



**Submission to  
The Australian Federal Government  
Senate Enquiry**

**“Higher Education and Skills Training to Support  
Future Demand in Agriculture and Agribusiness in  
Australia”**

**November, 2011**



Submission to The Australian Federal Government Senate Enquiry

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## Who We Are

**Agriplacements Australia Pty Ltd** is a business dedicated to sourcing people for the rural and regional, agribusiness, bioscience and agriculture industries, and to providing high-level strategic planning and business advice and consultancy services.

Our objective is to deliver unique and valuable insights to agribusiness.

We have outstanding national and international networks and *are committed to providing a flexible, rigorous and value for money service.*

The Managing Director **Dr. Ray Johnson** has over 20 years in senior management roles across Australian agribusiness. He has extensive experience in hiring and managing people so he knows what works for individuals, teams and businesses.

Ray Johnson is skilled in business planning and trouble-shooting to support agribusiness investment and strategic decisions.

He has held senior positions within the agribusiness sector, including CEO of NSW Farmers Association and CEO of Genetics Australia.

He has had a number of board non-executive directorships including the Fisheries Research & Development Corporation (FRDC), the CRC of Innovative Dairy Products and is currently a non-executive director of Horticulture Australia Limited (HAL) and a member of the Australian Farm Institute Research Advisory Committee.

Another highly experienced agribusiness professional, **Brett Price**, is a joint Director of Agriplacements Australia, based in Sydney. Brett completed an MBA at University of Technology Sydney, was appointed General Manager of George Weston Foods (turnover of \$80 million per annum) for 10 years.

Brett has consulted to a broad range of Australian agribusiness in the areas of strategic planning and marketing, particularly in the animal feed and livestock sector. He also managed the Australian operation of Kemin Industries a multinational animal health and feed additive business.

Before joining AgriPlacements Australia in 2011, Brett spent four years as CEO of Veterinary Health Research Pty Limited providing contract research to the animal pharmaceutical industry. He expanded the company into small animal research, established a branch in New Zealand and obtained Austrade support for, and initiated expansion into the European contract research market.



## **EXECUTIVE SUMMARY**

World population has reached 7 Billion as of 2011 and remarkably by the end of this century will be around *10 Billion*, imposing enormous strain on our global resources, in particular food and water. Global citizenship, security concerns and economic forces will necessitate that Australia, a powerhouse agricultural country, must take one of the leading roles in the production and provision of food.

There are of course well-known and complex constraints on food production, including diminishing land area, reduction in water resources, environmental stewardship and projected people skills and labour resources. Climate change rests over the top of these constraints as an enormous and incredibly complex ameliorating influence.

This report will focus on the projected people skills and labour resource constraints, which are now fully apparent and already operating in Australian agricultural sector.

The agricultural sector is one of the leading sectors of the Australian economy, contributing 10% to our Gross Domestic Product, 11% of employment and exporting goods worth \$26.1 billion.

We have found a number of skills shortages in non-professional occupations in the agricultural sector throughout Australia. Skill level requirements in the agricultural sectors have increased, due to technological advances in the industry and workforce restructuring.

Employment in agricultural industries is dominated by on farm production, transportation, processing and value adding which each account for close to three quarters of the workforce.

The age profile of the industry is older than is found in the workforce as a whole and alarmingly so. In terms of adaptation, managing an ageing workforce will impact on production first, with the remainder of the agricultural sectors facing issues at the same pace as other sectors in the economy.

The key non-managerial and non-professional occupations employed in the Agriculture, Forestry and Fishing sector accounts for almost 77% of the total agricultural sector workforce, and well over three quarters of the non-managerial and non-professional workforce (23%).

Our experience in executive recruitment has shown clearly that there is a dearth of younger executives available in particular for sales and marketing roles and for technical roles.

We feel that there are a range of areas that require addressing to turn this situation around in order to allow agricultural production to continue to expand to meet the growing demand for food, and for an increasingly technical profession to drive crucial productivity improvements.

## Introduction

Rural communities form the economic heart of rural Australia, and the cultural backbone of our nation. Australian agriculture produces \$36 billion in food and fibre, and is the foundation of a \$55.3 billion food processing industry and a \$74.6 billion food retail service. Combined with flow-on effects throughout the economy, Australian agriculture contributes almost 3% of our GDP, This compares to mining at 4% and manufacturing at 11%.

However the “interdependence of agriculture and other parts of the economy was highlighted in the 2002-03 drought. A fall in the gross value of agricultural production of 19% (around \$32 billion) as a result of the drought led to a decline in Australian GDP of around 1% in 2002-03<sup>1</sup>. The agricultural sector provides 11% of employment and almost 20% of exports.

More than 780 000 jobs around Australia depend on farmers, while the farm sector supports 1.6 million jobs in total. ABS statistics showed that there were 305,763 persons employed in the agriculture sector in 2007-08, and about 50% of these are owner-operators.

In 2007-08 the Australian agriculture sector generated value added production of \$24.9 billion which is approximately 2.4% of total industry gross value added.

A number of critical economic sectors in Australian industry are reportedly experiencing a skills crisis, with many employers we are in contact with reporting increased difficulties securing staff with the necessary skills in their industries and the agricultural sector is no exception.

There is ample evidence to support our anecdotal findings.

A Federal Government Senate Committee on Employment, Workplace Relations and Education References (2003)<sup>2</sup> inquiry into skills in Australia claimed that Australia is facing a major skills formation challenge, both in the immediate future and accelerating over the next two decades, due to the combined effect of a shrinking cohort of young workforce entrants, a depleted stock of skills in some key industries and occupations and the accelerating need for new skills, flowing from technological and business process change.

A skills shortage is defined by Shah and Burke (2003)<sup>3</sup> as when the demand for a particular occupation is greater than the supply of workers who are qualified, available and willing to work under existing market conditions. The Department of Education, Science and Training (DEST, 2002)<sup>4</sup> noted that skill shortages are typically for specialised and experienced

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<sup>1</sup> Lu L and Hedley D (2004). *Economic Roundup: Autumn*. Australian Government Treasury, Canberra.

<sup>2</sup> Senate Committee on Employment, Workplace Relations and Education References 2003 Bridging the skills divide. Canberra: Parliament House. Accessed at [http://www.aph.gov.au/SENATE/committee/EET\\_CTT/skills/report/report.pdf](http://www.aph.gov.au/SENATE/committee/EET_CTT/skills/report/report.pdf)

<sup>3</sup> Shah, C. and G. Burke 2003 Skills shortages: concepts, measurement and implications. Centre for the Economics of Education and Training Working Paper No.52, Monash University.

<sup>4</sup> Department of Education, Science and Training 2002 Nature and causes of skill shortages: reflections from the Commonwealth National Industry Skills Initiative Working Groups. Commissioned by the Department of Education, Science and Training. Prepared by the Department of Employment and Workplace Relations and the National Centre for Vocational Education Research.

workers, and can coexist with relatively high unemployment overall or in the occupation. An occupation may be in shortage even though not all specialisations are in shortage. Occupations may be in shortage in particular geographical areas and not in others. Skill shortages generally involve skills that require a significant period of training and/or experience. DEST (2002) distinguished a shortage from skills gaps, which occurs when the workforce (new or existing) is under-skilled relative to some desired level.

DEST (2001)<sup>5</sup> commented that for skilled occupations, skill shortages can exist at most stages of the business cycle. They also noted that skill shortages can occur when occupations and industries experience moderate growth, or even where there was overall employment decline..

## The Current Situation

The current situation in the agriculture sector is that labour supply is being adversely affected by a number of factors, namely:

1. Direct competition from the mining sector
2. Lack of understanding by potential staff about the opportunities in the agricultural sector
3. A down-turn in the number of agricultural science graduates entering the sector
4. A reduction in the number of higher degree graduates who are wishing to enter the commercial sector

There are excellent studies on the projected labour shortages in Australian agriculture<sup>6</sup>. Our concern centres around the findings that agriculture has a significantly lower proportion of workers who are either degree or post-graduate degree qualified. Agriculture has just 3.5% of people who hold post-graduate degrees and 15.9% of people who hold Bachelor degrees, compared with Total Industry figures of 10% and 28.1% respectively<sup>6</sup>.

In the search for agribusiness executives we routinely encounter this shortage. Nowadays agribusiness requires highly skilled and qualified people given the technological advances that agricultural production has made over the last 20 years.

Given that 38.2% of the agricultural workforce is currently over 55 years of age and by 2018 this figure will have risen to over 56%<sup>6</sup> it is readily apparent that there will be an enormous problem in ensuring that a significant number of skilled people enter the workforce to replace those that are leaving.

Already agriculture education providers have reported difficulties filling available places over the immediate past, and this is projected to worsen over the medium to long term, further exasperating the problem.

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<sup>5</sup> Department of Education, Training and Youth Affairs 2001 Rising to the challenge. Building professional staff capability in the Australian minerals industry for the new century. Report prepared by World Competitive Practices Pty Ltd for the Australasian Institute of Mining and Metallurgy. Accessed at [http://www.dest.gov.au/archive/highered/eippubs/eip01\\_5/01\\_5main.pdf](http://www.dest.gov.au/archive/highered/eippubs/eip01_5/01_5main.pdf)

<sup>6</sup> Australian farm Institute (2010) "Towards a Better Understanding of Current and Future Human Resource Needs of Australian Agriculture (Report by the AEC Group)

<sup>6</sup> Australian farm Institute (2010) "Towards a Better Understanding of Current and Future Human Resource Needs of Australian Agriculture (Report by the AEC Group)

## Our Recommendations

Our area of expertise is in the executive management category rather than the farm labour categories, where we attempt to recruit managers with professional qualifications for senior executive roles.

Our recommendations are therefore:

- 1. Strategies should be developed to address the declining number of agricultural scientists at both graduate and post-graduate level. There should be a review of the capabilities of agricultural faculties at the main universities such that they offer what is required for current undergraduates, and there needs to be specific communication programs to highlight the benefits of a career in agriculture;***
- 2. The Government should undertake a study to map the existing agricultural professional skills in Australia and determine areas of future need before the matter becomes critical;***
- 3. An employer rebate should be applied to allow employers to more effectively advertise and market their job positions and requirements;***
- 4. An employer subsidy should be more effectively developed to allow better traineeships for young agricultural science (or natural sciences) graduates to enter the workforce;***
- 5. We would recommend that the Federal Government support executive search programs for overseas executives as a short-term measure designed to provide the necessary professionals for Australian agribusinesses. This support could be either in the mode of tax benefits or subsidies to support the search process or to support the immigration processes.***