



Project Sponsor

Sunshine Coast
Council

Future of Agribusiness on Sunshine Coast

Where to invest?

Pre-Conference Background Paper

Tuesday 25 March 2014



Context

Agribusiness

Agribusiness is recognised as a major growth pillar for the Nation, for the State and for the Region. It is one of the growth pillars of the Regional Economic Development Strategy. For the purpose of this discussion agribusiness includes farm gate production plus value adding.

Disclaimer

This presentation has been compiled as a starting point, to stimulate stakeholder discussion at the Future of Sunshine Coast Agribusiness Industry conference.

It is an informed view of the current state of the Sunshine Coast Agribusiness industry and has drawn on available research and the opinions of local industry participants and representatives of state and local government. We acknowledge gaps in the available research has restricted the scope of the presentation.

Any representation, statement, opinion or recommendation expressed or implied in this document is made in good faith, and not to be taken or relied upon as 'expert' advice or research.



Contents

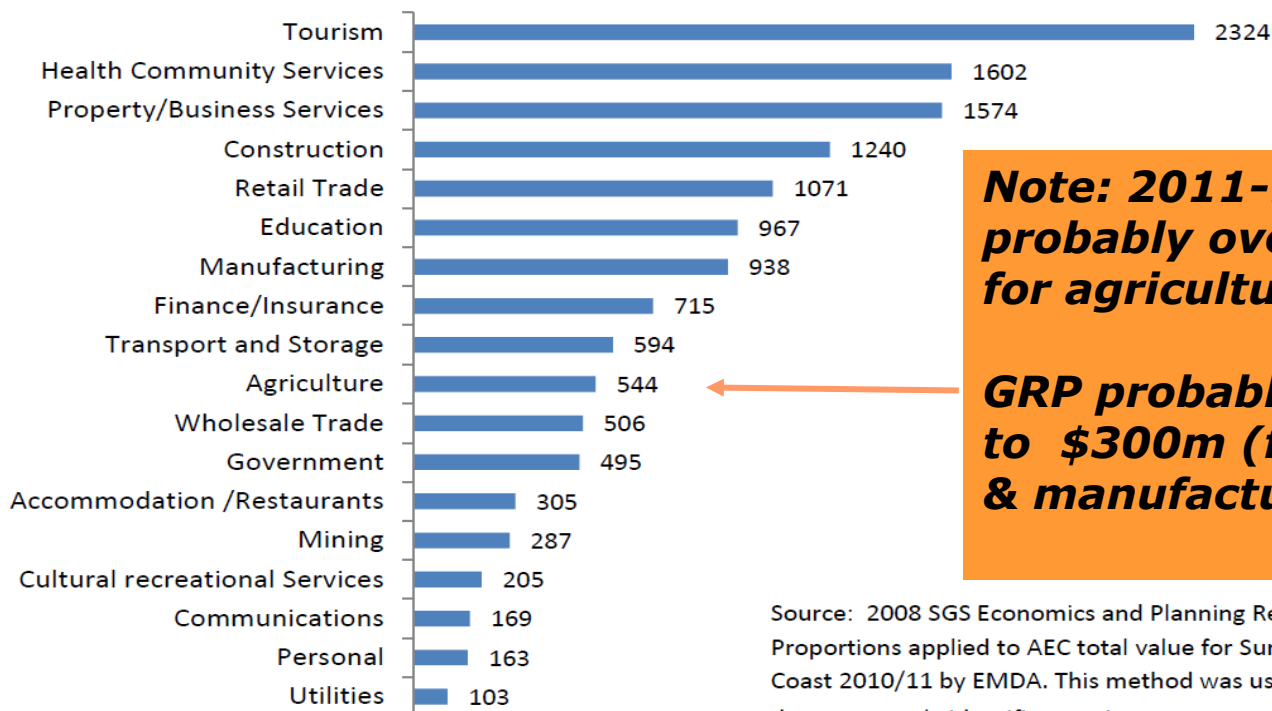
- Trend in agribusiness industry
- Changing composition of agribusiness
- Lessons Learned
- Strengths & Threats
- National and international demand
- Case studies



Trends

SC - Gross regional product by industry, 2010/11

Gross Regional Product by Industry, 2010/11 (\$ million)

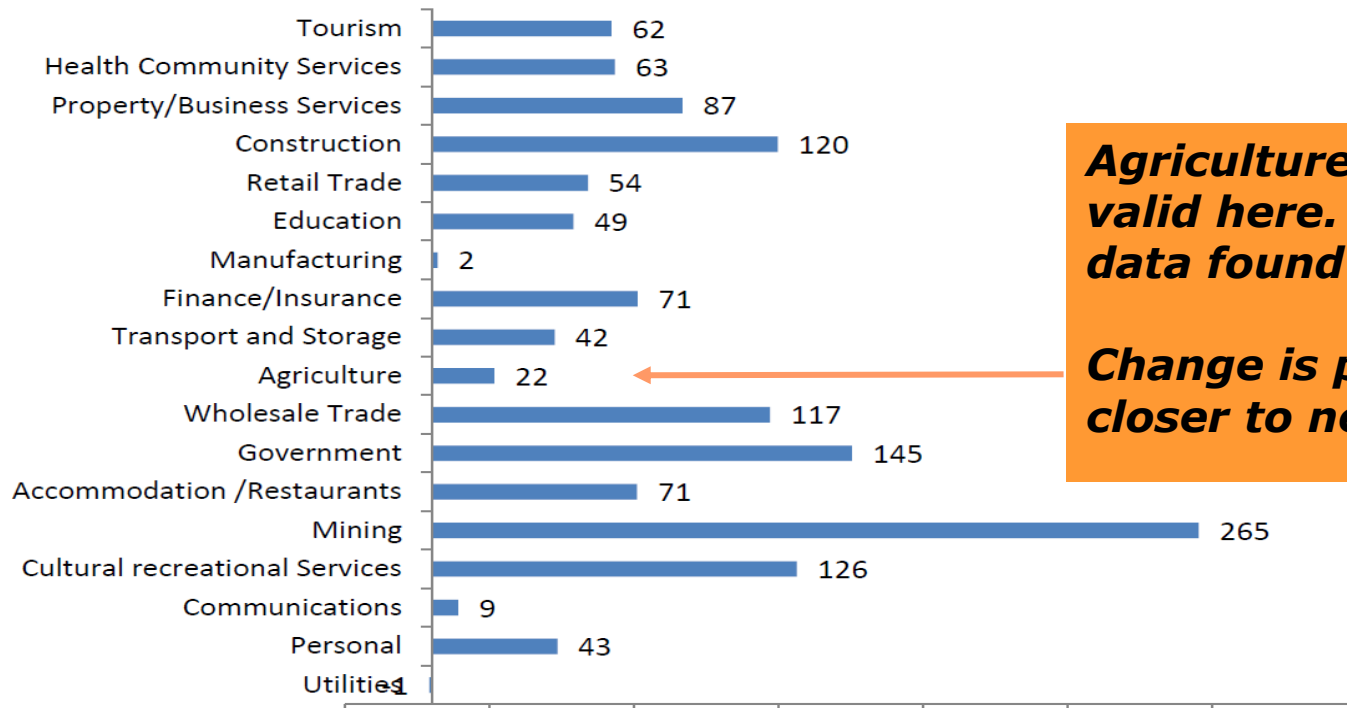


Note: 2011-12 GRP is probably overstated for agriculture.

GRP probably closer to \$300m (farm gate & manufacturing).

Source: 2008 SGS Economics and Planning Report. Proportions applied to AEC total value for Sunshine Coast 2010/11 by EMDA. This method was used as SGS data separately identifies tourism.

SC - Percentage change in GRP by industry 2003-2008



Agriculture data not valid here. Only data found for Shire.

Change is probably closer to neutral.

Source: SGS Economic and Planning Report 2009



SC - Trend growth

- Sunshine Coast Economy grew almost 20% (19.7%) from \$9,398m (Local industry GRP) to \$11,246m between 2006 - 2011
- In the same period Sunshine Coast Agriculture grew by approximately 0.7%
- Qld Agriculture grew by 12.3%

Although the Sunshine Coast's economy has grown strongly in the 5 years 2006 – 2011, agriculture remained stagnate and grew well below state average.



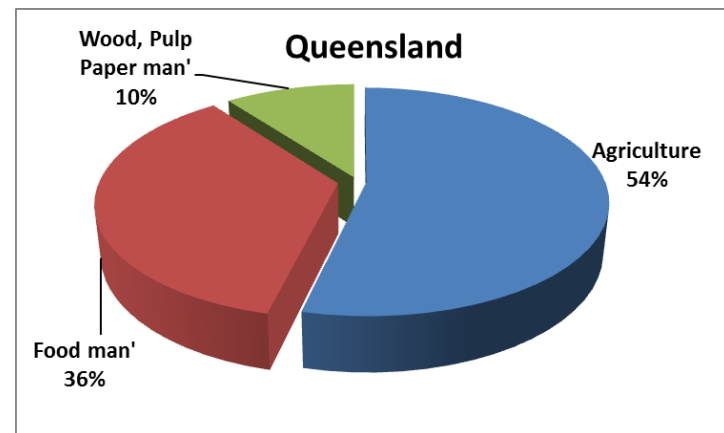
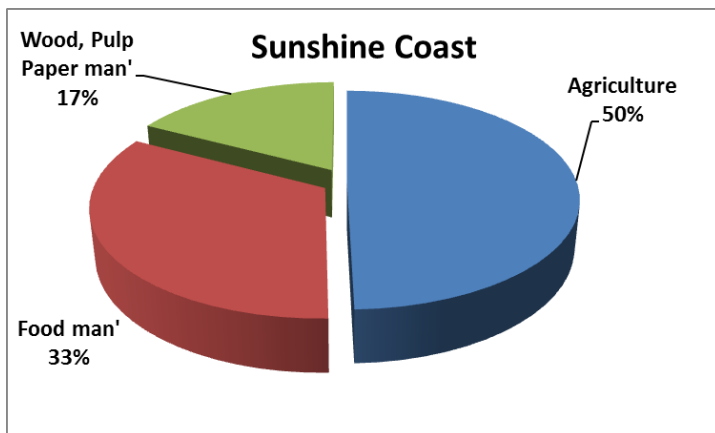
Employment trend growth

- Qld Agriculture sector employment has dropped from 63,225 (2006) to 56,704 (2011), a decline of 10.3%
- In the same period Sunshine Coast Agriculture employment dropped from 3,237 (2006) to 2,643 (2011), a decline of 18.4%

The five year trend in agricultural employment on the Sunshine Coast has declined at a faster rate than that of the state!

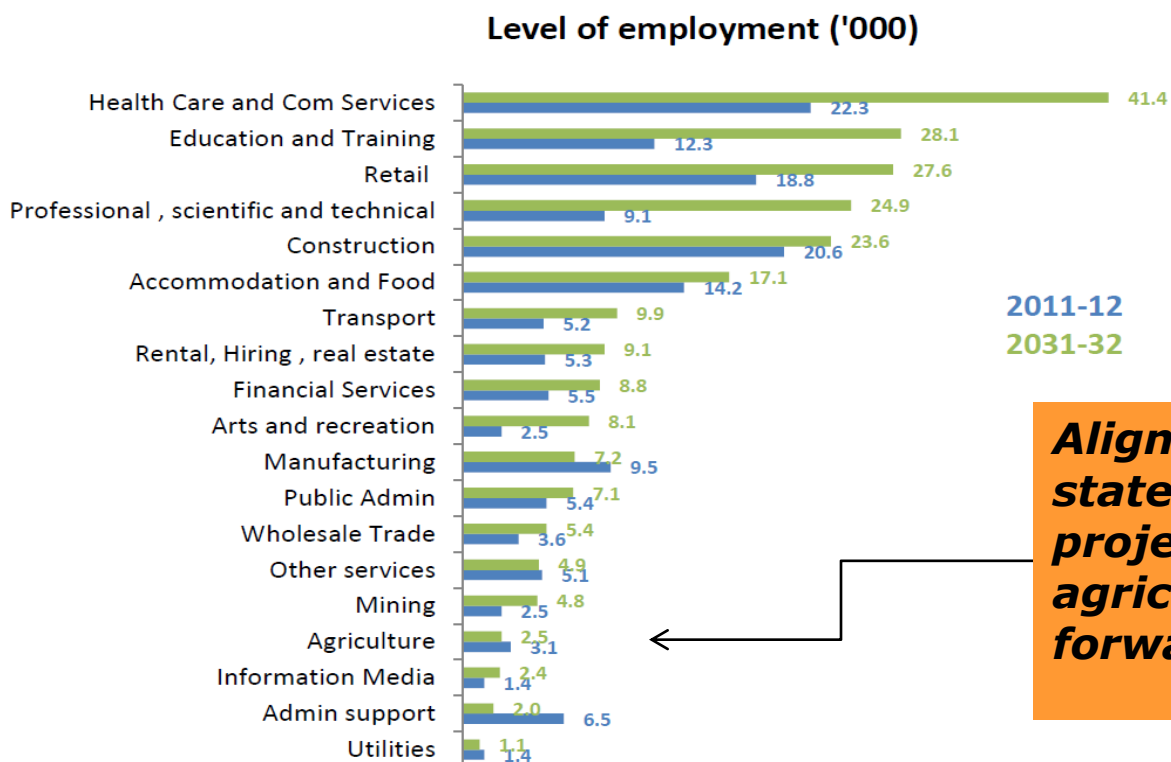
Significant Agri-processing sector (2011)

- Additional 1,565 local people employed in food product manufacturing
- Additional 815 people employed in wood, pulp and paper manufacturing



Significant employment numbers: However linkages with the local agricultural sector have declined.

SC - Regional employment by industry



2011-12
2031-32

Aligns with historical state trend, and projections for state agriculture going forward.

Source : Deloitte Access Economics Workforce Planning Research for the Sunshine Coast and Moreton Bay Council Regions, 2013



SC – Agriculture business Employment split by type (2011)

	No. Empl	% Total
Agriculture (incl dairy, beef, horticulture, nurseries, turf, etc)	1930	82.6%
Support services for Ag, Forestry & Fishing	161	6.9%
Fishing, hunting and trapping	145	6.2%
Forestry and logging	58	2.5%
Other	43	1.8%
Total Agriculture, Forestry & Fishing	2337	100%

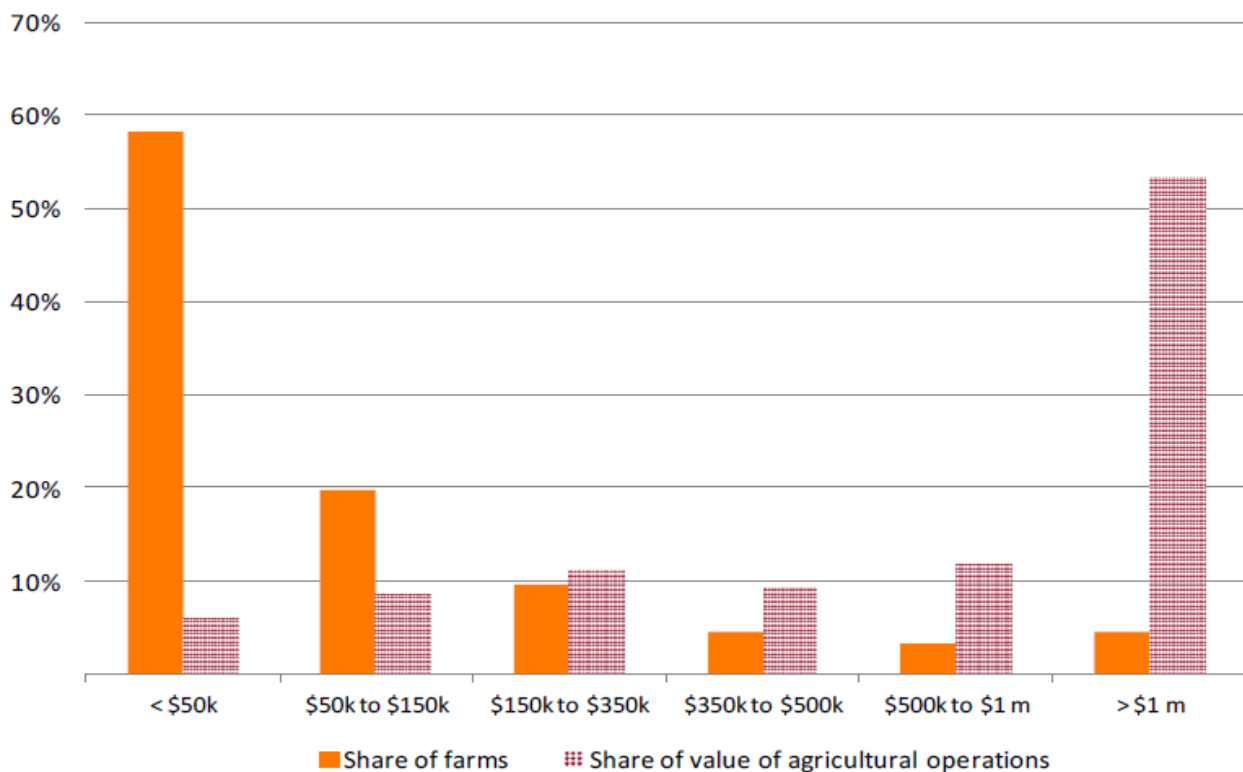


SC – There are over 900 farms (2010-11)

	No. farms	% Total
Beef cattle	239	22
Fruit and nuts	202	22
Nurseries, cut flowers and turf	81	9
Other livestock	59	6
Vegetable	54	6
Other crop growing	47	5
Dairy	42	5
Poultry	14	2
Other	169	19
Total Agriculture	907	100



SC - Distribution of farms by agri' value

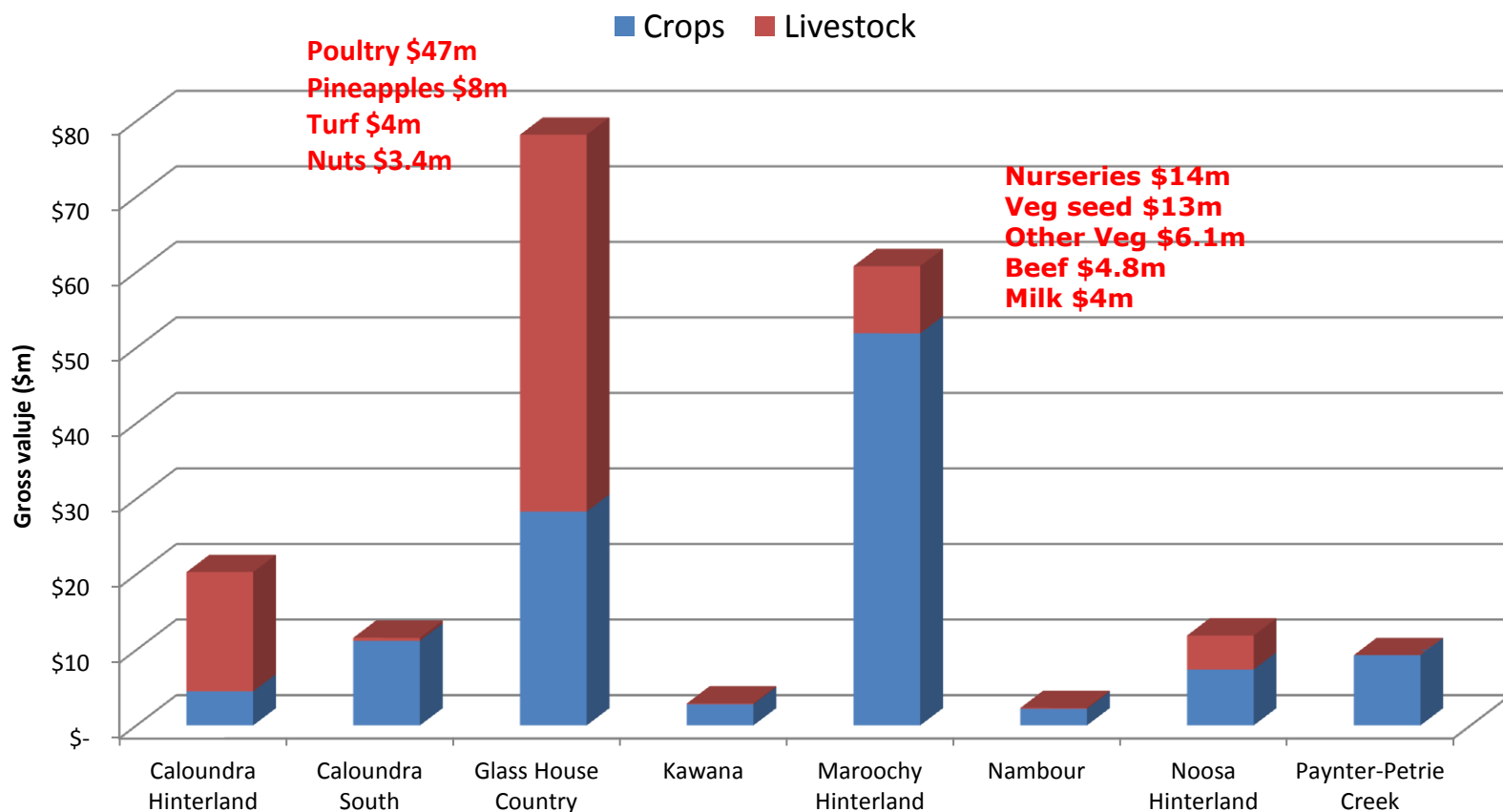


Only 12% of farms +\$350k, But account for 75% total agricultural production.

Source: Australian Bureau of Statistics

Handful of big farms dominate Agri production.

SC - Total value of agriculture by regional location (2010/11)

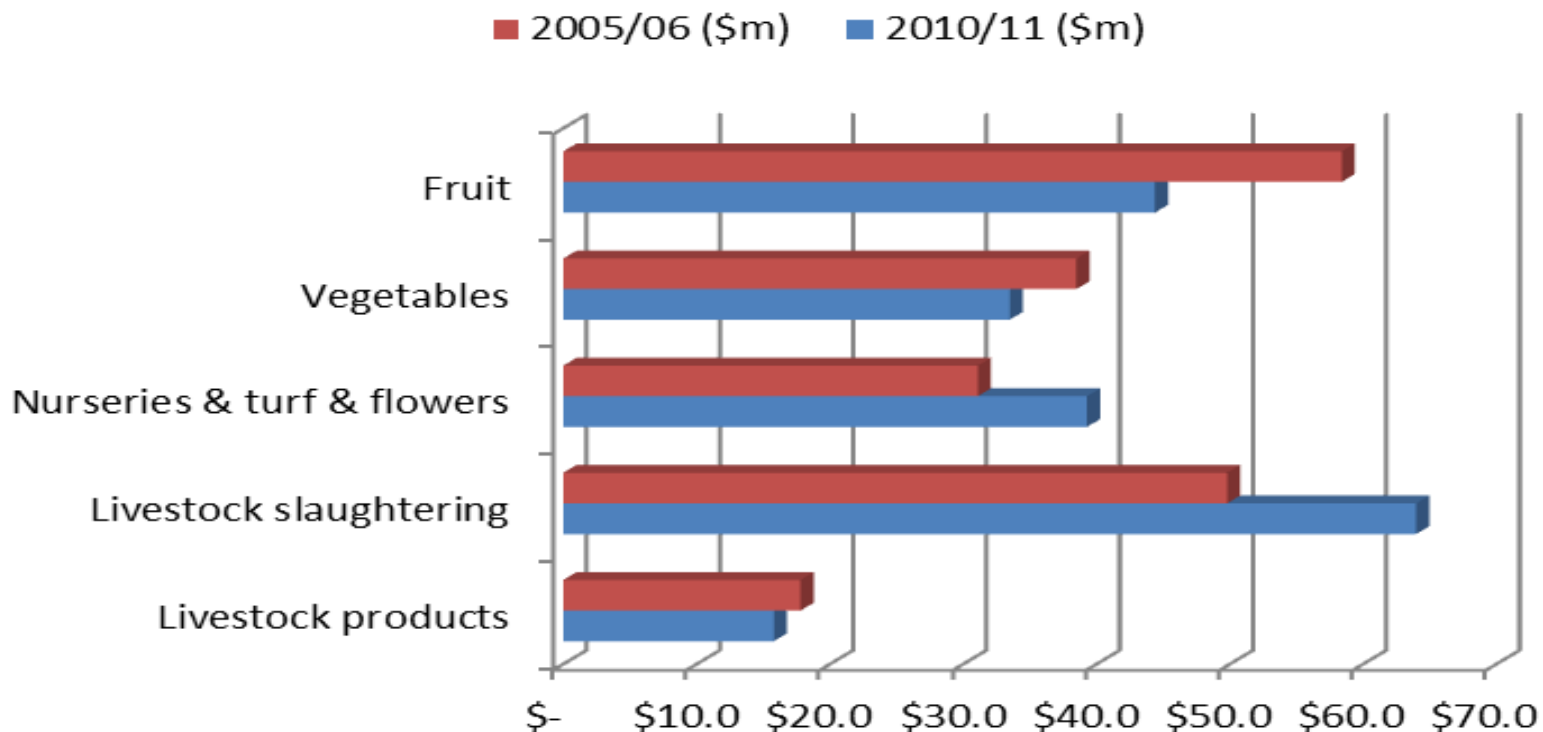


Source: ABS



Changing composition of industry

SC – Changing composition of agriculture



Total \$ flat, but composition of agriculture has changed.



SC - agri-industries

- **Mature:** Existing agri-business activities with limited/no production development opportunities due to either production constraints or market conditions
- **Evolving:** Existing agri-business activities undertaking substantial production/value adding and/or marketing changes
- **Emerging:** New agri-business activities with commercial growth opportunities



Poultry meat production (Mature)

- Glass House Country
- Increased from \$32.5m (2005/06) to \$47.1m (2010/2011)
- Predominantly intensive land use (sheds), highly mechanised, processed mainly Brisbane
- Significant challenges increasing shed and production: air pollution & disease considerations (Existing producers)
- Industry highly exposed to Avian Influenza (outbreak Oct 2013 at egg farm in NSW)
- New Cooroy production proposal in limbo (Council planning approval)! 3 to 4 jobs on-farm alone
- All production is presold, predominantly Brisbane processing

Big sector which is highly exposed and somewhat at risk.



Milk production (Mature)

- Decreased from \$17.8m (2005/06) to \$15.8m (2010/2011)
- Processed Nambour/ Brisbane
- Industry greatly impacted by supermarket \$1L campaign, and large corporate farms in southern states
- Existing producers generally land-locked without viable greenfield production opportunities
- Most milk pre-sold for processing Brisbane/Nambour
- Significant number of local value-adding: Maleny Cheese factory, Maleny Dairies, Fromart, Queensland Yoghurt Company, Kenilworth Cheese (Evolving?)

Sector will continue to decline but value adding has potential.



Macadamia nuts (Mature)

- Glass House Country (\$3.4m in 2010/11), Caloundra Hinterland (\$1.3m) & Noosa Hinterland (\$1.2m)
- Suncoast (Gympie) is one of Australia's largest processor. Nutworks at Yandina undertakes a wide array of macadamia value-add
- Decreased from \$7.2m (2005/06) to \$6.0m (2010/2011)
- Highly mechanised, suiting larger scale operations emerging within Bundaberg region
- Existing commercial producers generally land locked, with very limited opportunities for expansion. Also facing negative publicity from neighbouring stakeholders

Broad acre on-farm production to decline, but value adding has potential.



Avocados (Mature)

- Decreased from \$3.7m (2005/06) to \$2.6m (2010/2011)
- Reducing market margins is forcing the requirement for larger orchards (Bundaberg region)
- Existing commercial producers generally land locked, with very limited opportunities for expansion. Also facing negative publicity from neighbouring stakeholders
- Avocado farms are generally sought after in the real estate marketplace by peri-urban/rural residential purchasers, as they generally occupy highly fertile sloping landscapes with good on-farm water supplies

Broad acre on-farm production to decline, but value-adding has potential.



Fisheries (Mature)

- Mooloolaba 2nd largest homeport for Eastern Tuna and Billfish Fishery (tuna, cobia, snapper, mackerel, pearl perch). Also major port for trawl (prawns, bugs, squid, scallops)
- In 2009 the value of wild-catch fisheries was \$13.5m (Inshore fisheries)
- The value of wild-catch fisheries has been in decline for many years, due to reducing quotas, temporary and permanent closures, rising production costs, and competition from cheap imports (prawns and fish)
- Significant processing and retailing (seafood shops), key tourism drawcard (e.g. Mooloolaba spit)

Growth constricted, but potential in value-adding and tourism.



Food manufacturing (Mature/Evolving)

- Established national and international brands: Buderim Ginger, Sunshine Tropical Fruit, Tropico Fruits, Gourmet Garden, Maleny Cheese, Spirit House, etc
- A number of the larger operators were established several decades ago based on local production. Now mainly rely on sourcing raw inputs from other areas
- A number of existing operators facing land use conflicts with encroaching residential dwellers (Palmwoods)
- Availability and cost of greenfields sites are prohibitive

Significant food processing sector, increasingly disconnected with local agriculture.



Pineapples (Mature/Evolving)

- Sunshine Coast/ Caboolture region supplied all of Golden Circle' processing requirements
- Increased canned imports has decimated local processing demand, and contract production demand with local growers
- Decreased from \$14.8m (2005/06) to \$9.8m (2010/2011)
- Significant new national market opportunity for new sweet pineapples
- Longer term future for existing growers dependent on moving to higher value fresh market consumption
- Need for new varieties

Sector can evolve substantially through technology.



Strawberries (Mature/Evolving)

- Sunshine Coast/ Caboolture region supplying strawberries across Australia during market window opportunity
- Increase competition end of season from WA
- Production value highly variable dependent on seasonal conditions & market prices
- Decreased from \$24.1m (2005/06) to \$16.5m (2010/2011)
Note that DPI estimate industry at over \$40m!
- Need for new early season varieties
- Diversification into blueberries, raspberries, etc.
- WA exports. Locally fruit fly limits export opportunities

Sector can evolve through technologies and export markets.



Ginger (Mature/Evolving)

- Sunshine Coast region was traditional the main production region across Australia
- Production in last 10 years has been impacted substantial by wet weather and disease
- Decreased from \$20.5m (2005/06) to \$10.7m (2010/2011) (ABS Stats under Other Vegetable) (disease?)
- However Vegetables for seed (mainly Ginger) rose from \$6.8m (2005/06) to \$13.1m (2010/2011)
- Growing shortage of local raw ginger for processing, as growers increasingly chase fresh market opportunities (higher value add)
- Bundaberg & Gympie emerging as new production areas due to clean soils

Local farm gate production moving from processing to higher value fresh food consumption.



Nurseries (Evolving)

- Maroochy Hinterland (\$14.0m in 2010/11), Noosa Hinterland (\$3.9m), Paynter-Petrie Creek (\$3.8m)
- Wide array of nursery types, native tube stock, flowering and vegetable seedlings and plants, fruit trees (sub-tropical), palms, rare and endangered species, etc.
- Sunshine Coast region emerged as key nursery area due to the abundance of water supplies during the recent millennium drought
- Increased from \$21.5m (2005/06) to \$25.5m (2010/2011)
- Amenity horticulture (e.g. gardening) is rapidly growing within SEQ

Growth opportunities linked with market demand emerging within local and Brisbane marketplaces.



Culinary agriculture (Evolving/Emerging)

- Farm to table or Agricultural Culinary experiences, combining fresh from the farm produce with artisan cheeses, select wines, and grass fed meats
- Spirit House at Yandina, restaurant and cooking school, is recognised for Asian cooking recipes using fresh Asian vegetables
- Martin Duncan has established Freestyle Escape at Nambour, consisting of a gourmet cooking school, and exclusive culinary events with leading national chefs
- Incorporates local value-added fruit, vegetables and spices (e.g. Galeru Rainforest Fruit Blend pulp)
- Intertwined with tourism, manufacturing and education

Niche high valued sector with significant growth opportunities, abet from a very small base.



Organics (Evolving)

- Organic farming (fruit, vegetables, nuts, and animal products) has been ongoing locally for many years
- Many organic producers seek direct marketing opportunities:
 - Weekend/farmer markets (eg. Naked carrot Noosa markets)
 - More recently direct home delivery (Sunshine Organics, Sandy Creek Organic farm, Kookaburra Organics)
- Strong growth within key marketplaces
 - Kunara (Forest Glen) – Expanded product range beyond Fruit & vegetables to include grocery items, skincare, natural cleaning products, Garden Centre, Cafe
 - Sunshine Coast Organic Meats – Buys direct from certified farmers
- Growing consumer awareness of healthy eating supporting demand growth for the sector

Diversified high valued sector with growth opportunities.



Sugar Cane (Mature)

- Mill closure 10 yrs ago
- Numerous studies, no significant substitute crop identified
- Significant capital investments with new ventures & proposals that failed (e.g. Cow candy, Biodiesel?)
- Partial production opportunities for MSF under current high sugar prices, off set by significant transport costs to Maryborough
- Substantial areas of former cane fields left abandon, significant land & drainage management problems arising

Significant environmental & community challenges but is not the focus of this presentation.

Lessons Learned



What are the lessons learned over the last decade

- Mill closure, no significant substitute crop
- Failure new ventures & proposals (e.g. Cow candy, Biodiesel)
- Declining landscape footprint, aggregate and individually
- Rise in Peri-urban production & off-farm income
- Difficult to monitor & gauge
- Constantly evolving
- Increasing entrepreneurial & value added
- Growing linkages with other sectors, Manufacturing, Education, Retail & Tourism
- Main challenge to existing commercial activities is land costs: urbanisation!



What have been the successes

Why

- | | |
|---|--|
| ▪ Buderim Ginger processing | Incorporating tourism |
| ▪ Major national food manufacturers: Sunshine Tropical Fruit, Tropico Fruits & Gourmet Garden | Historical footprint, access to labour & facilities |
| ▪ Growth farm gate activities: Poultry meat, Vegetables seed (Ginger), Nurseries & turf, Tomatoes, etc. | Existing on-farm investment & infrastructure |
| ▪ Strawberries & sweeter pineapples transforming existing industries | Local leading edge research by DAFF releasing new varieties |
| ▪ Emerging variety of value-added food & fibre products produced locally (e.g. Olives) | Access to local marketplaces & access to processing facilities |
| ▪ Culinary agriculture intertwined with Tourism, manufacturing and education | Entrepreneurs with extensive networks within the food service sector |



What have been the successes (cont.)

- Cooperative marketing: *Sunfresh* and *Natures Fresh* companies head office locally!
 - Sunfresh (Palmwoods) awarded grant of \$50,000, to develop a range of native finger lime products for food service and retail markets both domestically and internationally. The dried lime product can be stored at room temperature for years or reconstituted with water. The drying process will also aid in gaining entry to some countries that would otherwise require strict import protocols
 - In 2008 Natures Fruit Company (Glass House Mountains) released 'Natures Reserve' premium avocado oil, ensuring its growers have a viable alternative for their lower grade processing fruit



What have been the lost opportunities

- Cane land inactivity (MSC)
- Broad acre subtropical fruit production supplying national markets, relocating north
- Substantial food manufacturing, increasingly disconnected with local growers
- Superbee (formerly at Buderim). Now exporting internationally from a base in NSW
- Numerous value-added food and fibre producers – remaining locally recognised
- Declining expenditure in agricultural R&D



Strengths & Weaknesses



What / where are the existing strengths in agri-business on SC

- High rainfall sub-tropical conditions, combined with productive soils across multitude of terrains and locations
- Extensive array of fruit, vegetable, meats, dairy, flowers, plants and fibre in commercial production
- Significant local population (& SEQ) supporting direct market place opportunities
- Successful long-term food manufacturing
- Extensive input and output supply chain supporting farming operations
- Leading national marketing cooperatives in place



What / where are the existing strengths (cont.)

- 1 hour to Brisbane and export facilities
- Strong agri-business entrepreneurial population base with significant financial resources
- Existing linkages between agriculture and tourism (Maleny Dairies, Buderim Ginger)
- Local agriculture R&D facilities in place (Nambour)



What are the weaknesses

- Difficulty to expand production (e.g. land) to counter rising production, transport & marketing costs
- Difficulty competing against lower priced imports (processing and fresh)
- Rapidly rising cost of good quality agriculture land
- Inability to halt the urbanisation expansion into prime farming districts
- Fragmentation of farming operations
- Restrictive land planning protocols limiting diversification



Market Demand



Agribusiness market opportunities

- Local markets
 - Significant population base of 350k (includes Noosa)
 - Projected increase to 500k by 2031
- State/Interstate marketplaces
- Export
 - Predominantly expanding Asian marketplace



Agribusiness market opportunities

- Local markets
 - On-farm sales & road side farm stalls, e.g.
 - Pick your own strawberries, Maleny Cheese
 - Incorporating Agri-tourism in many cases
 - Requirement for high road visibility & easy access
 - On-farm infrastructure & licencing requirements
 - Honesty payment systems (small road side stalls)
 - Signage requirements
 - Usually low volumes produce for commercial farmers, but valuable side income in many cases
 - Local processors
 - Small quantities demanded by processors for processing locally
 - Buderim ginger (although imports becoming more significant for raw ginger)
 - Parmalat (milk) & other yoghurt/cheese/milk processors
 - Natures Fruit Company (avocados)
 - Continuity of supply, volumes, and prices offered are generally encouraging local food processors to source ingredients outside of the SC (Gourmet Garden, Sunshine Tropical, etc)



Agribusiness market opportunities

- Local markets (cont.)
 - Local marketplaces
 - Approximately 25 local marketplaces, Eumundi, Fisherman Rd, Yandina, Caloundra Farmers Market, Big Pineapple, Big Top Market (2014), etc.
 - Relatively easy market access to consumers, direct marketing
 - Stall costs vary substantially, private vs. non-profit groups
 - Substantial variation in quality produce, including reject/2nd grade fruit from commercial growers. No product quality testing
 - Opportunities for product testing and promotional
 - Competition fierce between farmers and *traders*
 - Entry to some markets limited for new stalls
 - Small market quantities for commercial farmers (market saturation), but attractive to farmers with wide range of seasonal produce
 - Opportunities to differentiate in some cases, local produce, organic, farm branding, etc.
 - Weather impacted (rain, heatwave, wind)
 - Potential for cannibalisation between marketplaces due to market numbers



Agribusiness market opportunities

- Local markets (cont.)
 - Local community co-operatives
 - Finding Common Ground –Buying Club & Producer Networks
 - Maple Street Co-op (Maleny)
 - Local fruit retailing
 - Retail fruit & Vegetable shops
 - Eg, Erbachers (Bli Bli), Jeffers (Yandina & Maroochydore), Brady's (Palmwoods), etc)
 - Local supermarkets, eg. IGA which seeks to stock local fruit & Vegetables when possible
 - Demand usually for both 1st and 2nd grade fruit, but in limited quantities
 - Wholesale marketing co-operatives (eg. Sunfresh at Palmwoods)
 - Provide marketing logistics solution for local commercial growers
 - Seek to aggregate supplies from small farms, utilise a common marketing brand, and forward to key domestic and international marketplaces (wholesale)



Agribusiness market opportunities

- State/Interstate marketplaces
 - Wholesale Fruit & Vegetable markets
 - Each state has a major fruit/vegetable/flower wholesale market: including Rocklea at Brisbane (Qld)
 - Larger commercial farmers will deal directly with agents at these wholesale markets, with digital communication (phone/sms/emails) highlighting current prices and market demand conditions.
 - Farmers organise transport, loading on-farm semi-trucks
 - Farmer Cooperatives (Sunfresh) also very active within this marketplace
 - Market only accepting high quality produce, meeting production and quality assurance protocols
 - Direct contracts with supermarkets (Woolworths, Coles, etc)
 - Supermarkets deal direct (confidential) with major farmers for seasonal produce
 - Supermarkets only accepting high quality produce, meeting production and quality assurance protocols (exception of small size produce for super special prices)
 - Likely that local fruit growers deal direct (strawberries, pineapples)



Agriculture Market opportunities

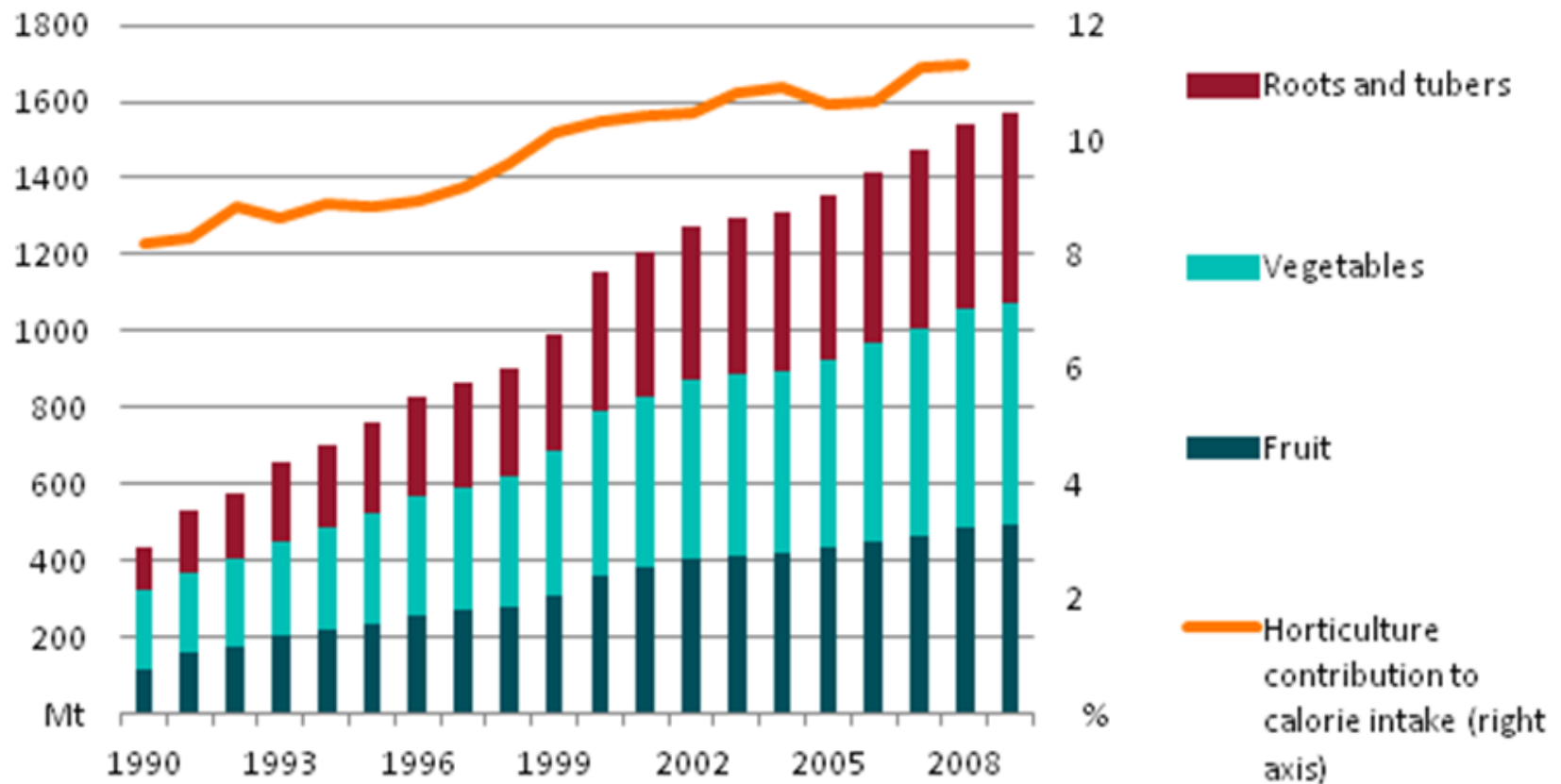
- State/Interstate marketplaces (cont.)
 - State/National processors
 - Large quantities usually demanded by processors
 - Parmalat dairy factory (South Brisbane)
 - Golden Circle (Northgate)
 - Macadamias Direct (Dunoon NSW) & Suncoast Gold (Gympie)
 - Ingham's chicken (Park Ridge, Brisbane)
 - Generally seeking large commercial supply volumes from individual farmers, and offer open market competitive prices



Asia: market opportunities for horticulture

- Increasing affluence across Asia resulting in significant shift in dietary patterns
- Fruit & Veg consumption increasing by more than 5% per annum since 1990
 - 150kg per person consumption in 1990
 - 280kg per person consumption in 2009
- Horticultural products contribution to total daily calorie intake rose from 8.2% (1990) to 11.3% (2009)

Consumption of horticultural products (Asia*)



Source: FAO 2013



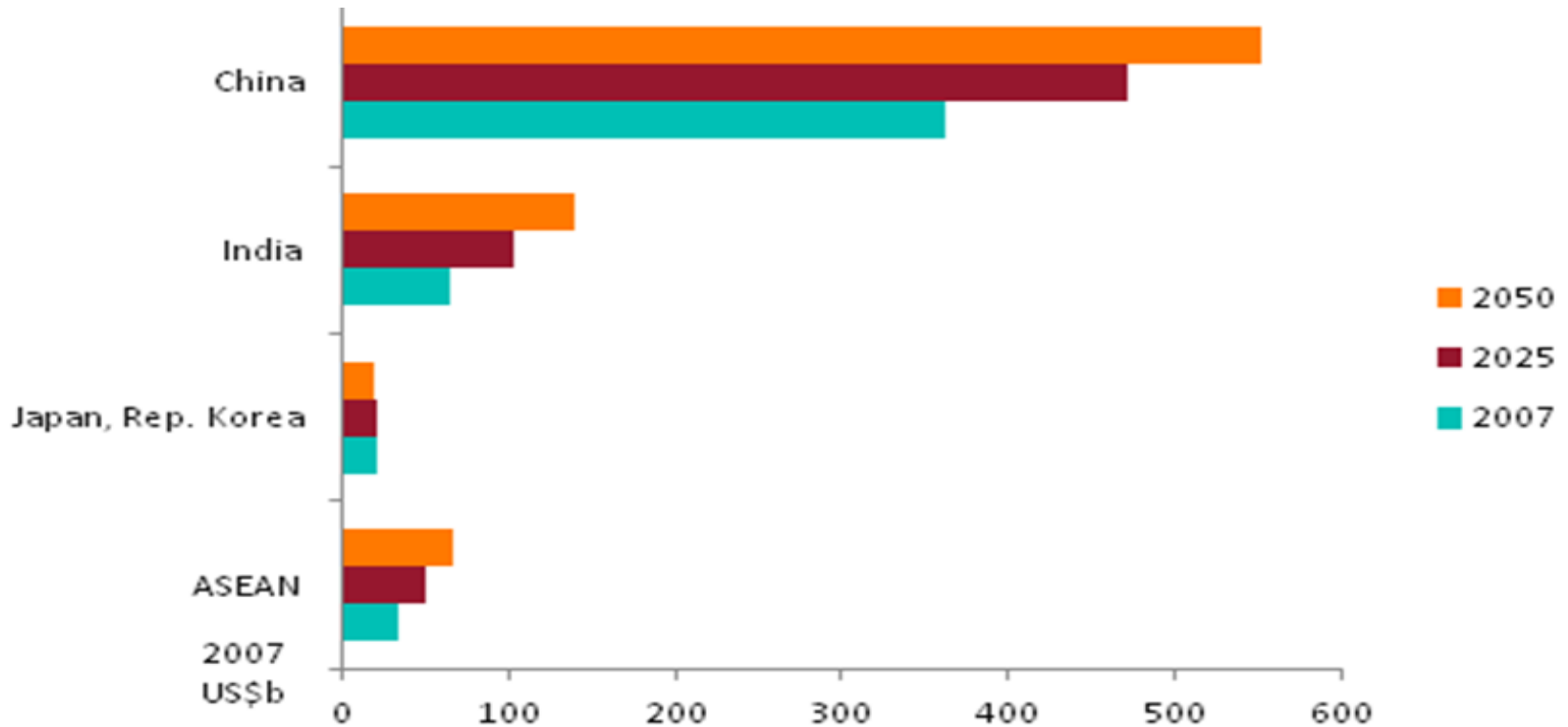
Asia: substantial market growth opportunities for vegetables

- China to remain the largest vegetable consumer
 - Projected to increase to US \$551bn (2007 \$) in 2050
 - 52% increase over 2007

- Out to 2050 growth in consumption per person driven by low income households

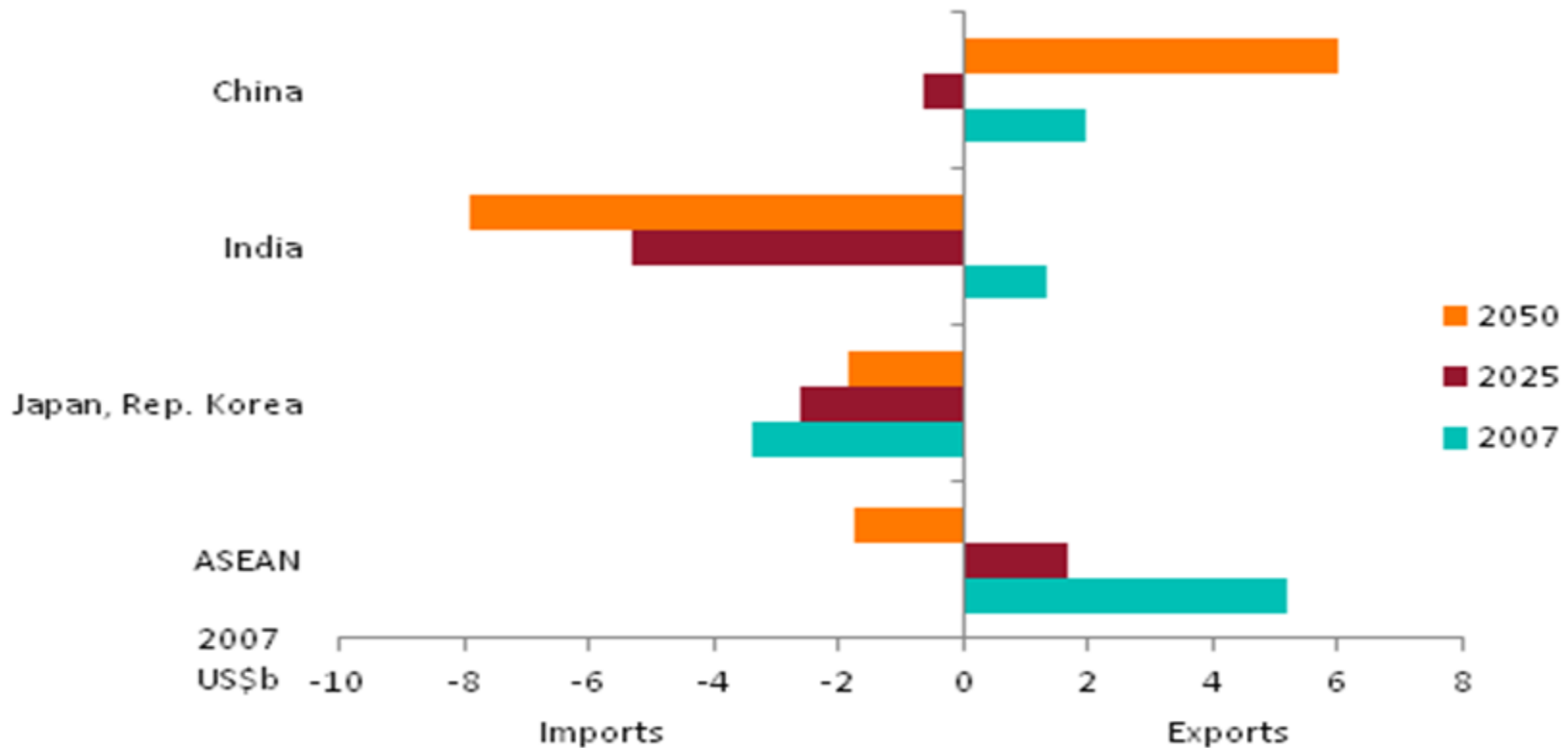


Projected real value growth in vegetable consumption





Projected trade in vegetables across key markets



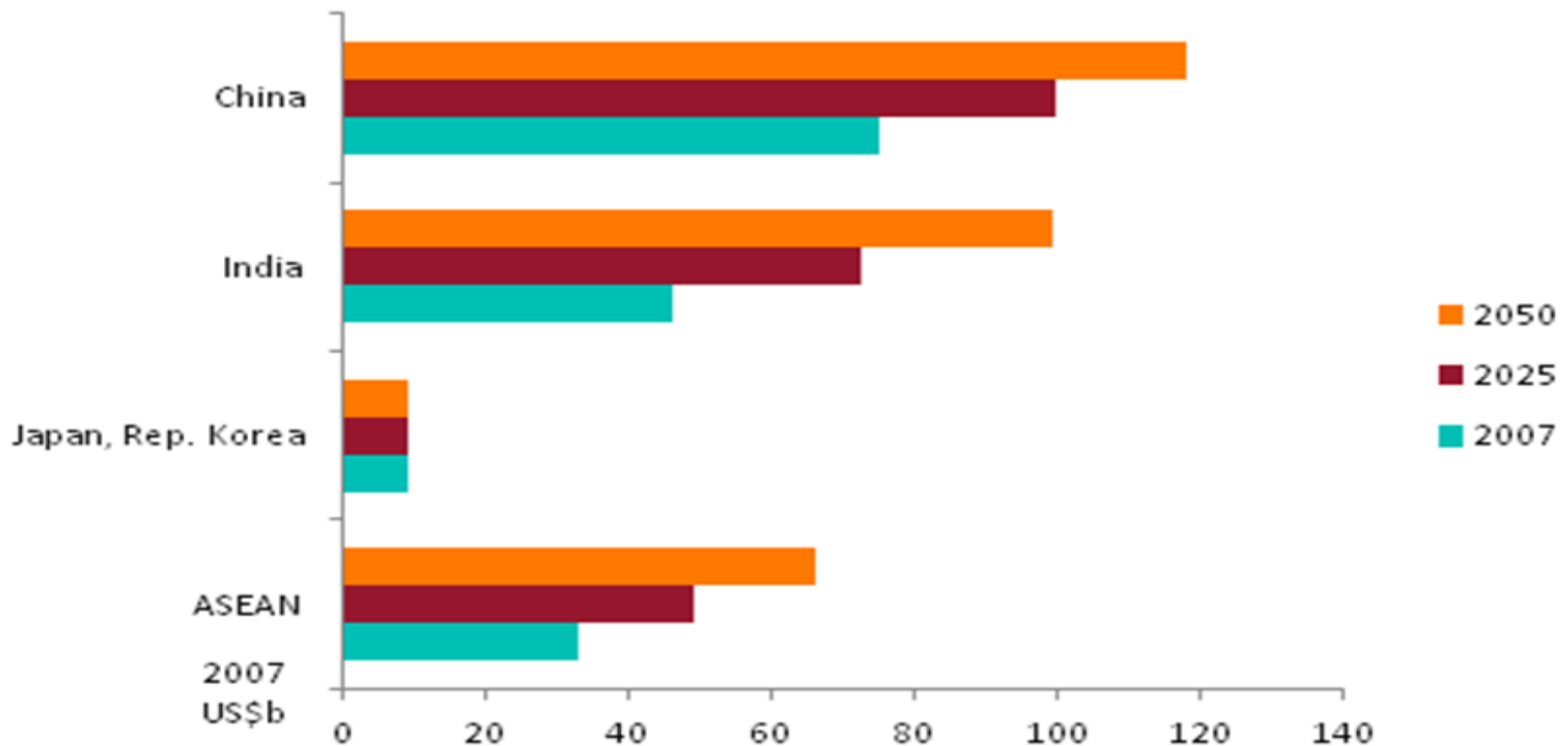


Asia: also substantial market growth for fruit

- As real income per person rises, dietary shift away from staple foods (cereals) to fruit
- China to remain the largest consumer
 - Projected to increase to US \$118bn (2007 \$) in 2050
 - 57% increase over 2007
- Most growth in China to occur out to 2025 corresponding to higher population and income growth rates

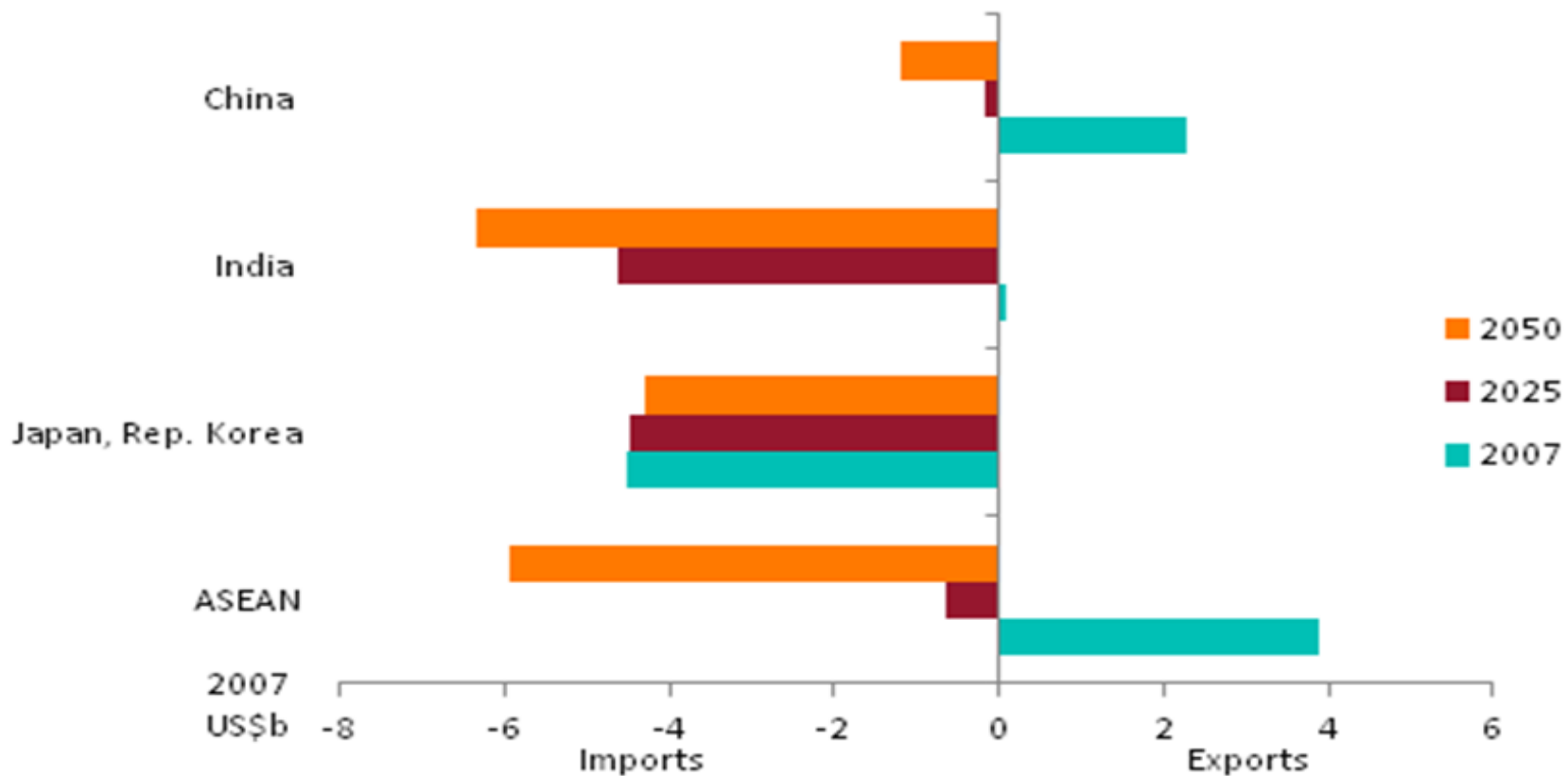


Projected real value growth in fruit consumption





Projected trade in fruit across key markets





The Chinese marketplace

- Main imports in China (2010) were cassava, apples, peas & beans, grapes, citrus and pistachios
- Key suppliers to China were Thailand, US and Chile
- Applies most favoured nation tariffs for imported horticultural products: between 10% to 30%
- Need to negotiate a phytosanitary protocols on a product-by-product
 - protocol to grant market access for Australian table grapes to China was signed in October 2010 after eight years of negotiation
 - protocol allowing export of cherries from Australia to China was signed in January 2013 after only two years of negotiations
- A significant quantity of imports into Hong Kong finds its way to the mainland unrecorded (the so-called grey trade)



The Indian marketplace

- In 2009 imports amounted to less than 1 per cent of consumption, by volume
- Main imports in India (2010) were dried beans, peas, lentils and other pulses, cashews in shell, almonds in shell, dates and apples
- Key suppliers to India were Canada, Myanmar, the United States, Cote d'Ivoire and Tanzania
- Limited cold chain and transportation infrastructure facilities inhibit India's ability to import fresh produce, as well as constraining the domestic market
- India applies a most favoured nation tariff of 30% to 100%
- In addition, import permits are required for many plant products, as well as phytosanitary certificates



The ASEAN marketplace

- Total food consumption of horticultural products in ASEAN member states grew by a little under 3 per cent a year on average between 1990 and 2009
- In 2010 Thailand, Vietnam and the Philippines were the largest exporters of horticultural products (by value) among ASEAN member states. Malaysia, Indonesia and Singapore were the major importers
- In total ASEAN countries are net exporters of horticultural products: cashews, dried cassava, pineapples and pineapple products, and dried peas and beans
- Main imports (2010) were garlic, apples, onions and grapes, tangerines and mandarins, and pears



The ASEAN marketplace (cont.)

- Key suppliers were China, the United States, India, Australia, South Africa and New Zealand
 - China supplied more than 40 per cent of Indonesia's fruit imports in 2010!
- Brunei and Singapore do not apply any tariffs to horticultural imports. Countries that have free trade agreements with Thailand (including China, Australia and New Zealand) have tariff-free entry for many products
 - Indonesia announced in 2012 that four out of the country's eight main sea ports will be closed to horticultural products because of the lack of facilities, such as laboratories for testing and quarantine
 - Vietnam introduced new import regulations in 2012 following detections of unacceptable pesticide residue levels on imported fresh produce



The Japanese & Korean marketplaces!

- In contrast to other key Asian marketplaces, consumption of horticultural products in Japan and Korea has shown little growth over the past two decades
- Main imports (2010) were bananas, various processed fruit and vegetable products, and frozen vegetables including potatoes
- Key suppliers were China, the United States, New Zealand, Thailand and Mexico
- Import tariffs vary considerably in both markets
- Japan prohibits fruit and vegetable imports from many parts of the world due to pests that may be found in or on the product



Case Studies

Examples of regions that have transformed their agri-business to capture future demand

- **Hudson Valley AgriBusiness Development Corp (US)**
 - Local Agricultural Economic Development approach
- **Central Appalachian Network (US)**
 - Focus on the development of Value chains
- **Southern Appalachian region (US)**
 - Examined the Southern Appalachian region
 - Extensive research findings supporting small farm viability

Hudson Valley AgriBusiness Development Corp (US)

- In terms of gross value of product, agriculture is no. 1 industry within 2 of the 4 counties in the Hudson Valley
- However agriculture industry is under substantial pressure
- Formed (2006) in response to a perceived gap in the business side of agriculture, HVADC is a economic development agency, funded by 4 local counties that make up the Hudson Valley
- Focuses it's services on local foods and agricultural entrepreneurs
- Services small family farms to large horticultural enterprises
- Website: www.hvadc.org



Hudson Valley AgriBusiness Development Corp (US)(cont.)

- **Key service provided: *Incubator Without Walls***
 - Technical and Professional Assistance
 - Project Planning and Development Services
 - Funding and Capital Access
 - Feasibility Analysis

- **Key service provided: *Hudson Valley Bounty***
 - Project designed to promote local foods throughout the Hudson Valley region
 - Website includes 276 farms, 251 restaurants, and 29 markets
 - Database of information, promotion of events and all things related to local food in the Hudson Valley

- **Key service provided: *Regional Initiatives***
 - In 2013 HVADC obtained \$225,000 in funding to establish a “less-than-trailer-load” (LTL) Local Food Distribution Hub that will allow farmers to cost effectively get their products to market, and for restaurants and markets to access the produce of the Hudson Valley

Central Appalachian Network

- CAN is a network of six nonprofits in Kentucky, Ohio, Tennessee, Virginia, and West Virginia, formed in 1993 to advance the work of developing a rural economy
- Value chain business model: built in response to market demand



Central Appalachian Network (cont.)

- **Objective:** help local people develop the capacity to act collaboratively and improve their own livelihoods over the long term, without intervention
- **Implementation:** developing the value chain by filling in missing links, or strengthening weak links. It does this through training, technical assistance, facilitating connections, and providing small grants to groups and small businesses
- **Examples of small grants**
 - E.g. \$15,720 to construct a freezer for processed meats, so it could serve more farmers and consumers.
 - Monroe Farm Market received \$15,700 to improve its marketing.
 - Fayette County Farmers Market received \$5,700 to teach farmers about constructing high tunnels (plastic-covered structures which extend the growing season), and to provide materials so that local producers could build their own.

Central Appalachian Network (cont.)

- Many kinds of wealth have been created in the form of financial wealth, new knowledge, new relationships, built infrastructure, and valuable farmland protected from development
- In one year, 62 producers selling into wholesale value chains saw average income rise to \$74,000 per producer in 2010 – up 31 percent from \$56,600 the year before
- Food purchases by grocery stores, restaurants, and schools grew by 64 percent
- The number of wholesale buyers rose from 38 to 60. And wholesale buyers made significant changes in their practices, featuring local foods on menus and in local foods brunches, advertising local foods, even providing a loan to a local food producer

Southern Appalachian Region

- Elaine Bradley (Mary Valley) 2012 Churchill Fellow, travelled to US to research rural communities that have built strong and resilient economic and social networks based on supporting small-scale farming and a vibrant local food culture
- Identified numerous learnings under:
 - Farm management
 - Encouraging new farmers
 - Consumer education
 - Direct sales
 - Farmers markets
 - Cooperatives
 - Training/education
 - Marketing/promotion



Southern Appalachian Region (cont.)

- Farm management
 - Increase diversity of products and markets
 - Smooth out variability of income (multiple crop lines, season extension, storage, sales of non-food items, off-farm work)
 - Smooth out continuity of supply (production planning, storage, value-adding)
 - Adopt state of the art record-keeping and analysis of operations
 - Continually look for and adopt efficiencies in farm operations
 - Farm business planning is essential



Southern Appalachian Region (cont.)

- Encouraging new farmers
 - Most young people enter farming via internships or following tertiary studies
 - Beginning farmers often lease a plot and borrow equipment to get them started
 - Networking is particularly important to young farmers - sharing information, working together, socialising
 - Farm incubators are a great way to start out for someone without much capital

- Consumer education
 - A very strong local food culture is being maintained through the persistent efforts of support organizations
 - Farm to school programs
 - Consumer awareness of where their food comes from



Southern Appalachian Region (cont.)

- Direct sales
 - The CSA model is very important to many farmers
 - CSAs offer a positive solution to the disproportionate amount of risk borne by farmers
 - Also significant for farms to have direct sale to a small number of retail outlets or food service businesses
- Farmers Markets
 - Markets should provide abundance of choice
 - Clear guidelines for market vendors protect the interests of vendors and customers
 - Markets should be accessible (weekdays)
- Cooperatives
 - Offer efficiencies through marketing, product handling and distribution
 - Used start-up grant funding, but most aiming to 'break-even' within 3 years



Southern Appalachian Region (cont.)

- Training/education
 - Annual weekend conference aimed at experienced growers, featuring 'known' and respected presenters
 - Regular workshops for new and beginning farmers - monthly farm visits good, perhaps also with a specific training theme to discuss during the day/follow up at dinner time
 - Publish and maintain a manual that can be updated and revised to principally include local information

- Marketing/promotion
 - Local branding was highly successful
 - Research noted the willingness of consumers to pay more for local food and the significance of information labels to identify locally produced products



Differences between US and Australia

- Extensive US Government (and political) support at all levels for the agricultural sector
- Substantial number of agricultural education institutes
- Substantial network of community NGO's, Cooperatives, and community/regional support agencies (government supported)
- A substantially different labour structure that allows individual farms to take on interns, compared to constraints in our welfare system that are a barrier to participation in such schemes
- A substantially different food & social culture, with US consumers currently exhibiting a greater interest in **local** sustainable and organic production.