



Onions Australia response to the Senate Rural and Regional Affairs and Transport References Committee: agriculture levies inquiry

Dear Committee Members,

Onions Australia welcomes the opportunity to make a submission to the RRATR Committee regarding the agriculture levies inquiry.

Onions Australia has spent the past five years reviewing the onion industry's statutory levy, ensuring that maximum consultation was undertaken with levy payers.

The levy was finally approved earlier this year, only to face the changes being mooted for disallowance in the Senate.

The disallowance motion was withdrawn, and the levy changes now stand.

To put things in perspective and to explain why changes were needed, in 2002 the onion industry introduced a national statutory research and development (R&D) levy of \$1.60/tonne, collected at the first point of sale. This levy income and matched funds (dollar-for-dollar) provided by the Commonwealth government were managed by Horticulture Australia Limited (HAL) and the onion Industry Advisory Committee (IAC).

Prior to the statutory levy changes this year, the levy was collected and distributed only for research and development and National Residue Survey testing. The previous levy amount did not allow the industry priorities to be addressed fully. Although the entire onion industry benefits from the evidence of broad compliance (as provided by NRS), the previous levy was not providing equitable returns to exporters who were also required to undertake additional consignment-based residue testing.

If the previous NRS levy contributions were to be collected as part of the R&D levy, there was potential for some residue-related research to be funded for the benefit of all levy payers, e.g. demonstrated testing efficiencies to support cross-program recognition of results (e.g. by GlobalGap, Freshcare, supermarkets).

Consultation Process

The process for changing the onion levy was defined and transparent. It involved the peak industry body (Onions Australia), all levy payers, HAL and the Commonwealth Government.

Face-to-face meetings were held to ensure every onion grower in all production regions had first-hand opportunity to ask questions and learn more about the levy process, options and proposals. These meetings were advertised in local papers, on radio, published in our levy payer newsletters and on the Onions Australia website. The dates of these meetings are shown below

| City/town | Date | Time | Venue |
|------------------|-------------------------------|----------|---|
| Griffith, NSW | Mon 31 st May | 10:30 am | Gemini Motel. Banna Ave |
| Virginia, SA | Tues. 8 th June | Noon | Virginia Hort Centre Old Pt Wakefield Rd |
| Mannum, SA | Tues. 8 th June | 7:00 pm | Mannum Motel Conf. Centre. cnr Randall and Cliff Sts |
| Bunbury, WA | Wed. 9 th June | 7:00 pm | Vat2 Conference Centre. 2 Jetty Rd |
| Bordertown, SA | Fri. 11 th June | 3:00 pm | Jolpac Rural. 51 Ramsay St |
| Longford, TAS | Tues. 15 th June | Noon | Blenheim Inn. 16 Marlborough St. |
| Ulverstone, TAS | Tues. 15 th June | 7:00 pm | Beachway Motel. 1 Heathcote St. |
| Thorpdale, VIC | Wed. 16 th June | Noon | Warragul Motel, Warragul |
| Burton, SA | Wed. 23 rd June | 11.00 | E.E. Muir & Sons, Pt Wakefield Rd, Burton |
| Allora, QLD | Thurs. 5 th August | Noon | The Railway Hotel. 40 Herbert St. |
| Gatton, QLD | Thurs. 5 th August | 7 pm | Gatton Research Station. |
| Fassifern Valley | Thurs. 5 th August | 2.30pm | Kalfresh |

As levy payers, participants were encouraged to have considerable input to the levy raising process. Clear notes and options were taken at these meetings.

Why changes to the levy were needed

The onion industry could not increase, or even maintain its level of NRS testing or R&D at the previous funding levels. Similarly, biosecurity and PHA obligations could not be met without industry contributions to them. The options available to industries were to: increase existing levies, change the levy distribution, increase the number of levy payers, or add new levy/ies.

- ***Research and Development***

The costs of R&D have risen considerably. This has been exacerbated by the associated decline in co-funding by traditional research providers such as State departments. The capacity of the onion R&D levy to address all industry priorities had been significantly eroded over the last few years.

Despite government matched funds, several key R&D priorities could not be fully funded, or were delayed due to the existing shortage of funds. They included: 'white rot' research, additional work on minor use permits and registrations, new crop protection product trials, and thrips research associated with the Iris Yellow Spot Virus. Best practices for mild onion production and market development in the supply chain are also high priorities needing future funding.

There was also extremely limited scope for levy payers to undertake their own R&D work, given many smaller growers were part of multiple cropping rotations, and therefore not specialist onion growers, meaning they simply did not have the funds to undertake R&D.

- ***Plant Health Australia Levy***

PHA membership is 'insurance' the industry cannot afford to be without. Membership fees are on-going as are the associated obligations. PHA membership should be paid by the intended beneficiaries, the onion growers. A new levy for PHA membership, set at a low rate (\$0.10/tonne), was recommended and equitable.

- ***Biosecurity Levy***

Governments will no longer carry the entire burden for pest/disease eradication. It is a responsibility to be shared between industry and government. Under the EPPRD, the Commonwealth Government has agreed to underwrite an industry's share of the cost of a response to a pest incursion, provided the industry can demonstrate it is able to repay the Commonwealth within a reasonable time period.

Most PHA-member horticultural industries have implemented an Emergency Plant Pest Response (EPPR) levy to provide the repayment mechanism. It is often referred to as a 'biosecurity levy'. It was recommended the onion industry establish a new levy for biosecurity, initially set at zero (\$0.00/tonne), but suitable for activation in the event an eradication campaign is required and undertaken.

- ***National Residue Survey***

Neither the NRS levy rate, nor the proportion of onions tested, has increased since 1994, despite the significant increases in the extent and complexity of the screening process. Since 2007 testing costs have exceeded NRS levy income.

If the service was to remain effective, new chemicals available to the industry now and in the future needed to be included in the routine screen. Their addition was costly. Since the levy contributed only to relevant domestic testing, there was inequity in the benefits derived by domestic and export onion producers.

Requirements for residue testing are found within most quality assurance programs. The options were to increase the NRS levy to maintain services; or to remove the NRS levy to improve equity (at the cost of industry-wide compliance evidence) and divert equivalent funding (\$0.40/tonne) into R&D.

- ***Promotions and marketing levy***

It is not possible for R&D levy funds to be utilised for promotions, but they may be utilised in market research. Onion consumption increase would be a success parameter for such a campaign, and mild onions may best provide that opportunity in the near future.

What have the levies achieved so far?

Onion growers collectively have been the primary beneficiaries of the levies. Through its investment in NRS residue testing, the onion industry has earned its reputation (strengthened by evidence) for exemplary, industry-wide management of chemical risks.

The industry and individuals across the industry have seen practical outcomes from R&D investment highlights as noted by growers, including:

- Thrip research
- Access to new chemistry and crop protection choices (i.e. Minor Use chemicals)
- White rot research
- Improved Industry communication and coordination
- Development of new shipping methods to access the northern hemisphere markets
- New growing technology resulting in vastly improved yields (from 50 tonnes per hectare to 80 tonnes per hectare)

What happened after the affirmative vote?

Onions Australia was required to submit a detailed proposal that outlined the consultation phase and voting outcome to those organisations that received levy monies. They in turn forwarded the submission to then Minister for Agriculture (Minister Joe Ludwig). On his behalf, DAFF assessed the proposal against the *Levy Principles and Guidelines* and provided a recommendation to the Minister. There was then an extensive consultation period, where levy payers were invited to lodge any concerns and objections. No responses were received during that period, despite widespread publicity that levy payers' objections were being sought. Once the proposal was accepted, the new Government drafted appropriate legislation to implement the revised levy.

Where to from here?

Onions Australia firmly believes that the levy system underpins Australia's agricultural research and development, marketing, plant and animal health systems that industry leaders rely on to ensure our nation remains one of the great agricultural producers of the world.

Onions Australia believes that statutory levies raise funds to grow industries, to assist them in competing in the global market, protect against pest incursions and to increase employment in rural and peri-urban regions. In short, levies are a perfect example of industries investing in their own future.

For further information please contact Lechelle Earl, Onions Australia CEO

