

# **“Ensuring a profitable and sustainable agriculture and food sector in Australia”**

**Agriculture and Food Policy Reference Group**

**AUSVEG Submission**

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## Introduction

**AUSVEG provides this submission for consideration of the Agriculture and Food Policy Reference Group. This submission should be read in conjunction with the 'across horticulture industry submission', submitted by Hassal and Associates on behalf of the Horticulture Australia Council members.**

AUSVEG (Australian Vegetable and Potato Growers Federation) represents Australian potato and vegetable growers on a national level. Formally the members of AUSVEG are state based bodies which represent vegetable and potato growers in their states. AUSVEG develops and represents policies to a range of government and industry forums to the best advantage of its members. AUSVEG has serious concerns regarding the medium to long term viability of the Australian Vegetable Industry.

## Executive Summary

The Australian vegetable production industry is a significant industry generating some \$3 billion in farm gate receipts.

It is an industry categorised by declining terms of trade, increasing exposure to globalisation and lack of recognition within government policy settings.

The end result is that vegetable production in Australia is unsustainable in the medium term under the current policy settings of the Australian government (AEC Group 2005).

This fact then leads to the question of Australia's food security. Given current trends and the likely imminent loss of processing capability in Australia (McKinna 2005), it is likely that Australia will not be able to feed itself from a domestic food supply within the next ten years.

To frame any policy consideration going forward, the first question that needs to be asked is whether this inability to provide its own domestic food supply is a concern for Australian consumers and governments.

AUSVEG's view is that self sufficiency in food should be a cornerstone of Australia's national security and part of its national risk management policy.

A range of issues are identified in the following pages which outline many of the problems facing the industry and providing some recommendations for consideration.

These are quite specific and will go some way towards securing the future viability of the sector.

The more significant change that will secure the industries future however, is a philosophical change within government, recognising that food security is important to Australia as a nation.

If food security is the goal, then a willingness to deal with the major issues will follow.

## Background

Australia's vegetable production industry is a mid-sized segment of the Australian farming sector. There is a lack of accurate data describing the true value and nature of the industry. AUSVEG estimates that the gross value of vegetable production totalled \$3 billion in 2002-2003. This represented around 7 per cent of the gross value of total agricultural production (ABS, Cat. 7106.0). The industry is characterised by the presence of many small family-run farms. In 2003 almost 96 percent of farms generated revenue below \$500,000.

In 2002-2003, the ABS Agricultural Survey found that 4,391 establishments were engaged in commercial vegetable production as their primary source of income. On earlier data (1999-2000), together these farms employed a combined workforce numbering around 23,549 persons. The production industry also drives significant employment in processing, transport, wholesale, packaging, logistics covering all levels of the supply chain.

A large percentage of vegetable production occurs in regional and semi rural regions providing much needed employment and business turnover extending across all states.

Vegetables are grown across Australia although production has historically been concentrated along the East coast states. In 2002-2003, Queensland was the top vegetable growing state, accounting for 1,379 (31.4 percent) of total industry establishments. Victoria and New South Wales rounded out the top three, reporting 20.6 percent and 16.4 percent of the nation's total vegetable growers.

As an agricultural industry, Vegetable Growing has a low level of ownership concentration compared to other sectors of the Australian economy. Generally, the industry is characterised by the presence of many small family-run farms. In 2002-03 almost 96 percent of farms generated revenue below \$500,000.

Most of these farms operated on small tracts of land. Data published by the Australian Bureau of Statistics reveal that 53.2 percent of all vegetable farms occupy less than 50 hectares. Only 6.4 per cent of establishments are larger than 500 hectares (2002-03).

In 2002-03, the Australia's Vegetable Growing Industry devoted approximately 98,868 hectares of land to producing the country's top eleven vegetable varieties (excluding tomatoes, onions, and potatoes). Together, this land produced approximately 978,387 tonnes of fresh vegetables for commercial sale.

## Issues

### **1.0 Lack of Accurate Data**

- Lack of accurate data describing the size and value of the Australian vegetable industry.
- Lack of coverage of vegetable commodities in Agricultural Census.
- Lack of reliable production forecast and market data.
- Lack of data on food consumption.

#### **Recommendations – Lack of Accurate Data**

- 1.1 Broaden collection of vegetable data in 2006 Agricultural Census.
- 1.2 Allocate further resources in ABARE and ABS to collect, analyse and maintain data on the vegetable production sector.
- 1.3 Industry and government jointly fund development of production forecast and market information model utilising the improved data collection within ABARE and ABS and overlaying with real time market volume and price information.
- 1.4 Reintroduce national survey on food consumption patterns.

### **2.0 Dysfunction Wholesale Market**

- Lack of clear and open trading arrangements between growers and their first point of sale (wholesalers, exporters, packers, retailers)
- Under supply of important information, particularly in regard to prices obtained and prices paid by traders has led to a problem of 'adverse selection' where it becomes impossible for traders who wish to do business on a clear and transparent basis to compete against those that do not.
- Cross subsidisation between small/large consignments and high/poor quality vegetables conceals and fails to deliver the economic drivers needed to provide clear market signals back to growers to improve their performance. Both price and cost "averaging" takes away reward for better performance for both wholesalers and growers.
- By concealing trading terms, traders within the sector use growers 'capital' as liquidity which distorts the market structure, allowing the 'economic equilibrium' to be reached at a point artificially propping up the wholesale sector at the expense of the growing sector. i.e. if true market forces were allowed to operate, there would be more viable growers and less viable traders. The extent of this transfer of capital is estimated at \$80 million from the production to wholesale sector.
- The current 'hybrid model' whereby market traders operate as both merchants and agents (95% of transactions (CIE 2005)) is responsible for this distortion of the market.
- Lack of viable dispute resolution procedures distorts market towards "lowest common denominator" for range of services offered by traders.

#### **Recommendations – Dysfunctional Wholesale Market**

- 2.1 Introduce the mandated Horticulture Code of Conduct defining only agent and merchant transactions as defined in the Horticulture Australia Council Submission to the HCC Consultants (July 2005).
- 2.2 The scope of the code to include all first point of sale transactions from the grower.
- 2.3 Introduce an efficient and effective Dispute Resolution Process including arbitration.

### 3.0 Globalisation of the Food Industry

- Australia ranks amongst the most efficient producers in the world.
- Natural advantages of clean soil, water and air.
- OECD ranks Australian agriculture as the second least heavily subsidised in the world, second only to New Zealand.
- Fresh and processed vegetables now part of globalised food industry.
- Global supply chains purchase product according to price, source at will and do not consider the underlying structural elements to maintain capability.
- Lack of stability and reliability in forward contracts acts as an impediment to investment and innovation.
- At the end point Australia cannot compete in commodity vegetable lines and in particular high labour cost commodities.
- Majority of the \$6.5 bn horticulture industry consists of commodity type lines.
- Australia can compete in niche markets and value added products.
- It is likely that significant structural adjustment will occur in the industry regardless of changes in government policy as a result of pure market forces.
- The point at which the 'critical mass' of the industry will be lost during the structural adjustment phase is unknown.
- Lack of analysis on the structural adjustment phase means that the industry and governments (local, state and Australian) are under prepared for the financial, social and economic consequences of the structural adjustment in regional and peri urban communities.
- 95% of Australian consumers state that they would prefer to buy Australian grown fresh produce (Australian HomeGrown 2005 Pilot Study Survey).
- Australian vegetable growers are largely unaware of Government assistance programs to assist with new product development, export opportunities etc.
- The nature of the global food business has created "adverse selection" whereby global trade in commodities is driven to the lowest common denominator. As a result production is centralised in those countries which have the least costs of production as a result of:
  - Access to cheap labour
  - Limited regulation
    - Labour
    - Environment
    - OHS
    - Human Rights
    - Food Safety
- The flow of capital in major international processing companies is favoured towards investing in new operations in developing countries because of their higher ROI compared to re-investing in their existing infrastructure in Australia (Michael Luscombe, Woolworths Director of Supermarkets pers communications).

## **Recommendations – Globalisation of the Food Industry**

Notes: Many of the recommendations covering this issue are contained in other sections of this submission. The recommendations below do not fall within other areas.

- 3.2 Introduce Mandatory Country of Origin Labelling regulations for Fresh Produce.
- 3.3 Tighten existing labelling provisions for packaged goods to include exact Country of Origin (COO) for ingredients. The use of the term “made from local and imported produce” to be insufficient to define COO for packaged goods. Focus of the new regulations to be on Country in which the product was grown. This is the base point in the supply chain from which the multiplier effects down the supply chain are generated.
- 3.4 Australian Government to underpin and fund a long term Home Grown marketing campaign for Fruit and Vegetable consumption in partnership with industry and retailers.
- 3.5 Australian government to develop a partnership with industry and a contingency plan to manage the structural adjustment required in the horticulture industry.
  - Plan may include:
    - Social Adjustment Package – to allow growers to exit the industry with dignity and financial security.
    - Innovations package – aimed directly at businesses to encourage development of new products and drive down production costs.
    - Business Development Package – resource the provision of education and training at the coal face to growers in small groups.
    - Business Facilitation Package – resource the provision of business development officers to draw supply chain participants together to encourage vertical integration and efficiency gains.
    - Export Development Package – Consolidate existing state and Australian government programs into an easily accessible resource for the horticulture industry.
- 3.6 Develop a centralised horticulture industry access point to specific government programs that are accessible to horticultural producers.
- 3.7 Increase marketing of government support programs to the horticulture industry utilising the industries peak industry bodies.
- 3.8 Establish an “AUS-Test” which importers must pass before product can be imported into Australia.
  - AUS-Test = Australia’s Universal Standards (A.U.S) in the areas of:
    - Food Safety
    - Quality Assurance

- Environmental Credentials
- Occupational Health and Safety of Workers
- Human Rights and Wages

3.9 Improve ABARE's coverage of the vegetable industry by using established models, to ascertain the economic importance of vegetable and horticulture production to the economies of Australia's regional communities disaggregated to the statistical area division level.(ABARE)

3.10 Benchmark the performance of Australian vegetable production against its major competitors.

#### **4.0 Concentration of Market Power in the Supply Chain**

- Supermarket chains currently represent in the order of 50% of the market.
- Supermarkets coverage to increase to 80% by 2010 (McKinna 2005)
- Central wholesale markets are becoming weaker with reduced market outlets for small and medium producers (McKinna 2005);
- There is a focus on shelf presence and minimum spoilage at the expense of taste enjoyment, resulting in constrained consumer demand (McKinna 2005);
- There is increasingly a commodity focus with the development of global brands. Hence it is very difficult for growers to brand their own product to develop a relationship with the consumer;
- This commodity focus is resulting in a disconnect between consumer wants and supermarket offerings. Consumers want food that tastes good, is nutritious, convenient, authentic, locally produced, environmentally sustainable and ethically produced and value for money. While supermarkets focus on fresh foods with shelf presence, that are stable and durable, are low cost, fit a standard range across all stores and can be sold with low skilled labour (McKinna 2005);
- A commodity focus facilitates global procurement to supply the supermarket brand. This global procurement is price focused at the grower expense with relocation of sourcing possible at a moments notice (McKinna 2005);
- Market power of supermarkets enables them to demand short term contracts that provide no security to growers, and to drive down prices;
- Short term contracts stifle any value-added and innovation by growers.
- The ability to drive down prices to growers and obtain produce from the cheapest global source (not allowing for different environmental and ethical considerations). The higher costs of production in Australia, particularly with respect to labour, freight costs and the regulatory environment within which we operate, means that it will be increasingly difficult to be competitive globally on a commodity basis;
- Concentrated market power of supermarkets also enables them to impose arbitrary domestic standards at a whim with no competitive pressure on them to consider the sensibility or equity of the requirements they impose.

## **Recommendations – Concentration of Market Power**

4.1 Introduce legislation to reduce the concentration of retail market power in Australia.

### **5.0 Trade**

- Australia is facing significant competition in export markets from cheaper producing nations such as China.
- Australia is facing significant competition from the subsidised producers of the EU.
- Even small levels of imports in fresh and processed vegetables can level the prices received during the year. This reduces the ability for growers to “make hay while the sun shines” in times of lower production when prices are higher i.e. at the margins of the production windows.
- This levelling of the “annual price received” diminishes the overall profitability for growers and drives the “annualised price” downwards as the international price becomes the domestic benchmark.
- The ability of this mechanism to provide greater price certainty is diminished by the major retailer chains sourcing cheap frozen product from wherever in the world there is a glut, with purchase price often below or near to cost of production.
- China’s overall current vegetable trade with Australia is given by the following Table 1 which records trade in HS Categories 07 (‘fresh’ or ‘dried’) and 20 (‘prepared or preserved, otherwise termed ‘processed’).
- Australia’s vegetable exports to China are small at A\$519K in 2003. However China’s vegetable exports are substantial at a total of A\$ 41.5 million in 2003 of which A\$21.2 million was fresh and dried vegetables.

Table 1: Selected Product Groups - Australia - Imports from --The World--

Millions of Australian Dollars

Description	Jul 99-Jun 00	Jul 00-Jun 01	Jul 01-Jun 02	Jul 02-Jun 03	Jul 03-Jun 04
--The World--	126.480	144.065	146.813	176.195	187.308
HS 20 Veg Products 6 digits	126.480	144.065	146.813	176.195	187.308
TOMATOES WHOLE/PIECES PREP/PRES EX VINEGAR ETC	23.396	22.215	24.546	30.709	33.393
BEANS, SHELLED, PREP ETC., NO VINEGAR ETC, NOT FRZ	10.822	20.175	28.112	28.461	31.300
VEGS INC MIXTURES NESOI PREP/PRES NESOI NOT FROZEN	19.360	22.325	22.300	25.442	26.087
OLIVES PREP/PRES EX VINEGAR/ACETIC ACID NOT FROZEN	13.244	13.836	14.859	19.345	20.654
TOMATO PASTE ETC, NOT PREPARED WITH VINEGAR ETC.	15.741	14.331	9.967	14.009	19.226
POTATOES, PREPARED ETC., NO VINEGAR ETC., FROZEN	5.662	17.642	9.042	8.265	17.819
ASPARAGUS, PREPARED OR PRESERVED NESOI, NOT FROZEN	14.152	10.340	11.786	12.450	10.843
MUSHROOMS PREP/PRES EX BY VINEGAR/ACETIC ACID	11.000	8.741	8.669	10.182	5.846
VEGETABLES NESOI, PREP ETC., NO VINEGAR ETC, FROZN	3.031	2.468	2.724	5.265	5.526
CUCUMBERS, GHERKINS, PREP/PRES VINEGAR/ACETIC ACID	4.268	4.453	4.504	5.509	4.572
SWEET CORN, PREPARED/PRESERVED NESOI, NOT FROZEN	2.371	3.449	3.516	3.894	3.345
POTATOES, PREPARED ETC. NO VINEGAR ETC, NOT FROZEN	1.090	1.979	3.610	7.737	2.890
BEANS, NOT SHELLED, PREP/PRES NESOI, NOT FROZEN	1.266	1.144	1.167	1.508	2.732
PEAS (PISUM SATIVUM) PREP/PRES NESOI, NOT FROZEN	0.691	0.670	1.299	1.936	1.839
MUSHROOMS, NESOI, PREP/PRES OTHER THAN BY VINEGAR	0.000	0.000	0.272	0.894	0.856
TOMATO JUICE (DRY WEIGHT CONTENT LESS THAN 7%)	0.145	0.145	0.213	0.159	0.132
HOMOGENIZED VEGETABLES (BABY FOOD ETC), NOT FROZEN	0.074	0.099	0.141	0.324	0.129
TRUFFLES, PREP/PRES EXCEPT BY VINEGAR/ACETIC ACID	0.168	0.053	0.087	0.107	0.119

**Table 2: Australian Trade with China in Fresh/Dried and Processed Vegetables\* (2001 to 2003, A\$K)**

Two Way Trade	2001	2002	2003	2003/2001 (change)
Imports from China				
Fresh & dried	14,439	18,152	21,273	+ 6,834
Processed	17,440	19,260	20,234	+ 2,794
Total	31,879	37,412	41,507	+ 9,628
Exports to China				
Fresh & dried	2,253	2,386	254	- 1,999
Processed	368	369	265	- 103
Total	2,621	2,755	519	- 2,102

Note \* ABS Categories 7 & 20.

- The principal items in Chinese fresh/dried imports are shown in Table 2. Most are dried or frozen.

**Table 3: Principal Items of Fresh and Dried Vegetable Imports from China (2003, A\$K)**

Principal Import Items	Value A\$M	HS Code	Current Tariff
Garlic, fresh/chilled	4,759	070320	Free
Vegetables NESOI & mixtures, dried	4,114	071290	5%
Mushrooms & truffles, dried	1,954	071239	5%
Vegetables, NESOI raw/cooked by boiling, frozen	1,942	071080	5%
Beans, raw/cooked in boiling water, frozen	1,857	071022	Free
Peas, fresh/chilled	1,498	070810	Free
Mushrooms. Agaricus, dried	1,281	071231	5%
Vegetable mixtures, raw/cooked by boiling, frozen	987	071090	5%
Peas, raw cooked in boiling water, frozen	698	071021	Free
Onions dried, not further prepared	596	071220	5%

- Because quarantine access for Chinese vegetables appears less of a current priority, China is presently seeking quarantine access into Australia for fresh fruits. However the Chinese may reasonably be considered to have ambitions for export of vegetables to Australia. At such a time it is likely that competition will be substantial. A good example of this is probably recent inroads which Chinese vegetable exports have been making into South East Asia.
- The challenge presented by Chinese fresh vegetable exports is well illustrated for example by the recent growth of Chinese exports to the five ASEAN nations by 74% or US\$100 million in the two years to 2003. In product terms an example of the effect of this growth of Chinese exports is recent loss of market share by Australian carrots and cauliflowers into Malaysia. In 2003 Australia sold 10,000 tonnes fewer of carrots into Malaysia over the previous year while China sold 10,000 tonnes more. In the same year

Australia sold 7,000 tonnes less of cauliflower and broccoli while China sold 6,300 tonnes more.

**Table 4: Exports of Fresh and Dried Vegetables to South East Asia from China and Australia (US\$ million)**

Exports to:	2001	2002	2003	2003/2001 (change)
To Indonesia				
From China	61	74	76	+ 15
From Australia	3	6	5	+ 2
To Malaysia				
From China	30	47	81	+ 51
From Australia	31	32	25	- 6
To Philippines				
From China	17	25	30	+ 13
From Australia	10	7	3	- 7
To Singapore				
From China	22	38	31	+ 9
From Australia	19	18	19	0
To Thailand				
From China	4	8	16	+ 12
From Australia	3	3	4	+ 1
Total ASEAN 5				
From China	134	192	234	+ 100
From Australia	66	66	56	- 10

### **Recommendations - Trade**

- 5.1 The Australian government establish a Horticultural Anti Dumping taskforce to monitor imports into Australia and advise government and industry of suspected breaches and support investigation and implementation of anti dumping procedures in appropriate jurisdictions.
- 5.2 Australian government continue to pursue tariff reductions in export markets through the WTO and bilateral negotiations.
- 5.3 Australian government to resource Biosecurity Australia appropriately to maximise market access opportunities for Australian product.
- 5.4 Australian government to ensure that horticultural industries interests are not “traded away” in bilateral negotiations for the benefit of other industries or if so traded that appropriate compensation is factored in.
- 5.5 As a starting negotiating point, the Australian government aim to maintain the limited tariff protection that some vegetable categories have even though they are small. AUSVEG believes that Australian negotiators are well armed with the high morale

ground on Australia's historical free trade policies and therefore should not feel compromised by demanding trading partners remove barriers to export to the same extent.

- 5.6 Australian government pursue tariff rate quotas to "ring fence" the volume of imported produce that could be imported into Australia tariff free.
- 5.7 Australian government to impose the R&D levy on imported produce as it does on domestically produced product.
- 5.8 Australian government to introduce "Aus-Test" for imported produce (as detailed under "Globalisation").

## **6.0 Labour**

- AUSVEG does not consider access to cheap labour from overseas countries as a solution to the sectors' labour shortages but does consider that access to labour from such countries, paid at Australia's standard rates may contribute to solving the problems of undersupply of labour.
- One in four rural workers is a horticulture worker.
- Access to skilled and unskilled labor and quantity of labour at specific times are issues for Australian vegetable production.
- Horticulture is estimated to employ between 75,000 and 175,000 people. Employees include:
  - Australian locals;
  - Working holiday makers and backpackers;
  - Full time or seasonal itinerant Australian workers;
  - Australian students; and
  - Immigrants.
- Significant competition for labour from often more lucrative trades.
- High turnover of labour.
- Onerous paperwork for highly transient workforce.
- The skilled advisory (extension, consultants) capacity is declining.

### **Recommendations - Labour**

- 6.1 Introduce or refine existing visa and tax arrangements that consider the labour needs of the horticulture sector.
- 6.2 Government to resource Peak Industry Bodies to deliver information to the sector to improve the understanding of the opportunities and commitments of the existing labour regulations.
- 6.3 Ensure rural labour policy is formulated with significant input from the horticulture sector.
- 6.4 Ensure that the new employment legislation being considered by the Government does not adversely effect the current arrangements whereby Labour pools and recruitment groups are helping to manage the labour shortage and have responsibility for workplace entitlements.

## 7.0 Biosecurity

- Australia has a competitive advantage due to its island status.
- As the volume of imported produce is increasing, so must the resources allocated to protect our natural and unknown assets from imported diseases, weeds and insects.
- All levels of government must maintain capability and adequate resourcing.
- Focus of quarantine and biosecurity must be on the precautionary principle rather than on the balance of probability.
- All approaches to trading protocols and biosecurity must be science based.
- There must be a balance of risk and responsibility i.e. if the government accepts that a 95% chance of a new exotic pest not arriving is acceptable against the industries wishes, then the Government must bear the risk of this assessment. If the pest does arrive then the costs of the incursion must be met by government. The proposed PHA Cost Sharing Deed does not provide for such a scenario.

### Recommendations – Biosecurity

- 7.1 Domestic trading protocol development should be included as part of the Industry Biosecurity and Contingency Plans developed by industries in conjunction with Plant Health Australia.
- 7.2 The biosecurity plans and the pre-emptive domestic trading protocols should then be signed off by industry, Australian and state governments to ensure that they are not breached as a result of political pressure or interference from commercial operators.
- 7.3 Government should provide the working capital for the “core elements” of Plant Health Australia’s operations.
- 7.4 An Independent review is required of the structure, function, roles, and relationships and value of the various state and Australian government agencies, and committees involved in plant protection and management.
- 7.5 Through the Emergency Pest Cost Sharing Deed, Australian and State governments explicitly commit to maintaining a critical mass of skilled staff and capability in the areas of pest identification and management.

## 8.0 Research and Development

- AUSVEG supports the maintenance of the current R&D levy funded R&D program and the matching Australian Government contributions.
- AUSVEG believes that the use of matched levy funds could be more flexible to allow for resourcing of core industry capability which may fall outside of the traditional R&D parameters.

## 9.0 Environment

- Growers face a plethora of environmental regulations that impose costs on domestic production that are not borne by many of our competitors. There is no “equivalence” in global competition.
- Costs of environmental management are borne by the growers whereas the benefits largely accrue to the broader community via the use and non-use economic values they enjoy.
- There is therefore no equitable cost sharing arrangement in place with regard to environmental management. In the absence of appropriate cost sharing arrangements (and therefore consideration of the costs by the community and government), higher and higher environmental standards can be imposed on growers regardless of whether or not the incremental community benefits exceed the incremental costs.
- Environmental assurance and systems need to be considered within the broader context of the whole farm management system.
- Urban encroachment brings competition for both land and water resources.
- Many horticulture production areas are located on the fringe of urban areas. They are therefore continually facing pressures from urban expansion. The historical policy approach has been to simply let urban expansion continually push horticulture out onto more remote land. However, there is limit to this approach without significant loss of production, since there are less and less areas of suitable geology and soils and it pushes production further away from labour sources. Government needs to explicitly recognize this unique pressure on horticulture production and adopt appropriate land use planning policies.
- Horticulture can also provide a service to community in utilising recycled urban waste (water and recycled organics). The mutual benefit to both community and producer needs to be factored into pricing regimes, rather than assuming that horticultural producers will pay premium prices for these recycled resources.
- For the land and water resources used, horticulture gives a high return in terms of income, jobs and the number of businesses supported. Water is a significant input into horticultural production (with horticulture having one of the highest outputs per unit of water input) and the use of scarce water resources is an important environmental issue for the sector. Historical water sources include rivers and groundwater while there is a growing push for the sector to utilize recycled water.
- Water access, availability, quality and supply are of concern to growers.
- The need for clarity and security in water allocations is important to facilitate long term investment decisions.
- To date, government policy focus with regards to water has been the Murray-Darling Basin. This is not relevant to the majority of the horticulture sector as over 60% of horticulture is outside the MDB . An increased allocation of resources to other water policy issues, apart from the MDB, that are relevant to the horticulture sector, such as appropriate pricing of effluent reuse is needed.

Water use in horticulture faces many unique challenges, including:

- The diversity of irrigated production in the industry
- The spread of vegetable production across most major catchments and the wide variation in irrigation infrastructure and competing uses between and within these catchments;
- The different regulatory and management regimes between states and catchments;
- The changing definition of water security as policy continues to evolve;
- A significant industry presence on the urban fringe with both the resultant competition with urban users and the potential for water recycling;
- The increasing lack of water facing some horticultural users;
- The potential for over-production as water is switched to horticultural crops from lower-value uses (without appropriate market development strategies in place); and
- Management of water quality impacts on production (eg. Salinity, blue green algae).

### **Recommendations - Environment**

- 9.1 The unique attributes of horticulture be reflected in appropriate policy and resource allocations in relation to water and environmental policy.

## **Conclusion**

The Australian Vegetable Industry is presently going through major structural change. It is AUSVEG's considered view that the current change will lead to a point whereby Australia's has lost its capability to meet its own food requirements. If this is to be avoided, a significant policy shift will be required to address the key major areas of market concentration and imposing broad ranging standards for imported produce.

These are challenges for the community, government and industry.

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