing, are vital to the export success of Victorian rural industries. Consequently, the Committee believes membership of industry associations should be widely encouraged.

Industry associations are able to fund their important services through the payment of levies by agricultural businesses. Despite the widespread use of Commonwealth regulated levies, none of the evidence presented to the Committee throughout this Inquiry referred to the opportunities to be gained and the benefits that are delivered to specific agricultural sectors through industry levies.

In contrast, the Committee was impressed by the acceptance of self-imposed levies across a number of rural export industries in New Zealand, and notes that industry witnesses generally had a well developed appreciation of the role of levies in delivering marketing, research and development benefits. The Committee has recommended that the State Government review the way in which industry levies deliver benefits to exporting agricultural industries, and incorporate into this review a comparison with industry levy arrangements in other jurisdictions.

The Committee's evidence also highlights the significant advantages gained by groups of small producers joining forces to form business clusters and co-operative ventures in order to achieve critical mass in export markets. Examples include the Murray Goulburn Dairy Co-operative, the Swan Hill International Network and Exports company (SHINE), the Mildura Fruit Company, the AlpValleys Wine Industry Park and the Alpine Valleys Summerfruit Growers Association.

The Committee believes it is essential for the long term sustainability of Victorian rural industries that the volume of exports be enhanced through the formation of further business clusters and co-operative ventures.

Chapter 8: New Zealand Case Study

This Chapter provides an overview of New Zealand's rural export performance highlighting four key food sectors; dairy, horticulture, meat and wine, together with an outline of New Zealand Government support to rural export industries. The Committee also examines the potential for a greater level of co-operation between New Zealand and Victorian government and industry and recommends the Victorian Government play a leadership role for Victorian rural industries by fostering closer links with New Zealand.

There are a number of key findings arising from the Committee's New Zealand investigations:

- New Zealand rural businesses are more export focused than Victorian businesses.
- There is a greater emphasis on higher value premium export products within New Zealand's agricultural sectors.
- There has been a greater awareness of the need to substantiate and promote New Zealand's clean and green image with a number of industry led best practice environmental managements systems and quality assurance initiatives being introduced.
- New Zealand rural industries appear to have a greater appreciation of the marketing, research and development advantages that industry levies can deliver.
- New Zealand's food export success illustrates the importance of businesses forming co-operative partnerships and the need to facilitate business clusters.

Chapter 3: Maintaining Victoria's Competitive Advantages

Recommendation 3.1 (page 40)

The Committee recommends that the Government expedite the announced rail infrastructure projects in rural and regional Victoria including the Wodonga Rail Bypass and standardisation of rail gauge systems with priority to be given to regions with high volumes of rural industry freight.

Recommendation 3.2 (page 40)

The Committee recommends that the Victorian Rail Freight Advisory Council, in association with the Department of Infrastructure, closely monitor the growth in rural industry exports and how these can be enhanced with rail improvement projects.

Recommendation 3.3 (page 43)

Given the Port of Melbourne's pre-eminent position as Victoria's largest seaport for the handling of export freight and evidence that it will remain the State's major seaport, the Committee recommends that the Government respond to the port infrastructure requirements identified in the Victorian Freight and Logistics Strategy as a high priority.

Recommendation 3.4 (page 43)

The Committee recommends that the Government should continue to discuss with local councils and regional communities, the potential benefits to export performance of enhanced facilities particularly at the Port of Geelong and Port of Portland. In the case of Portland, the Committee recommends the Government monitor the development of the mineral sands industry and the demands this places on the ports infrastructure.

Recommendation 3.5 (page 45)

The Committee recommends that in view of the volume of exports in outbound passenger services, the Government work with the airline industry to ensure that Melbourne continues to have regular direct flights to key international export markets.

Recommendation 3.6 (page 47)

The Committee recommends that the Department of Infrastructure support the development of intermodal freight hubs where existing and anticipated regional freight movement justifies the investment.

Recommendation 3.7 (page 52)

The Committee recommends that the Government continue to ensure that water usage and salinity control issues are at the forefront of future policy considerations including the funding of a range of projects and improved educational programs for rural industries on farming techniques, land and water usage.

Recommendation 3.8 (page 52)

The Committee notes the September 2003 release of the Government's Green Paper on Water Usage and recommends that this form the basis of a more detailed examination of the projected supply and demand for water across the State to at least the year 2015, based on climatic, environmental, consumption and population factors, in order to ensure adequate water supplies for Victorian rural industries.

Recommendation 3.9 (page 54)

The Committee recommends that the Government compile a comprehensive data base of skilled labour shortages in Victorian agricultural industries in order to develop strategies to address rural and regional skill shortages.

Recommendation 3.10 (page 54)

The Committee recommends that the Government's Skilled Migration Unit be expanded to focus on attracting existing skilled labour within metropolitan areas and interstate to fill skilled labour shortages in rural Victoria. The Government should consider relevant incentive schemes to facilitate the resettlement of such workers.

Recommendation 3.11 (page 55)

The Committee recommends that, in order to attract skilled workers to rural and regional Victoria, the Government actively promote and market regional agricultural and manufacturing industries as preferable employment opportunities.

Recommendation 3.12 (page 59)

The Committee recommends that the Government, in co-operation with the Commonwealth and Local Governments, consider a range of programs and incentives aimed at encouraging investment in workforce accommodation in rural and regional Victoria and to promote community solutions to existing accommodation shortages.

Recommendation 3.13 (page 64)

The Committee recommends that the Government work with the Commonwealth Government to ensure the timely roll-out of improved telecommunications infrastructure throughout Victoria, in order that rural and regional businesses have continuing access to reliable and cost efficient telecommunications capable of supporting current and emerging e-commerce technologies.

Chapter 5: Analysis of Government Support to Rural Industries

Recommendation 5.1 (page 98)

The Committee recommends that the Government, in conjunction with the Commonwealth Government, review its full range of support programs targeted at rural industries to ensure they complement each other and avoid duplication.

Recommendation 5.2 (page 98)

The Committee recommends that the Government undertake a review of the results achieved by Victorian rural industries that have received State and Commonwealth Government financial assistance in recent years, to determine the effectiveness of such support in achieving export growth.

Recommendation 5.3 (page 100)

In recognition of the desirability of the State and Commonwealth Governments to work co-operatively to avoid duplications and inefficiencies, the Committee recommends the creation of a new export target for Victorian food and fibre products beyond 2010. Any new target needs to take into account how the outcomes are measured to ensure consistency.

Recommendation 5.4 (page 101)

The Committee recommends that the Government investigate the reasons why a large proportion of exporters do not export on a regular basis and many first time exporters do not repeat the experience.

Recommendation 5.5 (page 101)

The Committee recommends that the Government develop a single statistical base to measure Victorian rural export performance.

Recommendation 5.6 (page 103)

The Committee recommends that the Government, in conjunction with the Commonwealth Government, review staff development and training options to ensure staff have a greater understanding of the needs and challenges facing rural businesses.

Recommendation 5.7 (page 104)

The Committee recommends that the Government encourage local government to continue to assist the growth of rural industries through the facilitation role of economic development units and support for infrastructure projects.

Recommendation 5.8 (page 104)

The Committee recommends that the Government should encourage local government economic development units to work in partnership with the State and Commonwealth Governments, to promote assistance programs to local industries. As a practical example, the Government should consider facilitating regular contact between local government economic development officers and State and Commonwealth Government representatives.

Recommendation 5.9 (page 108)

The Committee recommends that Victoria's food industry would be better served by the Government combining the functions of the Department of Innovation, Industry and Regional Development's Food Group, Food Victoria and the Department of Primary Industries' Agribusiness Initiative within one Department.

Recommendation 5.10 (page 111)

The Committee recommends that the Government liaise with Australian Quarantine and Inspection Service to identify ways to improve the flow of information between Australian Quarantine and Inspection Service and the rural export industries which are dependent upon its services.

Recommendation 5.11 (page 112)

The Committee recommends that the Government raise with the Commonwealth Government the need to negotiate quarantine regionalisation which recognises Australian geographic diversity with respect to protecting Australian exports from unnecessary restrictions during isolated disease outbreaks.

Chapter 6: Substantiating Victoria's Clean and Green Image

Recommendation 6.1 (page 128)

The Committee recommends that the Government undertake a study into the economic value of the State's clean and green image on export market opportunities.

Recommendation 6.2 (page 131)

The Committee recommends that the Government further encourage agricultural industries in Victoria to continue the adoption of internationally recognised quality assurance systems and practices for the future sustainability of Victoria's rural export industries and to enhance export opportunities.

Recommendation 6.3 (page 131)

The Committee recommends that the Government more actively monitor the international developments in food industries, marketing, consumption trends and the quality assurance requirements of key export markets in order to assist in future initiatives aimed at promoting the State's clean and green image.

Recommendation 6.4 (page 131)

The Committee recommends that the Government conduct a benchmarking study of Victoria's quality assurance programs against New Zealand in view of the progressive action taken by government and industry in New Zealand to substantiate its clean and green image.

Chapter 7: The Need for an Industry Co-ordinated Approach

Recommendation 7.1

(page 143)

The Committee recommends that the Government encourage industry leaders in key product areas to visit other jurisdictions, including New Zealand, to further their awareness of the way governments and industry work together to enhance export opportunities.

Recommendation 7.2

(page 146)

The Committee recommends that the Government review the way in which industry levies deliver benefits to exporting agricultural industries, and incorporate into this review a comparison with industry levy arrangements in other jurisdictions. In particular, the review should examine:

- the benefits of industry levies as a means of funding R&D, export market development and quality assurance programs;
- the use of commodity levies in New Zealand to assist rural export industries;
- the application of Industry Development Orders under the Victorian Agricultural Industry Development Act; and
- the role of industry bodies to initiate and monitor the use of levies.

Recommendation 7.3

(page 151)

The Committee recommends that the Government continue to facilitate and provide incentives for the establishment of agribusiness industry clusters and co-operatives. In particular, the Government should provide on-going funding for regional Agribusiness Forums for activities geared towards developing regional business clusters.

Chapter 8: New Zealand Case Study

Recommendation 8.1

(page 168)

The Committee recommends the Government play a leadership role for Victorian rural industries by fostering closer links with New Zealand. This could be achieved in a number of ways including more regular benchmarking and referencing of New Zealand's food industry by Victorian Government Departments, increased dialogue between Ministers, and more regular discussion between Parliamentary Committees focused on export industry performance.

Introduction

1.1 Background to the Inquiry

On 1 March 2000, the Economic Development Committee of the 54th Parliament received Terms of Reference by resolution of the Legislative Council, to inquire into, consider and report on the export opportunities for Victorian rural industries.

Specifically, the Committee was required to examine:

- the identification and demand for niche rural products in overseas markets;
- Victoria's strengths in niche rural industries;
- the level of support provided to niche rural industries by State and Commonwealth Governments;
- the use of information and communication technology;
- the role of statutory agriculture bodies in developing and promoting niche industries overseas; and
- the sale of Victorian food and agriculture products abroad and an examination of barriers or impediments.

The Committee was required to table a report to Parliament by 31 December 2001.

The workload and ongoing investigations with other Inquiries, coupled with the calling of an earlier than anticipated State Election, prevented the Committee from tabling a final report to meet the above deadline. The Committee tabled an Interim Report on 4 December 2001 advising the Parliament of the progress of the Inquiry, which incorporated a brief overview of its activities. A copy of this Interim Report is provided in Appendix 1.

On 5 November 2002, the 54th Parliament was prorogued for the conduct of the State Election. As a consequence, all Inquiries before Parliamentary Committees were suspended.

On 26 March 2003, the 55th Parliament established the current Economic Development Committee with an entirely new membership. The Terms of Reference for the Inquiry into Export Opportunities for Victorian Rural Industries were subsequently re-issued to the Committee by Order-in-Council on 15 April 2003. The Committee was required to report to Parliament by 30 September 2003.

1.2 Process for Gathering Evidence

This Report is based on evidence received through written submissions, extensive public hearings, private briefings and site visits held throughout Victoria. This process for gathering evidence has occurred over the course of two Parliaments and has consequently involved two Committees.

The Terms of Reference were initially advertised in the major daily metropolitan newspapers and the *Weekly Times* in May 2001. The Committee also sought submissions from relevant Government Departments, key stakeholders and Local Government. Fifteen written submissions were received from a range of interested parties including businesses; local, State and Commonwealth Government. A list of written submissions is contained in Appendix 2.

In January 2001, the Committee held private briefings with local exporters in Mildura. In June 2001, the Committee held further briefings with key Government bodies and industry groups in Sydney and Canberra. Appendix 3 contains a list of private briefings. These initial briefings provided the Committee with an understanding of key government programs and issues affecting rural export industries.

Formal public hearings commenced in August 2001, with the Committee conducting hearings and gathering evidence from local exporters in the Wimmera, Central Highlands, Loddon-Mallee, Ovens-Murray, and Gippsland regions between August 2001 and March 2002. A total of 68 witnesses appeared before the Committee in 15 rural and regional locations. Appendix 4 contains a list of witnesses. During these regional visits, the Committee also undertook a number of site inspections at various rural businesses (see Appendix 5).

Following the commencement of the 55th Parliament, the newly established Committee sought and obtained release of all evidence received under the previous Parliament. In addition, the Committee agreed to seek updated written submissions from individuals and organisations that had previously contributed to the Inquiry. Six additional written submissions were received. In June 2003, two further days of public hearings were conducted in Melbourne collecting evidence from 14 witnesses. (See Appendix 4).

Finally, the Committee held hearings in Canberra, Wellington and Auckland in July 2003, in order to receive an update on relevant Commonwealth Government programs, and in the case of New Zealand, to examine the success of that country's food related export industries. A list of New Zealand meetings is provided in Appendix 6.

1.3 Definitions of Terminology

The Committee's Terms of Reference refer broadly to export opportunities for 'rural industries' and specifically require an examination of 'niche rural products' and the sale of Victorian 'food and agriculture products'. The Committee believes an explanation of these different terminologies would be helpful in order to place into context the scope of the Inquiry and contents of this Report.

Rural Industries

The Committee has defined 'rural industries' as those industries which are based in rural areas of the State, or draw their existence from activities based in rural Victoria. The Committee's inquiries indicated that agriculture and food processing are the mainstays of rural Victorian industries.

While 'rural industries' encompass both goods and services, the Committee's evidence and investigations have concentrated on goods produced by industries located in rural Victoria.

Niche Rural Product

Throughout the Inquiry, there was some conjecture as to what is defined as a ‘niche rural product’. Several witnesses at public hearings asked the Committee to define the term ‘niche’ and advised that they found the term misleading in considering Victoria’s rural exports in the global market.

As defined by the OECD, niche rural products are those that utilise a particular rural resource element in the development of the product which can include the region’s natural resources, tradition and cultural heritage, environment and amenity. These niche products include value added and specialty agricultural products. Niche products are not necessarily small in volume. Rather, rural niche products generally have a unique or special element that separates them from mainstream rural products.

The State Department of Primary Industries refers to specialised rural industries (see Chapter 2) which relate to high value products such as Asian vegetables, organic produce, game meat and fodder crops.

The Committee believes that the terms ‘niche’ and ‘specialised’ are interchangeable and both terms will be used interchangeably throughout this Report. The Committee draws a distinction between niche/specialised rural industries and emerging industries, which could more generally be defined as those industries yet to achieve sustainable production levels.

Agricultural Products

Agricultural products include food and non-food products. For example, two of Victoria’s major agricultural exports are dairy and wool. Chapter 2 outlines Victoria’s agricultural industries which comprise aquaculture, dairy, horticulture, grain, meat, wine and specialised rural industries.

Following initial research and evidence presented to the Committee, and in view of the fact that food is the major competitive strength of Victoria’s rural exports, the Committee determined that this Report will concentrate on the export of food and niche food products. The Committee notes that in 2002, more than one-third of

Victoria's total exports comprised food and fibre products and most of this is produced in rural Victoria.

In relation to products other than food, the Committee received evidence from businesses such as the Australian Mower Company, Rainbow Filters and industries such as the cut flower industry and others. From this evidence it was apparent to the Committee that many issues relating to barriers and impediments to export, the level of government support provided to industry, and the role of industry associations are equally relevant to all rural exporters, with many facing similar challenges.

1.4 Scope of the Inquiry

Given the broad nature of the Reference, the Committee agreed it should narrow the focus of its investigation into specific areas that could add the greatest value to the State's rural export opportunities in an increasingly competitive global environment. Agricultural industries, most notably the food industry, are clearly Victoria's largest rural export focus and represent the greatest opportunities for growth.

The scope of the Inquiry and recommendations of this Report therefore deal predominantly with opportunities for Victorian food exports (including specialised or niche products) and maximising the State's competitive advantages.

In determining the focus of investigations, the Committee has attempted to address each part of the Terms of Reference with some areas receiving greater focus than others. In particular, the Committee's investigations closely examined the role of governments in supporting rural industries and removing barriers and impediments, as these issues presented the greatest opportunity for any recommendations arising from the Committee to be adopted by the State Government.

The Committee also believes it is important to benchmark Victoria's food export success. Accordingly, the Committee investigated New Zealand's food exports industry which has many similarities to Victoria and is achieving significant progress in key target markets.

Case Study 1

Brown Brothers Milawa Vineyards Pty Ltd

Family owned Brown Brothers dates back to 1885 when founder John Francis Brown planted his first vines in the remote village of Milawa in north-east Victoria. Today the winery is spread across five vineyard sites – three in Victoria's King Valley, as well as central and north-western Victoria.

Brown Brothers is now a \$60 million company of which almost one-third is derived from export sales. They employ about 280 equivalent full-time staff, with state offices as well as a UK office. The company's head office remains in Milawa.

Mr Ross Brown advised the Committee that the company has been exporting for about 25 years and became Victoria's largest dollar value wine exporter to the United Kingdom in 2001.

Brown Brothers produces the largest range of varietal wines in Australia and has achieved great success with niche products and differentiating itself from competitors. While the company produces Chardonnay, Cabernet Sauvignon and Shiraz, it also produces Tarrango, Orange Muscat and Flora, which are unique to Brown Brothers. Brown Brothers believe it is these unique varietals that are driving their export business.

Brown Brothers wines are currently available in 18 countries worldwide, including the UK where they are a market leader in the premium Australian wine category. In March 2003 Brown Brothers re-commenced exports to the U.S. after a six-year absence.

Sources:

Minutes of Evidence, 2 October 2001

Website: www.brown-brothers.com.au

Overview of Victoria's Rural Export Industries

2.1 Australia's Agricultural Exports

Australia's economic prosperity is largely dependent on its export performance. In 2002, exports of goods and services were \$151 billion, approximately 20 per cent of Australia's gross domestic product. Approximately 1.7 million Australian jobs are linked to exports, including one in four jobs in regional Australia.

Primary products (including unprocessed and processed food, minerals, fuel and other non-food rural products) comprise over 60 per cent of merchandise exports. In 2002, agricultural exports including processed food and beverages, were valued at \$32 billion, which represents more than a quarter of Australian merchandise exports.

The Department of Foreign Affairs and Trade's data as at June 2003 showed a strong growth in non-rural exports, however the value of rural exports declined by \$68 million or 3.7 per cent in May 2003 in seasonally adjusted terms, the lowest level since June 1999.¹

Agriculture exports are subject to a number of influences such as the impact of the drought and the recent outbreak of SARS, both of which have compounded the difficulty in maintaining export growth. These challenges highlight the need for Governments to play a major role in supporting rural exports.

Before addressing Victoria's strengths in rural exports and the major market destinations, it is necessary to briefly outline Australia's major agricultural export commodities.

Table 2.1 illustrates the commodities classified as agricultural exports and provides a ranking in terms of export earnings for 2002. Wheat and bovine meat are the largest agricultural export commodities, both valued at \$4.1 billion. Approximately half of the Australia's wheat exports come from Western Australia and New South Wales with Victoria ranked fourth in wheat exports. Over 60 per cent of Australia's meat exports

¹ Department of Foreign Affairs and Trade, International Trade in Goods and Services, May 2003

are produced in Queensland and New South Wales, Victoria follows as the country's third largest exporter of meat.

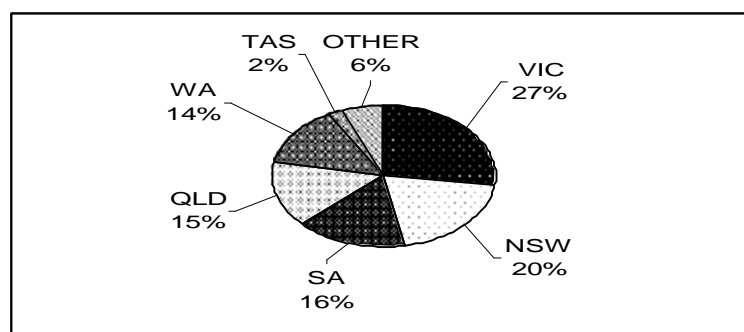
Table 2.1 Australia's Top Agricultural Export Commodities, 2002 (excluding Fisheries, Forestry and Rubber)

Commodities	A\$'000	% share
Wheat	4,135,944	14.1
Bovine meat f.c.f.	4,129,997	14.1
Wool	3,603,818	12.3
Alcoholic beverages	2,486,252	8.5
Meat (excl. bovine) f.c.	1,730,488	5.9
Milk and cream	1,710,460	5.8
Cotton	1,255,871	4.3
Live animals	1,170,039	4.0
Animal feed	927,935	3.2
Cheese and curd	894,916	3.1
Barley	750,223	2.6
Oil seeds & oleaginous	738,043	2.5
Fresh vegetables	708,549	2.4
Fruit and nuts, fresh or dried	678,884	2.3
Raw hides & skins (excluding fur skins)	655,102	2.2

(Source: Department of Foreign Affairs and Trade – STARS database)

Australian food and fibre exports were valued at \$27.7 billion in 2002, with Victoria's exports valued at \$7.6 billion. Figure 2.1 below illustrates that Victoria remains the largest exporter of food and fibre nationally, accounting for 27 per cent of Australia's food and fibre exports.

Figure 2.1: Australian Food and Fibre Exports by State, 2002



(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.7)

Australia's main agricultural exports markets are Japan, United States, China, United Kingdom, South Korea, Indonesia and New Zealand (see Table 2.2). As outlined later in this Report, Victoria's major agricultural export markets (other than for meat and wine) are located within North Asia and South East Asia.

**Table 2.2 Australian Agricultural Exports by Destination, 2002
(excluding Fisheries, Forestry and Rubber)**

Countries	A\$'000	% share
Japan	3,762,874	12.8
United States of America	3,251,097	11.1
China	2,330,948	8.0
United Kingdom	1,227,332	4.2
South Korea	1,170,873	4.0
Indonesia	1,109,990	3.8
New Zealand	1,026,795	3.5
Taiwan	816,149	2.8
Saudi Arabia	717,118	2.4
Italy	649,853	2.2
Singapore	633,440	2.2
Philippines	613,023	2.1
Malaysia	587,654	2.0
Canada	562,823	1.9
Thailand	551,983	1.9

(Source: Department of Foreign Affairs and Trade – STARS database)

2.2 Victoria's Agricultural Exports

The Victorian Government has set an objective of achieving \$12 billion value of food and fibre exports per annum by 2010. The \$12 billion target has been defined (within the Department of Primary Industries) as 'processed and unprocessed food and fibre exports'.² The value of food and fibre exports in 2002 was approximately \$7.6 billion, down \$500 million from the previous year but representing an overall increase of \$3.7 billion since 1993. Most of the value in food exports occurs in the processed sector.

² Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.5

The fall in rural exports over the 12 months to December 2002 can be partly attributed to the impact of the drought and the outbreak of SARS, both of which have adversely affected Australian products in key Asian markets. The recent rise in the value of the Australian dollar has also had a negative impact on all Australian exports.

At the time of completing this Report, the Committee notes that Victoria's rural exports along with Australia's, have experienced a further decline during the first half of 2003.

Victoria's agricultural exports are dominated by the dairy, beef cattle and sheep industries with two out of three agricultural establishments involved in one of these industries. Table 2.3 illustrates the growth in the State's food and fibre exports since 1993. As stated earlier, all industries have experienced significant growth since 1993 however there have been falls in export value over the past year. The wine and horticulture industries are the notable exceptions, experiencing a 37 per cent and 24 per cent growth respectively from 2001 to 2002.

**Table 2.3 Victorian Food and Fibre Exports (\$ million)
1993, 2000 – 2002***

Industry	1993	-	2000	2001	2002	% change 1993-2002
Dairy	951	-	2,300	2,626	2,459	158.6
Wool	986	-	1209	1,391	1,398	41.8
Meat	678	-	1037	1,296	1,281	88.9
Grains	521	-	1017	1,550	983	88.7
Horticulture	315		396	407	503	59.7
Cross Industry **	225		428	463	481	113.8
Wine	46		181	231	317	589.1
Seafood	152		143	128	116	-23.7
Special Rural Industries	25	-	46	45	47	88.0
Total	3,901	-	6,757	8,136	7,586	94.5

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.11)

* All figures refer to calendar years.

** Cross Industry exports include chocolate, pet food, foodstuffs, other, sauces, breads and biscuits, soups and broths, alcohol, other animal feed, ice cream, animal products.

Statistics provided in the following section are derived from the Department of Primary Industries' Food and Fibre Export Performance report for the calendar year ending December 2002. The Committee notes there is some variance between data provided in this document and other government food export statistics such as Food Victoria data as well as ABS statistics. The issue of inconsistent data is examined in Chapter 5.

2.2.1 Dairy Exports

Dairy is Victoria's major export product. Dairy exports from Victoria were valued at approximately \$2.4 billion in 2002 and have achieved an average 8 per cent growth rate per annum over the past eight years.

Victoria dominates the nation's exporting of dairy products, accounting for 87 per cent of Australian dairy exports. Table 2.4 below illustrates that powdered milk and cream products are the major type of dairy export, accounting for over 50 per cent of dairy products exported from Victoria and valued at \$1.3 billion dollars in 2002.

**Table 2.4 Victorian Dairy Exports (\$ million)
1993, 2000 - 2002**

Product	1993	-	2000	2001	2002	% change 1993-2002
Powdered milk and cream	550	-	1,166	1,400	1,333	142
Cheese and curd	265	-	744	810	726	174
Butter, Spreads and Fats	107	-	287	288	251	135
Whey and natural milk product	16	-	56	64	75	369
Milk and cream	10	-	43	59	67	570
Buttermilk and Yoghurt	3	-	4	5	7	133
Total	951	-	2,299	2,626	2,459	159

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.14)

The State Government's Food and Fibre Export Performance data for 2002 shows that while Japan and the Philippines remain the two largest markets for Victoria's dairy exports, both have experienced declines in the value of exports in the past year. Emerging markets in recent years include China, experiencing a 78 per cent increase in dairy imports in 2002, Indonesia (44 per cent increase), Mexico (16 per cent increase) and Thailand (7 per cent increase). The major dairy export markets are shown in Table 2.5.

**Table 2.5 Major markets for Victorian Dairy Exports (\$ million)
1993, 2000 - 2002**

Country	1993	-	2000	2001	2002	% change 1993-2002
Japan	156	-	403	401	340	118
Philippines	147	-	304	313	276	88
Saudi Arabia	57	-	146	189	188	230
Malaysia	99	-	162	197	164	66
Indonesia	44	-	79	105	152	245
Thailand	69	-	124	130	138	100
Taiwan	71		112	150	129	82
Singapore	66	-	90	139	110	67
China	2	-	32	59	105	5150
Sri Lanka	4	-	64	73	70	1650
Other	236	-	783	870	787	233
Total	951	-	2,299	2,626	2,459	159

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.13)

Demand for dairy products varies across the markets. The Philippines, China and Thailand are major markets for skim milk powder, while Sri Lanka, Taiwan, China and Malaysia are major markets for full-cream powdered milk. Thailand, Mexico and Egypt remain the largest markets for butter, spreads and fats. The Department of Primary Industries has reported a significant increase in the exports of butter, spreads and fats to the USA in the past year, an increase of 83 per cent (\$6 million).

2.2.2 Wool Exports

While much of the evidence received by the Committee concentrated on food exports, it is important to note the performance of wool, which is the State's second largest food and fibre export.

Victorian wool exports were valued at \$1.4 billion in 2002, reflecting a 1 per cent (\$7.9 million) increase in the 2002 calendar year. As with dairy products, Victoria is the largest national exporter of wool, representing 38 per cent of Australia's wool exports.

Table 2.6 illustrates that China is the dominant market for Victorian wool with the value of exports at \$590 million in 2002. The increase in demand for Victorian wool from China has been significant in recent years, having risen \$160 million from 2000 to 2002. Wool exports to Thailand, Taiwan and India have also experienced a sharp rise in the last 12 months. Victorian wool showed a decline in the value of exports in the previously dominant European markets of Italy, Germany and France. However, Italy remains the State's second largest market.

**Table 2.6 Major markets for Victorian Wool Exports (\$ million)
1993, 2000 - 2002**

Country	1993	-	2000	2001	2002	% change 1993-2002
China	206	-	430	559	590	186
Italy	117	-	191	219	178	52
India	34	-	84	80	94	176
South Korea	67	-	72	103	87	30
Taiwan	49	-	57	49	73	49
Japan	159	-	50	64	66	-58
France	45	-	36	54	51	13
Thailand	16	-	27	23	49	206
Germany	46	-	46	43	45	-2
USA	69	-	43	31	23	-67
Other	178	-	173	165	142	-20
Total	986		1,209	1,390	1,398	42

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.16)

2.2.3 Meat Exports

Victorian meat industry exports were valued at \$1.28 billion in 2002, down slightly from the previous year. The two main types of meat exports from Victoria are beef and sheepmeat.

**Table 2.7 Victorian Meat Exports (\$ million)
1993, 2000 - 2002**

Product	1993	-	2000	2001	2002	% change 1993-2002
Beef	423	-	526	615	600	42
Sheepmeat	168	-	310	432	417	148
Live animals	11	-	44	90	126	1045
Other	37	-	63	72	49	32
Animal casings	34	-	52	42	47	38
Pork	4	-	32	31	35	775
Poultry	1	-	10	14	7	600
Total	678	-	1,037	1,296	1,281	89

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.18)

In 2002, Victorian beef exports decreased by \$15 million (2.5 per cent) from the previous year. Beef exports are valued at \$600 million, representing 47 per cent of Victorian meat exports.

The USA remains the largest market for Victorian beef exports (accounting for 55 per cent). Since 2000, beef exports to the USA have increased by \$68 million.

Beef exports to Canada increased substantially from the previous year. The Department of Primary Industries observes this is mainly due to foot and mouth concerns within the country. Canada banned imports from South America and domestic production ceased. Consequently, beef exports from Victoria increased by \$38 million in 2002, and Canada is now Victoria's third largest market, up from sixth position in the previous year. Beef exports to Japan declined by \$32 million in 2002. Again, the Department of Primary Industries notes this is predominantly due to confirmed cases of BSE and the adverse affects this had on consumer confidence.

**Table 2.8 Major markets for Victorian Beef Exports (\$ million)
1993, 2000 - 2002**

Country	1993	-	2000	2001	2002	% change 1993-2002
USA	131	-	230	311	298	127
Japan	163	-	112	117	85	-48
Canada	33	-	14	24	62	88
South Korea	25	-	54	30	29	16
Indonesia	5	-	18	14	22	340
Taiwan	18	-	17	15	21	17
United Arab Emirates	1	-	3	9	8	700
Malaysia	5	-	8	12	7	40
Papua New Guinea	2	-	6	4	7	250
Singapore	4	-	7	5	6	50
Other	36	-	57	74	55	53
Total	423	-	526	615	600	42

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.19)

Victorian sheepmeat exports were valued at \$417 million in 2002, a decrease of \$15 million over the previous year. Sheepmeat exports to the two major markets (USA and Saudi Arabia) decreased in the last year in contrast to solid rises in the previous 12 months. Markets such as Mexico, United Arab Emirates, Japan and Taiwan all experienced positive growth in 2002.

**Table 2.9 Major markets for Victorian Sheepmeat Exports (\$ million)
1993, 2000 - 2002**

Country	1993	-	2000	2001	2002	% change 1993-2002
USA	18	-	79	104	94	422
Saudi Arabia	21	-	27	55	38	81
Mexico	9	-	24	29	37	311
United Arab Emirates	14	-	23	29	36	157
Libya	0	-	2	29	30	-
Japan	35	-	16	22	29	-17
Taiwan	6	-	5	9	13	117
Switzerland	2	-	12	14	13	550
Papua New Guinea	9	-	13	15	13	44
Canada	8	-	9	13	13	63
Other	46	-	100	113	101	120
Total	168	-	310	432	417	148

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.20)

In 2002, Victorian exports of live animals (other than for breeding purposes), increased by 40 per cent.

The majority of live animals exported from Victoria are sheep. The remaining live animal exports consist of bovine animals (37 per cent) and goats (2 per cent). Live sheep exports from Victoria increased by \$61 million (118 per cent) from 2000-2002 to be valued at \$77 million.

**Table 2.10 Live Animal Exports from Victoria (number in millions)
1993, 2000 - 2002**

Product	1993	-	2000	2001	2002	% change 1993-2002
Live sheep	10	-	16	56	77	670
Live bovine animals	0	-	27	33	46	-
Live goats	0	-	1	2	3	-

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.21)

Table 2.11 illustrates how exports of live animals to most major markets have increased in recent years. The Middle East is the major market region for this commodity.

**Table 2.11 Major Markets for Live Animal Exports from Victoria (\$ million)
1993, 2000 - 2002**

Country	1993	-	2000	2001	2002	% change 1993-2002
Kuwait	6	-	5	25	30	400
Bahrain	1	-	4	9	16	1500
Mexico	0	-	1	4	14	-
Egypt	0	-	18	15	13	-
Saudi Arabia	0	-	0	30	12	-
Oman	1	-	2	7	10	900
United Arab Emirates	2	-	3	12	8	300
Israel	0	-	2	2	8	-
China	0	-	1	5	7	-
Other	1	-	8	-19	8	700
Total	11	-	44	90	126	1045

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.21)

2.2.4 Grain Exports

There have been dramatic fluctuations in Victorian grain exports over the past two years. Victorian grain exports, dominated by wheat, were valued at \$983 million in 2002, a decrease of \$567 million (36.5 per cent) from the previous year. This is in contrast to the previous year, which had an increase in value of \$533 million.

Victoria is now the fourth largest national exporter of grain (14 per cent). Victoria's grain export commodities comprise wheat, malt, canola and pulses.

Table 2.12 Victorian Grain Exports by Major Commodity Group (\$ million), 1993, 2000 - 2002

Product	1993	-	2000	2001	2002	% change 1993-2002
Wheat	228	-	538	1,000	563	146
Malt	63	-	113	140	138	119
Canola	3	-	157	222	131	4266
Pulses	117	-	96	96	71	-39
Prepared Foods	25	-	70	55	48	92
Other Grains	20	-	17	17	17	-15
Miscellaneous	19	-	7	8	9	-52
Oils	7	-	9	7	4	-42
Flours	0	-	4	3	2	-
Barley	40	-	6	2	0	-100
Total	522	-	1,017	1,550	983	88

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.30)

Japan is the largest market for Victorian grains followed by Vietnam, Pakistan and South Korea.

Victorian grains exports to the United Kingdom rose significantly in 2002 reaching a record high of \$30 million. In contrast, the German market for Victorian grains has fallen markedly to the point where it is no longer a top market.

**Table 2.13 Major markets for Victorian Grains Exports (\$ million)
1993, 2000 – 2002**

Country	1993	-	2000	2001	2002	% change 1993-2002
Japan	59	-	110	86	96	63
Vietnam	3	-	49	57	45	1400
South Korea	12	-	23	27	38	217
Pakistan	26	-	27	26	35	35
United Kingdom	1	-	2	3	30	2900
New Zealand	9	-	17	25	26	189
Bangladesh	7	-	29	31	25	257
Philippines	19	-	20	20	16	-16
Thailand	0	-	16	30	16	-
China	17	-	66	20	14	-18
Other	369	-	658	1225	642	74
Total	522	-	1017	1550	983	89

(Source: *Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.31*)

2.2.5 Horticulture Exports

Victoria is the largest exporter of horticultural products nationally, accounting for 40 per cent of Australia's horticultural exports. Victorian horticulture (excluding wine) exports were valued at \$503 million in 2002, an increase of 24 per cent or \$97 million from 2001. Victoria has experienced a larger percentage growth in horticultural exports than any other state.

Victorian horticultural exports increased to most major markets. Japan and Hong Kong are the largest markets for Victorian horticulture, with exports in 2002 valued at \$90 million and \$84 million respectively. The Hong Kong, Taiwan and Indonesian markets have all increased markedly over the past 12 months.

**Table 2.14 Horticulture exports from Victoria (\$ million)
1993, 2000 - 2002**

Product	1993	-	2000	2001	2002	% change 1993-2002
Fresh fruit	89	-	170	188	252	183
Processed fruit	175	-	126	119	129	-26
Fresh vegetables	37	-	50	53	57	54
Processed vegetables	10	-	38	37	44	340
Nuts	1	-	4	5	13	1200
Other	2	-	7	5	9	350
Total	315	-	396	407	503	60

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.28)

Fresh fruit represents half of Victoria's horticulture exports. The value of fresh fruit exports was \$252 million in 2002, an increase of \$64 million (33 per cent) from 2001. Grapes and citrus account for most of the fresh fruit exported from Victoria. The major markets for fresh fruit are Hong Kong, Malaysia and Singapore. Taiwan and Indonesia are increasingly important markets for fresh fruit exports from Victoria.

The second largest volume of horticulture exports is processed fruit, valued at \$129 million in 2002, this represented an increase of 9 per cent or \$11 million from the previous year. New Zealand, Japan, Canada, United Kingdom, Germany and USA are the major markets for processed fruit exports from Victoria. Fruit juices and preserved fruit are the major commodities in this category. Processed vegetable exports achieved strong growth, increasing by 18 per cent in 2002 to be valued at \$44 million. Japan is again the largest market with exports to the Philippines rising markedly in 2002.

Victorian fresh vegetable exports were valued at \$57 million in 2002, an increase of \$7 million since 2000. Japan remained the largest market, importing more than 50 per cent of fresh vegetables from Victoria. South East Asia is an important region for fresh vegetable exports with sales to Singapore and Malaysia both valued at approximately \$5 million.

Table 2.15 Major markets for Victorian Horticultural (Excluding Wine) Exports (\$ million), 2000 – 2002*

Country	2000	2001	2002	% change 2000-2002
Japan	85	87	90	6
Hong Kong	62	63	84	35
New Zealand	45	40	46	2
Singapore	38	39	43	13
Malaysia	25	36	39	56
USA	17	25	29	71
Taiwan	16	14	28	75
Indonesia	11	12	23	109
Canada	15	16	20	33
United Kingdom	19	13	15	-21
Other	63	62	86	6
Total	396	407	503	25

(Source: Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.27)

* The Department of Primary Industries did not provide figures for 1993 for the above table.

2.2.6 Seafood Exports

Victoria is a minor exporter of seafood compared to other States and is ranked fifth. South Australia is the largest exporter of seafood products nationally, with exports reaching \$506 million in 2002, followed by Western Australia.

Victorian Seafood exports declined by 9 per cent to \$116 million in 2002. Victorian seafood exports peaked in 1995/96, when exports totalled \$151 million, but exports have been in decline over the past eight years.

Hong Kong, with exports valued at \$45 million in 2002, has exceeded Japan as Victoria's largest market for seafood. Key Asian markets including Hong Kong, Japan and Taiwan, all experienced a decline in the value of Victorian seafood exports in the 12 months to December 2002.

**Table 2.16 Victorian Seafood Exports (\$ million)
1993, 2000 - 2002**

Product	1993	-	2000	2001	2002	% change 1993-2002
Abalone	69	-	68	67	65	-6
Lobster	39	-	24	25	19	-51
Molluscs	27	-	33	22	19	-30
Frozen fish	10	-	9	7	5	-50
Fresh fish	1	-	1	1	3	200
Other processed seafood	2	-	4	4	2	0
Crustaceans (excluding lobster)	3	-	3	1	2	-33
Live fish	1	-	1	1	1	0
Total	152	-	143	128	116	-24

(Source: *Victorian Food and Fibre Export Performance*, Department of Primary Industries, December 2002, p.34)

Abalone exports are the major type of seafood export in Victoria, valued at \$65 million in 2002. Japan remains the largest market for Victorian abalone, other markets include Hong Kong, Singapore and Taiwan.

Lobster (including rock lobster) exports decreased by 22 per cent or \$5 million to \$19 million in 2002. Hong Kong is the largest market for whole rock lobster with exports valued at \$15 million in 2002.

2.2.7 Wine Exports

The wine industry has experienced the largest growth in recent years including a 37 per cent increase in 2002. Wine accounts for 4 per cent of Victoria's total food and fibre exports and was valued at \$317 million in 2002.

Victoria remains the third largest exporter of wine nationally behind South Australia and New South Wales. The USA is the major destination for wine exports from Victoria comprising 47 per cent (\$147 million) of total wine exports. The United Kingdom and Canada remain strong markets for Victorian wine exports with both countries increasing consumption of Victorian wine in recent years.

Wine exports to New Zealand, Germany and Hong Kong all declined in 2002. Table 2.17 below illustrates the strong growth in red wine exports which now account for three-quarters of Victorian's total wine exports.

**Table 2.17 Victorian Wine Exports (\$ million)
2000 - 2002**

Product	2000	2001	2002	% change 2001-2002
White Wine	48	57	76	32.4
Other Wine Products*	4	4	8	100
Red Wine	129	170	233	36.8
Total	181	231	317	37.0

(Source: *Victorian Food and Fibre Export Performance, Department of Primary Industries, December 2002, p.24*)

* 'Other wine products' refers to rosé, liqueur, mixed wine and sherry.

2.2.8 Factors Influencing Market Fluctuations

The figures provided in the preceding pages often show large increases or decreases in the value of exports from one year to the next. The Committee has previously noted that the decline in rural exports from 2001 to 2002 can partly be attributed to the impact of the drought and the recent rise in the value of the Australian dollar.

However, the data illustrates there are a number of variable market fluctuations across each food product and specific to each market. While the Committee did not receive evidence explaining specific fluctuations, it is important to note that there are factors unique to each market that may result in export sales for a specific product declining or rising significantly over a short-term period.

For example, food exports to some Asian markets have declined in the past 12 months due partly to the impact of SARS. In contrast, meat exports to countries like Canada rose significantly due to concerns in that country over foot and mouth disease.

Throughout this Report the Committee highlights evidence relating to non-tariff barriers and quarantine restrictions which impact on the export of certain products.

Examples include:

- The Lentil Company, which recently won the Premier's Food Victoria Award for the Western Region, reported that trade bans on Australian lentils following a vetch substitution scandal in the 1990s impacted on its capacity to export product.³
- The health of Portland loaded sheep exposed to cold weather which resulted in reports of disease and the temporary contraction of export opportunities.
- Luv-A-Duck, a duck meat company in Nhill, has seen certain export markets decline due to non-tariff barriers and in particular has experienced the repercussions of Australia's ban on banana imports from the Philippines. The Committee notes that these bans have affected a range of Australian food exporters.

These variable factors demonstrate the volatility of rural exports and highlights the importance of governments in removing barriers and impediments to export markets.

2.3 Specialised Rural Industries

In increasingly competitive global export markets, the promotion of specialised rural export market opportunities is critical for the sustainability and growth of rural industry development in Victoria and Australia. As the C.E.O. of Brown Brothers Milawa Vineyards, Mr. Ross Brown, succinctly stated when describing the unique varieties his company produces:

*We believe there are only three positions in the world of marketing and they are: better, cheaper or different. Being cheaper is usually a successful way to go broke; being better becomes increasingly difficult because other people do everything very well also; but being different is probably the best strategy we have found.*⁴

³ *Taste of Victoria*, Issue 25, Spring 2001

⁴ Mr. R. Brown, Brown Brothers Milawa Vineyard Pty Ltd, Minutes of Evidence, 2 October, 2001, p.101

The State Government, predominantly through the Department of Primary Industries and the Commonwealth Government, through the Department of Agriculture, Fisheries and Forestry's New Industries Development Program and the Rural Industries Research and Development Corporation, have a number of key initiatives relevant to niche industries. These are detailed in Chapter 4.

The section below provides a summary of specialised rural industries in Victoria based on the Committee's investigations and research undertaken by State and Commonwealth Government departments.

2.3.1 Specialised Rural Industries Program

The Specialised Rural Industries Program administered through the Victorian Department of Primary Industries, seeks to foster increased exports of products, particularly those of high value, to encourage more rural enterprises to diversify, and to support the establishment of new markets.⁵

The Department of Primary Industries has identified a number of key product areas as Specialised Rural Industries including: Asian vegetables, buckwheat, fodder crops, honeybees, horses, medicinal plants, pasture seeds, tobacco and organic products.

Below is a summary of the performance of Specialised Rural Industry exports in 2002:

- Victorian Specialised Rural Industry (SRI) food exports increased by 6 per cent (\$3 million) in 2002 to \$47 million. Since 1993, SRI exports have grown at an average rate of 4.3 per cent per annum.
- Japan remains the largest export market for Victorian SRI products. SRI exports to Japan were valued at \$20 million, an increase of 7 per cent or \$1 million from 2001 to 2002. 43 per cent of all Victorian SRI products are exported to Japan.
- Australian SRI exports were valued at \$352 million in 2002, an increase of 28 per cent or \$77 million. Victoria is the third largest exporter of SRI

⁵ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.48

products behind Western Australia (\$118 million, 34 per cent of national total) and South Australia (\$81 million, 23 per cent of national total). Victoria accounts for 13 per cent of Australia's SRI exports.

- Market performance was mixed in 2002, with exports to South Korea increasing by 131 per cent, to the USA by 77 per cent, and to Germany by 250 per cent. In contrast, exports fell to the United Kingdom by 15 per cent, to Malaysia by 9 per cent, and to New Zealand by 43 per cent.⁶

2.3.2 Opportunities for Specialised Niche Rural Exports

The State Government submission highlighted export opportunities in the following specialised or niche food products:

- Asian Vegetables
- Goat Meat
- Essential Oils
- Culinary and Medicinal Herbs and Spices
- Wildflowers
- Green Tea
- Halal Foods
- Organics
- Speciality Cheeses
- Seafood Products

Opportunities also exist in non-food niche rural industries such as specialty timber products, regional tourism and the export of live horses for breeding. However, as stated earlier in this Report, the Committee's investigations focused on food related exports.

Through numerous public hearings, the Committee was fortunate to meet with a wide range of specialised/niche export businesses, similar to the above product classifications identified by the Department of Primary Industries. The following section provides a summary of niche rural export industries identified by the

⁶ Food and Fibre Export Performance, Department of Primary Industries, December 2002, pp.38-39

Committee. Issues raised by these businesses in evidence such as impediments to exporting, the role of governments and initiatives to enhance exports were similar to the major local export industries and will be dealt with later in this report.

Goat Meat

Australia is the world's largest exporter of goat meat with key markets in Taiwan, USA and South East Asia. The goat meat industry has grown significantly over the past few years with the value of goat meat exports from Victoria in excess of \$11 million in 2000. The vast majority of this export product was from feral goats. Goats can be exported in two forms, as either live animals or processed meat.

The Department of Primary Industries advised that 'an opportunity exists for farm goat to be incorporated into the feral goat market or for farmed goat meat to develop as a separate niche product for food service and food manufacturing industries in Asia, the Middle East and North America. Goat meat production offers export opportunities for small specialist abattoirs and diversification opportunities for Victorian farmers. Markets for co-products, such as skins and offal, and other products, such as milk, are less well developed but have some potential'.⁷

Ms Suzanne Ryan, a Boer goat breeder from Tallarook near Seymour, advised the Committee that emerging opportunities exist for the export of live goats to markets such as India, South America, Malaysia, Indonesia and China. This submission highlighted the fact that recent outbreaks of animal disease in Britain and South America, coupled with Australia's reputation as being a clean country, has positioned Victoria to capitalise on the greater supply needs for quality, market specific goat meat.⁸

Pork Meat

The pork meat industry has traditionally been a smaller industry in Victoria, but like goat meat, has experienced substantial growth in the last two years and is expected to grow further in the future.

⁷ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.18

⁸ Ms S. Ryan, Submission No. 10, 3 September 2001, p.1

As at 2001, Victoria's pork exports were valued at approximately \$16 million representing 15 per cent of total Australian exports. The majority of pork exports comprise fresh chilled or frozen pig meat.

In a joint submission from the Victorian Farmers Federation Pig Group and Australian Pork Limited, Ms Deborah Borden major pork export markets as being Singapore, Japan, New Zealand, the Philippines, South Korea and Hong Kong. Increased demand in these markets was attributed to population growth and rising incomes.

Australia has secured long-term sustainability in the largest market, Singapore, by developing the AIRPORK brand which is now considered a premium brand. Japan is one of the largest consumers of pork in the world and although Australian meat is considered to be of high quality, Ms Borden suggests that in order to gain a larger market share in Japan, Australia needs to build the awareness and image of the product.

The South Korean market offers good opportunities for export for the Australian pork industry, due to shortfalls in domestic supply during peak periods. However, the Victorian Farmers Federation Pig Group and Australian Pork Limited believe attempts to increase market share will require more attention to South Korean specifications, better consistency of supply and raising the profile of Australian pork.

The Victorian pork industry's competitive advantage is considered to be its freedom from disease and its high quality status. Integral to this status is Australia's clean green image and its low use of antibiotics and agricultural chemicals. Close proximity to Asian markets is also considered an advantage.⁹

Victoria's pork industry has received support from the State and Federal Governments through assistance with research. At the State level, the Department of Primary Industries has been involved in a study of the shelf life of pork and developing an industry Code of Conduct for the cold chain to Singapore. Support at the Federal level has been in the form of matched funding of research commissioned by Australian Pork Limited.

⁹ Ms D. Borden, Joint Submission, Victorian Farmers Federation Pig Group and Australian Pork Limited, Submission No. 14, 3 October 2001, p.6

Game Meat

The Commonwealth Rural Industries Research and Development Corporation (RIRDC) has undertaken extensive research in recent years into the development of the game meat industry and its export potential. The RIRDC has identified a number of products including kangaroo, deer, emu, ostrich, camel, rabbit and crocodile as having growth opportunities.

A separate Victorian Parliamentary Report produced by the Environment and Natural Resources Committee in June 2000, *Utilisation of Victorian Native Flora and Fauna*, also identified economic potential in game meat, particularly kangaroo, possums and emu.

The Committee met with two game meat export companies during the course of this Inquiry.

The Emu Company of Eurobin near Myrtleford, a livestock processing company, was established in December 1997 with 12 staff. Although initially only handling emus, the Emu Company has increased its products to include goats, ostriches and venison. The company now has a staff of 34. The company was invited to promote its product on the Agriculture Victoria stand at a recent Gulf Food Trade Fair in Dubai. This could greatly enhance overseas interest in Emu Company products and establish a market in the Middle East to complement existing markets in Europe.

Another game meat company that displayed its products at the 2001 Gulf Food Trade Fair was Ozimeats Pty Ltd based in Pyramid Hill. Ozimeats produces ostrich, emu and deer meat. Currently exporting to Europe, Ozimeats is focussing on growing its share of the ostrich market and then diversifying. The company believes the outbreak of foot and mouth disease in Europe led to increased interest in Australian produce which is seen as clean and green.¹⁰

Asian Vegetables

The emergence of Asian vegetables as a rural export product has been identified by both the Department of Primary Industries and the Rural Industries Research and Development Corporation. The Department has worked with East Gippsland farmers

¹⁰ Ms L. Oliver, Ozimeats Pty Ltd, Minutes of Evidence, 13 December 2001, p.238

to establish a new export market for Chinese cabbage and strengthen domestic demand for a wide range of Asian Vegetables. Domestically and overseas markets comprise supermarkets, Asian groceries and restaurants.

Asian vegetable exports from Victoria are valued at more than \$1 million a year and are growing steadily. The major export crops are Chinese cabbage (to Taiwan, Singapore and Hong Kong) and Japanese pumpkin.

The industry is small in scale and accordingly there are a number of challenges in meeting the supply demands of overseas customers who usually want large quantities on a consistent basis. Work has been undertaken with production and storage problems for Chinese cabbage, and identifying a range of high-yielding Chinese cabbage cultivars suitable for Victorian conditions.

The Department of Primary Industries reported to the Committee that to remain globally competitive, Victoria needs to identify the potential opportunity for value added Asian vegetable products and respond by supplying processed products, such as pickled and dried Asian vegetables, to a discerning Japanese market.

Specialised Dairy Products

Given Victoria's competitive strengths in the dairy industry and its dominant position in dairy export markets, it follows that opportunities will exist for the export of specialised dairy products.

Consumption of dairy products such as specialty cheese and yoghurt in key Asian markets of Singapore, Thailand and Malaysia, is increasing, particularly as consumer tastes become more westernised.

The Rural Industries Research and Development Corporation identified the emerging Indian market for the milk products Khoa and Chhana. Market opportunities also exist for similar dairy dessert products aimed at specific ethnic groups.¹¹

¹¹ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.21

Companies such as Burra Foods in Korumburra have been able to grow their domestic base as a result of local consumers developing a preference for the more exotic tastes of the specialty cheeses. Burra Foods is a small company that focuses on niche dairy products including cottage cheese, cream cheese and mascarpone cheese, as well as value added milk preparations and yoghurts. The company exports cheese products mainly to Japan and some frozen cream products go to Hong Kong and Saudi Arabia.

The Department of Innovation, Industry and Regional Development (DIIRD) has assisted the Australian Specialty Cheese Association in achieving their aim of “promoting awareness and appreciation of specialist Australian cheese amongst the local trade and internationally”. This has been in the form of financial support for the cheese show exhibition at the Melbourne Fine Food Fair and client manager support in market development through trade liaisons, networking functions and promotion. A number of cheese makers have joined DIIRD sponsored trade fairs in overseas markets.¹²

Organic Products

The demand for organic produce around the world is rising rapidly due to several factors including concern for health and the environment and the impact on consumers of recent food scares such as foot and mouth disease and BSE.

The world market for organic food is estimated to be worth around \$35 billion annually. With current growth rates between 10 and 30 per cent per annum, it is estimated that the world market could be worth up to \$190 billion by 2006. Although Australian organic food exports account for only \$200 million, the Australian organic industry is in an excellent position to expand its market share.

The USA, Europe and Asia are key export markets for Victorian organic products, particularly wheat, flour, noodles, beef, wine, wool and fresh produce. The USA is by far the biggest market for organic food, worth over \$15 billion in 2000. Japan is the second largest market, and is predicted to become the world's largest per capita consumer of organic food with total sales reaching \$50-70 billion in the next ten

¹² Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.22

years. European export trade in organic products is expected to reach \$85 billion by 2006.

The Committee met with several organic farmers including Organic Citrus Products in Robinvale, Synergy Farms in Yarrawalla and Cafresco Organics in Korumburra. All three companies have obtained organic certification and are aiming to achieve the required volume and consistency to meet the demands of overseas markets. Organic Citrus Products exports oranges and juice to the United States, Synergy Farms is looking to export apples to China and Cafresco Organics is currently exporting asparagus to Japan.

Through the Naturally Victorian Initiative, the Department of Primary Industries is undertaking a range of projects which will address some of the key impediments facing the Victorian organic sector (see Chapter 4).

The Naturally Victorian Sustainable Organic Production Systems Project has established two scientific research sites based at Rutherglen and Mildura, to investigate and demonstrate sustainability of organic production systems for Victorian producers. The certified organic research sites will focus on broadacre (grains and livestock production) and horticulture (vegetables and citrus) farming systems.

Seafood Products

The Department of Primary Industries reported to the Committee that niche opportunities exist for the export of seafood products including abalone, rock lobster and yabbies. Exports of abalone of around \$80 million and rock lobster of \$20 million account for the bulk of seafood exports from Victoria, predominantly sold to the Asian market. The potential exists to add value to these products and increase exports. There is also scope to increase the value of some other fisheries including lobster (from \$20 to \$25 million), and the emerging eel fishery industry (\$1 to \$3 million).

Presently some of Victoria's abalone farmers have been successful in growing abalone almost to a commercially viable size (3 years growth). Much of the gains in value for the aquaculture sector will be with the export of farmed abalone.

Yabbies are also a niche product with growth potential. The State Government aims to boost the production of yabbies in Victoria from the present 25 tonnes to 200 tonnes by June 2005. The Committee was advised by Mr. Greg Williams of the Central Victorian Yabby Farm in Heathcote, that they are developing their domestic market and aim to export live yabbies to Singapore in the near future.¹³ Yabbies were successfully exported in December 2001 but due to the drought exports have been discontinued.

Pulses

The Committee met with two expanding companies in the Wimmera region who are successfully exporting pulses.

The Lentil Company (TLC), based in Horsham, exports lentils to over 33 countries. The company currently has contract growers in Victoria, South Australia, Western Australia, New South Wales and Queensland. Annual sales turnover has increased in the first three years from \$600,000 to more than \$15 million. This growth has been achieved by the company's niche marketing approach based on the marketing of quality products. The Lentil Company is one of the State's export success stories winning a number of recent export awards.

The Wimmera Grain Company in Rupanyup exports a wide range of pulses and seed crops, such as chickpeas, fenugreek, vetch and lentils, to diverse markets in South Asia and the Middle East. These grains are sourced from local growers.

Nuts

The Committee visited Mountain View Chestnut Farm in Eurobin which exports frozen roasted chestnuts to Asian and European markets. The company recently received a grant through the Federal Government's New Industries Development Program for the development and design of a process for the commercial production of frozen roasted chestnuts, to meet an identified market demand for this value added product.

¹³ Mr. G. Williams, Central Victorian Yabby Farm, Minutes of Evidence, 12 September 2001, p.36

The Committee also received evidence from Kyndalyn Park Almonds in Swan Hill and the Australian Pioneer Pistachio Company in Robinvale.

Kyndalyn Park Almonds is currently exporting almond kernels to India, South-East Asia, Japan and Europe. Their niche market exists due to the six month limit on fresh almond produce from California, Kyndalyn has the Southern Hemisphere counter seasonal advantage for fresh almonds. The company believes its success in the export of almonds has been enhanced by the clean green image of Australia and the secure and safe environment in which the product is grown.¹⁴

The Australian Pioneer Pistachio Company is a hulling, grading and packing facility for the entire Australian pistachio industry. The company is currently exporting nuts into Japan but unable to expand its overseas markets due to lack of supply. Success in the Japanese market is largely attributed to the flavour and quality of the company's pistachio kernels in comparison to those from overseas competitors.¹⁵

Gourmet Salt Products

As governments are attempting to deal effectively with the growing salinity problems throughout Australia, a number of farmers are working to capitalise on this situation. Several Victorian companies are now producing a range of specialty gourmet salt products in response to consumer demand in Australia and overseas for increasingly diversified food products.

Sunsalt, situated in Hattah near Mildura, produces various salt products by tapping into underground aquifers, and drawing those aquifers to the surface. Japan, Hong Kong, Singapore and Malaysia have been identified as export opportunities for gourmet salt due to their lifestyle and ability to afford a more expensive product. Sunsalt advised the Committee that the growth of the salt industry in Australia will rely on the development of value adding products and the market potential for inland salt as an alternative to sea salt.¹⁶

¹⁴ Mr. C. Greig, Kyndalyn Park Exports, Minutes of Evidence, 13 December 2001, p.218

¹⁵ Mr. C. Joyce, Australian Pioneer Pistachio Company, Minutes of Evidence, 8 March 2002, p.305

¹⁶ Mr. D. Thomson, Sunsalt, Minutes of Evidence, 7 March 2002, p.279

Pyramid Salt based in Pyramid Hill produces various salt products such as flake salt and flavoured salt. At the time of providing evidence to the Inquiry, Pyramid Salt had developed a strong domestic market and was looking to export. One major Japanese supermarket had expressed interest in the company's flake salts.¹⁷

Essential Oils

The Rural Industries Research and Development Corporation has carried out extensive research into the export potential for the essential oils industry.

Essential oils are largely used in the food flavouring, cosmetics and fragrance industries but their use in aromatherapy and other health care products is growing. Changing consumer demand, in favour of natural in preference to synthetic substances, has had a strong impact on pharmaceutical and cosmetic industries, which has translated into growing demand for essential oils and plant extracts.

In its submission to the Committee, the State Government advised that due to the environmental conditions required to produce a saleable, good quality product, Victoria has the opportunity to increase production and enter export markets. The market share held by the USA is seemingly impenetrable, however an annually increasing demand within the Asian market is promising for Victorian producers.¹⁸

Nutrigreen Pty Ltd is a Swan Hill based company that manufactures a cereal leaf product known as barley green or green magma. In addition to leaf powders, Nutrigreen also produce cold pressed oils such as jojoba, almond, pistachio and evening primrose. Currently Nutrigreen exports to Japan, Malaysia, New Zealand, Switzerland and Germany. The company advised the Committee that they had identified the need for more producers to produce organic products, as they will have a distinct advantage in the market place.¹⁹

¹⁷ Mr. G. Privett, Pyramid Salt, Minutes of Evidence, 12 December 2001, p.176

¹⁸ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.19

¹⁹ Mr. G. Murphy, Nutrigreen Pty Ltd, Minutes of Evidence, 13 December 2001, p.200

Case Study 2

Ozimeats Pty Ltd

Ozimeats Pty Ltd, based in Pyramid Hill, specialises in game meats and exports goat, ostrich, emu and deer meat. Following the foot and mouth outbreak in Europe, there was increased interest in Australian-produced ostrich. Ozimeats advised that they require assistance with the setting up of additional offal rooms in their abattoir, as well as the export of offal to Asia, where they believe a market exists.

Ozimeats has exported premium ostrich meat into the European market since 1998 and supplied 500 tonnes for season 2000. In addition to being the largest Australian processor of ostrich, Ozimeats is also the largest grower with a breeding flock of over 1,000 ostriches situated 25km from the abattoir. Ozimeats is supplied by more than 130 farmers.

Emus grow to about 50kg, and their meat is valued for its low fat content. Emu has only occasionally been available on the European market due to sporadic farming.

One of the main impediments confronting Ozimeats is the availability of chilled airspace to Europe to satisfy the immediate demands of customers.

Sources:

Minutes of Evidence, 13 December 2001

Advertising brochure

Maintaining Victoria's Competitive Advantage

Essential to Victoria's rural industries export performance is a range of factors including transportation infrastructure, skills base, climate, water and energy supply, and communications. Successive Victorian Governments, along with many commentators, have reflected on the State's competitive advantage in these areas, together with the benefits that a clean and green reputation can generate for food exporters.

While the Committee was unable to comprehensively investigate the precise relationship of each of these key factors to export performance, the Inquiry did receive evidence on several factors including freight infrastructure, water and salinity issues, labour shortages in rural Victoria and information technology and telecommunication infrastructure requirements. This chapter examines some of these factors and whether further investment and improvement is necessary to ensure they continue to provide the necessary level of service to the State's rural industries. The State's image as a source of clean green export product is subject to separate examination in Chapter 6.

3.1 Freight Infrastructure

Efficient freight infrastructure is critical to the success of a competitive rural export industry. As world competition increases, businesses in rural and regional Victoria will rely on supply chain networks to transport their goods by the fastest, most cost effective and efficient means possible. Most of the States' fresh food exports are perishable items which increases the need for an integrated, seamless freight infrastructure system.

The Committee was advised throughout the Inquiry that various freight infrastructure issues need to be addressed. Key issues ranged from the need for standardised rail gauge, the development of intermodal freight hubs in strategic locations, the need to upgrade the State's comprehensive road network and the further development of existing seaports and airports.

3.1.1 Rail

Rural exports depend on the freight capacity of an extensive rail network throughout regional Victoria. The need for an efficient rail network was raised throughout the Inquiry by many rural export businesses. The major issues related to standardisation of rail gauge and the expansion of the very fast train network. For example in 2001, Mr. Don Chambers, then a councillor at the Shire of Indigo, highlighted rail infrastructure issues and outlined benefits that fast rail and standardised rail gauge could deliver to north east Victoria.²⁰

The Committee notes the interest of some witnesses in relation to the regional fast rail project, however the Committee believes there is no demonstrable link between this project and export growth.

Over the past four years, the Government has announced a number of projects aimed at ensuring Victoria's rail networks can effectively service rural and regional industry and communities. As part of the Government's Regional Freight Links Program, specific projects are underway to improve rail infrastructure which will in turn improve access to domestic and export markets.

In its first term, the Bracks Government announced that over 2,000 km of track covering 13 lines throughout the State would be converted from broad gauge to standard gauge under the rail lines project, which was then estimated to cost \$96 million over five years. At present, two separate rail networks operate in Victoria: a 1.6 metre broad gauge system and a 1.435 metre standard gauge network that links with interstate systems. It has been estimated that the project will increase the standard gauge proportion of Victoria's rural and regional rail network from 27 per cent to approximately 70 per cent which will significantly improve the efficiency of freight rail services and greatly enhance the movement of export commodities. The Committee notes recent reports about delays in this project due to rail access issues but nevertheless believes it is a project worth pursuing.

Other key rail projects include the \$50 million Wodonga Rail Bypass which is a joint State and Commonwealth Government initiative aimed at enhancing the efficiency of freight and passenger rail operation on the main interstate corridor connecting Victoria and New South Wales. This project was announced in 2000 with expected

²⁰ Mr. D. Chambers, Indigo Shire Council, Minutes of Evidence, 1 October 2001, p.54

completion to take place in late 2005. The rail bypass project is linked to the National Distribution Hub project proposed in the region, which is discussed later in this Chapter.

In addition, works were completed in July 2002 to extend Dock Link Road from the South Dynon Rail Yard to Dynon Road to create smoother and more cost-effective transfers of containers between the Port of Melbourne, Dynon and North Dynon rail terminals. Approximately 150,000 containers per annum are transported along this route and as such, the road extension will not only improve the efficiency of freight movements and reduce the cost of transporting containers to and from the Port of Melbourne, but will greatly reduce heavy truck traffic along Dynon Road in West Melbourne.

Victorian Rail Freight Advisory Council

The Victorian Rail Freight Advisory Council was established in 2002 to assist the Government with the further development of the State's multi-million dollar rail freight industry. The Council advises the Minister for Transport on issues relating to the development, planning, regulation and operation of all aspects of rail freight services in Victoria.

An open access regime exists on freight rail lines in Victoria. This regime came into effect on 1 July 2001 to encourage competition in the rail freight industry and increase rail's role in carrying freight. Transport operators Freight Australia and National Express hold leases for most of the lines used for rail freight in Victoria. Open access will allow other operators to apply to the lease-holders (access providers) to operate services on those rail lines.

The Committee believes that at the forefront of any considerations of the development of the State's rail freight should be the needs of rural industries in transporting their products from farm gate to sea and airports. Accordingly, it is essential that the Department of Infrastructure, be it through the functions of Victorian Rail Freight Advisory Council or other means, continually monitor the rail freight requirements of rural industries taking into account forecast industry growth and usage of rail freight.

Recommendation 3.1

The Committee recommends that the Government expedite the announced rail infrastructure projects in rural and regional Victoria including the Wodonga Rail Bypass and standardisation of rail gauge systems with priority to be given to regions with high volumes of rural industry freight.

Recommendation 3.2

The Committee recommends that the Victorian Rail Freight Advisory Council, in association with the Department of Infrastructure, closely monitor the growth in rural industry exports and how these can be enhanced with rail improvement projects.

3.1.2 Roads

Rural and regional Victoria has a network of 19,000 kilometres of arterial roads and 117,000 kilometres of local roads.²¹ This network of roads provides access to Victoria's seaports and airports and places the State at a sustainable competitive advantage in terms of rural export opportunities. However, increased usage of rural and regional roads by heavy freight vehicles has increased the need for the construction of new roads and upgrading of existing roads.

The Committee was advised by a number of rural businesses, local councils, economic development organisations and other groups, of the need for continued development of the State's road network to ensure rural and regional centres are properly linked to air and seaports.

The Department of Infrastructure works with VicRoads, local government and on occasions the Commonwealth Government, to ensure that road, public transport and related infrastructure are planned and developed in unison. The Committee acknowledges the challenges facing governments to prioritise funding of road projects.

²¹ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.10

The Committee believes it is essential that governments keep in regular contact with regional communities to determine road work priorities. To this end, the Committee notes the regular forums conducted by the Victorian Road Freight Advisory Council as a means of discussing issues and seeking the views of local freight operators, drivers and other interested parties on road freight initiatives.

Recent major road projects which should enhance regional development and the movement of export goods include:

- the completed upgrade of the Princes Freeway between Geelong and Melbourne;
- development of the Goulburn Valley Highway (particular benefit to fruit export industry within Goulburn Valley region); and
- Craigieburn Bypass linking the Hume Freeway at Craigieburn to the Metropolitan Ring Road at Thomastown.

3.1.3 Seaports

Considerable economic importance lies in Victoria's seaports as gateways for the movement of goods. The principal seaports handling Victorian export cargo are the Port of Melbourne, Geelong Port, Port of Portland and Toll WesternPort. The Port of Melbourne is the dominant seaport handling approximately 50 per cent of the State's total overseas exports.²² The volume of trade through Victoria's ports is expected to grow significantly over the next 20 years largely led by the growth rates achieved by the Port of Melbourne.

The volumes of export freight movement through Victoria's main seaports, in recent years is illustrated in Table 3.1.

²² Department of Infrastructure, Victorian Ports Strategic Study, 2000

Table 3.1 Victorian Ports Total Export Cargo Throughput (mass tonnes)

Total Exports	1999/2000 ('000)	2000/2001 ('000)	2001/2002 ('000)
Melbourne Port Corporation	9,741	10,569	11,253
Toll GeelongPort	6,316	6,954	6,261
Port of Portland	2,730	2,917	2,904
Toll WesternPort	4,129	2,405	2,982
Total	22,916	22,845	23,400

(Source: *The Association of Australian Ports and Marine Authorities Incorporated*)

The Port of Melbourne handles up to \$60 billion worth of trade annually. The issue of the possible need for future channel deepening at the Port was raised as a finding in the Government's 2000 Victorian Ports Strategic Study, as was the need for improved rail and intermodal infrastructure to the Port. The Committee notes that modern ports being constructed or expanded around the world are premised on much deeper berth capacity than currently exists at the Port of Melbourne.

The Port of Geelong has an important role in handling bulk cargoes such as grain mixes for food manufacturers and timber products. The abovementioned study found the port could be developed into niche bulk products handling but this would require dedicated terminal space. Improved rail access to the port was also considered necessary.²³

The Committee notes there is also potential for the future of the Port of Portland in handling bulk cargoes. Vessel visits are expected to grow from a current 185 to 194 in 2010, 251 in 2020 and 348 in 2030.²⁴ Evidence suggests that with improved rail access, the port has the ability to supply deep water access, storage and processing sites for industries such as timber and mineral sands. The Shire of Glenelg advised of the need to develop the Port of Portland:

It should be noted that more than 35 per cent of all trade through the port is agriculture related, not including the significant (and growing) amount of forestry products trade and that exports are increasing.

The port's advantages are noted as the deep water access, strategic location in terms of a vast and rich hinterland, proximity to shipping lanes, road and rail access, and reasonable nearby land areas for future growth.

²³ Ibid

²⁴ Ibid

The port is an integral part of the regional and Victorian economy and must be allowed to develop to allow the expansion of exports and hence the development of new business in the region.²⁵

The Committee spoke to an Australian Quarantine and Inspection Service official in Canberra who advised that the Port of Portland is presently facing restrictions from exporting live animals due to recent problems associated with inadequate holding and handling facilities. In addition, despite the potential of the Port of Portland, its trade forecast growth rate is considerably less than the Port of Melbourne, although this could change significantly as mineral sands processing develops in the region.

The Department of Infrastructure's Victorian Freight and Logistics Strategy highlights the following issues requiring attention:

- Channel deepening in Port Phillip Bay;
- Facilitating the development of strategically located container parks and port related services;
- Reviewing access to food grade containers;
- Encouraging the establishment of the Australian head office of international shipping companies in Melbourne; and
- Land planning and reservation around ports.

Recommendation 3.3

Given the Port of Melbourne's pre-eminent position as Victoria's largest seaport for the handling of export freight and evidence that it will remain the State's major seaport, the Committee recommends that the Government respond to the port infrastructure requirements identified in the Victorian Freight and Logistics Strategy as a high priority.

Recommendation 3.4

The Committee recommends that the Government should continue to discuss with local councils and regional communities, the potential benefits to export performance of enhanced facilities particularly at the Port of Geelong and Port

²⁵ Glenelg Shire Council, Submission No. 3, 20 August 2001, p.3

of Portland. In the case of Portland, the Committee recommends the Government monitor the development of the mineral sands industry and the demands this places on the ports infrastructure.

3.1.4 Airports

A key to Victoria's rural export success is the efficiency of airfreight to overseas markets. Given the large volumes of fresh food exports, efficient airfreight from Victoria is critical. Virtually all of Victoria's air freight exports are handled by the Melbourne Airport.

Victorian export industries benefit from Melbourne International Airport being the largest 24 hour, curfew free, freight and passenger airport in Australia. Melbourne Airport is centrally located with fast access to the CBD and regions via major freeway links. Major freight carriers operate dedicated freight services from Melbourne to Europe, Asia and North America.

In 2002, air freight from Melbourne Airport totalled approximately 116,000 metric tonnes with meat, vegetables and fruit the major commodities.

At present, approximately 80 per cent of Victoria's air freight is transported in outbound passenger flights with the remaining volume transported in dedicated freight flights. The situation of large volumes of freight competing with passenger space is a concern for rural industries.

The Committee was advised by Mr. Andrew Syme of Swan Hill International Network and Exports (SHINE), exporters of stone fruit, that in relation to airfreight, procuring adequate space was a problem. This problem is exacerbated at Christmas, which would otherwise offer a prime export opportunity, but because of competition from Christmas mail, the company was unable to obtain the space.²⁶

The Committee understands that Qantas is passenger focused and accordingly freight is included if there is adequate space rather than as a dedicated operation. Freight can also miss flights if additional passenger luggage space is required.

²⁶ Mr. A. Syme, Swan Hill International Network and Exports, Minutes of Evidence, 13 December 2001, pp.191-192

While the Committee notes the operation of airports in Victoria such as Avalon and does not discount the possible emergence of other airports, the Committee is of the view that Melbourne Airport will continue as the major airport for the movement of rural freight. Accordingly, the future use of Melbourne airport as a freight hub and the ability to obtain increased direct air linkages is vital for the movement of rural export freight.

Recommendation 3.5

The Committee recommends that in view of the volume of exports in outbound passenger services, the Government work with the airline industry to ensure that Melbourne continues to have regular direct flights to key international export markets.

3.1.5 Other Infrastructure Issues

The Committee received evidence on several other infrastructure matters currently impacting upon rural export industry, including the development of intermodal freight hubs, adequate containerisation and cooling facilities and reliable and affordable power supplies.

Regional Infrastructure Development Fund

The Government is aiming to help address a range of rural infrastructure needs through the Regional Infrastructure Development Fund. Administered through the Department of Innovation, Industry and Regional Development, \$180 million funding has been provided for capital works in regional communities to: support new industry development; link transport infrastructure; improve tourism facilities; and better link regional Victoria to new opportunities in education and information and communication technologies (ICT) infrastructure.

Some recently announced projects include:

- Wodonga Freight Centre - \$2 million
- Latrobe Regional Airport Industrial Precinct - \$2 million
- Relocation of the Ballarat Intermodal Freight Centre - \$2.6 million

- Mildura Airport Redevelopment - \$600,000
- Construction of Stock over/underpasses throughout regional Victoria - \$8.5 million
- Provision of Standard Gauge Rail Access to Bulk Grain Pier at Port of Geelong - \$1.8 million
- Cobram to Strathmerton Potable Water Supply Pipeline - \$400,000

The Committee believes the Regional Infrastructure Development Fund should continue to receive sufficient budget allocations in the future in order to meet the ongoing infrastructure requirements of rural industry.

Intermodal Freight Hubs

Intermodal facilities are seen by rural industries as a vital infrastructure link permitting the transfer of freight between road and rail systems. The design and location of intermodal facilities are critical to ensuring that rail infrastructure has a greater share of freight movement and that road freight volumes are reduced. An important element of an intermodal hub is the availability of adequate storage and cooling facilities.

Mr. Philip Sabien, Executive Director of the Wimmera Development Association spoke on the need to fund an intermodal facility in Horsham:

We have an existing facility in Horsham which is unable to efficiently move the increasing number of containers to Melbourne for export... We will be working with Department of Infrastructure on how we fund that intermodal facility just north of Horsham, which the feasibility study said was the best location for it. So transport infrastructure — we are obviously not talking about roads — is an issue. In this case we are talking about containerised movement of freight from the region. Currently it is around about 5,000 containers a year; it is likely to grow to double that within the next five years.²⁷

The development has the potential to generate significant savings and cost efficiencies for local grain companies and could enable further expansion of the grains industry and other complementary businesses.

²⁷ Mr. P. Sabien, Wimmera Development Association, Minutes of Evidence, 24 June 2003, p.407

Any plans to develop an intermodal freight hub should encompass the need for fully integrated road and rail infrastructure. The Committee notes that the Wimmera proposal is currently with the Department of Infrastructure.

The Committee also notes the proposed National Distribution Hub at Barnawartha North, west of Wodonga. The State Government has committed \$6 million to the project with the Wodonga Rural City Council providing matching funds and managing the project. The development of the rail freight hub is expected to achieve major benefits for the region. As part of the project, Woolworths has announced it will construct a \$90 million distribution centre at the site. Construction work is likely to commence early 2004 with a projected completion date in late 2005.

Given the significant volume of rural freight throughout the State, the Committee finds the development of regional intermodal freight hubs in strategic locations will greatly enhance freight movements and create opportunities for the growth of export industries.

Recommendation 3.6

The Committee recommends that the Department of Infrastructure support the development of intermodal freight hubs where existing and anticipated regional freight movement justifies the investment.

Containerisation and Cooling Facilities

Evidence presented to the Committee highlighted the importance of adequate containerisation and cooling facilities which are part of an overall freight logistics strategy. The availability of adequate containerisation and cooling facilities is vital for the storage of perishable food products.

The Wimmera Development Association advised the Committee that there are insufficient food-grade containers available to western Victoria, however evidence suggests there is an excess of food-grade containers in Sydney. The Association reported that a number of rural businesses have been disadvantaged in recent years from not having enough food-grade containers available to the region.

Other witnesses spoke about the importance of cooling facilities to keep food exports fresh, particularly during the warmer weather.

Mr. Richard Dow, Export Facilitator, Swan Hill:

*We are working a lot harder at getting temperatures down, but it is very hard. Fruit is pre-cooled to 1 degree, but when you take it out to pack it and put it in the long-life bag when it is 40 degrees here it is nothing to get it up to 10 or 12 degrees. When you lock-tie that bag it is hard to get the temperatures down again. You almost need to be doing your packing inside a coolroom. So all those infrastructure things are important...*²⁸

Energy Supplies

The Energy and Security Division within the Department of Infrastructure is responsible for ensuring the State's gas and electricity industries provide a reliable, affordable and sustainable energy supply. The Committee believes the Department should consult widely with rural industry to monitor energy requirements and to encourage more efficient use of energy supplies.

It is noted that the Government has recently allocated \$70 million within the Infrastructure Regional Development Fund to extend the reticulation of natural gas to regional communities, to between 70,000 and 100,000 households and businesses. The funds are expected to flow in 2003-04.²⁹

Mr. Eckard Huebl, Managing Director of Tatiara Meat Company Pty Ltd believes the lack of power supplies and equitable pricing in rural Victoria compared to Melbourne, provides a disincentive for establishing a business there:

....But there really is no incentive to go to the country. Why would you want to go to the country? Power is more expensive. There is no gas supply. Petrol is more expensive. Transport is more expensive. There is usually limited infrastructure. There are problems with getting rid of water. So there is very limited interest in going to the country.

To make it attractive, paying someone \$20,000 or \$30,000 even \$50,000 is nothing. It has no bearing on an investment of a few million dollars long-term. What country towns could look for would definitely be infrastructure assistance like water supply and disposal of water, which is a problem in our industry; and good gas supplies and power supplies — assistance in

²⁸ Mr. R. Dow, Export Facilitator, Minutes of Evidence, 13 December 2001, p.205

²⁹ Hon. T. Theophanous, MLC, Minister for Energy Industries, Public Accounts and Estimates Committee Estimates Hearing, Minutes of Evidence, 28 May 2003, p.341

*that area if need be. Because, again, why would we want to go to Horsham and pay 50 per cent more for power than we pay in Melbourne?*³⁰

Reliable, cost efficient and environmentally sustainable energy sources are critical for the sustainability of rural export industries. While the Committee did not investigate long-term energy use, evidence emphasises the need for the Government to ensure rural businesses have access to sufficient, cost competitive energy supplies. Guaranteed energy supplies are therefore an essential medium term requirement for the growth of export businesses.

3.2 Water and Salinity Issues

During the course of the Committee's investigations and particularly over the past 12 months, the affects of the drought have been devastating for rural industry. Many farmers, particularly in the north of the State, have endured very difficult growing conditions in the past few years with the drought, bushfires and the current increase in the value of the Australian dollar, all impacting significantly on their current and future prosperity.

The need to secure sustainable water supplies is one of the biggest challenges facing Victorian rural industries. Given the importance of Victoria's agricultural sector to the economy, the impacts of the current drought and the way in which the Government and communities use water is of paramount importance to the economic development of the State.

The Committee notes the commitment by the Government to address sustainable water management through measures including: protecting water flows in rivers, waterways and groundwater systems, increasing the use of recycled and reclaimed water for irrigation, investing in efficient irrigation systems, and better catchment management.

³⁰ Mr. E. Huebl, Tatiara Meat Company Pty Ltd, Minutes of Evidence, 24 June 2003, p.420

The Committee is aware of the establishment of the Water Trust Advisory Council which aims to implement a \$320 million Victorian Water Trust. The Trust will provide seed funding for major projects to rebuild irrigation systems, revive the State's rivers, and conserve water.

In the 2003-04 State Budget, \$52.5 million in investment from the Trust over the next four years has been set aside for:

- Goulburn and Broken Rivers – upgrade irrigation systems and water efficiencies;
- Sunraysia-Mildura – upgrade irrigation systems and water efficiencies;
- Country Towns Water Supply and Sewerage Program – water efficiencies and water supply;
- Gippsland Lakes and Macalister River – upgrade irrigation systems and water supply; and
- Werribee Plains Vision – water efficiencies.

The total estimated investment from the Trust for these projects is \$120 million over the next ten years.

The efficiency of rural water distribution systems throughout the State has a major impact on the growth opportunities for Victorian agricultural industries. It is widely appreciated that significant volumes of rural water are currently lost through seepage and evaporation. It is therefore critical that the State's water distribution systems become more efficient. A good example of this is the replacement of channel systems with pipelines and other improvements.

The Committee notes that one of the major targets of the Government's Water for the Future Policy is to increase the efficiency of distribution systems across the State by 25 per cent by 2020 through replacing channel systems with pipelines and other improvements and reforms. While the Committee considers this is a necessary objective, it also believes that substantial additional water conservation measures may be necessary in coming years particularly in view of continued strong population growth.

Effective irrigation and distribution systems will influence the entire growth process from seedbed preparation to quality and quantity of yield. The vast majority of irrigation water use is pumped from a water source. It is essential that farmers utilise efficient irrigation systems as under-watering will reduce yields and adversely affect market values while over-watering results in a number of problems from waste of valuable water resources to salinity and reduced yields.

The proposed Wimmera Mallee pipeline, currently estimated to cost \$300 million, to which the State Government has allocated \$77 million, has the potential to be one of the most significant water infrastructure projects ever undertaken in Victoria. While the Committee notes the Commonwealth Government's in-principle support for the project, it believes work needs to commence as soon as possible and warrants a Commonwealth contribution.

While the Government has set export targets for the coming years and much has been written on the projected growth rates of the State's rural industries, there has been very little analysis of what Victoria's water availability may be in 10 to 20 years based on existing conditions such as reduced rainfall and increased water consumption. The Committee notes the recent release of the Government's Green Paper on a sustainable water future titled, *Securing our Water Future* and believes this provides a valuable opportunity to consider the future needs of rural farmers, industry and communities.

In addition to water shortages, the increasing affects of salinity on rural land is an issue that governments and landholders must address.

Salinity refers to movement and concentration of salt in landscapes, including soil and natural water. The affects of salinity are wide ranging and will severely impact on agricultural industries relying on the land for their prosperity.

In Victoria, salinity problems are most prevalent in the northern and western regions. The Department of Primary Industries notes that the most concentrated problems occur in the Murray-Goulburn Irrigation District, where a shallow and rising water table threatens about 385,000 hectares of productive land. Unless this problem can be reversed, irreparable damage may result.

The 2002 Wentworth Group of scientists study highlighted that salinity levels in many of Australia's river systems, including the Avoca and Loddon Rivers, already exceed World Health Organisation drinking levels.³¹

Salinity problems could increase over the next 20 years resulting in a loss to the State of significant areas of land under cultivation. Governments, land managers and local communities will therefore need to work together to reduce the impact of salinity and develop an effective salinity management program. Control techniques may include more efficient irrigation, drainage and reuse systems, and groundwater pumping.

Recommendation 3.7

The Committee recommends that the Government continue to ensure that water usage and salinity control issues are at the forefront of future policy considerations including the funding of a range of projects and improved educational programs for rural industries on farming techniques, land and water usage.

Recommendation 3.8

The Committee notes the September 2003 release of the Government's Green Paper on Water Usage and recommends that this form the basis of a more detailed examination of the projected supply and demand for water across the State to at least the year 2015, based on climatic, environmental, consumption and population factors, in order to ensure adequate water supplies for Victorian rural industries.

3.3 Labour Force Shortages

One of the State's significant economic strengths is its highly skilled and educated workforce. Half of Victoria's 2.3 million strong workforce possess post secondary school qualifications and just under half of all workers are less than 35 years of age. Victoria's unemployment rate was 5.7 per cent at July 2003 which is the second lowest rate of all States and has been below the national average for more than three

³¹ 'Blueprint for a Living Continent', The Wentworth Group, 1 November 2002, p.8

years. The average unemployment rate in country Victoria was 5.6 per cent in the May 2003 quarter which represents a decrease from the previous year.

3.3.1 Skilled Labour Shortages

While the State boasts high employment rates, many rural Victorian towns are faced with significant shortages of skilled and unskilled labour. The labour shortage problem can be partly attributed to the gradual shift of populations away from smaller rural and regional cities to metropolitan Melbourne and a number of large regional centres. New and expanding industries in regional Victoria are also creating additional pressure on existing labour shortages.

Mr. John Millington, General Manager of Luv-A-Duck Pty Ltd in Nhill:

Labour shortages are probably one of the most serious problems we have in country Victoria, but that extends across regional and rural Australia and to a lesser extent in the urban areas. We have taken some initiatives such as bringing people in from overseas because we have been unsuccessful in getting them here.³²

Populations in key agricultural regions such as western Victoria are projected to grow only marginally or decline over the next 10 to 20 years. The provision of essential services such as public transport, health and education, banks and community facilities are vital to retaining people and encouraging the move back to rural towns. The Government can also encourage settlement in rural Victoria of newly arrived migrants.

The Economic Development Committee in October 2002 noted in its *Report into Youth Unemployment* that there has been a shift away from employment in the agriculture and manufacturing sectors towards the service sector throughout Victoria. The Committee heard that young people completing their education are increasingly attracted towards professions in fashionable industries such as IT and hospitality at the expense of traditional industries such as farming. This trend, together with declining rural populations, is creating pressure on rural export industries that are labour intensive, particularly during harvesting periods.

³² Mr. J. Millington, Luv-A-Duck Pty Ltd, Minutes of Evidence, 23 June 2003, p.337

The Department of Innovation, Industry and Regional Development has a Skilled Migration Unit which aims to increase population in rural and regional Victoria through the Federal Government's migration program. It also aims to assist Victorian employers who are experiencing skills shortages and unable to recruit locally to access skilled professionals and tradespeople from overseas.

The Committee notes that Commonwealth skilled and business migration programs could assist rural communities in maintaining population levels and reducing skill shortages. Historically however, newly arrived migrants, particularly skilled migrants, tend to settle in metropolitan areas or large regional centres. The challenge for Governments and rural industries is to encourage migration settlement in rural Victoria.

The Committee understands that the Government's Skilled Migration Unit predominantly works to attract skilled migrants from overseas. The Committee believes the role of the Skilled Migration Unit could be broadened to focus on attracting skilled professionals from within Australia to settle in rural and regional Victoria to fill existing skill shortages.

Recommendation 3.9

The Committee recommends that the Government compile a comprehensive data base of skilled labour shortages in Victorian agricultural industries in order to develop strategies to address rural and regional skill shortages.

Recommendation 3.10

The Committee recommends that the Government's Skilled Migration Unit be expanded to focus on attracting existing skilled labour within metropolitan areas and interstate to fill skilled labour shortages in rural Victoria. The Government should consider relevant incentive schemes to facilitate the resettlement of such workers.

Recommendation 3.11

The Committee recommends that, in order to attract skilled workers to rural and regional Victoria, the Government actively promote and market regional agricultural and manufacturing industries as preferable employment opportunities.

3.3.2 Seasonal Labour Shortages

The shortage of labour is particularly evident in horticultural industries where seasonal harvests are labour intensive. The demand for labour during the harvest period has increased as rural populations shift to major regional centres and metropolitan Melbourne.

Mr. Russell Witcombe, Chairman of the Australian Horticultural Exporters' Association, commented on seasonal labour shortages in the Mildura region:

The labour problem is a huge problem in this area and this season we will pack fruit probably three or four weeks after it should have been picked and that will arrive in the market and potentially give exporters like Mr. Davis's company and my company a claim because it has not been picked when it should have been picked because the growers cannot get the labour.³³

It is estimated that labour demands in Mildura alone with grape, citrus and vegetable harvests exceed 20,000 workers.

Increasingly, horticultural industries are relying on overseas travellers, students or itinerant workers to locate in regions for the harvest periods. There are, however, significant limitations on the availability of these short-term workers. Student availability will depend upon term breaks while overseas travellers are subject to strict visa and work permit conditions and may only come from a handful of select countries.

³³ Mr. R. Witcombe, Australian Horticultural Exporters' Association, Minutes of Evidence, 7 March 2002, p.262

The issue of creating more opportunities for overseas workers was regularly raised during the Committee's regional hearings.

Mr. Bruno Moras from Nangiloc Colignan Farms in Mildura raised the issue of short-term work visas as a potential solution to labour shortages:

It comes to the labour issues that we have. I am sure you have heard it from a lot of other people except myself that if we did not have the backpackers and the itinerant and overseas workers I do not know what would happen to our crops. We are relying heavily on these people. I travel and see other growing parts of the world in our field. In one particular place, Israel, they give nine-month work visas for various people; right now I think they are from Thailand. They come in under strict control and you have to take certain responsibility that they go back after that period of time. I know it is a very contentious issue, but if we do not do something, with the culture we have I do not believe we will have a very solid agriculture industry in years to come, whether it be 1, 5 or 10 years. I am not in a position to say in what period.

If there were some way of bringing those people in — I do not have the answer to how it could be done — for a 90 or 100 or 120-day period specifically for either the table grape industry or the citrus industry, I think even under a trial we would be quite happy to set up housing, because we would have to guarantee their accommodation. That is how desperate we are. We have a caravan park for itinerants on which we have spent a lot of money.³⁴

The Committee notes that any review of migration and visitor visa programs is the responsibility of the Commonwealth Department of Immigration and Multicultural and Indigenous Affairs.

The Commonwealth Government encourages settlement in rural and regional areas through the Regional Sponsored Migration Scheme. However, the labour shortages referred to by the above witnesses relate to the short-term visitor opportunities as opposed to permanent settlement, although the Committee acknowledges that migration settlement in rural Victoria will address skill shortages overall.

The Federal Government has established a Working Holiday Maker Program which is aimed at addressing this issue. The Program is, however, very limited and is not specifically tailored towards the labour needs of rural industry. The program is limited to 14 developed countries and allows young people between 18 and 30 to obtain a visa for up to 12 months and work to supplement their holiday and travel. The main

³⁴ Mr. B. Moras, Nangiloc Colignan Farms Pty Ltd, Minutes of Evidence, 7 March 2002, p.289

purpose of the visit is for holiday and travel, and working for longer than three months with any employer is forbidden.

The Committee observes that some witnesses throughout the Inquiry believe the Commonwealth Department of Immigration and Multicultural and Indigenous Affairs could be far more accommodating in addressing the labour demands of rural industries through the adherence of its short-term visa programs.

Mr. Ken Davis, Australian Horticultural Exporters' Association Inc:

We had a case in point. Immigration will do raids on properties because there could be people working there without a work permit. These people who come here as backpackers and on holiday obviously have to fund their way around Australia. They are working here, offering a service to the industry and they are spending their money in the community here. We do not see what harm they are doing yet the responsibility is on us to ensure that they have a work permit, a tax file number, et cetera. We would like to see a more cooperative approach taken by the Department of Immigration and Multicultural and Indigenous Affairs in respect to people who come to Australia. We would welcome more of them. We would like to create a favourable image with those people who have visited Australia and returned home so they encourage their younger brothers and sisters to make the journey and enjoy a year of two living in Australia, seeing the country and doing part-time work.³⁵

Mr. John Hensgen from the Asparagus Growers Association of Sunraysia Inc., Red Cliffs, espoused the virtues of workers from Vietnam and Cambodia:

We have a local Australian contingent — I suppose you could call it that — but we also seem to have Vietnamese and Cambodian people who follow that circuit of labour around. They have been extremely valuable; they are tremendous workers and overall very good people on the property who are capable of doing the hard work.³⁶

While the issue of seasonal labour shortages has been a concern of rural industries for a number of years, the Committee is not satisfied that it has been able to sufficiently investigate the matter to make recommendations to the State and Commonwealth Governments to address this issue.

³⁵ Mr. K. Davis, Australian Horticultural Exporters' Association Inc., Minutes of Evidence, 7 March 2002, p.262

³⁶ Mr. J. Hensgen, Asparagus Growers Association of Sunraysia Inc., Minutes of Evidence, 7 March 2002, p.267

In May 2003, the Victorian Parliament issued this Committee with Terms of Reference to inquire into the *Economic Contribution of Victoria's Culturally Diverse Population*. The issue of short-term workers from overseas is likely to be further examined during this Inquiry. In the meantime, the Committee believes the issue of addressing seasonal labour shortages is of significant importance to rural export industries throughout Australia and therefore requires the immediate attention of the Federal Government.

3.3.3 Workforce Accommodation Shortages

The Committee received evidence which illustrates a shortage of workforce accommodation in key agricultural regions throughout Victoria which is an impediment to employing staff and to the expansion of business.

In particular, evidence suggests there is a need for short-term or temporary accommodation for seasonal workers such as caravan parks, hostels and other flexible accommodation. The Committee visited one rural operation in northern Victoria where backpackers and itinerant workers were living in tents, which may act as a disincentive to attracting short-term workers. There is also a demand for long-term accommodation for permanent workers employed in rural industries.

The Government has a policy of attracting people back to rural Victoria and of filling the labour shortages in various rural locations. Part of this strategy should also be to develop affordable solutions to the problem of insufficient or inappropriate regional workforce accommodation.

Mr. Tom Smith of the Victorian Farmers Federation Pig Group advised the Committee:

With regard to labour, I believe the lack of infrastructure in country areas is possibly one of the biggest inhibitors. There really is not the appropriate housing out there for people to live in. If you go through our country towns, you will see that all the houses are old and dilapidated places. Usually those at the lower end of the social structure go there because they are cheap housing, the way they are. So you find that you have unemployed and other people in those houses. Capital has not been put back into homes and so forth. So in a lot of the areas you find it awkward — and I am talking about the broad Pyramid Hill area — for

*people to be attracted to the places, purely because you have not got reasonable places for people live in.*³⁷

Mr. Gavin Privett of Pyramid Salt, Pyramid Hill, advised the Committee:

*If you are trying to attract people into a reasonable standard of accommodation, or whatever, there is not a lot of that sort of housing available in this area. I can see that being a problem in this area.*³⁸

The Committee believes all three tiers of government should work together to address this issue which is common throughout regional Australia. Possible avenues to be examined include encouraging private sector investment, as well as assistance through low cost loans or possibly through offering incentives such as a reduction in stamp duty.

Recommendation 3.12

The Committee recommends that the Government, in co-operation with the Commonwealth and Local Governments, consider a range of programs and incentives aimed at encouraging investment in workforce accommodation in rural and regional Victoria and to promote community solutions to existing accommodation shortages.

3.4 Use of Information and Communication Technology

3.4.1 Importance of IT for Rural Industry

Information and communication technologies (ICT) and the emergence of e-commerce are integral to business in the 21st Century. Globalisation and the revolution of the information age have made it almost impossible to conduct business in the 'new economy' without the use of modern technology.

While the use of ICT has been embraced by larger corporate enterprises, smaller operators have been often reluctant to change from traditional business practices. In particular the rural sector has been slow in its acceptance of new technologies,

³⁷ Mr. T. Smith, Victorian Farmers Federation Pig Group, Minutes of Evidence, 13 December 2001, p.226

³⁸ Mr. G. Privett, Pyramid Salt, Minutes of Evidence, 12 December 2001, p.178

despite the expanding opportunities for growth and the potential to develop new ventures in both domestic and international markets.

In order for Victorian rural export industries to develop and for the State to increase its competitive advantages, the use of information technology in rural industry needs to be further developed. Key issues impacting on the uptake of IT by rural businesses include the availability of reliable IT infrastructure, an understanding of the benefits of e-commerce and the provision of IT training.

While Internet use and access statistics indicate that the uptake of e-commerce is higher in metropolitan areas than regional Australia – 52 per cent of the population aged 14 or over in metropolitan areas were connected to the Internet at home compared to 44 per cent in country areas (ABS 2000) - this disparity is diminishing with Internet access in regional areas now increasing at a higher rate than in metropolitan areas.³⁹

The Rural Industries Research and Development Corporation (RIRDC), in its recent study into e-commerce in rural areas noted that agriculture and horticulture, in particular, are seen as areas with a high potential to benefit from increased adoption of e-commerce practices. In addition, the nature of agricultural production and marketing arrangements and the need to remain internationally competitive were regarded as major potentially motivating factors for adoption of e-commerce.⁴⁰

The research conducted by RIRDC found that a broad range of Internet based e-commerce activity was taking place, including email, online banking, customs clearance, market research, product promotion, online sales, industry promotion and support and supply chain management. However, the study also revealed that the way in which the companies used the technology varied.

While email was perceived as the most important of the e-commerce activities, particularly for those operating in international markets, the study reports that some growers and producers found Internet banking and bill paying inflexible and difficult to use. The use of company websites was common among all participants in the study, however, the functions for which they used their website differed.

³⁹ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.43

⁴⁰ Franco Papandrea and Margo Wade, E-commerce in Rural Areas, RIRDC Publication No. 00/185, p.4

The Committee's evidence indicates many rural export businesses are embracing new technologies to market their products overseas. Export businesses are developing comprehensive websites, often in other languages, targeting key markets to promote the sale of their products. Businesses are also seeing the benefits of CD roms to market their products. Distributing CD roms at trade fairs and overseas is considered a valuable promotion.

3.4.2 The Need to Enhance Rural and Regional IT Infrastructure

The Committee received evidence from several witnesses in relation to the information technology needs of rural industries in Victoria. The Committee heard that the increased use of technology was crucial to expanding the export opportunities of niche rural businesses.

Ms Deborah Borden, VFF Pig Group & Australian Pork Limited advised that:

The Victorian pork industry has readily incorporated new technology in its standard business operations. Most producers now have e-mail and internet access which allows them to receive up to date information in all aspects of pork production. There exists a number of internet services which provide market information and emerging issues within the international pork industry, including the latest R&D results.

Producer groups are able to utilize communication technology to discuss recent industry developments, technological innovations and changes in markets. Nevertheless, use of the internet as an information provider would increase if producers were duly encouraged and educated in its possibilities.⁴¹

Ms Marlene Battista, Executive Director, Gippsland Area Consultative Committee, Traralgon stated that:

Regional Australia needs good and cost effective services to enable a competitive advantage to be gained...It is vital for these services to be developed to a high level of reliability and availability.⁴²

⁴¹ Victorian Farmers Federation - Pig Group and Australian Pork Limited, Submission No. 14, 3 October 2001, p.8

⁴² Gippsland Area Consultative Committee, Submission No. 11, 7 September 2001, p.1

However, many businesses noted the difficulties in utilising ICT, due to their geographic location, the un-reliability of the service and associated costs.

The Northern Grampians Shire Council in their submission to the Inquiry, outlined a number of issues associated with electronic connectivity which they compiled during a study into the telecommunication needs and problems in the region. They describe the significant cost imposts placed on rural based businesses in comparison to city based enterprises, as a hindrance to the growth of export opportunities in regional Victoria.

Mr. Peter Brooks, Chief Executive Officer, Northern Grampians Shire Council:

[The] report has found that two of the biggest hindrances to trade and possible economic growth of the region were that STD call rates comprised close to 40 per cent of phone bills with nearly 75 per cent of those calls occurring in the local region. The second hindrance was reliability of services with over 50 per cent of respondents reporting disruption and black spot problems with mobiles and just under 30 per cent reported drop-out problems with Internet connections. In other words businesses and farmers in the more sparsely populated areas have a significant impost of cost and poor connections put on them in doing business that does seemingly not apply to city based enterprises.⁴³

Mr. John Millington, General Manager of Luv-A-Duck Pty Ltd based in Nhill commented on the need for reliable and cost effective IT in rural Victoria:

We cannot fully utilize the potential of the Internet, E-Commerce, or even E-mail. Things have improved enormously in the last two years, however we need to maintain the momentum. We need to have the same access and speed as what urban-based industries enjoy.⁴⁴

Similarly, Mr. Stephen Gorman from Sunbeam Foods Pty Ltd spoke on the importance of regional connectivity:

Some of the other areas the committee mentions in its terms of reference are information technology and communication, which are quite critical in terms of our remoteness. We have to communicate on a daily basis with people throughout Europe, typically during the night-time hours, and if there is any disruption — whether it be at Telstra or somewhere else — literally our business can stop for two days where we are operating in a vacuum. Like most markets now we are operating in a global

⁴³ Northern Grampians Shire Council, Submission No. 1, 12 June 2001, p.1

⁴⁴ Luv-A-Duck Pty Ltd, Submission No. 7, 30 August 2001, p.4

*environment, and what happens in Europe tonight affects us tomorrow. So in terms of our dependency, it is quite critical.*⁴⁵

The evidence received from rural businesses suggests there exist large gaps between IT infrastructure in metropolitan areas compared to rural and remote Australia. Given the growing importance of e-commerce, this shortfall in IT infrastructure will negatively impact on the competitive advantage of Victoria's rural export industries.

The Committee notes there is a requirement incumbent on the Commonwealth Government, following its decision to proceed with the full sale of Telstra, that rural and regional telecommunications are at an acceptable level for business. In order to ensure that rural businesses throughout Australia are able to access reliable and cost effective information and communication technology, the Committee believes the roll-out of sufficient IT infrastructure should continue more rapidly and that the needs and concerns of rural businesses should be addressed.

The Committee finds that rural industries are increasingly relying on e-commerce, the use of internet and email to sell their products to overseas markets. The current lack of adequate telecommunication infrastructure in rural and remote Victoria presents an impediment to export growth and adversely impacts on the State's competitive advantages.

The Committee notes that the Premier issued Terms of Reference on 3 June 2003 to the Rural and Regional Services and Development Committee of Parliament to inquire into telecommunications infrastructure for regional businesses. The Inquiry will examine issues including the current availability of adequate telecommunications infrastructure and affordable services for rural and regional businesses. These investigations will focus on identifying growth opportunities for Victorian regional businesses through improving access to telecommunication services and infrastructure.

The Economic Development Committee notes that the above Inquiry is due to be completed in September 2004.

⁴⁵ Mr. S. Gorman, Sunbeam Foods Pty Ltd, Minutes of Evidence, 7 March 2002, p.273

Recommendation 3.13

The Committee recommends that the Government work with the Commonwealth Government to ensure the timely roll-out of improved telecommunications infrastructure throughout Victoria, in order that rural and regional businesses have continuing access to reliable and cost efficient telecommunications capable of supporting current and emerging e-commerce technologies.

3.4.3 State and Commonwealth Initiatives

In Australia both the Commonwealth and State Governments have put in place strategies and programs to raise awareness of the benefits of ICT. They recognise the growth of e-commerce is providing opportunities for companies to expand their operations, enter new markets and make their businesses more efficient.

At the Commonwealth level, the National Office for the Information Economy (NOIE) part of the Federal Department of Communications, Information Technology and the Arts, is the key agency promoting the adoption of e-commerce practices. NOIE develops, oversees and coordinates Commonwealth Government policy on information economy issues.

The National Office for the Information Economy aims to address issues which impact upon greater e-commerce adoption. Specifically they are involved in: the development of national strategies to identify information economy priorities; providing training, support and limited grants to SME's involved in e-commerce; supporting leading consultative bodies involved in the information economy; and promoting equitable access to online services by those less likely to use the internet.

In April 2001, the Victorian Government, through Multimedia Victoria launched the E-Commerce Advantage: a framework for increasing e-commerce uptake. This policy builds on the Government's existing ICT framework and introduces new measures to maximise the opportunities presented to businesses by e-commerce.

Victoria's E-commerce Advantage initiatives include:

- E-commerce Exhibition Projects Program – provides funding for exhibition projects that demonstrate an innovative and collaborative use of e-commerce;
- Electronic Commerce for Procurement Program – Financial support to help small and medium enterprises (SMEs) and regional suppliers access the Victorian Government's electronic purchasing arrangements;
- E-commerce Advocates - A team of e-commerce advocates trained in various aspects of e-commerce, that can provide one-on-one and group support to Victorian businesses according to their level of e-commerce adoption;
- An e-commerce awareness campaign to give businesses and consumers the confidence to use e-commerce;
- Victorian E-commerce Info Centre – A one-stop online gateway for business wanting to know more about e-commerce and support provided by Government; and
- E-commerce Roadshow – Provides a series of updates on e-commerce targeting the needs of businesses in regional and rural Victoria.⁴⁶

⁴⁶ www.mm.vic.gov.au

Case Study 3

Luv-A-Duck Pty Ltd

Luv-A-Duck, was established in the 1960s in Nhill, in far Western Victoria and is now Australia's largest duck meat producer.

In the 1990s the company imported the best breeding stock in the world from England which gave them a competitive edge. In 2001 a second shipment of duck breeding stock was added.

Luv-A-Duck produces a wide variety of retail products, either marinated or pre-cooked and a greater variety of value-added products for the hospitality industry as well as specific Asian products. Currently, Luv-A-Duck hatches, grows, processes and markets up to 55000 ducks each week. The company even takes advantage of by-products through the export of feathers to Taiwan, although the price paid is declining.

The challenge for Luv-A-Duck is to lower costs in order to be more competitive in Asia. The company currently has 12 countries where customers are genuinely interested in their products. Due to artificial trade barriers, however, these exports have not been successful. Luv-A-Duck is currently exporting to the Maldives, Sri Lanka and Dubai but due to the recent outbreak of SARS, markets in both Hong Kong and Singapore have collapsed.

Luv-A-Duck products are marketed through various channels, including trade shows and exhibitions overseas and in Australia. These include *Hofex Hong Kong* in February 2002, *Food, Hotel and Tourism Bali 2003*, *Food and Hotel Asia Singapore in 2003* and many *Fine Food Shows throughout Australia*. Following an exhibition at the Dubai Food Show in Feb 2003, the company was able to appoint an agent which has led to successful exports. Most of the domestic marketing is by telemarketing and the company also conducts "chefs' night out" where they bring chefs from a particular area and Luv-A-Duck's chef cooks a meal for them.

Luv-A-Duck employs 200 people and about 140 are employed in Nhill, with a net weekly payroll of over \$73,000, most of which is spent locally. The company's 2003 turnover exceeded \$20 million.

Outbreaks of avian and exotic disease in distant parts of Australia can cause an immediate shut down of Luv-A-Duck's production, due to existing international protocols. The company contrasts this with the impact of the same protocol in Europe where disease outbreaks do not result in production in neighbouring countries being closed, even if the distance is much less than in Australia.

Sources:

Minutes of Evidence, 28 August 2002 and 23 June 2003 and submission tabled at public hearing on 23 June 2003

Chapter 4

Overview of Government Support Provided to Rural Industries

The Committee recognises the important role that all three levels of government in Australia play in providing support to rural industries. While many of Australia's largest export companies have reached a position of success without relying on direct government support, it is clear that many smaller businesses require assistance to establish export markets and develop their business.

The extent of government support varies and can include a direct grant to develop an export marketing program, an R&D grant, assistance in attending an overseas trade fair, provision of market intelligence or general advice from regional field or trade officers. Other support is provided by the potential removal of tariffs and quotas through trade negotiations, market assistance provided by the various government offices overseas, and the provision of a mandatory quarantine inspection service.

This chapter deals with government support provided to Victorian rural industries with a particular focus on food industries. The key areas of State and Commonwealth Government assistance are provided by the following departments and agencies:

State Government

- Department of Primary Industries
- Department of Innovation, Industry and Regional Development
- Department of Infrastructure

Commonwealth Government

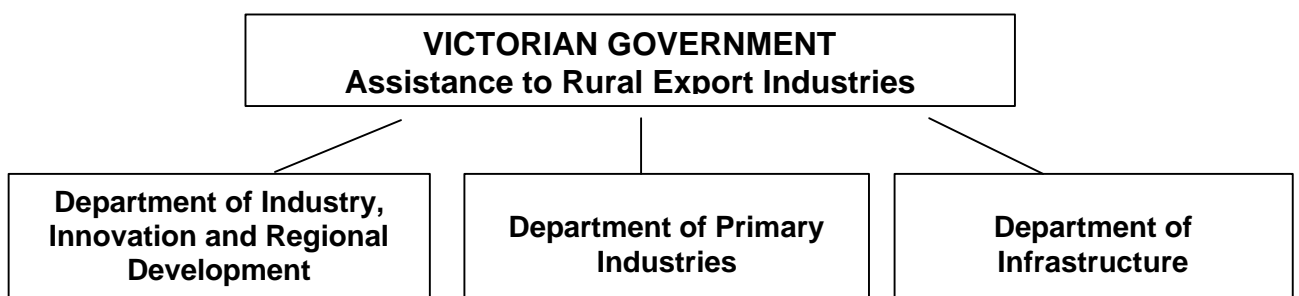
- Austrade
- Department of Foreign Affairs and Trade
- Department of Agriculture, Fisheries and Forestry including:
 - Industry Development Unit
 - New Industries Development Program
 - Australian Quarantine and Inspection Service

- National Food Industry Strategy
- Rural Industries Research and Development Corporation

Chapter 5 analyses the role of government in supporting and promoting rural industries, highlighting key issues raised in evidence presented to the Committee and makes a number of recommendations aimed at improving existing service delivery and maximising the value to rural industries of government support.

4.1 Victorian Government Assistance

The Victorian Government provides support to rural export industries essentially through three departments: the Department of Primary Industries (DPI), the Department of Innovation, Industry and Regional Development (DIIRD) and the Department of Infrastructure (DoI). This is illustrated below. In addition, the Government provides a range of indirect assistance throughout other departments and agencies such as the WorkCover Authority’s Safety Development Fund which provides financial assistance to high risk industry sectors such as the meat industry, to prevent workplace injury and disease.



- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Regional Industries Group <ul style="list-style-type: none"> - Food Group - Rural Commerce Unit - Resource Based Industries Unit • Food Victoria • Overseas Trade Fairs • Regional Victorian Business Centres • Victorian Government Business Offices Overseas | <ul style="list-style-type: none"> • Agribusiness Initiative <ul style="list-style-type: none"> - Trade Development - Regional Marketing • Agribusiness Forums • Specialised Rural Industries Program • Naturally Victorian Initiative • Overseas Trade Fairs | <ul style="list-style-type: none"> • Freight, Logistics & Marine Division <ul style="list-style-type: none"> - Ports - Port Reform - Intermodal and Logistics - Rail Freight • Infrastructure Projects • Multimedia Victoria |
|--|---|--|

4.1.1 Department of Primary Industries

The Department of Primary Industries (previously Department of Natural Resources and Environment) is responsible for the areas of agriculture, fisheries, and minerals and petroleum. During the Inquiry, the Committee largely focused on the role of the Department's Agriculture Division which provides assistance to agricultural industries through trade development and regional marketing.

The Agriculture Division employs approximately 2000 staff at 30 office locations (12 research institutes) around Victoria. Its main focus is to 'improve the profitability and market competitiveness of agricultural industries whilst ensuring that such operations remain sustainable and environmentally responsible'.⁴⁷

The assistance provided by the Department to rural export industries does not involve financial assistance in the form of direct grants; rather the focus of support is oriented towards project, market and trade development.

The Agribusiness Initiative

The Department established the Agribusiness Initiative in 1995 to promote the development and expansion of fresh and processed agricultural and horticultural exports from Victoria, through the provision of market support services. The key target markets identified by the Agribusiness Initiative are South East Asia and North Asia with emerging opportunities in South Asian countries such as India and Sri Lanka as well as the Middle East. The Department of Primary Industries advised that opportunities for Victorian fresh food exports are considered to be limited in European markets.

The two interrelated outputs within the Agribusiness Initiative are Trade Development and Regional Marketing.

⁴⁷ www.dpi.vic.gov.au

The objectives of the Trade Development Unit include:

- Facilitate export growth through targeted market development programs;
- Identify new industry development opportunities through the development of close relationships with Asian buyers and local and regional government agencies;
- Broker information in relation to market intelligence, statistics, emerging trends; and
- Provide a market driven export culture within Victorian agriculture through the provision of targeted education campaigns and the publication of relevant materials.⁴⁸

Four marketing development managers are responsible for increasing trade from Victoria with major buyers in targeted countries within North Asia, South East Asia and South Asia and other emerging markets such as the Middle East. A key function of these managers is to organise and host buyer visits from major Asian supermarkets and buyers from other importing companies.

The Regional Marketing Unit provides a market driven focus for Victorian agriculture and comprises Regional Marketing Officers (RMOs) located at Ballarat, Bendigo, Box Hill, Swan Hill, Horsham, Rutherglen, Tatura, Traralgon and Warrnambool. The Regional Marketing Officers assume regional responsibility for the development of certain industries within their regions.

The objectives of the Regional Marketing Unit include:

- Market Driven Projects - ensure that agricultural food sectors in Victoria have a market driven, export focused culture, and that projects are undertaken that facilitate supply chain development to deliver export growth in Victorian Agriculture.
- Trade Opportunities - facilitate trade linkages between producers, processors and exporters.

⁴⁸ Ibid

- Developing Regional Agribusiness - maintain a current understanding of the capabilities and goals of agribusiness companies, development groups and local government throughout their regions. They also maintain strong relationships with the local, State and Commonwealth Government.
- Regional Development - encourage the development of regional agribusiness forums, which address issues such as infrastructure, promotion of regional capabilities and opportunities and communication between local stakeholders.
- Export Culture Development - deliver information about exporting and export markets to participants in existing and potential food export supply chains.⁴⁹

The Agribusiness Initiative provides funding for supply chain management projects that generally focus on assisting the development of transparent customer-supplier linkages involving a network of producers and adopting a distinct distribution chain. Assistance with packaging redesign, transport problems, market research and buyer visits to Victoria all fall within the definition of supply chain assistance.⁵⁰

Agribusiness Forums

The Agribusiness Initiative has been instrumental in the development of several Agribusiness Forums throughout regional Victoria. These forums are a means to develop partnerships between local business, industry sectors and government agencies to promote the growth of local agricultural industries. Four forums have been established; in the North East Region (Alp Valleys), the Wimmera (Wimmera 2020), the Yarra Valley (Centre for Agriculture and Business) and Gippsland (Gippsland Agribusiness Forum). Forums are also being considered for the Goulburn Valley, Loddon-Murray, Central Highlands, and Colac Otway areas.

⁴⁹ Ibid

⁵⁰ www.nre.vic.gov.au

The Committee was advised that Agribusiness Forums focus on:⁵¹

- bringing local food business leaders together;
- creating business clusters and networks;
- increasing the knowledge base of business operators as to what goods and services are available locally;
- encouraging locally based businesses to explore export opportunities and expose them to successful export businesses;
- promoting the region's food exports through regional branding initiatives; and
- developing action plans to address infrastructure deficiencies.

The Committee further examines in detail some of the directions these Agribusiness Forums are pursuing, including regional branding and business clusters, in Chapter 7.

Specialised Rural Industries Program

Another key focus of the Department's Agriculture Division is the Specialised Rural Industries Program. This strategy focuses on two main areas:

- identifying and evaluating new industries and products, and providing information on the market opportunities for diversification; and
- where strong market signals exist, facilitating industry development and solving constraints to help capture and sustain market opportunities.

Key commodity areas identified in consultation with industry include: Asian vegetables, buckwheat, buffalo, essential oils and flavours, fodder crops, honey bees, horses, medicinal plants, organic produce, pasture seeds, specialty natural fibres and wild flowers and native plants.

⁵¹ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.51

Examples of Specialised Rural Industries Program activities include publishing two bee-keeping manuals, a report on the Production and Marketing of Green Tea, a series of seminars conducted by the Institute of Horticultural Development focusing on wildflowers, research into the 'health-active' compounds in garlic, a trial in partnership with Chinese companies of the productions of a Chinese mustard and an ongoing involvement in the peppermint oil industry.⁵²

Naturally Victorian

The Department also manages the Naturally Victorian initiative which promotes the clean, green, environmentally sustainable and ethical characteristics of Victorian agricultural and food products. This initiative was allocated \$8 million over 4 years, with the main components being:⁵³

- better substantiation of Victorian clean, green and environmentally sustainable production systems;
- expanded regional marketing services;
- upgraded representation at international and domestic trade shows;
- demonstration projects in supply chain management;
- organic production systems demonstration projects;
- best practice agricultural systems promoting bio-diversity; and
- assistance to regional Agribusiness Forums.

This initiative is further examined in Chapter 6 in relation to quality assurance systems and maintaining Victoria's clean green image.

⁵² www.dpi.vic.gov.au

⁵³ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.49

Access to Department of Primary Industry Programs and Services

The Department's services and programs are disseminated through a number of avenues including a telephone customer service centre, web-based information and information centres located at Bendigo, Ballarat, East Melbourne and Wodonga.

Rural businesses also access information through the regional marketing officers referred to above.

The Committee notes the Department's website provides a variety of useful information for rural industry including farming, climate and land use advice, industry fact sheets, market information and agribusiness newsletters. The Committee did not receive any feedback from rural businesses on the extent to which this information is accessed and was unable to ascertain the usage of the site by rural businesses.

4.1.2 Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development (previously Department of State and Regional Development) is the lead agency for economic and regional development and aims to drive innovation, stimulate economic growth and foster regional development. The Department provides a range of assistance programs and services to large and small enterprises, with a special focus on high-tech manufacturing and knowledge-based business.

The industry focus of the Department concentrates on the following key sectors: automotive, food, biotechnology, financial services, IT and communications, manufacturing, film, television and new media production.

Regional Industries Group

The Department of Innovation, Industry and Regional Development's Regional Industries Group provides industry sector advice in a number of areas relevant to rural businesses.

The Regional Industries Group focuses on:

- expanding and strengthening Victoria's industrial base;
- improving the international competitiveness of local firms and industries;
- developing exports from Victoria;
- improving the Victorian business environment; and
- promoting Victoria's resources, skills and capabilities.

The Group has over 30 staff located in Melbourne and in the key regional centres of Ballarat and Shepparton (food sector) Ararat, Bendigo, Echuca, and Warragul (Rural Commerce).

The four key business units within the Regional Industries Group are: Food Victoria, Food Group, the Rural Commerce Unit and the Resource Based Industries Unit. Each is described briefly below:⁵⁴

1. Food Victoria

Food Victoria provides a framework for government and industry to work together to improve the international competitiveness of the Victorian food sector and to remove impediments to the sustainable growth of the industry.⁵⁵ The mission of Food Victoria is to assist Victorian Agribusiness to achieve world competitive sustainable growth and to attain the Government's food and fibre export target of \$12 billion by 2010.

Food Victoria supports the activities of the Government's Food Victoria Council, co-ordinates the running of the Food Industry Task Force, produces the '*Taste of Victoria*' publication and maintains the Food Victoria Website. It also provides policy advice and information on all aspects of the food industry and food regulations. Food Victoria's direction comes from the Food Victoria Council. The Committee did not receive any feedback from rural business on the extent to which this information is accessed.

⁵⁴ www.business.vic.gov.au

⁵⁵ www.food.vic.gov.au

The co-ordinating role within Food Victoria has been occupied since the mid-1990s by the Parliamentary Secretary for Regional Development (formerly State & Regional Development). The Parliamentary Secretary acts as the Convenor of Food Victoria and is nominally responsible for the publication of '*Taste of Victoria*'. He or she chairs the Food Industry Taskforce which seeks to achieve whole of government outcomes in support of the work of the Premier's Food Victoria Council. The Parliamentary Secretary also plays a major co-ordinating role in the Premier's Food Victoria Awards which are partly funded by the Department of Premier and Cabinet.

The Parliamentary Secretary also serves on the Food Victoria Council which is chaired by the Premier and other senior Ministers with food industry responsibilities. The Council meets quarterly and acts as a sounding board for the food industry as well as an initiator of policy research through various Council sub-committees.

2. Food Group

The Food Group aims to help the Victorian food industry develop into a competitive and sustainable industry sector that will contribute to the employment and economic benefit of the State. It is highly growth focused and aims at assisting Victoria reach the \$12 billion target set by the Government for food and fibre exports by 2010.

The Food Group carries out its role by facilitating investment in the Victorian food sector; assisting firms with enterprise improvement; and facilitating market awareness and trade development.

The Food Group comprises industry specialists in the areas of:

- Confectionery, Baking, Cereals and Grains;
- Meat, Poultry and Seafood;
- Specialty Cheese and Food Ingredients;
- Food Packaging, Fresh Produce and Organic Foods;
- Beverages; and
- Wine & Wine Tourism.

Staff are located in the heart of the regional food producing regions, at Shepparton and Ballarat.

One of the ways that the Food Group assists SMEs is through the development of Regional Joint Action Groups (JAG). This program encourages small to medium sized wine, tourism and foods enterprises to co-operate on a regional basis, to exploit opportunities beyond the reach of the individual firms. An example of a JAG is the East Gippsland Food, Wine and Cultural Network, which involves 12 companies and which has developed a range of products aimed at increasing the revenue of each of the companies involved, by 20-25 per cent over a three year period.⁵⁶ Other JAG's have been facilitated in Wangaratta, Ballarat, Bendigo, Mildura, Loddon-Murray and the Yarra Valley.

3. Rural Commerce Unit

Established in 2000, the Rural Commerce Unit provides a range of services, through Client Managers, to areas of the rural and regional economy not previously targeted on a sectoral basis. Services are provided to those industries that form part of the supply chain to the food and fibre industry, particularly those businesses that provide input to the farm sector, suppliers of machinery and equipment and rural wholesale, retail, transport and distribution networks. Rural Commerce Client Managers are based in Ararat, Bendigo, Echuca and Warragul.

4. Resource Based Industries Unit

The aim of the Resource Based Industries Unit is to secure economic growth for industries through increased private sector investment and trade and to maximise economic and regional benefits from the development of industries based on Victoria's natural resources.

Key industries include coal, oil and gas, forests and plantations, renewable and extractive materials and water. Sustainable development is emphasised across all sectors.

⁵⁶ The Department of Innovation, Industry and Regional Development advised that the companies are: Nicholson River Winery; Déjà Vu; Nautilus Restaurant; Goldsmiths in the Forest; Espas Resort and Café; Riversleigh Hotel; Ontos Retreat; Lake Gallery B&B; Wyanga Park Winery; Fishermans Wharf; Bellevue Hotel and Conference Centre, Banksia Cottage-Preserves

Overseas Trade Fairs and Outward Trade Missions

The Department of Innovation, Industry and Regional Development supports the participation of firms and regional groups at overseas trade fairs by contributing to the cost of exhibition space, stand design and construction, translation activities and promotion. Financial assistance of up to \$25,000 per fair can be made available, depending on the number of participants. Up to 15 assistance packages per annum are available.⁵⁷

Overseas trade fairs sponsored by the Department for 2002/03 include.⁵⁸

- International Food Fair – Japan, October 2002
- Food & Wine France Super Mission – France, October 2002
- Food Mission to South America – Chile & Peru, November 2002
- Gulf Food 2003 – Dubai, February 2003
- Food Trade Mission to India – February/March 2003
- Hofex 2003 – Hong Kong, March 2003
- New World Trade Fair – Seoul, March 2003
- New Zealand Agricultural Field Days – Hamilton, June 2003

It should be mentioned that in addition to DIIRD, the Department of Primary Industries as well as Austrade are actively involved in these trade fairs.

DIIRD also provides financial support of up to \$20,000 for the conduct of outwards trade missions. This support is limited to costs such as: consultant support; receptions; interpreters; translation activities; and mission brochures.

Eligibility for the above assistance is restricted to companies who can demonstrate financial viability and the adoption of a commercial approach to export through the development of a business plan or appropriate market research. Priority is given to trade fairs and missions associated with the State's key industry sectors.

⁵⁷ Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.37

⁵⁸ www.iird.vic.gov.au

Victorian Government Business Offices Overseas

An important resource for rural export businesses in Victoria is the Victorian Government Business Offices in the following locations: Chicago; Dubai; Frankfurt; Hong Kong; London; Nanjing; San Francisco and Tokyo.

The role of these offices is to facilitate investment attraction to Victoria, to support Victorian companies seeking to export to the regions and to facilitate official trade and government delegations.

Victorian Business Centres (VBC)

Located across regional Victoria and metropolitan Melbourne, the VBC network comprises eleven offices located in Ballarat, Bendigo, Dandenong, Geelong, Mildura, Moonee Ponds, Shepparton, Traralgon, Vermont, Wangaratta, and Wodonga. The VBC network is the initial point through which businesses can access a wide range of Government business services.

The services provided by VBC's include the provision of business information, referral to specialist service providers, access to enterprise development programs and investment facilitation assistance.

The VBC network delivers the Government's:

- Regional Economic Development Program, including:
 - Investment Attraction
 - Expanding Local Business
 - Council and Regional Development Body Program
- Enterprise Improvement Program
- Small business advice, including information and referral services on starting and managing a small business.⁵⁹

⁵⁹ Ibid

Vic Export

Vic Export is an electronic export assistance centre that helps Victorian business in three major areas - trade readiness, trade promotion and trade financing.

The Vic Export website provides information on all export-related matters to potential and existing exporters. Vic Export has been developed to suit all businesses, although it targets small to medium enterprises (SME's), with little or no exposure to international markets by providing information on the benefits, opportunities and risks associated with exporting.

Information on the site is structured to provide progression through the various stages of export readiness from initial inquiry, through to finalisation of contracts and export expansion. The site also offers links to other agencies able to assist in export development.⁶⁰

The use of information and communication technology, and its significance in assisting the growth of Victorian rural industries, was discussed in Chapter 3.

Agenda for New Manufacturing Export Programs

The Victorian Government's Agenda for New Manufacturing (2002) provides funding for five new programs to encourage more manufacturing companies to export and grow. The programs are:

- First Step Exporter
- Going Global
- Collaborative Export Marketing
- Industry Capability Missions
- Export Communication Network

⁶⁰ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, pp.36-38

Grow Your Business Networks Program

Grow Your Business consists of a group of programs aimed at boosting growth and develop potential among Victoria's businesses. The programs provide advice, referral and grants to Victorian companies in order to increase productivity and lift competitiveness; encourage companies to export; encourage investment in research and innovation; attract investment and venture capital; pursue environmentally sustainable practices and strengthen education, training and skill development.

The Grow Your Business Networks Program provides a subsidy of 75 per cent, up to a maximum of \$15,000, to support small to medium sized businesses with a manufacturing or services base in Victoria to establish networks, including customer supplier networks, innovation networks and lead firm networks. The financial support is provided to:

- undertake a feasibility study on the proposed network; and
- prepare a detailed business plan for the network.

Additional Grow Your Business programs include Mentoring, Group Programs and Supply Chain Management.

4.1.3 Department of Infrastructure

The Department of Infrastructure is responsible for the State's major infrastructure projects and services including rail and road transport, ports, energy, and information and communication technology. The Department provides general support to rural industries through the facilitation of infrastructure projects and through the Freight, Logistics and Marine Division.

The Department's Freight, Logistics and Marine Division focuses on the following functions:

- Ports
- Port Reform
- Intermodal and Logistics

- Rail Freight
- Marine Safety Victoria

Some existing projects that impact upon rural export industries, such as the rail gauge standardisation and re-development of sea ports are outlined in Chapter 3.

The Intermodal and Logistics function plays an important role in ensuring rural industry has a seamless freight and logistic system to create efficiencies in the supply chain. Key strategies include: ⁶¹

- Develop an integrated Victorian freight and logistics strategy;
- Enhance connections between modes to improve efficiency and freight service delivery;
- Strengthen partnership and advocacy within the freight and logistics industry;
- Implement freight infrastructure improvements; and
- Enhance the effectiveness of Victorian ports to facilitate trade.

4.2 Commonwealth Government Assistance

4.2.1 Austrade

Austrade is the Commonwealth Government's trade promotion and export facilitation agency providing a range of assistance to Australian firms exporting goods and services into overseas markets. Austrade's annual budget is approximately \$300 million.

Austrade is represented by approximately 1,000 staff in 105 locations throughout 58 countries. Victoria's export opportunities are managed by the Austrade State Office in Melbourne along with three other Business Centres in Melbourne and TradeStart regional offices located in Ballarat, Bendigo, Geelong and Mildura.

⁶¹ Department of Infrastructure Corporate Plan 2002-05

Austrade's export services are grouped into three broad categories to match the needs of Australian firms at three stages of the export path:

Tier 1 - *Seeking general information and advice about exporting.* Providing a range of information and advice that will assist companies in getting into export and overseas investment. This service is free of charge.

Tier 2 - *Selecting, understanding and entering new markets.* When companies are ready to export Austrade helps them select, understand and enter export markets through focused advice and assistance.

Tier 3 - *Expanding overseas business.* Austrade provides highly tailored assistance and strategic advice to existing exporters looking to expand their overseas business. The services tends to be complex and resource intensive.⁶²

Austrade services are designed to help Australian companies expand their exports, while reducing the risks and costs associated with developing an export business. Specific programs designed to assist export businesses are outlined below.

Export Market Development Grants

The Export Market Development Grants (EMDG) scheme is the Commonwealth Government's principal financial assistance program for potential and existing exporters. Administered by Austrade, the purpose of the EMDG scheme is to encourage small and medium sized Australian businesses to develop export markets. EMDG reimburses up to 50 per cent of expenses incurred for eligible export promotional activities, less the first \$15,000.⁶³

To access the scheme for the first time, businesses need to have spent \$15,000 over two years on eligible export marketing expenses. The scheme supports a wide range of industry sectors and products, including inbound tourism and the export of intellectual property and know-how outside Australia.

⁶² Austrade, Submission No. 12, 6 September 2001, pp.3-4

⁶³ www.austrade.gov.au

In the 2002-03 financial year, \$144 million was paid to around 3,800 businesses. The average grant was \$36,300. Over two-thirds of businesses receiving EMDG's have turnovers of less than \$5 million. Over \$33 million in grants was awarded to 975 recipients in Victoria, comprising 24 per cent of the total EMDG funds allocated in 2002-03.

The Committee notes that in recent months the Commonwealth Government has announced a policy of doubling the number of export businesses by 2006. In order to meet the target of an additional 25,000 exporters and in response to concerns that Austrade had previously focused on larger export businesses, the following amendments are being proposed by the Export Market Development Grants Amendment Bill 2003:

- reduce the income ceiling for applicants to \$30 million

Currently, EMDG applicants (except for approved entities) must have income of \$50 million or less during the grant year in order to be eligible to receive a grant. This bill reduces the income ceiling amount to \$30 million.

- remove the \$25 million export earnings ceiling

Currently, the Act precludes grants being paid to applicants (except for Approved Bodies and Approved Trading Houses) whose export earnings during the grant year exceed a \$25 million ceiling amount. This bill removes all references to an export ceiling amount.

- reduce the \$200,000 maximum grant to \$150,000

Currently, the Act provides for all applicants (except Approved Trading Houses) to receive a maximum grant of \$200,000. This bill reduces the \$200,000 maximum grant to \$150,000.

- reduce the maximum number of grants generally payable to applicants from eight to seven

Currently, the Act provides for the payment of up to eight grants to all applicants (except for approved entities). This bill reduces the maximum number of grants payable to all applicants (except for these approved entities) from eight to seven.

- remove the Act's new markets provision

Currently, the Act provides for applicants that have already received eight grants to receive additional grants based on expenses incurred in promoting to 'new markets' (except for approved entities). This bill removes the new markets grant provision.⁶⁴

At the time of drafting this Report, these changes are before the Commonwealth Parliament and will become effective for claims received and paid from 1 July 2004, if approved.

Other Austrade Assistance

As mentioned earlier, Austrade provides an important service through the presence of regionally based TradeStart offices located in four regional Victorian locations and several metropolitan locations. Under the TradeStart program State Government, local economic development agencies and industry associations are contracted to deliver basic Austrade services at a local level.

4.2.2 Department of Foreign Affairs and Trade

The Department of Foreign Affairs and Trade is responsible for advancing Australia's national interests by contributing to international security; national economic and trade performance and global cooperation; maintaining consular and passport services to Australian citizens; projecting a positive and accurate image of Australia internationally; and enhancing public understanding of Australia's foreign and trade policy.

A major priority for the Department of Foreign Affairs and Trade is to reduce barriers to the export of Australian goods and services. The Department acts to improve market access for Australian products overseas through negotiations in international

⁶⁴ Export Market Development Grants Amendment Bill 2003, Explanatory Memorandum, Parliament Commonwealth of Australia

trading forums including the World Trade Organisation (WTO), expanding links with key trading partners through forums such as the Asia Pacific Economic Cooperation (APEC) group and lobbying individual Governments to reduce barriers or eliminate impediments to Australian exports.

Five sectorally based market access teams have been established to develop priorities and implement strategies for market access efforts in their sector: Agriculture; Automotive; Information Industries; Processed Food; and Textiles, Clothing and Footwear.

The Commonwealth Government's integrated trade policy has as its main goal the creation of new and more open markets for exports to contribute to the growth in Australia's economy, employment and standard of living. This goal is pursued at every level:

- Bilaterally through free trade negotiations, such as with Singapore, Thailand and the United States that deliver substantial gains to Australia and which cannot be achieved in a similar timeframe elsewhere;
- Regionally through Asia Pacific Economic Cooperation (APEC) and other international forums by strengthening regional trade links and pursuing common trade and economic goals; and
- Multilaterally through the World Trade Organisation by negotiating trade agreements which provide the legal ground-rules for international trade.⁶⁵

Agricultural Trade Negotiations

In addition to the above, there are several specific avenues through which trade negotiations for agricultural exports are pursued.

The World Trade Organisation's Agriculture Agreement which was negotiated in the 1986-94 Uruguay Round, provided for increased market access through tariff cuts for the conversion of non-tariff measures to more transparent tariff protection, and for a progressive reduction in export subsidies and trade-distorting domestic support measures. These commitments were implemented over a six year period (10 years for developing countries) that began in 1995.

⁶⁵ Department of Foreign Affairs and Trade, Submission No. 18, 16 June 2003, p.2

The Cairns Group is a coalition of 17 agricultural exporting countries which account for one-third of the world's agricultural exports. Since it was formed in 1986, the Cairns Group has succeeded in putting agriculture on the multilateral trade agenda and is now recognised as a major actor in determining WTO outcomes on agricultural trade issues. Members of the Group are: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

In November 2001, at Doha, Qatar, all members of the World Trade Organisation agreed to initiate a new round of multilateral trade negotiations. A far-reaching mandate was agreed for agricultural trade reform. Ministers committed to negotiations aimed at “substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support”.⁶⁶

The Centre for International Economics estimates that the benefit to Australia (including productivity improvements) from a 50 per cent cut in agricultural support could be as much as \$US1.3 billion annually by the expected end of the Doha Round implementation period (2010).⁶⁷

Other Trade Negotiations

The Commonwealth Government is also actively involved in seeking free trade agreements and developing closer economic relations with major trading partners, some of which are:

- Australia-Thailand Closer Economic Relations Free Trade Agreement (CER-FTA)
- Singapore-Australia Free Trade Agreement (SAFTA)
- Australia New Zealand Closer Economic Relations (ANZ CER)
- Australia - United States Free Trade Agreement

⁶⁶ Australia and the Doha Development Agenda: Promoting Growth and Development-Fact Sheet No. 2, Agriculture and the Doha mandate: a commitment to genuine reform

⁶⁷ www.dfat.gov.au

4.2.3 Department of Agriculture, Fisheries and Forestry - Australia

The Department of Agriculture, Fisheries and Forestry – Australia (AFFA) is one of the key Commonwealth Departments in relation to this Inquiry.

AFFA is involved in maintaining and improving international trade and market access opportunities for agriculture, fisheries, forestry and food industries. This is achieved through establishing scientifically-based quarantine policies, providing effective technical advice and export certification services, entering into negotiations with key trading partners, participating in multilateral forums and international standard-setting organisations and collaborating with portfolio industries and exporters.

AFFA's Agricultural Industries Division develops and advises on policy and facilitates the implementation of Government decisions on matters impacting on agricultural industries, in particular those matters dealing with industry structures, supply chain competitiveness, structural adjustment and support, and market access and development. Key components of the Division's focus include dairy, crops, food, intensive livestock and game, meat and livestock and wool.

Key functions within AFFA relevant to this Inquiry include the New Industries Development Program, the National Food Industry Strategy and the Australian Quarantine and Inspection Service (AQIS).

New Industries Development Program

The Commonwealth Government will provide \$21.5 million over five years (2001-02 to 2005-06) to support Australian agribusinesses in gaining the business skills and resources required to successfully commercialise new agribusiness products, technologies and services.

The objectives of the program are to accelerate efforts in helping Australian agribusinesses improve their capacity to successfully develop new, innovative, high value products, services and technologies that will generate additional medium-term commercial outcomes for the benefit of Australia.

A key feature of the program is the pilot commercialisation grants, provided on a competitive basis to 'incubate' new innovative niche agribusiness ventures that encourage through-chain approaches to new agribusiness development and involve at least one partner that is a small to medium agribusiness enterprise with the necessary skills and resources to participate fully. A number of projects have been funded in Victoria including value added potatoes (Bairnsdale), frozen roasted chestnuts (Myrtleford), and gourmet salt (Hattah).

National Food Industry Strategy

The National Food Industry Strategy Limited (NFIS) is an industry-led company funded by the Commonwealth Government to act as 'change agents' in the Australian food industry. The NFIS is working to a national strategy for the food industry and is guided by the National Food Industry Council which comprises experts from the food industry and relevant government and research organisations and five Commonwealth Government Ministers.

The NFIS five year \$102.4 million strategy, funded by the Department of Agriculture, Fisheries and Forestry, has a global retailing focus that aims to increase the profile of the Australian food industry, and make it a significant global player by 2007. The National Food Industry Strategy is built around four key activity areas: innovation; market development; business environment; and environmental sustainability.

The market development and trade co-ordination initiatives under the National Food Industry Strategy provide a platform for improved co-ordination, capacity-building and enhanced market access with the aim of helping Australian businesses to optimise profitability, investment and employment.

The Strategy supports:

- an improved understanding of overseas markets for Australian food products;
- industry-driven best practice demonstration projects involving State agencies, Austrade, industry organisations and individual food businesses;

- the development of an integrated and co-ordinated market strategy for Australian food involving technical and market access issues, trade development and promotion; and
- capability-building workshops to assist businesses to enhance their export knowledge and skills.

The NFIS has superseded Supermarket to Asia which was previously established by the Commonwealth Government to identify and maximise current and future opportunities for food exporters. Eligibility criteria for the strategy encompasses various rural sectors including processed food, meat and dairy produce, processed seafood, beverages and ingredients and fresh horticultural produce.

Through the NFIS, the Commonwealth Government is providing \$34.7 million to help industry develop innovative solutions to drive market expansion. The Food Innovation Grants Program provides matching funding to food businesses undertaking R&D projects leading to commercialisation in the food business. Food Innovation Grants range in value from \$25,000 through to \$1.5 million. The focus is on addressing scientific and technical issues that will lead to a commercial benefit.

The NFIS also manages the Commonwealth Government's Food Chain Program which seeks to enhance Australian food industry skills, capability and knowledge in value chain management. The Program has been allocated \$10 million over five years and supports a range of chain management initiatives. Funding of up to \$200,000 will be provided on a matching basis for food chain demonstration projects which meet the eligibility criteria.

The Australian Quarantine and Inspection Service

A key function of the Department of Agriculture, Fisheries and Forestry – Australia is the Australian Quarantine and Inspection Service. AQIS provides quarantine inspection services for the arrival of international passengers, cargo, mail, animals and plants or their products into Australia, and inspection and certification for animal and plant products exported from Australia.

AQIS's Export Facilitation Program provides advice and assistance to existing and potential exporters of agricultural and fisheries produce. The five Export Facilitation Officers in the Program provide information on the following:

- Australian Export Legislation requirements;
- export documentation, including export permits, health and phytosanitary certificates;
- quality assurance arrangements;
- premises registration requirements;
- inspection procedures; and
- AQIS fees and charges.

The Export Facilitation Officers can also act as the initial contact point for exporters who are experiencing difficulties in relation to government health documentation or other quarantine barriers. If an issue does not come under AQIS's jurisdiction, the facilitation officer can refer clients to other relevant agencies that may be of assistance.

Throughout the Committee's Inquiry, evidence was received that suggested AQIS inspection services and fees present an impediment to export businesses. On the other hand, the Committee has received evidence on the importance of Australian exports being 'clean & green' and free of diseases. An examination of the role of AQIS inspection procedures and the fees and charges paid by rural export businesses is provided in Chapter 5.

Rural Industry Research and Development Corporation

RIRDC is a statutory Corporation reporting to AFFA. It was established to work closely with Australian rural industries on the organisation and funding of their R&D needs. Funds come from Commonwealth appropriations, voluntary industry contributions, industry levies and Commonwealth dollar for dollar matching funds.

The Rural Industry Research and Development Corporation (RIRDC), provides funding and organisational support for research and development in all areas of production, processing, transport, handling or marketing of agricultural products.

RIRDC finances approximately 400 projects across 25 program areas, including short-term tactical and long-term strategic research. The focus of the program is on the development of smaller, new and emerging rural industries; established industries; agribusiness, trade and sustainable farming systems; special research programs, and rural issues that are generic to the rural industries. Chapter 2 details some of RIRDC's involvement in specialised and emerging industries.

Key program funding is as follows:⁶⁸

- \$2.5 million to investigate and develop prospects for new industries in rural and regional Australia;
- \$6 million to expedite the growth and development of emerging new rural and associated processing industries;
- \$8.5 million to maximise the contribution of R&D to the profitability and sustainability of the established rural industries for which RIRDC provides R&D management services; and
- \$3.5 million to identify key generic cross-sectoral issues confronting the rural sector and devise appropriate R&D programs that will benefit the sector and the nation.

Any individual, company or organisation is eligible to apply for support. Proposals are judged on the potential benefits to the Australian rural sector, and the potential to enhance the economic contribution of agriculture.

4.3 Local Government Assistance

Local Government also has an important role in assisting rural export businesses. The Committee received evidence from a number of rural and regional councils throughout the State who outlined regional capabilities, infrastructure requirements and the various degrees by which councils are involved in promoting and assisting rural export businesses.⁶⁹

⁶⁸ www.rirdc.gov.au

⁶⁹ North Grampians Shire Council, Submission No. 1, 12 June 2001; Glenelg Shire Council, Submission No. 3, 27 August 2001; Horsham Rural City Council, Submission No. 5, 27 August 2001; Yarriambiack Shire Council, Submission No. 6, 30 August 2001; Wellington Shire Council, Submission No. 9, 3 September 2001; Macedon Ranges Shire Council, Minutes of Evidence, 11 September 2001; Indigo Shire Council, Minutes of Evidence, 1 October 2001; City of Greater

The extent of local government assistance includes the facilitating role of economic development units, the funding and management of infrastructure projects, the regulatory role of local government environmental health departments and the planning and building approval process.

The Committee highlighted the significant role of local government involvement in freight infrastructure projects such as road and rail re-developments in Chapter 3. The involvement of the Rural City of Wodonga in the proposed National Logistics Hub is one such example of local government's strong involvement in vital infrastructure projects.

Economic development units play an important role in facilitating rural industry support. Evidence suggests many local government economic development units are actively involved in rural export facilitation and marketing initiatives. The Committee heard evidence of local councils working in partnership with neighbouring municipalities and various industry groups such as the Agribusiness Forums. One example of a successful co-operative approach is the 'New Mediterranean' marketing initiative undertaken jointly by the City of Greater Bendigo and the Shires of Loddon and Gannawarra.⁷⁰

Bendigo, Minutes of Evidence, 12 December 2001; Loddon Shire Council, Minutes of Evidence, 12 December 2001

⁷⁰ City of Greater Bendigo, Minutes of Evidence and Loddon Shire Council, Minutes of Evidence, 12 December 2001, p.164

Case Study 4

Tatiara Meat Company Pty Ltd

The Tatiara Meat Company has been processing lamb for the past 23 years, with the main plant located in Bordertown, South Australia. Tatiara also has a joint venture plant in Melbourne. About 500 people work for the company, which is overwhelmingly export focused. Tatiara is a foreign owned company with the major shareholder being a Dutch publicly listed company, and turnover is currently more than \$160 million. Tatiara produces approximately 200 different products in chilled and frozen form derived from lamb and mutton, plus co-products. Tatiara Meats supplies food service companies and retailers overseas, principally with fresh meat rather than frozen product.

Tatiara exports to North East Asia, Europe, North America, Japan, Luxembourg, France, Germany, United Kingdom, Canada and the United States. Exports are particularly strong to France, England and Germany. The biggest single market is the United States, and Tatiara is the single largest exporter of lamb out of Australia. In the United States an exceptionally large supermarket chain markets the product as natural Australian lamb.

The business is driven by service, reliability and consistency. Even in competition with American lamb in the US, Tatiara's product is still cheaper. The company was the first to export chilled meat to America, starting in 1980. They were also the first to vacuum package meat and the first to export by ship rather than air.

Sources:

Minutes of Evidence, 24 June 2003

Website: www.tatiara.com.au

Chapter 5

Analysis of Government Support to Rural Industries

Evidence presented to the Committee indicates that existing and potential rural export businesses find the current roles and responsibilities of State and Commonwealth Government departments and agencies difficult to understand and businesses were confused over the range of assistance programs available.

Witnesses also expressed the view that some key government agencies appeared to be overly bureaucratic in nature and were not sufficiently export focused in their approach and dealings with business. Investigations also revealed duplication in service delivery between departments, the lack of clear distinction between functions and the need for a more collaborative approach.⁷¹

An example of possible duplication exists within Agriculture, Fisheries and Forestry Australia (AFFA) between the National Food Industry Strategy grants for R&D leading to commercialisation, and the same agency's New Industries Development Program Food Business Group's Pilot Commercialisation funding. Other examples were perceived overlap in some Department of Innovation, Industry and Regional Development and Department of Primary Industries export activities. These and other examples are detailed later in this Chapter.

The following section highlights some of the key areas of concern presented to the Committee during the course of the Inquiry. Where appropriate, the Committee has made recommendations aimed at improving government support.

⁷¹ Mr. G. Pilgrim, Australian Mower Company, Minutes of Evidence, 27 August 2001, p. 11, Ms V. Hardwick, Hardwick's Meat Works, Minutes of Evidence, 11 September 2001 p.30, Mr. G. Williams, Central Victorian Yabby Farm, Minutes of Evidence, 12 September 2001, p.37, Mr. S. Quilty, Q Exports International Pty Ltd, Minutes of Evidence, 2 October 2001, p.89, Mr. E. Huebl, Tatiara Meat Company Pty Ltd, Minutes of Evidence, 24 June 2003, p.403

5.1 The Need for Co-ordination between Government Programs

5.1.1 State and Commonwealth Assistance

Earlier in this Report, the Committee summarised the key areas of assistance provided by the State and Commonwealth Governments for rural businesses. A review of government websites illustrates the numerous support programs offered by various agencies and departments. Understanding and following the range of programs outlined in these websites presents a challenge for rural businesses.

Evidence taken by the Committee illustrates the abundance of small government grants on offer.

Mr. Stephen Gorman, Managing Director, Sunbeam Foods Pty Ltd, Irymple, advised:

In terms of the specific improvement areas, the vast majority of those are actually Victorian government areas. I am sorry that I do not have the list with me. I think at last count there were about 26 different programs — everything from improving water quality to logistics operations to staff training. I think there are seven or eight different alternatives under staff training for which we could seek some assistance. The first thing we did was jump on the website, download everything and try to work our way through it. I have to say that the website is quite professional and attempts to make it easier to find your way through the maze, but it is a maze nevertheless.⁷²

Mr. Ross Brown, Chief Executive Officer of Brown Brothers Milawa Vineyard Pty Ltd, stated:

I also see a lot of bits and pieces of funds available — \$4,000 here and \$5,000 there — and if you are patient and fill out the paperwork you can probably access some of those support programs from time to time, which we do, and it is always nice to access some of those initiatives. However, they are pretty weak in what they commercially generate. Over the years there have been some federal packages where the government has gone into almost a business partnership with a company, where very low levels of interest have been charged on quite large sums, where you do a business plan and the fund is then repaid at a later date when you have a cash flow coming from your business. This type of support ran into

⁷² Mr. S. Gorman, Sunbeam Foods Pty Ltd, Minutes of Evidence, 7 March 2002, pp.274-5

*amounts of \$50,000 or \$100,000, which provided a real initiative to get into the market and build a successful business.*⁷³

At the same time the Committee received positive feedback on the assistance provided by government for attending trade missions.⁷⁴ The Committee acknowledges that without this form of assistance many rural businesses would not visit potential export markets, and would therefore be less equipped to understand the market and develop their export performance.

In view of the multitude of support available, the Committee was not surprised to find that some assistance programs across State and Commonwealth Governments appear to be similar in nature. The Victorian Department of Industry, Innovation and Regional Development offers forms of export market grants as does Austrade. The Department of Primary Industries in Victoria has a Specialised Rural Industries Program that also supports new emerging industries. A similar function is carried out on a larger scale by the Commonwealth's Rural Industries Research and Development Corporation and the Department of Agriculture, Fisheries and Forestry Australia's New Industries Development Program.

The New Industries Development Program offers pilot commercialisation grants for new innovative agribusinesses, and competitive-based funding assistance for commercialisation projects aimed at 'incubating' innovative niche agribusiness ventures. Victorian funded projects include:

- VegCo Pty Ltd - commercialisation of technical processes for value adding potatoes, including steaming, skin removal, further steaming, rapid cooling and packing into retail ready packs.
- The Australian Chestnut Company Pty Ltd - development and design of a process for the commercial production of frozen roasted chestnuts, to meet an identified market demand.

⁷³ Mr. R. Brown, Brown Brothers Milawa Vineyard Pty Ltd, Minutes of Evidence, 2 October 2001, p.103

⁷⁴ Mr. G. Williams, Central Victorian Yabby Farm, Minutes of Evidence, 12 September 2001, p.40; Mr. J. Fawcett, Australian Alpine Valleys Agribusiness Forum, Minutes of Evidence, 2 October 2001, p.64; Ms M. Rak, Alpine Valley Summerfruit Growers Association, Minutes of Evidence, 2 October 2001, p.83; Mr. R. Brown, Brown Brothers Milawa Vineyard Pty Ltd, Minutes of Evidence, 2 October 2001, p.102; Mrs M. Lanyon, Simply Tomatoes, Minutes of Evidence, 12 December 2001, p.172; Mr. P. Kulich, Shire of Loddon, Minutes of Evidence, 12 December 2001, p.180; Mr. M. Graham, Nutrigreen Pty Ltd, Minutes of Evidence, 13 December 2001, p.199

Similarly, the National Food Industry Strategy under its Food Innovation Grants Program provides matching funding to food businesses undertaking R&D projects leading to commercialisation in the food business. The focus is on addressing scientific and technical issues that will lead to a commercial benefit. The Committee believes there are distinct similarities between these two programs.

The Committee further notes the National Food Industry Strategy is also involved in market development and trade co-ordination activities which are broadly the responsibility of Austrade.

Mr. Gavin Privett, Pyramid Salt, Pyramid Hill, advised:

One of the problems with trying to develop export markets is that there seem to be lots of people in different parts of government doing things but there does not seem to be anybody who can come along to me and say, 'This is how you do it'. This is what is missing.

There does not seem to be one thrust, with everybody pushing the same barrow and trying to get you into that market.⁷⁵

Recommendation 5.1

The Committee recommends that the Government, in conjunction with the Commonwealth Government, review its full range of support programs targeted at rural industries to ensure they complement each other and avoid duplication.

Recommendation 5.2

The Committee recommends that the Government undertake a review of the results achieved by Victorian rural industries that have received State and Commonwealth Government financial assistance in recent years, to determine the effectiveness of such support in achieving export growth.

⁷⁵ Mr. G. Privett, Pyramid Salt, Minutes of Evidence, 12 December 2001, p.177

5.1.2 Government Export Targets and Statistics

The Committee believes that any Government policy of support for exporting businesses needs to be based on a strategy that incorporates targets, against which that support can be measured. Where support is offered by different levels of government, some variation of targets can be expected. However, the Committee believes the targets should be more complementary.

The Commonwealth Government, through Austrade, has announced a target of doubling the number of exporting businesses by 2006. This objective will be pursued through a number of existing business support programs including proposed changes to Austrade's Export Market Development Grants.

While the Committee applauds the objective of increasing export business, it questions the value of simply doubling the number of exporters which in itself does not guarantee an increase in total export value, although this is a likely outcome. Nor does it guarantee the sustainability of the export performance by individual companies. An ABS '*Portrait of Australian Exporters*' revealed that two-thirds of small business exporters were irregular exporters.⁷⁶ Anecdotal evidence suggests many first time exporters do not repeat this experience.

The Committee heard of research which demonstrated the low export participation rate of Australian businesses compared to international economies, and believes that lifting Australia's performance to that of overseas economies is important. However, the extent to which the Australian performance improves is dependent on a range of factors, including the rate at which the national economy grows and new business starts.

Of particular concern is the fact that the Austrade target of doubling the number of exports appears to have no direct relevance to Victoria's export targets or similar targets in other States and Territories. The target has no strategic link to any particular sector or export market.

⁷⁶ *A Portrait of Australian Exporters*, Australian Bureau of Statistics/Australian Trade Commission, 22 August 2000

Victoria first adopted its own target in the early 1990s when the objective of \$6 billion in food exports by the turn of the century was first adopted. Later in the decade this was replaced by a more ambitious target of \$12 billion in food and fibre exports by 2010. It is, however, inaccurate to characterise the targets as exclusively export targets. The Committee is aware that the target was as much a jobs target, based on the relationship between investment, productivity and export product.

While the Committee believes it is useful to adopt whole of government export targets, the targets need to take into account a range of factors that are often outside the State Government's control (eg: currency movements, climatic conditions in other countries, quarantine issues or trade policy disputes elsewhere) and factors which more directly reflect policy decisions in Victoria (eg: investment decisions by established Victorian firms as well as those attracted to Victoria).

Furthermore, the \$12 billion target does not focus specifically on any quantifiable target for each agricultural sector. Although recently impacted on by the drought, it seems Victoria's existing target will be achieved by 2010. The Government should now consider establishing a new food and fibre export target beyond 2010, taking into account factors such as environmental sustainability, skills shortage and other possible influences referred to throughout this Report.

On its visit to New Zealand, the Committee again noted the use of another export target. Government officials in Wellington referred to their Prime Minister's declaration under the '*Growing an Innovative New Zealand*' policy, that export growth was required to raise GDP and to ensure New Zealand achieves per capita income comparable with the upper range of OECD nations.⁷⁷ While these references were only anecdotal, they reflect a greater awareness of export activity as a reflection of the nation's international performance.

Recommendation 5.3

In recognition of the desirability of the State and Commonwealth Governments to work co-operatively to avoid duplications and inefficiencies, the Committee recommends the creation of a new export target for Victorian food and fibre

⁷⁷ *Growing an Innovative New Zealand*, 2002, The Office of the Prime Minister (New Zealand)

products beyond 2010. Any new target needs to take into account how the outcomes are measured to ensure consistency.

Recommendation 5.4

The Committee recommends that the Government investigate the reasons why a large proportion of exporters do not export on a regular basis and many first time exporters do not repeat the experience.

A further disparity between the State and the Federal Government is the statistical methodology used to measure export performance. The Department of Foreign Affairs and Trade's assessment of agricultural export performance excludes fisheries, but Victoria's published figures for food and fibre exports include aquaculture products.

At the same time, the Committee became aware of differences in the statistical basis of export reports produced by the Department of Primary Industries and the Department of Innovation, Industry and Regional Development, which could create confusion.

Recommendation 5.5

The Committee recommends that the Government develop a single statistical base to measure Victorian rural export performance.

5.1.3 Dissemination of Government Support

Rural businesses also require accurate and timely advice from governments on a range of matters such as quarantine, non-tariff barriers, and marketing intelligence. Throughout Chapter 4, details are provided on the various methods of service delivery including regional and overseas offices, numerous websites, newsletters, seminars, regional forums and visits by field officers.

The Committee heard evidence from a number of rural export businesses who believe the dissemination of government support could be improved and that government officers should be more knowledgeable of rural industries.

Ms. Marion Rak, President, Alpine Valley Summerfruit Growers Association, Glenrowan advised:

*I believe we need an adviser on ground, not someone who sits at a desk behind glass and gives out information. We need someone who is on ground and able to give us the information. We have people ... who are looking after export stuff, but that is not helping the development of the fruit or the area to go to.*⁷⁸

Luv-A-Duck Pty Ltd, a duck meat export company, spoke of their frustration in not receiving timely advice from the Commonwealth Government on non-tariff trade barriers. The company provided the Committee with a list of 12 countries to which they had been exporting in recent years. However, due to non-tariff barriers, this list was now reduced to two.

Mr. John Millington, General Manager, Luv-A-Duck Pty Ltd, Nhill:

*The Philippines is the classic one. We have been selling ducks there for years. About 18 months ago we had a shipment ready to go and we were told by AQIS that the Philippines authority was no longer signing off on import documents. When we asked the reason why they said it was because Australia had stopped buying their bananas and therefore they would stop buying our products. That continues to be the case today. So unless we can get ducks to eat bananas, we are not in the export business to the Philippines!*⁷⁹

*I do not think they understand the implications of what an advice from a country means, because we certainly do not hear about it. An example is what I mentioned to you about the Philippines — an order ready to go and we are suddenly told about the banana story. We should have known well in advance of that, whether it was to come from AQIS, Foreign Affairs and Trade or Austrade or somebody. The fact is that we do not know. Most of the time we find out when we are ready to do the documentation, which is really the last moment as the product is ready to roll, the containers are filled.*⁸⁰

The Committee also heard claims of staff within various government departments and agencies lacking both an export culture and an awareness of the challenges facing export businesses and often not providing timely responses to queries from businesses.

⁷⁸ Ms. M. Rak, Alpine Valley Summerfruit Growers Association, Minutes of Evidence, 2 October 2001, p.81

⁷⁹ Mr. J. Millington, Luv-A-Duck Pty Ltd, Minutes of Evidence, 23 June 2003, p.336

⁸⁰ Ibid, p.339

Ms. Vicki Hardwick, Director, Hardwick's Meat Works Pty Ltd, Kyneton:

*But they need to be champions and people who are enthusiastic, who know what they are doing, and who make it simple.....They make it simple and straightforward and they get on with it. If they say they will be back in two days, they are back in two days with a phone call or in writing. There is none of this two weeks later and you thinking, 'What was that fellow's name I talked to?'*⁸¹

Mr. Eckard Huebl, Managing Director, Tatiara Meat Company Pty Ltd:

*There is no culture in government departments of export. The first reaction always is, 'We cannot do this. It is impossible'. It is always up to the company to try and convince them — and that is all government departments — and say, 'Of course we can do it. You guys should only concentrate on the health aspects; do not tell us how to run a business'. We are going through an example in Victoria at the moment where we have a little trial plant. The red tape we have to go through to develop a new product is mind boggling.*⁸²

The Committee believes there could be advantages in enabling government officers, as part of a professional development program, to gain experience and exposure in the day to day operations of an export business.

Recommendation 5.6

The Committee recommends that the Government, in conjunction with the Commonwealth Government, review staff development and training options to ensure staff have a greater understanding of the needs and challenges facing rural businesses.

5.1.4 Local Government Responsibility

As discussed in Chapter 4, local government provides support to rural business through a number of avenues, most notably through the work of economic development units. Evidence suggests the involvement of economic development units in promoting rural export opportunities varies across Councils.

⁸¹ Ms V. Hardwick, Hardwick's Meat Works Pty Ltd, Minutes of Evidence, 11 September 2001, p.30

⁸² Mr. E. Huebl, Tatiara Meat Company Pty Ltd, Minutes of Evidence, 24 June 2003, p.418

It is particularly important that local government attempts not to duplicate the efforts of State and Commonwealth governments in supporting rural businesses to develop export opportunities. The Committee believes that, in view of the large number of government export programs available, local government economic development units should act as the first point of referral to relevant State and Commonwealth support and provide a facilitation role in helping business access government support.

Mr. Peter Kulich, Economic Development Manager, Loddon Shire Council:

I see a role for local government in there to increase its role in assisting people into exports and also facilitating getting information out to them and making sure their needs are met. A lot of the actions at the moment are ad hoc rather than co-ordinated. I think once again that that is due to a lack of resources and funding.⁸³

Part of this facilitation role could also include making available meeting and conference rooms for export marketing meetings and seminars. Local councils, in co-operation with relevant State Government departments, could also play a role in promoting, facilitating and hosting visits by overseas export customers.

Recommendation 5.7

The Committee recommends that the Government encourage local government to continue to assist the growth of rural industries through the facilitation role of economic development units and support for infrastructure projects.

Recommendation 5.8

The Committee recommends that the Government should encourage local government economic development units to work in partnership with the State and Commonwealth Governments, to promote assistance programs to local industries. As a practical example, the Government should consider facilitating regular contact between local government economic development officers and State and Commonwealth Government representatives.

⁸³ Mr. P. Kulich, Loddon Shire Council, Minutes of Evidence, 12 December 2001, p.181

5.2 State Government Food Export Focus

In undertaking this Inquiry, the Committee wrote separately to the then Department of State and Regional Development and the Department of Natural Resources and Environment seeking written submissions. In reply, the Committee received a Background Report developed jointly by these two departments. While the Report was an invaluable background briefing paper outlining Victoria's rural export industry capabilities and the role of governments, the decision to present a joint background paper illustrates the dual responsibility and areas of duplication present in the existing State Government structure.

The two separate all-party committees that were involved in this Inquiry over the last two years have found there was an insufficiently clear distinction between the support provided to rural industries by the Department of Innovation, Industry and Regional Development's Food Group and Food Victoria and the Agribusiness Unit within Department of Primary Industries. In many instances there appeared to be duplication in service delivery and confusion over roles and responsibilities.

In theory, the focus of the Department of Innovation Industry and Regional Development, Regional Industries Division is on processed foods while the focus of the Department of Primary Industries' Agribusiness Unit is on fresh agricultural products. However, in reality these distinctions are not apparent. Throughout the Government joint submission to the Inquiry there are illustrations of duplication and unclear lines of responsibility. For example, the submission indicates:

- **Food Victoria's** (DIIRD) mission is to assist Victorian Agribusiness to achieve world competitive sustainable growth that will enable them to attain the food and fibre export target of \$12 billion by 2010.⁸⁴
- **Food Group's** (DIIRD) role is to help create a world competitive food industry in Victoria that is safe, sustainable, highly export focused, import replacement capable, attractive to investment and a generator of employment.⁸⁵

⁸⁴ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment, Submission No. 15, 22 October 2001, p.38

⁸⁵ Ibid, p.39

- **The Agribusiness Initiative** (DPI) promotes the development and expansion of fresh and processed agricultural and horticultural exports from Victoria, through trade development and market support services.⁸⁶

As illustrated, these three Government initiatives all deal with food and agribusiness and are export focused. While the Committee commends the Government on these initiatives, it is obvious to the Committee that the roles of the above separate departmental units have become blurred with all three focusing on developing and growing Victoria's food export industry.

Similarly, the joint submission does not make clear the distinctions between the role of the Department of Innovation, Industry and Regional Development in supporting new and emerging specialised rural industries with that of the Department of Primary Industries' Specialised Rural Industries Program.

The submission states that DIIRD has assisted a Seed Co-operative in Orbost with the production and export of seeds. Under another project, DIIRD has also been involved in developing new brands of soy beans and soy product ranges for export markets. The Committee cannot understand the distinction between these industry support projects and those provided by DPI's Specialised Rural Industries Program which focuses on developing specialised products including fodder crops, pasture seeds and medicinal plants for new export markets. Furthermore, the Committee notes that such projects could potentially be carried out by the Rural Industry Research and Development Corporation. This is a further example of perceived duplication in departmental programs.

Although the Government's joint submission notes that both Departments have worked together on a range of food related projects in recent years, the Committee is unclear what the distinguishing roles are, and why food related export projects require joint departmental involvement.

The Department of Innovation, Industry and Regional Development has Victorian Business Centres situated throughout the State in key locations including Ballarat, Bendigo, Geelong, Traralgon. Similarly, the Department of Primary Industries has regional agribusiness marketing officers in these locations operating out of separate

⁸⁶ Ibid, p.48

offices and using separate resources. The Committee believes the presence of two State Government offices providing assistance to rural export businesses may cause further confusion for businesses seeking assistance.

Both Departments are also involved in sending officers to accompany Victorian food export companies at various overseas trade fairs. Again, there appears no reason why a rural export business would be assisted by two separate State Departments to display their products at an overseas trade fair. Buyers of Victorian food products attending these trade fairs are potentially dealing with Austrade, representatives from each State Government and separate representatives from each Australian State.

The Committee also finds duplication in the way in which the Government's support services are disseminated to rural industries. Reference has already been made of duplication in advice provided by separate government regional field officers. Duplication also exists in web-based information and the publication of food industry newsletters by the Government.

Rural export businesses are faced with numerous government and industry based websites to navigate, in order to understand what and from whom various support services are available (see Appendix 9 for a comprehensive list of websites). The existence of several Victorian Government food export related websites is adding to the confusion faced by exporters and possibly by buyers. Both Food Victoria and the Agribusiness Initiative operate separate websites that contain similar information on the Victorian food industry, capabilities of the State's regions, export statistics and market information. For potential rural industry exporters, there are no clear statements on either website on the rationale of the two departments' focus on food exports, although cross links can be found to both sites.

Both Food Victoria and the Agribusiness Initiative publish separate newsletters focusing on Victoria's food industry. Food Victoria publishes a quarterly newsletter, '*Taste of Victoria*' which is intended to highlight positive stories within the Victorian food industry, including success stories and export news. The Agribusiness Initiative also publishes a quarterly newsletter – '*Food Partnerships in Asia*' dealing with the agribusiness and food industries but with a particular focus on exports to Asia. This is yet another example of perceived duplication. The Committee did not receive any advice on the effective readership of these publications or the precise role they play in achieving targets.

The Committee believes the current Government departmental structures dealing with agricultural export industries causes an unnecessary duplication of resources and should be streamlined in order to enhance the delivery of rural export support.

Recommendation 5.9

The Committee recommends that Victoria's food industry would be better served by the Government combining the functions of the Department of Innovation, Industry and Regional Development's Food Group, Food Victoria and the Department of Primary Industries' Agribusiness Initiative within one Department.

5.3 Perception of the Australian Quarantine and Inspection Service

5.3.1 AQIS – Service Delivery and Inspection Fees

During the Inquiry, the most frequently criticised government agency was the Australian Quarantine and Inspection Service (AQIS). The criticisms related to perceived high fees and charges, the bureaucratic and often inflexible nature of AQIS inspectors and an overall perception that AQIS was not adequately focused on delivering practical and timely assistance to export businesses.

Some of the following quotes are typical of the concerns presented to the Committee regarding perceived excessive fees and charges and AQIS's general level of service delivery.

Mr. Robert Ingram, GrowCo Ltd, Lindenow:

It is a totally non-commercial [focused] organisation. If there are flights that go out on Saturdays or Sundays or Mondays, why do we have to pay such ridiculous penalty rates for having produce inspected on weekends? I just don't understand their system; it is just not commercially well informed.⁸⁷

⁸⁷ Mr. R. Ingram, GrowCo Ltd, Minutes of Evidence, 26 November 2001, p.154

Mr. Andrew Syme, Swan Hill International Network and Exports:

AQIS costs are getting out of control. We had a container loaded on our property two weeks ago, and for an AQIS inspection it cost \$550.⁸⁸

Mr. Kevin Pickering, Managing Director, Bestfresh Produce Pty Ltd, Mildura:

One of our biggest problems as an exporter is the Australian Quarantine Inspection Service. It is a major problem to the extent that right to this day we have one AQIS employee here and one local assistant trying to cover from Swan Hill.⁸⁹

Mr. Eckard Huebl, Managing Director, Tatiara Meat Company Pty Ltd:

With the Australian Quarantine and Inspection Service (AQIS) everything is, 'No, we cannot do this. We can't do this. We can't do this. We can't do this.' Why not? The answer is, 'Well, we can't. It has never been done before. It is new'. I know it is new. Everything is totally and utterly by the book, and quite often the book is so confusing that we have three different people in the one department arguing with each other about what the requirement is.⁹⁰

The Committee spoke to the Australian Quarantine and Inspection Service in Canberra and was interested to learn of recent initiatives undertaken to address existing concerns.

Over a number of years AQIS has been recovering its costs through its fees and charges. At the time most of the above concerns were expressed to the Committee, AQIS fees and charges were set to recover the full costs of providing inspection services to the relevant user group. These costs include all direct and indirect costs reasonably attributable to the activity. In 1990 a decision was made to increase cost recovery to 100 per cent.

The three basic types of fees relevant to exporters are:

- Establishment service charge – charged for registration of an export business

⁸⁸ Mr. A. Syme, Swan Hill International Network and Exports, Minutes of Evidence, 13 December 2001, p.232

⁸⁹ Mr. K. Pickering, Bestfresh Produce Pty Ltd, Minutes of Evidence, 7 March 2002, p.244

⁹⁰ Mr. E. Huebl, Tatiara Meat Company Pty Ltd, Minutes of Evidence, 24 June 2003, p.418

- Fee for Service – charged for specific services and audits
- Quantity Charge – exporters pay a levy or quantity charge for some products based on export volumes.

In August 2001, the Government announced a 40 per cent reduction of Australian Quarantine and Inspection Service (AQIS) export fees and charges that took effect from 1 November 2001. The reduction was achieved by eliminating some charges, adjusting others and leaving others unchanged. The variation in the mix of fees and charges was to drive further cost efficiencies and industry reform across AQIS's seven export commodities; meat, grain, horticulture, seafood, dairy, organics and live animal exports. AQIS obtained agreement on the revised fees and their application from all export industry consultative committee groups before their implementation.⁹¹

Over the past few years, AQIS has also embarked on a process of reform that aims to improve the quality of its services and improve its client focus. Discussions with AQIS and a review of its overall approach to customer service, suggests the organisation recognises the long standing negative views about its services and is attempting to place more emphasis on meeting customer service obligations and ensuring the delivery of quality customer services.

AQIS's client service policy now refers to professionalism, integrity, openness, fairness and respect when delivering services to its clients. AQIS manages 13 programs which have separate service charters. Client feedback is sought through a number of industry specific program managers and by contacting the Service Charter Co-ordinator.

The Committee notes that it is not uncommon for a regulatory body to receive criticism. It is vital that Australia's food export industry is protected from pests and exotic diseases and that the industry can promote its products overseas as being verified clean and green. Accordingly, despite the negative views expressed towards AQIS, the regulatory body plays a vital role in allowing Australian exporters access to the world's markets.

⁹¹ 2001-02 Annual Report, Department of Agriculture, Fisheries and Forestry – Australia, p.2

The Committee refers to the New Zealand model for promoting food exports later in this Report. A key feature of this model is the competitive process of food quality verification. Further discussion is provided on the potential benefits to Australian exporters of introducing a competitive system which may reduce the level of criticisms directed at the single body responsible for export certifications.

The Committee acknowledges the above measures being taken by AQIS to improve its client services but is concerned that many rural export businesses continue to have a negative image of AQIS. It is therefore essential that AQIS promote further, its client services and improve its communication with clients.

Recommendation 5.10

The Committee recommends that the Government liaise with Australian Quarantine and Inspection Service to identify ways to improve the flow of information between Australian Quarantine and Inspection Service and the rural export industries which are dependent upon its services.

5.3.2 Quarantine Regionalisation

In addition to problems with service delivery and inspection fees, evidence was also received on the concept of quarantine regionalisation within Australia.

Mr. John Millington, General Manager of Luv-A-Duck Pty Ltd based in Nhill spoke of the problems facing his business when there is an outbreak of a disease within Australia:

I draw your attention to the case of an outbreak of exotic disease. Victoria is a signatory to the exotic disease protocol and the procedures that are followed in the event of an outbreak of disease. In our case the last time there was an exotic disease outbreak in Sydney they closed Sydney and New South Wales down; they closed Victoria and the whole of Australia down because Australia is a very fair-minded country and a signatory to the protocol out of Brussels. The simplified explanation is that Australia notifies Brussels that there is an outbreak of disease and Brussels then says Australia is off limits to importing countries and they shut the borders. At the last outbreak we had containers of product on the wharf ready to go and we were told that there was an outbreak of exotic disease in New South Wales and our product could not move. It took us three weeks to clear that, and for a little company like us that is hard going. Where the inequity comes is if it was France that had an outbreak of disease they would shut France down

*but Italy, Spain, Switzerland, across the Channel up to England and up into Germany could all continue to trade and it is only a couple of hundred kilometres away; we are 1200 kilometres from New South Wales.*⁹²

The issue of quarantine regionalisation has been an ongoing issue within international trade negotiations. Evidence suggests that to date, Australian Government officials involved in these negotiations have failed to express the regional implications involved when there is a disease outbreak in one State that it is unlikely to impact upon other States.

The Committee believes the Luv-A-Duck experience illustrates the need for the State and Commonwealth Governments to push for quarantine regionalisation and area freedom within Australia during future trade negotiations.

Recommendation 5.11

The Committee recommends that the Government raise with the Commonwealth Government the need to negotiate quarantine regionalisation which recognises Australian geographic diversity with respect to protecting Australian exports from unnecessary restrictions during isolated disease outbreaks.

⁹² Mr. J. Millington, Luv-A-Duck Pty Ltd, Minutes of Evidence, 23 June 2003, p.334

Case Study 5

Roma Food Products Pty Ltd

Roma Food Products is primarily involved in the development, production and marketing of gluten-free health, gourmet and dietetic foods. The company's primary product is the Orgran range of health foods.

The business was started in 1986 by two young brothers, Frank and Max Buontempo. They soon outgrew their Box Hill shop and in 1987 acquired Roma Food Products, a South Australian business established in 1953. In 1990 they bought the company back to a purpose built modern production facility in Melbourne, one of only a few facilities in Australia that is fully registered to produce Level A organic and Kosher certified food products.

Roma Foods employs more than 50 people and has been regularly recognised by *Business Review Weekly* as one of Australia's fastest growing private companies. The company has won several awards, including: Governor of Victoria Export Award –Agribusiness (1998 & 2001); Telstra and Victorian Government Small Business Award (finalists for 6 years); induction into the Victorian Manufacturing Hall of Fame (June 2002) and Frankston and Mornington Peninsula Business Awards for Excellence (1998, 1999, 2000, 2001).

Orgran is a well recognised brand amongst health professionals and consumers. The brand enjoys great success within Australia, and Roma successfully exports 55 per cent of their product to 29 countries including; North America, New Zealand, United Kingdom, Scandinavia, Kuwait, Singapore, Japan, Hong Kong, South Africa, Taiwan and the United Arab Emirates. The company maintains a niche category in the United Kingdom with sales through Tesco, Sainsburys and Safeways.

A key issue for the company is the need to import organic rice and maize flour, as Australian production is currently insufficient. The company also believes that Australian exporters of genetically modified (gm) free product are well placed in overseas markets.

Sources:

Minutes of Evidence, 23 June 2003

Website: www.orgran.com

Substantiating Victoria's Clean and Green Image

6.1 Market Demand for Clean and Green Products

The development of internationally recognised quality assurance standards, environmental management systems, sustainable production practices and labelling schemes, are paramount to the future of Victoria's rural export industries. The growing demand for product integrity and quality assurance systems at every step in the supply chain is evident throughout major markets in Europe, the United States and Asia.

The Committee accepts that in major markets, consumers are increasingly demanding food that is fresh and free from chemical residues, other contaminants and diseases. The recent outbreak overseas of exotic animal diseases such as BSE ('mad cow disease') and foot and mouth disease have heightened consumer demand for clean green food. As well as an increasing awareness of environmental impacts on food quality and animal welfare, consumers are also making choices based on health and lifestyle criteria. The growing trend towards organic produce illustrates this point.

Throughout this Inquiry, evidence was presented to the Committee highlighting the importance of Victoria's clean, green image and the need to maintain this image through world's best practice quality assurance systems. It was presented to the Committee that in an increasingly competitive export market, maintaining the country's clean green image was critical.

Mr. Doug Shears, General Manager, ICM Australia:

The only opportunity I see for Australian branded food products, or Australian products in general, is the clean green theme. It has persisted since 1987. It is still out there, there is still a perception, and the perception is everything when it comes to selling products.⁹³

⁹³ Mr. D. Shears, ICM Australia, Minutes of Evidence, 23 June 2003, p.365

Similarly, Mr. Eckard Huebl, Managing Director of Tatiara Meat Company Pty Ltd spoke of the need for governments to maintain Australia's clean and green image.

In very broad terms I think it is one of Australia's really serious strengths — the fact that world wide it supplies a clean and healthy food product. It is not just lamb; with any food product we are perceived as being clean and as having no serious pollution. It is all free range — it is a healthy product, it is brought up in a natural environment, it is not seriously feed lotted, it does not come out of cages, and we do not feed hormones and growth promotant. It is one of the major responsibilities of any government, be it state or federal, to make sure that that remains.⁹⁴

The State Government's submission to this Inquiry defines 'clean and green' as:

Clean means that food is produced free of contamination (eg.residues), while green means that food is produced and processed through environmentally acceptable means and can be extended to packaging and distribution of products, freedom from genetic engineering and to ethical considerations.⁹⁵

The Committee is aware of an increase in consumer demand for verification. With an increasing level of consumer environmental awareness, Victorian food exporters will no longer be able to rely solely on a perception of Victoria's environmental standards as a guarantee for market success.

This chapter examines the need to substantiate Victoria's clean and green image and includes an outline of current measures being undertaken by the State Government and a comparison with industry practices implemented in New Zealand. Time did not permit the current Committee to extensively analyse the export assistance and quality assurance programs being run in other Australian states, although it understands they are similar in nature to those which operate in Victoria.

6.2 Quality Assurance Systems and Initiatives

The Department of Primary Industries states that "Victorian food is amongst the cleanest and safest in the world", and in promoting food exports, – "our highly skilled, world class farmers use the latest production technology, monitor pests and diseases

⁹⁴ Mr. E. Huebl, Tatiara Meat Company Pty Ltd, Minutes of Evidence, 23 June 2003, p.416

⁹⁵ Joint Submission, Department of State and Regional Development and Department of Natural Resources and Environment Submission, Submission No. 15, 22 October 2001, p.10

to minimise chemical use and take pride in the long-term health of the soil, water and vegetation resources on which farming depends".⁹⁶

However, the Committee's evidence would suggest that while our clean green image is well recognised overseas, this is largely based on perceptions of Australia including our geographic isolation, small population, good climate, natural clean rivers and water resources and lack of pollution.

Mr. Russell Witcombe, Chairman of the Australian Horticulture Exporters Association spoke of Australia's clean green image overseas:

*I guess we are a country that claims to be a responsible producer in our use of pesticides, but certainly my experience in markets like Europe is that the attraction is more the novelty of Australian products — the fact that it has come from so far and the fact that Australia has a nice friendly image to it, more than any picture they have of what the orchards or vineyards might be like.*⁹⁷

As the demand for clean green food increases worldwide, it is critical that State and Commonwealth Governments ensure that this perception can be supported by world's best practice quality assurance systems to meet customer requirements in food export markets. The Committee sees little value in developing food quality systems that only satisfy domestic markets, as increasingly it is the large global retailers who are influencing food production.

6.2.1 National Quality Assurance Initiatives

The Committee notes that at a Federal level, various systems are in place to maintain a high standard of food quality in Australia. AQIS has an important role in protecting animal and plant health systems and improving market access for Australia's food exports. In addition, Food Standards Australia New Zealand is responsible for maintaining a safe food supply through the development of appropriate standards, labelling and other food safety regulations.

⁹⁶ Naturally Victorian Brochure, Department of Primary Industries, 2002

⁹⁷ Mr. R. Witcombe, Australian Horticulture Exporters Association, Minutes of Evidence, 7 March 2002, p.261

Other nationally adopted initiatives include the National Livestock Identification Scheme and Hazard Analysis and Critical Control Point food safety system.

National Livestock Identification Scheme

The National Livestock Identification Scheme (NLIS) is Australia's system for the identification and tracing of livestock. It is a permanent identification system that enables individual animals to be tracked from property of birth to slaughter; for food safety, product integrity and market access purposes. Victoria has adopted this traceability Scheme for the mandatory identification of beef cattle.

The key industry organisation, Meat and Livestock Australia, notes that Australia's major competitors and customers have already or are in the process of adopting individual animal identification schemes and accordingly Australia is adopting NLIS to maintain its competitive advantage.⁹⁸

In addition to facilitating market access, the NLIS will potentially minimise the financial and social impact of animal disease outbreaks and residue incidents in Australia through its accurate identification and traceability capabilities.

Hazard Analysis and Critical Control Point

The Hazard Analysis and Critical Control Point (HACCP) is a food safety system aimed at preventing problems that threaten food safety. As a preventative approach it relies on a food business identifying potential biological, physical or chemical hazards and identifying the measures needed for their control.

The system involves the identification of hazards, determining and monitoring Critical Control Points for the control of the hazards, and establishing corrective action and appropriate verification procedures.

The Committee notes that the Department of Primary Industries provides specific support and encouragement for the adoption of HACCP-based quality assurance programs by farmers, processors and other supply chain proponents.⁹⁹

⁹⁸ www.mla.com.au

⁹⁹ Naturally Victorian Brochure, Department of Primary Industries, 2002

Evidence was received from a number of rural businesses and industries on their application of HACCP programs including Luv-A-Duck Pty Ltd, Rositas Australasia Pty Ltd, Australian Pioneer Pistachio Company, Alpine Valley Summerfruit Growers Association and the pig meat industry.¹⁰⁰

6.2.2 Victorian Quality Assurance Initiatives

The State Government is aware of the need to substantiate Victoria's clean green image and this is demonstrated by the Naturally Victorian Initiative. The Government's \$8 million commitment over four years to the Naturally Victorian Initiative, which focuses on demonstrating and promoting Victoria's clean, green and safe agriculture credentials with the ultimate aim of increasing Victorian food exports, is referred to in Chapter 4.

Key components of the program are:

- Substantiation of Victoria's clean, green and environmentally sustainable production systems;
- Demonstration projects in supply chain management;
- Organic production systems demonstration projects; and
- Best practice agricultural systems promoting bio-diversity.

The following pages detail some of the initiatives and systems in place within Victoria designed to enable agri-food industries to substantiate quality claims.

Environmental Management System

An Environmental Management Systems (EMS) comprises the parts of an overall management system that includes organisation, planning, responsibilities, practices, procedures, and resources for developing, implementing, achieving, reviewing and maintaining environmental policy. The International Organisation for Standardisation's standard for environmental managements systems is ISO 14001.

¹⁰⁰ Mr. J. Millington, Luv-A-Duck Pty Ltd, Minutes of Evidence, 23 June 2003, pp.333-334; Mr. J. Emons, Rositas Australasia Pty Ltd, Minutes of Evidence, 12 December 2001, p.169; Mr. C. Joyce, Australian Pioneer Pistachio Company, Minutes of Evidence, 8 March 2002, p.305; Ms M. Rak, Alpine Valley Summerfruit Growers Association, Minutes of Evidence, 2 October 2001, p.79; Mr. A. Kingma, Victorian Farmers Federation Pig Group, 13 December 2001, p.228

An EMS for Victorian agriculture is a voluntary, systematic approach used by farmers, land managers and catchment authorities to identify and manage impacts on the environment. EMS helps to achieve continuous improvement by attention to best management practices, codes of practice and relevant legislation.¹⁰¹

The Department of Primary Industries, Department of Sustainability and Environment and the Victorian Farmers Federation are working in partnership to encourage the adoption of EMS throughout Victoria. An action plan was developed in June 2003 to facilitate the implementation of EMS and provide for improved scientific, training and educational resources for farmers wishing to quantify their environmental impacts. Given that this initiative has only just commenced, the Committee did not receive evidence on the involvement of farmers in this scheme.

Food Safety Strategy

In January 2002, the Victorian Government introduced a Food Safety Strategy to ensure the safety of food in Victoria, improved access to domestic and overseas markets, and consumer confidence in products and production systems.¹⁰²

The Strategy recognises the need for quality assurance systems to be industry-driven, however it notes that the effectiveness and acceptance of these quality assurance schemes is low in some sectors. Accordingly, a key objective of the Strategy is to achieve high levels of adoption of appropriate food safety management systems through industry support, training programs, improved surveillance programs, and on-farm food safety management systems.

The Committee did not receive any evidence from rural businesses on their involvement with this strategy.

¹⁰¹ The Way Forward – An Action Plan for Adoption of EMS in Victorian Agriculture, Victorian Government/Victorian Farmers Federation, June 2003

¹⁰² Natural Resources and Environment's Food Safety Strategy, Department of Natural Resources and the Environment, January 2002

Victorian Produce Monitoring Program

The Department of Primary Industries has been conducting an annual monitoring program for fruit and vegetables to determine the levels of chemical residues. Targeted and random monitoring has found that more than 99 per cent of fresh produce tested has met strict national standards for chemical residues.

By confirming that Victorian produce is free from unacceptable levels of chemicals, the Department aims to “reinforce the State’s reputation as a producer of high quality food and substantiate claims of clean food through statistically valid data”.¹⁰³

The Committee notes some of the following recent results within the program:

- the testing of chemicals and contaminants in navel oranges with all samples fully complying with domestic and US standards;
- the monitoring of organically certified produce for residues and other contaminants; and
- the testing of asparagus export crops showed more than 99 per cent of over 300 samples met standards in key markets such as Japan and Taiwan.

While compliance in terms of chemical residues is essential, it does not mean that the product is fit for consumption or of premium quality. The Committee’s evidence highlighted the importance of coolstore facilities, packing and containerisation methods and freight infrastructure all of which can impact upon product quality.

6.2.3 Industry and Individual Quality Assurance Initiatives

The Committee received evidence from a number of witnesses about industry and individual initiatives in relation to quality assurance of clean, green products. Some examples follow.

¹⁰³ Agriculture Notes, Victorian Produce Monitoring Program 2000/01, Department of Primary Industries, November 2002

Mr. Eckard Huebl of Tatiara Meat Company Pty Ltd advised the Committee:

*By tradition lamb is clean and there is no necessity to feed it anything other than grass and milk, and there is no use of growth promotant. It is as clean as the product can be. We make an effort. For instance, our company only buys product with a vendor's declaration; we will not buy any product out of feed lots and we will not buy any products when the farmer cannot sign that the animals have not had any injections other than drenching and so on — the necessities. Certainly we will not sell any product we cannot trace back to the farm.*¹⁰⁴

Mr. Robert Ingram from GrowCo Ltd, Lindenow, advised:

*...during an export season, certificates for all of our growers on the quality of water for irrigation, the water quality used in our packing shed. Every single crop has a detailed spray record, which we make available to the buyers.*¹⁰⁵

Mr. Chris Joyce advised of the quality control used in the production of Pistachio nuts:

*We also have extremely high quality and health standards within the industry. It is a new industry and therefore has been able to get an agreement from all of its growers to adopt a HACCP-based system. Our factory — Australian Pioneer Pistachios — is SQF 2000 quality assured, and all of our growers are based on an SQF 1000 system, which ensures that we have a uniform system of quality throughout the industry.*¹⁰⁶

Mr. Aeger Kingma on behalf of the Victorian Farmers Federation Pig Group advised:

*Certainly with the export market Auspork requires quality-assured pigs, so that takes us to the farm gate. We have a full HACCP program and, as exporters, accredited works.*¹⁰⁷

While the above examples largely referred to adoption of HACCP systems the Committee previously noted that HACCP, of itself, is not a quality assurance standard.

¹⁰⁴ Mr. E. Huebl, Tatiara Meat Company Pty Ltd, Minutes of Evidence, 24 June 2003, p.417

¹⁰⁵ Mr. R. Ingram, GrowCo Ltd, Minutes of Evidence, 26 November 2001, p.158

¹⁰⁶ Mr. C. Joyce, Australian Pioneer Pistachio Company, Minutes of Evidence, 8 March 2002, p.305

¹⁰⁷ Mr. A. Kingma, Victorian Farmers Federation Pig Group, Minutes of Evidence, 13 December 2001, p.228

6.3 New Zealand's Quality Assurance Systems

For the purpose of analysis of quality assurance systems and the importance of a clean, green image, it is worth outlining some of the key industry initiatives being undertaken in New Zealand and how these initiatives verify their strong clean and green image. A summary of the Committee's overall findings resulting from its July 2003 investigations into New Zealand's rural export industries is provided in Chapter 8.

New Zealand food industry has a considerable export focus and both industry and Government in New Zealand are extremely mindful of maintaining a clean and green image as a comparative advantage in global food export markets.

6.3.1 New Zealand Government Initiatives

The New Zealand Government has been proactive in establishing appropriate food safety, biosecurity and environmental management regimes to secure the country's position as a producer of clean and green agricultural products.

New Zealand Food Safety Authority

On 1 July 2002, the Government established the New Zealand Food Safety Authority (NZFSA) to administer legislation covering food for the domestic market, primary processing of animal products and official assurances related to their export, exports of plant products and the controls surrounding registration and use of agricultural compounds and veterinary medicines.¹⁰⁸ The Authority brings together the food safety functions of the Ministry of Agriculture and the Ministry of Health.

One of the Government's key objectives in forming NZFSA is to establish a food regulatory program that enhances consumer protection, facilitates and ensures the continued development of New Zealand's trade in food related products.

During the Committee's meetings with food businesses in New Zealand, there was a positive response to the NZFSA initiative although it was acknowledged that it is still too early to judge the effectiveness of the Authority in enhancing food export

¹⁰⁸ New Zealand Food Safety Authority Profile brochure and website: www.nzfsa.govt.nz

opportunities. The Committee notes there is a comparable food safety administrative regime operating in Australia.

AgriQuality New Zealand Ltd

On the 1 November 1998, AgriQuality New Zealand Ltd was established as a new State Owned Enterprise, having previously existed as a function within the Ministry of Agriculture and Fisheries.

AgriQuality provides independent third party verification of claims made by growers and manufacturers, and this verification is considered crucial for the successful marketing of food and agricultural products in the global economy. Key functions of AgriQuality are the testing, analysis and establishment of quality assurance systems for animal, plant and food products.

The company has positioned itself as a leading provider of integrated quality assurance services, having achieved internationally recognised accreditations in a number of areas including organic certification, proficiency testing services, EUREP GAP and Environmental Management Systems. EUREP represents leading European food retailers and uses GAP (Good Agricultural Practice) as a framework for verification. The EUREP GAP Protocol describes essential elements and develops best practice for global production of fresh produce and horticultural products. It demonstrates to customers a company's commitment and ability to produce safe and clean food, under an exhaustive system (HACCP) verified by an internationally recognised independent third party.

During its meeting with AgriQuality in Wellington, the Committee was advised that having an independent, competitive verification service was highly regarded by the food industry. Each agriculture sector has the ability to seek alternative verification services and as such, AgriQuality has a high focus on customer services. The Committee has previously noted the image problems facing AQIS in Australia, which could be partly a result of a lack of competition in verification services in this country.

AgriQuality briefed the Committee on various trans-Tasman operations including residue testing, uniform labelling, and assurance services. The company has recently acquired a seed testing and certification business near Tullamarine which will increase AgriQuality's position in Australia.

6.3.2 New Zealand Industry Initiatives

The Committee met with a wide range of agricultural industry sectors in New Zealand and learnt of several industry led initiatives aimed at best practice quality assurance and environmental management systems. Key initiatives for the wine, dairy and horticulture industries include:

Sustainable Winegrowing New Zealand

Wine is one of the New Zealand's major export successes with exports valued at \$245 million and the wine industry has gained a strong presence in key markets such as the United Kingdom, USA and Australia. New Zealand's winemakers and grape growers are ensuring that this success continues and are proactively capitalising on the nation's strong agricultural economy and clean, green image.

Through the initiative of the New Zealand Winegrowers, industry standards have been developed, known as Sustainable Winegrowing New Zealand (SWNZ). SWNZ provides the framework for companies to continually improve all aspects of their performance in terms of environmental, social and economic sustainability in both the vineyard and the winery.

Sustainable Winegrowing New Zealand aims to: provide a 'best practice' model of environmental practices in the vineyard and winery; guarantee better quality assurance from the vineyard through to the bottle; and address consumer concerns in matters pertaining to the environment and winegrape production.

The Committee was interested to hear of a winery scorecard established to further substantiate the industry's clean and green image. The SWNZ scorecard system provides guidance for best practice in all key areas of viticulture including soil and fertilisers, irrigation management, diseases and pests. Members also receive a summary of performance of all members at the end of the season, allowing benchmarking of individual performance with national and regional averages.

This initiative has been widely accepted and adopted by grape growers and in July 2004 will be extended to wineries to allow SWNZ to assure customers that the grapes are grown and the wines made according to certified sustainable criteria.

Clean Streams Accord

New Zealand based Fonterra Co-operative Group, one of the world's leading dairy companies, has established a quality assurance framework to promote sustainable dairy farming in New Zealand. The Clean Streams Accord agreement ensures that Fonterra Co-operative Group, regional councils and unitary authorities, the Ministry for the Environment, and the Ministry of Agriculture and Forestry work together to achieve clean healthy water, including streams, rivers, lakes, ground water and wetlands in dairying areas.¹⁰⁹

The Accord sets out five environmental 'performance targets', from fencing off waterways on 90 per cent of farms by 2009, to all farms having nutrient budget systems by 2007.

The Accord aims to minimise the impact of dairying on New Zealand's streams, rivers, lakes and wetlands so that they are suitable, where appropriate, for fish, drinking by stock and swimming. The Accord specifies targets to keep dairy cattle out of streams, lakes and wetlands, to treat farm effluent, and to manage the use of fertilisers and other nutrients.

The Committee notes that as Fonterra is responsible for 95 per cent of New Zealand dairy exports, the adoption of the Clean Streams Accord will go a long way to ensuring the full adoption of best practices by the dairy industry. The Committee understands the New Zealand Government is presently assessing the costs associated with implementing environmental best practice at a minimum level and at a comprehensive level.

NZ Fresh Produce Approved Supplier Program

During its Auckland meetings, the Committee was briefed on the implementation of the NZ Fresh Produce Approved Supplier Program. Vegfed (The New Zealand Vegetable and Potato Growers' Federation) developed the quality assurance program in recognition that the best way to provide knowledge and confidence about food safety and quality, is to maintain a single industry program. The program has since been adopted by the New Zealand Fruitgrowers Federation.

¹⁰⁹ Fonterra Co-operative Group, Dairying and Clean Streams Accord, 26 May 2003, p.1

The program is based on hazard analysis critical control point (HACCP) principles, is approved by the Ministry of Health as meeting the requirements of the Food Act and is independently audited.

With over 1,000 growers and all major buyers in New Zealand involved, the fruit and vegetable industries aim to benchmark the program with EUREP GAP.

6.4 Economic Value of Clean and Green Image

Much has been said about the value of the clean green image to Victoria and Australia; however there is little or no research or quantifiable data which can estimate the value of this image, in terms of exports and the Victorian economy.

In view of the market focus governments throughout Australia are placing on promoting the clean green image and the recognition that quality assurance systems must be in place for verification purposes, it is important that some attempt be made to quantify what our clean and green image is worth in terms of economic value.

The Committee is unable to accurately determine the economic value of the State's clean and green image. Nevertheless, the Committee believes that it is important to illustrate the potential economic value of the various environmental management systems and quality assurance systems being undertaken.

In August 2001, the New Zealand Ministry for the Environment commissioned a study to estimate the value to New Zealand's export trade of its clean green image. The Report aimed to quantify the extent to which particular New Zealand exports benefit from positive perceptions about the environment. The report focused on three export areas: dairy, inbound tourism and organic produce.

The results demonstrated a significant vulnerability of export sales in the hypothetical event of a degradation of New Zealand's environment. The study found that New Zealand's clean green image is worth possibly billions of dollars aggregating value elements from dairy, tourism, and organic produce, and extrapolating to other sectors such as meat. It concluded that environmental image is a substantial driver of the

value New Zealand can derive for goods and services in the international market place.¹¹⁰

Despite the world's perception that New Zealand is a clean and green environment, the above study noted there is a risk that New Zealand could lose value that is created by the current environmental image, if it is not vigilant in dealing with the problems that could threaten that image.

The Committee accepts that the findings are not definitive and are based on assumptions, nevertheless it is a study that could be useful for the Victorian Government to consider.

Recommendation 6.1

The Committee recommends that the Government undertake a study into the economic value of the State's clean and green image on export market opportunities.

6.5 The Need to Review Quality Assurance Measures

The Committee notes the State Government's commitment to substantiate and promote Victorian clean green food exports and believes more needs to be done to ensure world best practice quality assurance systems are adopted by Victorian farmers, processors and others in the supply chain. Where these objectives are achieved, more active marketing is desirable.

Evidence indicates that consistently marketing and branding food products as being 'clean green' has a market advantage but that there is a growing need to reinforce this marketing image with best practice quality assurance systems.

The need to review quality assurance systems could encompass the following areas:

- increase awareness and industry adoption of QA systems;
- develop industry specific standards that are uniform throughout Australia;

¹¹⁰ Our Clean Green Image: What's it Worth?, NZ Ministry for the Environment, August 2001

- ascertain the market requirements in terms of food quality and safety standards; and
- international benchmarking of environmental management and quality assurance systems.

Most of the initiatives outlined in this chapter have been instigated by the Victorian Government through the Department of Primary Industries. In contrast, the New Zealand initiatives such as the Dairy Clean Streams Accord and the Sustainable Winegrowing scheme are industry led and accordingly have been embraced by the majority of farmers and businesses.

The Committee believes agricultural industry sectors in Australia need to be more proactive in developing and promoting their own industry specific quality assurance systems. The Government has an important role in facilitating and encouraging a greater adoption of industry quality assurance systems. Education and training is crucial to increased acceptance and adoption of these methods. Rural industries must be informed of the economic consequences of failing to improve their production systems in line with environmental practices and relevant standards.

Consistent standards throughout Australia are necessary as part of the nation's attempt to substantiate the clean and green image. Most overseas markets do not readily identify products as coming from a specific Australian State. The perception is that Australia is a clean and green producer, rather than Victoria is 'cleaner and greener' than any other State. Accordingly, there is little value in Victorian rural industries adopting quality assurance initiatives specific to Victoria while other States have contrasting initiatives or have no systems in place.

The Committee believes the Commonwealth Department of Agriculture, Fisheries and Forestry should be responsible for ensuring that Australia-wide industry programs are implemented that encompass uniform quality assurance, environmental management, and other measures.

It is also essential that governments and industry are aware of the food quality and safety standards demanded by key export markets as well as consumer trends in these markets.

A small number of global supermarket chains now dominate the purchasing of Australian food products for overseas consumption. In recent years, these supermarkets have greatly expanded their fresh food and health food range in response to the growing consumer demand for such products. Accordingly, it is important that dialogue take place between Australian government and industry and these major supermarkets to monitor consumption trends and food safety requirements.

The Committee notes the increasing role that the European Union is playing in ensuring that food quality, environmental assurance and animal welfare issues are included in agricultural trade negotiations. The issue of eco-labelling, while not being embraced in Australia, is of increasing importance in Europe. The Committee earlier referred to EUREP GAP, a food safety and environmental assurance program in Europe that appears to be an international benchmark for food quality standards. These trends demonstrate that Victoria should pay particular attention to developments and quality standards in the European food industry.

Mr. Andrew Dick of the Australian Fresh Food Company advised:

*Another thing linked in with that is EUREP GAP, which is a system of accreditation that has been developed in Europe and which is supported by the major retailers. Some of its requirements are quite stringent. As a state government you can assist growers meet those requirements. That would be critical.*¹¹¹

Finally, the Committee believes it is important for the State Government to benchmark quality assurance systems in Victoria with those in other countries, most notably those that exist in New Zealand. Having investigated the various industry led initiatives being undertaken in New Zealand, the Committee considers the models and practices in that country may be more effective in achieving and sustaining export success than those in Australia.

¹¹¹ Mr. A. Dick, Australian Fresh Food Company, Minutes of Evidence, 23 June 2003, p.346

Recommendation 6.2

The Committee recommends that the Government further encourage agricultural industries in Victoria to continue the adoption of internationally recognised quality assurance systems and practices for the future sustainability of Victoria's rural export industries and to enhance export opportunities.

Recommendation 6.3

The Committee recommends that the Government more actively monitor the international developments in food industries, marketing, consumption trends and the quality assurance requirements of key export markets in order to assist in future initiatives aimed at promoting the State's clean and green image.

Recommendation 6.4

The Committee recommends that the Government conduct a benchmarking study of Victoria's quality assurance programs against New Zealand in view of the progressive action taken by government and industry in New Zealand to substantiate its clean and green image.

6.6 Impact of GM Crops on Food Export Opportunities

The Terms of Reference given to the Committee did not specifically make reference to genetically modified food and for this reason the Committee did not actively seek evidence on this complex issue. However, several witnesses raised with the Committee their concern about the impact of GM food on the State's 'clean and green' image. The Committee has, therefore, discussed these concerns in preparing this report.

In 2001, with the support of all the States, the Commonwealth Government established the Australian Gene Technology Regulator. In July 2003, the Regulator approved the commercial cultivation of GM canola, reporting that GM crops posed no risk to health, safety, or the environment. The Regulator does not have the scope to consider or make a ruling on the market impact of commercial planting. However, it

may be a period of time before GM canola is grown commercially in Australia, given that all canola growing States have imposed short to medium term moratoriums on GM canola crops.

Prior to May 2004, at which point Victoria's moratorium expires, the Government is set to review the issue. In 2003, the South Australian Government decided to ban GM canola crops until further notice. The ban in New South Wales is in place until 2006, in Western Australia, a five year ban was imposed from 2003 and Tasmania has banned GM canola crops until 2008.

The major concern of State Governments in establishing moratoriums is the lack of demonstrated evidence that GM crops pose no adverse health or environmental effects and the lack of understanding on the impact GM crops will have on other non-GM crops and organic crops. In announcing its moratorium, the Victorian Government acknowledges the gaps in scientific knowledge and raised concern over the potential impact on Victoria's export markets.¹¹²

Farming groups including the Victorian Farmers Federation (VFF) and the Grains Council of Australia, support the new technology. They argue that GM food crops will achieve higher yields, possess greater resistance to pests and diseases and allow Australian farmers to be more competitive in overseas markets. At its annual conference in July 2003, the Victorian Farmers Federation reaffirmed support for GM technology and the necessity for GM canola to be given the chance to be trialed in Victoria.¹¹³

Opponents of GM argue that it has yet to be clearly demonstrated that GM crops are safe for humans and the environment and are concerned about the potential impact the introduction of GM crops will have on Australia's clean, green image overseas.

Mr. Doug Shears, Managing Director of leading agribusiness company ICM Australia, is an outspoken opponent of GM crops. Mr. Shears appeared before the Committee on 23 June 2003 and highlighted the risks to food industries of the introduction of commercial GM crops:

¹¹² Minister for Agriculture, Press Release, 8 May 2003

¹¹³ *The Weekly Times*, 30 July 2003, p.9

I think we are blowing what marketing opportunity we have, which is the clean green theme. I know from my company's point of view that we regularly get inquiries from people we are exporting to, to confirm that there are no GM ingredients in the products we are exporting to them way back down the chain like beef — that in the beef chain we have not fed any cotton seed meal that has come from GM cotton. As soon as I cannot sign off those letters saying we can guarantee it, I do not know what will happen to my export markets.¹¹⁴

The organic industry is also opposed to GM crops and is working hard to ensure that Australia remains GM-free and is encouraging farmers to produce clean, green food. Organic farmers are concerned over the extent to which GM crops may cross-breed with organic plants.

Mr. Maurie Cafra, an organic vegetable grower in Gippsland, told the Committee that our clean green reputation will be damaged by the introduction of GM crops.

Our biggest potential impediment export-wise, and also locally, is the introduction of GMOs. It is very hard to get a good reputation, and I think Australia has a good clean green reputation for want of a better cliché. If those sorts of things come in, I think it will damage potential growth and what we have already got into the future. I don't believe they are needed. I think often it is something that is used to mask other problems, such as soil imbalance which leads to pest and weed attack. Perhaps those are the issues that should be addressed rather than trying to play God and change the composition of plants.¹¹⁵

While the debate continues in Australia, it should be noted that genetically modified crops have been grown for experimental purposes in Australia for over ten years and have been grown commercially overseas, including in the USA, for a number of years. Commercial GM cotton has been grown in Australia for a number of years.

The Committee's investigations in New Zealand revealed an inability by government, farmers and the general public, to reach consensus on the full impact of genetically modified food on export markets. Again, some argue that Australia and New Zealand will be left behind in increasingly competitive global export markets, while others believe like Mr. Shears and Mr. Cafra above, that the clean green image will be lost forever once GM food is introduced.

¹¹⁴ Mr. D. Shears, ICM Australia, Minutes of Evidence, 23 June 2003, p.365

¹¹⁵ Mr. M. Cafra, Cafresco Organics, Minutes of Evidence, 26 November 2001, p.107

In discussions with the Committee, New Zealand's Ministry for the Environment reported that there are mixed and contradictory signals in relation to the impact of GM.

The Committee has formed the view throughout this Report that, in order for Victoria's food export industries to maintain a competitive advantage, the State needs to promote and verify its clean green image. In spite of the stated potential economic benefits of GM crops in terms of greater yields, improved resistance to pests and so on, some witnesses expressed concern as to how Victoria's export markets would react to the loss of the State's non-GM free status. It may be that further research needs to be undertaken as suggested by Mr. Doug Shears.

I am not suggesting it [the Government] should say no GM, but why give up what we have in terms of perception and export markets and put them at risk until we see a demonstrable benefit from GM? If they want to say it is worth doing, work out how much canola is grown in the state, work out how much GM canola would be grown in the state, work out how much more we would make if we actually introduced GM canola and then decide whether it is really worth introducing. I think you would be surprised at how irrelevant it might be — and the risks relevant to the irrelevancy would be extraordinary.¹¹⁶

The Committee is not in a position to make any recommendations on the impact of GM crops on the State's food export opportunities other than concluding that it is clearly an important issue that has caused divided opinion amongst governments, industry and commentators. The issue requires careful deliberation by the State Government prior to the expiration of the State's GM moratorium in May 2004.

¹¹⁶ Mr. D. Shears, ICM Australia, Minutes of Evidence, 23 June 2003, p.369

Case Study 6

Burra Foods

The Korumburra Butter Factory was acquired in 1989 and is now the home of Burra Foods which has grown significantly in the last 10 years.

Burra Foods' core products are frozen milk concentrate, cream and cream cheese, which it exports to Japan, Malaysia, Korea, Hong Kong, Singapore, China, Saudi Arabia, Yemen and parts of Europe. Their customers use these ingredients in the manufacture of a wide variety of fresh dairy products including milk and milk drinks, yogurt and ice cream.

Burra Foods is focused on niche dairy products. The focus of manufacturing and product development at Burra Foods is on fresh dairy ingredients which minimise processing and deliver all the subtlety, food value and taste of the fresh milk, but in a most convenient form. This is the quality zone within the dairy food chain. The company sees its role as that of using world class technology to convert a low value commodity into a value-added ingredient.

Burra Foods employ about 75 staff at the factory and take supplies from 55 farmers. It promotes a clean green image. The company has access to farmer suppliers who are certified "A Grade Organic" by the Biological Farmers Association and Biodynamic Agricultural Association of Australia, allowing Burra Foods to produce specialised organic products.

Burra Foods was the winner of the Governor of Victoria Export Award in 2000 and 2002 and was awarded the Rabobank Monash University Agribusiness Export Award for Excellence in 2000.

Sources:

Minutes of Evidence, 26 November 2001

Website: www.burrafoods.com.au

The Need for an Industry Co-ordinated Approach

7.1 Meeting the Challenge of Globalisation

Throughout this Report, the Committee has highlighted a number of challenges facing Victorian rural export industries including the removal of trade barriers, infrastructure impediments, water and salinity issues and the need to substantiate clean and green production systems. However, perhaps the greatest challenge facing the Victorian food industry is to achieve long-term sustainable export growth in an increasingly concentrated global food retailing environment.

The following facts should be at the forefront of government and rural industry considerations in setting objectives and targets for future food exports:

- Current world trade in food is estimated to be worth \$1,000 billion; Victoria's share is less than 1 per cent.¹¹⁷
- An increasingly large proportion of Victoria's food export sales are to a small number of major international supermarket and retail chains.
- Consolidation among the world's top retail chains has given them significant purchasing power and changed the composition of international food trade.
- The major retailers are establishing global sourcing networks, and are consequently dealing with fewer suppliers and require consistent long lines of supply.
- Anecdotal evidence suggests more than two-thirds of first time export businesses in Australia fail to export a second time.

Evidence received by the Committee suggests that in order to prosper in the global environment, Victorian agribusinesses must either be large enough to achieve critical mass, remain a smaller player focusing on a niche product or possess a distinct technological advantage.¹¹⁸

¹¹⁷ Committee briefing from Department of Primary Industries, 2 June 2003

¹¹⁸ Mr. D. Shears, ICM Australia, Minutes of Evidence, 23 June 2003, p.363

The Committee was advised by Ms Alma Reynolds, Executive Officer, Operations, Apple and Pear Australia, that:

*The big supermarket companies that operate in Asia — and I am talking about Park 'n Shop, Carrefour, Ahold and so on — are dealing with fewer and fewer suppliers. They want to be able to go to a single supplier who can give them a large quantity of a range of product over a long time span.*¹¹⁹

Consistency and reliability of supply are essential for rural businesses to achieve sustainable export success. Given the comparatively small size of Victorian agribusinesses, witnesses spoke of the need to develop partnerships and joint ventures through consistent long lines of supply and a co-ordinated export marketing strategy, in order to satisfy customer requirements. This problem was particularly evident for niche exporters.

Mr. Murray Lobley, Gippsland Development Ltd advised:

*The main problem for Gippsland exporters, the main barriers and impediments that we see; and from discussions we have had with prospective overseas suppliers, if they become successful they just haven't got the volume of product to remain successful. That is a problem that you see here. We could probably sell many things from Gippsland overseas, many of the niche market things you are talking about, but the volume and ability, the continuity of supply, is quite a problem.*¹²⁰

Mr. Neil Hamilton from Austrade's Bendigo office, also spoke of the lack of marketing power and production capacity of small niche exporters.

*Impediments up this way: even though some companies are in a niche market, the fact that they are smaller can be an impediment to them... They do not have the marketing power and the production capacity.*¹²¹

Further evidence highlights the important role industry associations play in representing the interests of businesses and providing a combined focus for the marketing and export promotion of products.

¹¹⁹ Ms A. Reynolds, Apple and Pear Australia Ltd, Minutes of Evidence, 23 June 2003, p.354

¹²⁰ Mr. M. Lobley, Gippsland Development Ltd, Minutes of Evidence, 26 November 2001, p.149

¹²¹ Mr. N. Hamilton, Austrade, Wangaratta and Bendigo Offices, Minutes of Evidence, 2 October 2001, p.94

This chapter focuses on the need for Victorian rural businesses to co-ordinate export activities through co-operative ventures and industry associations and provides examples of initiatives undertaken in Victoria and New Zealand. This examination includes the impact of combined marketing and branding and the benefits that industry levies can achieve in improving export performance.

7.2 Role of Industry Associations and Statutory Marketing Boards

The Department of Primary Industries estimates that Victoria has approximately 37,000 farmers producing over \$15 billion worth of primary and processed food each year.¹²² Many of these farmers are members of industry specific associations that represent their interests in a wide range of activities including marketing, export development, research, innovation and strategic policy development. In addition, key statutory agricultural authorities provide marketing and promotion assistance to specific industries. Industry associations finance their activities through member fees and various industry levies.

Approximately two-thirds of Victorian Farmers are represented by the Victorian Farmers Federation, Australia's largest farmer organisation with 21,000 members, a network of 230 branches and eight commodity groups; the UDV (Dairy), grains, livestock, eggs, pigs, chicken meat, flowers and horticulture. Members form policy and make the strategic decisions on how to advance the interests of Victoria's farmers.¹²³

An outline of the major industry associations representing agriculture sectors is below. A discussion on the importance of industry levies is provided later in this Chapter.

7.2.1 Industry Associations

Dairy Industry

The Victorian Dairy Industry is represented by Dairy Australia which carries out research and development activities, plays an active role in accessing export markets

¹²² www.dpi.vic.gov.au

¹²³ www.vff.org.au

and actively participates in world trade negotiations. The interests of the Victorian dairy industry are also served by the United Dairyfarmers of Victoria. Another industry body, Dairy Food Safety Victoria, provides services including testing programs, quality assurance accreditation, licensing systems and industry quality initiatives.

Meat Industry

The Victorian Meat Industry is supported by a number of organisations including Meat and Livestock Australia, Australian Meat Council Ltd, Australian Pork Limited and the Australian Livestock Export Corporation Ltd (LiveCorp).

Meat and Livestock Australia Limited (MLA) is a producer-owned company that provides services to the Australian red meat industry including producers, processors, exporters, and retailers. MLA's activities include improving market access, building demand for Australian red meat and conducting research and development to provide competitive advantages for the industry. LiveCorp works in conjunction with Meat and Livestock Australia Limited on areas such as market access, planning, technical and veterinary support and research and development.

Australian Meat Council Ltd (AMC) is the peak industry representative body for Australian based companies involved with the processing and marketing of red meat to domestic and export markets. Australian Pork Limited is the national representative body for Australian pig producers focussing on marketing, export development, research, innovation and strategic policy development. The Committee received detailed evidence from Australia Pork Limited through the Victorian Farmers Federation Pig Group.

Horticulture Industry

The fruit and vegetable industries in Victoria are represented by a range of commodity specific associations and overall by Horticulture Australia Ltd.

Horticulture Australia Ltd was recently formed following the merger of the Australian Horticultural Corporation and Horticultural Research and Development Corporation. The company provides professional services to the industry such as innovative

marketing strategies, training and education, food safety and quality systems, as well as market access and development programs.

The Victorian Vegetable Industry also receives support from the Vegetable Growers of Victoria and the Australian Horticultural Exporters' Association (AHEA). The AHEA is based in Melbourne and represents around 80 per cent of the value of fruit and vegetables exported from Australia. In its evidence to the Committee, the AHEA identified the need for a deregulated market place to ensure that growers are not competing against each other on price and that exporters are able to meet demand from a number of customers.¹²⁴

The Australian Fresh Fruit Company, a member-based organisation, is an interesting concept. It is a private company which was set up as a network in 1995 by Australia's leading apple growers, packers and marketers. It has evolved over the last eight years as a network for facilitating and taking initiatives that cannot be undertaken by individuals, such as bridging the gap between family and corporate businesses. Their key initiative was the Pink Lady export program to the United Kingdom.¹²⁵

Other industry groups, such as the Asparagus Growers of Sunraysia provide dedicated support for specific commodities. Evidence from the Asparagus Growers illustrated the difficulty members have in accessing overseas markets without the support of an industry association or agent, which is largely due to the inability of small growers to supply large volumes of the product.¹²⁶

The fruit industry is also supported by commodity specific groups such as Apple and Pear Australia Limited and the Murray Valley Citrus Marketing Board which represents citrus growers. Both of these organisations provided evidence to the Inquiry highlighting key issues affecting their respective industries.

¹²⁴ Mr. R. Witcombe and Mr. K. Davis, Australian Horticultural Exporters' Association, Minutes of Evidence, 7 March 2002, pp. 259-264

¹²⁵ Mr. A. Dick, Australian Fresh Fruit Company, Minutes of Evidence, 23 June 2003, p.344

¹²⁶ Mr. J. Hensgen, Asparagus Growers Association of Sunraysia, Minutes of Evidence, 7 March 2002, pp. 266-269

Grains Industry

The Victorian Grains Industry is supported by several peak bodies, the Australian Wheat Board, Pulse Australia and the Australian Oilseeds Federation.

The Australian Wheat Board (AWB) is Australia's major grain marketing organisation with approximately 90 per cent of grain managed being wheat. Its main function is to market and finance grain on behalf of Australian grain growers. AWB has the responsibility for the management and marketing of all Australian export bulk wheat.

Pulse Australia is a peak industry body that represents all sectors of the pulse industry in Australia, particularly in the areas of market access and development, negotiating with governments and providing general industry support. The six major pulse groups grown in Australia are chickpeas, faba beans, field peas, lentils, lupins and vetch.

Wine Industry

A number of organisations provide support to the Victorian Wine Industry including the Victorian Wine Industry Association, the Winemakers Federation of Australia, the Australian Wine Export Council and the Australian Wine and Brandy Corporation.

The Australian Wine and Brandy Corporation is a statutory authority responsible for the promotion and regulation of Australian wine and brandy and the provision of wine sector information. The marketing and export promotion arm of the Corporation is the Australian Wine Export Council, whose export success is assisted by having staff in several overseas locations.

Specialised and Emerging Industries

Specialised and emerging rural industries are increasingly recognising the value of industry associations in terms of providing export market services, R&D activities and generally working to promote the interests of various industries. Examples of specialised and emerging industry organisations include the Boer Goat Breeders Association of Australia, the Australian Honey Bee Industry Council, the Australian Ostrich Association and Emu Australia.

The organic industry in Victoria is supported by the Organic Federation of Australia, the industry's peak body which provides valuable information on organic farming systems, and trade services as well as general information on the latest developments in the industry.

The Committee received evidence from a number of industry associations in Victoria referred to above including the Australian Horticulture Exporters Association, Apple and Pear Australia Limited, Asparagus Growers Association of Sunraysia, the Murray Valley Citrus Marketing Board and the Victorian Farmers Federation Pig Group. The submissions made by these and other industry organisations demonstrated the important role they play in representing their industries and helping to shape future policy. The Committee also had the benefit of speaking to similar organisations in New Zealand including the New Zealand Horticulture Export Association, Vegfed and NZ Wine. From these observations, the Committee concluded that the services provided by industry associations are vital to the export success of Victorian rural industries and consequently, the Committee believes membership of industry associations should be widely encouraged.

The Committee recognises the support provided by the State Government to industry groups to assist with network building and skill development, and encourages this support to continue.

Recommendation 7.1

The Committee recommends that the Government encourage industry leaders in key product areas to visit other jurisdictions, including New Zealand, to further their awareness of the way governments and industry work together to enhance export opportunities.

7.2.2 Use of Industry Levies

An important means of funding the activities undertaken by industry associations, research bodies and other groups is through the payment of levies by agricultural businesses.

A large number of industry levies exist throughout Australia generally paid by the producer of a commodity. The Levies Revenue Service within the Commonwealth Department of Agriculture, Fisheries and Forestry is responsible for the collection and distribution of levies. In 2001-02, \$521 million in levies was collected from nearly 16,000 levy payers and levies were disbursed to 27 statutory bodies and other organisations for R&D and marketing and promotion.¹²⁷

Appendix 7 provides a list of agricultural industry levies applied to Australian rural producers, while Appendix 8 shows a list of commodity levies adopted in New Zealand.

In most cases, levies are used to fund research and development programs with a matching contribution by the Commonwealth Government to various rural R&D bodies such as the Rural Industries Research and Development Corporation. Many rural industries also use levies to fund the operations of the National Residue Survey which surveys for chemical residues, and to fund plant and animal protection programs. Some industries also apply levies to fund promotion and export market access programs.

Traditional agricultural industries such as dairy, grains, horticulture, wine and meat have well established levy systems. For example, the horticulture industry has over 30 separate levies for a variety of commodities generally to provide funding for research, development, marketing and promotion programs carried out by Horticulture Australia Ltd. The Committee notes that the use of levies is less common in niche and emerging industries.

The need for a levy is usually identified by an industry body following consultation with its members, in response to a problem or opportunity that requires collective industry funding. Commonwealth Government approval is then sought initially through the Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry and ultimately through the necessary legislation.

Some industries also have an export charge payable by the licensed exporter of the product. As an example, an export charge is payable on wine exported from Australia to provide funds for the Australian Wine and Brandy Corporation to undertake

¹²⁷ www.affa.gov.au

international wine promotional work, aimed at creating a sustainable increase in the demand for Australian wine.

Despite the widespread use of Commonwealth regulated levies, none of the evidence presented to the Committee throughout this Inquiry referred to the opportunities to be gained and the benefits that are delivered to specific agricultural sectors.

The Committee is aware that through the *Agricultural Industry Development Act*, Victorian agricultural producers have the ability to request that an Industry Development Committee be established and an Order issued to collect fees for the following activities:

- fund or carry out domestic or export market promotion of the commodity;
- fund or carry out research into production, handling, processing, marketing of the commodity;
- implement or fund pest and disease control measures for the protection of the commodity; and
- establish and manage funds to compensate producers for costs incurred in controlling or eradicating pests and diseases.

The Committee notes that at present only a small number of Victorian rural industries have Orders in operation, namely the wine grape, fresh tomato and strawberry industries. The Committee is aware that Orders are under consideration and development for the citrus and potato industries in Victoria.

Notwithstanding the less common application of the Victorian regulated agricultural industry levies, the Committee received no evidence from industry on the utilisation or effectiveness of the Orders.

The Committee has previously highlighted various challenges facing rural export businesses such as market access and trade barriers, quarantine issues, the increasing significance placed by overseas customers on quality assurance programs and the need to conduct research and development activities. It is important for industry groups to levy producers in order to fund generic industry

activities to address these challenges, and to assist rural industry to achieve a more sustainable and self-sufficient future.

The Committee was impressed by the acceptance of self-imposed levies across a number of rural export industries in New Zealand, and notes that industry witnesses generally had a well developed appreciation of the role of levies in delivering marketing, research and development benefits.

The Committee is therefore unable to draw any conclusions on the way in which industry levies specifically work for Victorian export industries, but believes that the State's rural export industries would benefit from gaining a clearer understanding of the way levies are used to assist exporting New Zealand industries.

Recommendation 7.2

The Committee recommends that the Government review the way in which industry levies deliver benefits to exporting agricultural industries, and incorporate into this review a comparison with industry levy arrangements in other jurisdictions. In particular, the review should examine:

- ***the benefits of industry levies as a means of funding R&D, export market development and quality assurance programs;***
- ***the use of commodity levies in New Zealand to assist rural export industries;***
- ***the application of Industry Development Orders under the Victorian Agricultural Industry Development Act; and***
- ***the role of industry bodies to initiate and monitor the use of levies.***

7.3 Co-operative Ventures

The Committee's evidence also highlights the significant advantages gained in groups of small producers joining forces to form business clusters and co-operative ventures in order to achieve critical mass in export markets. In particular, industry clusters based on regional capabilities have achieved significant export success, some examples are provided below.

7.3.1 The Dairy Industry

Perhaps the most successful form of rural industry co-operative is evident in the dairy industry. Fifty years ago 14 dairy farmers pooled their resources to form the Murray Valley Co-operative Dairy Products and Trading Company Ltd. The company became the Murray Goulburn Co-operative and is now the largest co-operative dairy company in Australia, responsible for more than 30 per cent of Australia's milk production. The Murray Goulburn Co-operative is Victoria's most significant food export company.

The success of dairy co-operative ventures is also evident at Bonlac Victoria, one of Australia's leading dairy manufacturers specialising in cheese, butter, milk powders and speciality dairy ingredients. The Committee also heard evidence of the success of New Zealand's dairy co-operative, Fonterra, which controls 95 per cent of New Zealand dairy exports and is now one of the world's leading dairy companies.

While the dairy industry has achieved significant growth and export success as a result of establishing co-operative ventures, other rural industries have been less proactive in embracing this concept. The reluctance to form partnerships has been attributable to a view that many farmers see each other as competitors instead of recognising the value of co-operating in production.

The Committee's investigations also revealed some examples of successful clusters or joint ventures.

7.3.2 Swan Hill International Network and Exports

In December 2001, the Committee met with representatives from the Swan Hill International Network and Exports company (SHINE) and heard evidence of the benefits of five stone fruit growing families joining forces in order to meet the demand of export customers for volume and consistency of supply.

SHINE was conceived in October 2000 out of the recognition that small and medium-sized fruit growers could never individually produce enough export-quality fruit to supply overseas markets.¹²⁸

¹²⁸ 'Success Shines on Swan Hill stone fruit', *Taste of Victoria*, Vol. 5, Issue 15, Autumn 2001

In 1999 a group of growers from Woorinen went to Taiwan and the clear message they got was that in order to be competitive and remain viable in the high-end market, a consistent supply of quality product was required. The Department of Primary Industries' Agribusiness Unit assisted SHINE with this delegation to Taiwan, which visited supermarkets to gain an appreciation of customer requirements. The brand SHINE is now established in Taiwan. Being able to market produce under one label is a huge advantage for growers and the group is gearing up to reach Asian retail preference for value-added items such as gift wrapped peaches and nectarines.

The size of the orchards within the group is diverse, ranging from 17 to 250 acres and members of the group grow four varieties of white flesh sub-acid nectarines and peaches for export packaged under the SHINE label. Markets now extend throughout Asia, South-East Asia, Europe and the United Kingdom.

7.3.3 *Alpine Valleys Industry Cluster Initiatives*

The Alpine Valleys Agribusiness Forum has been particularly active in supporting and promoting the agricultural capabilities of north east Victoria through the development of industry clusters. Two successful examples are the AlpValleys Wine Industry Park and the Alpine Valleys Summerfruit Growers Association.

The AlpValleys Wine Industry Park is a concept for clustering all those elements of wine processing that can benefit from economies of scale such as crushing, storage, bottling, labelling, warehousing and distribution to maximise the region's global competitiveness, while allowing the wine makers to concentrate on the uniqueness of their wines and marketing strategies. This project has widespread support from the grape growers and wine makers of the region.¹²⁹

The Commonwealth Government has provided \$60,000 funding through the Area Consultative Committee of North East Victoria with matching funding from the wine industry to commence a three-phase project culminating in the establishment of the wine industry park.

¹²⁹ Australian Alpine Valleys Agribusiness Forum, Annual Report 2000

Mr. J. Brown, Chairman, of the Australian Alpine Valleys Agribusiness Forum spoke of the benefits of the wine industry cluster:

The benefits of a wine industry cluster, or any sort of industry cluster, as you well know, are that people are working together in a tighter community where knowledge is shared and it gives us more of a critical mass for lobbying and for attracting funds and things like that. I would see it as a facility that provides contract services to growers who want to have their wine made, perhaps some of that wine going back to them to put their own label on, perhaps some of that wine going straight into the market under their label, but perhaps also the consolidation of surpluses into a brand that would be headed with the Alpvalleys brand.¹³⁰

The Committee also received evidence from the Alpine Valleys Summerfruit Growers Association which started out in 1999 as a co-operative group of cherry farmers from north east Victoria who combined their produce under the AlpValleys packaging. The Association is now extending its network to other stone fruit growers in the region and is aiming to streamline production processes and develop improved supply chain management to gain greater access to export markets. Other benefits being gained from the co-operative effort include improved communication between growers and the exchange of ideas and the implementation of quality assurance programs.¹³¹

7.3.4 Mildura Fruit Company

The Mildura Fruit Company was formed in 1997 to co-ordinate the packing and marketing of a full range of citrus fruits grown in the Sunraysia district. The company sources citrus from 200 citrus growers along the Murray Valley in Victoria and New South Wales with a large proportion of production being exported overseas. The Mildura based company was one of Australia's first fruit packing companies to obtain ISO 9002 accreditation for its Quality Management System and has also been granted Certification Assurance (CA) accreditation by the Australian Quarantine Inspection Service to conduct a number of its own inspection procedures.¹³²

¹³⁰ Mr. J. Brown, Australian Alpine Valleys Agribusiness Forum, Minutes of Evidence, 2 October 2001, p.62

¹³¹ Ms M. Rak, Alpine Valley Summerfruit Growers Association, Minutes of Evidence, 2 October 2001, p.78

¹³² Mr. R. Witcombe, Mildura Fruit Company, Private Briefing, 29 January 2001

7.3.5 Border Packers Pty Ltd

Border Packers Pty Ltd is a citrus grower co-operative situated in the small border town of Koondrook, half way between Swan Hill and Echuca. The company serves 21 growers in the area and has been operating for the past 50 years. The operation also includes a fresh juice operation known as Bar-Berri Pty Ltd, which is a joint venture between the citrus growers of their area and Berri Ltd. Border Packers employs 25 staff and processes approximately 10,000 tonnes of citrus through the packing operation and 8,000 to 10,000 tonnes through the juice-processing operation.

Border Packers exports approximately 25 per cent of its product via exporters, mainly Bestfresh Produce, to the USA, Hong Kong, Singapore, Malaysia, Thailand, Taiwan and New Zealand.

Mr. A. Hollingworth, General Manager of Border Packers spoke of the export success achieved by this co-operative venture:

*Our export of citrus has been increasing each year. It is very important to keep this trend going so we can achieve healthy returns for our growers. This result was achieved this navel season, as returns from the export of the navel crop were nearly twice as high as the returns from the domestic market. Maintaining success in the future will be determined by how well the citrus industry can coordinate the forwarding of fruit into the overseas markets as well as our domestic markets. The need to open up new markets is a very important issue, as those new markets will be required to help cope with the future growth of our industry.*¹³³

7.3.6 GrowCo Ltd

The Committee also received evidence from GrowCo Ltd, a co-operative of vegetable growers based in East Gippsland who specialise in grading, packing and marketing local produce for domestic and export markets. GrowCo's biggest line of product is the export of fresh sweet corn to Japan, they are the largest grower-packers for the Japanese market and they also export asparagus to Japan.

¹³³ Mr. A. Hollingworth, Border Packers Pty Ltd, Minutes of Evidence, 13 December 2001, p.232

7.3.7 Conclusion

Elsewhere in this report, the Committee has questioned the Commonwealth Government's policy of doubling the number of export businesses in Australia. Evidence also suggests that in some industries, such as wine and cut flowers, there is an over-abundance of growers ranging from hobby farmers to those who aim to achieve export success.

In view of the increasing globalisation of the food industry, it is clear that Victorian rural industry needs to guarantee overseas customers the required volumes and consistent long lines of supply, as well as achieving the necessary critical mass to obtain government grants and explore export market opportunities.

The Committee believes it is essential for the long-term sustainability of Victorian rural export industry that the volume of exports be enhanced through the formation of further business clusters and co-operative ventures.

Recommendation 7.3

The Committee recommends that the Government continue to facilitate and provide incentives for the establishment of agribusiness industry clusters and co-operatives. In particular, the Government should provide on-going funding for regional Agribusiness Forums for activities geared towards developing regional business clusters.

7.4 Regional and Commodity Branding

One of the important initiatives emanating from industry associations and business clusters is the establishment of regional or commodity branding. The Committee received alternate views on the methods of branding and the extent to which overseas customers are attracted to product branding from Victoria.

The Victorian Government, initially through the Agribusiness Initiative, has been actively promoting and developing the concept of regional branding. In particular, the various Regional Agribusiness Forums are investing heavily in the concept of regional branding, whereby a number of different products are marketed under the

one brand name relating to the region. This was evidenced in the Alpine Valley and Yarra Valley.

Mr. Jack Fawcett, Executive Manager, Australian Alpine Valleys Agribusiness Forum:

*In the time since we were formed we have got together a group of apple growers who are now marketing as one under the brand name High Country Fruits. We have been successful in getting all the summer fruits growers — cherries, peaches, apricots — together as one group. Some of those are marketing their cherries under the Alpvalleys brand. We are working with Rutherglen lamb group — a group of around 60 producers — in looking for ways to market lamb differently and better, to more perfectly match the needs of their customers.*¹³⁴

The Centre for Agribusiness Yarra Valley is currently working on a regional branding project designed to enhance business and promote the growth of agribusiness and tourism businesses in the region.

Mr. Howard Carter, Chairman, Centre for Agriculture and Business - Yarra Valley:

*With the branding we are trying to encourage the three major groups to work together and sell everything together. The one brand gives that unifying approach to the marketing. We would like to see the winegrowers, the food, the flowers, the berries and the other major industries — and there are very significant industries in the Yarra Valley — all working together to market the perception in the minds of the people, the people they are selling to, of the high quality, the beauty and everything else that you get as an experience in the Yarra Valley.*¹³⁵

Many other witnesses during the course of the Inquiry also observed that regional branding is increasingly important in assisting regions to market their products, achieve value adding and build supply chains to access international markets.

The Committee notes the success regional branding has achieved in the wine industry in Australia with high levels of recognition overseas for wines emanating from areas such as Rutherglen and Yarra Valley in Victoria and interstate wines from the Barossa Valley and Margaret River. The French have a long history of wines branded from particular regions.

¹³⁴ Mr. J. Fawcett, Australian Alpine Valleys Agribusiness Forum, Minutes of Evidence, 2 October 2001, p.61

¹³⁵ Mr. H. Carter, Centre for Agriculture and Business - Yarra Valley, Minutes of Evidence, 23 June 2003, p.325

Victorian Citrus products have been successfully marketed as having been produced in the Sunraysia and Murray Valley district while dairy products are similarly recognised as coming from Gippsland. The success of Sunraysia and Gippsland has been achieved over a long period and is largely based on one product branded from a specific region.

However, the aim of Agribusiness Forums to brand a number of unrelated products from the one region is a new concept and one that, if successful, will achieve wider benefits for rural industries throughout Victoria.

The Committee received a number of examples where specific commodity branding has achieved significant success in export markets. The apple industry is a case in point.

AUSTRALIA*Fresh* is an umbrella branding strategy for Australian fruit and vegetables and aims to promote Australian fresh produce under one brand. It focuses primarily on supermarket promotions of apples, pears, citrus, stone fruit, grapes, berry fruit, potatoes, carrots and avocados in Asia. It was launched by the Federal Government in 1995 with the aim of doubling fresh-produce exports to \$800 million by 2000. The program aims to promote awareness of Australian products amongst importers, wholesalers, retailers and consumers in export markets. This scheme provides the Australian horticultural industry with the means to compete successfully in the global market.¹³⁶

Specific examples of branding success are the Pink Lady and Sundowner apples. Mr. Andrew Dick from the Australia Fresh Fruit Company responsible for the marketing of these brands, spoke of the export success achieved.

That has evolved from 45 000 cartons of product in the first year to a target of 300 000 cartons of Pink Lady and Sundowner apples this year, with a target of 600 000 cartons within three years time. In terms of business, 300 000 cartons is roughly \$12 million to \$13 million worth of export business. The business can be very profitable, and the program has meant that what the growers realised for their product has increased and been maintained quite substantially.¹³⁷

¹³⁶ AUSTRALIA*fresh* Brochure, Horticulture Australia Limited

¹³⁷ Mr. A. Dick, Australian Fresh Fruit Company, Minutes of Evidence, 23 June 2003, p.344

The Committee's visit to New Zealand highlighted the success that has been achieved with branding rural products. In particular, one of New Zealand's great export success stories is the growth of kiwi fruit sales overseas largely due to the main kiwi fruit company, Zespri branding its products with the Zespri image. A new variety of kiwi fruit, Zespri Gold, is also achieving considerable export success. The Committee also notes the success that Fonterra has achieved with branded dairy products such as Mainland and Meadow Fresh. Murray Goulburn has achieved similar success in Victoria with the Devondale brand of dairy products.

The Committee also heard differing views in New Zealand on the value of branding and creating an image for export markets. Integral to the branding of New Zealand food products is the country's clean and green image. The Committee noted during its New Zealand investigations that virtually all food products exported from New Zealand carry a brand label that refers to a clean and green environment.

The Committee notes that branding is but one of a number of key elements to achieving export success. While Government and industry groups are investing heavily in the concept of regional branding, the Committee believes it is essential that a thorough analysis be undertaken to gauge the market perception of Victorian rural products and response to various forms of branding. The Committee believes the Government should also be mindful of the methods and outcomes of other countries' rural product handling.

Case Study 7

Swan Hill International Network and Exports (SHINE)

Swan Hill International Network and Exports (SHINE) grew out of a soldier settlement area in Woorinen which has developed into a leading production area for nectarines and peaches. The community of growers comprises third generation families descended from settlers who arrived after the First World War.

SHINE representatives believe there is an enormous potential in the demand for large

volumes of quality peaches and nectarines in countries such as Hong Kong and Taiwan. In 1993 the Woorinen growers teamed up with a Taiwanese importer who had the vision of putting white flesh fruit into Australia through the select planting of trees. These farmers were the first Australian peach and nectarine growers into Taiwan.

In 1999 a group of growers from Woorinen travelled to Taiwan and detected that in order to remain viable in a high-end market, a consistent supply of quality product was required. The brand SHINE is now established in Taiwan. Being able to market produce under one label is a huge advantage for growers and the group is striving to reach Asian retail preference for value-added items such as gift wrapped peaches and nectarines for the Chinese New Year.

The size of the orchards within the group varies greatly ranges up to 110 hectares and members of the group grow four varieties of white flesh sub-acid nectarines and peaches under the SHINE label. Markets now extend throughout Asia, South-East Asia, Europe and the United Kingdom.

Government assistance was received from the Department of Natural Resources and Environment Agribusiness Unit for the visit to Taiwan. As part of the Victorian Government's *Naturally Victorian* initiative, the supply chain program is assisting industry to develop centralised packaging facilities for large grower groups across Victoria.

Sources:

Minutes of Evidence, 13 December 2001

Institute for Horticultural Development – 9 October 2000

Ibid, 24 October 2000

New Zealand Case Study

8.1 Purpose of New Zealand Investigations

During the course of the Inquiry, the Committee determined that in order to adequately assess the export success of Victorian rural industries, it would be beneficial to compare Victoria's performance with that of New Zealand. Both Victoria and New Zealand have many similarities including populations, climate, total export volumes and substantial food and fibre exports including strong dairy industries and rapidly growing horticultural exports.

Evidence highlights that both the New Zealand government and industry have a strong export focus and have been very proactive in marketing and branding 'clean and green food' to key target markets. While New Zealand is one of a number of competitors for agricultural exports with Victoria, opportunities do exist for greater co-operation.

The Committee conducted three days of productive meetings in Wellington and Auckland from 15 to 18 July 2003 and met with a wide range of government officials, industry association representatives and food export business people. A copy of the Committee's program of meetings is attached in Appendix 6.

Some of the key issues the Committee explored during these meetings are dealt with throughout this Report including:

- the need for quality assurance frameworks and environmental management systems to substantiate the clean and green image;
- the degree to which New Zealand quality assurance systems are developed with the export market in mind;
- the role of industry associations and use of commodity levies;
- the benefit of industry clusters and co-operatives to gain sustainable export markets;
- the significance of regional and commodity branding;

- the extent to which export companies require government assistance to enter markets;
- barriers and impediments specific to food exports; and
- opportunities for closer trade, industry and government relationships between New Zealand and Victoria.

This chapter provides a brief overview of New Zealand's rural export performance highlighting four key food sectors; dairy, horticulture, meat and wine. An overview of New Zealand Government support to rural export industries is also provided and the Committee examines the potential for a greater level of co-operation between New Zealand and Victorian government and industry. The Committee detailed New Zealand Government and industry involvement in quality assurance initiatives and referred to the role of industry associations and the wide use of commodity levies in New Zealand to fund export activities, earlier in this report.

8.2 Overview of New Zealand's Rural Export Performance

New Zealand's economy is largely dependent on the success of its agricultural exports. Total exports were \$NZ 28 billion as at 12 months ended March 2003, with food and beverages exports accounting for half this total (\$14.4 billion) and primary products a further \$4.3 billion, see below. By comparison, Victoria's total food and fibre exports are \$6.5 billion as at June 2003, representing approximately one-third of the State's total exports.

The Committee notes that New Zealand has favourable access to the European Union, where Australia does not, due to special concessions obtained. This has had enormous beneficial outcomes for New Zealand food exports.

Australia, United States and Japan make up approximately half of New Zealand's export destinations. Total New Zealand exports to Australia at March 2003 were \$NZ 5.5 billion with approximately one-third of exports going to Victoria, one-third to New South Wales and the balance throughout Australia.

The section below provides a brief outline of key New Zealand food export sectors examined by the Committee.

Table 8.1 New Zealand Total Exports – 12 Months ended March 2003
\$NZ Million

Food & Beverages	
Meat	4,306.60
Dairy	5,919.61
Fish	1,413.83
Fruit and Vegetables	1,635.30
Water & Alcoholic Beverages	403.97
Other Foods	776.21
Total	14,455.52
Primary Products	
Live Animals	143.48
Plants/Flowers	73.79
Grass Seeds/Misc. Seeds	66.47
Wool	843.32
Raw Hides & Skins	332.17
Wood/Pulp	2,253.70
Other Primary Products	629.96
Total	4,342.89
Industrial Raw Materials	657.17
Metals	1,523.70
Manufactured Products	6,758.61
Other	267.93
TOTAL ALL EXPORTS	28,005.82

(Source: Statistics New Zealand, Overseas Trade)

8.2.1 Dairy Exports

The dairy industry is New Zealand's largest sector, making up about 7 per cent of the country's gross domestic product and providing about 20 per cent of its exports. For the 12 months ended March 2003, dairy exports totalled \$NZ 5.9 billion with major export markets in Europe, South East Asia and Latin America and emerging markets in China, the Middle East and the United States.

Approximately 98 per cent of New Zealand's milk production is now handled by the Fonterra Co-operative Group, a company formed in October 2001 through the merger of New Zealand's two biggest dairy companies and the former New Zealand Dairy Board.

Fonterra is co-operatively owned by 13,000 New Zealand supplier shareholders and is the world's largest exporter of dairy products, responsible for a third of international dairy trade. With the formation of Fonterra, New Zealand's dairy industry was effectively de-regulated. Fonterra exclusively holds New Zealand's international dairy quotas, giving it relatively free access in key export markets. The remaining two per cent of New Zealand dairy exports are handled by companies including Westland Co-Operative Dairy Company Ltd and Tatua Co-Operative Dairy Company Ltd together with some small niche exporters specialising in products such as cheese, goats milk and ice-cream.

The Committee met with a senior representative from Fonterra during its meetings in Wellington and received a briefing on the growth of New Zealand's dairy industry, the benefits of a strong dairy co-operative and Fonterra's relationship with the Australian dairy industry. The Committee was also briefed on Fonterra's Clean Streams Accord quality assurance system which is discussed in Chapter 6.

Fonterra is increasing its involvement with the Australian dairy industry including closer links with Dairy Australia. Of particular significance, is the recently announced purchase of 50 per cent of Melbourne-based Bonlac Foods and Fonterra Co-operative Group subsidiary. The consolidation will bring together the Bonland Dairies and Peters & Browne's businesses in Australia and the Mainland Products and Tip Top businesses in New Zealand, under a new company known as Australasian Food Holdings (Australia) Pty Ltd (AFHL). Bonlac will hold an 11.4 per cent shareholding in the merged group, which is expected to generate annual sales in excess of \$2 billion.¹³⁸

The Committee was advised that Fonterra's growth strategy incorporates the purchase of interests in foreign dairy companies and joint ventures as a means of entering foreign export markets. This policy enables the company to overcome non-

¹³⁸ 'Fonterra, Bonlac join forces', The Age, 2 July 2003

tariff barriers to market entry as well as utilise its considerable marketing expertise to grow sales in those markets.

8.2.2 Fruit and Vegetable Exports

New Zealand's fruit and vegetable exports were worth \$NZ 1.6 billion in the 12 months ended March 2003, the fourth largest export earner behind dairy, meat and forestry. The key export markets for New Zealand fruit and vegetables are the European Union, Japan, USA and Australia.

Kiwifruit is by far New Zealand's largest fruit and vegetable export product with the volume of exports currently valued at \$NZ 616 million, representing 40 per cent of the total fruit and vegetable exports. The Committee was briefed on the outstanding growth of kiwifruit exports from New Zealand over the past 15 years largely led by New Zealand company Zespri International, now the world's largest marketer of kiwifruit.

The other major horticulture export product is apples valued at approximately \$NZ 350 million. Innovative quality management systems have enabled New Zealand apples to obtain a premium in most markets with key destinations being Europe, United Kingdom, United States and emerging markets in South East Asia. Australia continues to ban the import of New Zealand apples due to concerns relating to fire blight disease.

The Committee met with the New Zealand Vegetable & Potato Growers' Federation (Vegfed) during its Auckland meetings and received an interesting overview of the role of industry associations and commodity levies in promoting vegetable exports. Vegfed is a trade association run by vegetable growers who represent the interests of 3,000 New Zealand commercial vegetable growers. The aim of Vegfed is to promote, encourage and enhance the profitable production, distribution and consumption of New Zealand grown vegetables, both within New Zealand and in export markets.

Vegfed has six product sectors: fresh vegetables, processed vegetables, potatoes, fresh tomatoes, asparagus and export squash. Each sector is run by an autonomous committee of growers. Growers fund Vegfed through payment of compulsory levies

collected at the first point of sale. These levies are fixed via the Commodity Levies (Vegetables) Order 2001.

Vegfed informed the Committee of a collaborative research and development project with Australian vegetable growers called Vital Vegetables which aims to enhance the health benefits of vegetables. The \$20 million project is supported by Victoria's Department of Primary Industries and is a response to the growing demand from consumers for healthy and nutritious food products.

8.2.3 Meat Exports

Meat exports account for approximately 15 per cent of New Zealand's total export income. New Zealand meat exports were valued at \$NZ 4.3 billion as at March 2003. Major export markets are the USA, United Kingdom, Germany, Canada and France.

More than 90 per cent of New Zealand sheep meat production is exported, accounting for 53 per cent of the world export trade. New Zealand also exports 85 per cent of its beef production, making it the fourth largest exporter.¹³⁹

The New Zealand meat industry is very consumer focused and has a strong emphasis on value-added premium products. Increasingly the industry is taking advantage of technology which extends the life of chilled meat, adding greater value to export products. The industry has also been active in quality assurance systems with a unique traceback system being used to identify where lamb has been farmed, giving assurance of disease free status.

The meat industry is represented by the Meat Industry Association of New Zealand which comprises companies supplying 99 per cent of New Zealand sheep meat exports and 100 per cent of beef exports. In addition, Meat New Zealand, a statutory board funded by farmer levies, provides support with marketing and market access issues, promotion, research and development.

¹³⁹ www.marketnewzealand.com

8.2.4 Wine Exports

Like Australia, New Zealand's wine trade has grown significantly over the past decade. The value of New Zealand's wine exports were approximately \$NZ 250 million as at March 2003. Major markets are the United Kingdom, USA and Australia.

A key factor behind the industry's success has been the collective commitment to core brand positioning in conjunction with the promotion of individual brands by companies. In essence, it promotes New Zealand wines as "a premium product from a beautiful and environmentally conscious land where the temperate maritime climate, regional diversity and innovative industry techniques produce unique wine styles".¹⁴⁰ New Zealand Sauvignon Blanc is acclaimed throughout the world as the definitive benchmark style for the varietal.

The Committee met with New Zealand Winegrowers, the industry body representing the interests of New Zealand's grape growers and winemakers. New Zealand Winegrowers is funded by levies collected by the Council and the Institute as well as from user pays activities and sponsorships. In Chapter 6, the Committee outlined the innovative quality assurance system, Sustainable Winegrowing New Zealand, which aims to provide a best practice model of environmental practices in the vineyard and winery.

The Committee received advice from NZ wine industry representatives about the long-term strategic decision to pursue higher value rather than quantity. The NZ industry views Australia as a large scale producer of bulk wine capable of underpricing any NZ bulk wine product. Instead, the NZ wine industry has achieved a position in the international wine industry of higher valued wine product.

While the total value of New Zealand's wine exports is less than Victoria's the industry in New Zealand is relatively new, having only developed export markets in the last 20-30 years.

¹⁴⁰ www.nzte.govt.nz

8.3 Government Support to Rural Industries

The Committee has previously highlighted the range of State and Commonwealth government support programs available to Victorian rural export industries and the difficulty many businesses have in identifying each program area. In contrast the Committee found the New Zealand Government structure, largely due to the absence of state administrations, to be flatter and more accessible by industry.

The Committee's opportunity to examine the New Zealand food export industry suggests that it has been extremely successful despite less apparent direct financial assistance provided by the New Zealand Government. The support on offer is provided through two main departments: New Zealand Trade and Enterprise, and the Ministry of Agriculture and Forestry.

8.3.1 New Zealand Trade and Enterprise

New Zealand Trade and Enterprise was formed on 1 July 2003 as the Government's new trade and economic development agency, following the merger of Trade New Zealand and Industry New Zealand. The merger was driven by the demand from business for a single government point of contact to enhance export capabilities.¹⁴¹ The Committee notes this is in contrast to earlier findings about fragmentation of Australian government departments and assistance.

While Austrade invests heavily in its Export Market Development Grants (50 per cent of its \$300 million budget), New Zealand Trade and Enterprise provides comparatively little in the way of direct financial assistance for businesses wishing to export.

Services for exporters include the provision of market intelligence, networking, export seminars and capability building. In terms of direct financial assistance, some small grants are provided under the Enterprise Development Fund and Growth Services Fund however these programs are not seen as direct grants, as are those in Australia. Assistance is also provided to firms wishing to attend overseas trade fairs with the Department requiring that there be an identifiable return on such investments in terms of the future export opportunities of the firms attending.

¹⁴¹ New Zealand Trade & Enterprise, Strategic Direction, July 2003, p.3

The Committee also heard of the successful **MarketNewZealand.com** initiative that connects international buyers directly with New Zealand export companies through the internet.

8.3.2 Ministry of Agriculture and Forestry

The Committee met with the New Zealand Ministry of Agriculture and Forestry (MAF) which has a similar focus to the Commonwealth Department of Agriculture, Fisheries and Forestry Australia but with an increased focus on international trade issues. MAF provides policy advice on the trading environment, sustainable resource use, rural affairs and the regulation of product safety, biosecurity and related matters.

Operating within the Ministry of Agriculture and Forestry is the New Zealand Food Safety Authority which was established in July 2002 as the controlling authority for imports and exports of food and food related products. The Authority assists rural export businesses to establish clean and green production through measures such as quality assurance processes, biosecurity strategies and quarantine measures, animal, plant and food standards, and residue testing.

The Department also works with the Ministry of Foreign Affairs and Trade to help win access to overseas markets for New Zealand product and plays a major role in New Zealand's representation in international organisations such as the World Trade Organisation and the OECD.

The International Policy Group's overarching objective is trade liberalisation and improved market access for the benefit of New Zealand's agricultural and forestry exports.

This is aimed at:

- advocating freer trade for agricultural and forestry products;
- representing New Zealand positions at international organisations such as the WTO and the OECD; and
- identifying barriers to exports in New Zealand's agricultural and forestry export markets.

8.4 New Zealand - Victoria Closer Co-operation

Earlier in this chapter, the Committee highlighted several areas of industry co-operation between New Zealand and Victoria such as the Fonterra and Bonlac consolidation and joint research activities undertaken by vegetable growers. Reference was also made to AgriQuality's trans-Tasman operations including residue testing, uniform labelling and assurance services as well as the operation of a seed testing and certification business in Melbourne.

During the course of three days of meetings with New Zealand industry and government representatives, the Australia New Zealand Closer Economic Relations Trade Agreement (CER) was mentioned on numerous occasions as an important avenue for greater trade relationships between the two countries in the food sectors. The Committee notes that New Zealand Government and industry representatives made more frequent references to CER than their Victorian counterparts. Indeed, throughout this Inquiry, the Committee has been surprised that New Zealand does not appear to be used in any way as a benchmark or reference for Victorian food exporting industry.

The Committee believes the Victorian Government should closely examine CER in terms of maximising opportunities for closer collaboration between rural industry in New Zealand and Victoria

In particular, the Committee would urge the State Government to consider the recommendations arising out of a recent New Zealand Parliamentary Committee Report into New Zealand and Australia trade relations. During its visit to Wellington, the Committee was fortunate to meet with members of the New Zealand Parliamentary Foreign Affairs, Defence and Trade Committee.

The New Zealand Committee recently completed two reports relevant to this Inquiry, dealing with establishing a system for the development of Joint Food Standards in New Zealand and with Australia and New Zealand's economic and trade relationship with Australia. The first report resulted in *The Joint Australia New Zealand Food Standards Code* which became the sole food standards code in operation in Australia and New Zealand on 20 December 2002.

The second Report, dealing with economic and trade relations with Australia contained a series of recommendations including:

- the establishment of an Australia New Zealand Economic Community (ANZEC);
- greater integration of capital markets, including the merger of the Australian and New Zealand stock exchanges;
- regular meetings of senior political, industry and academic leaders; and
- stronger links between the parliaments of New Zealand and Australia (including the States and Territories), including greater opportunities for members of all the legislatures to have regular exchanges.

The New Zealand Government's response to the above Report was generally positive with agreement that greater focus be given to strengthening industry, government and academic links. In particular, the Government strongly supports increased interaction with the parliaments of the Australian States and Territories.

However, the Government stopped short of endorsing the recommendations dealing with a joint stock exchange and establishment of an Australia New Zealand Economic Community noting that the latter could encompass a common currency, common policies on immigration and the free movement of capital. The New Zealand Government believed a cautious approach should be taken to such recommendations and highlighted the importance of the existing CER agreement.

The Committee's Terms of Reference, and the limited time available to complete this inquiry, do not permit an analysis of the potential benefits to Victorian rural exporting industries of closer economic ties with New Zealand. However, the Committee does believe these issues, and the interest in them being explored further in New Zealand, warrant the Victorian Government's closer attention, as Victoria could be a key beneficiary of closer economic ties.

The Economic Development Committee welcomed the opportunity to meet with the New Zealand Foreign Affairs, Defence and Trade Committee and found the entire exchange with industry and government representatives during its New Zealand visit to be a valuable experience and of particular benefit in benchmarking Victoria's rural export industry performance with New Zealand's. Accordingly, the Committee

supports the New Zealand Parliamentary Committee's call for greater exchanges between the two countries.

Recommendation 8.1

The Committee recommends the Government play a leadership role for Victorian rural industries by fostering closer links with New Zealand. This could be achieved in a number of ways including more regular benchmarking and referencing of New Zealand's food industry by Victorian Government Departments, increased dialogue between Ministers, and more regular discussion between Parliamentary Committees focused on export industry performance.

8.5 Conclusions on New Zealand Investigations

The following pertinent findings arose from the Committee's New Zealand investigations:

- New Zealand rural businesses are more export focused than Victorian businesses. While this could be attributable to the comparatively narrow domestic opportunities in that country, it could also be argued that on a global scale, Victorian businesses also have a narrow domestic base in which to expand their operations.
- There is a greater emphasis on higher value premium export products within New Zealand's agricultural sectors. In recent years, farmers have shifted away from lower value land use to high value farming and production systems.
- There has been a greater awareness of the need to substantiate New Zealand's clean and green image with a number of industry led best practice environmental managements systems and quality assurance initiatives being introduced.
- New Zealand rural industries appear to have a greater appreciation of the marketing, research and development advantages that industry levies can deliver.

- New Zealand's food export success illustrates the importance of businesses forming co-operative partnerships and the need to facilitate business clusters.

Appendix 1

ECONOMIC DEVELOPMENT COMMITTEE
INQUIRY INTO EXPORT OPPORTUNITIES FOR
VICTORIAN RURAL INDUSTRIES
INTERIM REPORT

1. Background

On 1st March 2000, the Economic Development Committee received a Terms of Reference by resolution of the Legislative Council, to inquire into and report on the export opportunities for Victorian rural industries

Specifically, the Committee is required to investigate:

- The identification and demand for niche rural products in overseas markets;
- Victoria's strengths in niche rural industries;
- The level of support provided to niche rural industries by State and Commonwealth Governments;
- The use of information and communication technology;
- The role of statutory agriculture bodies in developing and promoting niche industries overseas; and
- The sale of Victorian food and agriculture products abroad and an examination of barriers or impediments.

The Terms of Reference required the Committee to table a report in Parliament by 31 December 2001.

2. Purpose of Interim Report

The Committee has been conducting extensive regional and metropolitan hearings in relation to its Inquiry into Structural Changes in the Victorian Economy and Inquiry into Rural Export Opportunities.

The Committee's workload and ongoing investigations have precluded the Committee from being in a position to table a final report on the Rural Export Inquiry by 31 December 2001.

It is therefore necessary for the Committee to table this Interim Report which provides a brief overview of the Committee's activities to date. It is anticipated the final report will be completed and tabled during the 2002 Spring Session.

3. Progress Report

The Committee advertised its Terms of Reference in May 2001 in the major daily metropolitan papers and the Weekly Times. Fifteen written submissions have been received to date.

In January 2001, the Committee commenced some informal discussions with exporters in Mildura. In June 2001, further informal meetings were held with key Government bodies and other agencies in Sydney and Canberra.

Formal public hearings commenced in August 2001. To date the Committee has gathered evidence and visited exporters in the Wimmera district, central Victoria, north-east Victoria and Gippsland. Additional hearings are scheduled for Bendigo, Boort, Swan Hill and Kerang in mid December. Further public hearings will be conducted throughout Victoria in the New Year.

The Committee's final report will be tabled in the 2002 Spring Session.

26th November 2001

Appendix 2

List of Submissions Received

Submission Number	Name of Individual/Organisation	Date Received
1	Mr. Peter Brooks Chief Executive Officer Northern Grampians Shire Council	12 June 2001
2	Mr. Stewart McArthur, MP Chairman Geelong Export Network	31 July 2001
3	Mr. Geoff Kohlman Chief Executive Officer Glenelg Shire Council	27 August 2001
4	Mr. Philip Sabien Executive Director Wimmera Development Association	27 August 2001
5	Horsham Rural City Council	30 August 2001
6	Ms Jennifer Tod Chief Executive Officer Yarriambiack Shire Council	30 August 2001
7	Mr. John Millington General Manager Luv-A-Duck Pty Ltd	30 August 2001
8	Mr Mervyn Jenkins Beach Head Marketing	3 September 2001
9	Mr Tim Wills Manager Economic Development Wellington Shire Council	3 September 2001
10	Ms Suzanne Ryan Local Resident Tallarook	3 September 2001
11	Ms Marlene Battista Executive Director Gippsland Area Consultative Committee	7 September 2001
12	Ms Julia Selby Acting Executive General Manager Austrade	10 September 2001
13	Ms Diane Tregoning General Manager Black Forest Timbers Pty Ltd	21 September 2001
14	Ms Deborah Borden Councillor, VFF Pig Group and Australian Pork Limited	9 October 2001

15	Mr Neil Edwards, Secretary Department of State and Regional Development Ms Chloe Munro, Secretary Department of Natural Resources and Environment	22 October 2001
16	Mr. Stewart McArthur, MP Chairman Geelong Export Network (updated submission)	12 June 2003
17	Ms Maree McPherson Executive Director Gippsland Area Consultative Committee	13 June 2003
18	Ms Alison Burrows Assistant Secretary Agriculture and Food Branch Department of Foreign Affairs and Trade (updated submission)	16 June 2003
19	Ms Chloe Munro Secretary Department of Primary Industries (updated submission)	19 June 2003
20	Ms Debbie Borden Councillor – VFF Pig Group and Australian Pork Limited (updated submission)	20 June 2003
21	Mr. Philip Sabien Executive Director Wimmera Development Association (updated submission)	24 June 2003

Appendix 3

List of Briefings**29 January 2001 – Mildura**

- Mildura Fruit Company
- Australian Dried Fruits Association

29 January 2001 – Mildura

- Murray Basin Titanium Pty Ltd
- Murray Valley Citrus Marketing Board
- Small Business Victoria
- Martin, Irwin & Richards Solicitors

25 June 2001 – Sydney

- Australian Business Limited
- Australian Meat Council

26 June 2001 – Canberra

- Department of Foreign Affairs and Trade
- Department of Agriculture, Fisheries and Forestry - Australia

27 August 2001 – Horsham

- The Lentil Company

24 September 2001 – Melbourne

- Department of Natural Resources and Environment

22 May 2002 – Adelaide

- Premier's Food for the Future
- Flavour SA
- Coopers Brewery Limited

14 July 2003 – Canberra

- Department of Agriculture, Fisheries and Forestry - Australia
- National Food Industry Strategy
- Department of Foreign Affairs and Trade
- Australian Quarantine and Inspection Service

Appendix 4

List of Public Hearing Witnesses27 August 2001 – Horsham

- **Horsham Rural City Council**
Cr. Bernie Dunn
Mr. Peter Brown, Acting Chief Executive Officer
- **Wimmera Development Association** – Horsham
Mr. Philip Sabien, Executive Director
- **Australian Mower Company** – Horsham
Mr. Gary Pilgrim, Managing Director

28 August 2001 – Nhill

- **Luv-A-Duck Pty Ltd** – Nhill
Mr. John Millington, General Manager

29 August 2001 – Avoca

- **Stoney Creek Oil Products Pty Ltd** – Talbot
Mr. Fred Davies

11 September 2001 – Lancefield

- **Macedon Ranges Shire Council**
Mr. Shane Murphy, Economic Development Manager
- **Hardwick's Meat Works Pty Ltd** – Kyneton
Ms Vicki Hardwick, Managing Director

12 September 2001 – Heathcote

- **Central Victorian Yabby Farm** – Heathcote
Mr. Greg Williams

24 September 2001 – Melbourne

- **Austrade** - South Melbourne
Mr. Anton Mayer, State Manager, Victoria and Tasmania
Mr. Gary Hullin, Property Manager, Agribusiness

1 October 2001 – Rutherglen

- **Indigo Shire Council**
Cr. Don Chambers

2 October 2001 – Wangaratta

- **Australian Alpine Valleys Agribusiness Forum Inc.** – Wangaratta
Mr. Jack Fawcett, Executive Manager
Mr. John Brown, Chairman
- **Rainbow Filters** – Wangaratta
Mr. Eddie Rainbow
- **Wangaratta Unlimited** – Wangaratta
Mr. Ross Smith, Executive Officer, Economic Development
Mr. Graham Nickless, Manager, Economic Development
- **Alpine Valley Summerfruit Growers Association** – Glenrowan
Ms Marion Rak, President
- **Q Exports International Pty Ltd** – Wangaratta
Mr. Simon Quilty, Managing Director
Ms Louine Robinson, Office Manager
- **Austrade**
Mr. Neil Hamilton, Wangaratta and Bendigo Officer
- **Brown Brothers Milawa Vineyard Pty Ltd** – Milawa
Mr. Ross Brown, Chief Executive Officer

26 November 2001 – Korumburra

- **Cafresco Organics** – Kooweerup
Mr. Maurie Cafra
- **Burra Foods** – Korumburra
Mr. John Hauser, General Manager Operations
Mr. Richard Furphy, Business Development Manager

26 November 2001 – Traralgon

- **Gippsland Agribusiness Forum**
Mr. Angus Pollock, Chairman
- **GREEN Inc.** – Churchill
Mr. Glen Waterhouse, Executive Director
Gippsland Regional Economy and Ecology Network Inc.
- **Flavorite Tomatoes** – Warragul
Mr. Mark Millis
- **Gippsland Development Ltd** – Sale
Mr. Graeme Blackman, Project Officer
Mr. Murray Loble, Project Officer
- **GrowCo Ltd** - Lindenow
Mr. Robert Ingram

12 December 2001 – Bendigo

- **Rositas Australasia Pty Ltd** – Bendigo
Mr. John Emons, Export Director
- **City of Greater Bendigo**
Mr. Brian Gould, Manager, Economic Development

12 December 2001 – Boort

- **Simply Tomatoes** – Boort
Mrs. Marilyn Lanyon
- **Pyramid Salt** – Pyramid Hill
Mr. Gavin Privett
- **Loddon Shire Council**
Mr. Peter Kulich, Manager, Economic Development
- **Synergy Farms Pty Ltd** – Yarrawalla
Ms Sue Bennett
Mr. Brian Smith

13 December 2001 – Swan Hill

- **Swan Hill International Network and Exports** – Swan Hill
Ms Kerry Gammon, Chairperson
Mr. Andrew Syme
- **Nutrigreen Pty Ltd** – Swan Hill
Mr. Gary Murphy, Manager
Mr. Martin Graham, Business Development Manager
- **Export Facilitator** – Swan Hill
Mr. Richard Dow
- **Pickering Transport Group** – Swan Hill
Mr. Peter Clifford
- **Kyndalyn Park Exports** – Robinvale
Mr. Chris Greig

13 December 2001 – Kerang

- **Australian Specialty Pet Foods** – Pyramid Hill
Mr. Trevor Stevens
- **Victorian Farmers Federation Pig Group**
Ms Debbie Borden, Mr. Aeger Kingma and Mr. Tom Smith
- **Bunge Meat** – Corowa
Mr. Mark Ferguson
- **Border Packers Pty Ltd** – Koondrook
Mr. Andrew Hollingworth, General Manager
- **Ozimeats Pty Ltd** – Pyramid Hill
Ms Liz Oliver

7 March 2002 – Mildura

- **Bestfresh Produce Pty Ltd** – Mildura
Mr. Kevin Pickering, Managing Director
- **Boulevard Nurseries** – Irymple
Mr. Paul Croxton, Managing Director
Ms Kathy Mullins, Tissue Culture Laboratory Manager
- **Australian Horticultural Exporters' Association** – Knoxfield
Mr. Russell Witcombe, Chairman
Mr. Ken Davis, Deputy Chairman
- **Asparagus Growers Association of Sunraysia Inc.** – Red Cliffs
Mr. John Hensgen, Secretary
- **Sunbeam Foods Pty Ltd** – Irymple
Mr. Stephen Gorman, Managing Director
- **Sunsalt** – Hattah
Mr. Duncan Thomson, Managing Director
- **Murray Valley Citrus Marketing Board** – Mildura
Mr. Robert Mansell, Chairman
- **Nangiloc Colignan Farms Pty Ltd** – Red Cliffs
Mr. Bruno Moras

8 March 2002 – Robinvale

- **Boyanda Happy Valley** – Bannerton
Mr. Alan Anderson, General Manager
- **Australian Pioneer Pistachio Company** – Robinvale
Mr. David Crawford, Director
Mr. Chris Joyce, Director
- **Organic Citrus Products** – Robinvale
Mr. Phil Burkett, Grower and Ms S. Burkett, Grower
- **Table Grape Growers** – Robinvale
Mr. Vince Iudica
Mr. Tony Natale

23 June 2003 – Melbourne

- **Centre for Agriculture & Business** – Yarra Valley
Mr. Howard Carter, Chairman
- **Centre for Regional Development, Swinburne University of Technology**
Ms Anne Langworthy, Director
- **Luv-A-Duck Pty Ltd** – Nhill
Mr. John Millington, General Manager
- **Australian Fresh Fruit Company** – Sunbury
Mr. Andrew Dick, General Manager
- **Apple and Pear Australia Ltd** – Shepparton
Ms Alma Reynolds, Executive Officer Operations

- **ICM Australia** – Melbourne
Mr. Doug Shears
- **Roma Food Products Pty Ltd** – Carrum Downs
Mr. Max Buontempo, Director
Dr. Richard Crossing, Manager R&D

24 June 2003 – Melbourne

- **Wimmera Development Association** – Horsham
Mr. Philip Sabien, Executive Director
- **Elizabeth Creek Farms Pty Ltd** – Childers
Mrs. Hannah Wardell, Owner
- **Austrade** – South Melbourne
Mr. Anton Mayer, State Manager, Victoria and Tasmania
Mr. Gary Hullin, Project Manager, Agribusiness & Food
- **Tatiara Meat Company Pty Ltd**
Mr. Eckard Huebl, Managing Director
- **VicFoods**
Mr. Richard Brett

Appendix 5

List of On-site Visits**30 January 2001**

- Andy's Engineering, Mildura

27 August 2001

- Wimmera Grain Company, Rupanyup

12 September 2001

- Dalhousie Fine Foods, Heathcote

1 October 2001

- The Emu Company, Eurobin
- Mountain View Chestnut Farm, Myrtleford
- Yackandandah Jam and Preserving Company Pty Ltd, Yackandandah
- All Saints Winery, Rutherglen

2 October 2001

- Beechworth Preserves, Beechworth
- Wandin Valley Farms, Bowega

12 December 2001

- Timbercorp / Olivecorp, Boort

8 March 2002

- Kyndalyn Park Almonds, Kyndalyn

Appendix 6

List of New Zealand Meetings

15 July 2003 – Wellington, New Zealand

Associate Minister of Agriculture, Associate Minister of Rural Affairs

- Hon. Damien O'Connor, MP

16 July 2003 – Wellington, New Zealand

Fonterra Co-operative Group

- Mr. Rick Walker, Trade Strategist

AgriQuality New Zealand Ltd.

- Mr. Hans Verberne, General Manager, Farm Network Biosecurity Services
- Mr. Harry van Enkevort, Account Manager

Ministry of Agriculture and Forestry

- Mr. Murray Sherwin, Director-General
- Mr. Alan Kerr, Director, International Policy

Foreign Affairs Defence and Trade Committee

- Hon. Peter Dunne, MP, Chairperson
- Mr. Timothy Barnett, MP
- Ms. Winnie Laban, MP
- Dr. Hon. Lockwood Smith, MP

Ministry for the Environment

- Mr. Brett Longley, Senior Advisor
- Mr. Bob Zuur, Manager, Primary Sectors

New Zealand Horticultural Export Authority

- Ms. Janet Skilton, Executive Director

New Zealand Food Safety Authority

- Mr. Neil McLeod, Program Manager, Market Access – Asia & Pacific
- Ms. Carole Inkster, Director, Policy and Regulations Standards

Meat Industry Association of New Zealand

- Mr. Brian Lynch, Executive Director

17 July 2003 – Auckland, New Zealand

Auckland Chamber of Commerce

- Mr. John Lindsay, Chairman and various representatives

Wine Institute of New Zealand

- Mr. Philip Gregan, Chief Executive Officer

Turners and Growers

- Mr. Andy Burrows, Export Sales Manager

18 July 2003 – Auckland, New Zealand

New Zealand Trade and Enterprise

- Mr. Rod MacKenzie, General Manager, Market Services
- Ms. Leonie Evans, Sector Team Manager, Food and Beverages

Vegetable and Potato Growers' Federation (VEGFED)

- Mr. Brian Gargiulo, President
- Mr. Peter Silcock, Chief Executive Officer

Eastern and Global Pty Ltd

- Mr. Greg Keymer, Managing Director

Appendix 7

**Commonwealth Department of Agriculture,
Fisheries and Forestry
List of Levies**

Dairy

Dairy (All Milk Levy)
Dairy Adjustment - Levy Unpaid/Unremitted
Dairy Adjustment Levy

Table Grapes - Annual
Table Grapes - Quarterly
Vegetable - Annual
Vegetables – Quarterly

Grains

Grain - Legumes
Oilseeds
Pasture seeds
Wheat
Coarse Grains
Cotton
Rice

Livestock

Buffalo Export
Buffalo Slaughter
Cattle and Livestock Export Charge
Cattle and Livestock Transaction Levy -
Annual
Cattle and Livestock Transaction Levy -
Monthly
Chickens - Laying
Chickens - Meat
Deer Export
Deer Slaughter
Deer Velvet
Game Animals - (Pig, Goat and Kangaroo)
Goat Fibre
Horses - Slaughter
Pig Slaughter
Ratite Slaughter

Horticulture

Almonds
Apples and Pears - Annual
Apples and Pears - Monthly
Avocado - Annual
Avocado - Quarterly
Cherry
Chestnut
Citrus - Annual
Citrus - Monthly
Custard Apple
Dried Fruits - House Packaging
Dried Vine Fruit
Honey - Annual
Honey - Quarterly
Macadamia
Mangoes - Annual
Mangoes - Quarterly
Mushrooms, Agaricus
Nashi - Annual
Nashi - Monthly
Nursery Products
Onion - Annual
Onion - Quarterly
Passionfruit
Potato - Annual
Potato - Quarterly
Stone Fruit – Annual
Stonefruit – Quarterly
Horticulture – continued
Strawberry

Other Levies

Egg Promotion
Farmed Prawns
Forest & Wood Products
Queen Bee
Sugar - (Reform)
Sugar - (Refund)
Sugar Cane
Wool - Annual
Wool – Monthly

Wine Grapes

Grape Research
Wine Export Charge
Wine Grapes Levy

Appendix 8

List of Current Commodity Levies Act Orders in New Zealand as at 9 July 2003

Please note that none of the levy orders specifically exclude export crops, and none impose levies on imported crops.

Name of Order	Commodity levied
Commodity Levies (Arable Crops) 2000	Arable crops
Commodity Levies (Asparagus) 2000	Asparagus
Commodity Levies (Avocados) 2001	Avocados
Commodity Levies (Blackcurrants) 2001	Blackcurrants
Commodity Levies (Blueberries) 2001	Blueberries
Commodity Levies (Dredge Oysters) 2001	Dredge Oyster
Commodity Levies (Eggs) 1999	Eggs but levy collected on chicks sold
Commodity Levies (Deer Products) 2001	Venison and velvet
Commodity Levies (Feijoas) 2001	Feijoas
Commodity Levies (Fish) 2002	Fish
Commodity Levies (Green-lipped Mussels) 2001	Green-lipped mussels
Commodity Levies (Herbage Seeds) 1997	Non-proprietary and uncertified seed
Commodity Levies (Milk solids) 2003	Milk
Commodity Levies (Nashi Asian Pears) 1999	Nashi Asian Pears
Commodity Levies (Orchard Fruit) 2001	All fruits
Commodity Levies (Passionfruit) 2002	Passionfruit
Commodity Levies (Pipfruit) 2000	Apples and pears
Commodity Levies (Scallops) 1996	Scallop
Commodity Levies (Summerfruit) 2002	All summerfruit
Commodity Levies (Satsuma Mandarins) 2003	Satsuma Mandarins
Commodity Levies (Tamarillos) 1997	Tamarillos (levy order expired this year)
Commodity Levies (Vegetables) 2001	All vegetables
Commodity Levies (Wheat Grain) 2002	Wheat grain
Commodity Levies (Winemaking Grapes) 1998	Winemaking grapes

Levies collected under other legislation

New Zealand Meat Board – will be holding a levy payer support referendum during August 2003 to come under the Commodity Levies Act

New Zealand Wool Board (to be disestablished from 1 September 2003) - will be holding a levy payer support referendum during August 2003 to come under the Commodity Levies Act

New Zealand Pork Industry Board

Game Industry Board

New Zealand Wine Institute

Appendix 9

List of Websites**Commonwealth Government**

Austrade	www.austrade.gov.au
Department of Foreign Affairs and Trade	www.dfat.gov.au
Department of Agriculture, Fisheries and Forestry (Australia)	www.affa.gov.au
Australian Quarantine and Inspection Service	www.aqis.gov.au
National Food Industry Strategy	www.nfis.com.au
Rural Industries Research and Development Corporation	www.rirdc.gov.au
Food Standards Australia New Zealand	www.anzfa.gov.au
Australian Bureau of Agricultural and Resource Economics	www.abare.gov.au

State Government

Department of Infrastructure	www.doi.vic.gov.au
Department of Innovation, Industry and Regional Development	www.iird.vic.gov.au
Department of Primary Industries	www.dpi.vic.gov.au
Department of Sustainability and Environment	www.dse.vic.gov.au
Food Victoria	www.food.vic.gov.au
Multimedia Victoria	www.mmv.vic.gov.au
Vic Export	www.export.vic.gov.au

Industry Associations

Australian Horticultural Exporters' Association Inc.	www.ahea.com.au
Australian Livestock Export Corporation Ltd	www.livecorp.com.au
Dairy Australia	www.dairy.com.au
Meat and Livestock Australia	www.mla.com.au

New Zealand

AgriQuality New Zealand Ltd	www.agriquality.co.nz
New Zealand Food Safety Authority	www.nzfsa.govt.nz
New Zealand Horticulture Export Authority	www.hea.co.nz
New Zealand Ministry of Foreign Affairs and Trade	www.mfat.govt.nz
New Zealand Trade	www.nzte.govt.nz
New Zealand Vegetable & Potato Growers' Federation Inc.	www.vegfed.co.nz
New Zealand Wine and Grape Industry	www.nzwine.com
Turners and Growers	www.turnersandgrowers.co.nz

Witnesses appearing during Inquiry

Apple and Pear Australia Limited	www.apal.org.au
Asparagus Growers of Sunraysia Inc.	www.agos.org.au
Australian Asparagus Council	www.australianasparagus.com.au
Australian Fresh Fruit Company	www.affco.com.au
Australian Pioneer Pistachio Company	www.aus-pistachio.com.au
Australian Pork Limited	www.apl.au.com
Australian Specialty Pet Foods Pty Ltd	www.austpetfoods.com.au
Boulevard Nurseries	www.boulevard.com.au
Brown Brothers Milawa	www.brown-brothers.com.au
Burrafoods Australia	www.burrafoods.com.au
Centre for Agriculture and Business	www.agribusiness-yarravalley.com
Dairy Australia	www.dairycorp.com.au
Elizabeth Creek Farms Pty Ltd	www.vic.australis.com.au/wardellgoats
Flavorite Tomatoes	www.flavoritetomatoes.com.au
Gippsland Development Ltd	www.gippslanddevelopment.com.au
Gippsland Regional Economy and Ecology Network Inc.	www.greeninc.com.au
Hardwick's Meat Works Pty Ltd	www.hardwicks.com.au
Luv-A-Duck Pty Ltd	www.luvaduck.com
Murray Valley Citrus Marketing Board	www.mvcitrus.org.au
Q Exports International Pty Ltd	www.q-exports.com.au
Rainbow Filters	www.rainbowfilters.com.au

Roma Food Products Pty Ltd	www.orgran.com
Rositas Australasia Pty Ltd	www.rositas.com.au
Stoney Creek Oil Products Pty Ltd	www.stoneycreekoil.com.au
Sunbeam Foods	www.sunbeamfoods.com.au
Synergy Farms Pty Ltd	www.synergyfarms.com.au
Tatiara Meat Company Pty Ltd	www.tatiara.com.au
The Centre for Regional Development	www.ld.swin.edu.au/crd
Victorian Farmers Federation	www.vff.org.au
Wangaratta Unlimited	www.wangarattaunlimited.vic.gov.au
Wimmera Development Association	www.wda.org.au