FOOD PROCESSING STRATEGIC INVESTMENT TO BUILD THE ECONOMY IN REGIONAL SOUTH AUSTRALIA

SUBMISSION TO THE PARLIMENTARY INQUIRY INTO THE SOUTH AUSTRALIAN LIVESTOCK INDUSTRY

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REGIONAL AUSTRALIA INSTITUTE

KNOWLEDGE POLICY PRACTICE

ABOUT THE REGIONAL AUSTRALIA INSTITUTE

Independent and informed by both research and ongoing dialogue with the community, the Regional Australia Institute (RAI) develops policy and advocates for change to build a stronger economy and better quality of life in regional Australia – for the benefit of all Australians. The RAI was established with support from the Australian Government.

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REFERENCE

This paper can be referenced as:

> The Regional Australia Institute (2018). *Food and Agribusiness Strategic Investment to Build the Economy in Regional South Australia: Submission to the Parliamentary Inquiry into the South Australian Livestock Industry*. Canberra.

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EXECUTIVE SUMMARY

The Regional Australia Institute (the RAI) welcomes the opportunity to respond to the Natural Resource Committee of the Parliament of South Australia's inquiry into the South Australian Livestock Industry. This submission particularly addresses the following points from the terms of reference:

b) explore the capacity of the local meat industry to expand and create jobs, and

d) ensure that the South Australian livestock industry is best placed to further capitalise on new opportunities.

Nationally, the number of food processing jobs has surpassed the number of production jobs in the agribusiness sector. This occurred as the number of jobs in production decreased more sharply than those in food processing. Consequently this submission focuses on processing as the most likely source of job growth for regional South Australia. Food processing includes the value-add component of the industry, such as meat processing, rather than livestock production or transport.

In this context, this submission outlines the importance of the food processing industry to the economy and future job prospects of many regional communities in South Australia. It provides a state-wide, consistent approach to understanding employment in the industry and pinpointing the communities where the industry is of most importance and regions where government intervention can have the greatest impact.

Agribusiness, and particularly food processing, is an important driver of economic growth in regional South Australia. This industry is predicted to grow[i] in the coming decades which will underpin regional development in many parts of regional South Australia.

Food processing employs 7,595 people in regional South Australia, which has increased since 2011 by 625 jobs. Meat processing is a significant contributor to this growth, with an additional 376 meat processing jobs in regional South Australia since 2011 (to a total of 1,864 meat processing jobs in 2016)[ii].

A high investment priority for food processing regional development are those places which are most specialised in these growing industries. Regions which are specialised in these industries are strongly reliant on them for employment growth and, in particularly the less populated regions, these industries present some of the only employment options. More specialised regions may also be able to better focus local resources on the development of these industries.

> ***For the food processing industry, the highest investment priority should be catalysing new economic activities through regional collaborations. Government intervention may build on local strengths to generate business and employment opportunities.***

The food and agribusiness priority areas are in the table below, these are the places where local areas are both specialised in food processing and performing above state and industry trends. These regions alone added a total of 736 food processing jobs between 2011 and 2016[iii].

HIGH industry specialisation, local conditions DRIVING growth	
Alexandrina	Mallala
Berri and Barmera	Naracoorte and Lucindale
Goyder	Orroroo/Carrieton
Grant	Peterborough
Kangaroo Island	Port Lincoln
Kingston	Renmark Paringa
Light	Tatiara
Loxton Waikerie	Wakefield

A number of the food processing investment priority areas are geographically close. This creates possibilities for cross regional collaborations in investment, workforce development and other strategies rather than just relying on individual projects. The regions in close proximity that are high investment priorities are:

- Berri and Barmera, Renmark Paringa and Loxton Waikerie;
- Tatiara, Naracoorte and Lucindale and, Wattle Range; and
- Barossa, Clare and Gilbert Valleys, Gawler and Light.

The State Government can help regional areas realise growth through targeting investment to regions in the highest priority areas identified in this work. This provides a way to efficiently lift employment across the state while also working with each local economy's strengths.

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INTRODUCTION

Food and agribusiness is predicted to grow[iv] over the next decade, presenting an opportunity for regions. The challenge for decision makers and communities is to make sure regions are well positioned to capitalise on this opportunity.

In 2016, the broader agriculture, forestry and fishing industry contributed $4.6 billion in Gross Value Add (GVA) to the South Australian economy, up from $3.5 billion in 2006. South Australia's manufacturing industry, approximately 20-25% of which is food processing, contributed $6.6 billion to the Australian economy in 2016, a decrease from $8.3 billion in 2006.

The food processing industry generates jobs for regional South Australians in 15 different Local Government Areas (LGAs) and the number of people employed is increasing. Food processing employed 7,595 regional South Australians in 2016, which is an increase of 625 jobs since 2011. Meat processing is a significant contributor to this growth and from 2011 to 2016, 376 meat processing jobs were created in regional South Australia (to a total of 1,864 meat processing jobs in 2016). However there is capacity for this number to continue to grow and some regions will benefit more from this than others.

WHAT FOOD PROCESSING GROWTH MEANS FOR SOUTH AUSTRALIA

SOUTH AUSTRALIAN FOOD AND AGRIBUSINESS EMPLOYMENT TRENDS

Increases in national and state GVA by the food and agribusiness industry has not been reflected through increased employment in the sector. Food and agribusiness has experienced rising multifactor productivity over the long term which has led to overall growth in output and value add as producers have adopted better technologies and practices in their production. These efficiencies have led to a persistent decline in demand for labour, particularly in the production sub-sector.

When divided into the food production and food processing sub-industries, it is apparent that national production employment has decreased over five years (-9% or 16,774 jobs) and decreased more drastically over 10 years (-24% or 43,014 jobs). Processing has seen significantly less declines with only a slight decrease over 5 years (-1% or 11,676 jobs) and a slight increase over 10 years (+0.3% or 553 jobs). These employment trends in the sector have occurred while Australia's employment rates are increasing across all industries (by 6% over five years and 15% over ten years) and food and agribusiness' GVA has increased. In 2016, the number of processing jobs nationally surpassed the number of production jobs in the sector as production employment fell more sharply than processing employment. As a result, this work has focussed on processing as the most likely source of employment growth in regional South Australia.

Food processing employs 7,595 people in regional South Australia. In regional South Australia, food and agribusiness has essentially followed the national trends of employment with production seeing a slight increase over five years (32 jobs) and a decrease over ten years (-3,097 jobs) and processing being nearly stable in the longer term (increase 625 jobs over five years and a decrease of -621 jobs over ten years). Unlike at the national level, in South Australia the number of processing jobs has not passed the number of production jobs. However, if trends continue this may occur in the future.

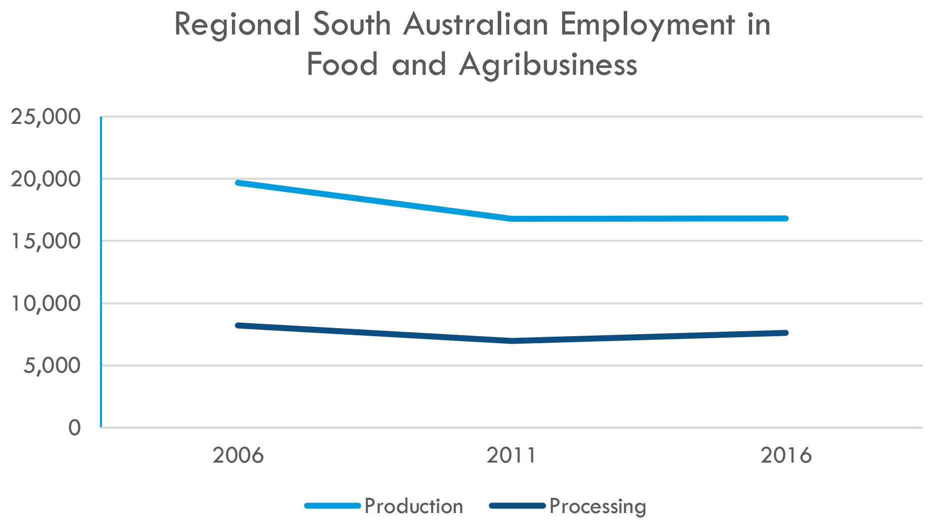

Figure 4: South Australia employment in food and agribusiness in 2006, 2011 and 2016.

In food processing, the occupations which employ the most people in regional South Australia are wine and other alcoholic beverage manufacturing (3,781 jobs) and meat processing (1,864 jobs). The next closest major processing occupations employ much fewer people. These are bread manufacturing (432 jobs), bakery product manufacturing (332 jobs) and seafood processing (212 jobs).

Changes in food and agribusiness employment are not uniform between metropolitan and regional areas. Nationally, food production is strongly concentrated in non-metropolitan areas and food processing closer to a 50-50 split between regional and metropolitan areas. At the state level, food production continues to be strongly concentrated in non-metropolitan areas yet food processing is more strongly concentrated in the metropolitan and surrounding LGAs.

SOUTH AUSTRALIAN FOOD AND AGRIBUSINESS IN REGIONAL ECONOMIES

Meat processing is a source of employment for 15 LGAs across regional South Australia. Although food processing features more strongly in some South Australian regional economies than others.

Table 1 identifies the areas that are the most highly specialised, that have the highest number of food processing jobs and where local conditions are driving or constraining local performance.

The main strongholds for food processing employment are the LGAs surrounding Adelaide such as Barossa, Onkaparinga, Port Adelaide-Enfield and Salisbury. Regionally the highest number of processing jobs are in Barossa (2,030 jobs), Murray Bridge (849 jobs), Light (442 jobs) and Tatiara (412 jobs).

Table 1: Summary of food processing employment in regional South Australia. Where the asterisk indicates places which are specialised in food processing.

Regions that are the most specialised in food processing	Regions with the largest number of people employment in food processing
1. Barossa* 2. Wakefield* 3. Tatiara* 4. Murray Bridge* 5. Light* 6. Clare and Gilbert Valleys* 7. Naracoorte and Lucindale* 8. Loxton Waikerie* 9. Wattle Range* 10. Berri and Barmera* 11. Renmark Paringa* 12. Peterborough*	1. Barossa* (2030 jobs) 2. Murray Bridge* (849 jobs) 3. Light* (442 jobs) 4. Tatiara* (412 jobs) 5. Wakefield* (385 jobs) 6. Clare and Gilbert Valleys* (369 jobs) 7. Naracoorte and Lucindale* (356 jobs)

The Barossa is highly specialised in food processing employment, with 21% of the total labour force engaged in food processing occupations. A very large portion of the processing jobs in Barossa (93%) are from the wine and alcoholic beverage industry (1,896 jobs). Clare and Gilbert Valleys (331), Light (295), Berri and Barmera (265), Loxton Waikerie (230), Wattle Range (277) and Renmark Paringa (123) also have a very high proportion of processing jobs in the wine and alcoholic beverage industry.

Other major occupations contributing to processing employment include meat, bread and dairy products. Tatiara, Murray Bridge, and Naracoorte and Lucindale's processing employment is most strongly influenced by meat processing. In Murray Bridge, meat processing accounts for 95% of all processing jobs (368 jobs). Other notable processing employment is cereal and bread manufacturing in Tatiara, bakery and dairy processing in Murray Bridge and wine and other alcoholic beverages in Naracoorte and Lucindale.

A number of geographically neighbouring LGAs are highly specialised in food processing. These include:

- Berri and Barmera, Renmark Paringa and, Loxton Waikerie which are in the Murrayland and Riverlands RDA;
- Tatiara, Naracoorte and Lucindale, and, Wattle Range which are in the Limestone Coast RDA; and
- Barossa, Gawler, Light and Clare and Gilbert Valleys which are in the Barossa and the Yorke and Mid North RDA.

This geographic spread suggests government investments to improve food processing employment in these LGAs, could be addressed in a collaborative way which spans multiple LGAs and regions rather than individual projects or local strategies.

While some LGAs are strongly specialised in the food processing industry, not all LGAs have performed equally over the five year period from 2011 to 2016. By separating out the state and industry employment trends, we can see the extent which local conditions play a role in driving or constraining employment growth.

In Figure 5 and 6, the 0 represents the baseline, or the change in the number of jobs expected in each place based on state and industry trends. Columns above the baseline show local conditions are helping these regions outperform state and industry trends. Columns below the line show that something in the local region means they are not keeping pace with state and industry trends, even though in actual employment numbers the area may either be increasing or decreasing.

For Wakefield, occupations which grew most over the period were in cured meat and smallgoods manufacturing, poultry processing, other meat processing and bread processing. Whereas the occupations which grew the most in Renmark Paringa were fruit and vegetable processing, bread processing, wine and other alcoholic beverage manufacturing and other food product manufacturing.

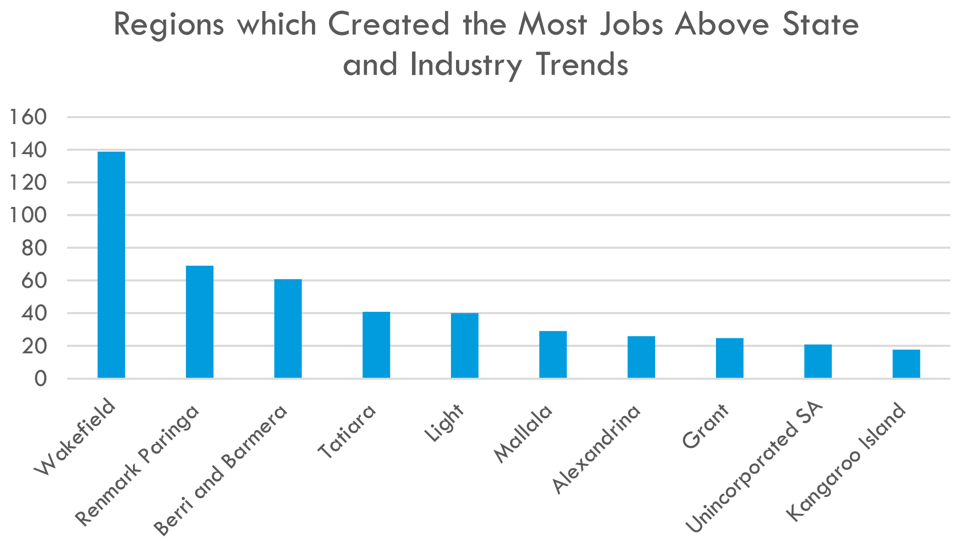

Figure 5: Regional Local Government Areas performing most above state and industry employment trends, 2011-2016.

For Wattle Range, the occupations which shrunk the most in food processing were fruit and vegetable processing which was the same for the Barossa. Murray Bridge also saw job losses in cheese and other dairy processing.

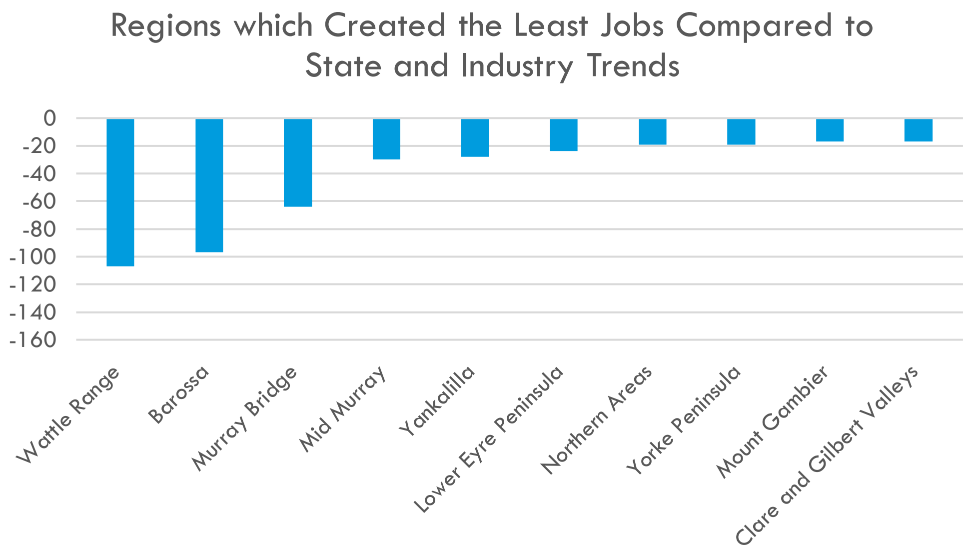

Figure 6: Regional Local Government Areas performing most below state and industry employment trends, 2011-2016.

Food processing is a significant contributor to South Australia's economy and employment in regional areas. Employment in the industry is more important in some economies than others. Our analysis shows that regions which strongly specialise in food processing are geographically in close proximity. Each region's ability to capitalize on industry growth differs, with some regions having been better positioned to grow and others having performed below state and industry employment trends.

There is a range of factors which contribute to the conditions in each LGA which drive or hinder employment growth. To understand this in greater depth a case study analysis was conducted on the food processing industry in Wakefield.

FOOD PROCESSING CASE STUDY: WAKEFIELD

Wakefield was chosen as the case study region because it has a very high specialisation in food production and food processing. Employment in food processing has also been driven above state and industry trends because of local conditions.

Agribusiness is Wakefield's major source of employment, followed by health care and education. Food and agribusiness accounts for 35% of all employment (890 jobs), which can be split into the food production and food processing sub sectors. For Wakefield, other meat, poultry and cured meat and smallgoods processing are the primary occupations contributing to food processing employment.

Wakefield's food processing sector has performed considerably above the state and industry trends. Indeed, 139 additional jobs can be attributed to local conditions (Figure 7). This means something unique to the local area has triggered additional growth.

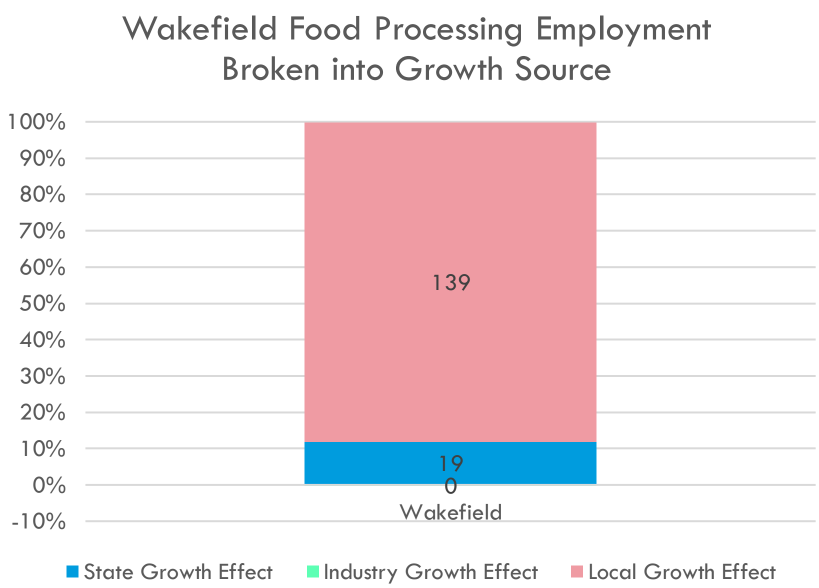

Figure 7: Breakdown of Wakefield's food processing employment growth, 2011-2016.

To further understand the factors driving this growth above expect state and industry trends, in-depth interviews were conducted with people working in the Wakefield agribusiness industry and associated organisations who have observed changes over the period (2011 to 2016).

FACTORS CONTRIBUTING TO INCREASE IN EMPLOYMENT

A range of factors contributed to increases in food and agribusiness employment across Wakefield between 2011 and 2016:

- The period saw above average rainfall and ideal conditions for a range of commodities.
- A number of large agribusiness employers in the Wakefield region, notably in meat processing, also underwent expansions and upgrades.
- The poultry sub-industry developed substantially across South Australia from 2010. This had downstream industry benefits, such as a prosperous chicken manure fertiliser industry.
- A major employer in the Wakefield region sold to a new management company and the employment structure changed as a result.
- PIRSA grants delivered through the Regional Development Fund may have also played a role in increased employment over the period.

The region has also been well positioned to take advantage of these opportunities for growth. Strong capacity, shared vision, entrepreneurial local business owners, understanding and collaboration between local industries is seen by locals as being crucial to local growth. The region has also benefited from government initiatives, such as grants and co-funding arrangements. The number of interviewees that referred to each theme is recorded in Table 2.

Table 2: Response matrix – Interview responses when asked about factors contributing to employment growth in Wakefield. Information is from the one-on-one interviews only.

<table>
<tr><th></th><th>Community proactivity and shared vision</th><th>Identifying and building on local strengths</th><th>Internal collaboration</th><th>Government initiatives</th><th>Awareness of and flexibility to consumer preferences</th></tr>
<tr><td>Governing Bodies</td><td>|||</td><td>|||</td><td>||</td><td>|||</td><td>||</td></tr>
<tr><td>Business Operator</td><td>||||</td><td>卌</td><td>|||</td><td>|||</td><td>||</td></tr>
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Table 2 shows that from the one-on-one interviews, seven of the eight interviewees mentioned community proactivity and shared vision as one of the key contributors allowing the community to maximise opportunities for growth. Similar views were expressed among industry leaders through a group meeting (eight additional people from a range of local industries). Most respondents noted that a particular individual was key in setting a culture of proactivity, mentoring other members of the community and encouraging people to have a shared vision for their region. People also felt empowered to pursue change and strive for improvements along a similar strategy and vision.

Collaboration as well as a number of proactive individuals have been important to Wakefield's success. The large local industries, not just agribusiness, are well connected and bring people together to solve common challenges and pursue shared goals. Some respondents reflected that networking events were a contributor to this culture. An early genesis of this was the creation of a local pea and chick pea cooperative which connected local producers, providing a support base in times of struggle. Other factors contributing to the high-performing agribusiness environment is an attitude of mentoring and seeking out industry champions, harnessing visionary people and bringing them together.

Beyond the intangible regional networks and leadership that drive local growth, every interviewee and some from the industry leaders group meeting mentioned the fundamental strengths of businesses being located in the region. This included businesses being attracted because the land is cheap, rates are low, and there is good access to a range to transport options (road upgrades, rail intermodal and proximity to Port Adelaide). The distance from neighbours is a draw for the poultry industry to reduce odour complaints. The area has access to critical infrastructure necessary for production, such as water and electricity. The electricity sub-station has been recently upgraded which is an attraction for large businesses in the area, although some businesses with high power consumption have moved to solar to save costs. This suggests that a mix of tangible and intangible advantages are critical to regional success.

EMPLOYMENT AND SKILL CHALLENGES IN WAKEFIELD

Engagement revealed varying experiences with employee availability and retention. For some it is an issue they have overcome and for others it is a challenge that limits business income. Some interviewees reported high employee retention rates, owing to their efforts to train and retain workers. Other interviewees reported a changing employee base because people move between businesses in the local area, indicating that worker poaching can be an issue. One large business reported high employee turnover and difficulty filling skill gaps, in part due to the Commonwealth Government's change to 457 visas. With limited access to skilled migrant labour and support for migrant workers to settle their families in the local community, as at May 2018, the business only had 77% of the staff it needed. Moreover, approximately half of the employees in the business have been commuting an hour or two to work, from as far as the northern suburbs of Adelaide and Port Pirie. These employees are only willing to travel these distances while the employment prospects are low in northern Adelaide and Port Pirie.

Across a range of local industries however, including and beyond agribusiness, respondents reported a general gap in transferable skills such as fork lift and truck driving. It was mentioned that many people have the appropriate work tickets but not enough experience using their skills. Work machinery is becoming more advanced technologically and therefore more expensive. Business owners are thus less open to letting brand new operators drive their machinery. There is a need for a graduate program or similar to transfer people's official accreditation into practical experience.

As an alternative approach to acquiring necessary labour, one business sourced skilled workers by employing ex-mining workers. These older workers have the transferable skills and experience which can be used for food processing roles. Because of skill transferability issues, some businesses prefer to hire new employees which can be completely trained in-house and attuned to the unique way the business operates.

GOVERNMENT INITIATIVES SUPPORTING REGIONAL DEVELOPMENT IN WAKEFIELD

Grants, co-funding arrangements and infrastructure improvements were the main government initiatives which respondents mentioned as being most supportive to the local food and agribusiness industry in Wakefield LGA.

Several respondents referred to the following PIRSA Regional Development Fund grants which were awarded during the Census period and contributed to employment growth:

- $1.2 million for increased employment and capacity through Primo Smallgoods expanding the boning room to increase capacity;
- $0.8 million for increased employment and capacity through Bowmans Intermodal improving export efficiencies; and
- $0.2 million for increased employment and capacity through SA Mushrooms expanding their compost production capacity.

Many respondents mentioned the value of the RDA to help identify and interpret grant funding rounds. Some suggested the grants were difficult to find or access without this service.

The Regional Development Fund investment has been delivered based on the acknowledgment that certain industries support regional development outcomes. Respondents were largely positive about Regional Development Fund grants and their contribution to regional change. Respondents reported that the grants helped speed up local benefits and made them more far reaching. In some cases, projects were achieved through co-funding arrangements between government, private and other parties.

A number of respondents referred to the benefits of co-funding arrangements. Businesses from across the industry have come together to define common needs, a shared cause and pool resources. One respondent mentioned that the government provided the final piece of funding where a project might have otherwise fallen short.

Wakefield has a high specialisation in food processing and has performed well above state and industry employment trends for the sector. A range of factors have contributed to this growth including favourable growing conditions, business upgrades, sub-sector growth and PIRSA grants. The region was able to capitalise on these opportunities because of existing strong capacity, shared vision, entrepreneurial local business owners and collaboration between industries. Wakefield's primary regional development challenge is the region's ability to attract and retain employees, including suitably skilled and experienced people, and have their families settle in the community.

CONCLUSION

Agribusiness is a significant employer in regional South Australia and there is scope for regions to take advantage of predicted growth in the industry over the coming decades.

The number of jobs in food processing, or the value-add component of agribusiness which includes meat processing, has surpassed the number of jobs in food production. For the future of job creation in regional Australia, food processing is the most likely source of job growth. Activity to generate jobs through the livestock industry should similarly focus on the processing component.

Food processing already employs 7,595 regional South Australians (2016) and this has been increasing. Between 2011 and 2016, food processing employment in regional South Australia increased by 625 jobs. Meat processing has been a significant contributor to this and has added 376 jobs to regional South Australia over the five year period.

There is scope for food processing to continue to grow jobs in regional South Australia however food processing is not equally important across all regional areas, and some regions are in a better position to take advantage of predicted industry growth. This analysis pinpoints where food processing is of most importance in regional South Australia and the regions which are potentially in the strongest position to take greatest advantage of predicted growth in the industry. These are the areas where government initiatives should be focused.

For the food processing industry, the highest investment priority should be catalysing new economic activities in regions which specialise in food processing and have performed strongly in terms of job growth. These are the Local Government Areas of Alexandrina, Berri and Barmera, Goyder, Grant, Kangaroo Island, Kingston, Light, Loxton Waikerie, Mallala, Naracoorte and Lucindale, Orroroo/Carrieton, Peterborough, Port Lincoln, Renmark Paringa, Tatiara and Wakefield. Between 2011 and 2016, these regions alone added a total of 736 food processing jobs and are potentially well positioned to continue driving growth if there is an appropriate catalyst. For other regions, alternative investment approaches would be more suitable.

This approach provides a way to efficiently lift employment across the state while also working with each local economy's strengths.

REFERENCES

[i] Deloitte (2014) Positioning for prosperity: Catching the next wave, Ch. 3, in Building the Lucky Country: Business imperatives for a prosperous Australia.
[ii] Calculations based on ABS Census data for 2016 and 2011, using 4 digit ANZSIC classifications and the ABS definition of 'food and agribusiness'.
[iii] Calculations based on ABS Census data for 2016 and 2011, using 4 digit ANZSIC classifications and the ABS definition of 'food and agribusiness'.
[iv] Deloitte (2014) Positioning for prosperity: Catching the next wave, Ch. 3, in Building the Lucky Country: Business imperatives for a prosperous Australia.