

**Submission to the Senate Inquiry:**

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

**TINAROO FALLS AVOCADO PTY LTD**

**Prepared by: Jim Kochi ,B App Sci ( Rural Technology), on behalf of joint owners, Jim and Ed Kochi ,Dip Ed of Tinaroo Falls Avocado Pty Ltd,**

**19, October 2014**

## Introduction

In the first instance, I will declare that I am the current Chair of the Board of Avocados Australia Ltd which is the prescribed Industry Body that represents avocado levy payers and the wider avocado industry in Australia.

I have been elected to the Chair annually, for many years now, at the AGM, and I receive no remuneration by way of salary for my service. I receive only reimbursement for costs in travel and accommodation and a sitting fee for meetings.

I accept this position with the honour to be able to serve and contribute to the success of the avocado industry, as many men and women before me have done, to make this industry the success it is today.

I am honoured to serve in the company of nine other board members, democratically elected by growers in their home regions, who share the common goal and passion of advancing avocado for the whole industry.

A submission will be presented by Avocados Australia Ltd CEO John Tyas on behalf of the Board and I strongly support that submission as Chair of Avocados Australia Ltd.

I would also like to make this submission on a personal level that better represents the opinion of my brother Ed's family and my own familys' interests in the avocado industry.

Our farm is located at Atherton , North Queensland and we have been on this property since 1948. We have been involved in a number of crops in the past 66 years . Crops like maize, peanuts, potato, beef cattle, pasture grass seed, fodder hay. My father survived through these crops through the efforts of hard manual labour and frugal management but he had reached his limit at the age 56 when he realised that the future of farming depended on a different approach to those of the past. Our father decided to send his only two sons to tertiary education to find a better way.

My brother Ed and I have returned to the farm with new skills and a belief in the value of science as the way forward and our experiences "off farm " opened our eyes to different crops.

We did persevere with the areas traditional crops ( maize, peanut, potato ) but we saw there was limited future because these crops had no systems in place to do research or to develop markets. It was a system of having some limited Qld DPI research activity, that depended on the researcher's line of thought, followed up by some limited extension work by Qld DPI and absolutely no effort in developing markets for these commodities.

Eventually in 1978 it was a case of continue with the traditional practice and perish, or sell the farm, OR move into a crop where there was some positive initiatives happening.

We chose avocado because the growers moving into that crop were people from outside traditional farming and they brought with them a different mindset. These were professional people, lawyers, veterinarians, scientists, accountants, engineers, small businessmen and other farmers fed up with the limits of the traditional crops.

These early avocado growers quickly formed a national body ( Australian Avocado Growers Federation –AAGF) and agreed to impose statutory levies for the purpose of conducting Research and Development – R&D, and for market development .

AAGF started its own avocado specific magazine Talking Avocados to get away from the generic Good Fruit and Vegetable Magazine which serviced the horticulture industry in Queensland at that time.

It was decided by these early growers, based on their experience from other areas of business that the avocado industry needed an avocado specific focus.

The result of this work since the late 1970's has taken the avocado industry to where it is today in 2014, some 40 years later. The avocado industry's success today is the result of 40 years of R&D and Marketing using the levies collected over those past 40 years, and with the matching Federal Govt money for R&D. This way of conducting our industry has been so successful that the avocado industry is the example for other industries to follow. The avocado industry had the "self belief" "to ask growers for an increase to double levies (to 7.5 c/kg) to continue and even speed up the rate of progress in R&D and Marketing ,after our industry levy funded research predicted large production growth.

Today, avocado is an industry that grew from the occasional "prawn cocktail" at a fancy restaurant to an everyday meal option.

Avocado in 2012/13 in Australia is an industry with a GVP of \$300 million, with production spread over every state, with some 850 growers (ABS, 2010-11). Australia now produces some 55,000 tonnes of fruit for the fresh market.

The Australian Avocado industry is now recognised world wide as a leader in Research and Development and Marketing and has been willing to share this information with the rest of the world through a recent Australian – New Zealand Avocado Conference , Cairns , September 2009, and the VII World Avocado Congress, Cairns, September 2011. Our model is open to the world and the other countries respond by sharing their information with Australia. It is the way to further develop the avocado for all growers globally, as it is for the development for all growers here in Australia.

On a personal level, Ed and I have been grateful for the opportunity to be in this industry and to contribute to its future because it is also OUR future.

We are strong supporters of the levy system in place now because it caters to benefit the whole industry and it caters for the growth for individual growers and the whole industry.

In the early days as small emerging growers we contributed a small amount in levies based on a small volume of fruit but in 2012 we contributed over \$150,000 in levies and we were happy to do so because our industry was in a position to move our massive crop ( 2000 tonnes) at good prices.

Our own farm has hosted visitors from all the countries who have attended the conferences mentioned above, but also from many field days organised by the avocado industry at a local level. We value the interaction with other growers and obtain great benefit from “sharing and comparing” with other growers.

The avocado industry in Australia is one of the few horticulture industries that has experienced, increased production, increased rate of consumption and increased farm gate returns.

This is not some one off occurrence. This has been a progressive development over the past 40 years and it is due primarily to the level of grower money contributed, and grower directed money that has been collected through the levy system. The success of avocado is one to be shared by all growers be they new growers, small or large. The success is shared pro-rata,as is the cost.

The success of the avocado industry is mirrored by the mushroom industry that has a similar levy programme and these programmes have been studied and have been presented to other industries who are struggling due to the lack of sufficient funds to gain traction in their future development.

The Mango industry is an example. The mango industry is a sister industry to avocado since we share many growers and farms but the mango industry struggles to develop because some members had resisted the move to increasing levy funding. The avocado growers, who grew mango, could see the problem and wanted to increase levies but mango only growers could not see the benefit. Eventually, reason prevailed and the mango industry asked for an increase in levy. This is the way to the future, by using a proven model.

We have now in 2014, the development that some growers in avocado, mushroom and other crops ( levy payers) feel that they want greater control on the use of levies either through a change in the current model or the complete abolition of statutory levies so they can create their own personalised R&D and Marketing.

The forefathers of the avocado industry proposed that the investment of levies was for the benefit of the wider industry, not to the individuals, and that model has proven to be very successful. So much so, that new growers, and very large growers, have entered the avocado market in varied financial forms ( individual units, Managed Invest Schemes, Trusts, conglomerations of Trusts, partnerships ) all eager to join the success of avocado now and the prospect of a successful future also.

The issue now is that some of these groups, after entering the avocado industry based on it's past success and future prospects, are leading the discussion to make changes that will favour benefit to the individual rather than the whole industry.

I can see these changes causing competition for research resources between the large growers (most money) and the smaller growers (least money).

I can also see the competition in marketing where the larger growers will use their individual funds to market against other growers.

I can see that the smaller growers who are steam rolled by the larger growers could choose to vote to withdraw from the levy system altogether, thus denying the whole industry any prospect for future development.

Currently growers need a majority vote to impose a levy , or to increase a levy ,and similarly, a majority vote can remove a levy.

This individual approach has the potential to limit the development of avocado as a whole industry and to cause fraction of the industry to the point of actually limiting the industries future and causing it's decline. My experience in agriculture over the past 63 years tells me that this approach is the wrong way.

On the matter of consultation, the Avocados Australia Ltd submission states *“that industry representative bodies are best placed to provide industry consultation as they have extensive stakeholder networks and close connection with levy payers, as a function of their structure and charter. There may always be individuals that may disagree with the majority view, but an effective consultation system will allow all views to be properly considered and to ensure actions are taken that are in the best interests of the majority of levy payers.”*

The HAL Review recently undertaken by ACIL Allen Consulting is the most significant review in relation to horticulture levies in recent times but it was limited in that it was so constrained by process that it did not capture the emotion of the future of growers and how it may affect families on farms.

There has been a failure for people involved in this review and in the submissions by Senators to bring this matter to the Senate Inquiry to consult with the growers on the ground. Those people who own, raise families and work on farm on a daily basis and who in the case of avocado have enjoyed success and prosperity for many years. These people are the backbone of regional Australia and occupy the space that bureaucracy and politics seem to want to ignore.

I would ask that this Senate Inquiry to consult with and make a strong consideration of the avocado grower in these regional areas, ie the silent majority, in its deliberations.

This submission is a personal view certainly and I am willing to be of assistance to the Senate Inquiry to further explain my points of view that I have expressed personally as well as my view based on my experience as Chair of Avocados Australia Ltd.

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