



14th October 2019

Committee Secretary
Standing Committees on Agriculture and Water Resources
Department of the House of Representatives
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

RE: Inquiry into growing Australian agriculture to \$100 billion by 2030.

EXECUTIVE SUMMARY:

Summerfruit Australia Ltd (SAL)/Summerfruit Export Development Alliance (SEDA) supports the recent announcement by the Prime Minister's to draw together a national plan aimed at making agriculture, fisheries and forestry a \$100 billion industry by 2030.

But it also supports the comments made by Emma Germano, Victorian Farmers Federation

- We must start thinking a lot more about regional and rural communities - real people, readily available and capable of fixing a tractor's front wheel bearing problem on a Sunday night so you can harvest on time.
- The reality is farmers have to make agriculture happen, but if we're not putting farmers' needs at the centre of the discussion it's not going to happen.

SAL/SEDA strongly supports the principle that if the Government 'give farmers (our members) the security to invest' then the \$100 billion by 2030 goal is achievable. To achieve this ambitious goal, it is important and essential that much of the focus is on the development of exports from Australia.

The Australian Summerfruit (stonefruit) industry is an important sector of Australian Horticulture as detailed in the following points: -

- Annual Farm Gate Value of \$461 million (2019)
- Farm Gate Investment of \$3.69 billion
- Total annual production of 161,044 tonnes (2019)
- Export (2018/19) of 23,046 tonnes (an industry record)
- Export value (2018/19) was \$89 million
- Estimated 800 growers across all major growing regions of Australia
- An estimated 250 growers producing 80% of the production

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The major points that SAL and SEDA, would highlight to the Standing Committee are the following: -

- Cost of doing business
- Water – security and availability
- Labour
- Market access
- Biosecurity
- R&D
- Red Tape

INDUSTRY OVERVIEW:

The following is an overview of Australian Summerfruit Industry and the importance of Summerfruit Australia Limited and the valuable role it plays within Australian agriculture.

Summerfruit Australia Limited (SAL) is the industry voice for the betterment of Summerfruit (fresh apricots, nectarines, peaches and plums). It represents the interests of the Summerfruit industry on a national and international basis. It is the body recognised by government as the peak industry body for growers of Summerfruit and has responsibility for the management of the industry marketing and R&D levy expenditure.

SAL works closely with other interested groups, government and supply chain partners to maximize profitability for the industry. It was formed in 1994 as Australian Fresh Stone Fruit Growers Association (AFSFGA), a federation of state organisations, and in August 2003 decided to change its corporate structure to a national company limited by guarantee. **SAL leadership is democratically elected directly by growers.**

SAL is a communications channel, a lobby group, a provider of technical information and a promoter of stonefruit as a healthy nutritious fruit

SAL holds regular meetings with government and others to advance the industry perspective on important issues, such as market access for Australian fruit, fair access to irrigation water and protecting Australian horticulturists from the risk of exotic pest incursions.

Industry research and development funds are aligned with the industry developed strategic plan so that investment of grower funds gives the most beneficial results and an appropriate Return on Investment (ROI). Over the years Summerfruit Australia Limited has been involved in the distribution of R&D and marketing levies for a wide variety of projects.

Australian Summerfruit is produced in approximately 26 regions in all states across the country. Victoria and New South Wales dominate however South Australia, Queensland, Tasmania and Western Australia are also important production states.

The Australian Summerfruit Industry is now producing around 161,000 tonnes of fresh peaches, nectarines, plums and apricots from November to April each year. Production is spread across each state although 75 per cent of production is in Victoria.

The industry has expanded 12 per cent in the past 2 years with Victoria driving this growth. Victoria has increased 17 per cent according by volume. Annual production comes from about 800 growers. The 250 largest summer Summerfruit growers are responsible for around 80% of Australian produce.

The Summerfruit industry in Australia can be classified into low, medium and high chill production areas.

Low chill Summerfruit is on the market before October and attracts a price premium due to their limited availability at that time. Low chill varieties are produced in the area North of Coffs Harbour in NSW to the Atherton Tablelands in QLD, and in the Perth Hills area to the north of Gingin in WA.

Medium chill varieties are concentrated in and around Stanthorpe in Queensland, the Central Coast of NSW through to the Sydney basin and south to the Araluen Valley, extending to the warmer inland regions of Swan Hill and the Riverland of SA.

High chill fruit is produced in cooler climates including Southern NSW, the Goulburn Valley in VIC, SA, Southern WA, and Tasmania.

It is important that the Standing Committee appreciates and understands the nature of the industry. In case of Summerfruit the industry is spread across a wide cross section of environmental and climatic regions (refer to map below) making research/development/extension, marketing and biosecurity issues very complex.

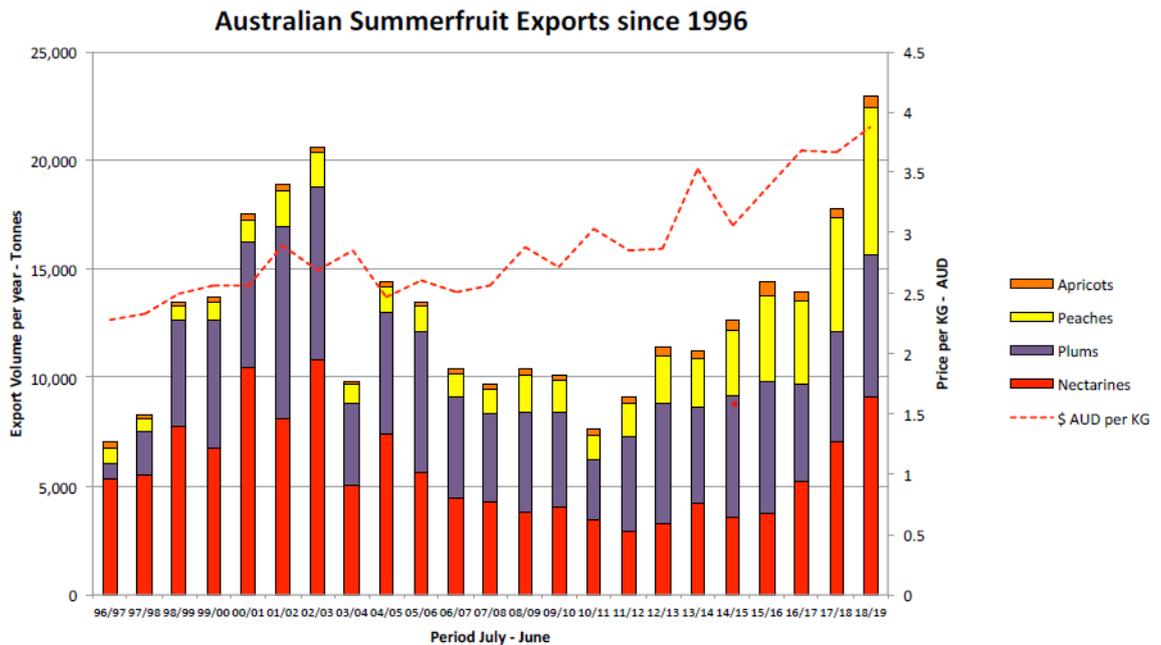
Australian Summerfruit production map



In 2015 Summerfruit Australia Ltd established an export advisory committee titled Summerfruit Export Development Alliance (SEDA). This subcommittee was established to represent stone fruit growers as a united group to facilitate the development and maintenance of export markets.

There are 55 financial members of SEDA who represent around 80 per cent of the exported volume. Over 90 per cent of SEDA members are Victorian based businesses. They have been instrumental in driving the export growth of the industry from A\$38 million to A\$88 million in the past 4 years.

The growth in export is detailed in the table below. This highlights that 2018/19 was the best year of Summerfruit export and this has been built on the back of the hard work by the industry and the Department in opening China as an export market. But this took some 10 years to achieve, and a lot of hard work by industry.



Source: ABS data via IHS Global Trade Atlas; Fresh Intelligence analysis

The table below highlights the number of countries to which Summerfruit is exported. But it also highlights those countries that the industry does not have workable protocols or no access at all, including the USA, New Zealand, South Korea, Japan, Vietnam and Russia. This table also highlights the importance of China and as was shown in 2019, with the closure of the market for 10 days across Chinese New Year the frailty of the market, particularly to comments/actions that might offend the Chinese Government.

Australian Exports of Summerfruit (all) - July to June 2009 to 2019

Rank	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Change to 2017/18	10 yr CAGR growth trend
Value A\$ Million	27.5	23.3	26.2	32.8	39.9	38.7	48.3	51.4	65.2	89.0	36%	14%
Avg A\$ per kg	2.72	3.03	2.86	2.87	3.53	3.05	3.36	3.68	3.66	3.87	5%	4%
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes		
1 China	-	-	-	-	-	-	-	1,868	4,985	9,334	87%	
2 Hong Kong	5,025	3,636	4,628	5,551	5,598	5,959	6,408	4,862	3,308	2,485	-25%	-8%
3 Singapore	1,264	1,110	1,412	1,527	1,178	1,851	2,022	1,660	2,462	2,583	5%	8%
4 United Arab Emirates	1,502	1,381	1,801	2,473	2,317	2,467	2,718	2,104	1,888	1,783	-6%	2%
5 Saudi Arabia	121	88	96	139	175	463	879	1,140	1,378	1,950	42%	36%
6 Malaysia	388	290	286	460	483	560	702	584	884	1,096	24%	12%
7 Indonesia	46	77	66	105	94	151	228	341	620	1,054	70%	42%
8 Kuwait	166	119	112	166	151	269	409	467	598	744	24%	18%
9 Oman	-	-	-	-	-	-	48	4	374	446	19%	++
10 Qatar	103	30	64	137	169	124	222	181	353	387	9%	16%
11 Canada	41	27	25	12	23	61	59	301	274	396	45%	29%
12 New Caledonia	94	63	117	133	139	119	114	89	105	157	50%	6%
13 Taiwan	22	263	162	259	-	132	61	19	98	84	-15%	16%
14 Thailand	286	101	53	3	9	108	115	120	96	87	-9%	-12%
15 EUROPE	823	339	104	63	48	46	57	53	85	79	-6%	-23%
16 Bahrain	22	9	18	44	66	78	97	63	69	95	37%	18%
17 India	45	29	14	10	50	27	84	15	52	51	-3%	1%
18 French Polynesia	9	0	8	25	11	14	29	17	42	38	-11%	17%
19 Philippines	-	-	-	7	16	32	40	20	20	48	140%	
20 Vietnam	44	49	46	130	544	120	0	-	-	-		
21 Russia	40	42	81	111	159	-	-	-	-	-		
all other	69	33	62	81	69	82	68	56	91	117	29%	6%
TOTAL SUMMERFRUIT (Tonnes)	10,111	7,687	9,154	11,436	11,298	12,665	14,362	13,963	17,783	23,013	29%	10%

Source of Data: ABS via IHS Global Trade Atlas; Fresh Intelligence Analysis

ISSUES:

SAL/SEDA supports the recent announcement by the Prime Minister's to draw together a national plan aimed at making agriculture, fisheries and forestry a \$100 billion industry by 2030 and would detail the following issues that need to be addressed by both Federal and State Governments over the next decade.

1. General cost of doing business:

Australia is a high cost producer of agricultural products. High cost of land, water, energy, labour, government administration, market access, market maintenance, and the list goes on.

In the export area every cost imposed by bureaucracy is diminishing the dollar bottom line of the producer.

For instance, with exporting to China there are up to 17 points of percentage 'take in the handling of goods' to get the produce to the consumer. The ones who produce, the grower, and those who consume, pay the price and everyone in the middle reaps a reward/profit. This includes the Government, wholesalers/ freight forwarders and others in the supply chain plus the other parties at the point of final destination. All the cost gets passed on to the consumer or backwards to the grower.

Our product will be priced out of reach of the consumer as the consumer demographic gets smaller and smaller in the supposedly "developing country" China, plus the real developing countries within the Asian region.

If the grower is not getting an acceptable Return on Investment, then they will be forced to close their business and diminish the opportunity of Australia achieving the 2030 goal.

2. Water security

If industry does not have the water to produce the crops and therefore servicing the domestic/international markets the \$100 billion goal WILL NOT be achieved.

Without water the stonefruit industry cannot produce crops for domestic and/or international markets. There is a need for: -

- Water security for permanent plantings
- A review of water licencing and water trading
- A national Water system

Summerfruit is mainly produced by long term family farms, not the international corporates and these small, medium and larger growers can't compete against cashed up water 'speculators'.

As a result, SAL/SEDA supports the proposal that any further plans for water to be taken from the Murray Darling Basin should be stopped immediately until full consultation is undertaken and completed. It is looking at what's best for the national interest instead of appeasing minority groups.

Further to that permanent water holders should only be able to sell temporary water to farmers who are producing food or fibre and ONLY in the same calendar season.

SAL/SEDA supports the recent announcement of the water review to be undertaken by the ACCC.

3. Ethical Work Force and an effective Labour hire system.

If industry does not have the labour to harvest the crop and therefore servicing the domestic/international markets the \$100 billion goal WILL NOT be achieved.

We would make the following points: -

- Without labour to harvest the crops in an effective and efficient manner the crop will not be available for domestic and/or international markets.
- The immediate need for the specialist Agriculture Visa so growers can access the required labour
- Removal of the recent casual labour restrictions during harvest implemented by the Fair Work Commission
- National labour hire system and if necessary, legislation. Having State based legislation is restrictive particularly when growers have properties in different States. Restrictive legislation in one State is resulting in pushing labour to the less restrictive States

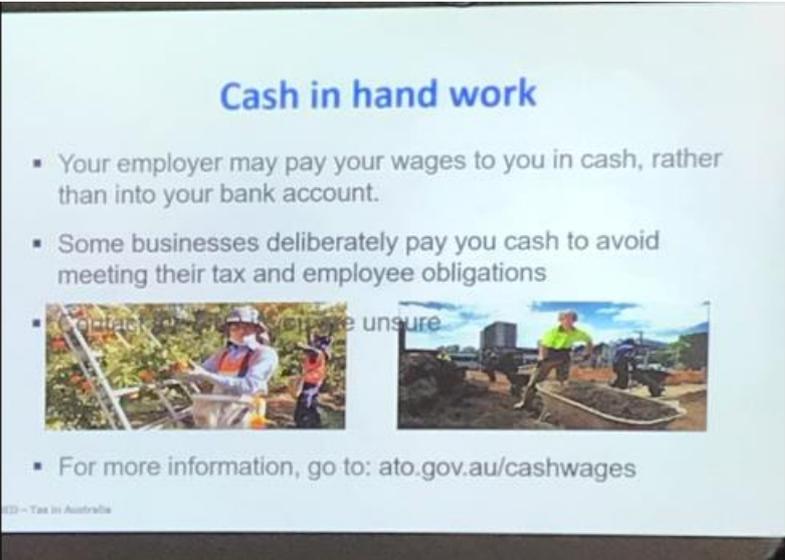
The Fair Work Commission is a bureaucratic process that is far from user friendly for employers. The review of Modern Awards is complex and drawn out. Then employers are faced with changes on a near daily basis – wage increase, addition of a new leave section e.g., pet caring leave, changes to wording of the award. Employers cannot keep up and then when they make a mistake, they are punished at a level that is totally unrealistic.

The Enterprise Agreement process has been completely destroyed and with the Union push to eliminate 'piece work' rates more small and medium businesses will 'shut up shop'.

Flexibility needs to be brought back into the labour market.

Other agencies are adding additional burdens onto employers. The Single Touch Payroll system for small employers is another unwarranted burden. Again, employers are going to be punished by the regulator for not having these systems working.

Recently the Australian Taxation Office, through their training program, made the following presentation to a group of students.



Cash in hand work

- Your employer may pay your wages to you in cash, rather than into your bank account.
- Some businesses deliberately pay you cash to avoid meeting their tax and employee obligations
- e unsure
- For more information, go to: ato.gov.au/cashwages

ATO - Tax in Australia

We see this as totally irresponsible and highly objectionable for all those growers endeavouring to do the right thing within a complex and overly burdensome industrial relations and employment system.

4. Biosecurity

Being free of exotic pests and diseases is a major advantage to Australia in the international export market. In addition, industry does not have to fund major management programs, so it gives our growers some cost advantages over those competitors who are managing such pests/diseases on a daily basis.

Biosecurity at a domestic level, is built around managing current endemic pests/diseases like Fruit Fly, and it is essential that we have effective and long-term programs and the funding to support such activities.

Many years ago, there used to be a strong and effective Tri-State Fruit Fly Committee and program. State agencies pulled out the resources, the program stopped, and Fruit Fly exploded. Years later we are now trying to claw back the spread of this major pest because we realised it is having a major effect on our export opportunities.

Industry needs to see long term commitment by governments to such programs.

Another area of concern is the uncontrolled development of the peri-urban component of land use. Not only is the urban/rural interface resulting in high value agriculture land being lost to housing, the interface is creating real biosecurity risks for commercial producers.

The community must take greater responsibility in the peri-urban areas and bare the costs of biosecurity programs.

While SAL/SEDA support the broad concepts of property identification for biosecurity purposes we will not support it becoming another cost burden on growers and/or a revenue raising process for either Federal or State agencies.

SAL/SEDA will be responding to the current discussion paper on property identification.

Some specific areas of concern are the following: -

a. **Fruit Fly**

This is the most important pest that can close our export markets over night. If export markets close, then the \$100 billion agriculture industry will not be achieved.

What is required is: -

- A truly national Fruit Fly Plan to manage fruit fly outbreaks now. While there is a national plan it is about research that will take years to deliver.
- National funding to compliment State funding working on a singular national program of eradication/reduction in populations. Needs to be a long-term plan with long term funding.
- Ensuring State governments do not reduce/eliminate Fruit Fly funding
- More funds for on-ground biosecurity programs.

b. **Shared Responsibility**

Consistently industry is being told that Biosecurity is a 'shared responsibility' but so often we still work in 'silos'.

Like so many other aspects of business, industry is hampered by a federal system and the state/territory system and so often there is not a 'singular' approach to Biosecurity and the issues that come from it.

A most recent example has been the increased numbers of outbreaks of Brown Marmorated Stink Bug.

The 'risk markers' being the importers of containerised products are not paying for the costs of the eradication programs. Horticultural industries like Summerfruit are being required to 'cost share' the eradication programs, yet they did not create the problem.

We also see differences in approach to managing these outbreaks. Some State agencies use the 'cost sharing' process through the Emergency Plant Pest Response Deed (EPPRD) and others don't as they find it simpler and easier to fund it through their own resources.

When an eradication program becomes too difficult to undertake the Agencies find it easier to move to Transition to Management and at the end of the period it is left to the industry to manage, often without the appropriate tools. There is no commitment to long-term management programs that involve a 'shared responsibility'.

c. Funding

SAL/SEDA believes there is insufficient resources being allocated to Biosecurity.

The proposed biosecurity levy on containers is a start but industry has real concerns that the funds collected will end up in 'general revenue' and not be used to fund major aspects of biosecurity.

Also, industry is concerned that if this levy is implemented and collected, other current resources will be rolled back.

5. Trade opportunities and security

Simply Export will drive the growth to \$100 billion. This will happen by many industries some large some small. Government policies must be framed that small industries are not burdened by costs that are disproportionate to larger industries. Smaller industries can grow to medium size industries.

Much of Australia's horticulture focus will not be volume based but rather high value such as Tasmanian cherries. Stonefruit has low cost competitors in Chile and South Africa and our growers cannot afford to be burdened by high costs when developing markets.

While some markets are open, they need to be maintained. New markets need to be established and opened.

Achieving the growth from \$60 billion to \$100 billion will be built on expanded exports. SAL/SEDA had a record export year in 2018/19 – in excess of 23,000 tonnes. We need to double that to play out part in achieving the \$100 billion industry. The following need to be undertaken: -

- More Free Trade Agreements.
- Reduction in tariffs. India is open to Australian stonefruit, but it has a high tariff that is restricting trade. Need government to work with industry to reduce this tariff. Chile has a lesser tariff giving them market advantage
- Protocol maintenance needs to be a consistent part of the program

- Industry needs to be involved from day one on any industry protocol discussions and developments. Too many protocols have been negotiated that are unworkable and trade does not occur
- Better air and sea freight services particularly to China. Australia has a distinct market advantage over Chile and other Southern Hemisphere exporters due to our closeness to market BUT delayed services stopping at many SE Asian ports is reducing our advantages,

a) Market Access

There is an urgent requirement to have market access opportunities completed with quicker turn-around times. This means more resources must be made available, so more market access is achieved for a greater number of products for a greater number of countries.

As highlighted above the Summerfruit industry does not have workable protocols or no access at all, including the USA, New Zealand, South Korea, Japan, Vietnam and Russia.

If no additional resources are being offered, then the prioritisation of access requests must be even more commercially focussed. If there is NO ECONOMIC BENEFIT, then it moves to the back of the line.

But as previously stated the growth of smaller and emerging industries is going to be important to achieving the \$100 billion by 2030 goal.

SAL/SEDA also believe that it is important the Government Invest in equipping countries that are planning to go to phytosanitary protocols, with the necessary tools so that they can process applications competently.

b) Export Growth

As has been highlighted above the export growth for Summerfruit in 2018/19 has been above all expectations BUT comes of the hard work of the growers in understanding the markets and their consumers and producing products that suit the relevant demographics.

The exponential growth from 2016/17 tells the true story year on year. But it could have been better if there was no suspension of the cold treatment /fumigation combination leading into Chinese New Year.

There are real questions as to how this happened and why there was a lack of real support for those growers who lost substantial products and finances.

Systems need to be in place to minimise changes in export circumstances and to give greater support to those businesses facing losses.

If growth through export is going to occur minimising and/or eliminating 'financial disaster events' is essential. The rhetoric that you export 'at your peril' is not good enough.

Further to this the export costs/charges are far too high and cannot continue. In addition, there is a need for more flexible and efficient systems.

The 100% 'cost recovery' system being imposed by Government continues to be detrimental to export and certainly will restrict the future expansion of export.

- Why do different commodities have different charging systems? Nuts are different to other plant products like fruit.
- The export cost for "metal objects" X ray prior to departure is an impost. Our understanding is that NO OTHER COUNTRY within

Greater ASIA region is requiring this as a measure. The bureaucratic approach is that Australia is a world leader in this type of system for our trading partners. Never mind it's only the USA we have this impost in place for.

SAL/SEDA certainly supports the recent announcement into an independent review of the export cost recovery arrangements.

6. Research and Development

SAL/SEDA supports the inquiry by the Minister for Agriculture to review 'Modernising the Research and Development Corporation system'.

When the Horticulture RDC moved from Horticulture Australia Limited (HAL) to the new structure Horticulture Innovation Australia Limited (HIAL) it was on the premise of making the research and development system 'leaner' with more of the growers levies and the governments matching funds being available for research and development.

At the time of the closure of HAL the corporate cost recover was at 11.5%. Under the new regime the corporate cost recovery for most industries is upwards of 18% and even higher for smaller industries.

The other premise was that it was to be a grower owned company but out of the 25,000 horticultural producers how many are members? Why if they are a levy payer should they need to become a member?

The majority of growers do not have the time to be involved in another bureaucratic structure. They rely very much on their Peak Industry Body to look after their interests.

The 'sidelining' of PIB's has reduced the power of the organisations to have input into how their members levies are being utilised.

7. Red Tape

There is a consistent message from all levels of Government that they are reducing 'Red Tape'

In real terms nothing of any substance has changed. Some old or defunct legislation has been removed but twice as much new legislation/regulation has been established.

Our Chief Executive Officer reports that he receives regular 'Business Consultation Notifications' through the Federal government Business Consultation Team and finds that he has no way of keeping up with the issues that he should be responding to on behalf of the industry. This makes the consultation process a farce.

You then add to the requirements of the State governments and agencies and it is a near impossibility for industry to respond.

In addition, at times it is not so much 'red tape' but rather the mindset and culture of individual staff that are so 'rules based' they read things into the rules that do not exist.

We would like to see all Federal and State government departments that have interaction with agriculture prioritise proactively working with industries to find solutions to problems when they are made aware of an issue.

There are many other issues of concern to industry that are barriers to export growth and therefor barriers to the \$100 billion/2030 goal. These include:

- Chemical availability and registration
- Lack of true consultation with industry on specific topics.
- Lack of true harmonisation of areas such as food safety, WHS, QA systems.

We commend this submission to you for your consideration and has been previously indicated representatives of SAL/SEDA are willing to appear at a public hearing in relation to this inquiry.

Yours faithfully.



Chair, Summerfruit Australia Ltd



Chair, Summerfruit Export Development Alliance.