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Agricultural Export Regulation Review
Australian Government Department of Agriculture
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Re: Agricultural Export Regulation Review

1. About AUSVEG

AUSVEG is the National Peak Industry Body representing the interests of Australian vegetable and potato growers. We represent growers around Australia and assist them by ensuring the National Vegetable Levy and the National Potato Levy are invested in research and development (R&D) that best meets the needs of the industry.

AUSVEG also makes representations on behalf of vegetable and potato growers to ensure their interests and concerns are effectively communicated to all levels of government, in the public sphere, and throughout relevant areas of the private sector.

2. Queries

For more information regarding this submission please contact AUSVEG National Manager – Export Development, Mr Michael Coote, on (03) 9882 0277 or at michael.coote@ausveg.com.au.

Yours sincerely

Andrew White
Deputy Chief Executive Officer

3. Submission

Overview

Currently, the Australian vegetable industry is domestically focused, with the vast majority of product being grown to fulfil domestic demand. No substantial increase in domestic demand and a difficult domestic trading environment have led to a loss in domestic revenue streams, meaning that seeking alternate sources of revenue is now more important to the Australian vegetable industry than ever. Being able to effectively capitalise on international demand for fresh produce is essential in ensuring the future profitability of the Australian vegetable industry. AUSVEG welcomes the opportunity to make a submission to this Inquiry and advocate for the experience of Australia's vegetable and potato growers.

The value of Australian vegetable exports has increased by 5.7 per cent in 2014-15 to \$270 million. As global demand for food is anticipated to substantially increase there are significant opportunities in both the short and long term for Australian vegetable exports. With significant growth projections in the Asian region and the recent Free Trade Agreements concluded with China, South Korea and Japan, the Australian vegetable industry is well positioned to be able to effectively increase the value of exports.

Currently businesses within the vegetable industry are required to complete a variety of forms of inspections to export. Though required paperwork and regulations apply differently across the industry, the most common regulatory measures are:

- Registering a “Registered Premises”
- Notice of Intention to Export Prescribed Goods (or EXDOC equivalent: Request for Permit)
- Request for Plant Exports Inspection Appointment
- Inspection of goods by an Authorised Officer at a Registered Establishment
- A phytosanitary certificate and depending on the importing country other relevant supporting material.

Though the opportunities are immense, AUSVEG has identified the following challenges that would restrict the industry from further pursuing opportunities:

1. “Export Readiness” of Australian vegetable growing businesses
2. Department of Agriculture resourcing and availability
3. Market Access
4. Clarifying other countries’ import requirements
5. Cost competitiveness

The key issues identified indicate that it is the export processes that are the most problematic challenges for exporters rather than a single regulatory burden or hurdle. Therefore the following solutions have been proposed:

1. Clarification of regulation and obligations to the Department of Agriculture through industry specific materials.

2. Creation of an Export Portal that integrates MiCoR with other export related services such as EXDOC and Free Trade Agreement information.
3. Incentivising industry and businesses to train their own Authorised Officers to perform inspections.
4. Consider the overlap between industry Quality Assurance and Government Quality Assurance accreditation.
5. Enhance communication between the Department of Agriculture and exporters.

If these challenges can be overcome in a way that is conducive to assisting vegetable growers to export, AUSVEG anticipates many more growers will realise the financial gains derived from overseas markets and therefore commence exporting.

Introduction

Within the global market, Australia has several key advantages. Australia's strategic geographic location enables counter seasonal production to many northern hemisphere competitors such as the United States of America and Australia has relatively low transport costs and times to key ASEAN markets. Additionally, Australia's strong biosecurity system ensures Australian produce is of a high quality which provides Australian vegetables with a competitive advantage in high value markets.

Currently, a number of Australian vegetable producers use export as a way to hedge their domestic supply but are not expanding their exports due to a range of export related barriers. Addressing some of these barriers to entry will assist growers in expanding their export capability to integrate export as a long term business strategy rather than an outlet for a domestic over-supply.

In order to export, businesses within the vegetable industry are required to complete a variety of forms of inspections; though these obligations vary across the industry the primary processes required, all of which are currently facilitated by the Department of Agriculture are:

- Registering a "Registered Premises"
- Notice of Intention to Export Prescribed Goods (or EXDOC equivalent: Request for Permit)
- Request for Plant Exports Inspection Appointment
- Inspection of goods by an Authorised Officer at a Registered Establishment
- A phytosanitary certificate and depending on the importing country, other relevant supporting material.

It is important to understand the diverse range of businesses that operate more broadly within the Australian vegetable industry but also within the export space. The degree to which the primary producer is actually involved in the export process varies across different businesses and is often dependent on an individual businesses' size and structure. Many smaller growers operate their export business by selling directly to an export agent or employing a freight forwarder. Larger, more established vegetable growing operations may elect to manage the whole export process themselves. Therefore, different businesses within the vegetable industry require different levels of support from the industry and the Department of Agriculture.

Discussion Questions

1. What are the emerging export related challenges or opportunities for your business over the next 5,10, 20+ years?

In 2014-15 Australian vegetable exports increased 5.7 per cent on the previous financial year and were valued at \$270 million. This growth is greater than the previous financial year and the increase suggests there are significant future opportunities for Australian vegetable exports.

It is important to note that there are many variables that impact on future export revenue, such as market access for particular commodities and to particular countries, the consequential demand from overseas countries, the capacity of Australian vegetable growers to supply overseas requests and economic factors such as exchange rates.

As an example, China imports over \$3.5 billion (AUD) worth of vegetables annually, with Australia accounting for only a 0.07 per cent share, or \$2.5 million. Germany exports almost 10 times more than this figure to China. If Australia achieved market access for a range of vegetables to China for example, there is no reason why Australia couldn't export \$25 million worth of vegetables to China annually as opposed to \$2.5 million. Japan is currently Australia's largest vegetable market at \$42 million. This illustrates just how realistic \$25 million worth of exports to China would be, given China is a much larger market than Japan.

Currently, the agriculture sector exports around 60% of production, whereas vegetables are at approximately 7%. If the vegetable industry exported 60% of production, exports would increase from \$256 million to over \$2 billion.

Though there are significant opportunities available to the Australian vegetable industry there are also significant challenges. These challenges include:

- Assisting Australian vegetable growers with "Export Readiness"
- Department of Agriculture resourcing and availability
- Market Access
- Clarifying other countries import requirements
- Cost competitiveness

If these challenges can be overcome in a way that is conducive to assisting vegetable growers to export, AUSVEG anticipates many more growers will realise the financial gains derived from overseas markets and therefore start exporting. As a result, vegetable exports can and should grow exponentially.

2. To what extent would current export regulation make these challenges harder or restrict you from pursuing opportunities?

AUSVEG has identified the following challenges that restrict the industry from further pursuing opportunities:

1. "Export Readiness" of Australian vegetable growing businesses
2. Department of Agriculture resourcing and availability
3. Market Access
4. Clarifying other countries import requirements
5. Cost competitiveness

1. Export Readiness

Though AUSVEG has been actively engaged in a vegetable industry Export Readiness program, the Department of Agriculture needs to better communicate and provide more clarity around export requirements including the relevant government bodies that need to be engaged in the export process. Currently, this information is not communicated in a way that allows businesses that are new to the export market to interpret and understand what can be complex information. The Australian vegetable industry is only beginning to realise export potential and it is anticipated that in the short term more businesses will be seeking to enter the market. To ensure that export opportunities can be realised it is critical that export requirements are communicated more clearly and efficiently with industry.

2. Department of Agriculture resourcing and availability

As previously addressed, in order to export plants and plant products, exporters are required to engage on multiple occasions with the Department. This includes where applicable audits, certification, issuing certificates, arranging inspections and the consignment inspections.

It is critical that stakeholders in the vegetable industry supply chain are able to communicate in a timely manner with the Department. Vegetable exports are time critical due to the perishable nature of the product and it is vital that the time between the grower/packer and shipping to an international market is as efficient as possible. Any administrative hold ups may result in lost produce and therefore lost revenue.

It should also be noted that as the Department of Agriculture has been centralised on the east coast of Australia, businesses in Western Australia find the response time to queries submitted to the Department of particular concern due to the significant time difference between Australia's east and west coast.

A significant challenge for vegetable exports is that all goods must be inspected by an Authorised Officer. To ensure that this process enhances vegetables export opportunities it is important that there are Authorised Officers that are available consistently to inspect shipments at the preferred time of the business including weekends, 'out of hours' (before 9am or after 5pm) and on public holidays. Although there is an option for businesses to certify their own employees as an Authorised Officer it should be noted that many businesses within the vegetable industry do not have the additional capacity to certify a staff member and are reliant of Departmental Authorised Officers.

Further, it is important that the inspection process is as transparent as possible. Inconsistencies in inspections undertaken by Authorised Officers make it impossible for businesses to know what is required of them, which adds to the overall feeling of confusion experienced by some stakeholders in the vegetable industry.

3. Market Access

It has been established that there are significant opportunities both currently and in the future for Australian vegetable exports. However, while these opportunities exist it is important to note that without suitable market access it is impossible for the vegetable industry to capitalise on these opportunities. There are many instances where vegetable commodities have poor or no market access to particular countries, or for entire markets. Where this access is poor or non-existent it is not excessive regulatory burden that is the issue for vegetable exporters.

AUSVEG has repeatedly advocated for the Federal Government to increase resources within the Department of Agriculture to improve market access timeframes and outcomes. This includes increased consultation with stakeholders to ensure that their concerns are adequately addressed and that favourable market access outcomes are achieved.

It is also vital that the reciprocal value of allowing market access be recognised by the Department. In negotiations for market access for Australian vegetables, the Department's historic processing time for applications from other countries often works against Australia's interests. Increasing resources in the Department for this purpose would greatly help Australia gain vital market access to other countries which will assist in realising the potential of Australian vegetable exports.

4. Clarifying other countries import requirements

Currently, the vegetable industry is reliant on the Manual of Importing Country Requirements (MICO). As has been previously noted by AUSVEG, finding readily available and easily understood market access information is a major challenge for prospective and current vegetable exporters. Information provided in the MICO database, administered by the Department of Agriculture, is often lacking in completeness or currency.

Critically, this information is not readily accessible or easily understood by vegetable growers and may result in misinformed growers who are unable to expand or adapt to the changing global market. In contrast, the New Zealand Government's 'Ministry for Primary Industries Importing Countries Phytosanitary Requirements Search System' contains a much more comprehensive and user-friendly dataset than the Australian equivalent. In order to assist growers in understanding their obligations, the government must ensure that market access information is comprehensive, accessible, user friendly and accurate for vegetable growers and the wider industry.

AUSVEG has consistently recommended that the Government investigate the creation of a more responsive and informative database or information hub for industry to make informed choices about exporting horticultural goods into emerging markets.

5. Cost Competitiveness

AUSVEG has been actively engaged in the review of the Department's cost recovery arrangements and despite this being outside the scope of this review, cost competitiveness is key to the Australian vegetable industry being able to successfully compete in the international market.

Due to the high cost of production of vegetables, primarily labour, it is critical that other costs within the supply chain are effectively managed to ensure that the profitability of the industry is maintained.

In regard to regulatory burden, the cost of certification, registering as a Registered Establishment and training staff as Authorised Officers for the volume of exports that are undertaken by smaller growers are entirely cost prohibitive.

In addition to the current 'fee for service' rate of \$36 per hour for activities such as assessing applications, site inspections and audits, Registered Horticultural Establishments also incur an annual charge of between \$2,844 (tier 1) and \$8,530 (tier 3). In particular instances, these direct financial costs as well as associated time costs were considered to be too high to warrant action which has seen unwillingness in industry to register as a Registered Establishment or train staff to become Authorised Officers. These costs need to be recovered, however at the same time the increase of prices of Australian produce in international markets make Australian vegetables less attractive when compared to competitor countries.

3. What do you see as unnecessary regulation (or 'red tape') when exporting? Please provide specific examples.

In addition to the challenges and issues raised above there may also be an opportunity to reduce unnecessary regulation and red tape through the alignment of various industry Quality Assurance programs.

Many Australian vegetable growing businesses currently hold a range of industry quality assurance certificates. These QA assurances are often requested by larger domestic retailers but are also becoming increasingly common from larger international buyers. In many instances these QA programs either overlap with or exceed various Department of Agriculture requirements. Additionally, there is also overlap with Government required certificates.

An example of this overlap is a Certificate of Origin (CoO), which certifies the place of growth, production or manufacture of goods and is required when exporting to certain countries. The CoO contains government certification and is required by many importing countries. The Australian Phytosanitary Certificate is issued in accordance with internationally accepted templates used to certify that a plant/plant products have been inspected according to appropriate procedures and that they conform with various phytosanitary regulations of the importing country. It is suggested that there is a degree of overlap between these two certificates and that exploring the potential for a single certificate that satisfies all requirements could reduce the level of 'red tape' that exporters must comply with.

If the Australian government was willing to negotiate with importing countries the similarities between the Phytosanitary Certificate and Country of Origin Certificate this would limit the agencies that business need to liaise with and minimise the amount of paperwork required for a single consignment.

4. Can you identify any improvements, initiatives or technologies that would make exporting easier for you? Please provide detail

As has been outlined, it is important to ensure that Australian vegetable growers are able to access export related information in an easy to use format with accurate and up to date information. An information portal with enhanced usability that combined resources such as MICO R and the EXDOC system would streamline communication with the Department of Agriculture and ensure that exporters are able to fully understand what the Department requires of them.

5. Are there parts of the export process the department currently undertakes that your business could manage? If so, what assistance (if any), would you require from the department to establish these processes?

Currently, the vegetable industry is reliant on Authorised Officers to inspect consignments for export. Given the move towards business self-regulating and engaging their own Authorised Officers it is essential that the Department assist in this process by motivating small to medium sized businesses to undertake training to accredit staff as Authorised Officers. Currently, small to medium sized vegetable growing businesses may not have levels of export that would warrant the time to train a staff member as an Authorised Officer. In order to incentivise businesses to allocate time and resources to this function there is potential to simplify training materials and the application process or offer short term financial incentives.

6. What information about exporting and export regulation does your business need? How would you prefer to receive this information?

In order to increase exports, it is important that more business are involved in exporting their produce. In order to enable these businesses to access export markets it is critical the Department provides industryspecific information and resources that aim to help growers understand what skills and knowledge are required to successfully export to their particular product to overseas markets. Only four per cent of Australian vegetable growers currently export their produce, which leaves significant potential to increase export activity within the industry. Research indicates that most vegetable growers do not currently export because they perceive the process as too difficult. Clarification around growers' obligations to the Department of Agriculture is key to alleviating this perception.

Currently, the material provided by the Department of Agriculture is located across several pages on the Department of Agriculture's website. The website provides a copy of the Export Control (Plants and Plant Products) Order 2011 as well as the Manual of Importing Country Requirements (MICO R) database. This material is however not easy to access or interpret and should be displayed and communicated in a way that simplifies and clarifies the regulatory requirements for growers.

