



G21 Agribusiness Forum and Committee for Geelong

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

August 2015

Contents

1. INTRODUCTION	3
2. SUMMARY OF KEY ISSUES.....	3
3. OUR ORGANISATIONS.....	4
4. THE ROLE OF AGRIBUSINESS IN THE G21 ECONOMY.....	4
5. DEVELOPING THE FOOD AND FIBRE SECTOR	6
6. CREATING A SUPPORTIVE ENVIRONMENT FOR ENTREPRENEURS AND INNOVATION	7
6.1 CLEAR VISION	7
6.2 COLLABORATIVE LEADERSHIP NETWORKS	7
6.3 INTEGRATED APPROACHES	7
6.4 VALUE CHAIN INNOVATION	7
6.5 SKILLED WORKFORCES	7
6.6 BUILDING ENTREPRENEURIAL COMMUNITIES.....	8
6.7 COLLABORATION AND CLUSTERS	8
6.8 ANCHOR INSTITUTIONS	8
6.9 WORLD CLASS RESEARCH INSTITUTIONS	8
7. ROLE OF GOVERNMENT	8
8. REGIONAL GROWTH OPPORTUNITIES	9
9. INTEGRATED INFRASTRUCTURE	9
10. ACTION IN THE G21 REGION	10
11. CONCLUSION	11
12. CONTACTS	11
13. REFERENCES	12

1. Introduction

This is a joint submission from the G21 Agribusiness Forum and the Committee for Geelong in response to the Victorian government's Future Industry Food and Fibre Discussion Paper. Our organisations are pleased to respond to the invitation to inform strategies for development of the state's food and fibre sector. We support the positive view of future development outlined in the paper and are already implementing initiatives to address many of the issues identified in the report.

Our key goal in this submission is to offer suggestions that build on issues raised in the paper as to how governments can help agribusinesses to create an environment that capitalises on the growth opportunities identified in the Discussion Paper. While our specific interest is in the G21 region, our suggestions are also applicable state-wide.

2. Summary of key issues

- Agribusiness makes a strong contribution to the economy of the G21 region and there is significant potential for that contribution to grow. This potential is especially important as the region's economy continues to undergo structural change.
- Generating high growth firms, generally SMEs, is the most effective way of creating new income and jobs.
- Creating an environment that encourages and develops entrepreneurial talents of existing businesses and helps the creation and development of high growth firms, including start-ups, has been proven internationally as the best way of generating jobs and income growth.
- An entrepreneurial ecosystem to promote innovation to improve productivity at the firm level is best driven by industry. Seeing this as part of building entrepreneurial communities extends the reach beyond existing firms, helps build cross institutional and cross sectoral linkages and collaboration, and ensures long term sustainability.
- The development of supportive environments needs to be place-based, reflecting the individual situation, strengths and challenges at the local level.
- Supporting industry driven emergent strategies is a role for government. Such a role requires flexible assistance programs that respond to industry and community driven place-based needs.
- Governments also have a role in delivering infrastructure that enhances competitiveness and access to markets that are vital to global competitiveness.

3. Our organisations

The **G21 Agribusiness Forum** provides a coordinated voice for the whole agribusiness sector and associated supply chains in the G21 region. The G21 region includes the local government areas of the City of Greater Geelong, Golden Plains, Colac-Otway, Surf Coast and the Borough of Queenscliffe. The G21 Agribusiness Forum is part of the Victorian Agribusiness Council, which advocates and promotes Victorian agribusiness development.

The **Committee for Geelong** (CfG) is an independent, a-political, member-based organisation. Members represent the breadth of industry both by sector and size. The CfG provides strategic leadership and influence to leverage the economic potential of the region to make Geelong a world-class place. The CfG focusses on three strategic objectives including economic prosperity and innovation, infrastructure and capacity, community leadership and advocacy. A key initiative of the CfG is to actively support the promotion of Geelong region Agribusiness.

In recognition of the importance of agribusiness to the regional economy and the potential opportunities for future growth and development, the G21 Agribusiness Forum and the CfG are working collaboratively to assist growth and development of the region's agribusinesses.

4. The role of agribusiness in the G21 economy

Agribusiness is a major driver of the G21 region economy¹. In calendar year 2012 it:

- **Employed around 10,000 people** in primary production, manufacturing, wholesale and retail;
- Accounted for **37% of manufacturing employment**;
- Produced **9% of the region's output value** (\$2.7 bn of \$30 bn); and
- Accounted for **17.6% of the region's manufacturing output**.

Table 1: Contribution of agribusiness to the G21 economy

	Output (\$M)	Employment (number)	Wages & salaries (\$M)	Local sales (\$M)	Regional exports (\$M)	Local expenditure (\$M)	Value added (\$M)
Contribution	\$2,720	7,238	\$340	\$913	\$1,308	\$973	\$964
Percentage of region	9.1%	7.4%	5.5%	10.6%	13.7%	11.3%	9.7%

Agribusiness also has strong in-region linkages, accounting for **11% of local expenditure** in 2012. Each dollar of output from the agribusiness sector generates 35 cents in local sales, 48 cents of exports and 16 cents of household consumption.

These contributions to the well being of the G21 economy come from a diverse range of businesses in the region including:

¹ (1 For further information see:

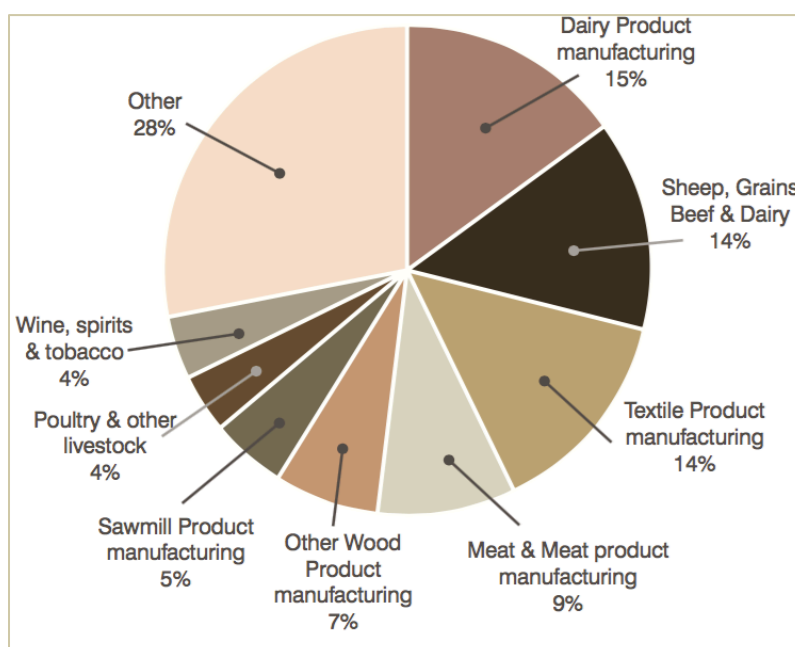
[http://www.g21agforum.com.au/2779/downloads/Agribusiness%20in%20the%20G21REGION\).pdf](http://www.g21agforum.com.au/2779/downloads/Agribusiness%20in%20the%20G21REGION).pdf)

G21 Agribusiness Forum and Committee for Geelong

- **primary production** e.g. beef, sheep, pig, poultry and dairy farming, cropping, fishing and aquaculture, wine grape growing, olive growing and vegetable farming;
- **manufacturing of food and beverages** e.g. milk and other dairy products, meat, seafood, wine making, olive oil, wool and grain transport and storage, malt manufacturing, textile manufacturing, and food product manufacturing; and
- **wholesale and retail activities** e.g. grain storage and export, wool storage, food service businesses, transport and logistics.

There is also a considerable education and research presence in the region including Marcus Oldham College, Deakin University, The Gordon TAFE, CSIRO and a newly established Agriculture Trade Training Centre at Covenant College in Geelong. Figure 1 illustrates the diversity of agribusinesses in the region.

Figure 1: Primary production and agribusiness manufacturing in the G21 region



Much of the agribusiness activity in the G21 region is directly related to primary production in the region. Further, as a regional hub the economic activities of agribusinesses in the G21 region are also drawn from primary production in surrounding regions as well as other parts of the state e.g. grain processing and exports from Geelong.

The significance of primary production in the G21 region is demonstrated in the number of agricultural businesses and the significant contribution that they make to the rate collections of local councils, particularly in the more rural shires. Table 2 illustrates that there are 1913 agricultural businesses that account for over 6000 rate assessments.

Table 2: Importance of agricultural businesses to local governments

Shire	Number of agricultural businesses	Number of farm rate assessments	Proportion of commercial rate revenue	Proportion of total council rate revenue
Colac-Otway	692	2772	74%	25%
Golden Plains	465	1285	99%	17%
City of Geelong	338	1075	8%	1%
Surfcoast	418	944	39%	5%

Source: Victorian Farmers Federation 2015, *Inequities in rural rating - A comparison of the rates on businesses in rural and regional businesses*. Excludes the Borough of Queenscliffe.

5. Developing the food and fibre sector

Our organisations agree with the challenges identified in the Food and Fibre Discussion Paper. In particular, we acknowledge the importance of the observation that *“most new jobs will likely come from businesses that are growing production, adding value and growing exports and from new entrants and the emergence of new industries.”* (Discussion Paper p.4) This complements our vision for the food and fibre sector, both in our region and beyond, as a sector characterised by dynamic SMEs growing through innovation and productivity improvements.

Many of the components of creating such an environment to help achieve these outcomes are touched on in the paper. However, the paper seeks guidance on how this can be achieved on the ground. We believe that there are good examples that illustrate how to create such an environment. The extensive work completed on clusters, clusters of innovation, innovation districts, building entrepreneurial communities, and developing industry growth ecosystems provides guidance. It suggests that place-based approaches building on identified strengths and building collaborative networks to help growth oriented SMEs as well start-ups directly creates new income and jobs. We call this an innovation ecosystem.

“The concept of an entrepreneurial ecosystem refers to the interaction that takes place between a range of institutional and individual stakeholders so as to foster entrepreneurship and, innovation and SME growth”

(Source: Mazzrol T, 2014)

A key focus for generating agribusiness growth should be the development of place-based innovation ecosystems to facilitate the sort of growth envisaged in the Discussion Paper.

A recent paper from the Brookings Institution takes this thinking a step further by identifying “innovation districts” (Katz B and Wagner J, 2015). The concept of an innovation district extends the entrepreneurial ecosystem into an innovation ecosystem that creates value from integrating resources and various approaches to meet diverse regional needs. Innovation districts bring together entrepreneurs, industry, educators, investors, infrastructure planning and social investments to generate new, modern industries that create new jobs, attract people and offer opportunities.

6. Creating a supportive environment for entrepreneurs and innovation

There are clear lessons from experience elsewhere both in Australia and overseas that suggest how to create place-based environments to support entrepreneurial development and growth of innovative firms. The following outlines key components required to establish such an environment for an agribusiness growth strategy:

6.1 Clear vision

A vision for agribusiness growth needs to reflect the distinct and identified strengths of the local region and clarify the competitive advantage stemming from these. This means that the vision should be clearly and firmly rooted in detailed analysis of the region. A clear, shared vision facilitates orienting support to those areas with the greatest chance of success rather than just trying to pick winners or alternatively a shotgun approach to industry development. Importantly, the vision also facilitates re-orienting institutional assets and guides investment in physical assets to respond to economic, social and demographic changes. The vision may also incorporate a district brand if considered advantageous.

6.2 Collaborative leadership networks

In innovative regions, these leadership networks are often based around principles of system leadership (Senge et. al., 2015) and allow disparate institutions to share ideas. Often within this structure there may also be a clear champion/facilitator who drives processes for results.

6.3 Integrated approaches

Linking economic, physical and networking assets helps produce vibrant economies. For example, linking plans for port development in Geelong with existing and emerging value chain development and industry networks offers the potential to optimise infrastructure investments.

6.4 Value chain innovation

It is important that all companies have innovation at their core but SMEs are especially important to creating new growth opportunities that lead to increased employment and income. Experience suggests that high growth firms focus on delivering value to their existing and new customers through innovation and working collaboratively along the whole value chain.

6.5 Skilled workforces

Developing the innovation skills of agribusiness managers and labour forces is vital to equip firms with appropriate skills including leadership, active management, employee skills, collaboration skills and skills in customer relationships. This requires strong, practical links between education providers and industry e.g. in the G21

region this is being pursued through a number of avenues including the new Covenant College Agriculture Trade Training Centre, Marcus Oldham College, The Gordon TAFE and Deakin University's Centre for Regional and Rural Futures.

6.6 Building entrepreneurial communities

Entrepreneurship and innovation go hand in hand. Innovation ecosystems support existing entrepreneurs and start-ups through initiatives such as business incubators, accelerators, industry showcases and entrepreneurial competitions. Building entrepreneurial communities extends this to developing long term sustainable entrepreneurial talent e.g. through youth and young entrepreneur based initiatives.

6.7 Collaboration and clusters

Collaboration is a vital component of innovation, especially in a globalised economy. Firms within clusters commonly collaborate to create new value for their businesses. Entrepreneurial ecosystems facilitate cluster and network development based on common commercial interests.

6.8 Anchor institutions

Key institutions commonly act as innovation drivers within an ecosystem e.g. industry networks or public organisations bring firms together under a unifying vision and/or major firms collaborating along their value chain can be a key driver of innovation; and

6.9 World class research institutions

The presence of globally significant research institutions, commonly associated with universities, with strong links to industry, drive innovation and development of start-ups as well as technology development for individual firms.

It is proposed that government assistance to build capacity in these areas in identified places around the state would significantly assist the development of high growth SMEs in the food and fibre sector. As already noted these initiatives should be industry-led with support from flexible programs responding to identified needs.

7. Role of government

We see governments as supporters rather than drivers of change. There is ample evidence from around the world that supporting emergent strategies led by industry with a strong commercial focus can deliver high growth SMEs that in turn provide significant economic and social benefits. The role of government is to help industry create this environment at a place-based level through flexible and outcome driven assistance.

8. Regional growth opportunities

We note that the Food and Fibre Discussion Paper highlights particular sectors on which to focus growth opportunities in different regions (Box 1, p.13). For the G21 region this includes milk production, intensive animal production, wine and beverages, fishing, and textile clothing and footwear.

These sectors reflect existing and some emerging production systems observable in the region and likely will be a source of considerable growth. However, we consider that such an approach is too restrictive and runs the risk of discouraging development of new industries and cross sectoral innovation that may not be foreseen. Much innovation comes from interactions at the boundaries and building an innovation ecosystem needs to assist industry identify and exploit opportunities at the boundary.

As outlined above we consider that government should be looking to assist this through place-based flexible programs that respond to industry-led initiatives. This can be articulated in a regional vision as outlined above. Further, while it is likely that growth initiatives will come from these sectors, such a system should also encourage boundary spanning to pursue innovation. Specifically focusing on particular sectors in the absence of a clear regional vision runs the risk of limiting innovation at the boundaries of industries and the creation of new industries. For example, in the G21 region the importance of industries such as olive oil production, paddock to plate value chains and sustainable production systems could be overlooked through an inadvertent focus on existing sectors.

9. Integrated infrastructure

Ongoing development of appropriate infrastructure is vital for cost efficient market access both domestically as well for export markets and will directly facilitate investment in existing and new agribusinesses. There is considerable planning underway to identify key infrastructure investments in Geelong. For instance, the City of Geelong in association with key industry partners has completed a study that identified a series of investments that would significantly enhance cost effectiveness of the Port of Geelong operations.² This outlines road, rail and marine investments. However, in line with the type of approach outlined above there is scope for the needs of the agribusiness sector to be more closely integrated into future planning.

Geelong provides a natural hub for transport infrastructure that services the G21 region, key agricultural regions of south west and western Victoria and areas beyond. This includes road, rail, the Port of Geelong and Avalon Airport. Accordingly, a desired next step is to expand the

² See: <https://www.geelongaustralia.com.au/common/public/documents/8d06715d363ea38-Geelong%20Port%20and%20Land%20Freight%20Infrastructure%20Plan.pdf>

existing study to develop detailed business cases for infrastructure investments related to specific agribusiness value chains relevant to the Geelong region. This will lead to a clear basis for investing in improved market access infrastructure in Geelong and the G21 region more broadly.

10. Action in the G21 region

The G21 Agribusiness Forum and the CfG have been working collaboratively to develop this type of industry-led environment for agribusiness development in the G21 region. In particular, the approach has been to assist growth and development of agribusinesses through:

- **Connecting agribusiness** to organisations that can assist their growth and development;
- **Facilitating collaboration** amongst agribusiness supply chains and other sectors to enhance the creation of value by agribusinesses in the region; and
- **Building entrepreneurial and innovative capacity** of agribusiness owners and employees.

To date, our organisations, working in partnership with the City of Greater Geelong's Enterprise Geelong Opportunity department, have completed an environmental scan of agribusinesses in the Geelong region. In addition, the G21 Agribusiness Forum and the CfG conducted a joint agribusiness workshop in March 2015.

It is widely accepted that agribusiness provides a significant opportunity for future socio-economic development of the G21 region. This is evidenced in the significance of agribusinesses investing in the Geelong Ring road Employment Precinct (GREP) and was confirmed at the March workshop.

The March workshop identified the need for further understanding of agribusiness value chain structures as part of building a supportive environment for sustainable agribusiness development across the region. Key components and opportunities identified at the workshop included:

- Marketing Geelong as an agribusiness hub;
- Development of a local brand;
- Market development and market understanding;
- Transport, logistics and other infrastructure;
- Job creation and workforce development;
- Research and education;
- Water; and
- Innovation, collaboration and entrepreneurship.

The G21 Agribusiness Forum has also focussed on enhanced communication across the

G21 Agribusiness Forum and Committee for Geelong

agribusiness sector through regular newsletters (see: <http://g21agforum.com.au/resources-and-events/newsletter/>), promoting the importance of agribusiness in the G21 economy (see: <http://g21agforum.com.au/resources-and-events/contribution/>) and highlighting innovative agribusinesses in our region through our innovation hotspots (see: <http://g21agforum.com.au/resources-and-events/innovation-hotspots/>).

The G21 Agribusiness Forum also hosted a visit to the region by Malaysian Chefs and in conjunction with Marcus Oldham has hosted visits to the region by Tom Lyons from the School of Business at Baruch College, City University of New York, USA and Don Macke from the Centre for Rural Entrepreneurship in Lincoln, USA.

In addition, the CfG conducted a trade mission to the USA and met with representatives from the US Grains Council, Virginia Port Authority, together with a range of representatives from State and Federal governments to explore mutually beneficial agribusiness opportunities for the region.

In response to identified needs in the region the G21 Agribusiness Forum, in collaboration with the CfG, has prepared a proposal to develop a roadmap to identify key components of an innovation district/innovation ecosystem for agribusiness in the G21 Region. This is the type of place-based, industry-led initiative that both organisations propose can provide the basis for developing an agribusiness innovation ecosystem. It is expected that this type of approach will produce specific commercial projects and there are already two projects that have emerged from this process: a proposed market for Geelong based on sales of local produce and an on-line market linking local producers and food service businesses.

11. Conclusion

The G21 Agribusiness Forum and CfG thank the Victorian government for the opportunity to contribute to planning for the future of the food and fibre sector in Victoria. We believe that there is a sound base from which industry supported by government can build strong, vibrant and high-growth firms generating quality jobs and income, both in our region as well as across the state.

We confirm that our submission can be made public and would be happy to elaborate on any aspect of our submission.

12. Contacts

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