



AGRIBUSINESS REGIONAL STOCKTAKE

BASELINE DATA TO DRIVE GROWTH

NOVEMBER 2019 - UPDATE

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

The Central Highlands delivers approximately \$1 billion in agricultural value (ACIL Allen based on ABS, 2017-18). Cattle grazing is the largest agricultural activity generating \$576 million. Cotton is another key driver of value which has had a strong year in 2017-18 (\$194 million). According to official data, the value of production of wheat and sorghum is \$59 million while pulses (chickpeas) have an economic value of \$73 million. The region also boasts a thriving table grape sector (\$17 million). Changes over the last three financial years are summarised in Table 1 on page 5.

The region continues to perform strongly in agricultural production regardless of a dryer than usual climate in recent times. Declaration of drought in 2019 will likely see significant changes in the 2020 update.

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
- Fearless Invention

The stocktake is constructed to explore the evidence base that underpins these 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 cumulative annual growth rate on value per hectare of agricultural land has increased at a higher rate in the Central Highlands than in other comparable regions (refer Figure 1).

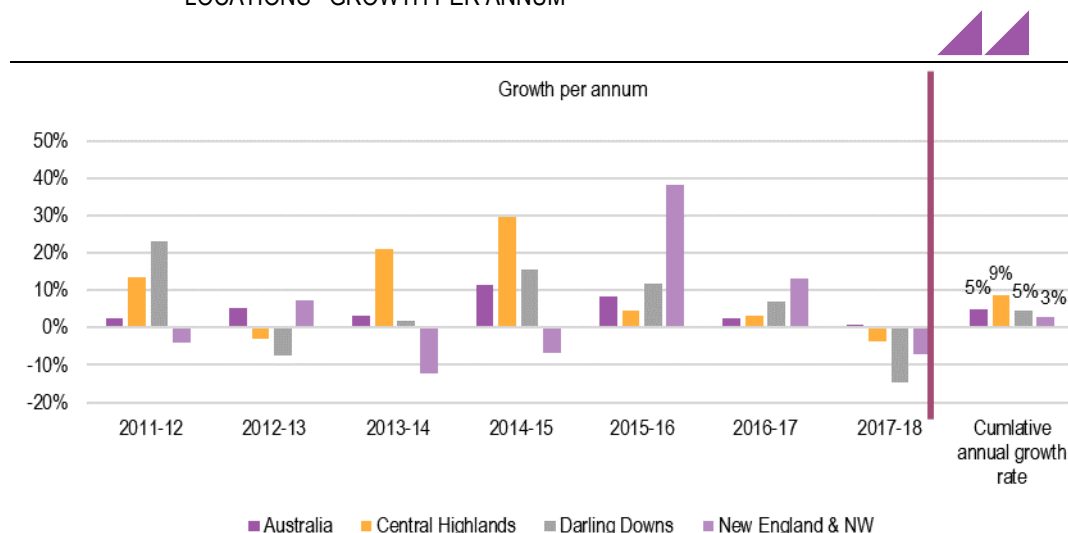
The Central Highlands are not the primary grain growing region for Queensland, however, the natural soil fertility and ideal climate for growing a variety of summer and winter crops provides producers with opportunities to diversify their enterprise mix in order to spread the risk of a highly variable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

Connected Competitive Supply Chains

In 2018 almost half of the inputs purchased by Central Highlands' agribusinesses are sourced from inside the region (REMPPLAN). The remainder are sourced from other regions around Australia 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 with agriculture a secondary priority.

FIGURE 1 VALUE GENERATED FROM A HECTARE OF AGRICULTURAL LAND – SELECTED LOCATIONS –GROWTH PER ANNUM



NOTE: INCREASED VALUE IS DRIVEN BY A COMBINATION OF HIGHER MARKET PRICES AND IMPROVED YIELDS. FROM 2016-17, ABS DATA ONLY INCLUDES DATA FROM BUSINESSES WITH AN ESTIMATED VALUE OF AGRICULTURE OPERATIONS OF \$40,000 AND ABOVE. PRIOR YEARS INCLUDED ALL ABOVE \$5,000. NON-ABS DATA ON THE VALUE OF CITRUS IN CENTRAL HIGHLANDS HAS BEEN INCLUDED IN THE CALCULATIONS FOR 2015-16 AND 2016-17 ONLY. THE VALUE OF CITRUS WAS DERIVED AS A PROPORTION OF TOTAL QUEENSLAND EXPORTS (90%). SOURCE: ACIL ALLEN BASED ON AUSTRALIAN BUREAU OF STATISTICS

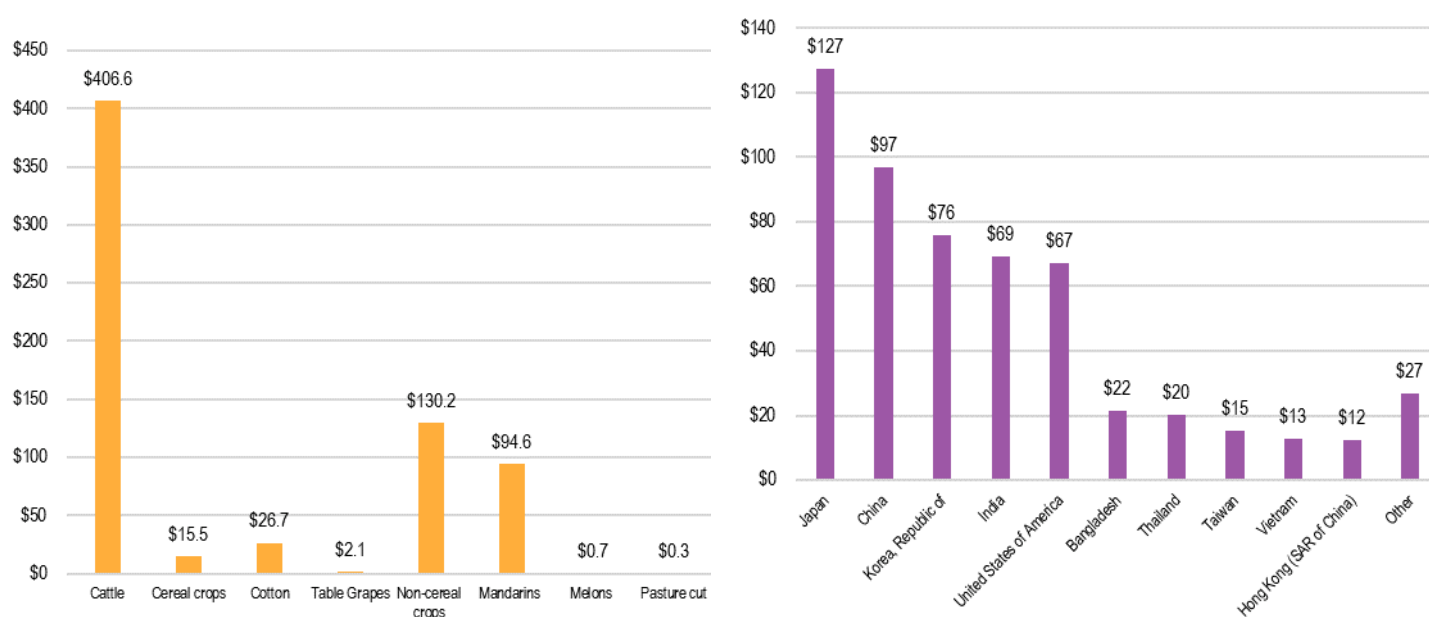
On 18 November 2018, Acting Prime Minister Michael McCormack announced that the Federal Government confirmed an investment of \$2.9 million in the Yamala intermodal rail freight hub which will connect the rail and the Capricorn Highway and “provide better logistical options for the farmers of this district”.¹

In 2019 the Central Highlands Regional Council and the State government invested heavily and the first stage of the Central Queensland Inland Port which includes the 1.5 km rail siding is nearly complete. This will support GrainCorp as the anchor tenant, and in turn encourage agriproduct movements by rail. The intermodal facility is yet to be progressed. These developments will open up direct transfer of freight from road to rail, and also support processing and value added industries.

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. The Central Highlands does have some upstream processing facilities such as 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 \$700 million in 2017-18. Cattle exports (mainly beef) explains 60 per cent of this figure. Japan, China and South Korea were the three top export markets for regional produce and explained almost half of the total sales (refer Figure 2).

¹ The Hon Michael McCormack MP Deputy Prime Minister Minister for Infrastructure, Transport and Regional Development Leader of The Nationals Federal Member for Riverina - Press conference with Ken O'Dowd MP, Member for Flynn, Emerald, 18 November 2018.

FIGURE 2 CENTRAL HIGHLANDS (R) – EXPORTS IN 2017-18 (E) BY COMMODITY (LEFT) AND BY MARKET (RIGHT) – IN \$ MILLION

SOURCE: ACIL ALLEN BASED ON QUEENSLAND GOVERNMENT STATISTICIAN'S OFFICE

Revered Regional Brands

A survey of members of the local community was conducted in mid-2018 (Central Highlands Development Corporation, 2018).² The aim of this research was to assist in building the regional brand by developing and refining communication strategies, materials, activities so as to create a 'revered regional brand' (Central Highlands Development Corporation, 2018).

A total of 344 surveys were completed (143 online and 201 via telephone). The respondents were broadly categorised as 'dedicated' and 'interested' buyers. The respondents in the 'dedicated' group (n=108) were those most likely to already be buying local fresh food, whilst the 'interested' group (n=211) were willing to purchase local fresh food but currently do so to a lesser degree than the 'dedicated' group (Central Highlands Development Corporation, 2018).

Overall, only 24 per cent of the Central Highlands fresh food buyers were aware of branding that told them that they were buying food grown in the Central Highlands – this increased to 36 per cent for those consumers segmented as 'dedicated' (refer Error! Reference source not found.) (Central Highlands Development Corporation, 2018). This is not dissimilar to the results from the workshop in 2017 where few brands (6) were mentioned three or more times and only two actually were mentioned more than three times. Further work needs to be done to improve awareness of local produce, awareness of local brands and where the community can purchase them through the development of a regional communication and marketing strategy aimed at creating an enduring revered brand.

Ready for Business

Agribusinesses are a key value and employment driver in the region. Seventy per cent of these businesses employ less than five employees and 40 per cent of them are owner-operator businesses. (ABS, 2016). These firms are benefitting from the region's abundance of cropping land, robust water availability and high reliability, and low land prices.

The Central Highlands does well when compared to other similar regions in terms of the efficiency of the labour market, having solid economic fundamentals and human capital and has a good

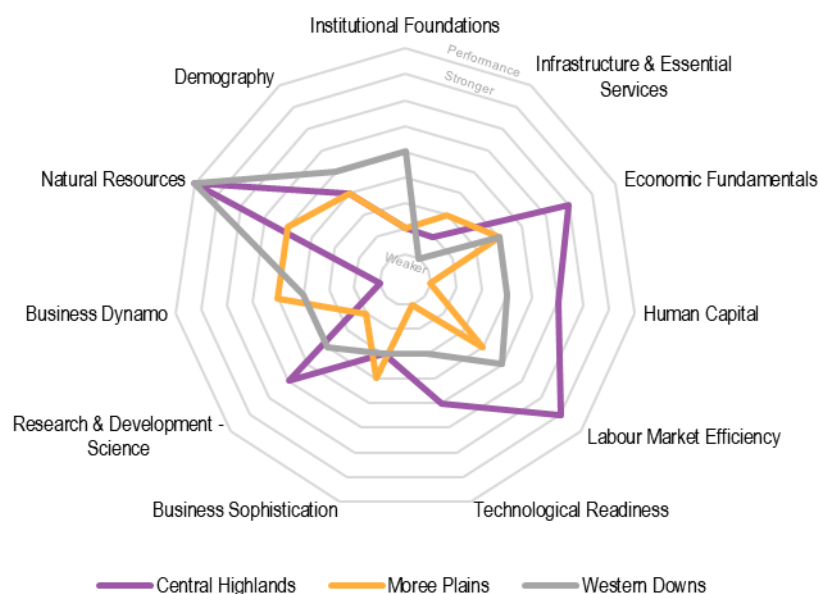
² Report is available at: <https://chdc.com.au/media/2018/10/Community-attitudes-and-purchasing-behaviours-Oct18.pdf>

endowment of natural resources (refer Figure 3). However, it lags in terms of institutional foundations and business sophistication and dynamo.³

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.

Under the Nogoa-Mackenzie Water Supply Scheme the region has 232 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. In 2017/18, SunWater progressed Stage 2 and commenced Stage 3 works at the Fairbairn Dam Improvement Project (Total approved investment, Stages 1 and 2 - \$120M). Stage 3 works are progressing and are scheduled for completion in late 2020, weather permitting. The Queensland government announced \$2.5 million for local authority, Fairbairn Irrigation Network, to take over the operation of Emerald's irrigation channels from Sunwater.⁴ This covers down-stream from Fairbairn Dam, including pump stations and 126 kilometres of channels, pipeline and weir infrastructure.

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



SOURCE: REGIONAL AUSTRALIA INSTITUTE, 2019

Fearless Invention

The Central Highlands shows a mixed picture in terms of invention/ innovation indicators. There have been several improvements since last year with an increase in patent and trademark applications. The region has fallen in terms of the per cent of R&D managers and the number of employees in knowledge intensive services. According to the ABS the region does not have any registered research service providers. However, data provided by CHDC shows that the region has two of such facilities (CQ University and Emerald Grain Research and Development Corporation). Imports of Professional, Scientific & Technical Services remains important for the region.

³ This analysis is based on the Regional Australia Institute [in]Sight indicator. For details please refer to the full Stocktake document.

⁴ The Hon Dr Anthony Lynham MP Natural Resources, Mines and Energy -Media statement 1 July 2019

TABLE 1 UPDATE FROM THE PREVIOUS VERSIONS OF THIS REPORT

Data	Nov-17 (2015-16)	Nov 18 (2016-17)	Nov-19 (2017-18)	Change	ABS Standard Error
Agricultural value (\$)	780 million	839million	\$1.03 billion	Increase	-
Number of agricultural businesses	1,336	1,445	1,420	Stable	25% -50%
Number of industries producing per cent of economic value	5 industries; 99 per cent	2 industries; 70 per cent	2 industries; 75 per cent	Consolidation	-
Beef					
Beef grazing value (\$)	540 million	530 million	576 million	Increase	-
Cattle head (number)	1,373,281	No new data available	No new data available	-	-
Cotton					
Value (\$)	58 million	63 million	194 million	Increase	-
Production (tonnes)	23,000	29,000	73,000	Increase	10% -25%
Area (ha)	16,000	19,000	39,000	Increase	10% -25%
Table grapes					
Value (\$)	20 million	17 million	17 million	Stable	-
Production (tonnes)	6,000	4,000	3,000	Decrease	10% -25%
Area (ha)	980	880	1000	Increase	10% -25%
Sorghum					
Value (\$)	40 million	20 million	47 million	Increase	-
Production (tonnes)	145,000	84,000	150,000	Increase	10% -25%
Area (ha)	62,000	35,000	54,000	Increase	10% -25%
Wheat					
Value (\$)	10 million	19 million	13 million	Decrease	-
Production (tonnes)	38,000	80,000	40,000	Decrease	10% -25%
Area (ha)	23,000	40,000	33,000	Decrease	10% -25%
Pulses*					

Data	Nov-17 (2015-16)	Nov 18 (2016-17)	Nov-19 (2017-18)	Change	ABS Standard Error
Value (\$)	50 million	106 million	73 million	Decrease	-
Production (tonnes)	54,000	120,000	94,000	Decrease	10% -50%
Area (ha)	52,000	68,000	81,000	Increase	10% -50%
Mandarins					
Value (\$)**	40 million	55 million	94 million	Increase	-
Production (tonnes)	645	396	420	Increase	-
Trees	76,500	35,656	39,000	Increase	-
Melons					
Value (\$)	3 million	3 million	2 million	Decrease	-
Production (tonnes)	3,000	3,000	3,000	Stable	-
Area (ha)	50	70	40	Decrease	-
Pasture cut hay					
Value (\$)	1 million	1 million	1.4 million	Increase	-
Production (tonnes)	5,000	7,000	10,000	Increase	10% -50%
Area (ha)	800	900	1700	Increase	10% -50%

* There may be double counting between cereals and pulses due to changes in ABS data categories between 2015-16 and 2016-17.

** Assuming 90% of Queensland exports of Mandarins are attributable to production in Central Highlands.

Note: All data is rounded.

SOURCE: ACIL ALLEN BASED ON AUSTRALIAN BUREAU OF STATISTICS