Western Australian agriculture and food: A global opportunity
Definitions

Agrifood sector

Refers to agricultural and seafood production, food manufacturing and all related input and output services and logistics chains. Agrifood products include agricultural, seafood and processed food products.

Agricultural products

Refers to produce from agricultural activities such as crops, livestock and livestock products, horticultural, viticultural, and any other products raised or produced on farms.

Gross value of agricultural production

Refers to the value of agricultural products at their first point of sale. It includes the value of agricultural products that are exported in their raw form. It does not capture the value of seafood production or processed food which is expected to be the major source of growth.

Western Australian exports value

Refers to the value of raw agricultural, seafood, and processed food and beverages products that are exported.

Acknowledgements

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The Western Australian agriculture and food sector is set for growth.

This document provides a high-level overview of the opportunities facing the sector and how the sector and government are working to harness these opportunities.

It is part of a suite of more detailed materials from the Western Australian Government about how the state’s agriculture and food sector can grow.

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Executive summary
The rise of Asia’s middle class provides the Western Australian agrifood sector with an unprecedented growth opportunity

Western Australia can leverage the competitive strengths of its agriculture and food (agrifood) sector to supply the region with significantly more high-quality, safe and traceable food and beverages.

Western Australia’s agrifood sector is positioning itself to double in real value by 2025

The Western Australian Government aims to enable the state’s agrifood sector to double in real value between 2013 and 2025. Using export value as an initial measure of progress towards this target – recent Western Australian export performance and growth achieved by peer countries suggest this target is not only achievable, it may be conservative (Coriolis 2015).

The sector is set to benefit from recent Free Trade Agreements with key trading partners as well as regional agreements between ASEAN nations (DFAT 2016).

Growth can come through producing high-quality, value added products and services and responding to strong demand for protein

Key opportunities to grow the value of the sector include increasing the volumes of high-quality products and services with greater weight to branded, traceable and processed products that can gain premium prices. There will also continue to be strong demand for protein.

Investment is needed to capitalise on this opportunity

The sector is seeing increased investment interest and transactional activity from a variety of capital sources. Further investment is required to grow on-farm and post-farm gate productivity, realise value chain opportunities and to fund critical infrastructure.

Agrifood is a strategic priority for government

A range of Western Australian and Australian government policy initiatives are underway to support the sector and enable growth. The Australian Government has identified the sector as one of the five key pillars of future economic development and growth for the economy.

The Western Australian Government acknowledges there needs to be a shared vision with industry to achieve this growth target. The Government has committed to working with businesses and investors to expand agribusiness in Western Australia.
Introduction
Western Australia's agrifood sector is set for growth

The Western Australian agrifood sector has a long-awaited opportunity to grow by feeding the rapidly expanding urbanised middle class around the world, particularly in Asia, who are demanding high-quality, traceable produce, especially protein.

Sector and government specialists agree the agrifood sector has the potential to grow and contribute more to the state's economy.

In support of this, the Western Australian Government has set a target of enabling the sector to double in real value between 2013 and 2025, using export value as an initial measure of progress against this.

Analysis conducted for the Western Australian Government of 31 peer countries found all had achieved compounded annual growth rates for agrifood exports equal to or greater than the real growth that the Western Australian agrifood sector will need to achieve: 6% per annum. In fact, 15 countries achieved double digit growth rates in exports over the 2003–13 period (Coriolis 2015).

The early signs for Western Australia meeting this target are good, with real compounded annual growth between 2005/06 and 2014/15 averaging 3% p.a., sharply higher than the 0.4% p.a. growth rate recorded over the previous decade (ABS and DAFWA 2015).

Western Australia’s top five agrifood export markets in 2014/15, by absolute dollar value, were all located in Asia. Exports to China, Indonesia and Vietnam have grown by more than 20% p.a. (compounded) over the past five years.

The growth opportunity for Western Australia is real. Given the strong demand coming from Western Australia’s major export destinations in Asia, the 2025 target could even be considered conservative. There is also potential for some industries to grow through domestic demand.

However, meeting the 2025 target is still going to take a considerable, coordinated and well-directed effort. This will include a clear understanding of what consumers want; better targeted products and services; development and application of appropriate business models; supporting infrastructure; investment attraction; and government and sector partnerships.
Western Australia produces world class food in a safe and clean environment

Western Australia produces high-quality, safe and traceable food and beverages in a well-managed environment.

Australia is a world leading net exporter of natural resources, including agriculture. Key components of value chains are considered globally competitive in this sector, as highlighted in recent studies (McKinsey 2014; Deloitte 2014).

The agrifood sector is vital to feeding the Western Australian community and people in the state’s targeted global export markets. Producers, processors, wholesalers, retailers and exporters – from individuals and families through to large corporations – have made this one of Western Australia’s most valuable industries and largest employers, particularly in regional and rural areas.

Western Australia has one of the most pest and disease free agricultural production areas in the world. Strict biosecurity requirements ensure this status is maintained for the benefit of local producers and consumers around the globe.

The agrifood sector is also underpinned by innovation, and research and development, which play a key role in supporting profitable growth. The sector’s attributes provide it with the capability of meeting changing consumer preferences, both at home and overseas.

Asian customers are demanding access to high-quality, safe and increasingly more protein-rich diets. Demand is high for products such as beef, seafood, dairy, grains and oilseeds. Western Australia produces all of these products and can produce more.

In 2014/15, the value of Western Australia’s agrifood exports was AU$7.79b, with close to 70% destined for Asia (ABS and DAFWA 2015). This can grow.
Products which leverage the state’s competitive strengths will create growth

Long-term growth and returns can best be generated by those investments which seek to leverage the state’s competitive strengths. The sector’s competitive strengths include:

- a well-managed environment with high-quality, safe, traceable systems and image
- land and water resources available to expand production
- diverse land and climatic conditions allowing for broad product production
- a stable, mature and open economy with a productive labour force
- being highly export orientated
- an advantageous location that is in the same time zone as most of Asia.

Western Australia has strong ties with Asia

Western Australia has a long history of exporting high-quality produce, minerals, tourism and education to key Asian markets. With existing links, greater trade liberalisation, close proximity and a strong understanding of Asian counterparts, the state is on the cusp of entering a stage of significant agricultural growth.

Major liberalisation of key export markets through recently signed Free Trade Agreements (FTAs) also builds a strong foundation for the next phase of growth of Western Australia’s agrifood sector. The FTAs will unlock significant economic opportunities for businesses, investors and employees in the sector.

Governments want to empower, grow and support the sector

Both the Western Australian and Australian governments have identified the growth of the agrifood sector as a strategic priority. There is increasing focus on policy settings that are supportive of international trade, innovation, productivity improvement and investment attraction.

The Western Australian Government is committed to working in partnership with businesses and investors to grow the sector.
Western Australian agrifood sector at a glance
Western Australia produces a diverse range of products and can produce more

With a land area of just over 2.5 million square kilometres, Western Australia comprises 33% of mainland Australia.

This vast area spans many climates and environments, allowing production of a diverse range of agrifood products and produce.

Western Australia produces more grain than any other Australian region and it is also a significant producer of high-quality meat and livestock, oilseed, seafood, dairy, wool, viticulture, horticulture and honey products.

In the past five years, the gross value of agricultural production grew by 10% p.a. (compounded) to AU$7.93b.

Western Australia has land and water available to expand agrifood. Up to 90 000 hectares of additional land could be established as irrigated agriculture in the north, including the West Kimberley Fitzroy River, Ord-East Kimberley, Pilbara and Carnarvon regions, based on estimated water availability (George et al. 2014).

There is also land available for development in the South West region; it is estimated that up to 15 000ha could be established for expanded irrigated agrifood production, based on water availability (George et al. 2014).

The broad agrifood sector employs one in eight people, that is 12% of total state employment across regional and metropolitan areas (Coriolis 2015).

Destinations for West Australian produce and products

The sector is geared towards exporting (Figure 1 and 2).

In 2014/15:

- Western Australia contributed 17.3% to the total value of Australia’s agrifood exports (DFAT 2015a)
- more than 80% of the Western Australia’s agrifood production was destined for international markets (ABS and DAFWA 2015)
- approximately 70% of Western Australia’s total exports went to Asia, followed by 12% to the Middle East (ABS and DAFWA 2015)
- 84% of all Western Australia’s exported primary products were unprocessed (DFAT 2015b).
The top five agrifood export destinations by dollar value in 2014/15 were:

- **China**: AU$1,730m
- **Indonesia**: AU$1,070m
- **Japan**: AU$671m
- **South Korea**: AU$497m
- **Vietnam**: AU$300m

Five year CAGR to:

- **China**: 29%
- **Indonesia**: 22%
- **Japan**: 0%
- **South Korea**: 2%
- **Vietnam**: 26%

(ABS and DAFWA 2015)
Australian agrifood exports

AU$45.0b
(DFAT 2015a)

Western Australian agrifood exports

AU$7.8b

Western Australia’s % of Australia’s agrifood exports

17.3%

1. China $1730m

2. Indonesia $1070m

3. Japan $671m

4. South Korea $497m

5. Vietnam $300m

6. Malaysia $286m

7. United Arab Emirates $222m

8. Philippines $219m

9. Yemen $197m

10. Kuwait $176m

Western Australian agriculture and food: a global opportunity
Global overview
Between 1980 and 2014, the total value of global agricultural trade increased by 700% and has more than trebled since 2002 (WTO 2016).

This has been driven by megatrends that are transforming the world and resulting in structural change to economies, societies and businesses.

**Urbanisation, rise of the global middle class and changing consumer preferences**

The rise of Asia provides Western Australia with an unprecedented opportunity to supply the region with more high-quality, safe and traceable food and beverages.

Population growth has been a key driver, with the urbanisation of Asia and the liberalisation of global trade markets also contributing. Urbanisation and rising incomes have led consumers to switch their preferences to include more protein.

It is anticipated two thirds of the world’s middle class will be located in Asia by 2030, increasing from just under one third in 2009. By 2030 rapid growth markets, like Asia, will comprise 63% of global gross domestic product, increasing from 38% in 2014 (EY 2015).

As incomes rise, consumers in the premium end of the agrifood market are placing a greater importance on quality assurance, provenance and traceable systems. Analysis undertaken for the Western Australian Government identified four broad attributes valued by consumers of premium food and beverage products. These are:

- health
- indulgence
- convenience
- provenance

(Coriolis 2016).

These attributes are aligned to the competitive strengths of Western Australia’s agrifood sector.

**Key global growth drivers**

<table>
<thead>
<tr>
<th>Population</th>
<th>Diet</th>
<th>Incomes</th>
</tr>
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<tbody>
<tr>
<td>Global and Asian population growth will remain a key demand driver. It is estimated the world’s population will reach at least 8 billion by 2024, with nearly half of the population living in Asia (OECD-FAO 2015).</td>
<td>Developing economies are anticipated to experience the greatest increase in total caloric intake per capita increasing by 6.4% p.a. from 2014 intake to approximately 2800 calories per person per day by 2024 (OECD-FAO 2015).</td>
<td>Australian Bureau of Agricultural and Resources Economics and Sciences (ABARES) forecasts average Asian incomes will rise 278% between 2016 and 2050 (ABARES 2015a). The Asia Pacific’s middle class is forecast to increase consumer expenditure from purchasing power parity (PPP) US$4.9t in 2009 to PPP US$32.6t by 2030 (Kharas 2010). That is an increase of 658% based on 2005 PPP prices.</td>
</tr>
</tbody>
</table>

Urbanisation

The United Nations reports that 54% of the world’s population currently live in cities and by 2050, this proportion will increase to 66% (FAO 2009).
Global competition

The rapid expansion of global agrifood trade over the past two decades has been primarily driven by large increases in demand from developing economies. Despite the increase in their demand, developing countries are also producing a mix of traditional commodities and, increasingly, value-added products.

Although businesses within mature economies retain a dominant position in the agrifood sector, developing countries are rapidly expanding their share of global agrifood exports, as illustrated by Table 1.

Figure 3 illustrates the disparity in growth of Western Australia’s food and beverage export value over the 2003–13 period compared to a selection of other exporting countries.

Table 1: Growth in exports from developing markets to other developing markets
(Adapted from USDA 2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports to developing markets in 2013</th>
<th>Percentage increase from 2009 to 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>66%</td>
<td>59%</td>
</tr>
<tr>
<td>China</td>
<td>56%</td>
<td>65%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>68%</td>
<td>67%</td>
</tr>
<tr>
<td>Thailand</td>
<td>67%</td>
<td>53%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>76%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Technology and innovation

Globally accessible technology is changing the way consumers purchase and businesses operate across all sectors of the economy. Transport, logistics and information technology advances have resulted in a more globally connected world with integrated value chains. The agrifood sector is not immune.

Recent advancements include digital communication (micro-banking and marketing in developing regions) and e-commerce. Use of ‘big data’ analytics, digital supply chains, precision agriculture, automation and drones, all have the potential to drive greater productivity and intensify competitiveness.

New technology will continue to have a major impact on the way agrifood is produced, processed and sold, and how businesses are run and structured across all parts of the value chain.
Climate variability, resource security and sustainability

The continued growth of the global population will place more pressure on natural resources. The United Nations estimates by 2030 the demand for water may be 40% more than available supply and the shortage could affect almost 50% of the world’s population, particularly in emerging economies (EY 2015). In addition to this food security challenge is increased climate variability and its impact on agrifood production.

Consumers are becoming more aware of sustainable farming practices and value chain behaviours. They increasingly want to know where their food is coming from and how it is produced. Sustainable natural resource and climate variability management will increasingly be at the forefront of policy development for all stakeholders in the agrifood sector.

In summary, the Western Australian agrifood sector is strongly positioned to benefit from these global agrifood trends. It can leverage its competitive strengths to supply high-quality, safe and traceable agrifood products that meet the demands of consumers in target markets in a sustainable manner.
Western Australian agrifood sector opportunities
The Western Australian agrifood sector growth opportunity is real
The increasing global demand for agrifood products represents a significant market-driven opportunity for Western Australia to grow through exports and to double or more the real value of the sector by 2025.

Stakeholders from all parts of agrifood value chains, domestic and international investors are presented with a major opportunity to capitalise on this demand and earn improved returns.

Growth can be achieved through leveraging the state’s competitive strengths
Western Australia is well positioned as a trusted, modern, high-quality food producer where food and beverages are grown in a well-managed environment.

The agrifood sector offers ample opportunity for both domestic and inbound investment. Long term growth and returns can be generated by those investments which seek to leverage the state’s competitive strengths.

High potential growth markets have been identified
Research and analysis conducted on behalf of the Western Australian Government identified 24 countries, throughout the Middle East, South Asia and South East Asia, defined as high potential target markets for businesses and investors looking to grow through exports (Coriolis 2016).

In addition, the sector has recently seen a number of major advancements with further liberalisation of target export markets, for example through Free Trade Agreements (FTAs). These major international trade reforms have the potential to increase the state’s competitiveness in key markets, spurring growth and investment opportunities across the agrifood sector once specific product protocols have been negotiated.

The Australian agrifood brand is considered better value, higher in quality, safer, more sustainable and healthy than that of many peer countries.

(Austrade 2013)
Based on a comparison with a group of peer countries, including the USA, Canada, France, China, Malaysia and Brazil.
Selected highlights of the FTAs

FTA with China

Phases out tariffs on all dairy products, sheep, beef, pork and fruit and vegetables over two-to-nine years

Tariffs on seafood (including lobster) will be phased out over four years

Allows for a duty free quota of 30 kilotonnes of wool growing to 44Kt by 2024 (in addition to Australia’s existing access of 287Kt)

FTA with Korea

Abolishes tariffs on Australian wine, wheat and sugar

Provides duty-free access for seasonal horticulture products (such as potatoes)

Phases out tariffs on sheep meat, pork, beef and dairy products over periods of between three and 13 years

FTA with Japan

Provides reductions in tariffs on beef, although not completely eliminated

Allows for duty-free quotas for cheese and milk protein concentrates

Allows for greater access for a range of horticulture products

V&V Walsh joint venture with Grand Farm Group

In 2014, Western Australian meat processor V&V Walsh formed a joint venture with Grand Farm Group, one of China’s largest red meat importers.

V&V Walsh is the largest red meat (beef and sheep) processor and exporter in Western Australia.

The investment will further grow Western Australian sheep and beef exports with an additional 30 000 head of cattle and 500 000 lambs targeted for export into China per year in stage one of the project.

In December 2015, V&V Walsh received full approval from Chinese authorities to export chilled and frozen beef and lamb into China.

The granting of the full chilled licence is unique in Australia and now provides the opportunity to deliver high-value premium chilled beef and lamb products to discerning customers in the world’s most populous country.

(DAFWA summary based on publicly available information)
The state’s agricultural production and agrifood exports are growing

Western Australian agricultural production is dominated by grains and oilseeds. By production growth, the top three highest performing industries over 2011–15 were oats, barley and canola. Over this period, oats and barley achieved annual compounded growth rates of 28%, with canola achieving 22% (ABS and DAFWA 2015).

By absolute value, the top three Western Australian agriculture production industries in 2014/15 were wheat, barley and canola.

There is an opportunity to further diversify Western Australia’s agrifood production mix.

For Western Australian agrifood exports, the highest growing industries over the 2011–15 period were oats (83% p.a.) and barley (48% p.a.) (Figure 4). Seafood also experienced strong compounded growth of 20% p.a. (ABS and DAFWA 2015).

![Figure 4: Nominal growth of Western Australian agrifood exports](image)

The size of the circles represents the absolute dollar value of the specific industry’s exports in 2014/15. It shows each industry’s respective:

- compounded annual growth rate in percentage terms over 2011–15
- corresponding absolute growth over the same period.
Projected demand matches Western Australia’s capabilities

ABARES forecasts show there will be strong import demand from Western Australia’s major trading partners for foods already produced by well-established industries and companies in Western Australia. Over the coming years, Asian countries will need to import more soft commodities, including wheat, beef, lamb and dairy products.

Western Australia already produces and exports these products. Backed by the state’s competitive strengths, value chain participants have an immediate and sustained opportunity to increase production and exports to premium Asian consumer markets.

Figure 5 illustrates the projected sources of global growth in food demand and compares the growth from 2007 to 2050.

Figure 5: Sources of global food import demand (2007–50) in real terms

In addition, a recent report commissioned for the Western Australian Government, Target Market Opportunities in Asia for Western Australia Premium Products, identified 20 Western Australian based industries in which there are clear opportunities to invest (Coriolis 2016). There are opportunities to expand production in the identified industries to meet consumer preferences and demand from key target export markets. This list illustrates a mix of high-quality soft commodity and value-added products.

**Clear opportunities** (Coriolis 2016)

<table>
<thead>
<tr>
<th>Wine</th>
<th>Honey</th>
<th>Apples</th>
<th>Sheep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td>Fluid milk (regular/low fat)</td>
<td>Avocados</td>
<td>Pork</td>
</tr>
<tr>
<td>Chocolate, assorted</td>
<td>Yoghurt</td>
<td>Prawns</td>
<td>Virgin olive oil</td>
</tr>
<tr>
<td>Processed ham</td>
<td>Oranges/mandarins</td>
<td>Rock lobster</td>
<td>Animal pellets</td>
</tr>
<tr>
<td>Sausages</td>
<td>Carrots</td>
<td>Beef</td>
<td>Rolled oats</td>
</tr>
</tbody>
</table>
There are strong opportunities to value add and extract additional market value

Western Australia is globally competitive in supplying a range of high-quality agrifood ingredients. However, there appears to be significant potential to increase value-added production to meet consumer preferences and achieve greater margins. Several peer countries, including New Zealand, have successfully used this strategy to increase the value of their agrifood industries.

Most developed exporting countries supply a greater share of finished, consumer-ready branded products than Western Australia as illustrated by Figure 6.

(Adapted from Coriolis 2015)

**Figure 6: Share of food and beverage exports by product platform for Western Australia and selected countries**

To be successful, Western Australia’s products must satisfy consumer preferences and leverage the sector’s competitive strengths and value proposition.

Products that are aligned to Western Australia’s competitive strengths have one or all of the following characteristics:

- Distinction – products limited businesses are producing
- Counter-seasonal – supplying the market when others are not
- Status and provenance – capability to charge consumers a premium.

Products that display these characteristics have been identified as most likely to deliver the growth the sector needs to reach its 2025 target (Coriolis 2016).

**Opportunities also exist to increase productivity of existing systems and develop new production areas**

To capture additional market value, the Western Australian agrifood sector can increase the productivity of existing systems and develop new production areas, such as expanding irrigation areas in the north of the state.
Other opportunities
A range of other potential opportunities also exist and will emerge throughout the agrifood sector’s value chains, including:

- supporting export services opportunities. For example, providing technical assistance (“know-how”) to export market participants or customers in export markets around improving quality assurance or food labelling/certification standards
- sustainable industry and business models that harness latest technologies to drive greater profitability and productivity
- renewable energy and adoption of changing technologies to support regional generation and storage
- further investment in critical infrastructure and supply chain efficiencies
- venture capital funds, with a focus on technology, are looking for sector participants that are applying new technology in agrifood production and meeting changing consumer preferences
- adoption of innovative practices such as automation of farming equipment and drones. This will drive greater value chain optimisation and investment returns.

Bannister Downs Dairy and Hope Dairies
In 2014, Hope Dairies (WA), a subsidiary of Hancock Prospecting, established a partnership with Bannister Downs Dairy.

Banister Downs Dairy is a local, family-owned food business, established in 1995, which manufactures milk, creams and flavoured milk drinks for both local and export markets. Its focus on quality, environmental packaging and on-farm processing has resulted in growing demand for its products.

The partnership has enabled Bannister Downs Dairy to expand and progress plans for a new creamery complex that will quadruple its output.

(DAFWA summary based on publically available information)
**Investment opportunity**

Realising the growth opportunity will require significant investment pre- and post-farm gate, from a variety of sources.

The Western Australian Government welcomes further investment in the state’s agrifood sector.

The global market for capital attraction is highly competitive, however, international interest and investment into the agrifood sector is growing. There is specific interest in Australia’s agrifood sector because of the reputation of Australian food for safety, cleanliness and quality.

The total value of investments approved by the Foreign Investment Review Board (FIRB) in the agrifood sector increased by 10% p.a. over the four year period ending in 2013/14 (FIRB 2015).

In Western Australia, this interest and investment activity is highlighted by a number of recent and significant business and property transactions taking place over recent years; Figure 7 (overleaf) illustrates a small sample of these.

Targeted and well managed agrifood investment can generate attractive returns.

Analysis of grain growing and livestock grazing farm businesses (at farm gate level) found the top 25% of Bankwest Planfarm clients were consistently generating double the average level of profit compared to other Planfarm clients (Bankwest 2013). The report concluded that “farming in the right hands, with the right management, can be very profitable over a long period of time”.

Analysis conducted by the Department of Agriculture and Food, Western Australia on the financial performance of broadacre farms stated the top three farm wealth quartiles (determined by ranking mean real growth in farm wealth) achieved returns exceeding the Australian Securities Exchange (ASX) average over the 2002–11 period (Kingwell 2015).

Table 2 (overleaf) further illustrates the competitive returns experienced by large farms in Australia over selected periods to 2014.

At a broader market scale, attractive returns, commensurate with the level of investment risk, have also been achieved.

Deloitte reported that a cross section of larger ASX-listed agribusinesses generated an average return of 67% (most of which can be attributed to higher turnarounds in business performance) and a return on equity of 37% in 2015. In the same year, the Standard & Poor’s ASX 300 returned -0.2% (Deloitte 2015).

** Characteristics of farm businesses**

Currently, ownership of the sector remains dominated by family owned businesses. Based on ABARES farm surveys, approximately 95% of Australian farm businesses are family owned (mainly owned and operated by related individuals) (ABARES 2011).

Business farm capital structures have remained relatively stable over the past two decades, with debt typically sourced from traditional financial institutions (ABARES 2015b).

Over the same period, significant farm investment and consolidation has occurred (particularly after deregulation of the grains and dairy industries) and large farms (in absolute and relative terms) have invested more than medium and small farms (ABARES 2015b).
<table>
<thead>
<tr>
<th>Year</th>
<th>Transaction Details</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>2013</td>
<td>Kirin (Japan) purchased Little Creatures Brewery</td>
<td>AU$360m</td>
</tr>
<tr>
<td></td>
<td>BDH Group purchased and leased out 8500ha of farm land</td>
<td>AU$70m</td>
</tr>
<tr>
<td></td>
<td>Saudi Arabian entity purchased 13,500ha at Aroona Station</td>
<td>AU$30m</td>
</tr>
<tr>
<td>2014</td>
<td>V&amp;V Walsh joint venture with Grand Farm Group</td>
<td>AU$1b</td>
</tr>
<tr>
<td></td>
<td>Kimberley Agricultural Investments Ord River development</td>
<td>AU$1b</td>
</tr>
<tr>
<td></td>
<td>Parmalat purchased Harvey Fresh</td>
<td>AU$117m</td>
</tr>
<tr>
<td></td>
<td>Louis Dreyfus Commodities purchased Ravensdowns Fertiliser WA</td>
<td>AU$25m</td>
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<tr>
<td></td>
<td>Craig Mostyn Group purchased Jade Tiger Abalone</td>
<td>AU$20m</td>
</tr>
<tr>
<td></td>
<td>Quarter Oats expanded Forrestfield Mill</td>
<td>AU$20m</td>
</tr>
<tr>
<td>2015</td>
<td>CBH Grain supply chain upgrades over next five years</td>
<td>AU$1b</td>
</tr>
<tr>
<td></td>
<td>Hancock Prospecting purchased Fossil Downs station</td>
<td>AU$50m</td>
</tr>
<tr>
<td></td>
<td>Bunge Grain opened new Bunbury port terminal</td>
<td>AU$40m</td>
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<tr>
<td></td>
<td>Lion Dairy invested in plant upgrades in Perth</td>
<td>AU$40m</td>
</tr>
<tr>
<td></td>
<td>Yeeda Pastoral Company opened new abattoir in Broome</td>
<td>AU$40m</td>
</tr>
<tr>
<td></td>
<td>Mareterram Limited purchased NorWest Seafoods</td>
<td>AU$40m</td>
</tr>
<tr>
<td></td>
<td>Unigrain purchased Morton’s Oats</td>
<td>AU$20m</td>
</tr>
</tbody>
</table>

Figure 7: Sample of recent agrifood investment transactions in Western Australia
Investments are estimated AU$ figures. Summary analysis conducted by DAFWA based on publicly available information.
Table 2: Rates of return for large farms (receipts greater than AU$1m) over selected periods of years to 2014 (ABARES 2015b)

<table>
<thead>
<tr>
<th>Time period</th>
<th>Excluding capital appreciation (%)</th>
<th>Capital growth (%)</th>
<th>Including capital appreciation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years</td>
<td>4.4</td>
<td>-0.9</td>
<td>3.5</td>
</tr>
<tr>
<td>10 years</td>
<td>3.9</td>
<td>1.4</td>
<td>5.3</td>
</tr>
<tr>
<td>15 years</td>
<td>4.2</td>
<td>2.4</td>
<td>6.6</td>
</tr>
<tr>
<td>20 years</td>
<td>4.4</td>
<td>2.4</td>
<td>6.8</td>
</tr>
</tbody>
</table>

Harvey Fresh purchased by Parmalat

Harvey Fresh, an iconic Western Australian dairy and juice company, was purchased in 2014 for AU$117m by Parmalat Australia, owned by Parmalat SpA (Italy), which is majority owned by the world’s second largest dairy company Lactalis (France).

Parmalat is a global supplier of high-quality dairy foods with distribution networks throughout Australia and Asia.

This investment provides an opportunity for Harvey Fresh-branded products to expand into new markets both domestically and overseas.

(DAFWA summary based on publically available information)
Growth enablers
If the sector is to double in real value by 2025, growth will need to be primarily derived from exports

Key enablers that are being addressed to realise export growth include:

- targeting priority markets and promoting competitive paths to market
- improving value chain infrastructure
- improved research and development and technology to heighten productivity
- increasing sustainable management of land and water and greater use of underutilised land
- attracting and retaining skilled workers
- attracting investment.

Addressing these will help the sector operate at the optimal scale to be internationally competitive.

**Targeting priority markets and promoting competitive paths to market**

To achieve growth and prosperity over the long term, it will be essential to understand and produce the type of products consumers are demanding in targeted export markets, including more value added goods.

Consumers in the premium market segment are becoming more concerned with the safety, provenance and quality assurance of food. They want to understand how their food is produced and where it comes from.

Agrifood businesses are responding to consumer preferences by obtaining independent certification offered by organisations such as the Royal Society for the Prevention of Cruelty to Animals (RSPCA) and the Marine Stewardship Council.

Continued marketing and promotion of Western Australia’s safe and traceable produce and well-managed environment will help to solidify and maintain market demand for Western Australian agrifood products.

The *Target Market Opportunities in Asia for Western Australia Premium Products* report has identified a range of high-value and premium products that are demanded by consumers in Asia, which also align to Western Australia’s competitive strengths (Coriolis 2016).

Improved market and trade liberalisation is good news for the competitiveness of the Australian agrifood sector. The Western Australian and Australian governments continue to support industries by working to expedite the required protocols and technical non-trade barriers for products and services entering key markets. One recent example is the live cattle export agreement between China and Australia.
Improving value chain infrastructure

Across Australia there is benefit in achieving greater alignment of critical infrastructure across value chains to increase exporting businesses’ international competitiveness and extract greater value from the agrifood sector.

The Western Australian Government is working with sector stakeholders to identify key infrastructure gaps, which impact the agrifood sector, across regional Western Australia.

This will allow the Western Australian Government and sector stakeholders to work towards ensuring Western Australia has the modern infrastructure required to support an expanding agrifood sector.

Improving research and development, and technology

To remain and become even more competitive, the agrifood sector needs to continue to realise commercial innovation and productivity improvements.

For example, the sector is seeking to adopt precision agriculture practices, including the use of ‘big data’ analytics, automation of farming equipment and drones. Research and development into new greenhouse facilities and other controlled environments are also currently underway. The results will further aid understanding of how to feed a growing population and encourage further investigation into greater-scale production.

Western Australia has strong research and development collaborations with universities, research organisations and other state governments and the Australian Government to maximise the sector’s access to the latest science and innovation.

Increasing sustainable management of land and water resources

Water and land are vital to growing high quality produce and supporting an expanding sector.

The Western Australian Government has specific initiatives to identify additional water supplies, investigate irrigation technologies and explore how the state’s Crown Land can be used in a more sustainable and productive manner. It also has ongoing projects to address soil and water constraints to production.
Attracting and retaining skilled workers

The sector will continue to need access to a labour market that has a range of skills to adapt to a changing technical, product and operational environment and provide clear career paths. Availability of a range of skilled, semi-skilled, casual and manual labour will remain key to industry competitiveness.

Western Australian tertiary education providers have introduced new agribusiness and agricultural science degrees to their curriculum.

The issue of attracting and retaining skilled workers is also being addressed through industry bodies within the agrifood sector, identifying capacity building projects that will encourage development and retention of skilled labour.

Attracting investment

Government and stakeholders are committed to attracting investment, and international interest is growing.

Several strategies are needed to ensure businesses are attractive to investors.

Optimisation of existing financing will be important in attracting additional investment.

The sector needs to develop its attractiveness to the external equity market and to incentivise financing from alternative sources.

Business models such as share farming, equity partnerships and leasing also need to be developed with a greater focus on flexibility and alignment of objectives to support greater pre- and post-farm gate economies of scale to improve international competitiveness (KPMG 2015).

Overseas relationships will also be pivotal to capital attraction. For example, the sister state relationship Western Australia has developed with the Zhejiang province in China has provided a platform which has seen both parties enjoy improved trade, business and culture benefits.

The Western Australian Government is leading initiatives to support businesses to become investment ready and to match businesses and potential investors.
Further information
Department of Agriculture and Food, Western Australia

for further information about the growth of the Western Australian agrifood sector, target market opportunities and how Western Australia can attract the right investment for growth.

agric.wa.gov.au

Department of State Development

for further information about the business and investment environment in Western Australia.

dsd.wa.gov.au

Western Australian Government

for further information about the Western Australia Government and how it supports economic development.

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