

# AUSVEG Submission: Agricultural Competitiveness Issues Paper

Prepared by



## About AUSVEG

AUSVEG is the National Peak Industry Body representing 9,000 Australian vegetable and potato growers. We represent the interests of growers to government and assist growers by making sure the National Vegetable Levy and National Potato Levy are invested in research and development (R&D) that best meets the needs of the industry. AUSVEG makes representations on behalf of vegetable and potato growers to government and parliaments so that the interests and concerns of growers are effectively communicated across all levels of government, in the public sphere, and throughout relevant areas of the private sector.

AUSVEG delivers national projects in the areas of communication and the environment, as well as providing leadership for our sector on a range of key issues. As the National Peak Industry Body, AUSVEG has an influential and important role in the vegetable industry representing the interests of vegetable and potato growers around Australia. The vegetable growing industry is important to the Australian economy, with an estimated gross value of production of around \$3.6 billion in 2012-13, contributing around seven per cent to Australia's gross value of agricultural production. As such, the vegetable sector plays a critical role in providing food for 23 million Australians and many more globally.

AUSVEG welcomes the opportunity to provide its informed views and contribute to the development of the Government's White Paper on Agricultural Competitiveness.

AUSVEG makes the following comments on the Agricultural Competitiveness Issues Paper (the Paper).

### Key Recommendations

#### ***Enhancing agricultural exports***

- Increase resources and expertise within the Department of Foreign Affairs and the Department of Agriculture to improve negotiations and market access;
- Ensuring that publicly available market access information is accurate and regularly updated;
- The Government needs to significantly increase its investment to market Australian products globally; and
- Ensure government regulations and registration costs for businesses being export compliant are equitable and do not impede growers from exporting.

#### ***Enhancing food security***

- Greater testing of horticultural imports to help guarantee that food entering Australia is safe for consumption and meets the same high standards we expect of Australian growers;
- The Government should consider establishing a single, nationally accepted risk assessment process upon which all national and state and territory plant biosecurity regulations are based; and
- The Government should strengthen front-line biosecurity through increased funding and a system which provides succession planning and the transfer of knowledge between experienced practitioners and new graduates.

### ***Improving the competitiveness of inputs to the supply chain***

- Drivers transporting vegetables need to be allowed special dispensations, to ensure vegetables remain fresh and remain competitive when transported;
- Oversize vehicle regulations need to be less restrictive, particularly where there are minimal risks to society;
- Current Country of Origin Labelling laws need to be simplified and made more transparent, to enable consumers to make more informed purchasing decisions;
- The Government needs to review the current delivery of agricultural pesticides and veterinary medicine technologies to assist increases in productivity levels;
- The Government should undertake a review of input cost pressures in the horticulture sector;
- The Government's R&D investment at a minimum should be maintained, but preferably increased, to improve the profitability and productivity of the sector; and
- The Government should investigate levying imported produce to maintain domestic markets, similar to the United States system where they levy imported produce as if it were locally grown.

### ***Assessing the effectiveness of incentives for investment and job creation***

- Implement strategies to encourage more people into agriculture, and maximise retention by ensuring these roles are linked to career development; appropriate training and skills development opportunities are available; and a concerted effort and focus on high school and university students; and
- Make requirements of Working Holiday visas less restrictive to allow for extended employment options, and expanding the number of eligible countries under the program.

## Detailed Key Responses

### ***Enhancing agricultural exports***

The Australian vegetable industry has historically focused on supplying the domestic market. Consequently, vegetable production has approached (or exceeded) domestic market capacity, leading to a tightening of profit margins. Despite the current domestic focus, there is increasing acknowledgment among vegetable growers that exporting to high value and high growth international markets offers the opportunity to build a more profitable and sustainable industry.

There is significant scope to increase Australian vegetable exports, with only 7 per cent of total vegetable production currently being exported<sup>1</sup>. Despite the relatively low export activity, Australian vegetable growers have already begun positioning themselves to take advantage of key emerging export markets. Currently, nine out of Australia's top twelve exporting destinations for vegetables are located in Asia or the Middle East.

The consumer trends in emerging export markets have been well documented. Consumers across Asia and the Middle East are increasingly affluent, brand aware and concerned about the traceability and safety of the food they consume. This has led to a willingness amongst these consumers to pay a

---

<sup>1</sup> ABS Catalogue 5465.0, International Trade, Australia, 2011-12

premium for high quality, fresh and safe food. This trend plays perfectly to the strength of the Australian vegetable industry, which has a global reputation for excellent quality and safety. Australia's proximity and vegetable growing seasons also provide some advantages, however, it is important to note that these markets are, and will continue to be, highly competitive.

While Australia has some level of competitive advantage in Asian and Middle East markets, both industry and government need to be proactive in ensuring the many barriers to export of vegetables are overcome and vegetable growers competitiveness is enhanced. Market access for fresh vegetables into key international markets continues to be the greatest impediment to export market growth. Many markets with export potential, such as China, are off limits to most vegetable growers due to the lack of market access for the majority of vegetable commodities. The Government must renew its focus on, and significantly boost the resources allocated to, gaining market access in key international markets. Importantly, market access includes achieving practical phytosanitary protocols with those markets.

Finding readily available and easily understood market access and export information is also a major challenge for prospective vegetable exporters. Information provided on the 'Manual of Importing Country Requirements' database, administered by the Department of Agriculture, is often lacking in completeness or currency. Critically, this information is not readily accessible or easily understood by vegetable growers. A relevant comparison is the New Zealand Government's 'Ministry for Primary Industries Importing Countries Phytosanitary Requirements Search System', which contains a much more comprehensive and user-friendly dataset than the Australian equivalent. To supplement a renewed focus on improving market access, the Government must ensure that market access information is comprehensive, accessible, user friendly and accurate for vegetable growers and the wider industry.

Research conducted by AUSVEG indicates that the costs and regulatory burden associated with exporting can often be a major deterrent to exporting. AUSVEG regularly receives feedback from vegetable exporters that the administration of export regulation by the Department of Agriculture, particularly in relation to export consignment inspection, is inflexible, impractical and poorly resourced. Additionally, regulatory costs can create a significant impost on the industry. For example, the annual cost of registering a premises for export with the Department of Agriculture has recently increased from \$550 to \$8,530<sup>2</sup>, which is prohibitive to many growers considering exporting. The Government must reduce the cost and streamline the regulation associated with export activity. Greater resourcing must also be provided to administer export regulation (specifically, providing greater resources to the Department of Agriculture to administer recommended changes to the *Export Control Act 1982* and associated legislation) to ensure growers can remain competitive in export markets.

AUSVEG commends the continued collaborative and supportive approach taken by the Australian Trade Commission ("Austrade") with regard to vegetable industry export initiatives. The Government's on-going resourcing of these Austrade activities is essential for Australian vegetable export market development, particularly in emerging markets where it is often difficult for prospective exporters to establish an on-the-ground presence. Austrade also have an important role to play in the international marketing of Australian produced vegetables. This marketing is pivotal in ensuring the Australian

---

<sup>2</sup> Information released by the Department of Agriculture under FOI 2012.13-47. Excludes temporary transitional arrangements.

agricultural sector can maintain and enhance its reputation for premium quality and safety. Accordingly, AUSVEG supports a significant increase in Government investment to market Australian products globally. These programs need to be appropriately resourced to ensure they are meeting their objectives and enhancing Australia's competitive advantage.

Other major impediments to vegetable export are a lack of export skills and knowledge within the industry and a lack of opportunities to build export relationships. Government and industry must work together to address these impediments. AUSVEG recognises that industry has an important role to play. Currently, AUSVEG is undertaking a number of export development projects that are funded by Horticulture Australia Limited, using the National Vegetable Levy and matched funds from the Australian Government. These projects include the Export Readiness Program, a Reverse Trade Mission and representation of the industry at international trade exhibitions.

Export markets present an opportunity to ensure the Australian vegetable sector is profitable and sustainable in the long-term. The challenge is that Australia faces increasing international competition in these markets. As such, the Government must ensure that export market development and competitiveness is central to future agricultural and economic policy.

### Recommendations

- Increase resources and expertise within the Department of Foreign Affairs and the Department of Agriculture to improve negotiations and market access;
- Ensuring that publicly available market access information is accurate and regularly updated;
- The Government needs to significantly increase its investment to market Australian products globally; and
- Ensure government regulations and registration costs for businesses being export compliant are equitable and do not impede growers from exporting.

### **Enhancing Food Security**

Another essential issue raised in the Paper is the importance of food security in Australia and globally. The Australian vegetable industry is and will continue to be pivotal in contributing to this food security challenge. Whilst Australia is generally food secure in terms of its level of production across agriculture, vegetable imports have increased considerably. Over the last decade vegetable imports have increased by over 100 per cent<sup>3</sup>. In 2012-13, Australia imported \$676 million worth of vegetables while exports accounted for \$249 million<sup>4</sup>. Ten years ago the trade balance was positive. The rapid increase of vegetable imports has placed further pressure on Australia's vegetable growers, affecting their future viability and increasing Australia's reliance on international supply chains. Problematically, these supply chains are sometimes volatile and Australia cannot guarantee steady supply.

Whilst open markets help promote competition, an equality of standards globally of chemical use and food quality assurance is required immediately. The types of pesticides and fertilisers used in

---

<sup>3</sup> Source: Global Trade Information Service, sourced from Australian Bureau of Statistics International Trade data, various years

<sup>4</sup> Source: Global Trade Information Service, sourced from Australian Bureau of Statistics International Trade data, various years

agricultural production tends to vary by country due to resource constraints, costs and different regulations. Australia cannot be certain that the chemicals being used abroad in vegetable production overseas are safe. Greater testing of horticultural imports at the Australian border is imperative. This would help guarantee that imported produce into Australia is safe for consumption and that the same standards of production have been applied as those that are adhered to domestically.

An issue of critical importance seemingly overlooked by the Paper is the role of biosecurity. Biosecurity is essential when it comes to food security and has the potential to significantly affect our food secure status. Australia's current biosecurity regulations are overly complicated and need to be addressed. If legislation and regulations are not consistent then inefficiencies and costs can increase. For example, not all Australian states impose the same suspension zone around outbreaks of Queensland fruit fly (*Bactrocera tryoni*) detections. This lack of national consistency in approach to pest risk reviews and the application of the Department of Agriculture's *Appropriate Level of Protection* has been noted by other countries and has led to difficulties in international market access negotiations. The establishment of a single, nationally accepted risk assessment process upon which all national and state and territory plant biosecurity regulations are based is vital to ensure there is a consistent, scientifically sound, transparent process for the assessment of risk.

Although this recommendation promotes a consistent process for the assessment of risk, it also recognises there are a wide range of factors which contribute to variations in regulations, including differences in regional risk profiles. Such a process will create equivalency between legal and regulatory frameworks of state and territory governments and reduce compliance costs by minimising variations in treatment and management practices for domestic and international markets. It will also promote understanding of why, on a risk basis, laws are consistent.

A number of front line areas of Australia's biosecurity system are beginning to experience shortages of people with appropriate plant biosecurity skills and knowledge. This is compounded by the current difficulties in attracting and retaining people to the agricultural sector. Due to a combination of retirement, higher rates of attrition, inadequate numbers of skilled professionals entering the system and reduced funding commitments to key technical areas by Government, the plant biosecurity sector can expect to see a substantial decline in human resources and core capabilities over the next 20 years. These issues are further compounded by the general lack of succession planning within organisations that provide technical and operational support for plant biosecurity in Australia. A system that provides succession planning and the transfer of knowledge from experienced practitioners to new graduates, in addition to clear career paths for future experts, is required.

### Recommendations

- Greater testing of horticultural imports to help guarantee that food entering Australia is safe for consumption and meets the same high standards we expect of Australian growers;
- The Government should consider establishing a single, nationally accepted risk assessment process upon which all national and state and territory plant biosecurity regulations are based; and

- The Government should strengthen front-line biosecurity through increased funding and a system which provides succession planning and the transfer of knowledge between experienced practitioners and new graduates.

### ***Improving the competitiveness of inputs to the supply chain***

Domestic trucking and freight costs are comparatively high in Australia largely because of the long distances produce is often required to travel to be transported. To this end, the efficient transportation of vegetables is extremely important in ensuring Australia takes advantage of its export opportunities. In addition, shorter transportation times also improve the freshness of vegetables and reduce growers' transportation costs.

Current trucking regulations put vegetable growers at a major disadvantage as vegetables are treated as a non-perishable item. Consequently, many drivers are forced to stop driving to rest, often for an extended period of time, when they are within an hour of their destination. This forced delay significantly impacts the freshness of the vegetables being transported but also imposes additional costs on growers translating into lower returns on already very cheap products with little profit margins to withstand price fluctuations.

To overcome this problem, special dispensations should be made to drivers transporting vegetables. For example, drivers transporting live cattle have special dispensations due to the welfare of the cargo. Highly perishable goods such as vegetables should be allowed the same concessions, since a large amount of produce could become damaged or valueless in a short period of time. Overall, such regulations impose significant delays along the supply chain, reduce the freshness of Australian produce and ultimately our competitiveness. In the majority of cases, a dispensation of no more than an extra hour will allow for those trucking vegetables to be able to reach their destination without experiencing spoilage.

Oversize vehicle regulations also often create costly and timely delays for vegetable producers along the supply chain. For example, there are circumstances where trucks are forced to decouple trailers or unload their freight to a smaller vehicle to enable the freight to reach its final destination. Such regulations need to be less restrictive, particularly where there is minimal risk and impact to society. Minimising these restrictions or providing more flexibility would help reduce transportation costs, translating to fresher commodities and greater returns for growers.

### ***Regulatory issues***

AUSVEG supports deregulating large sections of legislation surrounding business and industry to make it easier for Australian businesses to operate. This is of vital importance to the Australian vegetable industry, which has been suffering under stifling levels of bureaucracy. The vegetable industry will continue to support the removal of green and red tape, particularly when it hampers the potential expansion of the industry's operations.

AUSVEG considers the current food labelling rules need to be much simpler and made more transparent to enable consumers to easily identify which products are from overseas or produced domestically. A system needs to be developed which allows a clear disclosure of the country of origin a vegetable has been grown in and allows consumers to make more informed purchasing decisions. Research has shown

that Australian consumers want to buy Australian grown fresh produce but have difficulty in identifying Australian products.

#### *Plant and Chemical Use*

An improved approach to the delivery of agricultural pesticides and veterinary medicine technologies (Agvet) is required to enable Australian growers to increase productivity levels and assist in contributing to the global food security challenge issue to a greater degree. To help address this issue, AUSVEG recommends that the Government considers the following:

1. A cross industry task force for improved technology access for agricultural production;
2. Government leadership in the establishment of a cross industry minor use and specialty production initiative;
3. Increased international partnership in co-regulation and consideration of efficiencies and incentives for Agvet investment in Australia; and
4. Regulatory reforms to underwrite these opportunities and initiatives.

#### *Reducing Production Costs*

Australian vegetable growers are actively exploring new techniques and methods to reduce their production costs and increase their returns. The largest production cost for most vegetable growers is labour, representing more than a quarter of vegetable growers total cash costs in 2012-13<sup>5</sup>.

Growers' reliance on labour to grow vegetables, coupled with Australia's high labour costs, reduces their competitiveness globally, particularly given that Australia's labour costs are amongst the highest in the world<sup>6</sup>.

To help alleviate some of the labour cost pressures, Australian vegetable growers are being encouraged to substitute labour intensive processes with capital and mechanised improvements. This switch is expected to deliver positive impacts on vegetable growers' efficiency and productivity.

However, purchasing capital involves a significant financial outlay and generally requires a long pay-back period. Any measures or incentives to assist with this transition could prove to be extremely beneficial not only for growers but also the many regions and families the Australian vegetable industry supports. While the Government currently funds concessional loans for productivity enhancements under the Farm Finance Concessional Loan Scheme, this program should be made available nationally. AUSVEG understands that this productivity component of the program is only currently available in Western Australia and Tasmania. Such programs need to be made available to all growers, if Australia's horticulture industry is to improve productivity substantially and be able to meet both domestic and export demands.

Another obstacle facing growers switching to mechanised harvesting processes is the scarce amount of machinery options available. Unlike many other agricultural industries who harvest using machinery, many vegetables are soft and can be easily damaged. The vegetable industry is currently conducting

---

<sup>5</sup> Source: ABARES *Australian vegetable growing farms: An economic survey, 2011-12 and 2012-13*.

<sup>6</sup> International Labour Organization, *Global Wage Report 2012/13, wages and equitable growth*, (2012-13).

research in robotics to identify a harvesting aid for soft vegetables that could increase productivity as well as being sensitive enough to not damage products. Given the significance and long-term role of mechanisation in improving the vegetable industry's competitiveness, investment in R&D at a minimum must be maintained, but preferably increased.

Horticultural levies are classified as an excise on produce and are considered under excise law provisions. These excise collections are contributed towards research, development and marketing. Specifically in relation to marketing, imported produce enjoys a market that has been developed by the domestic industry and its growth as a market has also been funded by the domestic industry. The benefits of these activities are enjoyed by imported producers without them contributing to its maintenance as they do not pay this levy. This creates an unequal position and a barrier to competition.

Tobacco and alcohol products that are imported have matching excises applied so that imported and locally made products are the same. This is managed under customs laws but sets a precedent for imported produce to be treated in the same manner.

### Recommendations

- Drivers transporting vegetables need to be allowed special dispensations, to ensure vegetables remain fresh and remain competitive when transported;
- Oversize vehicle regulations need to be less restrictive, particularly where there are minimal risks to society;
- Current Country of Origin labelling laws need to be simplified and made more transparent, to enable consumers to make more informed purchasing decisions;
- The Government needs to review the current delivery of agricultural pesticides and veterinary medicine technologies to assist increases in productivity levels;
- The Government should undertake a review of input cost pressures in the horticulture sector;
- The Government's R&D investment at a minimum should be maintained, but preferably increased, to improve the profitability and productivity of the sector; and
- The Government should investigate levying imported produce to maintain domestic markets, similar to the United States system where they levy imported produce as if it were locally grown.

### ***Assessing the effectiveness of incentives for investment and job creation***

The horticulture industry's ability to attract young skilled staff to study and pursue a career is imperative to ensuring the long-term success and sustainability of agriculture in Australia. Over the past decade, vegetable growers have found it increasingly difficult to access both skilled and unskilled workers. Impediments to meeting the industry's skills shortage include low levels of industry participation in education and training, low numbers of under-graduates and graduates in tertiary agriculture courses, poor awareness of agricultural career pathways amongst students and the limited capacity of the current education and training system to deliver innovative training solutions<sup>7</sup>.

---

<sup>7</sup> DAFF Workforce, *training and skills issues in Agriculture 2009*, (2009).

The Australian vegetable industry needs a flexible and adaptive workforce that meets growers' needs, by targeting teenagers (at high school or university) to provide an injection of new and younger workers; promoting the industry as a highly-skilled viable and long-term career opportunity; and providing more flexible career development opportunities.

Although enrolments in agricultural courses are no longer declining, there are currently very few courses offered that exclusively focus on horticulture at any university, and many of the agricultural courses have a reduced or limited focus on horticulture. To assist in increasing the number of enrolments in agriculture and improve its image, there needs to be a concerted effort and focus on high school students. An encouraging step could include incorporating farm visits within the school curriculum, with a coordinated marketing approach that identifies and highlights the employment opportunities available. Complementary initiatives include providing students with paid employment for work placements in conjunction with degrees; and targeting agriculture related scholarships at students nearing completion of their course who have exhibited an interest in horticulture as opposed to broader agriculture<sup>8</sup>. Implementing these initiatives would be expected to provide tangible benefits for the vegetable industry and establish a strong foundation the industry could improve upon.

Programs such as the existing working holiday visas provide an important source of labour for most of agriculture. Whilst effective, there remains scope to further improve the uptake and interest of the program. The current program is restricted to a handful of eligible countries, the majority of which are located in the northern hemisphere. AUSVEG considers the list of eligible countries should be expanded, and requirements made less restrictive to allow for extended employment options. This would likely result in increased uptake and interest in the program and provide growers with more labour choices.

### Recommendations

- Implement strategies to encourage more people into agriculture, and maximise retention by ensuring these roles are linked to career development; appropriate training and skills development opportunities are available; and a concerted effort and focus on high school and university students; and
- Make requirements of Working Holiday visas less restrictive to allow for extended employment options, and expanding the number of eligible countries under the program.

---

<sup>8</sup> AUSVEG, *Investigating future training and education opportunities for both new and existing vegetable industry members*, project number: VG12077, (2013).