Submission to Agriculture and Food Policy Reference Group

About the Author

The author has produced beef for the past 18 years and has been involved to a greater or lesser extent in the various MLA, state and local programs which impact on beef producers. (The author also has a 35 year public sector background in industry policy development and delivery across the manufacturing, mining and agriculture sectors. The latter has involved international trade, work with UN aid and development agencies, commodity marketing and, over the past 15 years, design and administration of business and market development programs across the agribusiness sector, largely at the enterprise level).

The submission incorporates comments from agribusiness, business consultancy and academic colleagues.

FOCUS OF THIS SUBMISSION

This submission is concerned mainly with the business and market development aspects of the Issues Paper. It is concerned with suggesting new approaches to developing a winning business and marketing strategy for Australian agribusiness in an era of turbulent change and the programs that might support such an approach.

THE NEED FOR A BETTER BUSINESS MODEL IN AUTRALIAN AGRIBUSINESS

International business analyst **McKinsey's** have identified the emergence of what they call "extreme competition" as part of a massive reshaping of the global economy over the next 10 to 20 years, driven largely by three supply side forces

- Globalization (the integration of large low cost economies in to world markets)
- Technology (increasing exploitation of networking and communication infrastructure)
- Economic liberalization (unpredictable distribution of growth and profits)

Plentiful, cheap and more global labour, capital, capacity, infrastructure and information are having a profound impact on industries generally through

- The breakdown of distinct product and geographic markets
- Improved market clearing efficiency
- Increased supply chain specialization

McKinsey's argue that traditional decision making processes are often slow, backward looking and incremental and that what is required to met the challenges outlined above is **speed, flexibility, resilience and energy** through

- Strategic innovation and flexibility
- Continuing focus on costs, productivity, prices and margins

- Review of product portfolios, customer segments and geographies

A recent **Monash University** inspired survey of many of Australia's leading food and beverage CEO's identified their priorities for enhancing business performance, demonstrating that flexible and agile firms in this sector are characterized by

- Operational excellence that provides managers the opportunity to reflect on the future and is the foundation for an organization that is responsive to change
- Flexible firms build strong strategic relationships that enable them to leverage the resources and capabilities of other firms in their network or supply chain
- The ability to anticipate change and react quickly to new opportunities
- An organizational culture that fosters strong internal communication and organizational learning.

More recent research by **Queensland University and the Queensland Department of Primary Industries and Fisheries** reviewing the degree of innovation in traditional agricultural industries and their associations concluded that it is the people that make a difference, the attributes of those people, and the critical mass of those attributes. For example, outsiders bring diversity of ideas and experiences. The least innovative industries have great depths of experience which may stifle the very creativity and innovation they seek and which resides unknowingly in their midst. The more innovative industries are also differentiated by greater social cohesion, investment in personal and group development, the depth of membership involvement, and technological sophistication.

Biographical characteristics that lead to higher levels of innovation include youth, education, overseas travel, time spent in the industry (less is better), diversity of prior experience, and diversity of income streams. Psychological characteristics that lead to higher levels of innovation include not needing to be liked, high need for achievement and high openness. The research also examined differences between three groups within any association, namely leaders, innovators, and mainstream members. Differences between the biographical and psychological profiles of these three groups explain why some associations face great challenges in becoming innovative.

The research report (at **www.dpi.qld.gov.au/business/16643.html**) contains recommendations for industry associations, peak bodies and governments. Many of these could be implemented immediately without cost. One that is likely to generate debate is the suggestion that no person should hold any executive or committee position, be it President, Secretary, or whatever, for more than one term. The research suggested leadership is a two-edged sword. It is an act of industry responsibility; it is also an act of denying someone else the opportunity to gain industry managerial experience. The more broadly that understanding of industry managerial experience and responsibility is shared, the healthier and more innovative is the industry.

Gary Hamel, regarded by many in both the UK and USA as the world's leading business strategist, has similarly characterized the current business environment as revolutionary in that the gap between what can be imagined and what can be accomplished has never been smaller. This has opened the way for radical innovation in business process and the necessity of businesses, and industries they inhabit, to re-invent themselves in the way they create and deliver value to customers.

Hamel underlines the current opportunities for radical change emerging mainly from business concept innovation (none more so than the ongoing revolutionary change in the retail sector) rather than the limited opportunities offered by incremental productivity gains (on which the Australian rural sector has relied so much in the past) largely as a result of technological innovation in product or process.

If radical change is a feature of the current business environment how then can traditional rural producers in Australia ensure that they are not rendered irrelevant in domestic or international markets and become key partners in the ongoing creation of customer value?

COMMODITIES OR PRODUCTS? DIFFERENT CULTURE, DIFFERENT MINDSET

The Reference Paper is surprising in the way it sees the competitive future for Australia's farmers as resting on traditional homogeneous commodities rather than in an approach that continually seeks ways to create and deliver customer value (through market segmentation and product differentiation). This raises the question as to whether Australia's historic position in world agricultural commodity trade is sustainable. In most main stream commodities, Australia is far from being the world's leading producer (even wool has less than 4% of the world fibre market), although it is a leading exporter (the leadership in beef exports now having passed to Brazil), and more dependent than most on the export market for returns for basic commodities. Furthermore Australian producers of traditional commodities (meat, in its various forms, grains and milk) are far from being the lowest cost suppliers to world markets both at the farm gate and on a delivered basis. Production volume and scale (being the lowest cost producer) are the essentials for success in the commodity game as increasingly demonstrated by countries such as Brazil across a range of commodities. *Is this a mantle that still fits comfortably with Australian producers?*

In Australia it is claimed the farm gate product share of the consumer price has been eroded from some 50% to 20% over the past 30 years and is forecast to reduce to around 10% over the next ten years. The challenge for Australian farmers to remain viable is to capture a greater share of the consumer dollar by increasing the share of the "service" component of the final price. Some of these "service" attributes provide the basis for creating consumer value. These include a number of factors which can be incorporated in the production system such as enhancing product integrity, meeting targeted quality management requirements of specific customers, supporting regional or other branding initiatives in retail or food service, exploiting IP in new and unique varieties of fruit, vegetables or crops to achieve taste, appearance or unique processing outcomes (such as the production of functional foods), catering to the interest of some consumers in organic or biodynamic product, meeting European retailer protocols (Eurapgap in the case of fruit and vegetables), EU accreditation arrangements for beef, European eco-label (low chemical) protocols for wool, producing timber products that attest to environmental management practices onto the final product, etc. These are only some of the ways an ever increasing number of producers are achieving greater control of their destiny beyond the farm gate by responding more effectively to the preferences of discerning consumers.

The ability to explore, identify and implement these initiatives requires new business and marketing skills unfamiliar in the traditional commodity marketing environment. As indicated above, the rules of commodity marketing are based on providing volume and scale at the lowest cost. Commodity markets are characterized by the auction or other market clearing arrangements at a price on the day and where there is typically no relation between buyer and seller. Support for improved business and marketing approaches has been a feature of government programs in the agribusiness sector since the late 1980's with the introduction of the Innovative Agricultural Marketing Program. When this program failed to attract the desired interest from mainstream agriculture, the Marketing Skills Program was introduced. Elements of this program (networking producers to common purpose, providing first hand experience of markets to identify opportunities and subsequently assisting the producers to develop business and marketing strategies to target those markets) have continued to feature in business development programs in the sector, including the recent Supermarket to Asia Food and Fibre Chains Program (FFCP) and the National Food Industry Strategy (NFIS) Food Chain Program.

In Australia there is a well developed infrastructure to support the traditional commodity focus of Australian agriculture. The argument in this submission is that this infrastructure is not well adapted to support the more pervasive movement that is underway across the agribusiness sector to develop a more viable business model that is based on the enterprise or chain as the platform on which competition occurs rather than the industry you are in (the traditional Porter notion). The traditional commodity orientation of Australian agriculture, and its support systems, is not well adapted to the recent emergence of a more discerning consumer, particularly in Asia, and the entry into mainstream markets of countries previously divorced from that market (China and India in particular).

Australian agriculture has benefited from the many government and industry initiatives to support traditional mainstream Australian commodity sectors particularly in grains, wool, beef and sheep meat, and dairy. These sectors are characterized by structures and legislation that are based on a whole of industry approach that mirrors a commodity marketing business mentality. In the past this approach has served the sector well. Typically producers are levied under statutory arrangements to support whole of industry approaches to marketing and research, the latter being supported by government matching funding. While there has been continuing adaptation of these industry organizations over time they continue to reflect a generic and industry wide approach to marketing and promotion. Producers have been well supported in their production activities by ongoing research and development largely of a technical nature and largely behind the farm gate. This has continued to support the productivity improvements necessary to drive down production costs in the commodity marketing world. In undertaking innovation at the farm level, producers in this environment typically have little knowledge of the detailed operation of their supply chains or of customer priorities at various levels of the chain or an appreciation of the end consumer.

For example, most wool producers do not know what their wool is used for, except in general terms, or the factors that impact on its processing beyond the farm gate. The language of wool completely changes as it moves beyond the farm gate further confusing chain understanding. There are arguments that in the commodity marketing environment brokers and agents have little interest in producers being better informed. Similarly in the auction environment there is no relationship between buyer and seller and agents would have little commercial interest in seeing such a relationship develop. Traders play the same role in the grains sector of leveraging their knowledge and contacts to provide an outcome that is hopefully suitable to buyer and seller. Producers have historically taken a position that marketing is not their game and have left decisions in this area to their industry organizations and statutory bodies which they are levied to support. These organizations tend to have annual budgets of the order of $100m and are powerful and influential organizations employing marketing and management expertise with decisions made by elected members of the industry in what they see as the best interests of the industry sector as a whole.

At the government level valuable support has been provided to these industries in providing industry information and forecasts on domestic and international market trends and conditions, negotiating improved international access arrangements and resolving trade disputes on an intergovernmental basis and providing technical support to secure trade and other arrangements with foreign governments.

In the face of this substantial industry support infrastructure and commitment by industry leaders to the welfare of their respective industries, why is there ongoing frustration and discontent by individual farm businesses with the payment and level of industry levies, with the nature and direction of technical industry research, with concerns about generic marketing and promotion campaigns and a range of other issues? Woolgrowers for example have voted down the level of support for AWI and are openly expressing frustration with the various decisions of its governing board in areas such as promotion and in the industry structures that direct industry marketing and research. Beef producers are forecast to reject the membership vote currently underway for increased levies for generic marketing.

Producers are becoming better informed and educated and seeking greater control of their destiny as individual businesses in preference to participating on industry bodies to try and influence generic research and marketing expenditure of industry levies. Many are demonstrating their ability to more directly engage with identified customers and to differentiate their customer offer by developing innovative business strategies that support what is in effect a branding strategy, providing a product that has characteristics that differentiate its origin and qualities from generic commodities with implications for the level and stability of longer term returns. These business strategies often involve building necessary critical mass with like-minded producers as well as building relationships with chain partners (often in quite complex processing chains) to respond to the specific consumer demand that has been identified.

There are many examples in the horticulture sector where product transformation between farm and retail shelf is minor. However in the wool industry the WoolConnect chain on the southern slopes of NSW is an example where some 60 growers have influenced the management of the whole chain to satisfy the needs of particular garment makers and provide a better outcome for the manufacturer. Similarly in the beef sector there are an increasing number of examples of networks and alliances which are taking control, usually on a whole of chain approach, to deliver superior customer value. The Banksia Beef joint venture between three grower networks and a processor has built a value driven relationship initially with the NTUC retail chain in Singapore. Brigalow Beef has developed innovative processing arrangements to meet the needs of a particular Japanese retail chain involving simple but sophisticated chain transparency mechanisms to reflect retail shelf performance. Even large scale, vertically integrated beef operations such as the AA Company have introduced superior branding strategies to customers in the food service sector that are carried right to the customer's plate.

Coincidentally in both Australia and New Zealand dairy industries large commodity oriented businesses (Murray Goulburn and Fonterra respectively) have formed to handle the enormous seasonal supplies of raw milk by conversion to bulk skim milk powders, butter and cheese. In parallel small niche companies (Dairy Marketing International, or DMI, in Australia and the Open Country Cheese Company in NZ) have developed highly differentiate speciality cheese products. In the Australian case DMI has taken on the role of the chain manager in export markets including Japan, South Korea and the USA. On the domestic market the individual speciality cheese manufacturers are competitors.

In the timber industry hardwood sawmill Black Forest timbers has worked closely with furniture manufacturers to identify non-standard sawn shapes and sizes that fit furniture production outcomes better than the normal building specifications to which timber is normally sawn. In this way the chain is used to drive resource utilisation efficiency outcomes as well as improved business performance. At the same time Korean owned pine processor Tasco has built chain relationships in China and thew US to provide value added opportunities for what has traditionally been low grade packing material. The company is moving to replace imports and export high value processed timber products at its new Geelong plant..

COOPERATION AND COLLABORATION AS A BUSINESS STRATEGY

An enduring theme in the move to establish a point of difference in agribusiness fresh and processed products has been the issue of cooperation and collaboration through the chain as a business approach to more effectively deliver value to the customer. Emphasis in the early 1990's was directed at the potential of business networks to build scale to more effectively compete with larger operations. Much attention was paid to the experience of the Norwegians and Danes in competing in the European market with their larger German rivals through networking. Networking remains an important issue for agribusinesses at the farm level to build critical mass or, across regions, to broaden seasonal windows. (The Australian Fresh Mango initiative across WA, NT and Queensland, amongst other things, substantially widened the market window with key retailers in Australia and overseas). However there are real challenges to the effective operation of networks which need to be effectively supported and mentored.

Increasingly the importance of demand driven cooperation and collaboration vertically through the chain, as well as horizontally, has been seen as the basis for delivering customer value. The Reference Paper uses the common jargon to describe relationship based chains but the actions of organisations and even governments supporting this approach often belie the word. (Look at what people do, not what they say). At the Federal level there has been a strong interest in the activities of the Dutch, and others, who have developed "Chain Science" in a structured way and these has been supported by substantial Federal program activity. The chain as "the platform on which competition occurs", rather than the industry (commodities), or the individual, enterprise is become strongly accepted in Australia, albeit by a relatively small but developing community of interest among participating businesses, academics and professional support.

The main thrust of chain based business development initiatives has been directed largely at the small business sector with the emphasis on using the chain to drive innovation in business strategy and marketing. There is limited awareness or appreciation in the Australian agribusiness sector (as distinct from the motor vehicle sector) of the potential to utilise the chain to drive out costs on a whole of chain approach. This is in contrast to the UK where the UK Food Chain Centre has been commissioned by the UK government to undertake value stream mapping inn some 30 chains including the red meat (includes pork), horticulture, grains and dairy sectors with a view to revitalising the competitiveness of UK farmers. Some of this work has involved comparative chain mapping with Argentine supply chains into the UK (in the case of red meat). The opportunity exists to involve Australian participants in this process. There has been some limited mapping attempt to date, with the willing support of MLA, to learn from that experience by mapping two local chains (lamb and beef) as case studies. This so-called Lean Thinking approach which has turned Toyota into second spot in the world motor vehicle industry, and which in the food industry has driven Tesco to leadership in the international retail sector, has the potential to offer much in Australia where it remains little utilised in the agribusiness sector.

For example at the local level, Lean Thinking methodology is assisting the transformation of Golden Circle, a 1960's style cooperative which recently made its first loss in 55 years, into a modern competitive food industry player. A combination of value stream mapping and business innovation involving enhanced chain cooperation and collaboration has provide powerful weapons to transform business performance at Golden Circle. It is powerful because it involves massive organisational learning and engages participants from the shop floor level who are responsible for identifying and implementing agreed solutions to remove waste and ultimately drive customer value.

Those involved in delivering Lean Thinking approaches report that typically in the food industry CEO's believe their operations are 70% efficient but the reality is usually less than 50%. Chain efficiency is crucial to supporting the efforts of retailers and food service operators targeting value for money outcomes.

The discipline of chain management is well removed from the traditional quantitative or agricultural economics genre of commodity marketing. Business school disciplines of relationship management and organisational learning are necessary elements for dealing with the people issues in a modern business where the competitive issues relate to largely to its soft assets, namely, its systems, processes, structures and databases. Strategic issues related to business management and marketing derive from the culture of the firm and the way it capitalises on its human resources and business relationships with chain partners. The chain manager requires a different set of skills than the enterprise specific business or marketing manager. Information technology and the way it is managed support the sharing of information and the development of trust between chain partners.

SUPPORTING ONGOING BUSINESS AND MARKET INNOVATION IN AUSTRALIAN AGRIBUSINESS

The foregoing argument is to make the case for an agribusiness wide agency, perhaps along the lines of a Cooperative Research Centre, to support ongoing research and support for businesses across the agribusiness sector to develop and implement chain based business innovation. This model would provide valuable funding support. A model along the lines of the InformationXchange which provides an industry based mechanism to assist the commercialisation of innovation, based on fee for service centre of excellence, is a second level option. This latter would require self funding, presumably on a fee for service or subscription basis. Either such initiative could link to or support activities or interests among traditional industry bodies that are seeking to respond to the forces of change utilising chain based initiatives.

The experience with recent programs suggests that a dedicated business innovation and chain development initiatives across the agribusiness sector would have less chance of being confused with alternative agency priorities. The previous Food and Fibre Chains Program was out-sourced under the Supermarket to Asia initiative for convenience. However the Program was often seen as an export development or market development program, often driving STA priorities, rather than as fundamentality a food and fibre sector chains initiative addressing chain development per se.

Similarly the subsequent National Food Industry Strategy Food Chain Program which built on this experience was substantially curtailed in favour of the higher priority given to technological innovation grants to individual firms. The Australian Food and Grocery Council (and its members which lead the NFIS governing board) in its 2003-2004 annual report publicised the success of its member companies in attracting innovation grants. There is clearly a diversity of opinion concerning the effective drivers of business competitiveness. This submission supports the Gary Hamel approach, which applies particularly for large publicly owned firms, that continual incremental innovation in business process, rather than unique investments in tranches of technology, will make a greater contribution to enhanced business competitiveness.

What dedicated agency or structure can be put in place to draw on the experience of academics, businesses, professional consultants and business mentors and to underpin and support businesses in their innovation and value chain management and development at all levels of the chain and across the agribusiness sector? How can interested governments and traditional industry bodies support and draw on these resources to encourage an improved competitive culture?

ENGAGING CUSTOMERS, RETAIL OR FOOD SERVICE

The Reference Report refers to the market power situation of the retailers and asks about limiting the power of the retailers and providing greater transparency in their supply arrangements. This is also a surprising approach since it tends to suggest consumers should be constrained in their exercise of choice, particularly with regard to the pursuit of value.

For the chain manager or marketer, the focus of the retailer or food service customer (food service constituting some 45% of Australian consumer demand is an important opportunity for Australian suppliers), and their respective ability to articulate the needs of their customers, is paramount to the formulation of any chain business strategy. For a chain to be effective in creating customer value demand at the shelf needs to be reflected back to the processor or farm, where appropriate, and thereby influence relevant manufacture or farm level practice. A key problem for Australian suppliers to the Australian retail sector is the effective achievement of chain transparency by ready access to scan data which, if available, normally involves considerable expenditure through a market research agency.

Because two supermarkets dominate the Australian retail scene doesn't necessarily mean that they are very good, in international terms, at what they do. It has been estimated that Australian supermarkets are 5 to 10 years, depending on the area concerned, behind their international peers. For example each of the supermarkets and the seafood industry know they could grow their seafood sales by 100% if the category was better managed. They simply have other competing priorities. Irrespectively, it is important in a chain environment that customers (as distinct from final consumers) be encouraged to collaborate with critical chain partners such as supermarkets to enhance chain outcomes. If overseas supermarket practices continue to be followed in Australia, the relentless move down the chain by the supermarkets will continue. Factory gate pricing (Prime Freight for Woolworths), and projects such as Woolworths Project Mercury aim to relentlessly reduce costs and suppliers often feel under relentless pressure which can be ameliorated if supermarkets also participate in positive ways to grow the category involved. This often comes down to particular situations or buying practices.

Coles has provided considerable support to the development of the Australian indigenous foods category partly by levying indigenous products sold under the Outback Spirit brand which supports improvements in wild harvest value adding in indigenous communities. Similarly Woolworths has offered sugar producers the opportunity to differentiate a particular SKU (stock keeping unit) to enhance the sugar category as part of a process (with the Bureau of Rural Science) to map and eco-label environmentally sustainable production and processing practices through the chain. Woolworths and Coles each have long established programs with suppliers and processors of beef and lamb. As a specific example North Queensland butter nut pump growers have been able to build a brand with Coles and substantially improve returns and enhance chain transparency where previous agency arrangements had totally lacked any accountability to the growers concerned. (This has led to new opportunities for the growers who have had to be prepared to learn a new way of doing business well beyond the farm gate in the process. Many farmers would not be prepared to take on these new skills).

Perhaps the key to the problem addressed in the Reference Paper is the lack of familiarity with the dynamics of supermarkets in Australia and overseas even among larger firms. There is not the diversity in the supermarket offer in Australia that exists in large overseas countries. We do have Aldi, an example of what is called a deep discounter, which constitute the world's most profitable supermarkets. While Woolworths and Coles generally market themselves as EDLP (Every Day Low Price) they confuse value seeking customers with their frequent discounting. However it could be argued there is an absence of the premium supermarket category similar to a Waitrose in the UK (which has strong networking and marketing strategies with UK grower groups) or a Whole Food Markets in the US where the presentation and category management of premium fresh and processed products is far superior to anything seen in Australia.

A mechanism to address this information gap is for the Agribusiness CRC in Business Innovation (or Centre of Excellence,)as proposed above, to build an alliance with the UK-based IGD, a registered charity (not a lobby group) which undertakes ongoing detailed research and publication of international supermarket trends and provides information on a fee for service basis. IGD could also be commissioned to compare and contrast the Australian retail offer with its international peers.

In the food service sector Australia suppliers have the advantage of an international "destination" company like McDonalds. Supplying McDonalds has been seen in the past as a demanding but comfortable existence once accepted as a supplier. The disciplines imposed tended to hone each supplier's business skills. McDonalds provides a $700 million purchasing footprint in the Australian market for food, packaging and services. The expansion of bilateral trade agreements is encouraging such companies to think globally, especially in the face of the declining performance of recent years. The innovations introduced into McDonalds over recent years have largely been generated in Australia (Salads Plus, My Café, lower sugar buns, the competitor products for SubWay, etc). McDonald's business strategy has changed to seek more innovation from its suppliers as part of a process of delivering greater value across the counter. There are potential problems for those producers resistant to change the way they approach their business strategy. The Tasmanian potato supply issue has come full circle since it was an issue for the then Agrifood Council in the early 1990's although the considerations have not changed.

The issue is a mechanism for willing engagement of key retailers and food service businesses to address chain problems and develop solutions on a chain by chain basis. The most effective mechanism for capturing and disseminating lessons is through action learning in specific commercial situations. Perhaps a dedicated agency along the lines suggested could provide a suitable framework for engagement and dialogue on chain development issues.

DOMESTIC OR EXPORT

The recent Productivity Commission report on Trends in Australian Agriculture emphasises the impressive tripling of agricultural exports since the1970's. This growth has also been less dependent on traditional commodities. It has demonstrated greater product diversity and reflected greater responsiveness to international customers. This underlines the theme of this submission to continue to identify opportunities to meet the needs of specific customers, by seeking in each case establish a meaningful point of difference.

Two years ago, grain growers under the Netco alliance observed a number of opportunities in Korea and Japan to enhance customer outcomes simply by providing more information, or by providing variety segregations not normally available. Netco members were exposed to a number of opportunities for the supply of various grain products processed to a greater or less degree. Grains are one area of Australian agriculture where the proportion of value added exports falls well below levels in other commodity sectors. However, pastry maker Readybake, a small food processor in Queensland has established a unique value chain relationship with Japanese partners. Similarly a network of Australian biscuit manufacturers, led by Kez's Kitchen, has built an export strategy again focussing on a value chain approach with key customers in Japan and elsewhere.

This submission seeks to promote the focus on businesses rather than industries. It shares the view put recently by David McKinna, a noted agribusiness marketing strategist, in the Financial Review, that Australia can only compete with differentiated and value added products. International consumers are not going to pay substantially more for products because they are "Australian" or "clean and green". However they will pay a premium for a tangible point of difference. Hence one can sell "Australia" as a tourist destination but not as a reason for paying more for a product. Consequently "Australia" as a branding strategy in the agribusiness product sector is fundamentally flawed.

An outstanding example emphasis on "the point of difference" is provided by the Gourmet Garden range of uniquely packaged herb preparations which have now been taken into some 7,000 supermarkets across the US with plans to further expand. Successes such as these offer opportunities for partner products if they also have that unique point of difference. Chain relationships and partnering were important components of the success of this marketing strategy.

The outstanding success of the Yellowtail wine brand (it has won every recent export award in its category) over the past two or three years in the US also has demonstrated the importance of establishing a point of difference. It has introduced many Americans to wine which is pleasant and at a budget price, and in the process saved the Australian wine industry from an embarrassing year or two of grapes being in even more oversupply.

For small to medium exporters of agribusiness products, as well as larger exporters seeking to test a market, *the role of the consolidator* is vital in building chain relationships with suppliers by providing constant feedback on performance as well as working with an account manager on the ground in the customer supermarket or other outlet. The Bemco experience in developing the Supermarket to Asia inspired Australian pavilion in NTUC in Singapore was subsequently enhanced and extended to Villa Market in Thailand and to April Gourmet in Beijing and with further outlets in Bangladesh and promotions in Hong Kong and Malaysia. This chain development exercise has provided the platform for some 50 manufacturers supplying some 300 sku's of largely shelf stable food products into markets which would not otherwise be achievable. Building relationships between the chain partners has proved the key to the chain's performance. These initiatives have been developed with relatively limited government support.

There has been a tendency for governments, particularly at the state level, and industry bodies to attempt to pick winners and launch large expensive promotional campaigns for Australian platforms. The excesses of some European countries at international trade fairs which do not justify their costs are well known. Heavily funded export initiatives such as the $1.5m NFIS Dubai initiative launched under an "Australian" banner can create potential dangers because they tend to be based on ad hoc choices of agencies or industries rather than commercial businesses, are not based on purely long term commercial considerations, tend to crowd out existing exporters (there was a well established meat export trade in Dubai) and face longer term sustainability questions once the program funding is completed.

The other element not addressed in the reference paper concerns the enormous potential for import replacement in agribusiness. Food and forestry products stand out. Some 65% of the fish products consumed by Australians are imported. Wood product imports tend to be double the size of wood product exports, half in the form of wood chips. The food service value of the Australian market needs to be recognised as outlined in the McDonalds example above.

Building the chain and related skills of key export facilitators, such as consolidators, and capturing and sharing the lessons from successful commercial export is essential to building a competitive export culture. The development of "communities of practice" across the agribusiness sector engaging businesses and those that support them offers much potential to enhance the quality of Australian agribusiness exports as well as the *quantity. It is argued that an agency along the lines proposed would do much to focus business strategy in this area.*

EDUCATION AND SKILLS DEVELOPMENT

It is accepted that there is generational change under way in agribusiness and farming in particular. There appears to be a structural move to larger business units and from traditional family farms to more corporate and share farming where individual farmers are managing a broader range of business assets. Farm managers are under greater pressure to demonstrate return on investment or rent for the operations they manage or share farm. However there is no real career structure for farm managers similar to the training provided in other sectors, although there is a growing awareness among some larger company operations of the need to train staff.

The issue here is that farm management enterprise training needs to be supply or value chain based rather than simply farm-based. This means incorporating business and marketing skills development in any training program. It also involves the essential skills of a chain manager, such as relationship skills, as well as an enterprise manager.

CONCLUSION

Although lengthy this submission argues for greater support for businesses to develop their business innovation strategies which will enhance their longer term competitiveness in an increasingly unpredictable and competitive environment. For Australian businesses across the agribusiness sector a value chain approach appears to offer the best opportunity to enhance innovation in market performance as well as to drive customer value through eliminating waste.

There is no obvious mechanism or agency which currently provides, on a long term basis, a focus for sharing lessons and experience from business practice, focussing chain based research among interested academics or concentrating support from consultants or business mentors. The development of such an initiative could also provide a basis for focussing on the critical success factors that drive performance and innovation in food service, retail or export activity through dedicated action learning projects along the lines of previously funded demonstration projects.

This is not an argument for outsourced government or industry program funding. Government generally tends to be effective at program management provided well placed commercial advice guides decision making. However any such agency would benefit from linkages to existing government and industry infrastructure where appropriate.