



Onion Levy - An overview of the case for change

What every levy payer should know before voting

This is an overview of a more detailed discussion paper available at www.onionsaustralia.org.au

What we have now

Since 1994 the onion industry has collected a residue testing levy of \$0.40/tonne. The income has been committed to onion residue testing and development of chemical screens, through the National Residue Survey (NRS), as indicated in Table 1.

In 2002, the onion industry introduced a national statutory research and development (R&D) levy of \$1.60/tonne, collected at the first point of sale. This levy income and matched funds (dollar-for-dollar) provided by the Commonwealth Government are managed by Horticulture Australia Limited (HAL) and the onion Industry Advisory Committee (IAC). Funds have been distributed for research and development.

The onion industry became a signatory to the Emergency Plant Pest Response Deed (EPPRD) in 2008. This required membership of Plant Health Australia (PHA). Onions Australia paid the initial annual membership fees (since 2006)

What is proposed

At present, levies are collected and distributed only for R&D and NRS testing. In neither case does the current levy allow the industry priorities to be addressed fully. Although the entire onion industry benefits from the evidence of broad compliance (as provided by NRS), this levy is not providing equitable returns to exporters who are also required to undertake additional consignment-based residue testing.

If the existing NRS levy contributions were to be collected as part of the R&D levy, there is potential for some residue-related research to be funded for the benefit of all levy payers, e.g. demonstrated testing efficiencies to support cross-programme recognition of results (e.g. by GlobalGap, Freshcare, supermarkets).

Purpose	Existing levy \$/tonne	Proposed Option
R&D levy	\$1.60	\$2.90 (decreasing NRS levy to \$zero) <i>Or</i> \$2.50 (Directed to R&D only) \$0.40 (Directed to NRS only)
Purpose	Existing levy \$/tonne	Proposed Option
EPPR levy – new (biosecurity levy)	-	\$0.00 (0%)
PHA membership – new (PHA subscription levy)	-	\$0.10
Purpose	Existing levy \$/tonne	Proposed Option
NRS – residue testing	\$0.40	No levy (\$0.40 to R&D) Or NRS Levy to remain the same at \$0.40/tonne
Purpose	Existing levy \$/tonne	Proposed Option
Marketing/promotions – new	-	\$1.00

Consultation Process

This is your industry and your levy. To make sure you were all informed about levy activities and proposed changes consultation has taken place in the main growing areas of Australia and was conducted in a transparent and inclusive manner. Major effort has been made to involve levy payers, peak industry body, all levy payers, HAL and the Commonwealth Government.

A discussion paper and overview document were initially distributed and posted on the website. Face-to-face meetings were widely advertised and held in main growing areas. All growers have had opportunities to ask questions and learn more about the levy process. The meeting locations were as tabled.

City/town	Date	Time	Venue
Griffith, NSW	31 st May, 2010	10:30 am	Gemini Motel
Virginia, SA	8 th June, 2010	Noon	Virginia Hort Centre
Mannum, SA	8 th June, 2010	7:00 pm	Mannum Motel Conf. Centre
Bunbury, WA	9 th June, 2010	7:00 pm	Vat2 Conference Centre
Bordertown, SA	11 th June, 2010	3:00 pm	Jolpac Rural
Longford, TAS	15 th June, 2010	Noon	Blenheim Inn
Ulverstone, TAS	15 th June, 2010	7:00 pm	Beachway Motel
Thorpdale, VIC	16 th June, 2010	Noon	Warragul Motel
Burton, SA	23 rd June, 2010	11.00	E.E. Muir & Sons
Allora, QLD	5 th August, 2010	Noon	The Railway Hotel
Gatton, QLD	5 th August, 2010	7 pm	Gatton Research Station
Fassifern Valley QLD	5 th August, 2010	2.30pm	Kalfresh

What have the levies achieved so far?

Onion growers agree that they have collectively been the primary beneficiaries of the levies. The industry and individuals have seen practical outcomes from R&D investment, with the following highlights identified by growers:

- Thrip research
- Access to new chemistry and crop protection choices (i.e. Minor Use chemicals)
- White rot research
- Improved Industry communication and coordination

Through its NRS investment, the onion industry has earned its reputation for exemplary, industry-wide management of chemical risks

Why are changes to the levy needed?

The onion industry cannot increase, or even maintain its residue testing or R&D at the current funding levels. Similarly, biosecurity and PHA obligations cannot be met without industry contributions. The options available to the onion industry to address these situations were to: increase existing levies; change the levy distribution; increase the number of levy payers; or add new levy/ies.

- ***Research and Development***

The costs of R&D have risen considerably. This has been exacerbated by the associated decline in co-funding by traditional research providers such as State departments. The capacity of the onion R&D levy to address all industry priorities has been significantly eroded over the last few years.

Despite government matched funds, several key R&D priorities could not be fully funded, or were delayed due to the existing shortage of funds. They included: 'white rot' research, additional work on minor use permits and registrations, new crop protection product trials, and thrips research associated with the Iris Yellow Spot Virus. Best practices for mild onion production and market development in the supply chain, are also high priorities needing future funding.

- ***Plant Health Australia Levy***

PHA membership is 'insurance' the industry cannot afford to be without. Subscription fees are on-going as are the associated biosecurity preparedness obligations. PHA membership should be paid by the intended beneficiaries, the onion growers. A new levy for PHA membership, set at a low rate (\$0.10/tonne), is recommended and equitable. Unlike the R&D funds the PHA funds do not attract matched government funding.

- ***Biosecurity Levy***

Governments will no longer carry the entire burden for pest/disease eradication. It is a responsibility to be shared between industry and government. Under the EPPRD, the Commonwealth Government has agreed to underwrite an industry's share of the cost of a response to a pest incursion, provided the industry can demonstrate it is able to repay the Commonwealth within a reasonable time period.

Most PHA-member horticultural industries have implemented an Emergency Plant Pest Response (EPPR) levy to provide the repayment mechanism. It is often referred to as a 'biosecurity levy'. It is recommended the onion industry establish a new levy for biosecurity, initially set at zero (\$0.00/tonne), but suitable for activation in the event an eradication campaign is required and undertaken.

- ***National Residue Survey***

Neither the NRS levy rate, nor the proportion of onions tested, has increased since 1994, despite the significant increases in the extent and complexity of the screening process. Since 2007 testing costs have exceeded NRS levy income.

If the service is to be effective, new chemicals available to the industry now and in the future need to be included in the routine screen. Their addition is costly. Since the levy contributes only to relevant domestic testing, there is inequity in the benefits derived by domestic and export onion producers.

Requirements for residue testing are found within most quality assurance programs. The onion industry has an option to increase the NRS levy to grow the service; or to remove the NRS levy to address equity, and divert equivalent funds (\$0.40/tonne) into residue-related research through the R&D levy.

- ***Marketing and Promotions Levy***

It is not possible for R&D levy funds to be utilised for promotions, but they may be utilised in market research. Management of a promotions levy would be by HAL, who in turn require a management fee of approximately 11%. Onion consumption increase (through promotions and consumer education) would be a success parameter for such a campaign, and mild onions may best provide that opportunity in the near future. Unlike the R&D funds the Marketing funds do not attract matched government funding



Voting

As an Onion Levy Payer, you have a right to choose the future direction of your levy funds. Voting papers will be sent out directly from the Australian Electoral Commission. It is important for each person to return their completed ballot paper as instructed in the voting pack. The ballot will allow commercial onion producers to accept or reject the proposed National Onion Levy changes.

What happens after the vote?

Onions Australia is required to submit a detailed document that outlines the consultation phase and voting outcome to those organisations that receive levy monies. They in turn forward the submission to the relevant Minister (Minister Joe Ludwig). On his behalf, DAFF will assess the proposal against the *Levy Principles and Guidelines* and will provide a recommendation to the Minister. Should the proposal be accepted, the Government will draft appropriate legislation to implement the revised levy.

Need more information?

A more comprehensive document is available for download at www.onionsaustralia.org.au or contact the Onions Australia office at onionsaust@bigpond.com , Phone; 08 87258862.

