



The Australian Chamber of Fruit & Vegetable Industries Ltd

ABN 67 065 246 808

PO Box 70

Brisbane Markets QLD 4106

Ph: 07 3915 4222 Fax: 07 3915 4224

E: australianchamber-executiveofficer@brismark.com.au

SENATE INQUIRY

Industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector

The Australian Chamber of Fruit and Vegetable Industries Limited (The Australian Chamber) is the national organisation representing each of the six Market Chambers, which themselves are organisations which represent the fruit and vegetable wholesalers located in each of Australia's six central Markets (Brisbane, Sydney, Melbourne, Adelaide, Perth and Newcastle).

In total, the organisation represents in excess of 430 Market wholesaling businesses. Market wholesalers are involved in the sale of some 50-60% of the fresh produce sold across Australia in servicing the requirements of fruit and vegetable retailers, secondary wholesalers/provedores, foodservice industry businesses, processors, exporters and the public. Over 15,000 growers supply to businesses within the Central Market system. The total turnover of businesses in the Central Markets exceeds some \$7 billion annually.

Market Chambers are all involved in providing programs which promote the consumption and awareness of fresh fruit and vegetables and the effectiveness of the supply chains utilising the Central Markets. Collectively, these representative organisations currently expend in excess of \$2 million annually in providing these promotional/service based programs.

In making this submission, we will be responding with a focus on the Terms of Reference – *(b) the basis on which levies are imposed, collected and used.*

Collection

The current system of collecting levies and the number of different levies is unwieldy and needs to be rationalised. Businesses act as the "first point of sale" and collect levies with no reimbursement for the costs they incur. Wholesalers have continually argued that they should be paid for the work they do, that there should be greater recognition of this work/role, that the levy system could be made simpler, or that levies should be collected in another way.

Those businesses that do the right thing and collect levies due are incurring administrative cost to do so and secondly, are sometimes regarded by growers negatively due to the other options available where levies may not be deducted. Market wholesalers can be regularly audited to ensure they are appropriately deducting, collecting and remitting levies. Given that approximately 15,000 growers supply Central Markets the red tape burden to Market wholesalers is significant.

Levy Leakage

With the stated value of horticulture production put at \$9 billion, and with levy receipts of \$41 million, or less than 0.5% of this total figure, it is estimated that the levels of levy leakage could be running at between 20 – 30%.

There is an inconsistent approach to regulating levy collections, following up parties who do not pay or underpay, and there is little evidence of any levels of accountability in relation to the reconciliation of the total production figures and the levy collection amounts.



The Australian Chamber of Fruit & Vegetable Industries Ltd

ABN 67 065 246 808

PO Box 70

Brisbane Markets QLD 4106

Ph: 07 3915 4222 Fax: 07 3915 4224

E: australianchamber-executiveofficer@brismark.com.au

Levies are regarded as a tax, accordingly there is an argument that they should be collected by the Australian Taxation Office, based on assessment of gross farm revenues from the sale of produce. This would significantly reduce the current levels of levy leakage, facilitate a move towards a standardised approach to collecting levies and remove some of the inconsistencies which currently exist.

The Australian Chamber made the following recommendation in its submission to the *Review of HAL and the Horticulture Levy System* –

That the various options available to reduce the extent of levy leakage and simplify the levy collection process are evaluated, and changes implemented.

Use

There has been a perception in the past that while a significant percentage of the levy funds are collected through the Central Market System, paid by Growers who support the Central Market System, the expenditure of the funds, particularly in relation to some of the promotional/marketing expenditure, has been targeted elsewhere. With some 90% of growers using the Central Markets to sell their produce, our position is that more recognition of the independent retailing and foodservices sector is justified.

Promotional Programs

The wholesaling sector's state based representative organisations across Australia are all involved in delivering promotional programs which assist retailers and promote healthy eating and the consumption of fresh produce. As a coordinating body at the coal face in providing information to independent retailers, we are always keen to access promotional information etc. Some independent retailers are provided material directly where others are "not on the mailing list." While we do get material from HAL (now known as Horticulture Innovation Australia Limited (HIAL)), this could be better coordinated, particularly given the volumes of product which move through the Central Markets, to independent retailers. It would make an abundance of sense for the coordinating body (presumably HIAL) to work with all Central Markets more closely in relation to the expenditure of marketing funds and the provision and use of promotional material. This has been raised previously on a number of occasions with very limited success.

The Australian Chamber made the following Recommendation in its submission to the *Review of HAL and the Horticulture Levy System* –

That HAL (*now HIAL*) be required to ensure that recognition is given to the level of grower support for independent retailers and foodservice sectors in how marketing and promotional funds and materials are distributed and expended.

Research findings

It is often difficult to identify when research that is relevant has been completed and to gain access to the findings. There needs to be an effective manner in which to transmit those results to all sectors of the supply chain within the industry. For



The Australian Chamber of Fruit & Vegetable Industries Ltd

ABN 67 065 246 808

PO Box 70

Brisbane Markets QLD 4106

Ph: 07 3915 4222 Fax: 07 3915 4224

E: australianchamber-executiveofficer@brismark.com.au

example, in relation to consumer research, it would be of great benefit if we knew what work was being undertaken and that if it was relevant, then, we could facilitate workshops for say retailers etc.

Priorities

The major opportunity for industry groups which has been continually raised by Government and HIAL over the last five (5) years is the need to export. This is despite Australia's higher production costs when compared to the majority of other countries involved in exporting, and a strong Australian dollar. While recognising this, we do support the merits of having an export focus.

When focusing on the issues of consumer demand and opportunities for increasing sales (rather than production), consumption data within Australia has continually identified the potential to increase vegetable consumption by as much as 30-40%, just to meet recommended consumption levels of five (5) serves per day. While there are a range of marketing levies in relation to fruit, the one significant opportunity within Australia to drive production and demand in increasing vegetables consumption, appears to continually go unrecognised. The issue of undertaking marketing and promotion which has a direct focus on increasing vegetable consumption and the establishment of a vegetable marketing levy needs to be explored further within the context of the opportunity which exists to increase domestic consumption and demand within Australia.

The Australian Chamber made the following recommendation in its submission to the *Review of HAL and the Horticulture Levy System* –

That in providing industry leadership, HAL (now HIAL) does retain a focus on a broader range of industry priorities than just increasing production and exporting. There are clearly merits in having goals to raise domestic vegetable per capita consumption levels, and yet, this opportunity appears to be continually discounted as a priority.

It also follows that in promoting consumption, an increased percentage of the levy funds collected should be allocated to promotional initiatives, which can directly target changing consumer behaviour.

November 2014

Mr Andrew Young
Chief Executive Officer
The Queensland Chamber of Fruit & Vegetable
Industries Co-operative Ltd
(07) 3915 4200

Mr Colin Gray
Chief Executive Officer
The NSW Chamber of Fruit & Vegetable Industries Inc.
(02) 9764 3244

Mr George Giameos
Manager
The South Australia Chamber of Fruit & Vegetables
Industries Inc.
(08) 8349 4528

Mr John Roach
Chief Executive
Fresh State
(03) 9689 3233

Mr Martin Clark
Chief Executive Officer
The Chamber of Fruit and Vegetable Industries in
Western Australia (Inc)
(08) 9455 2742

Mr Peter Holmes
Manager
Newcastle Markets
(02) 4923 3700