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Media Statement - Value of Avocado Levy in Question - 26/09/2014

The value of the avocado levy to the Australian avocado industry was recently brought into question publicly in the media by three growers based in Western Australia. This media statement provides Avocados Australia's response to the points raised in an online news article ("*Avo levy called into question*", posted on Good Fruit & Vegetables Farmonline on 16 September 2014) and also provides information about the avocado levy.

The Australian avocado levy came into being as a result of a formal, democratic process in which a majority of Australian avocado growers voted by formal ballot. This shows that from its inception the avocado levy had the support of a majority of Australian avocado growers. It came into being by actions of Australian growers, to benefit Australian avocado growers. Therefore the avocado levy was not a levy or tax that was arbitrarily introduced by the Federal Government.

Avocados Australia represents avocado levy payers in Australia. We are the body that requested the levies when the levy system was established in the late 1980s. When the majority of Australian avocado growers voted to increase the levy about 10 years ago it effectively doubled the levy to 7.5c/kg. This has enabled the industry to rapidly grow and achieve great outcomes to date.

Levies can be requested to be removed or amended at any time if a majority of levy payers can demonstrate that they have gained the required support through a formal process in line with the Federal Government's requirements. It is a very democratic process, and the mechanism already exists.

Benefits from the levies to date include:

- The focus has been very much on building consumer demand over the past 10 years through well targeted marketing and promotion campaigns, and a focus on improving the quality of product available to consumers. Industry has been very successful in this regard:

1. Production has doubled over the past 10 years;
2. Consumption has doubled over the past 10 years;
3. Quality has improved significantly (40% from 2008 – 2012);
4. Actual returns to growers (per tonne) have also increased over this time

- In terms of production, the levy has helped to develop new management practices (pest and disease management, canopy management etc.) and all of this information is housed on-line on our website for easy access and is updated over time.

- The industry is in very good shape and levies have played a key role in helping the industry to get to where it is now. The three growers in WA state that they are expanding production: this is a pretty solid endorsement that the industry is in good shape. They wouldn't be expanding if they lacked confidence in the industry.

- Avocados Australia, using the avocado levy, is working on gaining access to new export markets – a new export plan has been developed, market access is a long term process.

- Avocados Australia, are working with Horticulture Australia Ltd (HAL) on commissioning a productivity R&D strategy (detailed planning around future investments in rootstock evaluation, pest and disease management, and irregular bearing) that will be funded from levies.

The three Western Australian growers say that they have received poor returns from the levy.

"I would argue that they have received very good returns on their avocado levy investment," said Mr John Tyas, Avocados Australia's Chief Executive Officer.

"If Mr Neil Delroy says he is paying \$2000 per hectare per year, this would suggest that he produces around 27 tonnes of fresh avocados per hectare."

"27 tonnes of avocados on today's wholesale market is worth about \$160,000. Those producing more will pay more, but are likely to benefit more, particularly from investments that build demand. The Australian market is currently moving 25% more avocados than it was at the same time last year and the year before. That doesn't happen by accident."

The people who are pushing for change with regard to levies are currently benefiting from the efforts and levy investment paid by other growers over the past 25 years or more.

"I think they should be grateful, and they should be able to see the value in industry working together to address issues of market failure to deliver further benefits into the future," said Mr Tyas.

The levy system enables industry to invest collectively to address challenges (including risks such as addressing national biosecurity issues) and opportunities for the benefit of the industry. Avocados Australia encourages individuals to undertake their own research to gain their own competitive advantage, but that is not what avocado levies are for.

Levies are for broad industry benefit. For example, research and development that improves the quality of avocados available to consumers, helps to build demand as satisfied consumers return to buy more. An individual business enterprise can achieve quality improvement using their own funds however improvement across an entire industry requires a collective investment.

National consumer focussed marketing programs require critical mass to be able to reach a wide consumer base. And results in this industry show that they can and have helped to build demand. Pest and disease management, biosecurity, export market access protocols, industry quality improvement and so on are all things that need to be addressed at an industry level, because individual businesses cannot do this alone, or cannot quarantine the benefits - this is called market failure, and that is what levies are used to address.

"If someone wants to develop something like a new product or a new variety that they will own that they can commercialise themselves and capture the benefit themselves, go for it, great, however that's not what levies are for."

Avocados Australia has grower-directors representing each of the major production regions. Two out of ten of these are based in south-west WA. These regional directors are an effective avenue for growers within the various regions to raise any issues with their representative body.

"Last year Avocados Australia ran a Western Australia R&D Workshop in Manjimup specifically for Western Australian growers to identify their research and development priorities."

"As a result of this workshop WA growers identified their top research and development priorities, in particular, irregular bearing and quality improvement through the supply chain."

Irregular bearing and quality improvement through the supply chain are two issues currently being thoroughly addressed through the avocado levy program. A new levy-funded extension project will start later this year addressing the problem of irregular bearing including the use of workshops and field trials. Further research into pollination and carbohydrate management will be commissioned soon as part of a recently developed Productivity Research and Development Strategy.

As the representative body for Australian avocado growers, Avocados Australia seeks to work with all parts of the chain, from production through to the consumer. The current buoyant industry position is something the industry should be proud of. The industry working collectively has the critical mass to make significant inroads, and results to date have found this to be the case.

In 2012/13 Australian avocado growers, combined, produced 54,877 tonnes of avocados worth an estimated gross value of production (GVP) of \$AUD306 million.

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Avocado Levy – Facts

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