

**INQUIRY INTO THE FUTURE OF THE BEEKEEPING AND
POLLINATION SERVICE INDUSTRIES IN AUSTRALIA.**

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Rod Yates has been keeping bees and aware of the industry for 54 years. He has been more directly involved in the industry since 1992 . Since 1998 he has been trying to establish better export connections to European markets, and Asia, in order to pay producers more fairly.

Inquiry into the future of the Beekeeping and Pollination Service Industries in Australia.

This submission addresses points (a), and (b)
of the terms of reference for the Inquiry.

Focus

The essential value of the Honey industry is its capacity to sustain sufficient colonies of bees for the pollination of crops, now and in the future. In the future, our important role may be to replenish the necessary stocks of bees for pollination, and food production, in other countries. What Australia can do, like no other country, is to breed healthy bees, and produce honey, wax, and provide bees for pollination services.

Value to Australia

This industry has always been self funding, by selling honey, yet it has received practically no government assistance.

Self supporting so far!

However, Honey Producers pay taxes of all kinds, from fuel, stamp duty, purchasing, and income tax. Producers even have to pay levies per kilo of honey produced. In recent years, has there also been income from pollination of crops particularly including almonds. This has now become essential income in view of the general decline in honey production, and profitability.

Various estimates valuing the pollination of crops by bees, are usually in Billions of dollars, which in turn generates more government income. Most of the pollination carried out by bees, is incidental and does not generate a financial return, or support, to the producer who sustains the bees.

Enormous challenges and threats!

Our unique advantage in still being free of varroa parasites gives us the opportunity to potentially replenish bees in other countries once a solution to the urgent problems of parasites and disease can be found. Just as seriously, the widespread use of agricultural chemicals, such as Neonicotinoids, is killing bees everywhere. The APVMA must act

quickly and sensibly to ban these chemicals, or there is not much point in looking to the future. These chemicals are used so widely on crops, and their run off apparently affects water supplies that may be attended by bees. The only safe places to place bees to harvest nectar, are in the National Parks and non- agricultural areas at a safe distance away from such crops.

However, these areas are often unavailable to honey producers. We have to decide if we want bees to pollinate fruit and vegetable crops at all, or chemically controlled crops and dead bees.

Its commonsense to eliminate such chemicals urgently. We can already see their effect in other countries. They have a lingering effect that will still take years (apparently 19 years) to dissipate.

Have the courage to withstand pressure from the chemical companies!

So, the essential and crucial value of the honey industry is to sustain the capacity to produce food in the future.

It's a sustainable value that was easy to overlook, and the Beekeeping and Pollination industry has been taken for granted for too long.

The production of honey is fundamentally a “by product” to support the economic efforts and investment required to sustain stocks of bees.

This is not a common view of the industry because honey production is usually regarded as an end in itself.

The production of honey is hampered by not only the impact of chemicals, but also climate conditions, including long droughts such as again this year, the uncontrolled impact of a “Small Hive Beetle”, (sp. athena Tumida) and limited access to the more productive crops of nectar that could be available. There is no financial safety net for beekeepers! How many challenges do we have to contend with? Its an industry that is becoming too difficult for new people to start in, with any prospect of becoming profitable. Why would anyone in his right mind want to be a beekeeper under these challenges?

Honey: a By-Product of bees for pollination.

The profitability of selling honey is also hampered by a limited market, and some difficulties that amount to restrictive trade practices and dirty tricks that it would be unwise to speak about openly. Its really tough to be relying on honey production for an income, unless you “play the

Limited market Barriers to entry.

game” by such unspoken rules. In the local market, producers have to be able to sell their product without being constrained to particular buyers. Its a oligopolistic situation that has to be broken, and that can best be done by creating access to new markets offering better prices, and continuing demand.

These problems could be alleviated by a different approach to market development. “If you want to catch fish, you go where the fish are” applies to finding a larger market for our honey. The bigger markets are in Europe, China, Japan, Korea, Middle East, US, in fact everywhere else than Australia, but the potential of each market is different, and seems to be changing very quickly in recent years.

The hard reality is that the only hope for future success and continued self funding, is to increase productivity, and profitability through market development, and by selling honey and bees into larger and alternative markets, through exports.

We now need assistance to achieve that.
An innovative approach is needed urgently.

The current situation:

The local market is dominated by the two major supermarkets where there is a declining demand for Australian honey, due to a number of factors. These factors include:

- the replacement of honey with granulated white sugar, since early 1950’s, and the growing reliance on such sugar in processed food and beverages. Because of a perceived blandness in honey, and its presentation, there is not enough consumer demand to support more reasonable retail prices, which in turn is the reason so little is spent on product promotion to increase consumption, and to pay better prices to producers. Supermarket honey also confronts increasing demand for other “spreads” and addictive sugar products such as Nutella, which are more frequently promoted. Little effort is made to promote some of the emerging and distinct benefits of good honey. In a way, honey needs to be marketed as if it is a new product.

Packers of supermarket honey have pursued predictable “quality”, as was expected many years ago, but this often requires blending to create sufficient volume to make low prices profitable, and fulfill contract quantities. Blending can reduce the distinctive qualities of the product when other less appealing varieties of honey, (or other substances) are used to increase the volume. The only reason to bring in cheap honey from overseas is to blend it with local product to increase the profit to the packers, or reduce the price to the consumers. This has the effect of reducing demand from, and holding down prices paid to producers. Imported honey leads to poorer quality. Consumers often regard supermarket honey as bland and increasingly prefer to buy from other sources. However independent sales of honey by producers, directly and through “weekend markets” weakens the demand for supermarket honey.

Consumers get confused about issues of quality and value.

Industrial users of honey have changed to making more use of cheaper alternative sweeteners, including High Fructose Corn Syrup, and Glucose.

The prices paid to producers has not kept up with the significant increases in the cost of production, especially fuel, (and the cost of just living) for many years, (certainly as many as 15 to 20 years). Its fair to say that the return on investment is lower than for any other significant agricultural investment. Our market prices are also affected by world prices that until recently were dominated by places like Argentina where lower costs of production and transport to European markets were such that we could hardly compete.

Consequently, the decline of honey production elsewhere presents us with an emerging opportunity to take a better part in the larger markets.

Larger scale honey sales could fund improvements in product presentation, packaging and promotion, but there are too many small sellers in local markets, as alternative providers, for this to be really viable for any one brand.

The existing packers already in the Supermarkets have the game sewn up and have little incentive to change their present approach.

There is no room in the supermarket “unless a present brand is deleted”. (Woolworths) It’s a cozy cartel.

Restrictive
access to
local market.

The ACCC ought to take action about restrictive trade practices, such as pressure on producers not to sell outside the buying circle of the two major packers. Producers are made aware that they will lose supply contracts if they sell to independent packers, but they have obligatory shares at stake, in order to be able to sell at all.

It is hard for an independent new brand to be profitable as a result of advertising, because supermarkets are reluctant to take on new lines and can impose very difficult contract terms because they control access to the market. The pressures are very subtle.

Because the market is so geographically dispersed access is dependent on the extensive logistics that only become viable by participating in the supermarket chains. Profit margins are slim. This is a very risky business, particularly when so much investment is involved by producers, and so many factors can change so quickly.

Advantages
to imports

It is also hard to establish a new product or brand without a point of differentiation, such as a “therapeutic benefit”, which can only be an implied assertion, unless there is real proof. For example, consumers know so little about honey that they are gullible to the marketing of mysterious products like imported Manuka honey, or the growing tendency to assert that honey should be “organically produced”. Honey should only be defined as “Pure”, or perhaps “Fair trade”. It should not be allowed for it to be sold as “Made from local and imported ingredients” because this simply degrades the perception that honey is a fair value product, and a pure food of good quality. “Organic” certification is an expense for producers, but often misleading assertion. It has happened that “Organic” producers have sold more honey than they could produce, but consumers have no way to know that. Laboratory testing would be a better, and a more meaningful analysis than other food labeling requirements such as the Nutritional Table. Unfortunately, we just don’t have suitable and affordable independent Laboratories that can do this.

Because we haven’t educated our market, consumers have a poor understanding of the value of honey especially as an alternative to sugar, in regard to overcoming obesity, and other benefits.

Comparing the value of honey, especially its production cost, against milk, wine, beer, vegetables, fruit, confectionery, processed meat

products, and white cane sugar, honey is significantly UNDERvalued. So, the industry suffers from a lack of income to maintain its essential economic function.

The REAL
ISSUE:

The essential value of sustaining a beekeeping industry:

Few people see beyond beekeeping as the business of producing honey. Certainly, not a lot of people are aware of the increasing economic activity in pollinating almonds and other crops, such as fruit, vegetables, pasture, and even flowers.

I am frequently told that “there haven’t been enough bees around this year to pollinate my pumpkins”, (or other crops). People have become aware of the problems of bees in other countries, particularly the US, and that pollination has a very direct impact on food production. There is frequent media attention. This is also the case in parts of Europe. Where else will such countries get bees from to replenish their agriculture, once the problems are overcome, other than a refuge, safe from varroa, such as Australia? Our industry will be of crucial importance to world food production.

A shortage of food, through lack of bees, will have serious consequences.

Urgent need
for Research
funding for
Dr Anderson
and others

For this reason, research into the most pressing of bee problems can hardly be more crucial. The leader in this research has always been Dr Denis Anderson, who struggles for funding support, even though he is acknowledged worldwide.

“Wait until
the horse
has bolt-
ed”.....
before you
do anything.

14 years ago, this problem was brought to the attention of the Government, in a meeting with the Hon Alan Cadman, which was attended by Dr Anderson, and some industry “representatives” who said varroa “would not be a problem” as much as other threats might be. Consequently, nothing eventuated, then, and insufficient has happened since. If this was a problem with “Foot and Mouth Disease” it would have been addressed immediately. In fact, it’s now more significant than predicted.

Need for
READY and
available
funds for
Biosecurity

In Australia we wait until its too late to solve problems that could be avoided by sensible understanding, and appropriate action.

For example: Government response to the incursion of apis Cerana into Townsville was typical. This was clearly a biosecurity issue that could affect everyone, yet Beekeepers had to deal with that on a

basically voluntary basis. Similarly, the elimination of feral bees who can potentially conceal varroa, around the Sydney area, (within proximity of water craft that can have carried bees in from New Zealand), gets no support from Government, yet this is also a significant biosecurity risk, perhaps more likely than most other points of incursion. It is very hard to convey to people that the sentimental attitude towards “saving” all bees, including wild bees, is so counterproductive. There are too many people providing beekeeping services as pest controllers, or amateurs, but without a clear understanding of the issues or effective and safe methods required.

Monitoring Hives as recommended by the same “industry representative” mentioned earlier, will only tell us when its too late. Only last year, there was an incursion of bees carrying varroa into the Port of Botany, but it was contained in time before they spread. This had to be dealt with by a fellow beekeeper.

Conclusion:

So, we have to sustain the industry somehow, and we cannot do it by relying on honey sales in our small local market.

The solution is to increase the returns for effort, by eliminating the threat of agricultural chemicals, increasing access to productive forestry areas, reducing the risk of varroa, Small Hive Beetle, and creating access to better markets returning better prices.

The Honey producers should not have to bear the costs of Biosecurity as they did in Townsville, its a cost that should be shared by all taxpayers, just as we finance Defence, Medicare, and Industry Assistance Packages in other industries etc.

Controlling feral bees around Sydney, is something that I have had to do as private enterprise, without government assistance. Apiary officers, a State Government expense, haven't been able to help at all.

The best and only way to increase profitability, is to take our product to larger markets which can no longer produce or acquire such a high quality product from their previous suppliers.

In these markets there are enormous numbers of consumers who can and will pay a higher price for a premium product, and all we have to do is to work out how to make our product more favourably accessible to them in current circumstances.

Need to regard the problems from a different point of view

How the Government could help:

The honey industry REALLY needs Government assistance.

There are five main ways in which this needs to happen:

1. RESEARCH: We need Government assistance to ensure that research on preventing the problems of varroa, and Small Hive Beetle, proceeds at the fastest possible rate by the best possible methods. Dr Anderson's research must continue as a matter of extreme urgency. Apparently, he needs funding of about \$10m, and is no longer able to get that within CSIRO. Funding his research is better value than this amount of many other uses for Government funding. If he could solve these problems the benefit would be enormous. There are other researchers in this field who also need support, Dr Anderson is probably best to give advice on that issue.

For example, we already have an uncontrolled problem with Small Hive Beetle, sp. athena Tumida, which is doing considerable damage, and something has got to be done about that immediately to conserve the bees that still exist. SHB is a good warning for the catastrophe that Varroa would bring. Where was the Biosecurity, or Industry Co ordination and Representation that could have prevented it spreading only 10 years ago?

2.MARKET DEVELOPMENT: We need Government assistance to facilitate access to new and larger foreign markets, in order to make the industry viable and potentially self supporting as it was.

Need a Honey "Bureau" to get back on our feet.

This is not a job for AUSTRADE, or Private Enterprise relying on EMDG's, but it requires establishment of a credible representative office, a "Bureau" tasked with establishing the following:

- Establish new and direct lines of contact to retail and wholesale clients in selected large markets. Previous intermediaries such as "honey houses" are no longer effective in the changing structure of retail agglomeration in Europe. The same probably applies elsewhere.
- Establishment of a suitable stockpile to provide a "Just In Time" strategy to overcome delays in shipping, and provide the guarantees expected in foreign markets, particularly for industrial honey.
- An acceptable standard of Laboratory analysis, at a reasonable cost rather than the considerable expense of having this done offshore, so

product can be presented in a way that will minimize doubt about contamination, adulteration, or even origin, and facilitate imports into foreign markets

- A more reliable database of expected production and its availability, attracting producers by the possibility of better prices, just as current packers contract guaranteed supply
- A coordinated and improved quality of product presentation for retail honey, and a recognizably national image of our product at a distinctive level of differentiation to honey from other countries.
- a capacity to provide incentives to retailers to stock and market Australian product. This should include presence at the major trade fairs of target markets.
- A substantial unified source of product promotional material and activity in support of foreign retailers.
- Unify the bureaucratic requirements to pack and export honey to one source of documentation where possible.
- Subsidized adoption of BRC Global Food Standard Certification, as expected by major retailers in Europe.
- An effective representative office in a market such as EU, or China, or Japan, would justify its cost very quickly, and could become self-funding, by a plan I have in mind. It might also be able to offer financial incentives to producers, such as supplementary payments.

Need for a
recognised
laboratory

3. LABORATORY CERTIFICATION: Immediate Government assistance to establish suitable Laboratory facilities equivalent to those of QSI in Bremen, or the Japanese government testing Laboratories, so we can offer our product on a basis of scientifically verified quality and purity.

Testing standards have progressed so far in the last 10 years, that only a proper analysis can assure potential clients that the product is free of problems that are now commonly found in honey from other countries. Even though the Japanese may still want to carry out their own testing, we should be able to present our product with the certainty that our testing is equivalent to best practice, and is unequivocal.

At present, there is just no suitable independent laboratory in Australia that can match the standard of testing available by QSI, in Bremen, Germany. We could arrange a branch office of that Laboratory and gain immediate credibility. Without that quality of testing, you

simply can't expect clients to take a risk, with our product, when so much other honey in the world market is so unreliable. Delays required for foreign testing, present a barrier to sales, and to exports needed for stockpiling, especially when shipping also delays delivery. We need to have stockpiles of product in the target markets, and they need to be tested prior to export, by a laboratory recognized in that market. Similarly, there needs to be some assistance to bring production and export packing facilities up to British Retail Consortium Global Food Standards, because the significant retail organizations simply disregard our current standards, such as HACPP, BQual, and Bee Sure. Laboratory standards also overcome the dubious issues of "organic certification" and can detect even the most minute trace of contamination.

Increase
Access to
potential
crops, as
alternatives.

4. ACCESS TO FORESTS, AND PRODUCTIVITY.

The Honey industry has been taken for granted for so long. Disregard of our industry has limited productivity, and beekeepers need access to the largest tracts of forest in which bees could harvest the nectar that is otherwise wasted. In years to come, what benefit will we have had from excluding bees from National Parks and Forests?

Forest industry is important, Honey production using only parts of the forest for short periods, is just as important and sustainable as timber and wood-chips, or native bees. Although that may be a State issue, it needs to be supported Federally. There could be better organization of access arrangements, particularly in NSW.

Support
Local
producers

5. RESTRICT imported HONEY.

Poor quality imported honey can be used to adulterate Australian honey. It reduces demand for local product, and reduces the negotiable price payable to producers.

Other imported honey, such as from New Zealand, brought in on a commercial scale, divides consumer demand. However, it does demonstrate that people will pay much higher prices for honey.

Honey sold as Australian product, particularly for export, should be 100% Australian, not just 47%, including the cost of transport.

Biosecurity
in
ADVANCE!

6. BIOSECURITY

The funding cuts to Biosecurity should be reversed, including the funding for Apiary officers, (although that is a State issue.)

There should be emergency funding already in place for when there is an incursion of varroa, or bees that might carry such problems, so the problem can be contained immediately.

In my view, the predicament of the industry is partly due to the nature of beekeepers themselves. In the 50 years that I have kept bees it's been a puzzle why the industry has drifted along hoping things would change. It's an industry in which a handful of people have been able to exert influence, and not a lot of people can offer alternative leadership or fresh ideas arising from different skills or knowledge.

The current structure of representation in the industry has not achieved *enough* in the way of enterprise, or research, although I would expect them to protest on the basis of details.

Why are we in this predicament if we had good business managers? All the money levied from producers and packers doesn't seem to result in effective product promotion, compared with what was done by the small group of New Zealand beekeepers who seem to have achieved so much more from their leadership.

The Government will have to effectively bypass or sideline the existing structure of representation in the industry, and the existing packers, if we want to achieve better results. We can't achieve something better by relying on the same old methods, and we don't have time to wait for changes that haven't happened in 50 years so far!

If you want a viable Honey industry, sustained by profitability rather than future Government subsidy, you need to create a different business approach.

We only have two of the four compents required

The industry has Producers and Packers,
but no Marketing or Promotional entity and insufficient Research Funding and Development

We don't really have effective and co ordinated organization either, except for the collection of Registration fees and levies.

Some simple observations

In regard to Marketing and Promotion

It would cost less to land a bottle of honey (by the container load), into

a stockpile in Rotterdam, using the same company that is part of the Deutsch Bahn network that covers most of Europe than it costs to deliver into the Australian logistic network. . This would gain access to a much denser, larger market, I once found that this would cost about 13 cents a bottle, in a container load.

Simply on the basis of exchange rates, our product is at a significant price advantage in the European market, and retail prices value honey MUCH more highly than in Australia. Without the old “Honey Houses” as intermediaries, this creates a really good margin to share with retailers who would help promote our product. It looks like retailing in Europe is now so agglomerated there must be a chance to deal directly with the major food sellers, and there are more of them than in our local market.

Need for a fresh approach

In over 14 years, I have only once seen anyone else from Australia market our honey in any of the major trade fairs, as a product in its own right. There are always representatives from Argentina, India, Ukraine Turkey, and even other places displaying their product.

There are some interesting strategic and innovative methods to promote our product if we can do it on a coordinated basis.

Industrial sales of honey would also increase in value by such measures.

In China, a city such as Shanghai (population 23 Million) has almost the equivalent to the whole population of Australia, in one spot. We could do well if we only sold honey to even 2% of that market. There are many large markets in China, but we have no co ordinated marketing, and generally have to deal with one client at a time in each city.

A design idea at work:

Innovative packaging and marketing strategies, are ready.

In Japan, a simple but strategic investment of less than \$500 000 could fairly easily create a fad for Australian honey. A prototype for the packaging already exists.

Koreans love our honey, and it was commonly the gift of choice for travelers to Korea, when import restrictions applied. Maybe with the new Free Trade agreement, there is an opportunity that has not previously existed, but New Zealanders will probably beat us to it Its very hard to make inroads into these markets by only doing one shipment at a time through private enterprise.

Solving the marketing challenge is a “Design” problem. This concept of “Design” encompasses a network of analysis and planning solutions that go way beyond concepts of advertising. In my experience and through the investment of my own resources, I have already uncovered a number of possibilities in the EU, and in Asia.

I could have achieved much more if I had had the credentials of being a government appointed representative of the industry, or if such a representative office existed. A cohesive plan was prepared and discussed Mr Leith Doody when he was head of Austrade in Western Europe, but there was not the means to carry it into action, and it couldn't be done as part of Austrade.

A final comment:

Value for dollars?

For years, Tourism Australia has received an enormous amount of government assistance. Apparently they get over \$60M PA, year after year. We have had Lara Bingle in swimming togs, and Paul Hogan cooking prawns, but never have we had Tourism Australia at a major Trade Fair, like ANUGA in Cologne, SIAL in Paris, or FOODEX in Japan. Tourism Australia misses some of our best opportunities. Even when asked for help in the simplest of ways, they have refused. For a minuscule fraction of that budget, with the right marketing strategy through retailers, we could put the taste of Australia in almost every kitchen in Europe. We talk about our “Clean and Green” reputation, but we rarely present a taste of honey! We promote our Wine industry, our Meat industry, our Wool, and Tourism, but not our Honey industry and its a fundamental idea that everyone should have an interest in preserving a capacity for the pollination of crops by healthy bees.

Within a few years, the honey industry could sustain its own marketing, and return to being a viable industry.

The annual value of increasing our role as producers and exporters of food, (provided we control the use of toxic agricultural chemicals,) could easily replace the value of other lost industries.

Producing food is a renewable industry, involving added value,

generating a great deal of continuing employment.

Australia is about to lose its car manufacturing industry. Apparently, another \$100M will be spent on 2900 displaced employees, on top of the \$2B (or more) that has already been provided as industrial subsidies. Even this has not sustained that industry, which originated overseas and can easily be substituted in other countries. The honey industry has never received that much help, but we have , constantly contributed to National wealth. We have a lot of producers too, and their jobs are definitely at risk.

Our honey and pollination industry is **THE MEANS TO AN END, NOT THE END IN ITSELF,** unlike a fruit processor or foreign owned car manufacturer, or an airline. We are not looking for subsidized employment, but the means by which we can be more viable.

Compared with the Automotive industry, our Australian honey industry is UNIQUE and there is no substitute. It would probably not take even 20% of such a budget that was so readily available when Holden decided to close, to ensure that in ten years, we would be able to replenish bees for pollination of crops in all countries of the world that want to learn from present mistakes.

We need a marketing and promotional bureau.

The previous “Honey Board” years ago, did not work, but then, those times were different, and now new circumstances apply.

Producers simply can't afford to be skinned for more funds, and what they already contribute to a representative organization doesn't effectively go very far. In the current industry representation there is not enough independence from vested interests that exert restrictive influence on outsiders. I could not share what I know with them because I would expect my competitors to know almost immediately. I could not be sure of any statistics that they offered.

The existing representative organizations have not been able to achieve market development for exports.

It is very hard to give specific details, just as it is hard to get accurate facts. For years, Australia valued organizations to manage the sale of

We need a marketing and promotional bureau.

wheat, meat, wool and Tourism. For a long time they achieved a lot. We need an organization that can provide innovative, entrepreneurial solutions for the Honey industry. Its outside the mandate of Austrade, but it could be an adjunct to Austrade.

For many years I have used my own resources to try to fill the gap that this inquiry now has the chance to address. It is just too difficult to achieve as a private enterprise.

The markets overseas are changing so rapidly that later this year, I hope to make further investigations.

This can't be done as effectively by private enterprise or by joining the existing industry "leadership", but a representative delegation could achieve a great deal more.

Yours sincerely

Roderick Yates.

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