

17th April 2014

Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

Dear Sir/Madam,

RE: Agricultural Competitiveness White Paper

On behalf of

- Chestnuts Australia Inc (CAI)
- Hazelnut Growers of Australia Inc (HGA)
- Pistachio Growers' Association Inc (PGAI)

we would indicate that we have considered the Agricultural Competitiveness Issues Paper and we would make the following submission.

The following is a brief introduction to each of the industries:-

Chestnuts Australia Inc

About 70-75% of the total national chestnut crop is produced in north-east Victoria. Chestnuts are also grown east of Melbourne, in central Victoria, around Orange, Southern Tablelands, Blue Mountains and Batlow in New South Wales, in the Adelaide Hills in South Australia, in Tasmania and in south-west Western Australia. Many chestnut orchards are small family owned orchards, but there are several large scale commercial plantings and the average size of new chestnut orchards is increasing.

Current production

- ✚ Area: about 1,000 ha.
- ✚ Production: an estimated 1,200 tonnes a year of fresh chestnuts with the 2013 production valued at \$7.5 million

Industry potential

Chestnut production is expected to increase to 2,000 tonnes by 2020 as young orchards come into production.

Hazelnut Growers of Australia Inc

Hazelnut orchards are scattered throughout south-eastern Australia due the requirements of climate. The main production regions are the Central Tablelands of New South Wales near Orange, and north-east Victoria near Myrtleford. Hazelnuts are also grown in central and eastern Victoria and increasingly in Tasmania. Many hazelnut operations are small orchards of up to 6,000 trees. The average size of new hazelnut orchards is increasing and they are being planted to more productive varieties. Most are family operated enterprises.

Current production

- ✚ Area: approximately 130 ha, including young orchards yet to come into production.
- ✚ Production: About 70 tonnes; expected to increase as new orchards come into bearing.
- ✚ Value: Industry has a current value of approximately \$1 million.

Industry potential

By 2015, the area under hazelnut production is expected to be approaching 200 ha.

Pistachio Growers' Association Inc

The major production areas are along the Murray River Valley between Swan Hill in Victoria and Waikerie in South Australia. Further plantings are in central west Victoria and Pinaroo, South Australia. Small plantings exist in Western Australia. A central commercial processing facility is at Robinvale in Victoria.

The pistachio industry includes a mix of medium-sized business ventures and smaller family-owned operations. The bulk of the crop is produced on medium-sized orchards.

Current production

- ✚ Area: 900 ha (2013 data).
- ✚ Production: average of 1,200 tonnes in-shell per year (based on a two year average) (2013 data) with a two year average value of \$12 million.

Industry potential

By 2016, the area under pistachio production is expected to increase to 1,200 ha. It is estimated that by 2020 pistachio production could average 3,000 tonnes/year (\$25 million).

The brief information above highlights that these three nut industries:-

- a) are relatively young industries but industries that are expanding and developing,
- b) have the ability to increase production and productivity over the coming decades,
- c) are relatively small industries in terms of value (between \$1 million and \$15 million) and current production.

Some of the issues of concern to these industries are detailed below:

1. Free Trade Agreements

Australia currently has seven Free Trade Agreements (FTA's) under negotiation, three of which are bilateral in nature (China – commenced 2005, India – 2011, and Indonesia – 2010) and four multinational agreements, the most significant being the Trans-Pacific Partnership between 12 countries. It is important to note that two significant FTA's have been successfully negotiated with South Korea (2013) and Japan (2014) in recent months. The benefits of these successfully negotiated agreements will be the removal or phasing out of tariffs for many nut industries, or the suspension of tariffs for specific horticultural products during the Australian exportation seasons.

The Chestnut/Hazelnut/Pistachio industries have noted that the delivery of these agreements and removal of trade restrictions are integral to the long term viability of the industry. To date, negotiations have been conducted from a whole of agricultural basis which has resulted in the long negotiation time frames and sensitivity to single points of differences for commodities between the negotiating parties. Industry believes that the negotiation processes could be expedited through a number of initiatives including:

- ✚ Ensuring that Australian negotiators possess horticultural and commercial expertise;
- ✚ Increasing the resources available to the Department of Foreign Affairs and Trade and the Department of Agriculture to ensure that negotiations could occur across several commodities and address post-agreement issues (including phytosanitary requirements) simultaneously;

- ✚ Engaging with the appropriate industries prior to, and during, the negotiation process to ensure agreements are commercially viable and sustainable for the future; and
- ✚ Previous negotiation processes have utilised a whole of agriculture approach that has resulted in the negotiation process sensitive to single points of differences slowing or curtailing the negotiation process. Industry would prefer a nuanced approach to negotiations allowing for quick agreements to be implemented in a more timely fashion.

Industry Key Recommendations:

- ✚ Increase resources, particularly with horticultural and commercial expertise, available to the Department of Foreign Affairs and Trade and the Department of Agriculture for the negotiation of trade agreements; and
- ✚ Engage with the relevant industries prior to, and during, the negotiation process to ensure agreements are commercially viable and sustainable.

2. Application of Biosecurity Measures

The Chestnut/Hazelnut/Pistachio industries believe that biosecurity is critical to the long term viability of the industries and biosecurity measures could be further supported through the adoption of the following measures:

- ✚ Ensure that the biosecurity resources at the Commonwealth and State Government levels are appropriate to effectively manage and assess exotic pest and disease risks. These resources also require technological support to communicate and share information across agencies in a timely fashion; and
- ✚ Development and incorporation of technology into the biosecurity monitoring of domestic production, imports and export phytosanitary processes where feasible. This would support domestic biosecurity analysis and allow trading partners to incorporate detailed phytosanitary information into their assessment of Australian produce.

Key Recommendations:

- ✚ Ensure that Commonwealth and State Government biosecurity functions are appropriately resourced for dealing with exotic pests and are able to share information across agencies and with industry in a timely fashion; and
- ✚ Undertake research and development to incorporate technology into the assessment process of imports and provide assurance to export partners.

3. Affordable, skilled and R&D focussed labour, and lack of R&D resources constraining possible future research in the area

Central to the success of the Chestnut/Hazelnut/Pistachio industries is the people who work in the industry – business owners, managers, workers and personnel in technical, research and service roles.

The supply of skilled labour over the long term in the horticulture sector will be challenged by industry specific and broader labour market shifts. For example the median age of agriculture growers is approximately 53 years (ABS, 2013). Agricultural Competitiveness Issues Paper notes a declining number of

students are opting to study agriculture and related fields, leaving an increasing shortage of people employed in these positions as the current generation retires. Without incentives and encouragement to students to study in these fields, there will not be the researchers and other occupations required to increase Australia's rural R&D capability.

The Agricultural Competitiveness Issues Paper notes that attracting workers at the right time and with the right skills is becoming more difficult for many farmers – particularly in remote areas.

The Chestnut/Hazelnut/Pistachio industries believe that there is a lack of access to affordable, skilled and R&D focused labour and recommends that Government should address the perception of horticulture as a career option and target all levels of the education sector with particular focus on developing career paths in the VET and tertiary education sector to attract young people to the industry.

A secure labour supply for harvesting is vital to the success of the horticultural industry. Industry and government need to work together to ensure that unskilled labour is available when required.

Key Recommendations:

- ✚ Implement strategies to encourage more people into horticultural roles, and maximise retention by ensuring these roles are linked to career development;
- ✚ Facilitate access to training and skills development, including improved training pathways and development opportunities for employers and employees through targeted skill sets, flexible delivery and funding support;
- ✚ Relax requirements around the Working Holiday visas to allow for extended employment options, and reduce the burden of associated administrative obligations on farmers;
- ✚ Streamline processes in regard to managing labour (including temporary workers) in the horticultural sector; and
- ✚ Work collaboratively with education providers and other agriculture industries to engage and attract people.

4. Penalty / Holiday work over the harvest season

The Chestnut/Hazelnut/Pistachio industries considered that penalty rates are prohibitive in business management decisions and impact profitability. These industries also considered that flexibility should be incorporated into industrial relations regulation to meet the unique labour and seasonal needs of the nut sector and the broad horticulture sector.

Key Recommendations:

- ✚ Refine the industrial relations framework to deliver an affordable and flexible system for business owners and fair pay and conditions for horticulture workers;
- ✚ Allow for enhanced flexibility in awards and agreements to accommodate the specific characteristics of the horticulture industry, which is subject to diverse nature and crop conditions; and

- ✚ Protect the horticulture industry from an expansion of penalty rates and/or public holiday rates applying to casual labour in the workforce.

5. R&D and innovation

The Chestnut/Hazelnut/Pistachio industries support the Government's view provided in the Agricultural Competitiveness Issues Paper that investment in R&D and its adoption on-farm through extension are integral to the competitiveness of Australian agriculture (Issue 6: Improving the competitiveness of inputs to the supply chain). Innovation should be a key driver to Australia's future competitiveness.

The Government has previously noted that soundly based rural R&D can have important benefits, including:

- ✚ Improving the productivity and competitiveness of the rural sector;
- ✚ Contributing to better environmental and social outcomes;
- ✚ Facilitating structural adjustment; and
- ✚ Strengthening rural communities.

The importance of R&D investment in the Chestnut/Hazelnut/Pistachio industries and its link to productivity improvement for growing and emerging industries can be well demonstrated through the relevant R, D & E programs over the past decade.

Key Recommendation:

- ✚ Investment in R&D to - at a minimum - be maintained, but preferably increased, to overcome issues that affect profitability of the horticulture sector. For example mechanisation is a key area of innovation that warrants significant Government leadership and investment as a means of improving international competitiveness.

6. Regulation of Agricultural and Veterinary Chemicals

Access to chemicals is critical in providing cost effective and timely management of pests, weeds and crop diseases. The Chestnut/Hazelnut/Pistachio industries are aware that many of the chemicals commonly utilised are under review or scheduled to be reviewed in the near future by the Australian Pesticides and Veterinary Medicines Authority (APVMA), which controls registration of chemicals and issues chemical permits. Experience has shown that these reviews have previously resulted in reduced access or increase costs of common chemicals and, in some instances, deregistration of chemicals for agricultural use.

Any reduction in access to currently used chemicals would be compounded by Australia experiencing a lower number of new chemicals available for crops relative to comparable agricultural economies, such as the United States and Canada. Between 2008 and 2012 the number of new chemical registrations were similar between the three sampled countries, although the number of crops attached to chemical labels was approximately a third of the number attached in the United States and Canada.

The Chestnut/Hazelnut/Pistachio industries are aware many major chemicals available in the United States and Canada are not registered in Australia or have the number of crops limited per label.

The perceived driver for the reduced number of registered crops in Australia relative to other countries stems from the long time frames and significant

costs incurred in the testing and verification process per chemical and crop per label performed by APVMA.

These times delay and registration costs increase the economic cost of registering new products in Australia and may be acting as a disincentive to chemical companies in bringing these chemicals or limiting the number of crops in Australia. The Chestnut/Hazelnut/Pistachio industries feel that they have been denied access to cleaner, softer chemicals readily available to their industries internationally.

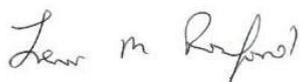
Key Recommendation:

- ✚ Review and incorporate US, Canadian and New Zealand chemical registration findings to facilitate Australian chemical registration processes and reduce testing timeframes.

The broad priorities of these industries are detailed with each of the industry strategic plans and are available for consideration in this white paper process if required.

Representatives of Chestnuts Australia Inc, Hazelnut Growers of Australia Inc and Pistachio Growers' Association Inc, collectively or individually, would be pleased to expand on these and other issues at any time in the near future.

Yours faithfully,



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