



ATGA
Australian
Table Grape
Association Inc.

Submission

To

The Australian Senate

**RURAL AFFAIRS AND TRANSPORT REFERENCES
COMMITTEE**

Inquiry into Biosecurity and Quarantine Arrangements

July 2011

Introduction

Australian Table Grape Association is the national peak industry body representing approximately 1,100 table grape growers across Australia. On average the table grape industry's production is 125,000 tonnes, producing grapes from October to May and grown in every State except Tasmania. Communities such as Mundubbera, St George and Emerald in Queensland, Carnarvon, Swan Valley and South West in Western Australia, the Riverland in South Australia and the Sunraysia region of Victoria rely heavily on horticulture for their economy's stimulus. There was significant expansion in the industry from 2000-2005 but the industry has remained constant over the past 5 years due to no new market access opportunities.

Concern of Industry Trends

The table grape industry over supplies the domestic market by 50% of its production. New market access and continued market access maintenance for the exporting of table grapes are critical for the industry's survival and a fair return on investment for growers.

The table grape industry has struggled to maintain export volume over recent years and has languished in several export markets due to Australia's lack of competitiveness compared to alternate southern hemisphere suppliers such as Chile, Peru and South Africa. Quality and presentation of grapes is vital for a viable selling price. To achieve this the table grape industry is very labour intensive. The high cost of labour in Australia is a major issue for the table grape industry and the increased value of the Australian dollar has impacted heavily. Despite the 40% rebate on AQIS inspection fees, the cost of quarantine inspections imposed by AQIS, to fulfill protocols imposed by importing countries such as, Thailand, Taiwan, Vietnam and China, is far higher in comparison to inspection costs in competitor countries.

The Australian table grape industry has reached a tipping point whereby any further increase in costs will have a significant negative impact on export sales.

The table grape industry has suffered badly over the past two years with climate conditions of oppressive heat and prolonged drought followed by torrential rain resulting in the wettest season since 1974. These conditions have had an enormous impact on fruit quality. Due to the drought conditions and limited allocation of water, growers were forced to pay horrific prices for water for many seasons prior to the last one. Ironically, torrential rain last season caused decreased yields and low farm gate prices due to poor quality fruit. All this has resulted in increased difficulty in forecasting cost of production due to fluctuating water prices. Last year it was stretched further by the necessity to purchase additional preventative chemicals due to rain and floods.

Coupled with the above concerns, table grape major importing countries are becoming sanitary and phytosanitary compliant and are changing their quarantine rules with little warning. Countries such as Thailand, India, China, Indonesia all forced different quarantine conditions requirements which made access to those countries difficult and costly to comply with.

In 2009, table grapes were Australia's largest exporter of horticulture products at \$ 190M. Over the last two years the industry has seen over a 60% decline to \$ 75M. Together with the ever increasing Australian Dollar has resulted in many growers having to accept lower prices to sell their fruit, sometimes below cost of production.

Issues of Concern

Australian Table Grape Association is extremely concerned about the return to full cost recovery on AQIS export inspection fees and charges in the absence of any demonstrated reduction in inspection costs. Industry has been of the understanding that \$127 million was provided by the Australian Government in 2009 to extend the 40% rebate payment period through to the end of June 2011 and to fund a reform process which would provide efficiencies and cost savings to replace the rebate. It now appears that the reform process has failed and AQIS is simply attempting to shift costs to industry rather than introducing cost saving efficiencies. The full impact of full cost recovery of AQIS, including Head Office costs will place in jeopardy grower's willingness to export, particularly in the air freight trade of grapes. Particular export markets are only suited to airfreight, for others it is a way of presenting fruit to the buyers before they order by sea. AQIS costs for small air freight shipments will prohibit trade at the current inspection rate of \$ 272 per hour plus tonnage charge plus document fees plus travel costs. It is easy to see why grape exports have decreased by \$125M over the last two years. Industry cannot absorb increased costs.

In Summary

The Table Grape Industry wishes to raise the following points to be taken seriously.

- The consultation process surrounding the AQIS reform process has been inadequate with limited communication at peak industry body level
- The Horticultural Ministerial Task Force has been suppressed in communication with industry due to the imposition of confidentiality restrictions on Task Force Members
- Industry's concern regarding perceived cross-subsidisation of DAFF's administration and community service obligations from income derived from the export inspection service has not been satisfactorily investigated and communicated
- Several issues regarding the administration of the Horticulture Ministerial Taskforce as raised by former Task Force Members Mr David Minnis and Mr Alastair Scott in the Rural Affairs and Transport References Committee hearings on Thursday 7th July 2011 are of grave concern. These matters should be formally investigated by the Secretary of DAFF to ensure there has not been a breach of the Australian Public Service Code of Conduct. If the evidence provided by Mr Minnis and Mr Scott is proven to be correct, outcomes of the AQIS Reform Process of the past 18 months should be considered invalid and the process recommenced.
- The AQIS proposal to introduce a system of industry employed Approved AQIS Officers (AAOs) does not provide a resolution to the current high cost of inspection and will in fact incur higher costs for seasonal industries. There is also

no agreement in place with the governments of major export markets such as Japan, Taiwan, Korea and China to accept inspection by AAOs. It is estimated that it will take 3 to 5 years of tough inter-government negotiation to gain acceptance of AAOs with the possibility that they will not be accepted at all.

- The return to full cost recover of AQIS fees and charges commenced on July 1 2011. It is understood that a new schedule of fees is to be applied by AQIS however, at the time of writing this submission, the new fee schedule has not been advised to industry.

The table grape industry is of the opinion that the AQIS reform process has been poorly managed and that the \$127 million investment by the Australian Government has been largely wasted. Introduction of AAOs will not allow export to key markets and costs to industry are likely to increase significantly.

Australian Table Grape Association wishes to make three recommendations to the Senate Inquiry.

- **The 40% rebate on export inspections fees should continue until the cost saving objective of the AQIS Reform Process is achieved.**
- **An independent committee should be appointed to review AQIS structure and costs and to make recommendation to government and industry on appropriate actions to increase efficiency and reduce costs.**
- **Roll-out of the proposed AQIS Approved Officer program should be put on hold until accepted by the governments of key export markets.**

Jeff Scott
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Australian Table Grape Association