



AGRIBUSINESS REGIONAL STOCKTAKE BASELINE DATA TO DRIVE GROWTH NOVEMBER 2017 - UPDATE

This capability report presents a snapshot of the Central Highlands's agribusiness sector, showcases the opportunities in the Central Highlands and can inform future analysis and policy development

The Central Highlands delivers approximately \$740 million in agricultural value (ACIL Allen based on ABS, 2015/16). Cattle grazing is the largest agricultural activity generating \$540 million. Dryland cropping (cereals and pulses) is another key driver of value. According to official data, the value of production of cereal cropping sits at \$55 million, while pulses (chickpeas) have an economic value of \$207 million¹. The region is also an important cotton producer (\$60 million) and boasts a thriving citrus (\$40 million) and table grape sector (\$20 million). Growth areas in the region's agricultural pattern have recently been associated with emerging crops such as mung beans, macadamias, melons and lychees.

The Central Highlands Accelerate Agribusiness Strategic Advisory Group (CHAA) identified five key pillars that underpin their agribusiness development strategy:

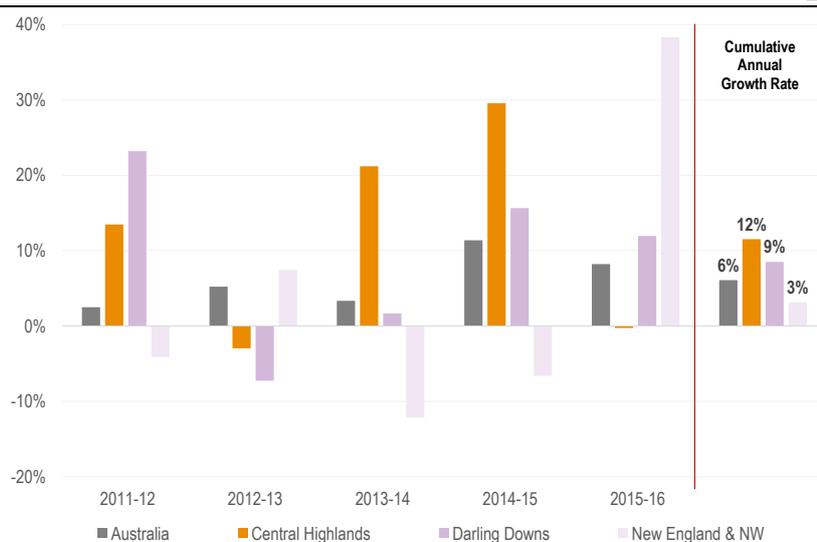
- Production Excellence
- Connected, Competitive Supply Chains
- Revered Regional Brands
- Ready for Business, and
- Fearless Invention

The stocktake is constructed to explore the evidence base that underpins each of the five key pillars.

Production Excellence

The Central Highlands outperforms its peers in terms of agricultural area and agricultural GVP per capita. On the contrary, the region shows less strength in the measures of agribusiness per capita and diversification performance. Recently, the region has also outperformed its peers in terms of growth. According to ABS data the average value per hectare has increased at a higher rate in the Central Highlands than in other comparable regions.

¹ Figure provided by Pulse Australia, which is considered to be more accurate for the 2015/16. ABS report pulse \$50 million for 2015/16.

FIGURE ES 1 VALUE GENERATED FROM A HECTARE OF AGRICULTURAL LAND P.A. GROWTH

SOURCE: ACIL ALLEN BASED ON AUSTRALIAN BUREAU OF STATISTICS SERIES 7121.0 AND 7503.0

The Central Highlands are not the primary grain growing region for Queensland, however, the natural soil fertility and ideal climate for growing a variety of summer and winter crops provides producers with opportunities to diversify their enterprise mix in order to spread the risk of a highly variable climate. Producers utilise modern farming practices to maximise the return on investment of assets managed. The comparably lower land prices to the Darling Downs present a good value proposition for long term investors in the region.

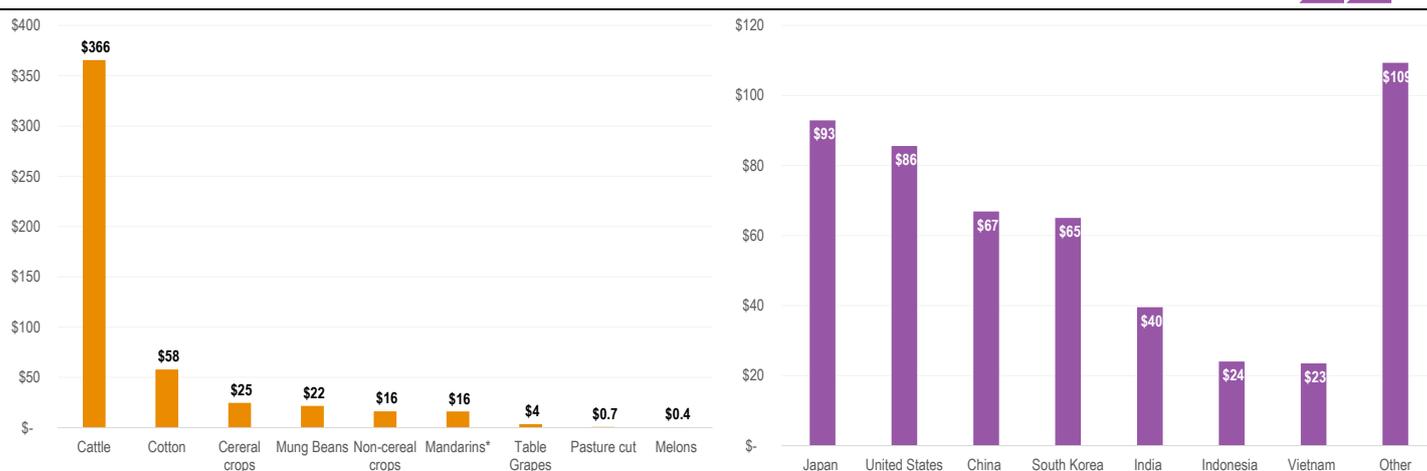
Connected Competitive Supply Chains

Roughly 40 per cent of the inputs purchased by Central Highlands' agribusinesses are sourced from inside the region (ABS, 2016). The remainder is mostly sourced from other regions and a small percentage comes from overseas. Most of these imports were of manufactured goods and professional and technical services, industries in which the Central Highlands is seeking to grow and improve capability.

Agricultural freight is predominantly moved by road as rail haulage is mostly composed of mining products and agriculture is a secondary priority. Funding has been secured to support an intermodal hub at Yamala, designed to improve supply chain efficiency and incentivise a greater utilisation of rail.

Despite the region being a strong performer in several primary industries, a considerable amount of the processing of the output of these industries is done outside the region. Indeed, the Central Highlands processing of primary products include cotton gins, packing facilities and grain storage and handling facilities where some initial processing of the grain is undertaken.

The Emerald saleyards are important to the Australian cattle markets. Besides serving the State and national markets, the region is an important primary exporter. ACIL Allen has estimated that the value of exports from the Central Highlands would have amounted to approximately \$500 million in 2016. Cattle exports (mainly beef) explains 70 per cent of this figure. In turn, Japan, the USA and China were the three top export markets for regional produce and explained almost half of total sales.

FIGURE ES 2 CENTRAL HIGHLANDS (R) – EXPORTS IN 2016 (E) BY COMMODITY (LEFT) AND BY MARKET (RIGHT) – IN \$ MILLION

SOURCE: ACIL ALLEN BASED ON AUSTRALIAN BUREAU OF STATISTICS AND QUEENSLAND DEPARTMENT OF AGRICULTURE AND FISHERIES

Revered Regional Brands

In a survey of 61 regional business leaders half of attendees could only mention four or less regional brands (CHDC, 2017). The two brands with the most mentions were 2PH and Evergreen Farms. Local champions are important because they inspire admiration and make others follow suit.

The Central Highlands needs to be aggressive in protecting its brand equity and leverage on the reliability of production and lower return on investment dispersion to inform the conversation and propel the region going forward.

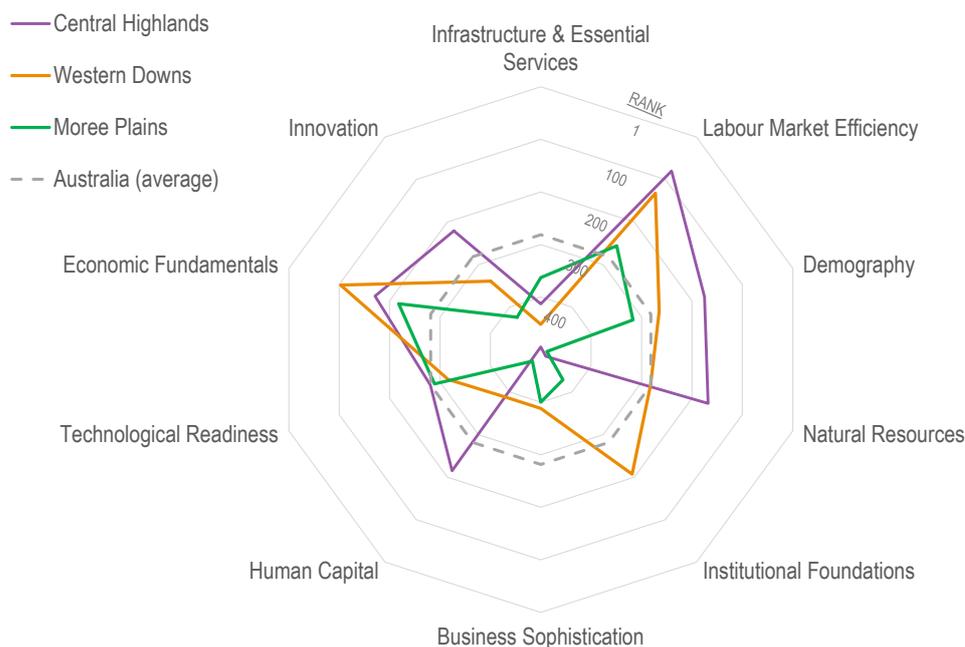
Ready for Business

Agribusinesses are a key value and employment driver in the region. Forty per cent of registered firms in the region are agribusinesses. The number of businesses has been relatively stable in the past few years. Approximately 60 per cent of businesses are sole traders, while 9 out of every 10 companies have four or less employees (ABS, 2016). These firms are benefitting from the region's abundance of cropping land, robust water availability and high reliability, and low land prices.

Under the Nogoa-Mackenzie Water Supply Scheme the region has 234 GL of allocated water, and is supported by the Fairbairn Dam which is the second largest water storage in Queensland. The scheme is competitively priced in comparison to other regional schemes such as Burdekin, Bundaberg, Mareeba Dimbulah and St. George. The region has approximately two million hectares of strategic cropping land (i.e. land with high agriculture potential). The region boasts one of the lowest average farm land rental prices in the country. The availability of irrigation, large endowment of strategic cropping land and low land prices has drawn the attention of several intensive horticulture businesses.

The Central Highlands compares well to other similar regions in terms of the efficiency of the labour market, having a relatively young population and the endowment of natural resources. However, it lags in terms of economic diversification and business sophistication².

² This analysis is based on the Regional Australia Institute [in]Sight indicator. For details please refer to the full Stocktake document.

FIGURE ES 3 CENTRAL HIGHLANDS (R) – COMPARATIVE RANKING ON THE [IN]SIGHT INDEX

SOURCE: REGIONAL AUSTRALIA INSTITUTE, 2017

Fearless Invention

The Central Highlands shows a mixed picture in terms of invention/ innovation indicators. While the number of employees in knowledge intensive firms and the creation of businesses remains adequate, the region is trailing in terms of trademark applications and R&D activity.

According to the ABS the region does not have businesses in the professional, scientific and technical services sector with more than 20 employees. However, data provided by CHDC shows that the region has two of such facilities. Also according to official data, the proportion of professional service firms with a turnover in excess of \$2 million is just 2 per cent. This small share indicates that the region is trailing in terms of value generation in the sector, and presumably explains why professional services is one of the key imports from outside the region.