



Sunnyspot Farms Pty Ltd
Sunnyspot Packhouse Pty Ltd

Submission to the Senate Inquiry:

The industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector.

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15 October 2014

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Introduction

Sunnyspot Farms and Sunnyspot Packhouse are located at Ravensbourne in the Toowoomba Regional Council.

Our farms are on the edge of the Great Dividing Range in an area that is frost free with high elevation.

We produce Avocados, Gold Kiwi Fruit and Passionfruit and using these 3 products as an example there is no comparison in what each of the industries do compared to the avocado industry.

We also run a packing facility which mainly packs Avocados from 3 growing regions. These are the central Qld region, the southern Qld region and the Sunshine coast. As we pack for a number of growers there levies are collected by our marketing arm The Avolution which pays them to Levies revenue service.

The Australian avocado industry is a relatively young, dynamic horticulture industry undergoing significant growth. The industry GVP in 2012/13 was approximately \$300M. Production is spread across many regions. The industry has some 850 producing growers (ABS, 2010-11) which in 2012/13 produced approximately 55,000t of fresh avocado (AAL Infocado Quarterly Report, July 2013).

When Avocado growers voted to increase the levies about 10 years ago which effectively doubled the levy rates to 7.5c/kg? This has enabled the industry to achieve significant outcomes which have benefitted all growers and levy payers no end. We have seen an excellent marketing program run by the industry as well as an outstanding research program. This has enabled growers to reduce debt, expand their operations and has seen corporate players enter an industry that is moving forward not backwards.

All of this has only been achieved by the industry having a levy that you can do something with, unlike some industries that have such a low levy they can't achieve anything.

In saying this I would be disappointed to see our levy subsidise a smaller industries or larger industry that can't get off it backside and increase its own levy. I understand some have felt this is how the new system may work I would hope not and will very much oppose this if it occurs.

I also believe that the Avocado industry has had very good leaders and probably out of the box thinkers which have lead to the levy funds being well utilised and directed in the most important or best outcome ways.

The avocado industry is seeing large investments into its industry which i believe is due to the way that the levy has been invested into key areas over the past 20 or so years. This is giving the confidence in new or existing operations to grow and expand.

Terms of reference

a. audit of reports, inquiries and reviews relevant to this inquiry;

The HAL Review recently undertaken by ACIL Allen Consulting is the most significant review in relation to horticulture levies in recent times. (www.acilallen.com.au/cms_files/45_Avocados%20Australia%20Submission.pdf).

b. the basis on which levies are imposed, collected and used;

Levy imposition

The Avocado industry recognised nearly 10 years ago that without more funds through levies to help do more marketing and increase the money for Rand D that it would have been heading for a train wreck so to speak.

Through all the due processes that had be done to achieve a higher levy this was achieved and we now have an industry that I would say has avoided the train crash due to a proactive industry and board at that time.

Since then the past and current board have continued to use the levy funds to grow consumption and improve management practices within the industry.

Levy collection

Levy collection for the industry is done via pack houses, marketers, market agents and individual growers.

We know that we have a very efficient way of collection and I believe it was about 1% of the total levy collected to administer this.

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Use of the levies

I believe that the way in which the Avocado levy is used can only be said as brilliant.

We have an industry that has increased consumption, production and price all of which is generally unheard of in any industry or commodity.

Is this just good luck or is it a well managed industry I would say the later.

It was recognised back in 2005 or probably earlier that we could grow avocados but we didn't have the consumers eating enough to keep up with the future plantings and volumes predicted.

We have seen the volumes increase and with a brilliant marketing campaign, web information, health and nutritional support we have a consumer base that loves the product.

In all of this research has continued with many fantastic projects that will keep all avocado growers ahead of the pack.

Sure there have been some research projects that people have thought may have not been done correctly or unneeded, and some way out projects but as the term says its research and it doesn't always have a positive end. But that's research and I would think most of the r and d that avocados has done has had a positive ending.

I believe the ACIL review found this also.

I have a major concern that under the new proposed HIAL those industries such as avocados will not be able to continue on as well as in the past due to my feeling that under this new structure we will be getting told what we are going to do by people that have no skin in the game.

There has been a lot said about conflicts of interest and so on within industry advisory committees and the like but these conflicts are the reason good decisions are made as these so called conflicted people have the most to lose if a wrong decision is made.

Like the new HIAL board that I have seen come out recently it is full of conflicted people, why do I say that because most pay levies, I think it's great but how often will they have to walk out of the room due to a conflict. Any decision they are making will be dealing with a statutory levy of as I understand government sees it as tax. So that will leave only a handful of board members to make all the decisions none of which have any skin in the game.

I think that we may have gone back 100 years.

c. competing pressures for finite R&D funds;

There are many pressures on the finite r and d funds and mostly this is coming from the likes of state based departments and research organisations.

These organisations have had so much money cut from state and federal budgets that they are only surviving on these industry levies and looking to tap into them to survive. This I am ok with if the level of experience is there and it will be the best option for levy payers. If private enterprise or other providers can get better bang for the buck then thats who should be chosen.

Also we have the huge expense of running the like of HAL or now HIAL with very highly paid executives and staff, expensive offices and all other associated costs.

I understand that businesses love changing their logos and business cards all the time for some reason but I didn't ask for the change and don't appreciate my money being used for this.

I would also like to understand if all old HAL employees have had new contracts for the new company and if levy funds have been used to pay for these increases, legal costs etc in the process.

My point is the people that get up each morning, take the risk of growing an agricultural product in one of the harshest environments in the world are funding many things that they get absolutely no say in and there seems to be no way of understanding if our finite r and d funds are being utilised properly.

d. the opportunities levy payers have to influence the investment of the levies;

Levy payers have under the old system had many ways to influence the investment of the levy.

There have been annual meetings in regional growing areas that levy payers can attend and direct their questions or thought for industry to take on board.

I am unsure under the new structure what levy payers will be able to influence the way levies are used as there seems to be no mechanism for industries to be able to advise government on this.

This will be done I presume by the new body HIAL who have no skin in the game but seem to understand our issues better than we do.

Maybe future influence will have to be done in a very different way, maybe like the French farmers for an example.

I really don't know as again this secret service has not told anyone anything about how levy payers will get to influence investment of levies.

e. the opportunities levy payers have to approve and reapprove the imposition of levies;

Levy payers have had the opportunity to increase the levy such as in 2005 and if there was enough interest could look at a further increase or decrease.

The split between marketing and Rand D if more flexible could be beneficial if for instance there was a need for a bigger marketing campaign or if funds were needed for a disease outbreak or the likes.

Again under the new system who would know what if any opportunity will be available to levy payers.

f. the transformation of R&D and marketing into increased returns at the farm gate, including the effectiveness of extension systems;

The Avocado industry has in my opinion done a fantastic job of using the limited Rand D and marketing funds to increase farm gate returns.

Through a very well planned and focused consumer campaign which has led to increased sales and demand of the product I think that it would be hard to argue that this could have been done any better.

Regarding Rand D I think that the Avocado industry has led the way with our systems such as Infocado, our retail quality surveys which track fruit quality. This kind of work all leads back into what is the necessary research that still needs to be covered, and the industry Qualicado workshops which extend out all the information that keeps growers updated with all the current and sometimes the best of the past work that has been done to keep them as efficient and profitable as possible.

With regard to using extension officers from government departments this is decreasing all the time. The reason for this is all the quality people are moving on to private enterprise due to all the cuts that governments have made in this area over the past decade or so. I know that our industry supports this as much as possible but the need to get the best bang for your buck means that it will use the best resources available to give the best outcome for levy payers.

g. collaboration on research to benefit multiple industry and research sectors;

I think the main collaboration is between industries with the same issues. Fruit fly being one of the biggest single market access barriers that many industries have.

The likes of these problems and there are many more need very good strategic thinkers from within industries and researchers so as to not continue wasting millions of dollars repeating the same work over and over.

There are many levels that collaboration in research can happen as there is some research that will always be product specific.

h. industry governance arrangements, consultation and reporting frameworks

Governance

The avocado industry in relation to its governance with its marketing and R and D levy for HAL projects and funding I believe has been at a very high standard and am sure that this would continue while ever we receive any levy or matched contribution.

Consultation

I believe that the Avocado industry has always had good consultation with its members and levy payers through all of the communication platforms we use.

Whether it be the industry magazine Talking Avocados or the Guacamole online newsletter. The Infocado volume and forecasting report or the annual report the levy payers are always well consulted on all happenings of the industry.

We also have a very good website and through all of these platforms I don't think any grower could say they didn't get an opportunity to consider or comment if they thought there was something heading in the wrong direction.

This is all not possible without consultation funding and I would like to think this will continue under the new HIAL structure.

But again who would know as we have no idea.

Reporting

There has always been very good reporting either through online or face to face meetings.

Under the new structure who would know and if the way that it has been set up with no consultation or reporting on how anything will work to the people that actually need to have a good workable system, who knows how this will function into the future.

It is important as I have said during this submission to remember that people that get out of bed each day and take the risk of growing any type of product in one of the harshest environments in the world, not to mention the cost of wages, fuel, electricity etc will always be conflicted just because they do this.

But there are no better people to help direct and drive industries in the correct direction as I know very few farmers or business people that want to make that day when getting out of bed any harder.

But we see it all the time the road blocks that uninformed people put in front of us without any or little thought and sometimes very little consultation with the very people that could help make a much more informed decision.

Other

One main concern that I have with the past HAL and the future HIAL is that it seems to me that the Board and high level employees see the government as there employee and treat the industries as second class citizens.

Maybe i just don't get it but without horticulture growers and without levies there would be no need for matched tax payer funds for Rand D hence they would all have no jobs.

I think there needs to be a fundamental change to the way in which this whole levy system is handled and would think that government should not underestimate what growers are capable of.

Surviving without a statutory levy may not be the end of the world and we may just find that we get our dollars to go further without it.

The way in which this transition has been handled I am sure that I would not be the only one that would be thinking how industries are going to move forward if we end up with an unworkable or dictative structure.

Just food for thought.