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## **Sustainable Agribusiness: Developing Local Solutions to Global Challenges in the Regional Agribusiness Sector in Australia**

Peter Hansford,<sup>a</sup>  John Cary<sup>b</sup> and Emma Coath<sup>c</sup>

<sup>a</sup> *Department of Primary Industries P.O. Box 500, East Melbourne, Vic 3084, Australia*

<sup>b</sup> *Integrated Food Value Chain, Victoria University, Melbourne, Australia*

<sup>c</sup> *RMIT University, Melbourne, Australia*

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### **Abstract**

The competitiveness of the agribusiness sector is critical to the social and economic sustainability of regional Australia, where agribusiness is directly responsible for one in five jobs (DNRE, 2002). Although it is recognised that environmental issues must be considered in order to 'sustain' the natural resources used to produce food, this paper focuses on the social and economic issues relating to sustainability (Cocklin et al., 2001).

Social sustainability has only recently been upheld as an aim of agricultural and regional policy in Australia, however it has typically been considered less important than economic and ecological sustainability (Cocklin et al., 2001). In rural Australia, social sustainability is typically reflected in the maintenance of social networks among residents of a rural area, the viability of the rural towns and the associated provision of infrastructure, facilities and services.

The State Government of Victoria is actively encouraging the development and maintenance of sustainable networks of agribusiness-related entities in regional and rural Victoria. The Victorian Agribusiness Networks program is an example of how government is engaging agribusiness communities in regional Victoria.

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Corresponding author: Email: [peter.hansford@nre.vic.gov.au](mailto:peter.hansford@nre.vic.gov.au)

## **1. Introduction**

### **Background**

In June 2001, the State of Victoria had an estimated population of 4.83 million, accounting for 24.9 per cent of Australia's population. In 2001-02, Victoria exported 28 per cent of the value of total Australian food and fiber exports, amounting to \$8.2 billion. The Victorian food and agriculture sector is globally competitive, particularly in the dairy and red meat industries, and produces 0.5 per cent of the world's food and agricultural imports with less than 0.1 per cent of the world's population (DNRE, 2002). Food and fiber exports from Victoria have risen by 41 per cent in the past two years. The challenge for Victoria is to sustain this level of success in an increasingly competitive global economy.

A key to this success is the competitiveness of Victoria's regions, where the food production sector directly accounts for 21 per cent of all jobs and contributes substantially to regional economies. Businesses in the food and agriculture sector in rural and regional Victoria are learning to collaborate effectively to ensure that they remain competitive, both domestically and internationally. The Victorian Government has assisted this process by supporting a network of five existing and four emerging regional agribusiness forums in regional Victoria. The network of agribusiness forums was formally recognised in April 2002 with the launch of an initiative called the 'Victorian Agribusiness Network'. The government allocated \$750,000 per annum for the initiative over a period of four years, commencing 1 July, 2002. The Victorian Department of Natural Resources and Environment (now the Department of Primary Industries) was appointed by the Minister of Agriculture to administer this initiative for the Victorian Government.

Victorian agribusiness forums are part of the social and economic framework of their region and involve all stakeholders in the agribusiness sector, including the three levels of government. In the attempt to drive innovation in the agribusiness sector in the region, members of the forums share knowledge and information, and collaborate with regional research and development (R&D) institutions including universities and other training institutions.

### **2. Social sustainability**

The idea of social sustainability is a complex and difficult idea. It is often much easier to identify situations where social 'sustainability' is lacking than it is to describe either what social sustainability is (Wilkinson and Cary 2002), or what conditions are conducive to its development. The idea is further complicated in that while more social 'sustainability' may be good too much may repress social change and innovation. Descriptions or understandings of social sustainability are usually informed by elucidating its asserted attributes of social capital or social capacity.

The concept of social sustainability in discrete geographical locations presents the potential possibility of communities being non-responsive to economic change. Eigenraam, Ridley, Stoneham, Howden, Barr, Beverly, and Avery (2000) emphasise a resource efficiency approach in distinguishing 'narrow' and 'broad' social sustainability:

Narrow social sustainability: Maintaining existing social structures as they currently exist in spite of underlying economic and demographic pressures is a narrow sustainability approach.

Narrow sustainability implies that existing social structures should be preserved in spite of confounding economic and demographic pressures

Broad social sustainability: The concept of broad social sustainability applies only at the economy-wide level where labor and capital are mobile and responsive to changes in price. It suggests that sustainability is not an appropriate concept at the small scale e.g. an individual town or community and can only be applied at much higher levels of aggregation. Broad social sustainability highlights dynamic adjustment process in the communities where individual towns and communities are part of larger social and economic processes. (Eigenraam et al. 2000)

Stayner et al. (2000) have argued that, in responding to the pressures of change, it is important for communities to be able to distinguish between local forces for change which may be effectively resisted and broader societal forces for change to which communities need to adapt.

### **3. Social capital**

While numerous definitions and characterisations of social capital have been proffered within the social sciences (for reviews see Castle 2002; Portes 1998; Woolcock 1998), the basic elements of social capital are productive social networks and social interaction, shared values and purpose, levels of trust and commitment to action to achieve outcomes. The depth of social interaction and the degree of trust are keys to economic vitality and social prosperity (Cocklin and Alston 2003); as are the qualities of the processes and structures that enhance social processes underlying economic activity (Macgregor and Cary 2002).

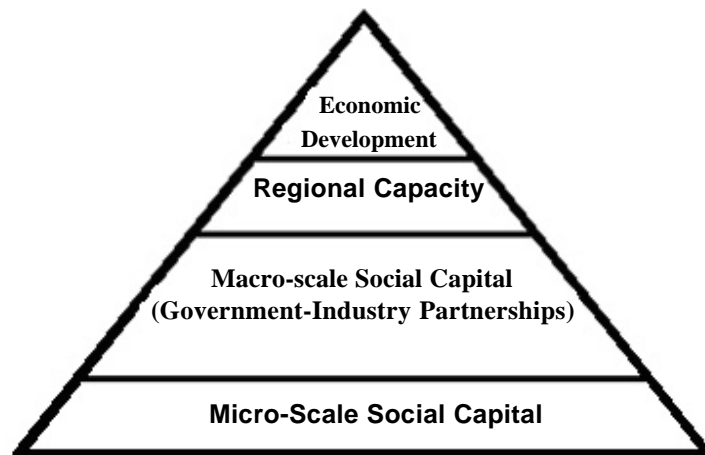
Woolcock (1998) provides a framework for understanding the effectiveness of agribusiness communities in the context of rural and regional development and defines social capital as the 'norms and networks facilitating collective action for mutual benefit'. He characterises social capital at two scales: the macro scale of a region and the micro scale of the community. The micro-scale of the community refers to intra-community ties and the extent to which community members have access to a range of non-community members. For development to be successful

both integration within a community and linkage to those outside a community are required.

At the macro-scale social capital relates to the relationships between the state (in the form of public officials) and society (citizens), where an effective complementarity and cooperation is required between the state and civil society if development is to be enhanced (Woolcock 1998). In the context of rural and regional development macro-scale social capital relates to the role of the state in fostering, encouraging and investing in development.

We therefore may conceive an interrelated hierarchy of social capital starting with the degree of community integration and their linkages (micro-scale social capital) and the partnerships with government (macro-scale social capital). If this can be captured at a broader geographic region then the resultant regional capacity can lead to economic development as shown in Figure 1.

**Figure 1:** The hierarchy of capacities relating to the development of the agribusiness sector at a regional level



Source: Adapted from Allen (1999), The Nebraska model, Keynote address to Regional Australia Summit, Parliament House, Canberra, 27–29 October; cited in DNRE (2001).

The hierarchy of capacities is similar to the model developed by Allen (1999) that identifies several kinds of capacities that go toward making up the community capacity that can lead to economic and social outcomes. Allen's model shows that economic development follows from sharing human capacity (knowledge and skills) and the structures within the community (leadership capacity and organisational capacity) which facilitate the sharing of human capacity to build community capacity (DNRE, 2001).

#### **4. Government-Industry Partnership**

Governments increasingly are concerned with building social capacity using paradigms such as that of Allen (1999). Governments can influence the development of some of the forms of social capital identified by Woolcock (1998) which were discussed above.

In the Australian context, the role of government in stimulating economic development is becoming constrained economically and philosophically. Economically, due to competing public good causes (education and health) combined with heightened public expectations relating to responsible economic management (budget surpluses). Philosophically even the socially progressive are concerned about crowding out of private industry in the rural sector. Federal and State governments have increasingly embarked on privatisation of infrastructure or sought public-private partnerships as an option for the provision of essential services.

Interest in the government community partnership model is growing and lies between the public interest and rent seeking models discussed by Schroder and Movondo (1996). There is recognition of the potential for co-operation and the possibility of a positive sum game through better decision making, more effective policy through community ownership and increased community capacity through debate and discussion. Community engagement is a means of achieving the mutual understanding seen necessary as a precondition for the development of regional development policy.

Linkages between government agencies and firms in an agribusiness community need to be reciprocal, however the depth of community engagement needs to be well considered and purposeful. The appropriate mode of engagement is dependent on the level of understanding of regional development requirements held by the various parties. The role of government in terms of knowledge management and facilitation in community engagement is shown in Figure 2, which describes suggested modes of interaction between government and the community.

**Figure 2:** Pathway for government-community engagement

	<i>Government knows</i>	<i>Government doesn't know</i>
<i>Community knows</i>	Community is <b>Empowered</b>	Community needs to be <b>Consulted</b>
<i>Community doesn't know</i>	Community may need to be <b>Informed</b>	Community and government <b>Involvement</b> desirable

A government community partnership can exist when there is a common understanding of the opportunities and constraints facing regional agribusiness development. Such a situation provides the opportunity for community empowerment (Figure 2). In the case of regional agribusiness forums this shared understanding has been built by facilitating an audit of existing businesses, their opportunities and impediments for business development, and their collective capacity in the global agri-food environment. The stimulus for this developed understanding has been the recognition of potential industry crises.

### **5. Agribusiness forums in Victoria, Australia**

The development of agribusiness forums in Victoria may be seen as case studies for partnerships between government, industry and community in the regional development of the agribusiness sector. The agribusiness forums can provide a strategic direction to activities that contribute to economic development and wealth creation, and improved social and community infrastructure for communities dependent on the food, fibre and forestry industries.

Characteristically, agribusiness forums can:

1. Bring local food business leaders together to assist the development of a shared view of the agribusiness challenge within the community.

2. Develop relationships and networks between synergistic and competing businesses:

To increase the knowledge base of business operators as to what goods and services are available locally;

To encourage locally-based businesses to explore export opportunities and to expose them to successful export businesses.

3. Promote the region as an attractive place to live, work and invest:

To assist local and regional authorities to realise latent economic development potential;

To identify existing and possible future strategic infrastructure deficiencies and develop action plans to address these;

To encourage the tapping and utilisation of intra-regional savings to fund regional development initiatives market the region as a place to do business and to invest.

4. Encourage ongoing participation in education and training.

In 1996, the genesis of an agribusiness forum developed in North Eastern Victoria. As a consequence of anticipated restructuring of the tobacco industry, a meeting between state government representatives, local government representatives and

business people identified a need for more active promotion of regional strengths and the opportunity to fund industry development with government financial support provided for industry restructuring. A consequent series of public meetings and an audit of existing enterprises and their needs developed a consensus about the need for a regional action plan focussed on agribusiness development. A similar approach was developed in the Wimmera region in response to local uncertainty surrounding the retention of skilled agribusiness managers and the need for a more pro-active approach to problems of regional development.

Additional forums have emerged to tackle issues of peri-urban encroachment, lack of value adding opportunities and new industry development requirements. State government facilitators have provided interim executive officer support, and have helped to ensure that each forum is well networked in the region. The state government facilitators (regional marketing officers) have encouraged each forum to consider the appropriate community of interest and issues that resonate within the relevant community. Forum chairs have been encouraged to meet regularly to share ideas, experiences and approaches and forum board members meet together annually at an Agribusiness Forum Summit.

The range of issues the agribusiness forums have sought to tackle include agribusiness network development, market development, education and training, regional identification and positioning, urban - rural encroachment, natural resource management, coordination and cooperation, infrastructure facilitation, quality assurance, and environmental management systems. Critical to the ongoing development of the forums and agribusiness in the regions have been activities that contribute to the development of human and social capital. Leadership awards, business management training and agribusiness forum dinners (to provide external linkages) have been examples of such activities. Figure 3 shows the types of activities that the five established agribusiness forums have undertaken.

**Figure 3:** Activity matrix Victorian Agribusiness Forum

Activity / Forum	Wimmera 2020	Alp Valleys	Gippsland	Yarra Valley	AgriWest
Regional Website	X	X	X	X	
Regional Agribusiness Audit	X	X	X	X	X
Regional Profile	X	X	X		
Strategic Agribusiness Plan		X	X		X
Skills Development	X	X	X	X	X
Regular Dinner Forums	X	X		X	X
Regional Branding Initiative		X	X	X	
Trade Show Participation	X		X	X	
Investment Profiles	X	X	X		X
Wine & Tourism Directory		X		X	
Leadership Programs	X	X			
Rural-Urban Interface Initiative				X	X
Communication Initiative		X		X	X

## **6. Conclusion**

The viability of regional communities has been a subject of concern for governments in Australia for some time. The global economy, with its emphasis on free and open trade and its volatility, presents difficulties for sustaining regional communities especially where there is a strong dependency on a limited range of agribusiness activity, which is often determined by landscape parameters. The development of industry and employment within regions based on food production and food export, in particular, can lead to increased income within a region. Higher incomes will facilitate the provision of a wider variety of services and amenities for people within a region. More employment opportunities are created in a variety of areas including food production, food technology, agricultural science, research, transportation, marketing, tourism, education and training. The process of engaging agribusiness communities is designed to strengthen the bases of rural enterprises in a modern international economy.

This paper has explored some of the forms and structures of community and business engagement that enhance the social processes upon which community development and business and regional developments are built. The idea of sustainable communities dependent on agribusiness is based on the need for a broad social sustainability reflecting responsiveness to wider social and economic change. Agribusiness forums have brought agribusiness leaders together to allow communities to better influence their own destiny by developing relationships and networks between synergistic and competing businesses, and to encourage locally based businesses to explore export opportunities.

Regional agribusiness development requires two-way consultation and consensus building. The role of government in the process will vary with the circumstances. However there is a universal need for different levels of government and business communities to share information and to learn together to acquire the information needed for formulating the best strategies.

The idea of social capital developed by Woolcock (1998) emphasises that, in addition to the integration via intra-community ties that is required for effective rural and business development, the need for linkages to external communities is at least equally important. Well resourced and competent government facilitators and coordinators sometimes can play an important role in providing these linkages to external and international communities and to other resources and information sources. State and wider community support to develop the 'macro elements' of social capital will be essential to creating a competitive agribusiness sector, which contributes to social and economic sustainability in rural and regional areas.



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