



Onion Levy

A review of the case for change

Prepared for : Onions Australia

Date : April 2011



1 INTRODUCTION

This discussion paper has relied on both industry-provided and independently-assessed information. Scholefield Robinson is a company of technical horticultural consultants, independent of both the levy process, and the onion industry.

1.1 The Australian onion industry

Onions are a food staple and Australians consume approximately 11kg/per capita/year. Onions are Australia's fourth largest vegetable crop accounting for 9% of total vegetable production.

Onions Australia is the peak industry body for the Australian onion industry. Most recent data suggests there are 380 onion growers. 110 of these are registered members of Onions Australia. Other members of Onions Australia are processors, chemical re-sellers, seed producers, transporters, retailers and packers.

The Australian onion industry provides for both domestic and international markets. Two-thirds of the domestic market onions are grown in South Australia. Exporting accounted for 85% of the Tasmanian onion crop in 2008/09, which was at the time 14% of the total crop.

1.1.1 Production statistics

The onion industry in Australia is considered 'mature', and neither the value nor volume of production has changed greatly during the last 10 years. Industry statistics suggest production levels of 240,000 tonnes are routinely achieved. The average annual cost of production is estimated at \$361/tonne (ABARE, 2007/08). The gross value of production (GVP) averaged \$181m/year between 2006 and 2008. This is not significantly different to the GVP achieved in 2001-02. The value of exports has been estimated at \$27m (Clarke *et al.*, 2010).

1.1.2 The onion levy

Since 1994 the onion industry has collected a residue testing levy of \$0.40/tonne. It has been used for chemical screening by the National Residue Survey (NRS), as shown in Table 1.

Under the Horticultural Marketing and Research & Development Act 2000, the Australian Government pledged money to match an industry's investment in research, development and extension (RD&E), up to 0.5% of its GVP. The onion industry responded to this and in 2002, successfully introduced a national statutory R&D levy of \$1.60/tonne, collected at the first point of sale. The monies from both industry and government contributions were committed to R&D, as shown in Tables 1 and 2, and they have underpinned the R&D activities of the industry.

Horticulture Australia Limited (HAL) manages the onion R&D funds, amongst others. HAL is a not-for-profit industry-owned company. The onion Industry Advisory Committee (IAC) is a subcommittee of the HAL Board. It makes recommendations to HAL on the expenditure of funds.

The industry and individual onion grower benefits derived from the R&D and residue testing levies are discussed in Section 2.2. Public good derived from them has largely been in the social and environmental areas.

Table 1: Existing onion levy



Levy purpose	Contribution/tonne	Related Activity
R&D levy	\$1.60	Support on-going research and development managed by Horticulture Australia Limited (HAL)
NRS	\$0.40	Support on-going pesticide residue screening by the National Residue Survey (NRS) within DAFF
PHA membership	0 Onions Australia paid	"Insurance" regarding exotic incursions, owner/grower reimbursement, pest categorisation etc - on behalf of industry
EPPRD	0	Signatory to the Deed
Total levy	\$2.00	

2 THE CURRENT LEVY SYSTEM

2.1 What is the purpose of a levy and how does it work?

A (compulsory) statutory levy is the most cost-effective and equitable mechanism for collecting funds deemed capable of delivering broad, net industry benefit. In rural industries the major purpose of a levy has been to overcome market failure¹ in the provision of research and development. Levy income may also be collected and distributed for other purposes (e.g. promotions) approved by government and agreed by industry. GST is not payable on statutory levies.

The Levies Revenue Service (LRS) is the agency within the Department of Agriculture, Fisheries & Forestry (DAFF) responsible for the collection of industry levies. It collects the onion levies from packers who are obliged under legislation to transfer them quarterly on behalf of the onion producers. Legislation allows these intermediaries to recover this money from producers.

2.2 What has the current onion levy achieved?

A review of the contributions of the existing, compulsory levy in terms of benefits and costs has been undertaken (Clarke *et al.*, 2010). A summary of their findings is provided in this document.

Other significant benefits derived from the R&D levy have been identified by industry members and external observers. They include:

- targeted research, responsive to grower needs/preferences
- greater access to, and linkages with, international R&D programmes and researchers
- improved access and availability of chemicals (permits and registrations for minor use)
- increased industry unity
- increased communication within the industry, across industries and with HAL
- stronger representation to Government
- greater access to research providers and leveraged resources (financial and in-kind)

2.2.1 Industry Investment

Table 2 indicates the level of funds raised and distributed since 2003/04. The levy raised in 2008/09 was \$332,000 (Clarke *et al.*, 2010). The total funds available for R&D in the onion industry (before collection costs) were \$665,000 in 2008/09, but opportunity exists for this to increase under the current legislation.

To ensure the returns on funds invested by the industry (and matched by the Commonwealth Government) are maximised, the R&D distributions are guided by the industry's Strategic Plan (2006-2011) and the IAC.

The *average* levy income and expenditure for NRS activity between 1999/00 and 2007/08 were \$82,495 and \$78,353 respectively. Since 2007, NRS expenditure has exceeded funds collected for this purpose.

Table 2: Distributions of the onion levy since 2003

Year of collection	Levy + government contributions	Recipient Activity
		Research and Development
2003/4	428,787	149,433
2004/5	499,138	392,417
2005/6	636,485	500,589
2006/7	688,406	600,593
2007/8	564,281	449,891
2008/9	709,965	665,314

¹ 'Market failure' exists where the benefits of collective action and co-operative behaviour are not and cannot be met by a few dedicated individuals. In the onion industry prior to the introduction of the levy, RD&E was negligible, sporadic, uncoordinated, regional, and subject to free-riders. Voluntary contributions had failed. The industry was not progressive.

2.2.2 Benefits of current levy

National Residue Survey

The onion industry is the only vegetable industry that has funded a chemical residue testing programme through the NRS. Both domestic and export onion screens have been available through the NRS, but levy funds have been used only for domestic screens. As such, inequity exists and exporters must invest also in GlobalGap-compliant screens at a cost of \$1600/sample. Other quality assurance programmes also demand commodity residue testing.

Research and development

Four pillars have guided R&D investment by the onion industry since the inception of the levy. These are:

1. Grow the market for Australian onions
2. Increase industry competitiveness
3. Strengthen industry communication and information systems
4. Identify and build industry leadership, capability and capacity

Review of the R&D programme outcomes and industry reports indicates that the onion R&D has been aligned with the industry's Strategic Plan (2006-2011) priorities and strategic imperatives. The returns on investment have been both financial and practical. The practical outcomes from several R&D projects have clearly rewarded growers across the industry and improved production capability. R&D highlights, as noted by growers, include:

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

Table 3: Key projects (completed and ongoing)

Project Title	Project leader	Outcome review
DADS Efficacy and Use	Oscar Villata - VIC DPI	Di-allyl disulphide reduces <i>S. cepivorum</i> inoculum in soil, and 'white rot' pressure in fields naturally-infested with this fungus. The levy has enabled DADS to be imported for on-going research and ultimately for use by Australian onion growers.
Minor Use Permits for the Onion Industry	Brad Wells - HAL	The levy provided funds to develop and implement the Strategic Agrichemical Review Process (SARP). In 2008/9, the investment ensured renewal of APVMA minor use permits for the fungicides Rovral® (iprodione), Follicur® (tebuconazole), and Filan® (boscalid). The work continues to deliver access to appropriate chemicals for onion production.
Management of Onion Thrips	Dr Jianhua Mo - I&I NSW	The project has built on development of best management plans for onion thrips based on the biology of the insect, effectiveness of various insecticides, insecticide resistance monitoring, and mite predators. A resistance management plan is being developed, using updated resistance profiles of regional onion thrip populations.
Mild Onion Certification – Phase 2	Trevor Twigden - National Onion Labs, Australia	Market research indicates consumers want mild onions. To exploit this opportunity, the Australian industry is developing an objective and consistent measure of pungency, suitable for use just prior to harvest. A certified mild onion programme is to be established and will provide the broader onion industry with an additional product mix to offer consumers.

Onion levy beneficiaries

Clarke *et al.* (2010) confirmed that onion growers (and the supply chains) have been the major beneficiaries of the invested funds. Public health benefits have accrued but are considered minor, as are the benefits that might have spilled over to other primary industries. The benefit:cost ratio of the R&D investments within specific pillars have also been independently examined by Clarke *et al.* (2010). Their assessments are summarised below and in Table 4.

In summary, the principal outcomes from the Market and Supply Chain (Pillar 1) research cluster are: *An informed assessment of vegetable promotion, markets and Australian consumers resulting in more effective onion industry investments, the development of an Australian mild onion industry, increased domestic onion consumption and additional industry returns.*

The principal outcomes from the Extension and communication (Pillar 3) research cluster are: *A small reduction in production costs derived from yield increases, quality improvements and cost reductions, contributed via increased availability of more appropriate and effective chemical controls, increased adoption of a range of practices, increased grower access to communication, networking and extension activities, improved strategic planning and open communication.*

Table 4: Summary of benefits for two R&D clusters

Research cluster	Area of benefit	Identified industry/grower benefit	
		Research focus	Outcome ^x
Market and Supply Chain (8 projects) Investment: \$564,415 ^y Calculated Benefit:cost ratio 12.1 : 1	Economic	Market data, consumer research, mild onion development	Increased domestic consumption; marketplace intelligence
		Trade data; product differentiation (mild onion)	Future - Increased exports
	Environmental	-	-
	Social	Fruit and veg campaign	General health benefits
Extension and Communication (6 projects) Investment: \$556,862 ^z Calculated Benefit:cost ratio 3.4 : 1	Economic	OnionSTAT, website, data-base, newsletter distribution; information pack	Increased knowledge, yields, quality; reduced costs of production
		Production knowledge; industry representation	Increased efficiency of use of industry resources
	Environmental	Chemical use and suitability	No mis-use; justified 'good reputation', food safety
	Social	Adoption capacity	Adoption rates, capacity increased; human health confidence

Source: Clarke *et al.*, 2010

^x Investment returns cannot all be quantified, Some expected in 1-30 years

^y Investment by HAL and industry from 2005-2010. Nominal investment (from other sources, i.e. in-kind) not included

^z Investment by HAL and industry from 2005-2010. Nominal investment (from other sources, i.e. in-kind) not included

Plant Health Australia membership

Onions Australia joined Plant Health Australia (PHA) and signed the Emergency Plant Pest Response Deed (EPPRD) in March 2008. Growers have been and will continue to be, the primary beneficiaries of PHA membership. Membership provides the industry with 'insurance' surrounding incursions of exotic pests and diseases, and assistance with biosecurity preparation and capacity building.

The initial, annual membership subscription was \$7240 and this was paid by members of Onions Australia. The annual fee is calculated on a percentage of the rolling three-year average value of onion production. It is expected to increase. The funds used to pay the subscription cannot be matched. If however a PHA levy is raised and funds exceeding the subscription fee are collected, the excess can be diverted into either PHA extension activities or the R&D fund, where they are eligible for dollar-for-dollar matching by the Commonwealth Government. It should be noted that importers cannot be charged a portion of the PHA levy as they are deemed non-members and as such are not receiving, or eligible to receive, benefits from PHA activities.

2.3 Why does the onion levy require review?

Although the existing onion levies have provided significant positive returns on investment and there has been negligible payment avoidance or leakage from the collection or distribution systems, there are several reasons the levies require this review.

The onion industry, HAL and PHA have invested considerable time identifying the returns on current investment, the current levy's limitations, industry development priorities, the likely demands for funds and resources in the future, and the challenges facing the industry. There is support from levy payers, HAL, PHA and the Commonwealth Government to explore the options for increasing the onion levy.

The environments in which both the onion industry and the levies are operating, have changed. Some relevant challenges facing industry, and levy limitations, are tabulated below in Table 5.

Table 5: Challenges facing the onion industry

Financial challenges	Production challenges	Operational/regulatory challenges
Leadership and succession planning is lacking.	Competition from imports. Imports increased four-fold in 2008/09.	Government expectations of industry – post-border biosecurity and threat management.
R&D costs increasing (negligible contributions from providers and state departments).	Basic access and costs of production – land costs, water increasing; non-competitive, access declining; urban encroachment	Preparedness is limited; specialist services declining.
PHA fees on-going; membership required.	Climate change; drought; sustainability; environmental accountability.	Residue testing demands and changing export requirements.
Quality improvements not guaranteeing rewards; profitability.	Mature industry. Succession planning, leadership uncertain.	Managing environmental issues; coordinating EMS for onions.
Cost of industry evidence collection and collation: domestic vs. export.	Product differentiation – benefit in future; current cost high.	Marketplace negotiations require evidence.
Levy income not sufficient to support industry development, R&D, NRS.	New technology and threats; diseases, pests (e.g. thrips). Demand for extension to assist uptake; proactive response etc.	International competition increasing; global marketplaces; limited effective marketing.
New demands on financial resources – water, biosecurity, promotions etc.	Chemicals – choice reduction; new entries require updates; residue monitoring	High costs of market access and regulation.

3 POTENTIAL ONION LEVY CHANGES

3.1 General mechanisms for addressing industry shortfalls

There are several ways an industry may be able to expand its funding base:

- Increasing an existing levy (e.g. \$/tonne)
- Introducing an additional or new levy
- Increasing the levy base (e.g. number of contributors)

3.1.1 Case for change in the onion levies

The onion industry has considered its options for maintaining the current investment levels and options for increasing them. Neither current R&D nor NRS commitments are sustainable with the existing levies. The R&D priorities identified by industry cannot be addressed to the level desired by the onion industry.

PHA membership and chemical residue screening in some form are necessary if the industry's protection and reputation are to be maximised, and if obligations are to be met. Neither is possible under the current levy arrangements.

The onion industry has had to carefully consider its options. The preferred options ensure the industry will not only be able to meet its obligations, but will also advance its development and biosecurity preparedness, and will provide benefits that equitably reward all levy payers.

The onion industry has several fund-raising options available to it.

3.1.2 Increasing the existing R&D levy

Raising the existing R&D levy is the most efficient and equitable mechanism for increasing industry financial resources, because:

- The funds raised are matched 1:1 by Government contributions
- Onion RD&E has provided practical and financial returns, and contributed significantly to levy payers throughout the industry
- The returns on investment to-date indicate responsible and beneficial management of funds
- Growers maintain their voice in determining how funds are distributed
- Growers remain the major beneficiaries
- Industry funds can be leveraged within HAL, and across commodities to maximise returns

3.1.3 Changing the levy distribution

At present, levies are collected and distributed only for RD&E 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).

3.1.4 Adding a new levy

A *new* levy may be one introduced for a specific purpose, e.g. industry biosecurity, promotions or PHA membership.

Provided the collection system and existing calculation basis (tonnage at first point of sale) are maintained, the onion industry would benefit from new levies.

3.1.4.1 PHA subscription levy

Onion growers need to pay for PHA membership and this levy would provide funds for this, while disadvantaging no growers. It would also allow the industry to make its subscription payment over a year, rather than in a lump sum at a defined time of the year that may not suit the production cycle.

The amended PHA (Plant Industries) Funding Act 2002 allows member industries to use:

- A PHA subscription levy to fund their PHA membership
- Funding above that collected to pay for subscriptions, for ‘biosecurity-related purposes’.

3.1.4.2 *Biosecurity levy*

Onions Australia requires a mechanism (e.g. a biosecurity levy) by which it may repay ‘response cost’ obligations and for activities enacted under the Deed (e.g. an eradication campaign).

The amended PHA (Plant Industries) Funding Act 2002 allows member industries to use:

- An Emergency Plant Pest² Response (EPPR) levy set at a rate of zero (percent of value at first point of sale), or
- An EPPR levy set at a positive rate, to build up a fund (as done by the grains industry) that may be used to undertake biosecurity risk mitigation activities (e.g. surveillance or research) on emergency plant pests.

The first option allows funds to be collected when there is an incursion and an eradication response agreed to. Growers benefitting from the response are required to contribute. The Commonwealth Government would collect EPPR funds up to a set level, and forward them to PHA where they would be held on industry’s behalf, in separate accounts.

3.1.4.3 *Promotions levy*

Some within the onion industry have expressed interest in promotional activities and consumer education. The cost of promotions is always significant but some market research undertaken (Project VN03019 – Consumer Research) indicated “*there is a high correlation between onion promotion and increased industry returns, and ... future opportunities for product differentiation in the Australian onion category*” (Clarke *et al.*, 2010) e.g. mild onions.

3.2 How may a levy be changed?

There are 11 basic principles that need to be satisfied in establishing a levy. A 12th principle is relevant to the amendment of existing levies. Evidence of broad consultation and industry support are the bases of levy change approval by the government. The options for changes to the onion levies are documented below, and industry-wide consultation has allowed broad discussion and refining of them.

3.3 Specific levy options for consideration by the Onion industry

3.3.1 Research and Development levy

Onions Australia, the industry’s peak body, has recognised since 2002 (when the R&D levy was introduced), that both the benefits derived from targeted RD&E, and the costs of carrying out RD&E, have risen considerably. The cost increases have 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.

Key RD&E priorities that could not be fully funded, or were delayed due to the existing shortage of funds, included: ‘white rot’ research, additional work on minor use, the introduction of new crop protection products, and thrips research associated with the Iris Yellow Spot Virus.

The RD&E priorities in the Strategic Plan require additional funds if they are to be addressed to the level desired by industry. Of particular importance are those surrounding new chemicals, best practices for mild onion production and market development in the supply chain, and virus research. An increase in the R&D levy would provide additional funds and would allow the current research priorities to be addressed in full, and more research, development and extension to be funded.

² An onion emergency plant pest is either an exotic pest/disease (not in Australia) or an exotic strain of a pest already present in Australia, that is deemed to have a negative economic impact regionally or nationally on onions, should it enter and become established.

Investigation of residue screens and coordinated acceptance of them are areas that warrant industry development efforts and investment. This could be accommodated with 'diversion' of the NRS levy (equivalent value) to R&D.

3.3.2 Plant Health Australia levy

PHA membership should be paid by the intended beneficiaries, the onion growers. Membership fees are on-going and membership comes with obligations.

PHA membership is 'insurance' the industry cannot afford to be without.

A PHA subscription levy would be managed outside HAL.

3.3.3 Biosecurity levy

Governments will no longer carry the entire burden for pest/disease eradication campaigns. It must be a shared responsibility. 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 a repayment mechanism. It is often referred to as a 'biosecurity levy'. It is also noted that the industry needs the funding assurance and the resources of the Commonwealth and PHA to improve preparedness and response capacity, even in the absence of an incursion.

It is recommended the onion industry consider the introduction of a biosecurity levy, given the potential costs associated with pest and disease incursions. The industry has the option of setting the levy initially at zero (\$0.00/tonne), with its activation and fund collection only occurring in the event of an incursion.

There is precedent however for immediate activation and utilisation of biosecurity levy funds for biosecurity research (e.g. development of contingency plans). This has been the approach of the grains industry.

The maximum contribution to a Response Plan, should only one industry be involved, is the lesser of \$20m or 2% of the industry's local value of production (LVP). If more than one industry is 'affected', the maximum contribution becomes 1% of the combined LVP of the industries, and is referred to as the 'agreed limit'. Should the onion industry be required to contribute, the amount will be calculated at the end of the response. The industry will then negotiate a time period with the Department of Agriculture, Fisheries and Forestry (DAFF) to repay the debt. This will determine the rate of the EPPR levy. To activate the EPPR levy, Onions Australia must write to DAFF asking for the levy to be increased. DAFF will then make appropriate arrangements for the levy to be activated. Once the debt has been paid, the EPPR levy can be returned to zero. Onions Australia as the signatory to the EPPRD would be the voting member, on behalf of industry.

As for the PHA levy, importers are not signatories to the EPPRD, and will therefore not be considered in reimbursement decisions, in the event of an exotic pest incursion.

3.3.4 National Residue Survey levy

Screening requirements for export and domestic onions differ. Tasmania has greater demands for export screening assurances while domestic onions are screened to satisfy various quality assurance (QA) programmes. Without a levy for this purpose, the cost is transferred to growers, as it currently is for exporters.

The industry has the potential to remove the residue testing levy and thereby allow all growers to pursue private laboratory testing that satisfies their range of QA requirements. Progress towards broad acceptance of residue screen protocols by multiple QA programmes, would benefit the whole industry. There is potential to develop a residue testing R&D project that investigates the options for meeting both domestic and international testing requirements.

3.3.5 Promotions and marketing levy

It is not possible for R&D levy funds to be utilised for promotions, but they may be utilised in some market research. Onions, being a staple and less price sensitive than many other vegetables, will require specific promotional 'targets'. The development of mild onions and the product distinction opportunities they offer, suggest promotional activities in the near future will be justified.

There are examples of simple but effective marketing and promotion campaigns based on funds similar and even below those proposed to be raised by a \$1.00/tonne onion levy. For example, the pear marketing and promotion campaign developed a tasting programme that matched pear varieties with different cheeses. The campaign significantly raised the level of interest in uses for pears and saw major retailers not only reporting a season-long 10% lift in sales volume (*and* value), but also investing their own resources in the promotions programme.

Management of a promotions levy would be by HAL, who in turn require a management fee of approximately 11%. Onion consumption increase would be a success parameter for such a campaign, and mild onions may best provide that opportunity in the near future.

3.4 The case against changes to the Onion levy

The case against levy changes relate to the expense of levies for onion growers. The burden could be shared by extending the base and type of levy to include processors. However any levy based on value would be inequitable given the different value of exported and domestic onions.

It must be noted that removal of the onion R&D levy was not an option canvassed. Absence of the onion levy would return the industry to its fragmented, poorly-resourced past. Voluntary contributions will not support the planned RD&E, but it is noted, seed producers, merchants and processors have provided voluntary contributions in the presence of the levy, and are encouraged to continue this as it expands the contributor base and pool of beneficiaries, across the supply chain.

There is no reasonable case against the introduction of the biosecurity levy. The industry would be negligent in not supporting this in today's environment of the shared continuum. Without a mechanism to collect incursion management funds the onion industry is left exposed to enormous costs that could quickly and entirely erode industry (and some individual) financial resources. The estimated costs of the localised citrus canker campaign in Emerald, Queensland were \$26m; the equine influenza eradication received \$350m in government assistance, but industry losses were calculated at \$1.5 billion.

An example of specific relevance to the onion industry could be that of Onion Leaf Blight, caused by the fungus *Botrytis squamosa*. This fungus primarily attacks the leaves and can lead to reduced onion bulb growth and significant yield losses. The disease is widespread in Europe, Northern Asia and Canada. It has reached epidemic proportions in commercial onion fields in parts of the United States. Officially, Australia remains free of Onion Leaf Blight. However Australia's vulnerability is being exacerbated by an insufficient quarantine response. With the assumption *B. squamosa* could have the same distribution as the related pathogen, *B. allii*, Onion Leaf Blight could potentially cause a 20% reduction in onion production in Tasmania, Victoria and south-eastern Australia. Efforts to control the disease once it had arrived and established, would increase production costs by an estimated \$800/hectare. This in combination with the 20% yield decline suggests Onion Leaf Blight could cost our onion industry upwards of \$40m. Eradication if attempted would be extremely costly.

The case for changing the NRS levy is strong. The *status quo* is not an acceptable option because the income collected does not cover the costs of current testing nor is it equitable. Options for increasing or removing the levy have been presented. Cessation of residue screening is not an option, but the onus for sampling and testing can be moved from the industry (through NRS) to a more holistic industry development activity run through the R&D levy.

Subsequently increasing the R&D levy would allow the testing to increase and accommodate new chemicals that are being introduced to onion production programmes, or of international concern.

Industry views on the introduction of a new promotion levy are varied. The funds to be collected cannot be matched by government dollars and would not allow broad reach (i.e. through television). There are however examples of cost-effective, targeted campaigns (i.e. in-store) based on similar funds. The outcome needed is increased sales and the mild onions for instance may best provide that opportunity to grow the category as a whole.

4 ONION LEVY OPTIONS

The levy options warrant serious industry consideration.

Table 6: Levy options (\$ contributions/tonne)

Purpose	Existing levy \$/tonne	Proposed option
R&D levy	\$1.60	\$2.90 (includes 40c from NRS) <i>OR</i> \$2.50
Purpose	Existing levy \$/tonne	Proposed option
EPPR levy – new (biosecurity levy)	-	\$0.00
PHA membership – new (PHA subscription levy)	-	\$0.10
Purpose	Existing levy \$/tonne	Proposed option
NRS – residue testing	\$0.40	No levy <i>OR</i> \$0.40
Purpose	Existing levy \$/tonne	Proposed option
Marketing/promotions – new	-	\$1.00

The estimated income to be potentially raised is provided below in Table 7.

Table 7 : Estimated total levy raised under each option (\$)

Purpose/spending focus	Levy income 2008/09	Existing	Proposed Option
R&D – matched available	\$664,000	\$664,000	\$1,203,500
NRS – residue testing		\$87,500	0
PHA – ‘insurance’		\$0.00	\$20,750
EPPR - biosecurity	--	--	--
Marketing/promotions	--	--	\$207,500
Total levy available (est)		\$751,500	\$1,431,750
Levy collection costs (5%) of 2008/9 levy income		\$33,200	\$60,175
Available R&D funds		\$718,300	\$1,004,300

* Based on 2008 levy payer base.

5 LEVY CONSULTATION

5.1.1 Consultation Process

The process for changing the onion levy is defined and transparent. It involved the peak industry body, all levy payers, HAL, and the Commonwealth Government (and in particular, the Minister, DAFF and LRS).

The onion industry has provided all potential levy payers and the involved organisations with information sufficiently detailed to allow informed discussion and decision-making on the proposed options. A secret ballot is required to determine industry support.

Onions Australia will submit a detailed proposal outlining the consultation phase and voting outcome to those organisations that receive levy monies. They in turn will 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 for an increased levy be accepted, the Government will draft appropriate legislation to implement the change.

5.1.2 In-person consultation meetings

Face-to-face meetings have been held to ensure every registered onion grower in all production regions had first-hand opportunities to ask questions and learn more about the levy process, options and proposal. This discussion paper provides the background to those meetings.

The dates and locations of these meetings are shown below.



City/town	Date	Time	Venue
Griffith, NSW	Mon 31 st May	10:30 am	Gemini Motel. Banna Ave
Virginia, SA	Tues. 8 th June	Noon	Virginia Hort Centre Old Pt Wakefield Rd
Mannum, SA	Tues. 8 th June	7:00 pm	Mannum Motel Conf. Centre. cnr Randall and Cliff Sts
Bunbury, WA	Wed. 9 th June	7:00 pm	Vat2 Conference Centre. 2 Jetty Rd
Bordertown, SA	Fri. 11 th June	3:00 pm	Jolpac Rural. 51 Ramsay St
Longford, TAS	Tues. 15 th June	Noon	Blenheim Inn. 16 Marlborough St.
Ulverstone, TAS	Tues. 15 th June	7:00 pm	Beachway Motel. 1 Heathcote St.
Thorpdale, VIC	Wed. 16 th June	Noon	Warragul View Motor Inn. Rulemont Rd
Burton, SA	Wed. 23 rd June	11.00am	E.E Muir & Sons, Pt Wakefield Road, Burton
Allora, QLD	Thurs. 5 th August	Noon	The Railway Hotel. 40 Herbert St.
Fassifern Valley Gatton, QLD	Thurs. 5 th August Thurs. 5 th August	2.30pm 7:00 pm	Kalfresh Gatton Research Station.

5.1.3 Input and feedback opportunities

As levy payers, onion growers were entitled and encouraged to have considerable input to the levy raising process and associated discussions.

5.1.4 Other Communication and important dates within the process

Month	Publication	Content
August 2007	OA Newsletter	NRS – Great 2006 results but where to now for the NRS testing program?
August 2008	OA Newsletter	EPPRD and vigilance – Onions a signatory to EPPRD and obligations required.
August 2008	OA Newsletter	Chairperson report on EPPRD requirements
April 2009	OA Newsletter	Executive Officer Report – reports on Annual levy payers meeting and exploration of R&D levy increases, Introduction of EPPR and PHA levy and request from NRS that levy (NRS) be increased to \$0.80/tonne. Subsequent note” there will be further consultation with industry members.
August 2009	OA Newsletter	PHA article – Partnership tackles threat of emergency plant pests – “who pays and how much”
August 2009	OA Newsletter	Executive officer article: notification to industry parties that OA and HAL had advertised for services to manage the levy review process/change to levy/introduction of new levies.
January 2010	OA Newsletter	OA considers levy options – outlining the levy review process, information on consultation process; what we have now; what we may need in future
August 2010	OA Newsletter	Overview of the consultation period “it’s over to you”
January 2011	OA Newsletter	Levy Review Process “hot topic at series of meetings held in Tasmania in November 2010”
November 2006	OA Magazine	Industry plans ahead for biosecurity
November 2007	OA Magazine	NRS – “It’s time for review”
November 2008	OA Magazine	“explanation on levy principles and guidelines and EPPR levy to be set at \$zero”
November 2009	OA Magazine	Article: what the levy does and the vital service it provides; can it keep doing so in its current format?
November 2009	OA Magazine	PHA article on EPPR levy “industry must contribute”
November 2010	OA Magazine	Executive Officer: an overview of consultations meetings: Chairperson report: Levy review high on priority list: Article; Levy Review round-up
November 2008	Annual Levy Payer Minutes	Scottsdale Tasmania minutes
November 2009	Annual Levy Payer Minutes	Murray Bridge South Australia minutes
November 2010	Annual Levy Payer Minutes	Ulverstone Tasmania Minutes
February 2010	Warrnambool Field Days (Victoria)	30 second advertisement 3YB: ran 20 times in surrounding growing areas over 3 days
February 2010	Radio Interview	Executive Officer radio interview with Sandra Moon, Rural editor/ presenter Ace Radio network: area coverage SW Victoria, W Victoria, Wimmera and Mallee, Victoria
March 2010	Lucindale SA Field Days	Spoke to growers, seed representatives; handed out levy consultation documents
September 2010	Riverland Field Days	Spoke to growers, seed representatives; handed out levy consultation documents
	TV Interview Win TV	Executive Officer – WIN TV interview; area covered: Waikerie, Renmark, Loxton, Pinnaroo & Lameroo
April 2010	Radio Interview – ABC Country Hour (National)	Executive Officer: Joanne Thomas-Ward levy interview
May 2010	Radio Interview – ABC Country Hour (National)	Chairperson: Brian Bonde levy interview
November 2010	Radio Interview – ABC Country Hour (National)	Chairperson: Brian Bonde levy interview
February 2010 to June 2010	Consultation Dates & documents on www.onionsaustralia.org.au	List of dates, times and venue for all consultation meetings + downloadable levy documents
June 2010 to November 2010	www.onionsaustralia.org.au	Notice on new website with direct link to all papers

November 2010 to current	www.onionsaustralia.org.au	Notice on home pages stating consultation period is now complete
March 2010	Overview Document	Sent to all members and levy payers on Data Base (including full list of dates and venues)
April 2010	Overview Document & Invitation (NSW)	NSW levy payers and members of association invited to attend consultation meeting in Griffith
May 2010	Overview Document & Invitations (SA)	SA levy payers and members of association invited to attend consultation meetings in Virginia, Mannum & Bordertown
May 2010	Overview Document & Invitation (WA)	WA levy payers and members of association invited to attend consultation meeting in Bunbury
May 2010	Overview Document & Invitations (TAS)	TAS levy payers and members of association invited to attend consultation meeting in Longford & Ulverstone
May 2010	Overview Document & Invitation (Vic)	Vic levy payers and members of association invited to attend consultation meeting in Warragul/Thorpdale
July 2010	Overview Document & Invitations (QLD)	QLD levy payers and members of association invited to attend consultation meeting in Allora, Gatton & Fassifern Valley
May 2010	Newspaper Advertisement	Tas Country – with meeting dates
August 2010	Newspaper Advertisement	Gatton Star – with meeting dates
August 2010	The Gatton Star – article	QLD growers review current levy plans
September 2010	The Border Watch – article	Brian Bonde article on industry support
October 2010	Good Fruit and Vegetables – article	Article on levy and need to talk to growers
November 2010	Tas Country – Article	“Onion Levy Rise on agenda”
November 2010	The Border Watch – article	Steve Rathjen and his work with the levy
December 2010	SA Grower – article	“Growers examine onion industry levy”
December 2010	Good Fruit and Vegetables – article	“Tassie hosts Onions Australia” article covered levy review
March 2011	The Border Watch – article	“Onion production impresses”
April 2011	Flyer within OA newsletter	“Proposed changes to Onion Industry Statutory Levy

Newsletters, published articles, bulk emails

Voting papers sent: approximately early May (2nd May 2011)

Voting papers returned: Late May (23rd May 2011) and counted: Mid June 2011

Final submission prepared and submitted: August 2011

Levy outcome known: Dependent on Ministerial approval and timetable; expected late 2011/early 2012

5.2 Levy voting process

Voting papers will be sent in hard copy to every known levy payer. Each has the right to one vote (one vote/levy payer). It is important for everyone receiving a voting paper to complete it and return it to the nominated independent returning officer.

Up to the voting period, several independent and industry-associated people are also available to answer your questions and consider your input and feedback.

These contacts are tabled below.

Contact	Affiliation	Contact details
Brian Bonde	Chairperson, Onions Australia	0417 545 039
Stuart Burgess	HAL Program Manager	(03) 6231 1945; 0417 536 300
Prue McMichael	Scholefield Robinson	0407 606 461
Steve Rathjen	Levy Review Committee	0427 299 022
Trevor Twigden	Levy Review Committee	0437 766055
Onions Australia Office	Peak industry body	(08) 8725 8862

5.3 Frequently asked questions

Q: Why do we need to increase the onion levy?

A: An increase in the existing statutory levy is needed to maintain and advance industry research, to assist with industry development in several areas (new products, e.g. mild onions, biosecurity awareness, preparation and response capacity, categorisation of exotic pests) and to meet obligations associated with PHA. There is also an opportunity to introduce a promotions campaign.

It is your industry and a levy increase can only be voted on by you, the levy payers.

Q: Are there many onion growers who have not been paying the levy?

A: No. This is because it is a legislated, national levy and DAFF has the power to prosecute and collect funds from those in arrears or who have avoided payment. All growers must pay the levy, and as such, no grower is adversely affected. Onion producers are the contributors (and the main beneficiaries).

Q: Can growers choose to support only some or a part of the proposed levy changes?

A: Yes. Growers will be asked to vote on clearly stated options.

Q: Are the increased levies subject to GST?

A: No

Q: Is anything changing about the collection of levy funds?

A: No. The system of collection has been reliable and the levy will continue to be collected in pack houses, being the first point of sale for most onion growers.

Q: Who manages the levy funds?

A: Levy payments collected by the packers are paid to the Levies Revenue Service. Levy funds collected for biosecurity purposes (PHA subscriptions) are managed by PHA and the proportion of funds collected for the purpose of a promotions campaign are managed by HAL.

Q: Is membership of Horticulture Australia Ltd a requirement for the Onion industry?

A: Membership in HAL allows access to government matching funds (dollar-for-dollar) for research. The government does not match PHA membership funds or promotion campaign funds.

Q: Who knows how much levy I have paid?

A: Only you and the LRS. No financial details may be divulged to Onions Australia or the State or Commonwealth governments.

Q: Who decides how the levy funds are distributed?

A: Every grower through their representation on the Industry Advisory Committee (IAC) has opportunity to provide input on research projects and priorities (R&D). There is no discretionary spending on the PHA membership levy as it is collected to pay a fee (based on the local value of production) and is not matched by government funds. Promotions levy income would be managed by HAL, but growers would have input to the promotions and consumer education campaign via the IAC.

Q: Who is on the Industry Advisory Committee?

A: The Onion IAC is a skills-based committee that includes representatives from each relevant industry sector.

Q: Do I have a say in the levy changes?

A: Yes. Every onion grower in Australia will have access to printed information, an in-person meeting with industry and government experts. Every grower contact on the Onions Australia database will be provided with a voting paper. Voting is confidential.

Q: What happens after the vote?

A: Onions Australia is required to submit a detailed proposal 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.

Q: How many votes are needed to pass the proposal?

A: The majority of those returning completed voting papers must support the levy changes for the changes to pass and be eligible for government consideration.

Yours sincerely

**SCHOLEFIELD ROBINSON
HORTICULTURAL SERVICES PTY LTD**



**P A MCMICHAEL
Principal Consultant, Plant Pathologist**