

Bundaberg

Fruit & Vegetable

Growers



Industry Issues affecting the Sustainability and
Profitability of Horticulture in the Bundaberg, Childers,
Gin Gin, Hinkler and Gympie Regions

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Submission to Agriculture & Food Policy Reference Group
(Reporting to Minister for Agriculture, Fisheries and Forestry)

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Introduction

Bundaberg Fruit & Vegetable Growers Cooperative Ltd represents some 300 farming entities (and approximately 450 individual members) from the region, including Childers, Gin Gin, Hinkler and Gympie growers. Our Cooperative is an active industry-focused organisation with monthly Board meetings and regular meetings of subcommittees. The current focus of the organisation is to advance the issues listed below and represent the interest of growers on the various committees in the region dealing with such matters as water, environmental management, workplace health and safety and parks and wildlife. We also assist growers with day-to-day queries regarding wages, superannuation, and dispute resolution with wholesalers to name just a few.

The collective value of our members' revenue is nearing \$300 million per annum, with a much greater widespread social and economic benefit. We represent the largest employer group in the area and have a reputation as a regional industry that excels in technological advancement and progressive thinking.

The following listed points constitute what our Cooperative organisation has identified as the biggest issues affecting the sustainability and profitability of horticultural production in our region. These points – our organisation's strategic focus - were obtained through a well-attended meeting of professional growers across a number of commodities grown in our state.

A review of the media release by Hon. Minister Truss MP, announcing the Agriculture and Food Policy Reference Group, along with perusal of numerous other documents sourced from both industry and government agencies, leads to the conclusion that the issues listed are indeed common to many other growing regions and commodities. They also appear to have been flagged by government at both state and federal level.

Those issues are;

- Workplace Health & Safety
- Labour: Cost, availability and skills levels
- Regulations: Government and industry
- Water security and cost
- Global competitiveness: WTO, FTA's and the level playing field
- Research and development: innovation
- Environmental management

In view of the mass recognition of the impact of these issues, the purpose of this report is to add strength and support to the argument that these issues are fast becoming an impediment to Australian farming business sustainability.

Our organisation is grateful for the Federal Government's recent lead taken on the Horticulture Code of Business, being developed in conjunction with industry to allow for a fairer marketplace in which growers can operate. Our local industry respects the need for more clarity and transparency in trade through the central market system. For too long there has been unfair and inequitable risk sharing between the grower, wholesaler and retailer. The strength of the wholesale and retail sectors has allowed their dominance of the industry and control of prices.

In terms of our future, we are mindful that globalisation has exposed our marketplace to more foreign imports. Some trade agreements, along with other factors such as the strength of the Australian dollar, have let our agricultural industries down. Although there may be perceived benefits from such agreements, from our industry's point of view there are also some problems.

There is increasing anecdotal and balance of trade evidence to suggest that these trade arrangements are becoming more unidirectional in terms of actual trade outcomes. It might be argued that our efforts to reduce barriers to trade through free trade agreements have actually worked against us.

The US/China FTA bore witness to mounting imports and fewer exports, contrary to government promises of opening a wealth of new export market opportunities. Likewise, our trade balance problem comes down to the cost of doing business in Australia, and indeed much of the developed world. Not only are we losing many export markets through being more expensive than our cheap labour competitors and subsidised to a far lesser degree than others. **Moreover we are indeed beginning to lose domestic market share to cheaper imports from abroad. Our recent balance of trade figures are the worst ever and until we can improve our competitiveness there is no reason to believe our trade problems will improve.**

These concerns, among others, are the key reasons our Board of directors have been enthusiastic to embrace this opportunity to provide input, through solid data and opinion, into what many of our members believe to be the best opportunity we have to assist with the steering of legislative direction affecting our industry's viability into the next ten years.

The Seven Main Issues

Workplace Health & Safety

Impediments to business

- Some degree of over-regulation, mitigating need for common sense by operator/employee (responsibility for own actions).
- Need for better consultation between regulatory bodies and businesses to arrive at more practical solutions

Suggestions

- ✓ Better industry consultative process in standards and code of practice development
- ✓ Make prosecution system fairer (Businesses incur fines and productivity loss due to downtime and not always at fault).

Labour: Cost, availability and skills levels

Impediments to business

- Cost of labour too high compared with competitors. Very low labour cost in third world. Highly subsidised in rest of developed world
- Labour costs usually represent between 60-80% of total production costs for horticulturists (Good Fruit & Vegetables, 2005)
- Lack of willing Australian workers compared with laborers available to our competitors
- Severe lack of skills training, middle management, highly skilled and qualified staff
- Superannuation paid to foreign employees
- Onerous paperwork – Centrelink/maintenance processing and forms
- Onerous paperwork- Immigration status checking
- Government funding wasted on impractical labour provision system

Suggestions

- ✓ Immigration policy to permit foreign “guest workers” to fill jobs Australians will not take
- ✓ Supply “green card” equivalent for eligible laborers to remove checking responsibility from employer
- ✓ Address industry-specific training availability and focus training programs in areas where skills required
- ✓ Capping super payment at 9% and increase threshold above which it is paid, from \$450 to \$1200 per month (in view of \$450 figure being set in days of much lower award)
- ✓ Channel wasted labour provider dollars back into private sector’s HR system
- ✓ Access to workforce from refugee countries for seasonal entry

Regulations: Government and industry

Impediments to business

- Regulation compliance can represent between 3-20% of total production costs (AEC Group Ltd., 2005)
- Too much time being taken up by paperwork and compliance issues
- Sorting through myriad of new information for relevant policies too onerous

Suggestions

- ✓ Adoption of a system such as Growcom's Farm Management System (or FMS) to consolidate all regulated systems into one third party audit for compliance
- ✓ Reduce the cost, and streamline, compliance to government and industry regulation

Water: Security and cost

Impediments to business

- High cost of water, including rate of return on Government investment in infrastructure
- Potential problem of new water allocation from new infrastructure (Burnett River Dam) to be utilised for high value product, prior to market development. Estimate of \$600 million worth of horticultural product can be grown with potential new water for export volumes and economy of scale production.
- Need for national guarantee of ongoing availability of water

Suggestions

- ✓ Developing collective packing, transport infrastructure and supply chain investment to cater for growth in export product.
- ✓ Focus R&D/investment on value adding and food processing in order to improve shelf life of otherwise unexportable produce
- ✓ Government return on investment for water infrastructure to be long term, acknowledging flow-on effects/benefits for wider community

Global competitiveness: WTO, FTA's and the level playing field

Impediments to business

- Becoming uncompetitive with low cost competitors in export product
- Beginning to lose domestic market to imports. For instance domestic garlic industry practically finished (AEC Group Ltd., 2005), Tasmanian potato industry currently suffering
- High input cost of farming in Australia; particularly labour
- Lack of protection/subsidies/tariffs afforded many other countries
- Lack of coordination of supply chains (Qld DPI&F, 2005)
- Lack of investment in export oriented infrastructure
- Competing with produce from countries with less regulation and traceability than required from domestic growers (e.g. Quality Assurance programs)
- Higher science will weaken our phytosanitary barriers against some imports in the future (Good Fruit & Vegetables, 2005)

Suggestions

- ✓ Tax incentive on exported produce in short-term to allow sustainable period for setup
- ✓ More direct investment into long term strategies/infrastructure to benefit agricultural industries for future rural Australians (e.g. Burnett River Dam)
- ✓ Growth in domestic market is very limited. Growers need incentives to develop export strategies and achieve competitiveness, as only option to access an expanding global marketplace
- ✓ Government involvement in positioning Australia in global supply chains with trade alliances
- ✓ Support for study into Supply Chain Logistics
- ✓ Need for central packing houses and more forceful global marketing
- ✓ Need for better technologies on-farm to supply global export chains

Research and development: Innovation

Impediments to business

- Biosecurity to remain a high priority. Citrus canker problem demonstrates our need to stay clean in order to achieve a competitive advantage
- Need for sustained government investment in new product development, processing, value adding, and partnership with other agencies to affect such strategies (Qld DPI&F, 2004)
- Reduced tax incentive on R&D (150% down to 125%)

Suggestions

- ✓ Government cannot rely on private enterprise for many R&D pursuits and continued divestment will lead to future lost market share
- ✓ Government partnership and collaboration with industry to fully assess real problems and provide valuable input
- ✓ Stronger focus on commercialising positive results of research, where applicable
- ✓ Government support and funding of leading entrepreneurial ventures

Environmental management

Impediments to business

- EMS costs currently carried by grower rather than shared by all
- Long established agricultural 'right to farm' losing over urban encroachment
- Unfair and unsubstantiated claims regularly leveled against primary producers

Suggestions

- ✓ Need to employ EMS thinking that is practical and useful. Eg. The integrated Farm Management System (or FMS) as proposed by Growcom – growers do not dissect production practices into individual regulatory areas

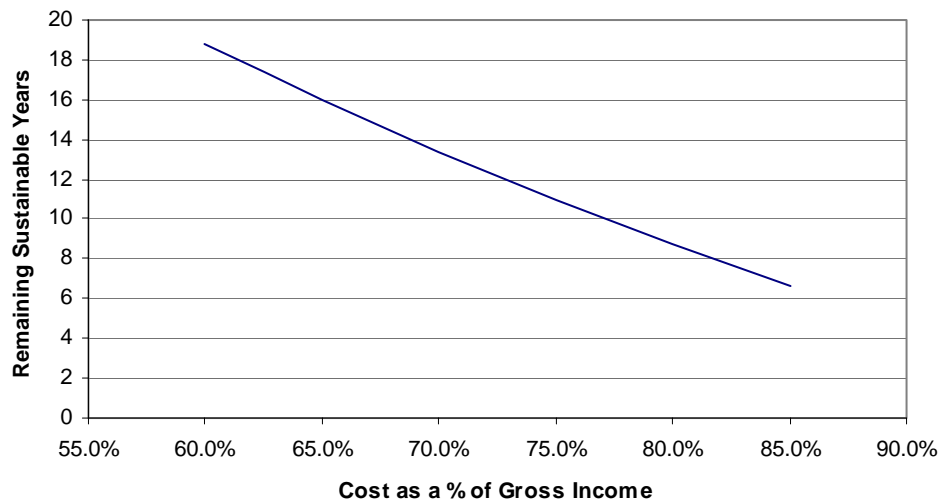
Conclusion

It is the opinion of our Board of directors that it is imperative that something be done now to assist our ailing horticulture industry. The squeeze is now on economically, and unless Australia addresses its place as a producer of horticultural product in a globally competitive climate, many producers will not continue to remain viable long into the future.

If current trends continue, we will simply be priced out of the market. Industry figures suggest that between 2002 and the end of 2004 exports of fresh Australian produce declined from \$600 million to \$350 million (Growcom & Horticulture Australia Limited, 2004). This is why the 'country of origin' issue is becoming so important with imports.

According to the report *Global Positioning Symposium for Horticulture*, the average horticulture production enterprise is losing its sustainability at a rate of 2.9% per annum, projected out to 2010. This is based on a study into the ratio of cost to gross value of production (AEC Group Ltd., 2005).

Figure 1. Sustainability Based on Current Trends



Notes: The figure does not consider cash reserves, financing or off farm investment and represents the number of viable years until cost of inputs equals price received.
Source: *AECgroup*.

Most would agree that currently our biggest challenge is meeting the cost of labour. In horticulture, some commodity groups have been able to beat the problem – to some degree - through mechanisation. However with other commodities, including our many and varied field crops such as tomatoes, capsicums and zucchinis (among the top earners for our industry), the level of mechanisation simply cannot improve whilst maintaining the high quality demanded by today's consumer.

The notion of importing labour has been canvassed and is seen by many as the only way to continue to compete for some commodity groups.

According to the Queensland DPI&F, “Corporate supply structures and links into global supply chains are becoming essential parts of global trading. Consolidation is resulting in the emergence of larger and more powerful vertical supply chains and the development of a few major international retailers. Of paramount importance is that suppliers establish business structures and systems that ensure volume, quality, and food safety and traceability” (QDPI&F, 2005). Our organisation agrees with State agencies that this is a very real issue for our nation. We have to be able to tap into existing supply chains and we need to be able to supply volume and quality consistently.

In Australia’s agriculture sector, as with that of most of the developed world, the family farm is becoming more uneconomical. Most smaller farms, the size of which could easily turn a profit to sustain a family a generation ago, now rely heavily upon off-farm income. For horticulture in our region, this is of dire concern as margins get tighter. Couple this with a downturn the sugar industry and more land becoming available for high value horticultural products (such as the trend to macadamia nuts) and the real and current need for strong leadership and consultative policy formulation becomes apparent.

The social and economic fabric of rural Australia relies on its horticulture industry. **If we are to recover our past market share, the time to plan and address pertinent issues as we move deeper into an increasingly globalised economy is right now.**

References

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