Southern Gippsland Food Futures

Economic Analysis

FINAL REPORT

Prepared for
Bass Coast Shire Council and South Gippsland Shire Council

By
Essential Economics Pty Ltd

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EXECUTIVE SUMMARY

Bass Coast Shire Council and South Gippsland Shire Council have jointly engaged Essential Economics to provide an economic assessment of the Southern Gippsland region’s food sector, which includes agriculture, manufacturing, wholesaling, retailing, tourism and food services as well as their respective supply chains. This assessment highlights the economic value of the region’s food sector, opportunities for future growth and enabling projects to support expansion of the sector.

The key findings of this study are summarised as follows:

1 The Southern Gippsland region’s food sector is vital to the economies of Bass Coast Shire, which has a strong focus on food retailing and tourism and South Gippsland Shire, which has a strong focus on dairy and beef activities.

2 Key advantages of the region’s food sector include high-quality soils, above-average rainfall, ability to adapt to climate change, efficient access to markets, significant sunk investment and enabling infrastructure in the sector, a skilled and experienced workforce, and recently improved broadband and mobile telecommunications coverage.

3 The current economic value of the sector is estimated at $1.4 billion ($0.6 billion in value-added), supporting 30% of regional jobs, 20% of businesses and 26% of regional exports.

4 Growth and transition of the region’s food sector is important to insulate the sector from short-term downturns or permanent decline in established sectors.

5 Consultation with key stakeholders has identified the following opportunities for the region’s food sector:
   - Dairy, especially value-added products that are not subject to exposure to commodity price fluctuations
   - Expansion of the local food movement such as boutique businesses, farmers markets, specialty/value-added products
   - Expansion of horticultural activities such as market gardens, fruit and vegetables and herb growing
   - Intensive meat production including small-scale intensive activities such as broiler farms, pigs and deer
   - Increase in food tourism activities including farm gate, cellar door, clean and green food experiences and fish boat sales

6 To maximise these food sector growth opportunities the following enablers and specific projects have been identified:
   - Improved road and bridge Infrastructure to enhance efficiency, capacity, productivity and safety for the food sector’s transport-related businesses.

   Specific projects include:
   - South Gippsland Highway Black Spur – Koonwarra Bend Project
- Bass Highway, Anderson to Leongatha Upgrade
- Wonthaggi Alternative Heavy Vehicle Route
- Phillip Island Road Upgrade
- Bena Kongwak Bridge Upgrade
- Kernot Bridge Replacement Over Bass River

• **Improved water infrastructure** – including water distribution and retention projects which build on the *South Gippsland Water Security Project* and will enhance investment confidence across the food sector.

• **Improved waste and resource recovery capacity** through the *Gippsland Waste and Resource Recovery Implementation Plan* which provides an opportunity to strategically plan for the food sector’s long-term waste and resource recovery infrastructure requirements.

• **Revitalisation projects** that can generate new opportunities for the region’s food sector, such as food retailing and food and beverage-related businesses, and in doing so enhance overall tourism outcomes for the region.

Specific projects include:
- Leongatha CBD Revitalisation Project
- Cowes CBD Revitalisation Project

• **Improved education and training infrastructure** and tailored courses to ensure an appropriately skilled workforce is available to support the region’s food sector into the future.

Specific projects include:
- South Gippsland Trade Training Centre
- The Bass Coast Education Precinct
- Chisholm Frankston TAFE Redevelopment

• **Ongoing marketing and promotion of the sector** through initiatives like the *Southern Gippsland Food Map* and the *Gippsland Food Plan* will support region’s food sector enterprises.

• **Creation of a Southern Gippsland Food Cluster** to provide opportunities for businesses to better collaborate, share in innovation initiatives, identify and develop mutually beneficial projects, be involved in joint procurement and engage in networking and training events.

7 It is important to recognise the continuous evolution of the Southern Gippsland region’s food sector; therefore the opportunities and enabling projects identified in this report reflect the current environment. In reality, additional opportunities and further enabling projects are likely to become apparent as the region’s food sector continues to expand and diversify over time.
INTRODUCTION

Background

Bass Coast Shire Council and South Gippsland Shire Council are looking to develop their food sectors, with the aim of generating and promoting the Southern Gippsland food sector as an industry of State significance.

It is therefore important that the nature, scale and value of the food sector are fully understood and that opportunities for growth and required supporting infrastructure are highlighted.

Essential Economics has been engaged by the Councils to provide a robust assessment of the broad food sector, including agriculture, manufacturing, wholesale, retail, tourism and food services and their respective supply chains.

This project will provide evidence to support marketing initiatives for the sector by Councils as well as assisting with advocacy activities and supporting the development of each Council’s relevant priorities. Importantly, the report will assist with grant applications on behalf of Councils, businesses and agencies.

The outcomes of the project will assist with investment attraction and nurturing of existing businesses, including supporting Councils’ involvement in regional activities designed to attract new investment to Southern Gippsland.

Objective

The specific objectives of the study are:

- To highlight the scope and importance of the Southern Gippsland food sector in a regional, State, National and International context.

- To quantify the flow-on effects and impacts of the sector on other areas of the local economies, including key linkages with other sectors such as tourism and transport.

- To identify opportunities and key priorities required to further the development of the Southern Gippsland food sector.

- To identify challenges to expanding the sector and recommending actions to mitigate these impediments, such as improved infrastructure and training.

This Report

This report contains the following chapters:

Chapter 1: **Context Analysis** – provides an overview of the regional catchment, a definition of the food sector to be used in the analysis, and a description of policies and strategies of relevance to this study.
Chapter 2: **Economic Value Assessment** – presents an assessment of the economic value and importance of the Southern Gippsland food sector in terms of comparative advantage, output, employment, exports and business structure. Benchmarking against other Victorian food regions and the State is also included with reference to food sector employment.

Chapter 3: **Issues and Opportunities Assessment** – highlights existing challenges and potential opportunities for Southern Gippsland’s food sector as well as identifying future infrastructure and training needs to facilitate these opportunities.

Chapter 4: **Supporting Projects** – presents a description of identified infrastructure, training and projects which, if delivered, would assist in overcoming challenges and leverage new opportunities for Southern Gippsland’s food sector. Priority projects are also identified.

Chapter 5: **Key Findings and Recommendations** – presents a summary of the main findings and recommendations of the report.
1 CONTEXT ANALYSIS

This Chapter provides an overview of the Southern Gippsland region, including commentary on location, population growth trends, tourism visitation levels, relevant policy and research, and definitional aspects that are used in subsequent assessments in this report.

1.1 Regional Overview

Location

The Southern Gippsland region (Study Catchment) comprises the neighbouring municipalities of Bass Coast Shire and South Gippsland Shire. The Study Catchment is located in the south-west region of Gippsland, as shown in Figure 1.1. The Gippsland region also includes Baw Baw Shire, Latrobe City, Wellington Shire and East Gippsland Shire.

Figure 1.1: Overview of the Gippsland Region

The Southern Gippsland region, as shown in Figures 1.2 and 1.3, is located between 100km to 150km from Melbourne’s CBD and is accessible to metropolitan Melbourne destinations via the South Gippsland Highway and the Monash Freeway. In terms of the region’s food sector, this efficient access to expanding populations (ie, consumers), major markets, suppliers, and ports represents a comparative advantage for the region.
Figure 1.2: Southern Gippsland Food Sector Catchment and Broader Region

Source: MapInfo
Southern Gippsland’s population is estimated at 60,580 persons in 2016, with a fairly even spread between Bass Coast Shire (32,830 persons) and South Gippsland Shire (27,750 persons). Strong population growth is forecast for the Southern Gippsland region over the coming years, with the region’s population forecast to reach 75,470 persons by 2031, representing an increase of +14,890 persons at an average annual growth rate of 1.5% over the 2016-2031 period. These figures are shown in Table 1.1. Southern Gippsland’s population growth will be underpinned by significant population expansion in Bass Coast Shire (+2.1% pa), with more modest growth forecast for South Gippsland Shire (+0.7%).

In comparative terms, over the 2016-2031 period, Southern Gippsland’s population growth of 1.7% pa will be stronger than regional Latrobe-Gippsland SA4 (1.2% pa) or State (1.7% pa) growth rates.
Table 1.1: Population Projections – Selected Regions, 2016-2031

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2021</th>
<th>2026</th>
<th>2031</th>
<th>Change 2016-31</th>
<th>AAGR 2016-31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bass Coast (S)</td>
<td>32,830</td>
<td>36,990</td>
<td>40,950</td>
<td>44,800</td>
<td>+11,970</td>
<td>+2.1%</td>
</tr>
<tr>
<td>South Gippsland (S)</td>
<td>27,750</td>
<td>28,480</td>
<td>29,610</td>
<td>30,680</td>
<td>+2,930</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Southern Gippsland Region</td>
<td>60,580</td>
<td>65,470</td>
<td>70,560</td>
<td>75,470</td>
<td>+14,890</td>
<td>+1.5%</td>
</tr>
<tr>
<td>Latrobe-Gippsland SA4</td>
<td>268,280</td>
<td>284,770</td>
<td>303,340</td>
<td>321,890</td>
<td>+53,610</td>
<td>+1.2%</td>
</tr>
<tr>
<td>Victoria</td>
<td>6,048,767</td>
<td>6,605,653</td>
<td>7,170,957</td>
<td>7,733,259</td>
<td>+1,684,492</td>
<td>+1.7%</td>
</tr>
</tbody>
</table>

Source: Department of Environment, Land, Water and Planning, Victoria in Future 2016
Note: AAGR: Average Annual Growth Rate

Tourism and Visitation

Approximately 4.5 million visitors are attracted to the Southern Gippsland region each year, including significant visitation to Phillip Island and Wilsons Promontory. The region’s visitation comprises the following:

- Bass Coast has annual visitation of approximately 3.7 million people per year, approximately 70% of whom are overnight visitors (Deloitte Access Economics 2016).
- South Gippsland has annual visitation of approximately 0.8 million people per year, approximately 65% of whom are day trippers (Prom Country Economic Impact and Visitor Profile 2012/13, University of Queensland).

Many holidaymakers engage in a range of food-related activities, such as dining at cafes and restaurants, drinking in bars and clubs, purchasing take-away food and drink, visiting wineries, and purchasing local produce. Other visitors are associated with business and conference activities relating to the region’s significant agriculture, dairy and food processing sectors.

Tourism expenditure in South Gippsland Shire was estimated at $125 million in 2012/13 (Prom Country Economic Impact and Visitor Profile 2012/13), while the value of tourism to Phillip Island was estimated at $655 million in 2013/14 (Phillip Island – Market Profile, year-ending December 2014, Tourism Victoria).

The Phillip Island and San Remo Visitor Economy Strategy 2035 (2016) indicates a 4.2% pa growth rate in visitation to the region over the 2016-2035 period, which will significantly increase available visitor spending in the local economy and thereby support increased spending in the food sector.

1.2 Policy and Research Review

This section provides a summary of important reports prepared for the State, each of the Councils, industry and research institutes which have implications for the Southern Gippsland region’s food sector.

Victorian Government Food and Fibre Sector Strategy (2016)

The Victorian Government’s Food and Fibre Sector Strategy is focused on the period 2016-2025 and aims to strengthen the sector in terms of jobs and growth as part of a broader strategic transition of the State’s economy over this period.
The Strategy highlights Victoria as Australia’s biggest food and fibres exporter, with exports reaching an all-time high of $12 billion in 2014/15.

The vision for the food and fibre sectors is outlined as follows (p7):

“It is our vision that in 2025 Victoria’s food and fibre sector:
- Is creating new jobs, attracting talent and providing rewarding careers
- Has seen remarkable growth, with more value adding and product differentiation
- Is a recognised leader in the Asia-Pacific region and is a destination of choice for investors
- Is demand-driven, achieving strong and sustained export growth
- Exceeds customer expectations for safety and quality
- Has welcomed a diversity of business models, technologies and production systems
- Sees more small and medium enterprises (SMEs) on strong growth trajectories

This strategy will help deliver on this long term vision. It supports an integrated approach, focusing in key areas along the food and fibre value chain.”

The Strategy is focused on the following themes and goals (p7):

**Attract more ideas and investment**
- Attract and support key industry events in Victoria and investment
- Build investment readiness and attract investment to the sector

**Help business innovate and grow**
- Establish an Innovation Network linking key capabilities
- Equip businesses with the skills to innovate and grow
- Support business to adopt technology, add value and create jobs
- Support local approaches to strengthen food and beverage manufacturing
- Identify and respond to fibre manufacturing growth opportunities

**Capture market opportunities**
- Support SMEs to build export capability, including capturing e-commerce opportunities
- Host inbound missions and support targeted outbound missions and market development
- Maintain existing and facilitate new access to export markets
- Support growth in food and wine tourism, and collective marketing

**Develop our infrastructure**

- Improve freight infrastructure, including expansion of the High Productivity Freight Vehicle network
- Improve access to our ports to reduce delays and costs for exporters
- Improve water security and realise the benefits of irrigation modernisation
- Improve access to ICT infrastructure and services in regional Victoria

**Improve the business environment**

- Support the implementation of Regional Partnerships
- Tailor facilitation services to support sector growth
- Reduce regulatory and compliance burden
- Work towards providing greater resource access certainty for foresters and fishers

The State Government has created a $200 million Future Industries Fund to support priority sectors (such as the Food and Fibre Sector), which includes job-creating grants to specialist firms and companies.


The Bass Coast Shire Council Economic Development Strategy (EDS) 2016-2021, highlights the following in relation to the Shire’s agricultural sector (p15):

“Bass Coast’s temperate climate and rainfall patterns make it a natural choice for food production, wineries, dairy and agriculture - a dominant industry sector in this region. Opportunities exist for value-adding and diversification as well as expansion into innovative horticulture and crop production. Climate change projections indicate that this area will be a key food production area for Victoria. Niche markets can be cultivated to meet the growing demand for speciality food products.”

In terms of farming sustainability, challenges and opportunities, the following factors are noted (p40):

- Strong rural sectors require the protection of productive farmland in the face of development and other demands.
- The rural economy will be based on sustainable practices that respond to the opportunities and challenges produced by the combined effects of climate change, the need for increased production by the escalating world population and growth of new markets in Australia and overseas.
Agriculture will remain a significant driver in the Bass Coast Shire and contributes to the high standard of liveability and tourism.

A number of specific actions for Council are recommended, including (p40):

- Bass Coast Shire Council will protect productive farmland and support rural business sustainability by:
  - Working with Regional Development Victoria by providing input into regional and state wide intensive agricultural policy
  - Developing an Intensive Agriculture Strategy for Bass Coast
  - Developing and promoting a Southern Gippsland Food Cluster
  - Promoting the Southern Gippsland Food map
  - Supporting the Rural Engagement Group to ensure that there is an open and productive relationship between Council and representatives of the agricultural sector
  - Supporting and promoting rural industry associations and events
  - Advocating to other levels of Government on farming issues
  - Providing investment facilitation expertise to agriculture enterprises seeking to establish in Bass Coast

**Issues and Opportunities for Agribusiness, Bass Coast Shire Council (2006)**

The *Issues and Opportunities for Agribusiness* study (Nexus Consulting, 2006) provides recommendations and an action plan for the Shire to implement over the next five years. The study identified the following key agricultural issues and opportunities for the Bass Coast Shire:

- There appears to be almost no interaction between agriculture and the tourism industry. Only a small number of businesses have a tourism component to their operation, with most identifying supplementary income or no income at all from the tourism component.

- The farmers/managers expect the volume of production to rise marginally over the next five years. However, they do not expect an increase in income or employment and it is unlikely production costs will decrease.

- The value of agricultural land has increased significantly over the past ten years. The key driver for this change is the popularity of the Shire for people who are purchasing agricultural land for lifestyle purposes.

Key actions to address the issues and opportunities identified in the Nexus Study are as summarised in Table 1.2.
Table 1.2: Actions for Bass Coast Shire’s Agricultural Sector

<table>
<thead>
<tr>
<th>Action</th>
<th>Activities</th>
</tr>
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<tbody>
<tr>
<td>Food production precinct</td>
<td>Undertake feasibility study to determine potential business location and requirements</td>
</tr>
<tr>
<td></td>
<td>Develop business case for funding support from government</td>
</tr>
<tr>
<td></td>
<td>Develop application and lobby for government support</td>
</tr>
<tr>
<td>Support for niche value adding</td>
<td>Convene meeting of niche food producers to discuss requirements/need for assistance</td>
</tr>
<tr>
<td></td>
<td>Evaluate council’s capacity to help</td>
</tr>
<tr>
<td>Support for highly intensive agriculture</td>
<td>Identify the opportunities for highly intensive agriculture and promote through Council website</td>
</tr>
<tr>
<td></td>
<td>Ensure planning controls and zones reflect industry requirements</td>
</tr>
<tr>
<td></td>
<td>Lobby on behalf of industry where required</td>
</tr>
<tr>
<td>Identify the level of interest by tourists in visiting/seeing agricultural enterprises in the Shire</td>
<td>Conduct research on other regions that have successfully integrated tourism and agriculture</td>
</tr>
<tr>
<td>Support the development of food and wine trails throughout the Shire</td>
<td>Develop an action plan for implementation that incorporates the requirements of both sector</td>
</tr>
</tbody>
</table>

Source: Bass Coast Shire: Issues and Opportunities Study, 2006 Action Plans (Nexus Consulting)

Bass Coast Economic Outlook 2012-2017, an assessment of Economic Drivers and Opportunities (2012)

The Bass Coast Economic Outlook study was prepared by Essential Economics Pty Ltd, with the following points noted with regard to the Shire’s agricultural sector:

- The agriculture sector in Bass Coast generates 6.7% of the Shire’s total economic output and provides 8.1% of total jobs.

- Within the sector, sheep, grains, snow peas, beef and dairy are the most significant industries.

- The key economic drivers for the agriculture sector are:
  - The relatively high level of annual rain fall, which increases crop yields and therefore harvest volumes
  - The domestic price of grains, which determines the value of sales into the local market
  - Exchange rate levels, which affect the price competitiveness of produce at home and overseas
  - The domestic prices of wool, lamb, beef, veal and milk
  - Levels of meat and dairy consumption

- Supply Chain – Bass Coast’s agricultural sector interacts with other industries through downstream and upstream supply chains, as indicated in Table 1.3. Wherever buying and selling industries have a local presence, the growth of agricultural sector businesses has the potential to support the growth of connected businesses as the sector expands.
Table 1.3: Key Buying and Selling Industries in Bass Coast Agricultural Sector

<table>
<thead>
<tr>
<th>Key Buying Industries (Downstream Chain)</th>
<th>Key Selling Industries (Upstream Chain)</th>
</tr>
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<tbody>
<tr>
<td>Beef Cattle Farming</td>
<td>Shearing, Cropping and Services to Agriculture</td>
</tr>
<tr>
<td>Cereal Grain Wholesaling</td>
<td>Agricultural Machinery Manufacturing</td>
</tr>
<tr>
<td>Meat Processing</td>
<td>Livestock and Other Farm Supplies Wholesaling</td>
</tr>
<tr>
<td>Wool Wholesaling</td>
<td>Veterinary Services</td>
</tr>
<tr>
<td></td>
<td>Agribusiness</td>
</tr>
<tr>
<td></td>
<td>Organic Farming</td>
</tr>
<tr>
<td></td>
<td>Fertiliser Manufacturing</td>
</tr>
</tbody>
</table>

Source: Essential Economics, 2012

Phillip Island and San Remo Visitor Economy Strategy 2035 (2016)

The *Phillip Island and San Remo Visitor Economy Strategy 2035* (EarthCheck and TRC, 2016) provides a set of guiding principles to help guide the direction for Phillip Island and San Remo over the next 20 years. Tourism expenditure supports employment in a variety of Phillip Island and San Remo’s economic sectors, including accommodation and food services, transport, retail, arts and recreation, travel and tour operators, and education and training. The following policy review focuses primarily on strategies related to food and agriculture.

The Strategy has determined a number of key opportunities for Phillip Island by comparing the visitor participation in activities on Phillip Island and across regional Victoria between 2011 and 2015. Key activities of significance include markets, fishing, industrial tourism attractions (breweries, mines), guided tours or excursions, picnics and BBQs, and wineries. The data, which is included in Table 1.4, shows Phillip Island had higher growth across all visitor activities compared to regional Victoria, with the exception of winery visits. The largest visitor growth areas over the period were associated with guided tours and excursions, industrial tourism (including breweries), and picnic/BBQ.

Table 1.4: Visitor Participation Activities: Phillip Island versus Regional Victoria (Domestic Overnight Visitors), 2011-2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Go to markets</td>
<td>+24.1%</td>
<td>+20.0%</td>
</tr>
<tr>
<td>Fishing</td>
<td>+6.0%</td>
<td>+2.6%</td>
</tr>
<tr>
<td>Visit industrial tourist attractions (breweries, mines)</td>
<td>+17.8%</td>
<td>+9.8%</td>
</tr>
<tr>
<td>Visit wineries</td>
<td>+3.1%</td>
<td>+7.4%</td>
</tr>
<tr>
<td>Go on guided tours or excursions</td>
<td>+435.3%</td>
<td>+6.7%</td>
</tr>
<tr>
<td>Picnics or BBQs</td>
<td>+23.7%</td>
<td>+2.5%</td>
</tr>
</tbody>
</table>

Source: Phillip Island and San Remo Visitor Economy Strategy, 2016

Part of the Strategy’s vision (p50) states “San Remo will be a thriving scene of cafes and restaurants, drawing on the region’s fresh produce, including the famous fish co-op.”

The recommenced Local Planning Policy (22.08) will support the food sector by encouraging the following uses in the Rural Activity Zone:
Accommodation such as farm stays and host farms

Tourism facilities in association with or that complement agriculture such as wine tasting and farm gate supplies

Bed and breakfast


The *South Gippsland Shire Council Economic Development and Tourism Strategy (2014)* provides an overview of the South Gippsland economy and highlights strategic principles to guide economic development between 2015 and 2020. The following policy review focuses primarily on strategies related to food and agriculture.

South Gippsland is a centre for food production and has a strong tourism economy, with the Strategy noting the following:

- High rainfall and fertile soils make South Gippsland one of the most important food production areas in Australia.
- It is one of the key dairy farming locations in Australia, with approximately 10% of Australia’s milk production. South Gippsland can lay claim to being the dairy capital of Australia.
- Dairy farming is the largest employer in South Gippsland, although this has declined over the last decade in total numbers due to improved efficiencies and increases in dairy herd sizes.
- Beef farming has become a major industry worth well over $100 million.
- Although less recognised, South Gippsland also has a significant amount of sheep farming.
- The Victorian Livestock Exchange operates one of the largest regional saleyards in their upgraded undercover facility at Koonwarra.
- Horticultural food production has been a significant growth area. This has seen the creation of an important snow pea industry. For part of the year much of Australia’s snow pea production is sourced from the area.
- Other areas of horticultural production include potatoes (particularly around Mirboo North), wine grapes, and organic and native food production. Horticulture is an area of strong growth potential.
- A fishing fleet operates from Port Welshpool and Port Franklin.
- Growing interest is noted in the development of poultry farms in South Gippsland.
- Although smaller than other parts of Gippsland, South Gippsland has a significant area of timber production.
- Farm gate sales link the Agricultural sector with the Tourism sector.
The Strategy includes the following strategic principles with respect to the food sector:

1. Support the Agricultural industry and its essential supporting businesses and services
2. Work in partnership with industry groups to support agriculture, food production and the diversification of agricultural activities
3. Ensure South Gippsland is recognised as a centre of dairy excellence
4. Ensure the area remains a centre of food production
5. Ensure that Coal Seam Gas and other mining does not impact adversely on farming and the clean food image
6. Gain additional Government and Community-based food organisations to operate from within the Shire
7. Promote the development of existing and new industry clusters
8. Promote sustainability and retain South Gippsland’s clean green environment
9. Ensure sufficient supply of suitably zoned land for agriculture
10. Develop new markets in international tourism, notably Asia an emerging sectors such as culinary tourism and farm gate sales

**Dairy Businesses for Future Climates (2014)**

The *Dairy Businesses for Future Climates Research Project* (Primary Industries Climate Challenges Centre, 2014) considers the effects of climate change on dairy regions in the future, and explores what farm systems may best suit changing conditions. The research team has used modelling to explore the impacts of extreme climatic events and climate variability on pasture production.

The results from this project to date are as follows:

- Extreme weather events (such as flooding, bush fire, droughts, failed spring conditions, wet winters, wind storms) will increase in frequency and intensity in the future.
- Climate challenges, other than extreme events, do not appear threatening in the medium-term.
- Milk price adds more volatility to the dairy system than climate out to 2040.
- In Gippsland and Tasmania, dairy farmers interviewed perceive there are multiple options to address future climates, but climate averages would have to move substantially to affect their businesses.
- Dry-land dairy businesses that currently rely on summer pasture/crop growth may face difficulties into the future as warmer and drier climate scenarios are predicted to change the seasonal pattern of pasture production. Winter and early spring pasture growth rates are predicted to increase, but the length of the growing season is predicted to shorten.

The Agriculture Industry Transformation – Gippsland (AIT-G) study assessed the likely future impacts of climate change on agriculture output in the Gippsland region, and was undertaken by researchers from Deakin University, the University of Melbourne, and the (Victorian) Department of Primary Industries in partnership with Gippsland Local Government Network and Regional Development Australia.

The study found that the future impacts of climate change – even if this involves a warmer and drier climate – would increase the yields of a range of agricultural commodities in the Gippsland region which is already one of the State’s most productive areas. These results, in context of the likely future climatic changes observed by other agricultural regions across Victoria, and indeed nationally, position Gippsland as a region of considerable significance with regard to agriculture production and Australia’s future food security.

In assessing how climate change would impact future agricultural output, the study developed mathematical and spatial models for 20 agricultural commodities and provided forecasts of how future yields of individual commodities would be influenced by climate change scenarios to year 2070. The models incorporated a range of spatial (GIS) data, including soil types, typography and climatic factors, and were informed by consultation with local farmers and other agricultural experts throughout Gippsland.

The following 20 commodities were assessed:

- Vegetables – Asparagus, Brassicas, Carrots, Celery, Leeks, Peas and Potatoes
- Wine Grapes – Warm and Cool Climate
- Fruit – Apples, Kiwi Fruit, Pears, Peaches
- Pasture – Perennial Ryegrass and Phalaris
- Forestry – Blue Gum and Radiate Pine
- Grains – Barley, Canola and Wheat

The following commodities are predicted to experience an increase in yields by year 2050 for the area of Southern Gippsland – Peaches, Grapes (warm climate varieties), Asparagus and Peas.

With regard to pasture yields, the modelling indicates that Southern Gippsland is expected to observe a shift from Ryegrass-based pasture systems to Phalaris-based systems as the climate becomes warmer and drier.

Beef and Dairy production – both industries of considerable importance to Southern Gippsland – require appropriate pasture types to be grown locally. The ability of the Southern Gippsland region to grow such appropriate pasture types into the future (eg. Phalaris) is one aspect that suggests these industries will remain viable and, indeed, highly productive into the future.

In addition to the determination of future yields for single commodities, the Study identified future areas that are likely to support multiple, high-yielding commodities and that should be a
focus for future investment. Several of these areas are located in Southern Gippsland and are highlighted in in green in Figure 1.4.

Figure 1.4: Future High Value Production Areas – Gippsland Region

Furthermore, the Study identified several actions that need to be taken with regard to the climate change impacts in order to ensure the Gippsland region’s agricultural potential is realised. One such action is investment in infrastructure that will mitigate the effects of extreme weather, notably major floods.

The Study cites, as an example, infrastructure developed by the Dutch (Blue-Green Infrastructure) which modifies the landscape to mitigate flood damage and secure water for agriculture among other benefits. Blue or green infrastructure comprises those natural features on the land (e.g. forests, wildlife habitat, wetlands, etc.) or in the water (e.g. anadromous fish use areas, oyster reefs, underwater grass beds, etc.) that are critical to maintaining ecosystem and human health and survival (http://www.deq.virginia.gov).

The occurrence of major flooding events will be of both greater frequency and intensity because of climate change, with such events likely to occur and impact upon agricultural production in catchments, therefore appropriate actions (as outlined above) need to be considered.

**Gippsland Food Plan (2014)**

The Gippsland Food Plan was developed by Regional Development Australia (RDA), to assist in expanding the local food industry’s value and contribution to the regional economy.

The Vision for the Plan (pg. 2) is to:
stimulate further investment in the region by promoting its competitive strengths, high quality products and value-adding processing and manufacturing capabilities”.

Notable strengths identified in the Plan include:

- Fertile soils, moderate climate, high rainfall and access to supplementary water resources which provide a strong foundation for food production
- Being less severely affected by climate change than other Australian regions
- The region’s diverse range of renowned products and production systems which help the food system to be sustainable and resilient
- The region’s connectivity to a network of regional cities and towns
- The regions’ diverse workforce and access to excellent transport, communication, education, training and health services

In response to the region’s competitive strengths, the Plan has identified a number of priorities, recommendations and case studies. The priorities are:

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

1.3 Food Sector Definition

For the purposes of this study, the following definition of the food sector has been determined in conjunction with Bass Coast and South Gippsland shire councils:

- Sheep, Grains, Beef & Dairy Cattle
- Poultry & Other Livestock
- Other Agriculture
- Aquaculture
- Fishing, Hunting & Trapping
- Agriculture, Forestry & Fishing Support Services
- Meat & Meat Product Manufacturing
- Dairy Product Manufacturing
- Grain Mill & Cereal Product Manufacturing
- Bakery Product Manufacturing
- Sugar & Confectionery Manufacturing
- Other Food Product Manufacturing
- Beer Manufacturing
- Wine, Spirits & Tobacco
- Food & Beverage Services

Additionally, economic impacts associated with the following sectors have been included, although only a proportion of these impacts are attributed to the food sector:

- Wholesale Trade – assumed to be 25% food-related
- Retail Trade – assumed to be 50% food-related
- Road Transport – assumed to be 25% food related
1.4 Context Analysis Summary

1. Over the 2016-2031 period, the Southern Gippsland region – which comprises the municipalities of Bass Coast Shire and South Gippsland Shire – is forecast to experience population growth (1.7% pa) that is in excess of regional (1.4% pa) and State averages (1.6% pa). This level of population growth – resulting in a population level of almost 80,000 persons by 2031 in the Southern Gippsland region – will support the food sector through increased household and business consumption and expanding labour markets.

2. The Southern Gippsland region attracts approximately 4.5 million visitors each year through major tourism assets that include Phillip Island and Wilsons Promontory. The expenditures of these visitors (approximately $800 million pa) support the food sector, especially in sectors such as food and beverage, food retailing and food-related tourism (e.g., wineries). Importantly, visitor numbers and expenditures are forecast to increase significantly over the coming 20 years, thereby generating expanded opportunities for local businesses, including those in the food sector.

3. Bass Coast and South Gippsland Shires have undertaken a range of studies of relevance to the Southern Gippsland region’s food sector, with these studies identifying the comparative advantages, supply chain linkages and specific issues and potential actions relating to the agricultural industry. The State Government’s Food and Fibre Sector Strategy outlines goals and funding opportunities to support growth and employment in the sector over the coming decade.

4. Recent research undertaken by Dairy Australia and Deakin University specifically address climate change and highlight implications for the study area (and Gippsland more broadly). Key findings include the following:
   - Extreme weather events will increase in the future; however, climate change is generally unlikely to negatively impact on agricultural businesses in Gippsland.
   - Future impacts of climate change, such as a warmer and drier climate, will contribute to an increase in the yields of a range of agricultural commodities (including specific fruits and vegetables) in the Gippsland region.
   - The Southern Gippsland region’s ability to grow pasture types such as Phalaris in the future will ensure dairy and beef farming will remain highly productive into the future.
   - The Southern Gippsland region has the capacity to support multiple, high-yielding commodities and should therefore be the focus for future investment.

The analysis set out in the following Chapters will build upon the above research findings, and examine the economic value, importance and opportunities of the Southern Gippsland region’s food sector. This includes food-related activities involving production, processing, transportation and distribution, wholesaling, retailing and consumption.
2 ECONOMIC VALUE ASSESSMENT

This Chapter provides an assessment of the economic value of Southern Gippsland’s food sector, including commentary on comparative advantages, economic output and value added, employment, regional exports, and business categories. Regional and metropolitan benchmarking is also presented.

2.1 Methodology

This Economic Value Assessment of Southern Gippsland’s food sector is based on the following factors:

- Comparative advantages
- Economic output
- Value-added output
- Employment
- Regional exports
- Business Categories

The importance of the Southern Gippsland region’s food sector is also benchmarked against regional Victorian municipalities which have strong food sectors, as well as Victoria overall.

2.2 Comparative Advantages

The key comparative advantages associated with the Southern Gippsland food sector are as follows:

- Southern Gippsland is one of the few regions in Australia that have the capacity to benefit from climate change in terms of delivering increases in yields for crops such as peaches, grapes (warm climate varieties), asparagus and peas. Importantly, the region’s beef and dairy production will remain viable and highly productive in the long-term through a shift from ryegrass-based pasture systems to phalaris-based systems as the climate becomes warmer and drier. The Southern Gippsland region has the capacity to support multiple, high-yielding commodities and this should therefore be the focus for future investment.

- In comparison to climatic change forecasts for most agricultural regions across Victoria, and nationally, the Gippsland region (especially Southern Gippsland) is of considerable significance with regard to agriculture production and Australia’s future food security.

- Variety and quality soils with rich nutrients (red soils, yellow-brown soils, dark grey organic soils, coastal loams etc).

- Relatively high and reliable rainfall compared to most of Victoria.

- Relatively temperate climate and mild conditions compared to most of Victoria.
Established food production capacity.

Significant sunk investment in food growing, processing and distribution infrastructure.

Experienced and skilled workforce.

Proximity to Melbourne, providing easy access to key domestic and export markets.

Land availability and established industrial precincts.

Broadband and mobile coverage – recognising the recent roll out of the NBN network across most of the Southern Gippsland region and the installation of 12 new mobile telecommunication towers has significantly improved communications networks and this level of infrastructure compares favourably with many regional Victorian areas.

2.3 Economic Output

Output

Output data represents the gross revenue generated by businesses/organisations in each of the industry sectors in a defined region. Output or gross revenue is also referred to as total sales or total income.

In 2015, Southern Gippsland’s food sector generated total output of approximately $1.42 billion, which represents 21% of total industry output across all sectors ($6.81 billion) in the region for that year. Food sector output comprises the following:

- South Gippsland Shire: $1.03 billion or 37% of the Shire’s total industry output ($2.82 billion)
- Bass Coast Shire: $0.39 billion or 10% of the Shire’s total industry output ($3.96 billion)

Across the Southern Gippsland region, sheep, grains, beef & dairy cattle (31%) and dairy product manufacturing (26%) represent approximately 56% of food sector output (principally focused on South Gippsland Shire). Food & beverage services (10%) and food retail (9%) account for a further 20% of food sector output (principally focused on Bass Coast Shire).

Value-Added

Value-added data represents the marginal economic value that is added by each industry sector in a defined region. Value-added can be calculated by subtracting local expenditure and expenditure on regional imports from the output generated by an industry sector or, alternatively, by adding the wages & salaries paid to local employees, the gross operating surplus and taxes on products and production. Value-added by industry sector is the major element in the calculation of Gross Regional Product.

In 2015, Southern Gippsland’s food sector generated value-added output of approximately $552 million, which represents 19% of the region’s total industry output ($2,950 million) for that year. Food sector value-added output comprises the following:

- South Gippsland Shire: $373 million or 29% of the Shire’s total value-added output ($1,281 million)
Bass Coast Shire: $180 million or 11% of the Shire’s total industry output ($1,668 million)

Across the Southern Gippsland region sheep, grains, beef & dairy cattle (38%) and dairy product manufacturing (13%) represent approximately one-half of food sector value-added output (principally focused on South Gippsland Shire). Food retail (14%) and food & beverage services (12%) account for a further 25% of food sector output (principally focused on Bass Coast Shire).

Total and value-added food sector output data for the Southern Gippsland region is presented in Table 2.1 and Figures 2.1 and 2.2.

Table 2.1: Total and Value-Added Food Sector Output – Bass Coat Shire, South Gippsland Shire and Southern Gippsland Region, 2015

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Bass Coast Shire</th>
<th>South Gippsland Shire</th>
<th>Southern Gippsland Region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Output $m</td>
<td>Share of Output</td>
<td>Value Added $m</td>
</tr>
<tr>
<td>Sheep, Grains, Beef &amp; Dairy Cattle</td>
<td>$926</td>
<td>24.0%</td>
<td>$442</td>
</tr>
<tr>
<td>Poultry &amp; Other Livestock</td>
<td>$5.6</td>
<td>1.5%</td>
<td>$2.6</td>
</tr>
<tr>
<td>Other Agriculture</td>
<td>$12.6</td>
<td>3.3%</td>
<td>$7.1</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>$1.7</td>
<td>0.4%</td>
<td>$0.9</td>
</tr>
<tr>
<td>Fishing, Hunting &amp; Trapping</td>
<td>$4.3</td>
<td>1.1%</td>
<td>$2.3</td>
</tr>
<tr>
<td>Agriculture, Forestry &amp; Fishing Support Services</td>
<td>$10.4</td>
<td>2.7%</td>
<td>$1.8</td>
</tr>
<tr>
<td>Meat &amp; Meat Product Manufacturing</td>
<td>$22.4</td>
<td>5.8%</td>
<td>$5.1</td>
</tr>
<tr>
<td>Dairy Product Manufacturing</td>
<td>$0.0</td>
<td>0.0%</td>
<td>$0.0</td>
</tr>
<tr>
<td>Grain Mill &amp; Cereal Product Manufacturing</td>
<td>$10.4</td>
<td>2.7%</td>
<td>$2.6</td>
</tr>
<tr>
<td>Bakery Product Manufacturing</td>
<td>$13.0</td>
<td>3.4%</td>
<td>$5.4</td>
</tr>
<tr>
<td>Sugar &amp; Confectionery Manufacturing</td>
<td>$4.0</td>
<td>1.0%</td>
<td>$0.8</td>
</tr>
<tr>
<td>Other Food Product Manufacturing</td>
<td>$3.2</td>
<td>0.8%</td>
<td>$0.6</td>
</tr>
<tr>
<td>Beer Manufacturing</td>
<td>$0.0</td>
<td>0.0%</td>
<td>$0.0</td>
</tr>
<tr>
<td>Wine, Spirits &amp; Tobacco</td>
<td>$7.1</td>
<td>1.9%</td>
<td>$2.5</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$27.7</td>
<td>7.2%</td>
<td>$13.5</td>
</tr>
<tr>
<td>Food Retail</td>
<td>$72.4</td>
<td>18.8%</td>
<td>$42.9</td>
</tr>
<tr>
<td>Food &amp; Beverage Services</td>
<td>$86.7</td>
<td>22.5%</td>
<td>$42.1</td>
</tr>
<tr>
<td>Road Transport</td>
<td>$11.4</td>
<td>3.0%</td>
<td>$5.1</td>
</tr>
<tr>
<td>Total</td>
<td>$385.7</td>
<td>100.0%</td>
<td>$179.6</td>
</tr>
</tbody>
</table>

Source: REMPLAN

Essential Economics Pty Ltd
Figure 2.1: Food Sector Share of Total Industry Output and Value Added – Bass Coast Shire, South Gippsland Shire and Southern Gippsland Region, 2015

Source: REMPLAN

Figure 2.2: Major Food Sub-Sectors by Output (Total and Value Added), Southern Gippsland, 2015

Source: REMPLAN
2.4 Employment

Southern Gippsland region’s food sector supported 6,335 jobs in 2015, which represents 30% of total employment in the region (21,300 jobs). This is a significantly higher share of food sector employment compared to Victoria overall (17%).

Food sector employment comprises the following:

- South Gippsland Shire: 3,965 jobs or 40% of Shire’s total employment (10,000 jobs)
- Bass Coast Shire: 2,375 jobs or 21% of the Shire’s total employment (11,300 jobs)

Across the Southern Gippsland region employment is underpinned by sheep, grains, beef & dairy cattle and dairy product manufacturing (44% combined), with these jobs principally located in South Gippsland Shire; and food retail and food & beverage services (40% combined), with approximately 60% of these jobs located in Bass Coast Shire. Employment data for Southern Gippsland region is presented in Table 2.2 and Figures 2.3 and 2.4.

Table 2.2: Food Sector Employment – Bass Coast Shire, South Gippsland Shire and Southern Gippsland Region, 2015

<table>
<thead>
<tr>
<th></th>
<th>Bass Coast Shire</th>
<th>South Gippsland Shire</th>
<th>Southern Gippsland Region</th>
<th>Victoria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Share of Food sector</td>
<td>No.</td>
<td>Share of Food sector</td>
</tr>
<tr>
<td>Sheep, Grains, Beef &amp; Dairy Cattle</td>
<td>472</td>
<td>19.9%</td>
<td>1,741</td>
<td>43.9%</td>
</tr>
<tr>
<td>Poultry &amp; Other Livestock</td>
<td>21</td>
<td>0.9%</td>
<td>29</td>
<td>0.7%</td>
</tr>
<tr>
<td>Other Agriculture</td>
<td>47</td>
<td>2.0%</td>
<td>102</td>
<td>2.6%</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>4</td>
<td>0.2%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Fishing, Hunting &amp; Trapping</td>
<td>12</td>
<td>0.5%</td>
<td>19</td>
<td>0.5%</td>
</tr>
<tr>
<td>Agriculture, Forestry &amp; Fishing Support Services</td>
<td>23</td>
<td>1.0%</td>
<td>60</td>
<td>1.5%</td>
</tr>
<tr>
<td>Meat &amp; Meat Product Manufacturing</td>
<td>55</td>
<td>2.3%</td>
<td>60</td>
<td>1.5%</td>
</tr>
<tr>
<td>Dair Product Manufacturing</td>
<td>0</td>
<td>0.0%</td>
<td>562</td>
<td>14.2%</td>
</tr>
<tr>
<td>Grain Mill &amp; Cereal Product Manufacturing</td>
<td>10</td>
<td>0.4%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Bakery Product Manufacturing</td>
<td>99</td>
<td>4.2%</td>
<td>95</td>
<td>2.4%</td>
</tr>
<tr>
<td>Sugar &amp; Confectionery Manufacturing</td>
<td>6</td>
<td>0.3%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other Food Product Manufacturing</td>
<td>3</td>
<td>0.1%</td>
<td>37</td>
<td>0.9%</td>
</tr>
<tr>
<td>Beer Manufacturing</td>
<td>0</td>
<td>0.0%</td>
<td>8</td>
<td>0.2%</td>
</tr>
<tr>
<td>Wine, Spirits &amp; Tobacco</td>
<td>14</td>
<td>0.6%</td>
<td>16</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
### Table 2.3: Food Sector Share of Total Industry Employment – Bass Coast Shire, South Gippsland Shire, Southern Gippsland Region and Victoria, 2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>Bass Coast Shire</th>
<th>South Gippsland Shire</th>
<th>Southern Gippsland Region</th>
<th>Victoria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Share of Food sector</td>
<td>No.</td>
<td>Share of Food sector</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>80</td>
<td>3.4%</td>
<td>98</td>
<td>2.5%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>651</td>
<td>27.4%</td>
<td>540</td>
<td>13.6%</td>
</tr>
<tr>
<td>Food &amp; Beverage Services</td>
<td>830</td>
<td>35.0%</td>
<td>518</td>
<td>13.1%</td>
</tr>
<tr>
<td>Road Transport</td>
<td>46</td>
<td>1.9%</td>
<td>78</td>
<td>2.0%</td>
</tr>
<tr>
<td>Food sector</td>
<td>2,373</td>
<td>100.0%</td>
<td>3,963</td>
<td>100.0%</td>
</tr>
<tr>
<td>All Industries</td>
<td>11,303</td>
<td>-</td>
<td>9,997</td>
<td>-</td>
</tr>
<tr>
<td>Food sector Share</td>
<td>-</td>
<td>21.0%</td>
<td>-</td>
<td>39.6%</td>
</tr>
</tbody>
</table>

Source: REMPLAN

### Figure 2.3: Food Sector Share of Total Industry Employment – Bass Coast Shire, South Gippsland Shire, Southern Gippsland Region and Victoria, 2015

![Chart showing food sector share of total industry employment](chart.png)

Source: REMPLAN
Figure 2.4: Major Food Employing Sub-Sectors, Southern Gippsland, 2015

Source: REMPLAN

2.5 Regional Exports

Regional Exports data represents the value ($) of goods and services exported outside of the defined region that have been generated by businesses / organisations in each of the industry sectors within the region. Another way of defining exports is as an inflow of money into the region, i.e. Motels have an inflow of money from people who live outside the region’s boundaries, and thus they are earning export dollars. No distinction is made between domestic and international exports. For instance, exports of goods and services from Bass Coast include sales to the rest of the Gippsland region.

In 2015, Southern Gippsland’s food sector generated $733 million in regional exports, which represents 26% of regional exports for all industry sectors ($2,866 million) for that year. Regional exports comprise the following:

- South Gippsland Shire: $597 million or 65% of the Shire’s total regional exports ($921 million)
- Bass Coast Shire: $136 million or 7% of the Shire’s total regional exports ($1,945 million)

Across the Southern Gippsland region regional exports are dominated by sheep, grains, beef & dairy cattle (42%) and dairy product manufacturing (39%), with approximately 90% of regional export activity from these sectors occurring in South Gippsland Shire.

Regional export data for the Southern Gippsland region is presented in Table 2.3 and Figures 2.5 and 2.6.
2.6 Business Categories

Approximately 2,860 food sector businesses are currently located in the Southern Gippsland region, which represents approximately one-in-five (or 19%) of total businesses located in the region (approximately 15,000). The share of food sector businesses is 23% for South Gippsland Shire and 16% for Bass Coast Shire.

Across the Southern Gippsland region 1,270 food sector businesses are located in Bass Coast Shire and 1,590 food sector businesses are located in South Gippsland Shire.

Approximately one-half of all the Southern Gippsland region’s food sector businesses are associated with beef and dairy cattle farming (49% combined), with the next largest business sectors being agriculture and fishing support services (9%), cafes and restaurants (9%), and take-away food services (6%).
Table 2.3: Regional Exports – Bass Coast Shire, South Gippsland Shire and Southern Gippsland Region, 2015

<table>
<thead>
<tr>
<th></th>
<th>Bass Coast Shire</th>
<th>South Gippsland Shire</th>
<th>Southern Gippsland Region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export Value $m</td>
<td>Export Share of Food sector</td>
<td>Export Value $m</td>
</tr>
<tr>
<td>Sheep, Grains, Beef &amp; Dairy Cattle</td>
<td>$73.9</td>
<td>54.4%</td>
<td>$236.6</td>
</tr>
<tr>
<td>Poultry &amp; Other Livestock</td>
<td>$1.3</td>
<td>0.9%</td>
<td>$0.9</td>
</tr>
<tr>
<td>Other Agriculture</td>
<td>$0.6</td>
<td>0.3%</td>
<td>$6.6</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>$1.3</td>
<td>1.0%</td>
<td>$0.0</td>
</tr>
<tr>
<td>Fishing, Hunting &amp; Trapping</td>
<td>$3.7</td>
<td>2.7%</td>
<td>$6.4</td>
</tr>
<tr>
<td>Agriculture, Forestry &amp; Fishing</td>
<td>$3.4</td>
<td>2.5%</td>
<td>$9.4</td>
</tr>
<tr>
<td>Support Services</td>
<td>$6.2</td>
<td>4.6%</td>
<td>$9.2</td>
</tr>
<tr>
<td>Meat &amp; Meat Product Manufacturing</td>
<td>$0.0</td>
<td>0.0%</td>
<td>$283.8</td>
</tr>
<tr>
<td>Dairy Product Manufacturing</td>
<td>$4.4</td>
<td>3.2%</td>
<td>$0.0</td>
</tr>
<tr>
<td>Grain Mill &amp; Cereal Product</td>
<td>$2.7</td>
<td>2.0%</td>
<td>$2.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$0.7</td>
<td>0.5%</td>
<td>$0.0</td>
</tr>
<tr>
<td>Sugar &amp; Confectionery Manufacturing</td>
<td>$1.3</td>
<td>1.0%</td>
<td>$15.6</td>
</tr>
<tr>
<td>Beer Manufacturing</td>
<td>$0.0</td>
<td>0.0%</td>
<td>$4.1</td>
</tr>
<tr>
<td>Wine, Spirits &amp; Tobacco</td>
<td>$1.4</td>
<td>1.1%</td>
<td>$1.7</td>
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<tr>
<td>Wholesale Trade</td>
<td>$6.3</td>
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<td>$7.8</td>
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<tr>
<td>Retail Trade</td>
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<td>$2.5</td>
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<td>Food &amp; Beverage Services</td>
<td>$23.4</td>
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<tr>
<td>Road Transport</td>
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<tr>
<td>Food sector</td>
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<td>$597.0</td>
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<tr>
<td>All Industries</td>
<td>$1,945.3</td>
<td>-</td>
<td>$921.1</td>
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<tr>
<td>Food sector Share</td>
<td>-</td>
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<td>-</td>
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Source: REMPLAN
Figure 2.5: Food Sector Regional Exports as Share of Total Industry Exports – Southern Gippsland Region, 2015

Source: REMPLAN
Figure 2.6: Share of Food Sector Regional Exports by Sub-Sector—Southern Gippsland Region, 2015

Sheep, Grains, Beef & Dairy Cattle: 42.4%
Dairy Product Manufacturing: 38.7%
Food & Beverage Services: 4.1%
Other Food Product Manufacturing: 2.3%

Source: REMPLAN
Table 2.4: Number of Food Sector Businesses by Business Type – Bass Coast Shire, South Gippsland Shire and Southern Gippsland Region, 2016

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Bass Coast Shire</th>
<th>South Gippsland Shire</th>
<th>Southern Gippsland Region</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>Bakery Product Manufacturing (Non-factory based)</td>
<td>20</td>
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<td>Beef Cattle Farming (Specialised)</td>
<td>241</td>
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<td>Beekeeping</td>
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<td>Berry Fruit Growing</td>
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<tr>
<td>Beer Manufacturing</td>
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<td>Bread Manufacturing</td>
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<td>Cafes and Restaurants</td>
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<tr>
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<tr>
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<tr>
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<tr>
<td>Cured meat and small goods Manufacturing</td>
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<td>1</td>
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<tr>
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<td>2</td>
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<td>2</td>
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<td>Fish Trawling, Seining and Netting</td>
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<tr>
<td>Grain Storage Services</td>
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<td>Mushroom Growing</td>
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<tr>
<td>Olive Growing</td>
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<tr>
<td>Other Agricultural Product Wholesaling</td>
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<td>15</td>
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<tr>
<td>Other Agriculture and Fishing Support Services</td>
<td>111</td>
<td>8.7%</td>
<td>156</td>
</tr>
<tr>
<td>Other Crop Growing n.e.c.</td>
<td>4</td>
<td>0.3%</td>
<td>4</td>
</tr>
<tr>
<td>Other Fishing</td>
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<td>0.8%</td>
<td>7</td>
</tr>
<tr>
<td>Other Food Product Manufacturing n.e.c.</td>
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<tr>
<td>Other Fruit and Tree Nut Growing</td>
<td>3</td>
<td>0.2%</td>
<td>10</td>
</tr>
<tr>
<td>Other Grain Growing</td>
<td>0</td>
<td>0.0%</td>
<td>1</td>
</tr>
<tr>
<td>Other Grocery Wholesaling</td>
<td>8</td>
<td>0.6%</td>
<td>6</td>
</tr>
<tr>
<td>Other Livestock Farming n.e.c.</td>
<td>10</td>
<td>0.8%</td>
<td>13</td>
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<tr>
<td>Other Specialised Food Retailing</td>
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<tr>
<td>Pig Farming</td>
<td>2</td>
<td>0.2%</td>
<td>2</td>
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</table>
### Major Food Sector Business Types by share of Food Sector, Southern Gippsland, 2016

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Bass Coast Shire</th>
<th>South Gippsland Shire</th>
<th>Southern Gippsland Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poultry Farming (Eggs)</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Poultry Farming (Meat)</td>
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<td>7</td>
</tr>
<tr>
<td>Prawn Fishing</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Prepared Animal and Bird Feed Manufacturing</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Pubs, Taverns and Bars</td>
<td>43</td>
<td>14</td>
<td>57</td>
</tr>
<tr>
<td>Rock Lobster and Crab Potting</td>
<td>6</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Seafood Processing</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Sheep Farming (Specialised)</td>
<td>6</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>Sheep-Beef Cattle Farming</td>
<td>26</td>
<td>68</td>
<td>94</td>
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<tr>
<td>Takeaway Food Services</td>
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<td>160</td>
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<tr>
<td>Vegetable Growing (Outdoors)</td>
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<td>17</td>
<td>30</td>
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<tr>
<td>Vegetable Growing (Under Cover)</td>
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<td>10</td>
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<tr>
<td>Wine and Other Alcoholic Beverage Manufacturing</td>
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<tr>
<td><strong>Number of Food sector Businesses</strong></td>
<td><strong>1,270</strong></td>
<td><strong>1,591</strong></td>
<td><strong>2,861</strong></td>
</tr>
<tr>
<td><strong>Total No. of Businesses</strong></td>
<td><strong>8,025</strong></td>
<td><strong>6,980</strong></td>
<td><strong>15,005</strong></td>
</tr>
<tr>
<td><strong>Food sector Share</strong></td>
<td><strong>15.8%</strong></td>
<td><strong>22.8%</strong></td>
<td><strong>19.1%</strong></td>
</tr>
</tbody>
</table>

Source: Australian Business Register, 2016
2.7 Regional and Metropolitan Employment Benchmarking

The importance of the Southern Gippsland region’s food sector has been benchmarked against a range of regional Victorian municipalities with strong food sectors (dairy, beef, fruit, horticulture, food processing etc), as well as the State overall. Benchmarking the food sector employment data available from ABS Place of Work 2011, comparisons can be made against the following regions:

- Campaspe Shire
- Colac Otway Shire
- Corangamite Shire
- Gannawarra Shire
- Greater Shepparton City Council
- Moira Shire
- Moyne Shire
- Surf Coast Shire
- Warrnambool Shire
- Victoria

The benchmarking analysis, which is shown in Table 2.5 and Figure 2.8, shows:

- The Southern Gippsland region’s food sector contributed 24% of all jobs in 2011, which is twice the share of food sector jobs across Victoria overall (12%).

- The Southern Gippsland region also compares favourably with other well-established Victorian food regions, providing a higher share of food sector jobs (24%) than Warrnambool Shire (15%), City of Greater Shepparton (17%), Surf Coast Shire (21%) and Colac Otway Shire (22%), while providing the same share as Campaspe Shire (24%).

- Smaller rural municipalities such as Corangamite Shire (43%), Moyne Shire (43%), Gannawarra Shire (35%) and Moira Shire (30%) have higher shares of food sector employment compared to the Southern Gippsland region; however, South Gippsland Shire’s food sector contributes 31% of all jobs in the municipality which is one of the highest shares in Victoria.

Note that the above analysis is based on 2011 Place of Work data, which differs from updated REMPLAN employment data for 2015 included in Table 2.2.

Figures 2.9 to 2.13 provide detailed shares of employment for each benchmarked region by the main food sub-sectors, which highlights the Southern Gippsland food sector’s comparative strengths in beef and dairy cattle farming.
**Table 2.5: Food Sector Employment – Selected Regions, 2011**

<table>
<thead>
<tr>
<th>Campaspe</th>
<th>Colac-Otway</th>
<th>Corangamite</th>
<th>Gannawarra</th>
<th>Greater Shepparton City Council</th>
<th>Moira Shire</th>
<th>Moynie Shire</th>
<th>Surf Coast Shire</th>
<th>Warrnambool Shire</th>
<th>Bass Coast Shire</th>
<th>South Gippsland Shire</th>
<th>Southern Gippsland Region</th>
<th>Victoria</th>
</tr>
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<tbody>
<tr>
<td>Agriculture, Forestry and Fishing, nfd</td>
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<td>0</td>
<td>6</td>
<td>15</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>6</td>
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<tr>
<td>Agriculture, nfd</td>
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<td>48</td>
<td>34</td>
<td>84</td>
<td>46</td>
<td>41</td>
<td>29</td>
<td>8</td>
<td>11</td>
<td>40</td>
<td>51</td>
</tr>
<tr>
<td>Nursery and Floriculture Production</td>
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<td>3</td>
<td>0</td>
<td>20</td>
<td>6</td>
<td>0</td>
<td>14</td>
<td>4</td>
<td>22</td>
<td>14</td>
<td>36</td>
</tr>
<tr>
<td>Mushroom and Vegetable Growing</td>
<td>34</td>
<td>26</td>
<td>12</td>
<td>0</td>
<td>76</td>
<td>35</td>
<td>10</td>
<td>19</td>
<td>0</td>
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<td>64</td>
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<td>16</td>
<td>580</td>
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<td>21</td>
<td>24</td>
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<tr>
<td>Sheep, Beef Cattle and Grain Farming</td>
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<td>572</td>
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<td>406</td>
<td>587</td>
<td>938</td>
<td>243</td>
<td>41</td>
<td>243</td>
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<td>3</td>
<td>3</td>
<td>11</td>
<td>4</td>
<td>3</td>
<td>9</td>
<td>11</td>
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<td>Cafes, Restaurants and Takeaway Food Services</td>
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<td>171</td>
<td>526</td>
<td>717</td>
<td>577</td>
<td>350</td>
<td>927</td>
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<td>Pubs, Taverns and Bars</td>
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<td>121</td>
<td>109</td>
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<td>94</td>
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## South Gippsland Food Futures - Economic Analysis

### Final Report

**Essential Economics Pty Ltd**

<table>
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<tr>
<th>Region</th>
<th>Agricultural Product Wholesaling</th>
<th>Total Food Related Industry</th>
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**Figure 2.8: Food Sector Employment by Share of Total Employment – Selected Regions, 2011**

Source: ABS Place of Work, 2011
Figure 2.9: Sheep, Beef Cattle and Grain Farming Employment as Share of Total Food Sector Employment – Selected Regions, 2011

Source: ABS Place of Work, 2011

Figure 2.10: Dairy Cattle Farming Employment as Share of Total Food Sector Employment – Selected Regions, 2011

Source: ABS Place of Work, 2011
Figure 2.11: Supermarket and Grocery Stores Employment as Share of Total Food Sector Employment–Selected Regions, 2011

Source: ABS Place of Work, 2011

Figure 2.12: Cafes, Restaurants and Takeaway Services Employment as Share of Total Food Sector Employment–Selected Regions, 2011

Source: ABS Place of Work, 2011
Figure 2.13: Food Product Wholesaling Employment as Share of Total Food Sector Employment—Selected Regions, 2011

Source: ABS Place of Work, 2011
2.8 Economic Value Assessment Summary

The economic value and importance of the Southern Gippsland food sector can be summarised as follows:

1. **Comparative Advantages**: Research identifies the region as one of the most important future productive areas in the State and national context, due to the region’s capacity to withstand climate change, increase existing yields and expand production into new crops. The beef and dairy sectors production outlook is also positive in the long-term through evolving pasture systems associated with climate change. These factors build on existing regional advantages which include high-quality soils, above-average rainfall, efficient access to markets, considerable sunk investment and enabling infrastructure in the sector, a skilled and experienced workforce, and recently improved broadband and mobile telecommunications coverage.

2. **Economic Output**: In 2015, the Southern Gippsland food sector was responsible for approximately $1.4 billion in economic output (or 21% of regional output), of which $0.6 billion is associated with value-added output (or 19% of value-added output).

3. **Employment**: 6,335 jobs were supported by the region’s food sector in 2015, representing 30% of all regional jobs. Employment was underpinned by sheep, grains, beef & dairy cattle and dairy product manufacturing (44% of sector employment) and by food retail and food & beverage services (40% of sector employment).

4. **Regional Exports**: In 2015, Southern Gippsland’s food sector generated $730 million in regional exports, which represents 26% of the region’s exports for all industry sectors.

5. **Business Categories**: Approximately 2,860 businesses or one-in-five businesses currently located in the Southern Gippsland region are associated with the food sector. Beef and dairy cattle farming represent approximately one-half of all regional food sector businesses, followed by cafes and restaurants and take-away services (15% combined).

6. **Benchmarking**: The region’s food sector supported 24% of all regional jobs in 2011, which is twice the share of food sector jobs supported across Victoria (12%). The Southern Gippsland region also provides a higher share of food sector jobs than other well-established food regions such as Warrnambool Shire (15%), City of Greater Shepparton (17%), Surf Coast Shire (21%) and Colac Otway Shire (22%), and the same share as Campaspe Shire (24%). South Gippsland Shire’s food sector supported 31% of all jobs in 2011 (with a strong focus on beef and dairy farming), which is the one of the highest shares in Victoria behind Corangamite Shire (43%), Moyne Shire (43%), and Gannawarra Shire (35%).
3 ISSUES AND OPPORTUNITIES ASSESSMENT

This Chapter provides a high-level assessment of issues and opportunities relating to the future development of the Southern Gippsland food sector. Based on the analysis, enabling infrastructure, training requirements, priority projects and funding requirements are identified.

3.1 Consultation Process

Consultation has been undertaken with a range of stakeholders including Council officers from Bass Coast and South Gippsland shires, local businesses, industry groups, community organisations, and academic researchers. A summary of key findings are presented in the following sections and a list of stakeholders consulted is provided in the appendices.

3.2 Existing Challenges

Land and Strategic Planning

Issues relating to land and strategic planning include:

- Relatively high cost of farming land.
- Closer proximity to Melbourne’s south-east growth area is increasing the cost of farming land.
- Constraints relating to minimum lot sizes (too small), with existing planning requirements a deterrent to intensive farming activities (e.g. horticulture, pig farming). Need more flexibility with regard to minimum lot sizes to encourage investment and diversity in the region’s agricultural sector.
- Urban encroachment onto agricultural land, with potential for conflicts between residential and production activities in some growth areas.
- Conflicts between food/dairy processors and surrounding uses in townships where appropriate overlays protecting encroachment on such facilities are not in place.

Water Security

- Recent drought conditions have led to uncertainty regarding water security
- High costs for businesses associated with transporting water onto farms by tanker.
- Drought conditions in 2006/07 and 2015/16 have been a wake-up call for local farmers regarding climate change and have shifted historical perceptions that the region is immune to drought and its impacts.
- Improved water security needs to be factored into farmers’ business models.
Infrastructure

Issues relating to infrastructure include:

- **Roads and bridges** – need to be upgraded periodically to address wear and tear issue caused by milk tankers and other heavy vehicles, as well as to reflect changing industry needs in terms of productivity measures (e.g., use of high-performance freight vehicles, more efficient pick-up and distribution patterns) and increasing overall volumes of vehicles using roads and bridges in the region.

- **Aging waste management infrastructure** – needs updating, especially infrastructure associated with waste water removal. Also, a need to plan for long-term waste requirements of large existing operators and new and diverse business enterprises seeking to locate to the region.

- **Local agriculture processing facilities** – milk processing plants, abattoirs for boutique businesses, which results in some local farmers having to travel long distances to access necessary facilities.

- **Access to natural gas supply** – this is seen as a constraining factor in attracting large-scale food processors to the region. Murray Goulburn and Burra Foods required State financial contributions to ensure adequate gas supply was provided for their major operations.

Labour Force and skills

Issues relating to labour force and skills include:

- Concerns regarding the ability of businesses to retain high skilled on-farm staff, especially dairy workers who may choose to move away from the region during downturns.

- Limited TAFE programs that will equip local youths for work in the food sector, especially in relation to adequate training programs relating to farming and associated value added businesses.

Economic Development

Issues relating to economic development include:

- Reliance on dairy and beef sub-sectors for most food sector jobs, with these sub-sectors subject to many external influences which can have major adverse impacts on the Southern Gippsland economy.

- Businesses with limited capital to invest in efficiency upgrades could be assisted by programs such as the Environmental Upgrade Agreements (EUA).

- Potential negative impact of new industries/enterprise activities on established agricultural production, such as activities causing ground surface water contamination, introduction of coal seam gas mining, re-use of old mine sites for waste storage.
- Lack of abattoirs and other processors which can service smaller operators, rather than existing operators who are generally focussed on serving big business and export markets.
- Lack of targeted education and training resources.

3.3 Potential Opportunities

**Dairy**

- Future focus on value-added dairy products (UHT milk, butter, infant formula, protein and supplement powder, and spreads) which are not as exposed to commodity price fluctuations (such as exported milk powders) and which have a strong base in the Southern Gippsland region.
- Building on the expanding demand from export markets in China and the Asia Pacific area for dairy products from the Southern Gippsland region.

**Local Food Movement**

- Throughout South Gippsland Shire and Bass Coast Shire local produce markets are run nearly every weekend, providing an opportunity to showcase this produce to domestic and international tourists. These produce markets feed into the global movement of clean and green tourism, where travellers seek the experience of clean air, clean eating in a green atmosphere, whilst adding to sustainable tourism.
- Expanding local food movement – food sourced locally and delivered/consumed through local shops, restaurants, pubs etc.
- Food tourism/value-added agriculture, with initiatives already occurring across a number of agricultural industries: dairy (Bassine Specialty Cheese); beef (Bimbadeen Phillip Island); horticulture (Gippsland Mushrooms); wineries on Phillip island, San Remo and throughout South Gippsland.
- Opportunities for cellar door and farm gate sales that build on ‘authentically local’ experiences, and which provide a clear relationship between the producer of the food and the consumer.
- “Straight off the boat into the restaurant” initiatives which could support the local fishing industry and links with food tourism experience. Currently Corner Inlet has commercial fishing licences approved for export, with the phasing out of net fishing in Port Phillip Bay, this presents an opportunity for growth in this region.
- Boutique enterprises e.g., sheep cheese, snails, venison, grain fed pigs, barramundi, trout, truffle, garlic and other innovative crop.
- Enterprises that meet the expanding demand for clean, fresh food associated with the Southern Gippsland region’s strong environmental reputation.
Horticulture

- Market gardens, with potential to attract existing growers from the outskirts on Melbourne. An example of this already occurring successfully is Schreurs Celery growers.
- Fruit and vegetable growing, particularly for peaches, grapes (warm climate varieties), asparagus and peas.
- Herb growing.

Intensive meat production

- Small-scale and more intensive meat production eg. poultry (broiler farms), pigs, deer.
- Farm gate sales.

Tourism

- The Southern Gippsland region’s close proximity to Melbourne and the established tourist profile of Phillip Island provide a significant opportunity to expand the region’s food tourism activities.
- Tourists value the farm gate/cellar door experiences because the products are ‘authentically local’ and this provides the visitor with an appreciation of the producers’ relationships with the food.
- Opportunities to leverage from the global movement of clean and green tourism (see above).
- Opportunities for the fishing sector, especially in San Remo, to better leverage the food tourism market through initiatives such as “fresh off the boat sales”.

3.4 Enabling Infrastructure, Planning and Training Requirements

Transport Efficiency

- Congestion on the Monash freeway is likely to increase as population growth continues in south-east Melbourne’s growth areas; therefore, alternative routes or considerations for new ports along the south-east coast of Victoria could provide improved access to markets.
- Epping Market is difficult to access for Southern Gippsland region producers; therefore, development of direct routes that bypass Melbourne urban areas or a wholesale market that supports the producers of the south-east and Gippsland regions would be advantageous. There is currently a $15 million proposal to develop a large-scale fresh produce wholesale market at Bangholme (near Dandenong) to service the broader south-east region; however, this development has yet to receive planning approval.
Improved road and bridge infrastructure to enhance efficiency of movement and reduced business costs for producers, processors and distributors, as well as improving road user and non-road user safety.

Road infrastructure capable of accommodation High Productivity Freight Vehicles (HPFV) which will be increasingly used in future years and underpin industry efficiencies ie, reduced costs per km.

**Water Security**

- Measures and projects which enhance water security for the food sector, which may include:
  - Connection of local reservoirs to Desalination Plant
  - Pipe connections between local communities
  - Increased dam sizes
  - Flood mitigation
  - Development of Blue-Green infrastructure
  - Educating industries to consider their water usage and encouraging water conservation and management practices which will reduce pressure to build new infrastructure
  - Irrigation works

**Energy Supply**

- Ensuring consistency of power supply
- Ensuring sufficient power supply /capacity for large operators

**Planning**

- Appropriate planning parameters/controls for farming land which encourage more diverse land uses
- Planning policy which preserves farming land from urban encroachment and provides appropriate overlays to protect factory/processing businesses in township settings
- Checks and balances to ensure new or existing activities in other industry sectors do not negatively impact on food production and processing

**Waste Disposal**

- Replacement and upgrading of aging infrastructure
- Appropriate infrastructure to reflect changing food sector activities, especially with regard to processing
**Education**

- Development of educational establishments (eg, South Gippsland Trade Training Centre, the proposed Bass Coast Education and Learning Precinct) and delivery of targeted local courses which match the training needs of the food sector.
- Utilising existing training avenues such as Rural Skills Connect, Federation Training, Cowes Create Careers, LLEN to develop programs linking to food.

**Skilled labour**

- Measures to:
  - Retain experienced and highly skilled on-farm workers
  - Train/up-skill existing workers, recognising significant technological change in food processing industries, such as dairy, in the coming years
  - Attract skilled migrants to support future needs of the sectors.
3.5 Issues and Opportunities Summary

The main findings of this Issues and Opportunities Assessment are as follows:

1 **Challenges:**
   - Land and strategic planning issues, such as the relatively high cost of agricultural land, minimum lot sizes, buffers, conflicts between land uses etc.
   - Infrastructure, such as poor condition and inadequate capacity of roads and bridges, ageing waste infrastructure and limited natural gas supply to service major food processors.
   - Water security especially ensuring adequate water supply to farms to reduce business costs associated with the use of water tankers.
   - Labour and skills, retaining skilled workers in dairy sector, lack of training facilities and course options available in the region etc.
   - Economic development factors especially risks associated with a regional economy which remains very reliant on the dairy, beef and tourism sectors.

2 **Opportunities:**
   - Dairy, especially value-added products that are not subject to exposure to commodity price fluctuations.
   - Local food movement, including boutique businesses, farmers markets, and specialty/value-added products.
   - Horticulture, including market gardens, fruit and vegetables and herb growing.
   - Intensive meat production, especially small-scale intensive activities such as broiler farms, pigs, deer etc.
   - Food tourism, including farm gate, cellar door, clean and green food experiences, fish boat sales etc.

3 **Enabling Infrastructure, Planning and Training Requirements:**
   - Road and bridge upgrades to improve transport efficiency for producers and distributors.
   - Improved water infrastructure to provide adequate water supply to producers.
   - Improved natural gas supply to encourage the attraction of food processors to the region.
   - Improved local training and educational opportunities to ensure an appropriately skilled workforce is available into the future.
   - Flexibility in planning policy to remove unnecessary constraints on businesses in the sector and protect food producer operations as necessary.
   - Upgrades to waste infrastructure to ensure there is adequate capacity to service the food sector in the long-term.
4 SUPPORTING PROJECTS

This Chapter presents a list of projects identified, which will assist in leveraging opportunities for the Southern Gippsland food sector identified in this report.

4.1 Road and Bridge Infrastructure

South Gippsland Highway Black Spur – Koonwarra Bend Project

The Black Spur Realignment project focuses on addressing the issues confronting vehicle users along a narrow and winding 3.4km stretch of the South Gippsland Highway, which carries 800 trucks on that section each day servicing the district’s livestock and dairy industries.

The proposed realignment of the South Gippsland Highway at Black Spur would remove several tight curves and widen the road to create a straighter, more level section of highway, thereby improving safety and transport efficiency. Specifically, the $50 million project will involve:

- Construction of two new bridges over the Tarwin River
- Construction of a highway underpass east of Old Korumburra-Meeniyian Road to provide access for the Great Southern Rail Trail
- Provision of access for the Great Southern Rail Trail underneath the new bridge near Minns Road
- Construction of a new intersection to maintain access for Caithness Road
- Removal of nine substandard curves to increase alignment

The project is proposed to be jointly funded by Federal and State governments on a 50/50 basis. While positive funding commitments have been made regarding the project, ongoing advocacy for the project will be important to ensure full funding at Federal and State levels and the timely delivery of this important road infrastructure upgrade.

Delivery of this project will enhance productivity and safety for the food sector’s transport-related businesses.

Bass Highway, Anderson to Leongatha Upgrade

The Bass Highway, Anderson to Leongatha project is identified in the Gippsland Freight Strategy as a project of industry importance. Project planning is being led by VicRoads.

The Bass Highway provides access for local agriculture and forms part of the Melbourne/Sydney coastal tourist route. It also provides connectivity between the towns of Leongatha, Inverloch, Wonthaggi and other small towns to the Anderson turnoff to Phillip.
Island. Upgrade of this road would therefore improve outcomes for a number of food-related sectors, visitors and local communities.

**Wonthaggi Alternative Heavy Vehicle Route**

Bass Coast Shire Council has commenced preparing a Precinct Structure Plan for Wonthaggi North East development area. The plan will identify a road network, including an alternative heavy vehicle route and other infrastructure.

The Bass Highway is the main highway that passes through the Wonthaggi region, with the road connecting Wonthaggi with other regional centres including Phillip Island, Inverloch and Leongatha. During the peak holiday periods this highway experiences significantly higher traffic volumes, resulting in large queue lengths through Wonthaggi. In 2011 Bass Coast Shire Council commissioned The Wonthaggi CBD Traffic Impact Study which found that if no action is taken the existing road network would soon be operating at capacity and with unacceptable queue lengths. This situation presents inefficiencies for industry freight movements (agriculture, dairy etc) as well as tourists visiting the Southern Gippsland region.

**Phillip Island Road Upgrade**

In 2015 VicRoads announced a partnership approach with Bass Coast Shire Council for the planning of potential future improvements on Phillip Island Road. VicRoads has stated that – subject to community engagement, support from key stakeholders and availability of potential planning funding – opportunities can be explored for the implementation of the proposed improvements. The potential improvements involve intersection upgrades on Phillip Island Road at Boys Home Road, Woolamai Beach Road and Back Beach Road.

VicRoads have preferred treatment designs for Woolamai Beach Road and Back Beach Road, and have sought community input and are proceeding with further planning and design work.

A related project that Council is also undertaking is the Phillip Island and San Remo Visitor Economy Strategy 2035. Information shows that Phillip Island can expect an additional 4,300 visitors per day by 2035. The importance of the tourist sector (noting its strong interactions with the food sector) to the regional economy is highlighted by the fact that 35% of international visitors who come to Victoria visit Phillip Island, and Phillip Island is the second most visitor-reliant economy in Australia, behind Uluru.

**Bena Kongwak Bridge Upgrade**

The Bena Kongwak Bridge is a 124-year old timber structure which is in poor condition. The single lane bridge has a poor road alignment.

This busy road carries 550 vehicles per day, with 14% being commercial vehicles. This route is especially important for the dairy and beef sectors, but the current configuration and condition of the structure is contributing to industry inefficiencies and safety concerns.
The proposed new bridge will cost approximately $2.1 million to construct and will significantly improve the alignment, capacity and safety of the road for all road users, but especially for industry operators.

The bridge is a rail overpass structure and currently owned by VicTrack who will provide a funding contribution for the replacement structure. The new bridge would become the responsibility of Council.

**Kernot Bridge Replacement Over Bass River**

Bass Coast Shire Council is planning to have the Kernot Bridge Replacement project shovel-ready for funding opportunities. Planning is expected to be completed later in 2016. The project involves the construction of a new 75m bridge over the Bass River at Kernot. The current bridge services local traffic; however, it is no longer able to service local industry requiring heavy vehicle access and therefore presents a constraint to many sectors, including agriculture and dairy. The current bridge is an aging timber structure which is a ‘pinch point’ in the local road network for the dairy, agriculture and extraction industries. A new bridge would allow for enhanced economic benefit through freight efficiencies and by providing access for high performance freight vehicles.

**4.2 Water infrastructure**

The recently confirmed *South Gippsland Water Security Project* will significantly improve infrastructure and water security for the northern part of the Southern Gippsland region.

The project is a key component in South Gippsland Water’s long-term strategy to secure water supply for the region over the next 50 years.

The project will result in the connection of the Coalition Creek Water Supply System (Korumburra) and the Little Bass Water Supply System (Poowong, Loch and Nyora) to South Gippsland Water’s largest supply system, Lance Creek. In turn, the Lance Creek supply system has the capacity to tap into the Melbourne Water Supply System for use during water shortages or when water quality issues arise.

The infrastructure installed as part of the project will also allow for the future connection of Leongatha to the network.

Notwithstanding this important project, other water security initiatives have been identified by food sector stakeholders, including:

- Increasing the capacity of dams
- Connecting water catchments directly to the Wonthaggi Desalination Plant
- Piping of town water to farms/processors
- Flood mitigation infrastructure
- Blue-Green infrastructure.
4.3 Waste Management and Resource Recovery Infrastructure

In association with stakeholders, the Gippsland Waste and Resource Recovery Group (of which Bass Coast Shire Council and South Gippsland Shire Council are members) are in the process of developing the Gippsland Waste and Resource Recovery Implementation Plan. The same process is in operation in each of the Waste and Resource Recovery Groups around the State.

The objective of the regional implementation plans is to identify local waste and resource recovery infrastructure and service needs and to indicate how these could be met over at least the next 10 years.

Once the regional implementation plans are approved by the Minister for Environment, Climate Change and Water, their priorities and directions will be integrated into the 30-year Statewide Waste and Resource Recovery Infrastructure Plan.

From the perspective of the Southern Gippsland region’s food sector, it is important that Bass Coast and South Gippsland Shires are fully engaged in the Implementation Plan process and advocate for infrastructure and services which reflect the long-term needs of large waste-generating sectors such as dairy and food processors, as well as opportunities for resource recovery in the food sector. The draft Implementation Plan will be available for public consultation by mid-2016, and this provides an opportunity for both Councils to seek feedback from food industry stakeholders to ensure industry needs are adequately catered for.

4.4 Town Centre Revitalisation Projects

Leongatha Revitalisation Project

The Leongatha Revitalisation Project is a combined project involving the Anderson Street Town Entry Upgrade, Bair Street Commercial Precinct Redevelopment and Railway Site Transformation projects.

The combined project provides distinct stages of the overarching revitalisation of the Leongatha CBD.

Stages will include Anderson Street as Stage 1, Bair Street as Stage 2, and the former Railway Precinct as Stage 3.

The project takes advantage of the Leongatha Heavy Vehicle Alternate Route which will divert heavy vehicle traffic away from the Leongatha CBD.

The project, which is estimated to cost $3-4 million, will create an improved town atmosphere that supports existing businesses and attracts new business owners. The project will improve the economic sustainability of the Leongatha CBD.
Cowes Revitalisation Project

Bass Coast Shire Council has committed $6.3 million of capital funding to the Cowes Revitalisation Project and will now seek $6 million from the State Government and $6 million from the Federal Government for the $18.3 million project. The Cowes Revitalisation Project includes the following infrastructure upgrades:

- **Cowes Jetty Triangle**: Cowes’ north-facing beach and foreshore precinct, which is the town’s main meeting place, is currently underutilised as a key visitor destination. The centrepiece of the foreshore precinct will be a new village green – a versatile, grassed common area flowing down from a terraced stage surrounding the historic Cenotaph. Development of the site will increase capacity for retail markets, community gatherings, civic events and as a place to meet.

- **Cowes Cultural and Community Centre**: This Centre will be the landmark project for Phillip Island’s sesquicentenary celebrations in 2018. The Centre will offer a mix of community spaces, library services, spaces for the genealogical and historical societies, an exhibition space, performance space/theatre and movie hall, art space, tourist information and ticketing services, and meeting rooms.

- **Cowes transit centre and all-day car park**: An all-day car park will allow visitors to park and spend a full day in Cowes, with easy access to the cultural and civic precinct along Thompson Avenue and to The Esplanade. Other bikeways, walkways and promenades will be created over time. The transit centre will provide space for a bus interchange and bus and taxi parking.

4.5 Education and Training

**South Gippsland Trade Training Centre**

The South Gippsland Trade Training Centre is a Federal government training initiative which operates through South Gippsland Secondary College (lead school), with training also delivered through Korumburra Secondary College, Leongatha Secondary College, Mirboo North Secondary College, South Coast Christian College, and South Gippsland Specialist School.

The South Gippsland Trade Training Centre promotes student access to skills training from a range of different providers, and aims to strengthen and enhance links between schools, other educational providers, industry and the broader community.

The existing focus of training is in the following areas:

- Agriculture
- Automotive (Heavy stream)
- Building and Construction
- Electrical
The program is currently in its establishment phase and an opportunity therefore exists to broaden the focus of training to include additional sectors or specialised activities, including a training focus the region’s food sector.

**The Bass Coast Education Precinct**

The Bass Coast Education Precinct (the Precinct), located in Wonthaggi, has received initial state government funding to commence design. The Precinct will bring together a range of education and training providers on one site to harness the synergies of a range of organisations. A new Wonthaggi Secondary College will be the anchor of the new Precinct, joining the Bass Coast Specialist School which is already located on the site. Other education and training providers and industry partners will be considered to be co-located in the Precinct, with the intention of increasing links between organisations that offer learning and skill development and the workplaces that will ultimately employ them.

**Chisholm Frankston TAFE Redevelopment**

The $80 million redevelopment of the Chisholm Frankston TAFE campus will include a new food focussed training and research centre. Ensuring better public transportation access to the Frankston site for students located in the Southern Gippsland region would assist in participation of food focused courses offered at the campus (noting many younger students may not be licence holders).

**4.6 Marketing and Promotion**

**Southern Gippsland Food Map**

The Southern Gippsland Food Map is an interactive website that has been jointly developed by Bass Coast and South Gippsland Shires. The Food Map highlights the best of region’s local produce, details each offering, and maps business locations and contacts by the following categories:

- Grower/producer
- Green grocer
- Bakery
- Butcher
- Fishmonger
- Deli
- Food store
- Winery/brewery
- Market
- Distributer
- Community food project

The Southern Gippsland Food Map is an important marketing and promotional tool supporting local business, especially in view of the 4.5 million visitors to the region each year. However, for maximum impact the Food Map needs to be as comprehensive and up to date as possible, as well as being linked to the most effective communication platforms. In this regard, ongoing funding will be required to further develop and maintain the Food Map.

Other marketing and promotional initiatives for both councils include:
- Identifying the region’s markets and developing appropriate strategies/actions to target them, examples below:
  - Review state and federal food strategies/policy (eg Victoria’s Food and Fibre Strategy) and highlighting opportunities for the Southern Gippsland region’s food sector, including funding grants for businesses.
  - Developing specific programs and ideas to support food cluster development and creating new investment. An example could be to develop an Export Development Project which connects overseas food buyers such as Chefs directly with local niche producers.
  - Explore marketing strategies relating to the global movement of clean/green tourism/agri-tourism and identify opportunities for the Southern Gippsland region’s food sector.
  - Increase use of social media to promote the region’s food sector.

4.7 Establishment of a Southern Gippsland Food Cluster

The establishment of a formal Southern Gippsland Food Cluster organisation/body such as the East Gippsland Food Cluster has the potential to benefit participating businesses in a range of ways including:
- Knowledge sharing
- Networking
- Joint procurement opportunities
- Professional development
- New business opportunities
- Access to relevant information
- Advocacy
- Project identification and feasibility/trials/development
- Collectively supporting our region through good business citizenship
- Marketing

Such an organisation would generally be supported by financial contributions from member businesses, participating councils and state government ensuring wide-spread ‘buy in’ with regard to the activities of the food cluster.
4.8 Supporting Projects Summary

Bass Coast and South Gippsland shire councils have identified a range of projects aimed at sustaining and developing the Southern Gippsland Region’s food sector and these can be summarised as follows:

1. **Road and bridge infrastructure** – including South Gippsland Highway Black Spur - Koonwarra Bend project; Bass Highway, Anderson to Leongatha upgrade; Wonthaggi Alternate Heavy Vehicle route Phillip Island Road upgrade; Bena Kongwak Bridge upgrade; and Kernot Bridge Replacement Over Bass River project.

2. **Water infrastructure** – including potentially increasing dam capacity, local connection to Desalination Plant, and flood mitigation projects.

3. **Waste management and resource recovery infrastructure** – which should be based on the Gippsland Waste and Resource Recovery Implementation Plan which is in preparation.

4. **Town Centre revitalisation projects** – which will create new opportunities for the region’s food sector, including food retailing and food and beverage-related businesses, while enhancing regional tourism outcomes.

5. **Education and training** – including maximising the potential of the South Gippsland Trade Training Centre.

6. **Marketing and promotion** – including further development of the Southern Gippsland Food Map, increased use of social media, global research etc.

7. **Establishment of a Regional Food Cluster** – to provide collaboration, networking, procurement and project development opportunities for participating businesses/organisations.
5 KEY FINDINGS AND RECOMMENDATIONS

The key findings and recommendations of this study are:

1. The Southern Gippsland region’s food sector underpins the economies of Bass Coast Shire (which has a strong focus on food retailing and tourism) and South Gippsland Shire (which has a strong focus on the dairy and beef activities).

2. The region’s food sector is advantaged by high-quality soils, above-average rainfall, ability to adapt to climate change (compared to other regions) efficient access to markets, considerable sunk investment and enabling infrastructure in the sector, a skilled and experienced workforce, and recently improved broadband and mobile telecommunications coverage.

3. In 2015, the economic value of the sector is estimated at $1.4 billion ($0.6 billion in value-added), supporting 30% of regional jobs, 20% of businesses and 26% of regional exports. However, it is important the region’s food sector grows and transitions to insulate the sector from downturns or permanent decline in established sectors.

4. Specific challenges for Southern Gippsland’s food sector include:
   - Land and strategic planning issues (eg relatively high cost of agricultural land, minimum lot sizes, buffers, conflicts between land uses).
   - Addressing inadequate infrastructure (eg poor condition and capacity of roads and bridges, ageing waste infrastructure, limited natural gas supply to service major food processors).
   - Ensuring water security to enable adequate, ongoing and cost-effective water supply to farms and other producers and processors.
   - Ability to retaining skilled workers in dairy and other sectors, and lack of training facilities and course options available to encourage greater participation in the sector.

5. Identified future opportunities for the region’s sector include:
   - Dairy, especially value-added products that are not subject to exposure to commodity price fluctuations.
   - Expansion of the local food movement (eg boutique businesses, farmers markets, specialty/value-added products).
   - Expansion of horticultural activities (eg market gardens, fruit and vegetables, herb growing)
   - Intensive meat production, especially small-scale intensive activities such as broiler farms, pigs, deer etc.
   - Increase in food tourism activities (eg farm gate, cellar door, clean and green food experiences, fish boat sales).
To address challenges and maximise opportunities, the following infrastructure projects and initiatives are recommended:

- Improved road and bridge infrastructure to enhance efficiency, capacity, productivity and safety for the food sector’s transport-related businesses.

- Improved Water Infrastructure - with targeted water infrastructure (distribution and retention) projects building on the South Gippsland Water Security Project to provide investment confidence across the food sector.

- Waste and Resource Recovery - the Gippsland Waste and Resource Recovery Implementation Plan provides an opportunity to strategically plan for the long-term waste and resource recovery infrastructure for the region’s food sector.

- CBD revitalisation projects (ie Cowes, Leongatha) will create new opportunities for the region’s food sector, especially with regard to food retailing and food and beverage-related businesses, and will enhance overall tourism outcomes for the Southern Gippsland region.

- Improved education and training infrastructure and tailored courses will help ensure an appropriately skilled workforce is available to support the region’s food sector into the future.

- Ongoing marketing and promotion of the sector through initiatives like the Southern Gippsland Food Map and Gippsland Food Plan will support region’s food sector enterprises.

- Creation of a Southern Gippsland Food Cluster to provide opportunities for businesses to better collaborate, share in innovation initiatives, identify and develop mutually beneficial projects, be involved in joint procurement and engage in networking and training events.
APPENDICES

List of Stakeholders consulted

- Ken Fraser – Co-ordinator Economic Development and Tourism, South Gippsland Shire Council
- Kui Ung – Economic Development and Tourism Officer, South Gippsland Shire Council
- Paul Stampton – Manager Planning, South Gippsland Shire Council
- Peter Francis – Manager Economic Development and Tourism, Bass Coast Shire Council
- Roslyn Jenzen – Coordinator Economic Development, Bass Coast Shire Council
- Skye Radcliffe – South Gippsland Sustainability Network
- Norman Repacholi – Commercial Research and Analysis Manager, Diary Australia
- Professor Robert Faggian – Associate Professor, Climate Change Adaptation, Deakin University
- Professor Victor Sposito – Associate Professor of Strategic Spatial Planning, Deakin University
- Ben Gursansky – General Manager – Policy Industry and Government, Murray Goulburn Corporation
- Ross – Bonaccord Ingram and Safe Freight Network

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