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Agricultural Competitiveness Taskforce
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Dear Sir

Thank you for the opportunity to provide a submission in response to the Government's Green Paper: Agricultural Competitiveness.

Apple and Pear Australia Limited (APAL) represents the interests of commercial apple and pear growers across all growing regions of Australia. Providing services to growers and their supply chain is core to APAL's business, as is addressing matters of national importance including government policy, regulation and legislation, and providing advice on the investment of the marketing, research, residue and biosecurity levies. APAL also has a commercial division which owns a number of trademarks, including Pink Lady™, and manages the licensing of Pink Lady™ apple production in over 70 countries world-wide.

As indicated in our submission to the Issues Paper, the key issues facing apple and pear growers are:

- Labour: uncompetitive wage rates, red tape when engaging seasonal workers who require a special visa, and a lack of funds to meet the scale of investment required in robotics to assist in offsetting the high labour costs;
- Trade and Market Access: slow progress in gaining access to some markets and achieving improvement to protocols in others;
- Poor Country of Origin labelling laws;
- Ready access to low priced, modern, clean, safe and efficacious chemicals; and
- Improved use of consolidation and/or co-operatives in packing, storage and marketing.

We support the government's view that "agricultural policy is driven by one key objective: to achieve a better return at the farm gate to ensure a sustainable and competitive Australian agriculture sector". There are many options presented within the Green Paper to improve the policy, legislative and regulatory environment so that growers within the apple and pear industry can build a more competitive business. APAL has responded to most of these, as set out below.

One major disappointment however, is the lack of any significant discussion about how we might overcome the problems caused by our high labour costs. In response to stakeholder concerns about high labour costs the Green Paper noted that:

- All workers in Australia should be fairly remunerated and have minimum terms and conditions for employment; and

- The government encourages industry to make a strong, cross-sectoral submission to the Fair Work Commission Review of Modern Awards. This could address issues raised by stakeholders about the inflexibility of award arrangements, particularly with regard to penalty rates and minimum hours.

The elephant remains in the room. Like most horticulture industries world-wide, the apple and pear industry is very labour intensive. But our wage costs are significantly above those of all of our competitor nations (New Zealand, Chile, USA, South Africa), making it difficult to secure export penetration and compete with cheaper imports.

APAL does not believe that the current review of the Modern Award is the appropriate forum in which to address our uncompetitive wage structure. The issue is much broader than the ambit of the Fair Work Commission. Government itself must demonstrate leadership and devise innovative solutions to address an ingrained economy-wide and unsustainably-high wage structure.

APAL and the apple and pear industry are doing our best to overcome the uncompetitive wage impediment by using the R&D levy and other industry investment to explore the use of robotics to replace or improve the efficiency of labour. Robotic research is currently focused on:

- Developing automated decision support models for all orchard operations;
- Remote sensing of nutrient status of the tree, water requirements and pest presence;
- Precision orcharding involving flower and fruit mapping and fruit size monitoring; and
- Robotic harvesting and pruning.

However the scale of investment required to find truly ground-breaking solutions is beyond the scope of Australian horticulture industries alone. Investments of this type are expensive and tailored solutions to the many industries within horticulture will be needed. In addition to designing, building, testing and refining robot prototypes we also need to define what research and extension activity is required to redesign tree structures and other farm and pack-house infrastructure to enable robots to “work the orchard”.

Investment in MARRS (mechanisation, automation, robotics, remote sensing) has the potential, in the medium term, to “level the playing field” for Australian horticulture in term of costs of production. Additionally, by leveraging the extensive work already undertaken by the Centre for Field Robotics at the University of Sydney, investment could also position Australia as a world leader in MARRS, not only in horticulture but more broadly across agriculture

It is our firm belief that any discussion of agricultural competitiveness must address the high labour cost issues and explore both our award system and the necessary investment into robotics and its application to Australian agriculture. Moreover, we ought to be having such conversations now, so that the appropriate policy

landscape can be built to accommodate the significant decision-making that will be required.

Yours sincerely

John Dollisson
Chief Executive Officer

1. Infrastructure

Road transport is important to the mainland Australian apple and pear industries because growing regions and packing houses are generally located considerable distances from the major metropolitan wholesale markets, the distribution centres of supermarket chains and ports for export. For Tasmanian apple growers, sea freight is an important issue. As growers refocus their businesses toward seizing export opportunities, airfreight access will also become important. Like all horticultural business, access to fast, effective, reliable and low cost telecommunications and internet is fundamental to building a profitable business.

Policy idea 2—Improving existing infrastructure and transport regulation to reduce transport costs

APAL believes that the Commonwealth needs to do more in working with the States to harmonise interstate regulations on transport. APAL welcomes recent moves toward the national harmonisation aimed at removing differences between the heavy vehicle road transport laws operating in each state and territory. These differences have made it difficult for apple and pear packers to navigate the rules and comply with inconsistent jurisdictional requirements. The establishment of the Heavy Vehicle National Law (HVNL) and a national regulator should in theory reduce the compliance burden for business, increase industry international competitiveness, and make it easier for apple and pear businesses to operate across state and territory borders. However a number of states, such as NSW, have introduced variations to the national model. This simply defies the point of harmonisation.

Going forward, APAL believes that harmonising interstate regulations on transport is critical. For example, Geoffrey Thomson Holdings Limited, a vertically integrated horticultural business based in Shepparton, Victoria, operates a fleet of heavy vehicles transporting apples, pears and other produce from their packing shed to a number of interstate wholesale markets and supermarket distribution centres. Their B Doubles have Mass Management Accreditation under Victorian laws, and are able to operate up to a 68 tonne gross vehicle weight. Queensland laws similarly allow the vehicles to carry a 68 tonne mass. However to access the Brisbane Market and Brisbane distribution centres the trucks must use NSW roads, and the NSW State regulations stipulate that without operating the Intelligent Access Program (IAP) the maximum allowable weight under the Concessional Mass Limit (CML) is 64.5 tonnes. Consequently all trucks departing Shepparton to either NSW or Queensland must use the lower maximum weight of 64.5 tonnes, which reduces efficiencies and sales volumes, and adds to both costs and extra vehicles on the roads. NSW does not recognise the company's Victorian Mass Management Accreditation, and to gain the higher 68 tonne permit for NSW the company would have to invest in additional hardware and systems in order to comply with the requirements of the NSW IAP. Investment of this kind is seen as wasteful and duplicates the costs already invested to achieve Victorian Accreditation.

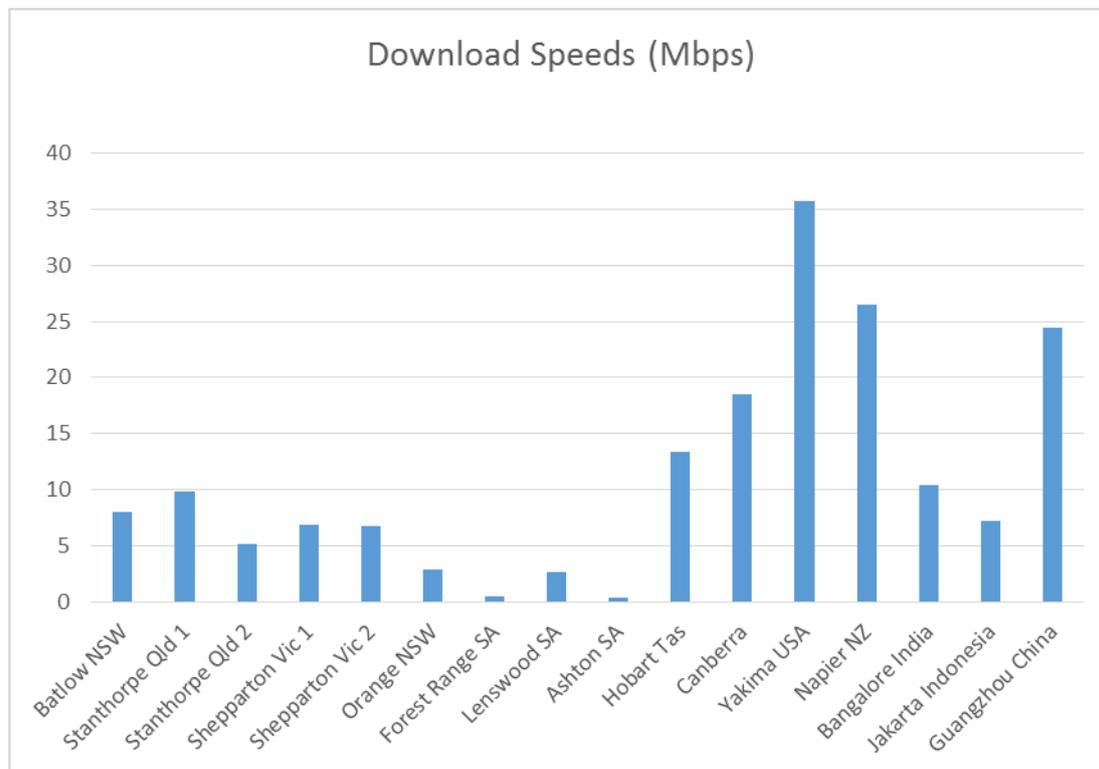
The other main area adding costs to the business is registration fees and charges. When heavy vehicles are used for interstate operations they can be registered under the Federal Interstate registration scheme. However if heavy vehicles are used for loads that are both picked up and delivered within Victoria they must be registered under the Victorian Local registration scheme. There are significant savings in registration fees and charges having heavy vehicles registered as Federal Interstate, as well as no stamp duty being applied at to the vehicle value at the time of initial registration. Under Victorian local registration there is a stamp duty charge, and the registration fees and charges are close to double that charged for Federal Interstate registration. The problem is that even though most of the freight movements would allow the fleet to operate with Federal Interstate registration, there are times when a heavy vehicle may travel from Shepparton to Sydney, then take a back load from Sydney to Melbourne, and to finish the trip may take a further back load from Melbourne to Shepparton in order to be ready for the next trip Interstate. The problem here is the Melbourne to Shepparton leg which makes the vehicle ineligible to operate on the Federal Interstate registration program. There is also another anomaly for the business in moving fruit from any of their seven orchard properties located in regional Victoria to the cold storage and packing facility in Shepparton. The trucks doing this work would qualify for Victorian Primary Producer registration concessions if that was the only work that they carried out, however the trucks used for this work may also transport packed fruit to the Melbourne Markets or supermarket distribution centres during the night, and because some of the produce on the truck may belong to someone other than the Geoffrey Thompson Group, it disqualifies the company from accessing the primary production registration concessions. Dedicating some vehicles to orchard pick-ups, others to intra state only work, and yet others to Interstate only is commercially unworkable.

Policy idea 3—Enhancing communications

APAL supports the government's commitment to ensuring that farmers and regional communities have access to reliable and affordable communications systems.

As noted in our submission to the Issues Paper, affordable access to broadband is critical as is adequate mobile phone coverage (without mobile black spots). Growers are keen to exploit new technologies embedded in mobile applications to improve farm management including pest identification, crop data instruments, weed control and weather applications, chemical label readers and GPS devices. These tools are specifically designed to improve the in-field productivity of growers but there is little point in including them into good farm practice if growers cannot obtain reliable access to the telecommunications network. For example, a number of members recently compared their internet speed with the rest of the world. The speeds they received in some of our growing regions were well below those were only 'marginally' better than that of developing countries like Indonesia and India (Figure 1). More importantly, the download speed (measured as Megabits per second – Mbps) are well below those experienced in Napier, New Zealand and Yakima, USA which are major apple competitors.

Figure 1: Internet Speed Test by Ookla¹



2. Working with the States and Territories

Policy idea 4—State government deregulation

APAL appreciates efforts made by the Commonwealth and State governments to prioritise red tape reduction, remove regulatory duplication and improve the performance of regulators.

The lack of harmonised work health and safety requirements is one area that requires particular special attention. Some of our larger growers operate orchards and packing facilities in several states. Directors and management of these businesses are required to be familiar with multiple laws, a wasteful use of their time. It also adds to training costs when transferring supervisors and staff across sites.

Local planning laws are also of concern. Some apple growing districts such as the Yarra Valley in Victoria are located close to major metropolitan areas. Councils in these areas often impose unrealistic planning laws and processes for the approval of environmental netting on orchard blocks that are visible from roads used by tourists seeking a rural experience and rustic panoramas. As expressed by Growcom²,

¹ <http://explorer.netindex.com>

² IP347 page 13

governments at all levels need to work with industry to educate local planners on the importance and value of the agriculture sector and the potential impacts of poor planning decisions.

3. Competition and regulation

APAL concurs with the view that farmers can have stronger negotiating positions when they have alternative channels to market. Developing export markets is an important alternative for apple and pear growers and much more can be done to secure international markets (see Section 11). Nevertheless the domestic market will continue to account for almost all of the apple and pear crop. Changes to competition policy and regulation, as well as the provision of better data and encouraging grower marketing co-operatives, can do much to improve growers' ability to extract a fair return.

Policy idea 7—Improving market competition

APAL:

- a) Supports, “in principle”, measures to improve price transparency throughout the domestic supply chain. We would support an initiative by ABARES to publish a weekly state and weighted average wholesale market report on apple and pear sale prices (and volumes) by variety and analyses that the collection of such data might afford. Data by variety is crucial because “apples ain’t apples” and generic price indices would have limited real meaning for growers.

Capturing wholesale data would, however, reflect sales of around half of the fresh product market because about half is sold direct by growers to the supermarket chains. APAL does not support the compulsory acquisition of farm-gate prices paid by the supermarket chains or conversely those received by growers. Without a mechanism to compulsorily acquire price information from growers or supermarkets, it is highly unlikely that a meaningful data series could be generated.

- b) Recommends that funding be provided by government for ABARES to undertake commodity profitability studies for the apple and pear industry as well as other major horticultural commodities. For a long while ABARES has undertaken detailed studies of the input costs and farm-gate profitability of the broadacre grain, livestock and dairy industries. We believe that similar data and analyses would be highly valuable to apple and pear growers as it would enable them to benchmark their own businesses, which in turn can improve expenditure, investment and marketing decision-making. We note that a similar exercise has been undertaken for many years by New Zealand’s Ministry of Agriculture for their apple industry.

The farm-gate profitability studies undertaken by ABARES for the Australian broadacre grain, livestock and dairy industries were, for many years, fully funded by the Commonwealth Government and co-funding has only been sought from those industries in the last couple of years. Given the status of horticulture as the third most important sector in agriculture from a GVP

view and being the largest employer, it is high time that the government provided a similar service to the horticulture sector. Fully funded profitability analyses should be provided by government as it was for broadacre, diary and livestock. We agree that current economic circumstances require that this might be for an initial period (say, five years) but at least this would help “prove up” the value of the activity and the data and information that it generates, so that over time growers could be persuaded to fund the activity themselves.

- c) Agrees that ABARES should report regularly on comparable input costs, especially labour and chemical costs, in major competitor countries. Data must, however be on a sector by sector basis rather than a generic agricultural cost schedule. It is important that Australian policy makers and legislators as well as the industry generally are continuously aware of the reasons that contribute to our high costs of production. This helps narrow the priority areas for cost reduction efforts and improved efficiencies, both at the farm-gate, supply chain and regulatory level. Unless industries like apple and pear are able to reduce costs our international competitiveness will continue to struggle.
- d) Supports greater use of cooperative structures to assist farmers. We believe that co-operatives have the capability of representing the interest of small orchardists by providing them the ability to improve their bargaining power at both a domestic and international level.

In our industry, cooperative structures might relate to the marketing of domestic fruit (to improve negotiation capacity with retailers or processors), cool-storage and packing of product through one facility (to maximise throughput and reduce costs), or treating and packing export fruit through one facility (to reduce export facility registration and audit costs and achieve the scale required by foreign buyers). The advantage of co-operative systems is that they allow the family farm operation to be maintained should amalgamation or corporatisation not be favoured by growers.

There have been a number of State Government initiatives to promote the roles that cooperatives can play but these have not been tailored to the needs of our industry. As a result promotion of the concept has failed to gain traction with apple and pear growers. APAL recommends that grower representative organisations be directly engaged by the Commonwealth to develop programs to inform their growers about the pros and cons of cooperatives and the steps required in establishing them. The provision of tools to assist in decision-making about establishing co-operatives would play a key role in this.

Policy idea 9—Improved regulation

APAL supports the removal of unnecessary red and green tape in order to reduce costs for business. Specific recommendations include:

- a) Ready access to low priced, modern, clean, safe and efficacious chemicals is of key concern to the Australian apple and pear industry. APAL is concerned

that market failure in the development and registration of AgVet chemicals has not been addressed by government. We believe there is a market failure in the generation of new production tools by international chemical companies to create solutions to Australian pest management – this is partially a result of Australia’s relatively small size, particularly in relation to indigenous pests that have no relevance to the larger European, US and Asian markets.

As a regulator the APVMA requires a great deal of data to support a registration or permit approval. Required data generally pertains to the application of the chemical to Australian growing conditions or against Australian production/growing patterns, or to Australian indigenous pests.

Much of the data is specific and does not have application elsewhere. Data generation is therefore very expensive. However, the market for chemicals in Australia is very small and chemical companies have little opportunity to recover the costs of data generation and the associated research. The result is that chemical companies do not invest in the development or registration of chemicals for minor crops or for usage against minor pests. The resulting market failure is detrimental to Australian growers.

We therefore support initiatives to make better use of the advice of trusted foreign regulators such as the US, Canada and New Zealand to streamline chemical assessments. This would reduce the need for conducting comprehensive first-principles assessments of applications. Additionally, the generation of new, Australian specific data should not be required when adequate scientific evidence can be provided for applications in the same industries and/or commodities can exhibit similar use patterns (climatic/geographic/farm application).

The timelines involved in chemical registration also need to be reviewed. We understand that Australia takes considerably longer than both New Zealand and the USA to register products and this disadvantages growers who do not have the ready access that our competitors have.

The on-going availability of alternative classes of product is crucial to the management of the integrity of any one chemical product. Continued use of one product can lead to pest and disease resistance. It is APAL’s understanding that this has become a major issue overseas. Additionally, the increasing use of soft chemicals in response to environmental concerns and a move away from broad spectrum chemicals can mean that minor pests can become major ones. Speedier and less complex registration processes might encourage international chemical companies to make alternative classes of product more readily available to Australian growers.

- b) Country of Origin Labelling for food. APAL broadly supports the recommendations made by the House of Representatives Standing Committee on Agriculture and Industry inquiry into country of origin labelling. We urge government to ensure that the necessary legislative and regulatory changes are implemented quickly to achieve those recommendations.
- c) Regulations imposed upon the employment of Visa labour are addressed in Section 9.

- d) Compliance is the most expensive overhead incurred by the industry and is generally considered to be a massive burden by apple and pear growers. One major grower from Western Australia experiences 10 different audits each year and requires a person 3 days a week to ensure all compliance policies are met.

Some of these audits are driven by retailers, some by import countries as part of protocols, and others by government. There is a desperate need for greater harmonisation on all fronts. A key bugbear for growers is our inability to achieve alignment with the major retailers in accepting a harmonised Quality Assurance standard and a reduction in the quantity of certifications required. Although outside the immediate realm of government, this acts as a major impediment to cost competitiveness and government may need to take a proactive stance with the supermarket chains on this issue. Other bugbears include the lack of harmonisation around OHS and heavy vehicle usage across state boundaries, as explored in earlier sections.

4. Finance, business structures and taxation

Policy idea 10—Improving access to finance

APAL agrees that effective finance mechanisms are required to provide orchardists with the capital they need to grow. In regard to options proposed by stakeholders APAL:

- a) Supports the current temporary concessional loan scheme which assists long-term viable farmers to restructure their debt and invest in productivity improvements. However we do not support an extension of the scheme on a permanent basis. Attempting to improve the profitability of agriculture through the provision of loans at lower interest rates than the remainder of the community could send the wrong market signals to growers. We agree that there is a risk that a permanent concessional lending facility would encourage farmers to take on more debt, and potentially prop up farms that are underperforming and subject to high financial risk. More importantly it unfairly penalises those apple and pear businesses that have built profitable businesses that would not qualify for debt restructuring.
- b) The development of an income-contingent loans scheme to encourage young farmers to stay on the family farm or to enter new enterprises is worthy of greater consideration. APAL recommends the government fund research to assess the viability of such a scheme.
- c) Likewise greater research should be undertaken to determine what incentives might encourage greater institutional investment in agriculture or what impediments discourage investment now. We would not support any compulsory diversion of superannuation funds into farm investment.
- d) Supports greater encouragement to foreign companies to invest in our industry. Partnerships between a grower and an overseas buyer would not only make capital available to expand but also assist with better marketing of product overseas.

Policy idea 11—Improving tax system efficiency and equity

In regard to stakeholder suggestions APAL:

- a) Supports accelerated depreciation of farm plant and equipment. We agree that making sure that the period over which an asset can be depreciated for tax purposes matches the actual on-farm life of the asset would encourage farmers to upgrade to newer technologies more quickly and so enhance productivity. Additionally we agree that a 100 per cent write-off in one year of new drought preparedness water infrastructure should be implemented. Likewise, an immediate write-off of environmental netting should also be permitted.
- b) Supports the views expressed by Cider Australia³ that any reform proposals to the Wine Equalisation Tax (WET) should not have unintended and potentially catastrophic impacts on the small but exceedingly important Australian cider industry which provides a secondary income to many apple and pear growers. Cider is a fruit wine and, like wine made from grapes, is produced by fermenting juice. Most ‘traditional’ ciders in Australia – those made with apples and/or pears and with no flavours or anything that adds colour – are taxed on a similar basis to wine under the WET. A rebate scheme for producers applies to a portion of the tax paid. Any ‘cider’ that does not meet this definition is taxed under the excise regime along with beer, spirits and ready-to-drink beverages. Like Cider Australia, APAL supports the current approach and considers that cider produced in Australia should continue to be taxed in a similar manner to Australian wine given cider production is most closely aligned to that of wine. Reforms to tighten eligibility and close any loopholes in the WET rebate scheme, such as those recently proposed by the Winemakers’ Federation are also supported

Policy idea 12—Farm Business Improvement

APAL supports stakeholder views that greater access should be provided to independent financial, strategic business planning and succession planning advice to improve grower decision-making. APAL agrees that the Entrepreneurs’ Infrastructure Programme should be extended to support small and medium businesses in primary production. APAL also supports government funding of reimbursement of up to half of the cost to make business improvements recommended in the business evaluation report.

One way could be to contract grower representative organisations to partner with specialist experts in business structures, financing options and models, succession planning, application of new innovations, risk management, skills development and workforce planning to deliver programs to growers. The involvement of grower representative organisations could encourage greater uptake of such services by

³ IP181

communicating the benefits, showcasing successful outcomes and developing tools and case studies to assist industry.

Communicating the benefits of collaboration, or co-operative packing and marketing could be incorporated into such a program. As indicated in our response to the Issues Paper, APAL is particularly keen to investigate whether there are opportunities for more family farm businesses to form co-operatives for grading, packing and storing fruit as well as developing joint marketing initiatives. For example, the vast majority of growers still own and operate their own sheds and are reluctant to rationalise because of the capital tied up in the infrastructure. The return on capital is unlikely to be economic and the situation is untenable for a profitable future. The major supermarkets are increasingly buying from a limited number of growers/pack houses in order to simplify their supply chains and minimise buying prices. But smaller pack-houses simply do not have the scale to be able to supply the major supermarket chains. Likewise many smaller orchardists have not been able to afford the capital infrastructure needed to meet the quality and packing requirements of the major supermarkets. The lack of infra-red technology to detect internal fruit defects is one example.

APAL would welcome a government initiative to assist the apple and pear industry to assess alternative farm business structures, particularly in regard to the pros and cons of integrating orchard production with the next step in the supply process – sorting, grading and storing fruit. The key question is whether growers in particular regions or districts would benefit from decommissioning their own sheds and jointly building new facilities that employ world’s best technology. This would help reduce the level of fragmentation within the supply chain and allow groups of smaller orchardists to scale up. This should also assist them in being an effective export source which requires both volume and consistency of supply during the season.

A government initiative that identifies the number, size and location of existing facilities, outlines the business case for rationalisation and co-operative marketing, reviews alternate ownership structures, and evaluates alternate financing opportunities would go a long way in addressing the needs of many apple and pear growers. Rationalisation is one possible way of ensuring that these businesses concentrate effort in what they do best – grow fruit – and support the on-going viability of their preferred business model, the family farm.

5. Foreign investment

APAL supports the government’s commitment to increased scrutiny of foreign ownership in the agriculture sector through the establishment of a Foreign Investment Register. We understand that creating a comprehensive record of existing investment from foreign owners is complex but progress on the development of the Register is far too slow. The Register will provide transparency and better enable the community to access facts about foreign investment and will, as a consequence, provide a degree of comfort to many growers.

At the same time, APAL is concerned that the Register might be perceived by incoming international finance as a barrier to investing in Australian agriculture. We believe that foreign investment, particularly in packing sheds, would benefit our industry: by providing the finance required to upgrade outdated technology and equipment and by providing links into overseas markets. APAL notes that there appears to be a strong correlation between the increase in citrus exports and the purchase of the Mildura Fruit Company by Bright Foods, a Chinese (Shanghai) state owned enterprise. APAL would be keen for similar investment in an Australian apple and pear packing facility to help drive mainland access in the first instance and then export volumes once that is achieved.

Policy idea 13—Improving the transparency of foreign investment

APAL supports stakeholder (White Paper) views that the Register be expanded to include water and agribusiness enterprises to improve transparency and allow for a more informed debate about foreign ownership.

6. Education, skills and training, and labour

Policy Idea 14—Strengthening agricultural education

APAL supports measures that improve the availability of agricultural education and the promotion of careers in agriculture and agricultural support services such as science based research, biosecurity and agronomy. Ongoing skills development and training for growers and orchard and pack house workers is also critically important. Access to short modular skills training and tools in using spreadsheets, financial literacy, and preparing a business case for investment decision-making is a key deficiency in the apple and pear industry. Employing technology solutions to reduce paperwork, labour management, succession planning, marketing and negotiation skills are some other areas that need to be addressed.

APAL commends the government's Industry Skills Fund initiative that will provide \$476 million over four years to support the training needs of micro, small and medium enterprises that cannot be readily met by the national training system.

APAL also supports continued funding of AgriFood Skills Australia to provide leadership to and consult with industry and key stakeholders in the development of qualifications and skill sets including for rural and agricultural industries.

The provision of units of study that qualify for funding rather than today's reliance upon courses would also be a welcomed move. Many apple and pear growers cannot afford to release themselves or employees to attend courses that take them away from the business for too long. Shorter courses or modular training to formal qualifications could improve uptake amongst apple and pear growers.

To encourage young people into agriculture we support an expansion in the assistance provided by the Youth Allowance for students undertaking tertiary agriculture study. The eligibility criteria for gaining a living away from home allowance should also be amended for tertiary agricultural students that come from regional and rural areas, not just remote areas. We also support the establishment of a young farmers mentoring and networking programme.

Policy Idea 15—Strengthening labour availability

Visa programmes are a crucial source of labour in the apple and pear industry. Labour for both farm (harvesting particularly) and shed (grading, sorting, packing) is sourced from both pools: the Working Holiday Maker (417) and the Seasonal Worker Program. Some employers also engage labour under the Temporary Work Skilled visa (457) scheme.

The red tape surrounding the management of a labour force from these programmes, the lack of flexibility in employment periods and pathways to migration, and the need to provide superannuation to backpackers is of concern to many growers. APAL supports:

- a) Expansion of the WHM (417) visa by increasing the qualifying age, the number of eligible countries and permitting off-shore applications for a second visa from individuals who have previously come to Australia on a 417 visa.
- b) Broadening the skills coverage of the Temporary Work Skilled visa (457).
- c) Expanding the Seasonal Worker Program. Some growers believe that seasonal workers cost more to employ because of the additional charges imposed upon growers by employment sponsors and because employers need to cover international flights and domestic transportation. Waiving these costs might induce greater uptake of the seasonal worker program.

More flexible rules around the start and end dates for work teams employed under the Seasonal Worker program would also improve uptake. Whilst harvest will generally commence at roughly the same time each year, weather conditions leading up from bloom through fruit set through fruit ripening can play havoc with dates. This means that growers bear the risk of engaging 416 Seasonal Workers too early, before the fruit has matured or too late after the fruit has matured. Greater flexibility around the employment date rules is required.

- d) The automatic provision of tax file numbers and superannuation accounts to applicants upon their arrival in Australia or upon the issuance of the Visa, would reduce the administrative burden endured by growers.
- e) Raising the minimum income threshold beyond which superannuation must be paid to 417 visa and Seasonal Workers to reduce the compliance burden with superannuation arrangements.
- f) Providing clearer pathways for Visa holders to take permanent residency would make it easier to retain quality workers and reduce the costs of recruiting and training new ones each harvest. Many growers express

frustration that after two years they lose their most valuable 417 visa holders even though both parties would like to continue the working arrangement. The same applies to skilled 457 Visa holders where farmers would prefer to employ them long term. We believe that making it easier to convert the 417 and 457 Visa into permanent residency for valued employees would help grow regional townships. To assist the conversion process some recognition of the skills that visa holders have acquired as part of the job here should be given, even if they have not acquired formal qualifications.

APAL supports continued funding of the harvest labour service operated through the Harvest Trail program. APAL frequently refers phone and email inquiries to the service which enables growers to advertise positions and job seekers to readily locate fruit picking opportunities across the country.

As noted in our response to the Issues Paper, the payment of superannuation to international backpackers is a perennial and contentious issue within the apple and pear industry. The Superannuation Guarantee Scheme was introduced to assist Australians to prepare for their retirement and reduce the long term burden on taxpayers generally. The rub, however, is that foreigners are able to access their superannuation entitlements upon departure from Australia. Australians meanwhile are required to await their preservation age (55 to 60 years depending upon date of birth). More importantly, since the entitlement is paid upon departure, it is not possible for foreigners to spend their entitlements within Australia – a leakage that means the Australian economy is worse off.

APAL accepts that the compulsory nature of the superannuation contribution is not unreasonable; if contributions were not compulsory for foreign employees their employment costs would be much lower, artificially enhancing their attractiveness relative to local labourers. APAL instead suggests that the equivalent of the superannuation entitlement paid on foreign labour be diverted to the Horticulture Innovation Australia Limited to be pooled with grower R&D levies.

APAL also supports the establishment of a register of 417 Visa labour hire firms for the horticulture sector. Given the compliance burden associated with employing large numbers of people during peak harvest or packing periods many growers choose to outsource the service to contract labour firms. However not all of these firms “do the right thing” and fail to check the legality of the visas and in some instances pay labour below minimum award rates. Under the Act farmers remain legally responsible and this seems unfair even though the visa holders are not directly engaged by them. Dishonest contract operators give horticulture a bad name but are hard for industry to police because many are phoenix companies. Government involvement is required.

7. Drought

APAL commends the government commitment to providing appropriate support for farmers facing hardship due to severe drought. However we believe that this commitment should be extended to other extreme weather events including flood and excessive storm damage.

Policy idea 16—Increasing drought preparedness

APAL agrees that a strong and profitable farm business is the best way to prepare for and manage drought (and other extreme weather events).

In response to the policy options to improve drought and other disaster preparedness:

- a) We agree that full depreciation in the first year would encourage greater on-farm investment in new water infrastructure. As explored elsewhere in this Submission, this should also extend to environmental (e.g. hail and pest netting) infrastructure.
- b) APAL is supportive of measures that would encourage greater uptake of insurance products which in turn help reduce the impact of adverse weather and drought on farm income by partially offsetting lost revenue and infrastructure damage. The provision of grants to reduce the upfront costs associated with the risk assessment process for a multi-peril or revenue insurance product is one option. We support the notion that such an option could be used while new insurance providers are entering the market and establishing products and withdrawn over time as the market develops.

There are currently no known multi-peril crop insurance options available to Australian horticultural producers. The suggestion that government provide grants to reduce the costs of risk assessment processes for commercial insurance products would therefore not assist the horticulture sector.

APAL also supports the suggestion that State governments be encouraged to remove stamp duty on insurance products. This would make insurance premiums more affordable for farmers.

- c) APAL supports continued investment in the science of weather prediction to help improve the accuracy and timeliness of the Bureau of Meteorology's seasonal forecasts. The creation of decision support tools for tablets and smart phones as well as online applications to enable growers to better understand what weather information means, its limitations and how it might be used on-farm should be encouraged. It is likely that such tools would need to be industry specific which may mean limited sales volumes in Australia which may, in turn, deter private sector investment. APAL believes that grower representative organisations and other extension service providers would be well placed to promote the uptake of weather decision support tools, through regional workshops and training, supported by industry magazines and websites.

Like many stakeholders, apple and pear growers express frustration at the coverage of the Bureau’s weather stations. For example, despite being a significant horticulture region, weather readings and forecasts for Batlow in NSW are taken from facilities located at Mt Ginini (which is too far east) and Tumbarumba (which has lower rainfall) and have little meaning for local growers. The high rainfall at Batlow also has consequences for the flow from the creeks downstream to Adelong and Wagga Wagga and those farmers as well as emergency services also have an interest in greater knowledge about Batlow weather.

Policy idea 17—In-drought support

APAL supports community expectations that government provide support to farm families and otherwise viable farm businesses suffering severe droughts. This includes current government programs such as the Farm Household Allowance Options, Drought Concessional Loans, Farm Management Deposits Scheme and other taxation concessions that assist farmers with managing income variability, the Rural Financial Counselling Service and the Natural Resource Management initiative to improve environmental resilience, including the National Landcare Programme. We also support calls by other stakeholders for additional mental health support in times of drought. APAL however, believes that consideration be given to extend:

- All of these facilities in times of flood and other extreme weather events; and
- Eligibility for Farm Management Deposit scheme participation being widened from individuals to include partnerships and companies.

However APAL also recognises that over the longer term, the provision of relief packages may need to be replaced by insurance. In the apple and pear industry, many growers adopt their own risk management strategies by installing environmental netting. This reduces damaged caused by hail, birds and bats. However in extreme weather events like hail, strong winds and bushfire, nets can become damaged. It costs \$50,000 per hectare to purchase and install netting and many insurance companies will not insure them. The failure of insurance companies to insure netting is a significant impediment to greater uptake which means that more businesses are reliant upon government assistance and or insurance payments in the event of severe crop damage.

APAL suggests that the government explore ways in which an effective insurance market can be developed. This would include an assessment of the costs and the advantages and disadvantages of developing a competitive multi-peril insurance market for Australian horticulture.

8. Water and natural resource management

APAL supports the sentiment that the future competitiveness of the Australian apple and pear industry is dependent upon the sustainable use of our land, water and soil resources—and a healthy natural resource base is integral to a growing

sector. To this end a significant portion of the apple and pear R&D levy is invested in research – the PIPS program – which specifically targets improved soils, more effective water use and integrated pest management.

Apple and pear growers are heavily dependent upon reliable water resources, be they from on-farm dams, local creeks and rivers or from irrigation systems. We agree that improving access to reliable water supplies and better managing existing water resources is essential for the continued growth of our sector.

Policy idea 18—Improving water infrastructure and markets

APAL supports a number of stakeholder suggestions to improve water infrastructure, markets and administration, including:

- a) Investment in new dam and infrastructure projects. APAL applauds the recent Queensland Government decision to approve construction of the \$76 million Emu Swamp Dam in Stanthorpe. Nevertheless it is important to note that ten year debate around this dam illustrates how infrastructure decision-making in Australia is too often caught up in planning and environment processes that create unnecessarily long delays and missed opportunities.

Greater transparency around cost options for future water infrastructure projects is required. Unless apple and pear growers (and neighbouring agricultural enterprises) have a clear understanding of the likely cost (cents/mega litre) of their accessing irrigation water from proposed dams (and dam size options) they will not be in a position to determine whether they can support dam construction or not. The lack of such information was a key barrier to the resolution of the Emu Swamp dam.

As noted in APAL’s submission to the Issues Paper, governments need to speed up approval processes to enable growers to build new on-farm dam storage and to purchase more water allocation to replenish their dams. This is a particular problem in NSW.

- b) Providing accelerated depreciation for investment in on-farm water infrastructure. We expect that pressures for increased on-farm storage will continue into the future as orchards increasingly shift to high intensity systems. Overhead sprays are often required in these orchards to reduce weather risks like frost and heat stress but this can increase water storage requirements from 5 megalitres per hectare to around 9 megalitres per hectare. With returns of more than \$50,000 per hectare, intensive orchards represent a very high value use for water. Accelerated depreciation would encourage greater investment in on-farm water infrastructure.
- c) Improving the functioning and flexibility of water trading markets. Water trading rules and the lack of co-ordination between governments create difficulties amongst some apple growing regions. In Batlow for example, water trading is difficult at the top of the catchment as there are rules including flow rates that must be achieved before water can be harvested. However this timing does not coincide with the times water is required on orchard. Consequently on-farm water storage is required before a grower

can buy more allocation. The Federal Government could change policies employed by the Murray Darling Catchment Authority but it would also need to encourage the NSW Government to allow off-stream storage for top of catchment areas like Batlow.

Policy idea 19—Natural resource management initiatives

APAL believes that natural resource management initiatives could be strengthened through:

- a) The provision of income streams from government to farmers in recognition of environmental stewardship. In effect this pays for the positive externalities that growers create when managing their waterways, farm forests and ecosystems and ensures that an optimum investment in this activity is achieved; and
- b) Targeted approaches to biosecurity and pest and disease management (see Section 10) are required.

9. Research, development and extension

APAL has lodged a detailed response to the current Senate Rural and Regional Affairs Committee in regard to the R&D and marketing levy system. A copy of that submission is attached for your reference.

We fully support the co-investment model that enables both growers and government to fund critical research and extension to improve Australia's international competitiveness and to develop industries that are profitable (and therefore sustainable) well into the future. As addressed elsewhere, labour costs are our biggest challenge and greater research into the application of mechanisation, robotics and automation within the orchard and how growers can adapt their tree structures and farm infrastructure to adapt to robotic labour will be a key need going forward. The same labour cost and the need for labour saving solutions will apply across almost all of horticulture. However the research and extension required to make this a reality will be beyond the combined financial resources of the individual industries. APAL encourages the government to allocate a significant portion of the \$100 million strategic funds to achieve this outcome.

Policy idea 20—Strengthening the RD&E system

APAL supports "in principle" the government's desire for greater collaboration, cross-sector and transformational research and extension to promote better coordination, reduce duplication and the facilitation of private markets in extension services. However, as noted in the aforementioned Senate submission, APAL supports a pooling of a small and well defined portion of R&D levies for across horticulture and across agriculture benefit.

In the past, Horticulture Australia Limited operated an across horticulture budget of \$2.5 million, a transformation fund of around \$1.3 million, and multi-industry

projects valued at \$7.2 million. APAL does not know whether across horticulture investment will continue at this level under the new RDC, Horticulture Innovation Australia Limited. We would expect the new RDC to undertake a thorough analysis to support a case for any expansion of the cross industry program and such a case must demonstrate that it would deliver better outcomes and returns for apple and pear levy payers. APAL also believes that the nominated “portion” to be directed to cross horticulture and cross agriculture pools of investment must be negotiated by the RDC with those who know their industries best – the grower representative bodies and levy payers. Ideally this “portion” would be negotiated on a 3 to 5 yearly basis to ensure a steady known funding base available to R&D agencies and service providers. Although once negotiated, it should not be rigid, forcing R&D projects that may not be up to par just to meet the portion.

APAL agrees that the rural RD&E priorities should be reviewed to ensure that they better align with community needs. However the creation of a new organisation to coordinate cross-sector research would be superfluous, as the task belongs to the existing Council of Rural Research & Development Corporations. As explained in Section 4, greater access to the R&D Tax Incentive would encourage greater investment by growers in R&D.

Development (adaptation) and extension (adoption) of research is critical, otherwise there is no point in investing agricultural research funds in the first place; unless of course research proves to be in the negative which in itself can be a desirable outcome to prevent future wasteful research along the same pathways.

APAL strongly believes that apple and pear levy is appropriately geared to both development (through activities like commercial orchard field trials) and extension (through adult learning opportunities and a variety of communication channels which seek to transfer knowledge about research outcomes and world’s best orchard management practices). As part of the tendering process apple and pear levy funded programs specifically commission an extension component for the research outputs. Likewise, research agencies responding to the general fund call are also required to demonstrate how research outputs/outcomes would be communicated to growers, their advisors and the supply chain.

APAL notes from the Green Paper that the government is seeking stakeholder feedback on ways to promote the development of the market for extension services—such as expanding RDC efforts or specific funds being made available to facilitate the development of extension markets. It is our view that:

- a) Many grower representative organisations have stepped into the role of extension delivery to overcome the gap created by the steady withdrawal of State governments from this arena. Grower representative organisations are an important component of the private sector provision of extension services.
- b) Grower representative organisations need to be treated like any other private sector provider. They need to be able to demonstrate clear grower

representation and support and how their pathways to deliver services would be the most effective means to communicate with the growing community. Many growers prefer to rely on the advice provided by grower representative organisations because they do not have a commercial product linked to their advice (and hence are perceived to be independent) and because they have strong partnerships with the research agencies both domestic and international.

- c) Large and well managed grower representative organisations like APAL have many and varied touch points with growers which enhances the likelihood of research uptake. Their tools and communication channels are comprehensive, with specific in-field extension events and adult learning opportunities, industry magazines and websites, conferences, demonstrations, and workshops. The result is a set of complex communication and delivery channels through which information, knowledge, new learning and ideas flow. These opportunities also promote a three-way conversation between grower, the supply chain and the researchers. The national coverage of the larger grower representative organisations also enables a more equitable distribution of nationally funded research across all growing regions.
- d) The model established by APAL in its partnership with HIA (formerly HAL) to ensure that extension pathways are identified as part of the research from the outset could be adopted for other industries and sectors. A significant portion of matched levy funds are allocated to programs that integrate research streams and the identification of the extension pathway and an extension delivery partner is incorporated into the program commissioning process.
- e) The concept of developing “private markets for extension services” needs to be fully evaluated and debated. One might infer that the Government is suggesting that growers could fund extension on a user-pays basis. APAL accepts that there are “large private benefits from extension” – after all, if a grower does not improve farm gate returns by taking up the research outcome there was perhaps little point in undertaking the research. Just as there is market failure in research, there is market failure in the delivery of much extension and free-rider issues would need to be addressed. Knowledge is easily transferable and not readily able to be trademarked or copyrighted so excluding others from accessing it becomes a near impossible task. More fundamentally, who would want to pay for research where that research would only become available to those that pay for the results?

Whilst some apple and pear growers do pay for private extension advice, this advice is tailored to their specific needs, and its represents a bolt-on to the more generic extension advice funded through the levy system. Tailoring all extension to the specific needs of each and every grower would be very expensive and outside the financial resources of most family-owned farming enterprises.

APAL does not see a role for services such as the Rural Financial Counselling Service (RFCS) to deliver extension activities, except those that relate to its

core business (financial counselling). Whether research agencies could deliver extension is a matter for them – some will decide that their strengths lie in research and that they are better off partnering with organisations that are better suited to delivering outcomes to growers. Irrespective of whether extension is commissioned or proposed as part of a general call, the choice of the extension delivery agent is a matter for the RDC. That choice must be made transparently and without discrimination on the basis of type of organisation.

Whether government agricultural research functions (such as RDCs and agencies of the Department of Agriculture) should be decentralised to regional areas depends upon whether the benefits outweigh the costs. Decentralisation improves the economy of the regional community that hosts government and quasi government organisations. However, that comes at the cost of attracting high calibre staff and the ease with which grower members and service organisations (researchers and extension service providers) can access the organisation (with Australian regional air transport costs prohibitive in many cases).

APAL supports “in principle” regular assessments of the RD&E system. However such assessments should be high level because of the costs incurred by industry in presenting the same rationale in support of the system every few years. We have argued in our Senate Inquiry submission that periodic levy votes could be conducted but that: a) this should be at least five years or more; b) timeframes should be regulated to ensure existing projects are allowed to follow their natural funding course; and c) government pay for the presentation of information to enable growers an informed vote.

Policy idea 21—Improving the rural RDCs

In regard to specific options presented within the Green paper, APAL notes:

- a) Achieving administrative efficiencies to increase transparency and reduce costs should always be pursued by the RDCs.
- b) APAL has responded to the Senate Rural and Regional Affairs Committee inquiry into the way levies are established, collected and revised. Our submission is attached.

Data is a key area ignored within the Green Paper’s discussion about ways to strengthen the profitability of the horticultural sector. APAL believes that good business and farm planning requires access to accurate, relevant and timely data that enable growers to understand their industry and product operating environment. The lack of data on average farm input costs and grower and packing shed returns which would enable benchmarking and better business decision-making is severely lacking within the apple and pear industry and other horticulture industries. It appears that considerable more effort is expended by the ABS and ABARES in delivering farm profitability and price data to the grains, dairy and livestock industries that is afforded to horticulture. APAL recommends that

government review the effort, cost and level of detail of data collected by these organisations in the horticulture sector.

10. Biosecurity

Protecting the Australian apple and pear industry and horticulture generally from the entry, spread and establishment of exotic pests and diseases is fundamental to ensuring the long term productivity and sustainability of our industry.

Policy idea 22—Improving legislation

APAL welcomes the announcement that the Quarantine Act 1908 will be replaced with a new Biosecurity Act to underpin a more modern and responsive biosecurity system. We look forward to extensive consultations with the department in regard to the nature of the proposed changes to the regulations associated with the Biosecurity Bill.

Some time ago the Department also launched a review of the regulations around import risk assessments and we have yet to receive proposals from that review. APAL believes that the role of the Eminent Scientists Group (ESG) in reviewing draft import risk assessment report prior to the release of a provisional or final import risk assessment (IRA) should be expanded. The government should make provision for an ESG that enables affected parties to provide “new information” including that which counters the science upon which a draft IRA Report was based. The ESG should be required to demonstrate the rigour of their assessment on whether the issues raised by stakeholders have been properly considered, the conclusions of the draft IRA are scientifically reasonable and the superiority of scientific views where there is conflict. The ESG should also be required to provide transparency about the scientific materials they use in making their determinations. APAL also believes that the government should make provision for an appeals process that can challenge the decision not just the process employed in deriving a decision.

APAL agrees that the use of an IRA should be retained as the primary tool when assessing import applications and that Australia should remain compliant with the World Trade Organisation guidance of countries utilising an ‘Appropriate Level of Protection’ in regard to accepting imports. However greater clarity is required over what constitutes an ‘Appropriate Level of Protection’; specifically it is unclear what “providing a high level of sanitary and phytosanitary protection, aimed at reducing risk to a very low level, but not to zero” actually means.

We understand that a number of traders and some export focussed industries are keen for linkages to be made between our gaining market access and another country’s application for access to our market (usually for another commodity). There is a suggestion in some quarters that IRAs be more speedily dealt with and that trade-offs might be required. Whilst sympathetic to such concerns, APAL believes that Australia’s reliance on a scientific approach to assessing the risks

posed by potential imported fruit and other products is not only appropriate, but is the responsible thing to do.

Policy idea 23—Improving the biosecurity system

APAL agrees that Australia’s biosecurity system protects our native flora and fauna and underpins our agricultural exports. However some recognition must also be given to the fact that keeping out exotic pests and diseases reduces our reliance upon chemicals, including antibiotics which are often used to prevent some diseases such as fireblight. The reduced need for chemicals in turn keeps input costs down, meaning Australian consumers receive fresh produce at lower prices than otherwise would be the case.

Due recognition must also be given to the role that Plant Health Australia also plays within the biosecurity system and growers continued support of that through a special levy to part fund the work that the organisation does.

In regard to addressing specific biosecurity “needs”, APAL:

- Supports the government funding for the coordination of a National Fruit Fly Strategy. We understand that the CRC has now drafted an RD&E plan for Fruit Fly but have not yet had an opportunity to provide comment upon it. We also understand that the National Fruit Fly Strategy Advisory Committee has revisited the National Fruit Fly Strategy Implementation Plan. Greater consultation with the grower representative organisations and growers about progress being made is required from both groups.
- Recommends that the Department provide a business case to industry for the proposed industry co-funding to monitor and manage Torres Strait fruit flies. Industry does not possess sufficient information about the likelihood of these flies travelling south and impacting commercial horticulture nor information about whether proposed management and eradication strategies offer value for money.
- Seeks a national property identification code system and funding for the removal and remediation of abandoned orchards. The high costs involved in removing trees from sites means that many properties are left untended when commercial operations cease. This only leads to pest infestation to the detriment of neighbouring properties. Work for the dole or remand labour could be used to ensure that such properties are cleaned and the tax system (linked to the property identification code) is used to identify those that could effectively pay clean-up costs.

11. Accessing international markets

The finalisation of the Free Trade Agreements with Japan, South Korea and China are welcomed. However, Free Trade Agreements can only deliver returns to Australian growers if they have access to the markets in question. In those countries, and in many others like Taiwan, apples and pears from mainland Australia

are not permitted entry. Many assume that an FTA means product can legally access the market; in fact, gaining market access is a separate process which takes many years (in the case of mainland apple access to China it has taken 8 years to date, with another 1-2 likely). Our growers are not able to capitalise on the FTA until access is granted. Achieving market access is important for our industry which is devoting considerable funds and effort to creating a vibrant export culture and growing product for export markets.

Policy idea 24—Strengthening Australia’s overseas market efforts

APAL supports the notion that international competitiveness can be improved through a better understanding of, and engagement with, our overseas customers and competitors. We believe that this can in part be achieved through: a) a significant boost to resources in the Trade and Market access division of the Department of Agriculture; b) better linkages with the Department of Trade and Austrade; and c) greater ongoing engagement with industry as part of market access negotiations.

Specific actions that would add value include:

- In market placement of dedicated horticulture resources to undertake research and develop relationships with customers. The remit of Australia’s current agricultural counsellors is too broad and specialist experts in horticulture, grains, dairy, livestock and processed products need to be developed. APAL agrees that the cost of Australian placements may be too high and the recruitment of local operatives should be considered. These specialist sector experts would:
 - Meet face to face (through field trips) with Australian growers/packers/exporters at least annually to develop a firm understanding of commercial trade issues and capabilities;
 - Meet face to face with Australian researchers and industry representatives at least annually to develop a firm understanding of the technical aspects of pest and disease treatment options;
 - Work with the grower representative organisations, relevant RDC and the Canberra based Trade and Market Access division of DoA to develop and fine tune annual work programs for their sector and market;
 - Report regularly on their activities to develop relationships with customers and the intelligence they gather in market on competitors, product preferences, premium market opportunities, market trends, cultural and commercial trade practices. Reporting would be direct to industry as well as to the Department;
 - Lead delegations from their sector (or industries within it) to connect with importers, wholesalers and retailers to improve grower and exporter understanding of opportunities within the market and to develop buyer-seller relationships;

- Assist sectors (or individual industries) to identify targets for incoming delegations visiting Australia;
- Assist the Across-Agricultural Trade Counsellor to resolve short term trade issues. Sector counsellors could more readily follow up with, and maintain pressure on, foreign officials to progress access and protocol deliberations between formal trade negotiation events; and
- Recruit supporters (importers, retailers) that could advocate improved access for Australian product to their own governments because they perceive commercial benefit in greater trade.
- Across-Agricultural Trade Counsellors would refocus on on-going bilateral liaison with local foreign import authorities and local foreign government departments on resolving new market access, market improvement and market maintenance issues. Part of this would involve:
 - Having commercial acumen and negotiation skills rather than extensive expertise in Australian government processes;
 - Following a sector agreed work program that specifies the trade priorities within the relevant sector and the negotiation strategy to resolve access issues;
 - Engaging with industry collaboratively before embarking on market access negotiations to develop the strategy to be employed – identifying the best treatment options (and fall-back positions) and the data and other reference points that can be put to the foreign government to advance trade and access for industry. Working collaboratively with industry during these negotiations would also assist in speedier resolutions regarding the commercial veracity of proposed protocol solutions; and
 - The identification of opportunities for Australian industry to collaborate with local counterparts to help drive improved access.
- Reorientation of resources in this way would also enable Canberra based officials to refocus efforts in multilateral forums to promote the use of international standards in phytosanitary protocols and greater consistency in food regulation among importing countries. Achieving greater acceptance of the authorised officer system by foreign governments is also required.
- APAL accepts that boosting resources and reorganisation of these would come at a cost. However some funding could be generated through the removal of the considerable duplication created by State governments in their placement of their own trade postings, as well as the redirection of some Austrade resources.
- APAL is not surprised that the Lowy Institute figures quoted within the Green Paper suggest that Australia has the smallest diplomatic footprint of all G20 nations. We believe that if Australia is to grow its agricultural sector it must redress this imbalance.
- APAL also accepts that the development of sector work programs will require the development of technical, market access country and commodity strategies to prioritise market access efforts. Effort in this area is

underway in the Department and by many industries within horticulture but progress is very slow, in part due to the lack of departmental resources. Effort in this area needs to be accelerated. APAL notes, however, that developing technical market access country and commodity strategies and priorities is difficult because:

- Prioritising effort on the basis of which commodity will deliver greatest returns to national GDP ignores the needs of individual industries. For example, citrus and table grapes might be viewed as having the ability to deliver higher national export returns now as they are already export oriented and are relatively high value products. One might argue that resolution of a market improvement issue for citrus into China might therefore deliver better national returns than access for mainland Australian apples into the China market. But this ignores the fact that shifting just a few thousand tonnes of Pink Lady™ apples off the Australian domestic market would assist greatly in maintaining grower returns from domestic sales. That is, the marginal value to apple industry is more important than the marginal value to the citrus industry.

It is not clear to APAL that industry-funded overseas positions would resolve market access or market improvement issues. These issues require government to government resolution and industry funded personnel are unlikely to be given sufficient status or recognition to achieve desired outcomes.

- Recognition is required that constraints in achieving timely resolution to market access requests also exist because some importing countries lack expertise and the resources to undertake the necessary import risk analyses associated with addressing Australia's and other nation's requests. This often results in on-going and seemingly never-ending technical discussions around biosecurity assessments and the merits of alternate phytosanitary measures. APAL suggests that the government consider providing training and know-how in biosecurity and protocol development to a number of Asian countries as a means of developing better pull from the markets concerned.
- Providing tailored exporter readiness training on an industry by industry basis, drawing upon the lessons learned by other industries.
- Developing a national brand. It is imperative that we shift Australia's image from a low-cost supplier of cheap bulk commodities to a higher-cost source of premium quality, safe, environmentally friendly food. APAL is disappointed that the government has chosen to terminate the previous government's Leveraging Australia's Brand for Food programme. There is no debate that we need to build upon Australia's positive attributes – our clean, green and safe reputation, and our quality as an agricultural producing country. There should be no barriers therefore, to the government appointing an agency to deliver a

brand strategy that incorporates the work previously undertaken by Austrade and for the development of an implementation plan that can be enacted soon, rather than later.

- At the same time, the Commonwealth needs to work with the States to ensure that an Australian approach is taken first and that State and regional provenance takes second place. Australia is burdened by the uncoordinated activities of State and local governments which are seemingly intent on running their own State and regional brands. This adds confusion in overseas markets and detracts from building a single national image.

Policy idea 25—Improving Australia’s export and import systems

APAL agrees that the export and import certification systems and databases should be reviewed to improve functionality and reduce compliance costs. One particular area relates to the phytosanitary export requirements imposed upon Australian exporters which appear to be much tougher than those imposed by some of our competitors. For example, Australia requires that exporters apply a universal standard that consignments are free from pests, soil, weed seeds and extraneous material. This minimum standard applies to all export destinations including those countries that do not possess individual phytosanitary importation requirements. In contrast, New Zealand provides for tolerance limits for pests and soils in plant exports in cases where the importing country does not apply specific phytosanitary measures. This means that New Zealand growers do not bear the burden of additional compliance costs that are imposed upon Australian grower/exporters. The lower standard (compared with Australia) does not appear to have damaged the reputation of New Zealand as a source of high quality and food safety.

Another area relates to export compliance costs. The shift to a user pays system for export compliance has deterred many sheds from registering their premises. The \$8,500 registration fee for protocol markets is excessive, particularly as some growers only export 1-2 containers per year. Demand and product quality can shift throughout the season making it difficult for growers to know whether to commit to export registration at the start of the season. The high cost is a disincentive to export which is counter-productive to industry goals.

-----End of Submission-----