

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Traralgon — 24 April 2013

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Witnesses

Mr A. Arbutnot, Chair (sworn),
Ms S. Webster, Executive Officer (sworn), and
Cr M. Freshwater, Director, Agribusiness Gippsland, and Councillor, East Gippsland Shire Council (sworn).

The CHAIR — Welcome to the public hearings of the joint party Economic Development and Infrastructure Committee's Inquiry into local economic development initiatives in Victoria. Evidence given today has parliamentary privilege but any information that you provide outside this room does not have the same protection. The transcript will also become a document of public record. I ask you now to make an oral presentation.

Overheads shown.

Mr ARBUTHNOT — Good afternoon and welcome to Gippsland. We are presenting as a team this afternoon. Chair, I will introduce the subject and the team will be taking over.

I brought something from the *Weekly Times* this morning. The Prime Minister has just come back from Asia. We have *Australia in the Asian Century* and a state government economic statement released before Christmas. I see both of these statements as bipartisan. The enthusiasm that we have around our resource industries in Australia is highlighted in the ANZ report by the Port Jackson consultants, who have said that if we invest right in energy, mining and food nationally — and I was interested in the food part — we can double Australia's income.

We come from a region that is rich in energy, mining and food production. We have a food plan that will be released shortly. We have a minister who wants to double food production across the State. I think in food and exports we produce nearly 30 per cent of Australia's total, which is not bad for a tiny state like Victoria, so the opportunity is just bountiful. That is why I mentioned that *Weekly Times* article this morning, which announced that we would identify agriculture production areas in the planning scheme. How exciting that is. In fact if some of you may remember the report done by the last government on planning, the Mick Murphy report, which identified the need to do that. It will not be without its controversy because every farmer sees himself in his superannuation as a developer, but we are on the right track in identifying food production areas in the planning scheme.

We are in Gippsland, and this presentation that we make will be a bit Gippsland biased, and because I have taken the oath, some of you will be well aware of the growth plans that are being produced and will be announced by government in June. I have read your terms of reference on the role of economic development with local government. In my opinion if we are talking about doubling and big investment from overseas, that is beyond the role of local government. In the growth plan report, which is still confidential — and I sit on it because of regional development — they identify local governments as drivers in economic element. I do not think they are drivers, I think they are implementers of support for the drivers. Long-term investment will be driven by long-term investors. Having given the intro, I am going to now hand over my CEO.

Ms WEBSTER — It is a rare and beautiful moment. I appreciate it.

Good afternoon, Chair and Committee members. I was having a look at some of the previous submissions, and I was interested in one from the Acting CEO of the port of Hastings, Mr Lean, who noted that 60 per cent of all Victoria's economic activity takes place east of Melbourne. That really caught me by surprise, and then I thought, 'No.' I can understand that because of milk powder. The biggest export by volume through the port of Melbourne is milk powder. The biggest supplier of that is at the plant at Leongatha, so I am not all surprised by that. In fact I am quite heartened by the fact that agriculture — even in what we consider straitened times — still represents the major form of economic activity in Victoria, if you look at that 60 per cent figure.

Agribusiness Gippsland has the support of all the Gippsland shires financially. We operate on just over \$40 000 a year that they give us. In the last three years we have transacted just over half a million dollars of funding that otherwise would not have come into the area for industry-good activities. When I joined five years ago we had about 100 names on our database. We now have 8245, so we believe that we probably can say that we are pretty representative of the activities of agribusiness in the area — and of course we have Alex.

We have a wide range of activities. Two I want to highlight are the work that we did helping secure benchmarking for soil carbon in East Gippsland. You are allowed to look glazed, but the spin-off for that work that we transacted and negotiated is that that then fed into the recent carbon farming initiative that the Government announced. With some carbon sequestration models that have now been approved by Canberra, that will lead to direct money into the pockets of dairy farmers who undertake that work. On the other hand, we have done some empowerment workshops for female farmers. We had one who came to us as a scared little

unemployed typist from northern Melbourne who had just moved into a break-heart little farm with her boyfriend. She now employs two people in a very successful home-grown box beef business. We see both the big successes and the little successes in what we do.

Part of what I want to talk about is the beauty of small, because while this slide will talk about the magnificence of big, we like to think that we can also handle the beauty of small. Small and micro enterprises are where we could see more connection with more people. This will talk about the big stuff, and Michael will talk about that, but I want to put a word in for the small and the role of economic development officers we have dealings with at the local councils. We have nine councils which support us. Four of them have agribusiness officers, and were it not for them we would not be in the position we are in today. I cannot stress enough the importance of agribusiness-linked economic development officers in the local government context to help groups such as ours. I have said it. It is time for Michael now.

Cr FRESHWATER — I suppose I am part of the team that is going to deliver the local government aspect to this. As Sue has already indicated, as Agribusiness we work very closely with local shires. We have nine on board. You may have heard of GLGN, which is the Gippsland Local Government Network. Six of those shires form that. We do not have Mornington Peninsula and Cardinia with us; we think they are a bit too far west for the Gippsland network. But we do have our agribusiness people, our economic development officers. They are a very important part of a shire's development in industry because they will bring not only agriculture but also other industries into our area or go out and seek and try to attract businesses into our area. In East Gippsland, which I can speak of, we have tried to bring other food processors in — unsuccessfully at the moment, unfortunately. But we do have a couple of very large food processors, as you would be aware, already in our area.

The idea of working with local government — and we do this through the GLGN — is to put aside vital farming land to stop urban growth. This is becoming more and more apparent with global warming the more workshops I go to. You would be very aware that south of the Divide is going to become Victoria's food bowl and probably east of Melbourne more so because of our good source of water. When we look at global warming we are looking at sea rise. Whether we believe in it or not as a local government we have to take this into account. When you look at some of the graphs that you people have all seen, the amount of country close to Melbourne that could be inundated in the next 100 years means it is very important that we put this land to one side for the future because we are going to become a vastly populated country.

When we are looking at these developments we need to have our planning right. I do not know whether they have implemented it yet, but I believe the Government is putting together a flying squad that will come and help our planners bring in big industry. I think this is a vital position to have, or the fact that it will basically be a one-stop-shop for a big company to come in. The flying squad will hopefully help them establish themselves in Gippsland.

We also need, and it has become more apparent — I sit on a couple of different committees — to attract the people we need to run businesses, the young professionals et cetera. We need as a council to push governments, both state and federal, to get our rail and road links up to scratch. You would be aware that we got back the train to Bairnsdale, east of Traralgon, 10 years ago. Next year is its 10th birthday, and we have not got the train there now. We do not know when we are getting it back. Mulder tells us we will be getting it back, but we are sceptics out there. This is a vital link because we need to be able to get our produce into the port that you people are going to develop, which will be Western Port. We need to have that link; we need to be able to get our mineral resources, our dairy product and our product out. We need to be able to get the people so we need to have the roads and rail running efficiently. We need good road and rail. We feel we are the poor cousin to the likes of Geelong and Ballarat. They seem to be able to have a good rail service, both freight and passenger, and good roads. Once you go east of Traralgon we lack both. Thank you

Mr FOLEY — I thank you for your presentation. I have a couple of specific questions first. You talk of the potential for expanding agribusiness, and I appreciate that agribusiness is broader than just agriculture, which in itself is pretty broad. I am taking it that by that you mean increasingly diversifying off-farm incomes into farms, integrating agriculture into everything from tourism to education to carbon and all the different things that you have rolled through there. But in terms of the nuts and bolts of pastures and cows, of agriculture itself, are you looking at plans, as is being speculated about as part of that drifting south of the high-value dairy industry, to expand the MID and other prospective areas like that?

Ms WEBSTER — Already we are ahead of you, I am afraid.

Mr FOLEY — Of course you are.

Ms WEBSTER — Last year we commissioned a study from the University of Melbourne looking at the possibility of expanding grain in East Gippsland. As the rain line descends south you might find that those flat areas of East Gippsland are going to be well suited to grain production, particularly low-protein grain that is very suitable for stock feed. If that is the case then we have good lateral drive from East Gippsland right across to West Gippsland for the supply of stock feed. But what is lacking is some sort of regular rail transport, preferably, and also any silo facilities, so we put some masters students from the University of Melbourne onto a cross benefit analysis, working out whether it would be worthwhile putting in a grain storage facility somewhere in Wellington shire to feed that through.

Feeding off that we are undertaking some work with Latrobe, looking at moving some chicken meat producers into this area. That would then free up parts of the Mornington Peninsula, where the right to farm is an issue. It would satisfy the free range chicken meat industry, which is going at a great rate, and it would allow those owners of that land to optimise the return off that piece of land. It would also justify a feed silo in the next municipality along because it would give them another outlet of feed for their animals. It is almost like a pull and a push situation: if you build it, they will come; if you grow it, they will do something about it.

Mr FOLEY — Perhaps I should ask Alex.

Ms WEBSTER — Yes, you had better ask the boss.

Mr FOLEY — In terms of dairy expansion, what is the big vision for dairy expansion in Gippsland?

Mr ARBUTHNOT — The meeting I was at this morning was just a finalisation to our Gippsland food plan. When I present to local government I highlight a couple of factors. One is the growth in the dairy industry. Take my area, which is the Macalister irrigation district. When it was opened up it had 600 farmers, five years ago it had 200 and in another five years' time it will have 100 on the most predictable graph there is. What is happening is that the herds are getting bigger. People say to me, 'How many cows do you milk? 500? That is a big herd.' No, it is not. The biggest herds now are 1000 and moving to 1500. Once you move into that 1000-cow bracket you cannot walk cows to pasture. With the distance you have got to walk a big herd it will not happen. As they get bigger we will go either into feed pads, which is what the top farmers have been in for the last 10 years, or some form of shedding.

What is the other attraction to that? It is that you can milk your cows three times a day. On our farm we have done it three times and had to stop after a month because the cows get sore feet from walking. An interesting fact is that we have probably the first robotic cow shed in my own district. It is a very expensive unit. These things will get better priced commercially. But an interesting statistic coming out of the UK recently said that 40 per cent of all new dairies are robotic. Robotic does two things. One is that it overcomes the labour problem, and on our own farm that is a real issue, and it allows you also to milk your cows more than twice. Some ladies throw up their hands in horror and say, 'Isn't this a bit tough on cows?'

Ms WEBSTER — Do not look at me.

Mr ARBUTHNOT — I was not looking at you.

Mr FOLEY — From what I have seen they get their backs stroked.

Mr ARBUTHNOT — Yes, that is right. If you think about that, dairying could move east a little bit, so land-use planning. What we would see is that the area that traditionally was the finest wool growing area between here and Michael's area, already shifting into cropping — that is what Sue was talking about — because of the research we have done there, and I think that will link into a growing cropping industry. What comes out of that is well recorded and recorded right here when Simon Crean was down. We have a leading top farmer in Orbost who has the latest technology in his shed. It stopped working one day. By the time he got a technician there it was four days later and his cows were nearly dry. You cannot not milk cows for four days. So he had no other option but to pull out all the electronics and put it in a shed. It is all there in the shed. He said, 'Alex, I have no other option.' We have to be able to train people in the servicing of robotics and electronics.

This question of robotics is not only a dairy farm issue. Some of you might know of the National Foods yoghurt factory — what we call National Foods — which is now owned by Lion which is owned by Kirin. The only way they are competitive is to have robots run the whole plant, and I suggest the two new milk plants at which Murray Goulburn will be producing will have two or three people in the office and the rest will be run by robots. So training and the servicing of these is part of our growth. Then we need to look at scale. I would suggest the reason National Foods have come here is because they know they will have milk here in 20 or 30 years' time. That is why Gippsland, as Michael has said, will be an exciting place to invest in.

The other huge challenge — and I noticed you just had Roland Davies here — which comes back to the ANZ report, is how we can build on the synergies with our coal industry and our energy industry to complement our future manufacturing and new industries. I think that is an exciting challenge for us.

Ms WEBSTER — Through you, can I also bring Michael in on the discussion about horticulture?

Cr FRESHWATER — That is a developing industry where I am, in the Lindenow Valley. It is quite a large vegetable-growing area, and it is extending. What is happening there now on the escarpments on the red gum plain, currently on either side — red gum one side, stringybark on the other — is that they are moving up off the valley now because the valley is nearly full of vegetables. There would be only a couple of thousand acres left that I suppose is not under vegies. The bigger growers who have land are just pumping the water up onto the hill country, and they are very much growing as we sit here and speak.

As Alex was saying about robotics, that is all coming into it — the air seeders and the complicated harvesting equipment now. We need to have those technical people up in our area. We have to attract them there. I will go back to the rail in a minute. They have to get back to Melbourne with their kids et cetera, but it is happening. Patties Foods has gone robotic. They have just spent, I think, nearly \$10 million, with fantastic types of equipment going in and more going in. Vegco was a big producer of salad vegetables. They have a lot more mechanism in there now, so it is expanding. Traditionally Orbost used to, many years ago, grow crop, so did Demosi at Bruthen Flats, but they are non-existent there now. This is going to happen. I know there are farmers from my area moving further east, and I think they will continue to go further east. Once we get decent roads et cetera, they will be there, doing just that — expanding. It is a growing industry.

Mr ARBUTHNOT — I think we should note, because it is also picked up in the work that Robert Faggian is doing at Melbourne University — it is worth having a look at that work; it is called *Agriculture industry transformation — Gippsland*, and I can give the internet link.

Mr FOLEY — That would be good.

Mr ARBUTHNOT — It is being done out of Melbourne University, supported by GLGN and RDA. It is basically a climate change program looking at future developments and crops, and one of the things we have noted is that there is a lot of very good private land under native vegetation in the east, in Michael's shire, that, believe it or not — this is a bit of a controversial statement to be made — could well be cleared for future growing of food.

Cr FRESHWATER — If I may add, Chair, that the type of crop that is grown in the valley now has changed dramatically over the last five years. It is a huge lettuce-growing area now, where once it was traditional sweet corn and beans and peas. We are getting a lot of diversity in the type of crop that is going in, and it is mainly going to Sydney — big market in Sydney.

Ms WEBSTER — How many doubles go up to Sydney every day on the road to Genoa, Michael?

Cr FRESHWATER — There would be 25 trucks leaving the Bairnsdale area per day with vegetables on board.

The CHAIR — Going to the Sydney market?

Cr FRESHWATER — Going to Sydney — and some to Melbourne.

The CHAIR — What percentage would go to Melbourne out of that?

Cr FRESHWATER — Not very much.

The CHAIR — Sue, I have a quick question to you. You said earlier that when you started you had a database of around 100 and now you have 8500. Is that right?

Ms WEBSTER — We have 8245.

Mr FOLEY — Of which I can claim to be one.

The CHAIR — Can you give me all of their phone numbers?

Ms WEBSTER — Only the good looking ones!

The CHAIR — Are you able to give some idea of how you have gone about growing that so dramatically?

Ms WEBSTER — Lots of hard work, lots of database work. I have a PA who helps me out hugely, and so we get a lot of recommendations. We find that people pass it on. I imagine there is something like a 2 to 3 per cent pass-on rate for every edition that goes out, and I get people — it is interesting — I get a lot of people from overseas. We have a hot spot in South Africa and a hot spot of people from New Zealand who get our newsletter at GippyAgChat. It does not appear to be replicated anywhere else in the world.

Mr ARBUTHNOT — I would have to say, Neale, the number of people in Canberra — I meet public servants who say they read GippyAgChat because it gives them good local information about agribusiness. Sue, of course, is a very good journalist — and that helps.

Ms WEBSTER — The reason we set it up was because we needed an ambassador. The notion of farmers as hayseeds is so yesterday, so part of the reason we set up a highly IT connected thing is to prove that agriculture is up there.

The CHAIR — On behalf of the Committee, I thank you very much for your time today. It has again been very educational, very interesting and entertaining — just about everything, really. All of you were entertaining. We really appreciate your time and the effort you have gone to and the information you have provided to us. In a couple of weeks you will receive a transcript of today's proceedings. Please feel free to point out anything you think is a grammatical error, but there cannot be any changes to the substance of the document. Thank you very much again; we really appreciated your time.

Ms WEBSTER — Thank you for the opportunity.

Mr ARBUTHNOT — And all the best for the report.

Witnesses withdrew.