



INQUIRY INTO
THE OPERATION
OF AUSTRALIA'S
FAMILY
BUSINESS
SECTOR

*BY THE
PARLIAMENTARY
JOINT COMMITTEE ON
CORPORATIONS AND FINANCIAL SERVICES*

SUBMISSION
TO THE
O'NEILL
INQUIRY

**Agribusiness
Council of
Australia**

1 TRANSMISSION DETAILS

SUBMISSION TO THE O'NEILL "FAMILY BUSINESS" INQUIRY

INQUIRY INTO THE OPERATION OF AUSTRALIA'S
FAMILY BUSINESS SECTOR

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Submitted: Tuesday, 8 January 2013

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Note: This submission was prepared at the express invitation of the Chair of the Inquiry, Ms Deborah O'Neill MP to the Chair of the Agribusiness Council of Australia Mr Ian Joseph, on 19 December 2012.

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3 EXECUTIVE SUMMARY

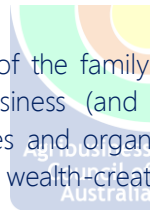
Agribusiness is the world's largest industry; the world over it is dominated by family businesses, and Australia is no exception. Agribusiness is the most important human business, it nourishes the world. On a planet with finite resources, agribusiness is too important for partisanship as 'we are all in this together'.

The **Agribusiness Council of Australia (ACA)** was instigated at a meeting of Australia's agribusiness¹ leaders held in the Senate Hearing Room, Parliament House Canberra on 12 May 2011. A similar Western Australian agribusiness leaders meeting re-affirmed the intent of this national initiative at its meeting held in the Legislative Council Chamber of the Western Australian Parliament House on 16th September 2011.

As the ACA is in its formative stages, it will refrain from substantial public comment on any policy issue until such time as the ACA is formally constituted, its Council members are duly elected, and the organisation sets about establishing its *modus operandi* for the advancement of Australian agribusiness. At its core, the ACA will have a clear vision for the future development of agribusiness and make a positive, all-inclusive, apolitical contribution to the Australian and global economies.

The ACA encourages all to never lose sight of its core concern; the genesis role that higher education and training plays in driving industry productivity. When all is said and done, it is our people that both drive and benefit from our industry. The more skilled our people, the more globally competitive they are; and that can only benefit all Australians.

This submission is primarily to extol the virtues of the family business unit as the most efficient, effective, and efficacious economic unit underpinning agribusiness (and many other industries). Although the make-up agribusiness consists of a wide array of industries and organisational types, only the genuine Australian family business is 100% Australian in productive capacity, wealth-creation, and contribution to the taxation system.



3.1 The Main Point Made by this Submission

When all is stripped and laid bare, Family Business in Australia is most business that is beneficial to Australia (all aspects considered), and particularly regional Australia. The family business organisational structure is more likely than any other business structure to be 100% Australian owned, operated, and paying more than their fair share of taxes. Australian family businesses are more likely to be good corporate citizens fully contributing to the fabric of Australian society wherever they are.² If this is the case, then...

"The opportunity exists to create a unique identifier for an 'Australian Family Business' for the purpose of receiving taxation relief and other policy benefits and supports, as and when required by government (e.g. targeted economic stimuli)".

This unique treatment may also be achieved by a new special category family trust (for example), which would be cheap, easy-to-use, and available to every *bona fide* Australian family to use for government benefit purposes (whether through the taxation system or not).

¹ See definition of agribusiness in attached "Why Agribusiness Matters".

² To the fullest extent possible, this fact should be incorporated into any government agreed definition of 'Family Business'.

4 TERMS OF REFERENCE

4.1 The Operation of Australia's Family Business Sector

The committee will inquire into and report on the operation of Australia's family business sector, with particular reference to:

1. The definition of 'family business';
2. The availability and reliability of information and statistics about family business in Australia;
3. The contribution of family business to the Australian economy, in terms of financial, social, employment, innovation and sustainability outcomes;
4. Structural, cultural, organisational, technological, geographical and governance challenges facing family business
5. The role of family trusts in facilitating family business;
6. Access to and the cost of finance and insurance for family business; and
7. Family business responses to the challenges of the GFC and post GFC resilience

4.2 The ACA Comments on the Terms of Reference

4.2.1 The Definition of 'Family Business'

-  ACA supports all efforts to define and the term "Family Business" because:
- 'Family Businesses' are predominantly 100% owned and operated: they are the genuine core and foundation of all 'Australian' business.
 - 'Family Businesses' drive Australian Agribusiness. Agribusiness is the world's largest industry, Australia's second largest industry overall, and Australia's largest manufacturing sector (twice the size of its nearest rival, the car manufacturing industry). Agribusiness is Australia's last great manufacturing sector.
 - 'Family businesses' dominate agribusiness (and other industries too).
 - 'Family businesses' underpin all and dominate most rural, regional, and remote areas of Australia.

- Agribusiness is the largest historic source of national productivity improvement (that which ultimately drives our economy), and it is the most likely source of future national productivity improvement. Therefore....

'Family Businesses' are the core source of all genuine 'Australian' national productivity and the most important mainstay economic unit of the Australian economy.

4.2.2 Statistics about Family Business in Australia

- A precise, widely agreed, definition of 'Family Business'³ is a necessary pre-cursor to enable meaningful statistics to be gathered about the core role of Family Business in Australia.
- The Australia Bureau of Statistics needs to place more emphasis on 'why' and 'what' statistics it gathers, rather than 'how' it gathers them.
- Over the decades, holistic system-based approaches to evaluating economic sectors have evolved faster than statistical methods that measure and evaluate them.
- Terms like 'Family Business' and 'Agribusiness' are examples of major economic sectors under-served by current day 'reductionist' and historical approaches to statistic gathering methods currently used by the ABS.



4.2.3 Contribution of Family Business to the Australian economy


- As per section 4.2.1 above, 'Family Businesses' are the core source of all genuine 'Australian' national productivity and the most important mainstay economic unit of the Australian economy.
- Family Business is core to the genesis of 'Australian' business.


4.2.4 Governance Challenges facing Family Business


- Proper attention to determining the full scope of governance challenges facing Family Business is prevented by the lack of a widely agreed definition of the term 'Family Business'. This further frustrates the gathering of relevant targeted statistics and other facts about them.
- Family businesses must compete with all other forms of business organisational units. Despite the high likelihood that family business are more economically productive than others, they receive no reward or recognition. Methods to uniquely reward family business would help motivate the sector more so.


³ This problem also applied to the contemporary term 'Agribusiness'. Current statistics are predominantly based upon production agriculture and measurement of economic 'value-adding' needs further refinement for fully assess its contribution to the economy.

4.2.5 The Role of Family Trusts in Facilitating Family Business

-  Proper attention to determining the full role of Family Trusts is also prevented by the lack of a widely agreed definition of the term 'Family Business'. This further frustrates the gathering of relevant targeted statistics and other facts about them.




-  Notwithstanding a pre-existing lack of understanding about what precisely the Family Business sector is, clearly by implication a "Family Trust" is a mechanism for use by a Family Business. Therefore:
 - Government can partially rely upon the "Family Trust" mechanisms as a way to properly target policies to enhance Family Business (if and when policies and subsequently developed and adroit solutions to aid family businesses become available to implement).
 - Indeed, with appropriate consideration, Family Trusts may re-emerge as the primary way government policies can be delivered with some considerable precision to family businesses.
 - The opportunity always exists to create a new form or class of 'family trust' for widespread use by 'working families'⁴ and family businesses to receive targeted policy treatments. Such trusts could be created by government on behalf of 'working families' and family businesses. Or, if a new type of cost neutral 'family trust' were made easily available, 'working families' and family businesses could apply to create them at their own initiative.
 - A new type or class of family trust could be called 'working family trust' or a 'family business trust'.
 - The purpose of the trust could be applied solely for the targeted receipt of benefits (or not). The point is that there is no reason why new types of entities cannot be invented to advantage genuine Australian 'working families' and family businesses.
 - Readers evaluating this new proposal would do well to disregard all their preconceptions about trusts; the point of the proposal is to create a new mechanism to target government services to genuine Australian 'working families' and Family Business.

-  The ACA believes a fuller and precise understanding of the Family Business sector is needed before the role of existing forms of Family Trusts is further evaluated (for this purpose).




-  The ACA acknowledges that family trusts exist for a wide range of other purposes beyond the scope of this inquiry.





⁴ 'Working families' is a recently used popular political term that is also not clearly defined.

4.2.6 Access to, and the cost of, Finance and Insurance for Family Business

-  The ACA observes that access to finance and insurance services is not significantly affected by the status of a business being a 'Family Business'. Taken from the point of view of finance and insurance service providers, it is of little or no consequence to their assessment policies, since other assessment criteria would be more relevant to them (income history, asset backing, capacity to pay, etc.).
-  Similarly, for the reasons above, the ACA observes that cost of finance and insurance for Family Business is not affected by the status of a business being a 'Family Business'. It is of little or no consequence to finance and insurance providers whether a business is a Family Business or not, since other pricing criteria would be more relevant to them (access to wholesale funds, access to underwriters, size and risk of business, available security, etc.).
-  Possible new types of family trusts mentioned in section 4.2.6 on page 8 above, may provide the means by which private sector banks, finance and insurance companies can deliver certain products and services in a more target way (including joint programs with government). For example:
 - Multi-peril crop insurance to family farmers (i.e. not available to landowners and operators).
 - Providing a way to better target skills shortages via 457 visas (specifically for Family Business), possibly including an expanded family business migration program. This would be particularly helpful in agribusiness and tourism operators in regional and remote areas.


4.2.7 Family Business Responses to the Challenges of the GFC and Post GFC Resilience


-  The ACA believes that this is the most important term of reference of this inquiry, since Family Business, particularly agribusiness-type family businesses, are the real main stay of the 'Australian' economy – mostly through their substantial contribution to national productivity improvement since Federation.
-  Family Business was resilient during the GFC, despite them not being the root cause of the GFC.
-  The GFC has two significant lagged effects impacting on Family Business (indeed, impacts on all sectors of the Australian economy in a global context). There are:
 - Global capital flowing into Australia as a 'safe haven', causing sustained upward pressure on the Australian dollar.
 - A looming crisis in the capacity of many family businesses to access equity capital and debt re-financing as financial institution re-rate the perceived risk profiles of many industries. This is particularly pronounced in the agribusiness field because of its high existing indebtedness (and agribusiness is dominated by family businesses).

-  Excessive reductions in access to capital by family business, particularly those in the largest sector of the economy containing family business which are agribusiness-related, has the potential to precipitate a large economic downturn effecting the whole Australian economy (because of its core, widespread impacts).
-  Currently, as they race to 'balance their own books', individual banks and financial institutions are aggressively re-rating business risks downwards for large swathes of regional, rural and remote Australia; particularly agribusiness (as it is perceived unfavourably on a risk-return basis).
-  Post-GFC resilience is low compared to the resilience experienced during the GFC. This is mainly because of the lagged effect of reduced access to capital. In some areas, 60% of family businesses will not be able to access operating capital in the next financial cycle. If this does occur, then the consequences could be profoundly detrimental to the wider economy, to the point of triggering a recession affecting all.
-  The best thing for this inquiry to do, right now, is to seek all major financial institution to consider the consequences of their collective actions (albeit individually motivated), and seek to a more managed and orderly capital withdrawal over time, to avoid the shock of major capital withdrawal from any sector. Therefore:

The ACA recommends the Commonwealth Government facilitates the holding of an *Emergency Debt Re-Financing Roundtable* with the purpose of finding more ways to reduce the undesirable impacts of the looming debt-crisis facing Australian family businesses, between:

- The Reserve Bank (RBA)
- Australian Bankers Association (ABA)
- Agribusiness Council of Australia (ACA)
- Family Business Australia (FBA)

 Whilst the terms of reference of this inquiry do not touch on other factors, it is important to consider the detrimental impacts of the mining boom on the remainder of the Australian economy. This is because of the combined detrimental effects of the GFC and 'Dutch Disease',⁵ and their combined and sustained upwards pressure on the Australia dollar. Family business in Australia, particularly the many involved in export-oriented pursuits (such as agribusiness and tourism), are doubly adversely affected. They are far less competitive on global markets as a consequence. Aside from the normal functions of the Reserve Bank, there is no other known policy action being taken by government to ameliorate these phenomena; and other policy actions are available.

 The **recommendation** above is therefore doubly important, since the debt crises is a direct consequence of the GFC. The GFC is also the main ongoing reason that the Australian dollar remains high (because of capital inflows seeking a 'safe haven' for struggling economies elsewhere). Whilst the mining boom caused the initial appreciation of the Australian dollar, the GFC and its lagged effects are helping to sustain it, and are likely to do so beyond falling mineral commodity prices.

⁵ See definition and description of this economic phenomenon at http://en.wikipedia.org/wiki/Dutch_disease

5 SOLUTIONS

The ACA re-emphasises the importance of all government inquiries need to focus on their core purpose of devising recommendations to implement action-oriented solutions to the problems identified within any inquiry. Indeed, the ACA has identified an undesirable rising trend evident amongst the vast majority of submitters to inquiries: increasingly, submissions identify problems, but do not propose suggested solutions for further analyses and consideration by government.

Accordingly, the ACA will not restate well-known issues and problems that this Inquiry will collate under its usual processes. However, ACA will focus upon suggesting key solutions to the wider intractable problems evident in our economy. Indeed, the ACA's motto and vision is "Growing Solutions". The ACA is confident that the O'Neill Inquiry can link all manner of issues and problems to the solutions proposed by the ACA (and others).

5.1 Government Must Optimise the Prosperity of 'Wealth-Creating System'

The ACA believes that government is part of and serves the 'family business system' (and vice versa). To further clarify this, family businesses do not serve government or vice versa; as both are interdependent of each other – not dependent upon or independent of each other – but interdependent each of the other. Similarly there are interdependencies between agribusiness and Family Business, and agribusiness and government.

However, whilst agribusiness and Family Business are wealth-creating systems in our economy, government is a wealth-consuming system and relies upon the profits of all wealth-creating systems within the economy to generate taxation receipts to fund all government operations. Thus, it is in the interests of government to ensure wealth-creating systems like family business and agribusiness prosper at optimal levels.

Australia will be much more economically productive if an improved holistic approach to 'wealth-creating systems' and their contribution to business productivity improvements occurs.

Together, we are all part of the problem, and part of the solution. 'Cutting red tape' is the only universally agreed solution to benefits us all. Identifying which 'red tape to cut' is beyond the scope of this Inquiry, but it is crucially important that this Inquiry make recommendations to ensure the reducing 'government red tape' actually occurs, and thus how it should occur.

5.2 Full Range of Solutions are Beyond the Public Sector Acting Alone

All government jurisdictions in Australia experience varying degrees of liminality⁶ with regard to devising policies to advance the private sector's ability to improve productivity, mainly as a function of being public sector oriented. This is particularly so with regard to 'cutting red tape'.

⁶ See www.en.wikipedia.org/wiki/Liminality

An enlightened high-level strategic solution would be **for governments to actively seek out private sector-driven solutions to 'cut red tape'**. This would include, for example, innovations like Government actually commissioning contractors to identify and deliver 'red tape cuts' (because the tender documentation to attract the contractors would need to spell out the administrative mechanism to be used and therefore it must be well thought through and 'approved' before release).

Reliance upon the public-sector to self-determine dismantling of regulatory inhibitors to wealth-creating businesses has not, and will not ever work well. Indeed, the impetus is often in the other direction. Contrary to the example in the preceding paragraph, this does not mean the private-sector contractors would implement the all cuts identified (but it remains important to identify them continually and make the cuts where they can). It remains crucial that that they identify them for the public-sector to implement – continually.

In any event, given the comprehensive size and scope of the private enterprise oriented family business sector, no holistic approach to solutions proposed by government can be implemented without the cooperation and involvement of them in any event. Public services being delivered to the private sector are one thing, but both sectors working towards a shared vision of national efficiency proportions is another, and that will be required to be the most efficacious.

The key to this solution is to find ways for both sectors to jointly identify barriers to improved family business productivity.

5.3 Family Businesses drive the real underlying 'Australian' Economy

Agribusiness is the world's largest industry; it is the very human business of nourishing the world day in, day out. Globally, and within Australia it is dominated by family businesses', indeed it is the very business of nourishing of human life.

Agribusiness is also Australia's largest historical contributor to national productivity despite the size and scope of the current mining boom. Indeed, because there is little value-adding to mining within Australia, the mining boom has made virtually no contribution to national productivity. Further, many of the profits from mining are repatriated overseas to foreign investors (indeed, with some notable exceptions, most large mining companies are not Australian family businesses).

So, Agribusiness will continue to drive the majority of improved national productivity well into the foreseeable future. Agribusiness is the second largest industry in Australia. Widely defined, it accounts of a third of the economy.

As agribusiness is dominated by family businesses, particularly in regional Australia, it is indeed family businesses which drive 'Australian' national productivity. It is 'family business'-driven agribusiness that will continue to be the main driver of Australian national productivity well into the foreseeable future.

Thus, any solutions this inquiry finds, recommends, and hopefully convinces any Government to act upon will have substantial beneficial national economic, social, and environmental impacts. Indeed, the Inquiry will be important in ensuring a re-focus upon what the core drivers of the Australian economy, family owned businesses (since non-family owned businesses are more likely to contain a variety of elements of foreign

ownership and control, with profits and or dividends repatriated off-shore). Family businesses are the only economic unit that benefits the wider fabric of Australian economy, society, and environment 100% because they are, by definition, wholly Australian owned, controlled, and taxed.

5.4 Potential for Superannuation Funds to Invest in Family Business

Most large superannuation funds invest in non-family and ASX-listed businesses (again, the definition is important here), mainly for liquidity reasons because quick access to capital is important. This means there is increased propensity for Australia's superannuation funds to fund foreign owned interests and businesses (or businesses that contain a greater proportion foreign owned shareholders than family businesses). There is nothing wrong with that *per se*, since capital should be able to freely flow to the best investment available.

However, there is evidence to confirm that family businesses often out-perform non-family businesses.

Therefore, the opportunity should exist for superannuation funds to invest in family owned businesses to maximise their returns.

Given the sheer size and growth of the Australian superannuation funds, particularly industry funds, this source of capital should be able to invest in Australian family businesses (and agribusiness) much more freely than it does.

5.5 It's all about reducing Red-Tape

There are always many ways to improve economic performance within the context of ever increasing external global competition; however, there is often disagreement about the advantages and disadvantages of deploying them. The only universally agree way to improve the performance and resilience of economic units within Australia is to 'reduce red tape'

"By the same token, policies intended to shelter particular industries or regions would be both costly and ultimately ineffective, as our own protectionist history attests. Again, the best we can do for industries facing increased competitive pressure is to remove regulatory or other policy-related impediments to their ability to respond."

Source: (Banks, Gary,, 2011, p. 14), Productivity Commission

'Reducing red tape' applying to 'family businesses' is the best way to improve both (a) their domestic resilience and (b) their competitiveness in the face of global trading conditions and competition. 'Reducing red tape' is therefore, genuinely, the best overall economic tonic to apply to achieve improved overall economic performance for the wider Australia economy.

Paradoxically, aside from widespread political rhetoric about 'Reducing red tape' all said with good intentions, actually getting governments in all jurisdictions to 'reduce red tape' in such a way as to benefit family businesses remain the most unlikely solution to be implemented. This is the real challenge for any Inquiry of this nature.

Yes, it really is all about 'reducing red tape'. Excessive 'red tape' restricts every business from performing the best it can in an increasing competitive global market place. If governments were successful in actually doing reducing 'red tape', then they would improve efficiencies within the economy. Then governments would benefit from increase taxation revenues arising from the improved profitability of all businesses.

As Family Business is the real mainstay of the genuinely 'Australian' economy, then specific measures to reduce 'red tape' would be the most beneficial of all. These benefits cannot be delivered until:

1. There is an agreed 'government' definition of family business;
2. A new mechanism to identify and cut 'red tape' is developed (preferably involving family businesses operating in our mainstay wealth-creating industries); and,
3. There are action-oriented administrative mechanisms to actually deliver targeted benefits to family business in Australia (i.e. like a new type of 'family trust' and a 'red tape cutter with teeth').

5.6 Support & Develop Peak Industry Bodies Representing 'Wealth-Creating Systems'

To enable more efficient, effective, and efficacious application of government supports to major wealth-creating 'systems' within the Australian economy, the government should recognise and support the efforts of peak industry bodies that embody and understand them. Accordingly, the ACA supports **Family Business Australia (FBA)** in its efforts to improve the cause of their constituency.

Similarly, given the extreme organisational fragmentation of the agribusiness sector which contains some 6000+ groups, the government should recognise previous inquiry recommendations,⁷ and support the formation of the **Agribusiness Council of Australia (ACA)** as the new peak-industry lobby-group that incorporates the entire agribusiness sector value-chain (to ensure a global systems approach). Family businesses are a major component 'sub system' within agribusiness, particularly in regional Australia (just as agribusiness is a sub-system within the 'Family Business system').

Agribusiness Council of Australia (ACA) was instigated, discussed, and endorsed at a meeting of Australia's agribusiness leaders held in the Senate Hearing Room, Parliament House, in Canberra on Thursday 12 May 2011. A copy of the resolutions from the meeting is at Section 6.1 on page 15.

A recent Senate Inquiry Report (Commonwealth of Australia, 2012)⁸ into agricultural and agribusiness education and training wholly accepted key contentions in ACA's submission as reflected in Recommendations 9, 10, & 11 of the report, and follows:

| | |
|-------------------------|---|
| Recommendation 9 | <i>The committee recommends that the government facilitates the development of a national peak industry representative body for the agricultural production and</i> |
|-------------------------|---|

⁷ See Senate Inquiry Report into Higher Education and Training in Agriculture and Agribusiness (Commonwealth of Australia, 2012)

⁸ See http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=eet_ctte/agribuisness/report/index.htm

| | |
|--------------------------|--|
| | <i>agribusiness sectors.</i> |
| Recommendation 10 | <i>The committee recommends that the government commits to regular consultation with the new peak body established in recommendation 9 regarding policy changes that impact upon agriculture and agribusiness.</i> |
| Recommendation 11 | <i>The committee recommends that the new industry peak body develops and presents to government a national strategy for addressing the skills shortage, industry productivity, and food security.</i> |



6 ATTACHMENTS

6.1 Why Agribusiness Matters

Why Agribusiness Matters Solutions to many Growing Problems

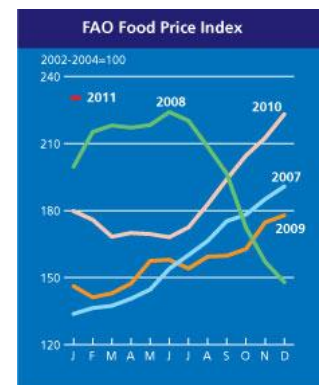
1. Agribusiness has a growing problem: It is the world's largest industry, global demand for food and food prices are at their highest levels ever, yet there are not enough graduates to fill industry vacancies to meet these future challenges. Less than 1.5% of students entering universities in Australia and the USA choose agriculture as a career (Romero, 2011).
2. The wider public perceive agriculture as 'just farming': i.e. raising livestock and growing crops. Yet less than 2% of agricultural employment opportunities are on farms. A myriad of agribusiness service industries are directly linked to agriculture; including food manufacturing, financial planning, lending, insurance, commodity trading, transport, export logistics, and natural resource management. Agribusiness is the most interdisciplinary study field of all.
3. The constant supply of well-trained graduates to agriculture/agribusiness is the best way any society can perpetually reduce the cost food, fibre, renewable fuels, and the threat of war and conflict caused by hunger, poverty, and poor living conditions.

6.1.1 Importance of Primary Industries

6.1.1.1 Global Agribusiness



1. Agribusiness encompasses half the world's labour force, half the world's assets, and 40% of consumer purchases (Goldberg, 2011). It drives the public policy issues in economic development, food security, trade, nutrition, the environment, natural resources, protecting plant and animal diversity, intellectual property, genetics, and social and economic priorities.
2. The foreseeable outlook is for surging world food prices (*FAO Food Price Index* at a record 231 points and trending strongly upwards).



3. Agribusiness is too important to ignore and too valuable to forget.
4. Agribusiness is too important for partisanship.
5. Agribusiness not only needs to advocate for agriculture and its supporting industries, but also for education and the need to teach our children about agriculture and how the world is nourished.

6.1.1.2 Australian Agribusiness

1. Mining, Agribusiness and Tourism are Australia's two largest wealth-creating sectors in the Australian economy. Mining, agribusiness and tourism are the wealth creators in all regional areas.
2. In 2009-10, there were 373,560 people directly employed in agriculture, forestry, and fishing (with a multiplier of 10, over 3.7 million jobs reliant upon agricultural production). There are 137,000 farm-related businesses in Australia occupying 50% of Australia's land mass (Agribusiness Association of Australia, 2011). Farmer's earned Australia \$28.5 billion in export income, and spent \$3 billion on natural resource management.
3. The \$108b food industry is Australia's largest manufacturing sector. It employs 312,000 people, including half of all employment in rural and regional areas.
4. There are 4,000 graduate vacancies in agribusiness each year (statistics vary depending upon the source).
5. Australian only produces 700 agricultural graduates per year from all its Universities and agricultural colleges (Pratley & Copeland, Agricultural Graduation Rates, 2008).
6. Only **7%** of people farming or servicing agriculture has a degree compared to **21%** across all other industries (Productivity Commission, 2005). Higher education has failed the agribusiness sector over the last 40 years.

6.1.2 The Key Talking Points



1. When every parent thinks of their children, their first priority is to ensure the best possible education for their children. Similarly, the holy grail of any regional development policy is to ensure the constant supply of graduates to the regions with skills that are directly relevant to the industry underpinning that region (in Australia, that is predominantly mining and or agriculture). Primary industry education, especially in the regions, is the key to development of the all of Australia's regions.
2. The "7% issue" points to the long-term failure of Australia's higher education sector to meet primary industry needs, despite primary industries being the main wealth-creating industry upon which we base our economy. Why should those who are part of the system that created the problem, be entrusted with 'more of the same'. The system is broke, it needs fixing.
3. The last Federal election highlighted the poor state of regional education in all disciplines; but situation is particularly dire all for the industries underpinning the economy of all regions (there is widespread recognition of skills shortages in all these key industries).
4. No government in Australia has a formal process or funding mechanism that directly connects industry graduate demand needs to the supply of graduates arising from higher education outcomes. The current approach rewards institutions for enrolling generic low cost students and no institutions receive funds to produce graduates to meet State and national 'wealth-creating' industry needs (because of their higher

costs). In this respect, the market has failed completely, failed partly because of market signal distortions, and partly because they failed to respond to the full gamut of industry needs in a timely way.

5. Industry demand for agribusiness graduates is at its highest known levels, and the supply of students to tertiary agricultural schools has never been higher, yet the higher education graduate output from has never been lower.
6. Despite mining, agribusiness and tourism being economic 'wealth-creating' powerhouses in the economy, their influence within tertiary education institutional governance (particularly universities) is minimal. The hegemony of other low-cost disciplines within larger universities swamps these disciplines, in both staff and student numbers, and the high costs of running regional campuses further exacerbates the problem (traditionally the 'home' of industry graduates).
7. Every ag-faculty in Australia is in decline, yet industry employs every graduate that is produced (and needs more).
8. Both single purpose agricultural campuses and agricultural faculties within in larger city-based institutions have already closed or are declining. If this is the case, and given over 40 years servicing the industry that we find that even the collective wisdom of some 20+ world class institutions cannot meet the industry's needs, then the current system is broken, and new approaches are needed in the national interest. This shows that industry-relevant academic discipline needs are subservient to institutional needs, since no genuine State-wide, nationwide, or industry-wide approaches have been successful. Therefore, industry should take matters into their own hands at the national level and seek new solutions (and not entrust future policy development to those who created the current situation).
9. Australian statistical measurement methods underestimate agribusiness economic activity by commonly measuring primary industry output only, and sector-wide 'whole value-chain' is not measured properly because of collection methods that identify the more generic primary, secondary, and tertiary industry classifications, and not their value-chain relationship to the core primary industry product. Consequently, not all of the agribusiness value chain identifies itself as 'related economic activity' and relevant statistics are not gathered and or published for use by the industry.
10. The problem is that all higher educational institutions are State owned & legislated, but federally funded. This is further exacerbated by the fact that
 -  There are higher costs of operating in regional Australia
 -  Special funding schemes such as Regional Loading Scheme are always insufficient (since the true costs are not fully covered), especially when the city-based parent university skims off the regional loading funding and it does not arrive at the regional campus.
 -  "Out of sight, out of mind" city-centric paradigms
 -  Urban political hegemony always beats low regional population
11. Food Security is a rising public policy issue worldwide; Australia is not immune from it. Recently, Australia became a net importer of food and grocery products.

12. Industry needs all types of graduates, however there is an urgent need for graduates with a combination of science and business skills with advanced practical 'can do' *in situ* skills usually obtained in a regional context (i.e. in the field: on the farm, down the mine). In this sense, the habits of universities in organising and teaching in single discipline scientific-reductionist approaches mitigates against the holistic-systems approaches favoured by most employers.
13. Most industry organisations conduct business steeped in historical practices, or at least methods that derive and grow from bases that are more 'traditional'. As a result, there is an inertia militating against a need to re-structure the industry representative bodies and their business methods to best meet new challenges in the global business environment. Until 2012, **Agribusiness had no natural industry peak body** and new business networking models will soon develop to better advance the interests of the sector.
14. The **rate of productivity increase in agriculture is slowing** (and it seems directly related to decreases in graduation rates and agriculture-related R&D expenditure).

6.1.3 Definitions of Key Terms Used

1. **Agribusiness:** In agriculture, "agribusiness" is a generic term for the various businesses involved in food, fibre, and renewable fuel production and consumption chains: including farming, fishing, and forestry, contract farming, seed supply, agrichemicals, farm machinery, wholesale and distribution, processing, financing, marketing, transport, export logistics, and retail sales. The formal definition fused by the ACA is "Agribusiness refers to the whole constellation of activities and supporting institutions that are involved in the world's complex food and fibre system" (Goldberg, 1997).
2. **Agriculture (and Farming):** Agriculture is the artificial cultivation and processing of animals, plants, fungi, and other life forms for food, fibers, and other byproducts. Agriculture was the key implement in the rise of sedentary human civilization, whereby farming of domesticated species created food surpluses that nurtured the development of much denser and more stratified societies.
3. **Food Security:** Food security is achieved when all people at all times have physical and economic access to sufficient, safe, and nutritious food to meet dietary needs and food preferences for an active and healthy life (FAO, 2011).
4. **Tertiary Education:** Tertiary Education = Higher Education (TAFE or VET sector) + Universities
5. **Value-Chain:** The value chain, also known as value chain analysis, is a concept from business management that was first described and popularized by Michael Porter in his 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance* (Wikipedia, 2011).
6. **Wealth-Consuming Industry:** The economic activity of an industry that consumes or expends public receipts collected by governments as tax (e.g. health, education, law enforcement)

7. **Wealth-Creating Industry:** The economic activity or an industry that generates genuine wealth through the profit making efforts of organisations and individuals; Government's then tax these profits which become a Government's revenue (i.e. public receipts).



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