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Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
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By email: Agricultural.Competiveness@pmc.gov.au

Submission to the Agricultural Competiveness Issues Paper

Our response is based on the challenges and issues that are currently impacting on our Stone Fruit Growing, Distribution and Sales business based in the Swan Hill Stone Fruit growing region of North West Victoria. These challenges impacting on our business are also being experienced by other stone fruit growers.

We believe that addressing these issues will provide the direction the Agricultural Competiveness Issues Paper is seeking , and the Scope of the Agricultural Competiveness White Paper for the Government's review of Australia's agricultural competiveness.

Our region, is a significant producer of stone fruit in Victoria, and Australia, and in particular our business makes up a large percentage of that production. Our business is constantly struggling with the following challenges in an attempt to conduct a profitable business that supports our families, our permanent and casual employees, here locally and at our Melbourne Wholesale Fruit & Vegetable business, our local grower clients who grow and supply stone fruit to us, as well as the many local businesses that provide goods and services to our business.

Many of these issues relate to Local, State and Federal Government and their respective Departments and highlight the combined approach that is required by industry and government at all levels.

The challenges and issues that are currently impacting on our Stone Fruit Growing, Distribution and Sales business are:

1. Increasing costs of production

- **Labour market inequalities**
  - Growers predominantly rely on casual or itinerant workers, many from overseas
  - Workers are being paid according to award rather than ability or effort
  - Many inexperienced workers are therefore being, paid at what is considered a "premium"
  - Contrasts to other industries where workers are paid according to their skill level

- **With a lack of skills comes the cost of training**
  - This training is lost with itinerant workers and is not recovered
  - Training is repeated each season with inexperienced casual workers

- **Transport & cold chain infrastructure**
  - fuel levy – biggest impact on transport costs in recent times

  E.g. costs more to send a box of fruit from Swan Hill to Brisbane than to Hong Kong!

- **Payroll tax**
  - Adds to cost of labour
  - Discourages growth of business
  - Annual threshold of $550K needs to be indexed/increased
  - Rate of tax needs to be reduced

- **Duplication of Accreditation** at farm/property, as grower, and at pack-house levels

- **Duplication of AQUIS requirements,** and rising costs of shed registrations;
  - Inspection requirements and costs in relation to being exporters
  - Inspection requirements and costs depending on destination

- **Production costs cannot be passed on by growers when determining the price of their produce;**
  - There is no pricing based on production input costs and margins and/or adjusted for inflation, compared to other sectors of the economy or industries that pass on rising costs of their products or services when sold to growers

<u>2. Decreasing farm gate returns</u>

- **Dominance of Supermarkets**

  - Traditionally, growers are price takers, not price setters. This has been exemplified more so in recent times with the growth and dominance of the local supermarkets
  - Unless growers can or be perceived to have greater control in setting the price for their produce, the dominance will increase and the number of growers will continue to decline.

- **Lack of value adding alternatives or industry**

  - Like all farming, growing stone fruit is inherently impacted by weather related events resulting in varying quality and volume in production
  - Not all fruit reaches our local or export markets with the high expectation on the quality of our "first class" grade fruit
  - Increasing production for new markets will increase the amount of fruit that will not reach these markets, as there is always an amount of fruit that does not meet the "first class" grading
  - To minimise loss of production from the increase in this "seconds or composite" grade fruit as a result, it will need to be channelled into a secondary market
  - Fruit processing industry needs to be encouraged to access these composite lines e.g. processing into juice; puree for food processing or colouring, and preserved fruit. E.g. The high cost of manufacturing has discouraged the development of a new processing facility in the region when investigating a fruit puree` processing plant
  - Surplus or over-production of Agricultural products should be considered for International Aid;
    - Providing food instead of money as part of Aid programs, similarly to providing shelter or medical supplies
    - Exposes our produce to other countries, and may create future markets

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3. Stone Fruit Variety Access & Exclusivity

- **Fruit variety rotation or replacements is critical to maintaining the competitiveness of any stone fruit grower and our industry.**

- **Marketing companies/brokers restricting access to new varieties;**
  - By dominating the supply of preferred fruit varieties to markets and consumers
  - Locking in varieties, and binding growers to deal with marketers to access new varieties, is perceived to be contrary to the purpose of Reasonable Public Access to the propagation rules (Section 19) of the Plant Breeders Rights Act (PBR)
  - Need to maintain the freedom on cross use of genetics between breeders' varieties under Section 16 of the PBR, for the development of new varieties without breaching breeders rights.

- **Summer Fruits Australia Limited,** the stone fruit industry body, needs to be supported by government and encouraged to look into these arrangements to maintain the industry's competitive future.

4. Challenges to meet the export demand

- **Delays in gaining market access for stone fruit** – Nectarines Plums and Peaches

- **Lack of markets access, and markets closed overnight e.g. Taiwan in 2006 –**
  - stone fruit varieties were grown for the export market e.g. white flesh Nectarines, and since the closure 8 years ago, they have been supplied to the domestic market at reduced returns.
  - Stone fruit industry has been in decline since.

- **Farm expansion and productivity improvements,** including Innovation and Technology, and Research & Development will require capital investment from an already limited grower base.

- **A lack of capital, and more so, uncertainty of future markets**, is contributing to a delay by the industry, already in oversupply, in gaining the confidence required to meet the challenge put but Government to increase Food production to meet the expected demand from Asia over the next 30+ years.

5. Pest Free Area Management - Queensland Fruit Fly (QFF)

- **Importance of PFA to Horticulture, in particular, to the stone fruit industry**
  - Meeting the immediate demands of the export market serviced by airfreight
  - Minimising treatment costs with produce destined for PFA recognised markets

- **QFF surveillance and eradication**
  - 70% of costs is borne by industry (30% by State Government)
  - Impacts on all communities and economy of the region
  - Communities need to be engaged in the responsibility of surveillance and eradication of QFF
  - Abandoned orchards are a threat to the region and maintenance of orchard hygiene of neighbouring farms
  - Domestic/backyard orchards in urban areas of the region need to be controlled as fruit fly outbreaks in backyards threaten the regions PFA status.

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- State government needs to monitor Public and Crown land, and must be included in the surveillance and eradication programs
- There needs to be a National approach by Federal & State Governments to control and eradicate this pest to ensure the pest free status of our region is maintained. This status is recognised as a preference by our overseas Markets towards granting Access. It also ensures food security for our domestic market.

- **Interstate Certification Assurance (ICA) programs**, monitored by Plant Health Australia, need to be reviewed to recognise alternative spray products that work within an Integrated Pest Management (IPM), to encourage and minimises frequency and use of chemicals/sprays

6. Water Management

- **Rising infrastructure charges**, coupled with a non-expansion of the grower area provided by the supply system in our region
- **Cost of water entitlements (Low Security) and access**
  - Growers being charged and paying for this entitlement, but cannot access the entitlement.
  - Alternatively, have the Low Security water purchased back and used for river flows and river health programs, as opposed to Federal government buying back high security entitlements.

7. Declining number of farmers

- **Farming is unattractive to the younger generation**
  - As in all farming sectors, there is a decline in the number of farms being taken over by the next generation.
  - Without increasing profitability it's losing its traditional lifestyle appeal
- **There are no newcomers to the industry wanting to grow stone fruit in our region**
- **Corporatized farming** is not attracted to Stone Fruit growing being a labour intensive industry, and without profitability, Corporate Enterprises (as opposed to Family concerns) will not investment capital in the industry to expand, to meet the Asia demand.

We thank you for this opportunity in providing an insight into the challenges currently being faced.

Yours Sincerely,

Tony Siciliano

Tony Siciliano - Marketing Director
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