

Economic and trade issues

- 5.1 Aside from issues of resource security and biosecurity, the Australian honey bee industry faces serious economic challenges. The industry is facing threats to its long term economic viability, with implications for its role as a provider of pollination services for agriculture. It also faces import competition and exclusion from export markets in a global economy. Unless these challenges are met the industry will struggle to remain viable.

Economic viability of the industry

- 5.2 The Australian honey bee industry has undergone significant change in the last few decades. The industry has gone from being almost wholly reliant on honey production for its income, to an industry facing increasing pressure and the need to diversify its activities. As Mr Philip McPherson, a Victorian beekeeper and president of the North East Victorian Apiarists Association (NEVAA), explained in his submission:

Through out the nineteen sixties, seventies and early eighties Beekeeping was the financial cornerstone of our business produced mainly from Honey and beeswax with little if any pollination income. By the mid Nineteen Eighties things began to change as the effects of European Brood Disease, increased input costs and reduced returns as well as less regular and reliable honey crops began to impact on our viability. Over the last fifteen years we have had to restructure our operation to survive. Reducing labour costs

improving hive management and maximizing returns by providing pollination services.¹

- 5.3 In its submission, the Western Australian Beekeepers' Association also highlighted the impact of low returns upon the viability of the industry:

Many of the industry's current difficulties relate to its very poor (and declining) profitability. In real terms this decline has been occurring since the 1970's, and has now reached a critical level for many industry participants. However there is a strong reluctance on the part of industry participants to admit how bad this problem really is. It is very evident that the packing sector is strongly opposed to any exploration of this subject. As a consequence the subject receives very little mention in industry generated dialogue or reports, because of the overlap that occurs, where individuals represent vested interests in both the packing and production sector. However it consistently appears in the documentation produced by independent reviewers.²

- 5.4 In its submission, the Forests and Forest Industry Council of Tasmania questioned whether outside Tasmania the industry was economically viable at all:

In this analysis Tasmanian operators appear to fare better than counterparts in other States, their average price of \$3.40 per kilo was almost double the national wholesale honey value (\$1.80) and they may well have more robust businesses. On the figures above the national average position appears to [be] unsustainable.³

- 5.5 In her submission to the inquiry, Mrs Elwyne Papworth, a Victorian beekeeper and secretary of the NEVAA, noted that 'honey marketing within Australia has not been able to achieve the prices required to sustain the industry at the "Farm Gate"'.⁴ She identified two main issues that needed to be addressed – relations with the packing sector and the supermarkets; and the drain on revenue to the industry through small suppliers and packers operating outside the industry's normal supply chain. The submission states:

The packing sector will argue that returns to producers is marginally above CPI, I will argue that beekeepers are not 38 hour a week wage earners, but are 24/7 hour workers, with massive out lay's to

1 Mr Philip McPherson, Submission no. 76, p. 1.

2 Western Australian Beekeepers' Association, Submission no. 32, p. 3.

3 FFIC, Submission no. 80, p. 26.

4 Mrs Elwyne Papworth, Submission no. 74, p. 2.

maintain a migratory honey producing, pollination service business, CPI has no bearing on primary production fraught with unexpected unknowns and unpredictable environmental conditions. There is a cultural intellect within the Packing sector unable to see the long term needs to progress the apiary industry into a progressive and stable future...

Major Packers will say that the major super markets are holding down prices by the way they pit packers against each other, and, of course there is the possible threat that cheaper honey's can be imported into the country and packed for the super markets to further destabilize the beekeeping industry.⁵

- 5.6 On small packers and producers competing in the market, the submission notes:

There is significant "un-accounted for" honey production at the 300 and less hives section, much being disposed of in "paddy markets", home and road side sales and very smaller Packers...

Levy's payable on honey starts at 600kgs, far too much revenue is being lost, in levy money's for industry management, placing greater burden on the full time producer. With disposal of their product in competition with that of the full time Producer supplied Packer presented honey for the super market shelf, under cutting of sale price by the small Packer/seller is also undermining farm gate returns to the full time commercial operator.⁶

- 5.7 Whether the financial viability of honey producers was being undermined by the packers or the supermarkets was a matter of conflicting opinion in the evidence presented to the committee. Some blamed the packing sector for the current financial state of the industry. In evidence before the committee, Mrs Jodie Goldsworthy, honey producer and founder and director of Beechworth Honey, argued that the interests of honey producers and packers were no longer aligned:

Once upon a time, in terms of our industry decision-making processes, the interests of the packing sector and those of the production sector were one and the same; they were aligned. Therefore, some of the leadership within our industry structures was driven by the market sector. Now we are in turmoil because the interests of the honey packing sector, in some cases, are misaligned with the interests of the producers. And producers as a whole and

5 Mrs Elwyne Papworth, Submission no. 74, p. 2.

6 Mrs Elwyne Papworth, Submission no. 74, p. 2.

one single honey packer – namely, we – are left thinking, ‘Oh, my goodness! What are we going to do about it?’⁷

- 5.8 In his submission, Mr Rod Yates, of Australian Honey Exports Pty Ltd, argued that monopolistic control by the major packer was stifling innovation:

The industry has always struggled under the burden of a limited market that fosters monopolistic control on prices and consequent “pressure” on beekeepers, effectively creating an attitude of exclusion towards independent thinkers or those who don’t support the status quo. The monopolistic nature of the industry is in turn subject to the constraints and pressure of a limited market dominated by so few major retailers who seem ruthless in their policies and myopic in their outlook.

There is generally a fearful respect for the major buyers of honey, and an undercurrent of dissatisfaction with the way things are. The investment of time and money to become established as a viable honey producer means that an individual has too much at stake to take the risk of offending the major buyer or those in favour, simply because there has never been a viable alternative market to which they have had access. The situation leads to mediocrity rather than excellence. Anyone who tries to establish themselves in the same retail market has to contend with considerable risks, and rarely succeeds. The situation in the Australian market is now reasonably stable, but also stagnant.⁸

- 5.9 In his submission, honey producer Mr Michael Leahy questioned the dominance of the major packer within the industry organisation, AHBIC:

Also our peak body in their wisdom have decided that our industry does not have the right to marketing information so out of AHBIC comes no marketing information at all not for the Australian market not for overseas markets.

It is painfully obvious to me that AHBIC is dominated by the packing sector under these circumstances. Even to the point that AHBIC is presently seeking a Minimum Residue Level (MRL) for a chemical banned for use in this industry for 10 years.⁹

- 5.10 In its submission, AHBIC argue that it was the supermarkets rather than the honey packers who were driving down returns to producers:
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7 Mrs Jodie Goldsworthy, *Transcript of Evidence*, 25 July 2007, p. 54.

8 Australian Honey Exports Pty Ltd, Submission no. 40, p. 1.

9 Mr Michael Leahy, Submission no. 61, p. 13.

Honey is primarily bought as a spread. Gaining a greater share of the spread market may be achieved through competing with alternative spreads (for example, peanut butter and jams) on price and quality.

However, the pricing structure used by retailers takes away some of the ability for honey packers and marketers to set prices, which means it is difficult to compete with spreads on price. Although discounting is allowed, it is tightly controlled by the retailers. If supplier wants to change the sell price temporarily, they have the option to do so through a promotional program, although any difference in the normal retailer price and the discount price is usually made up by the supplier. If a supplier wants to change the price permanently, they have to reduce their sell price to the retailer.

In addition, honey packers and marketers have little scope to recoup any temporary surplus made from honey sales through the major supermarkets. This is because the market power of Australia's two major supermarkets allows them to pay relatively low prices for honey compared to the price sold to consumers.¹⁰

5.11 In its submission, Capilano Honey Limited noted that:

The Australian retail honey market has undergone structural change with the proliferation of strategic supermarket private label brands such as *'Woolworth's Select'* and *'You'll Love Coles'*. The auction and tender process associated with the supply of these products has resulted in diminished returns to the industry in the form of beekeeper honey pricing and the profitability of packers.¹¹

5.12 The Western Australian packing company Wescobee Limited was also critical of the role played by supermarkets in determining returns to producers:

Next, farm gate values for honey paid to beekeepers are at a point that is considered by many as unsustainable (Australia wide) and as such it is difficult for producers to invest on capital improvements to their business, employ people and/or attract new blood in to the industry. Supermarket power against packers is at a critical and dangerous point with 80% of the Australian grocery industry being controlled by two players - Coles & Woolworths. Tremendous pressure is felt by honey packers with the move by these supermarket chains to push their own house brands at the expense of private brands. Margins and realisable prices are being squeezed

10 AHBIC, Submission no. 56, p. 18.

11 Capilano Honey Limited, Submission no. 55, p. 4.

to the extreme and this does not help to sustain our honeybee industry.¹²

- 5.13 The Western Australian Beekeepers' Association (WABA) also argued that the major packers were subject to price pressures from the supermarkets. It stated in its submission:

In simple terms, the price paid to producers for bulk honey is largely determined by the prices offered by the 2 largest dedicated honey packing houses in Australia, namely Capilano on the east coast and Wescobee on the west coast. It appears that neither of these companies have sufficient market strength to be able to withstand the downward pricing pressures of the major supermarket chains, who amongst other things, use the threat of replacing their products with imported product from low cost producers in Asia and South America to maintain price suppression pressure. Australian producers have no hope of competing with these largely subsistence and low cost producers. Because they are structurally locked into a "price taker" market model, they have, over time, been forced into accepting prices which are below their real cost of production. They literally have no choice, so most tighten their belts, and hope that "next season, things will improve".¹³

- 5.14 But as Mr Briggs explained to the committee, whoever was responsible, the end result was the same for producers:

You have mentioned this country's limited number of supermarkets. Of course, as far as competitive pressure at that level is concerned, it is not as significant as the pressure coming down on the honey packers and wholesalers, for example, who have to make a living, pay their executives and their board members and remain profitable. In the end, they are the customer of the bulk honey producer. But, as I have said – I think we might even have said this in our submission – too often the person at the farm gate, in the case of beekeepers, even though I guess it applies across the spectrum of primary industry, is left with the short end of the stick. It is difficult to see where we can go from there without assembling data. Whether it is within this committee's province to look at that and make recommendations about further investigating it, I am not competent to assess; but it has been put forward for your consideration.¹⁴

12 Wescobee Limited, Submission no. 34, p. 2.

13 Western Australian Beekeepers' Association, Submission no. 32, p. 4.

14 Mr Linton Briggs, *Transcript of Evidence*, 25 July 2007, p. 13.

Market fragmentation

- 5.15 Another issue of concern to some in the industry was the increasing fragmentation of the market, as more producers sought to market their own honey, stepping outside of the normal supply chain – and the research and development funding mechanisms of the industry. In its submission, the Western Australian Beekeepers' Association stated:

The industry currently derives most of its income from honey sales to packers, but because of the poor wholesale price returns, we are witnessing an increasing trend of producers packing their own product for sale on the local market. This fractionation, and sometimes undisciplined competition for market share, is resulting in price undercutting which is destabilising the domestic market, and can only result ultimately in further income erosion.¹⁵

- 5.16 The magnitude of the shift to private marketing has not been measured, but appears to be considerable. In his evidence before the committee, Mr Don Keith noted that:

... this we do know: supermarket sales of honey were 12,000 tonnes; they have reduced to 9,000 tonnes and steadied about there. About 20 years ago some research was done to estimate how much honey was sold through other channels, and at that time they thought it was about 5,000 tonnes. I read in one of the submissions before your inquiry that they think that could be 8,000 to 10,000 tonnes now. Because honey is virtually ready to eat once you take it out of the beehive, a great number of the people in our industry do not sell honey through supermarkets; they sell it through markets and those sorts of things.¹⁶

- 5.17 He highlighted the cost to the industry:

An unfortunate aspect of that is that a lot of that honey does not get registered in books. People do not pay a levy on it; there are already levies for research. The level of levy collection actually does not cut in until, I think, 500 kilos or 1,000 kilos, so you can sell a lot of honey without even being responsible for a levy. The challenge there is that it is the people like Capilano and those who cannot dodge paying a new levy who are supporting honey generically, but the fellow who is selling it over the back fence or wherever is probably getting as much or more benefit from that levy as the people selling it in the

15 Western Australian Beekeepers' Association, Submission no. 32, p. 4.

16 Mr Don Keith, *Transcript of Evidence*, 10 August 2007, p. 26.

supermarkets. I am not saying it should not be done. I am saying that that is a significant challenge in that area.¹⁷

- 5.18 In his evidence before the committee, Mr Rodney Whitehead, a Victorian beekeeper explained the rationale for farm gate or farmer's market sales from the point of view of the honey producer:

One of the problems particularly with selling honey at a farm gate price such as to honey packers is that over a number of years the prices fluctuate. For example, a couple of years ago the price of some lines of honey commonly produced at that time was as low as between \$1.45 and \$1.50 a kilogram. Now, the same honey gets well over \$2 a kilogram. This does not help beekeepers because quite often supply and demand comes into the selling of the honey. When there is a large supply of a certain honey around, it only attracts a low price. When the honey is in short supply, the price goes up. Some lines of honey are well over \$3 a kilogram at the moment. That has all happened in the last 24 months.¹⁸

- 5.19 He further explained:

The only thing we personally have done is marketing our own product through retail and wholesale. When we consider that the price is too low we hold it over until we can attract a better price. That is the only way I can see us doing it in our operations.¹⁹

- 5.20 On the other hand, Mr George Pallot, President of the Ipswich and West Moreton Beekeepers Association highlighted the attraction of farmer's markets from the consumer's point of view:

Unfortunately, history tells me – and I stand to be corrected on this if it is wrong – that some years ago there was a problem here with a blend of honey where there was a contamination with chemicals from Argentinean honey. That, I think, still sticks in the back of people's minds and encourages them to go to a farmers market where they know darn well that that stuff there does not have Argentinean honey blended in it; does not have Chinese honey blended in it; has good, honest, local honey. That is something that has to be accepted as a fact of life.²⁰

17 Mr Don Keith, *Transcript of Evidence*, 10 August 2007, p. 26.

18 Mr Rodney Whitehead, *Transcript of Evidence*, 25 July 2007, p. 72.

19 Mr Rodney Whitehead, *Transcript of Evidence*, 25 July 2007, p. 73.

20 Mr George Pallot, *Transcript of Evidence*, 10 August 2007, pp. 77–8.

Bee industry workforce

- 5.21 The declining financial viability of the industry has significant implications for the industry workforce – failure to attract skilled labour or new entrants means that the workforce is ageing and the skill base of the industry is under threat. In its submission, WABA stated:

The industry has major problems in this area. Due to the poor profitability, very few businesses have sufficient viability to be able to afford to employ an adequate labour force from outside their own immediate family members. Added to this, are the problems of obtaining any labour to work in the agricultural sector, due to the difficult nature of the work in often adverse weather conditions and isolated areas. Consequently little or no training of a work force is occurring, nor has it been for some considerable period of time. So the skill sets are not there in the labour market. Furthermore the inability to recruit or retain succeeding generations of family members, has left many family businesses with the situation of an aging owner who is also the sole provider of both managerial skills AND labour, a truly unsustainable situation which will need to change sooner rather than later.²¹

- 5.22 WABA believes that these problems threaten the entire future of the industry, stating:

Given the age profile of this industry, unless a miracle turnaround in the industry's fortunes occurs, THE INDUSTRY WILL SUFFER MAJOR COLLAPSE IN THE NEXT 10 YEARS.²²

- 5.23 In a similar vein, in its submission, the Tasmanian Beekeepers' Association noted:

Young people are not attracted to the beekeeping industry. This is not dissimilar to other agricultural industries. Specific reasons in the beekeeping industry are the high cost of setting up business, the heavy workload (especially during the summer season) and the lifestyle commitment that must be made.²³

- 5.24 The consensus opinion presented in the evidence to the committee was that the solution to this problem was easy access to foreign labour. In its submission, Australian Queen Bee Exporters Pty Ltd noted:

21 Western Australian Beekeepers' Association, Submission no. 32, p. 6.

22 Western Australian Beekeepers' Association, Submission no. 32, pp. 6-7.

23 Tasmanian Beekeepers' Association, Submission no. 63, p. 6.

Beekeeping is an unusual occupation and one that the majority of people find unattractive. To grow a beekeeping business one must have access to labour and in the event of loss of employees one must be able to find replacement labour quickly. Australian Queen Bee Exporters Pty Ltd has grown to the largest beekeeping company in Australia because 20 years ago the Department of Immigration recognized the unusual nature of beekeeping and approved our company to import foreign labour.

This approval must be allowed to continue and beekeeping companies with growth potential must be allowed to use foreign labour.

Unfortunately the shortage of labour includes a severe shortage of persons to carry out the less technical work e.g. Remove honey from hives, migrate hives to new sites etc.

It is vital that this committee allow approved beekeeping sponsors to use foreign labour via the 457 visa.²⁴

5.25 However, the submission argued that the current rules were too stringent and added significantly to the costs of industry:

Unfortunately under present immigration rules Australian beekeepers must pay a foreign worker \$10,000 above what would be paid to an Australian beekeeping employee if they were available. In addition under immigration rules the employer is not allowed to incorporate as part of the salary things like accommodation (beekeeping is migratory), airfares, health insurance, superannuation, education expenses for children etc. So the employee can cost the employer almost \$50,000 to produce a product that currently sells for below the cost of production.

The U.S. and Canadian government publicly recognise the value of the beekeeping industry and the majority of employees come from Mexico and Central South America. The worker receive US\$7 to US\$10 per hour. Furthermore, beekeeping being a seasonal occupation U.S. employers are allowed to employ for 6-8 months as against our system that demands full time employment.

To be forced to employ (particularly in a large company) workers for winter months creates unnecessary overheads for Australian beekeepers. The alternative of sponsoring for 8 months and then re-applying for the same person for next season is impractical.

24 Australian Queen Bee Exporters Pty Ltd, Submission no. 37, p. 4.

Approvals can take time and result in the employee not arriving in time for the season.²⁵

5.26 In its submission, WABA took a similar stance, advocating subsidies for the employment of foreign workers to offset costs to the industry:

It appears that we have little option but to recruit the work force we require from overseas. There are many English speaking, agrarian workers trained in apiculture, available on the global labour market, even if there are few or none in Australia. It would appear, that the 457 visa class would enable Australian beekeeping businesses to access these, however apart from a few Philippino workers taken up by the package bee producers in NSW, it has not been widely used within our industry. The reason being that the real cost of employing labour is currently beyond the financial resources of most beekeepers.

The federal government could assist considerably, by provision of an employment subsidy to the apiculture industry, to enable individual businesses to utilise the existing 457 visa class to employ trained apiculture workers from overseas. Currently, a 457 visa employee is not eligible for the tax-free threshold, and must pay tax at the overseas worker rate of 49 cents in the dollar on every dollar earned. This impost is not a deterrent to 457 visa entrants, but given the financial situation of the industry, even the minimum wage rates are a disincentive to the industry to employ this labour. If a subsidy was paid to the employer equivalent to the tax liability of the employee, it would effectively halve the cost of employing the worker, without distorting the minimum wage rates in the community, and would have a net zero impact on income tax revenues. Furthermore, if the employment resulted in further experience, training and skills development for the employee, which that person could use to good advantage on return to the home country, then the "cost" to the government could actually qualify as foreign aid to a developing nation, if the employee was sourced from a suitably qualifying region.²⁶

5.27 In his submission, Mr Trevor Monson also argued for the importation of foreign workers to meet labour and skill shortages in the industry:

It is my belief that the beekeeping industry will get through the challenges ahead, including varroa mites and increasing pollination

25 Australian Queen Bee Exporters Pty Ltd, Submission no. 37, pp. 4-5.

26 Western Australian Beekeepers' Association, Submission no. 32, p. 7.

demands. The real challenge will be finding extra workers, part-time, seasonal and full-time. However, the need for workers already exists. Beekeepers are reporting that it is difficult to find employees. Most are coming from overseas. It would help if the Australian government had a uniform set of guidelines for immigrants wishing to come to Australia as beekeepers. It would also be an advantage to have 3–6 month visas, so that workers were available for short work assignments. If varroa mite or other threat was to hit us, it could be helpful to allow overseas beekeepers and their families from the northern hemisphere to spend their off-season in Australia.²⁷

Marketing

- 5.28 In the evidence presented to the committee, poor marketing and marketing structures were also seen as an issue for the industry. In its submission, the New South Wales Government stated:

Australia suffers from the effects of a fragmented and poorly structured marketing system for all honey bee products. Some Australian packers have demonstrated that they will source inferior quality honey when necessary and in some instances the quality of local honey has been adversely impacted by blending with inferior overseas honey.

Export of Queen Bees and Packaged Bees is also poorly organised and not well promoted internationally. Inadequate accreditation to underwrite product integrity is seen by industry to create potential for unscrupulous and unprofessional operators to undermine what could be a lucrative, long term trade. Arrangements to better coordinate marketing by Australian suppliers could help to develop this market.²⁸

- 5.29 The NSW Government argued that the industry needed ‘better marketing arrangements and structures to capitalise on existing opportunities for domestic pollination services and for exporting Queen bees and packaged bees’.²⁹
- 5.30 In its submission, the Department of Agriculture and Food, Western Australia, urged better marketing and market research for the industry:

27 Mr Trevor Monson, Submission no. 6, p. 6.

28 NSW Government, Submission no. 79, p. 7.

29 NSW Government, Submission no. 79, p. 9.

Honey will continue to be the main apiary product produced by the WA apiculture industry. Because Australia's honey has unique qualities and flavours and being relatively 'clean and green', there is the opportunity to capitalise on marketing and promoting branded Australian quality products to the world market as well as developing and marketing medicinal honey such as produced from Jarrah (*Eucalyptus marginate*) forests.

Enhancing the demand for honey by education and promotion of the types of foods to which honey can be best suited (not only as a spread) and maximising the different floral types and flavours available, provides the industry with a large array of markets. It also has the advantage of diversifying risk associated with a decrease in demand for the generic product.

More market research needs to be undertaken both on the domestic and international front to provide the apiculture industry with the ability to formulate efficient and effective marketing strategies and production schedules based on up to date information on trends in Australia and abroad.³⁰

- 5.31 The industry itself recognises the need for better promotion. In evidence before the committee Mr Rod Gell, Victorian beekeeper and president of the Central Victorian Apiarists Association, stated:

I think we need to market more aggressively and market our quality a lot more aggressively. It is my understanding that we are the only honey-producing nation that does not use chemicals to maintain hive health and control diseases. We need to promote that a lot more.³¹

- 5.32 In her submission, Mrs Jodie Goldsworthy, of Beechworth Honey, emphasised the need to educate the public on the vital role the industry plays in food production:

It is recommended that the facts associated with the beneficial and significant relationship between the Australian honey bee industry and broader agricultural production be more widely publicised in order to influence the general public (all of whom are consumers), decision makers, policy makers and politicians to make decisions that have positive effects on the Australian honey bee industry and therefore positive effects on broader food production in general.

30 Department of Agriculture and Food, Western Australia, Submission no. 24, p. 2.

31 Mr Rod Gell, *Transcript of Evidence*, 25 July 2007, p. 39.

Every Australian should know that two thirds of the food they eat has been pollinated by a honey bee and honey bees need viable Australian bee keepers to manage them into the future!³²

5.33 There was some disagreement about how best to manage and fund industry promotion. In his submission, Mr Shawn Sykes, a beekeeper from western New South Wales, urged the reintroduction of a levy for the generic promotion of honey. He wanted to 'look at the TV and see an ad for honey, not anyone's honey but Australian honey, so then we may focus on honey itself'.³³

5.34 Likewise, the Victorian Apiarists' Association called for an industry levy to provide for generic marketing:

The VAA submits it is attracted to the re establishment of a Federal statutory levy on production, collected by the relevant departmental authority specifically for the purposes of honey consumption promotion, to be then dispersed less cost of collection to an approved industry entity authorized to develop an administer industry wide honey promotional programs. On past experience, the VAA is confident that Australia wide generic promotion of honey would produce outcomes of product quality assurance that would translate to the strengthening of consumer demand, and overall, help create a retail market environmental more conducive to improving industry future prospects. The issue of whether these outcomes would exert upward pressure on honey producers' farm gate prices having regard to the competitive dynamics that exist between market place stakeholders as previously discussed, remains a vexing issue, and needs to be addressed.³⁴

5.35 In evidence before the committee, however, Dr Ben McKee, of Capilano Honey Limited, questioned the value of generic promotion as against product promotion by individual companies. He explained:

...there has been some movement within the industry to develop a marketing levy, or some kind of a mechanism to do that, to market honey generically. There are some positives and some threats in doing that. It depends who you want to make responsible for doing that. If you look at the business, for instance, that Capilano Honey is in, you see that we have a cooperative nature because of our constitution. So we have to be supportive of the industry and the

32 Mrs Jodie Goldsworthy, Submission no. 69, p. 6.

33 Mr Shawn Sykes, Submission no. 44, p. 1.

34 Victorian Apiarists' Association, Submission no. 71, p. 13.

beekeepers. The other thing is that what we do is sell and market honey. Basically, the core of our business is sales and marketing. So Capilano does a significant amount of specific marketing work. We are the only honey company to do TV advertising, for instance. That may be a mechanism of our size, but we, as the sales and marketing arm of part of the industry, see that it is our role and responsibility to market honey. At the same time, when we do that, the rest of the industry gets a benefit. People do not only buy Capilano; they buy Beechworth products and they buy Home Brand products. We are doing the industry a service by doing that. It just depends within whose responsibility greater marketing of the industry resides. If it becomes an industry responsibility or if industry wants to do that, there is nothing wrong with doing that. I think that it has got some merit.

We do a lot of market research. We pay a lot of money to get ACNielsen data, we have professional marketing people – who cost us a great deal of money – to focus on how we are going to spend the \$3 million we devote to TV advertising on what we think is going to deliver the best commercial gain to the company. In that respect, that helps the industry. The industry has enough money to be able to do all that, but I do not think that it is a good utilisation of levies. To do all that research and deliver that direct marketing effort to consumers is going to be beneficial for the industry but, at the same time, we are doing the same thing and I am sure the other honey companies are doing the same thing, and I think the industry could do with more of it.³⁵

- 5.36 A ‘single desk’ approach to marketing and exports was advocated in several submissions. In its submission, the Forests and Forest Industry Council of Tasmania noted that:

The establishment of a ‘single desk’ selling system has been advocated together with work to strengthen the brand and more effort to capture value for the iconic value and rarity of leatherwood honey.

However, these structural and marketing changes need to come from a small association without a paid secretariat and require considerable change from the traditional approach and speed in implementation once adopted. An incremental approach will not work. Sophisticated business management is required to bring it off.

35 Dr Ben McKee, *Transcript of Evidence*, 10 August 2007, pp. 7–8.

This has to come from an organisation that, except for its top echelon, is largely hobby players.³⁶

- 5.37 In his submission, Mr Rod Yates, of Australian Honey Exports Pty Ltd, advocated a single desk for exports, but not under the industry's current leadership:

Export sales of bulk honey have achieved little for our producers, but have given European packers great profits. The answer is to establish an agreement binding on exporters, particularly in regard to minimum prices and quality, that reflects a fair share of the retail prices for packed product in other markets, in other words, dare I say it, there needs to be a conduit through which exports are facilitated, "a single desk" and it shouldn't be the existing structure of AHBIC, who are generally mistrusted. You cannot get exports of prepacked honey off to a good start in Europe without either sacrificing a large share of the profit to a distributor, or having a strong enough Brand Identity so that retailers come to us.³⁷

Industry organisation

- 5.38 For some in the industry, the industry's problems begin with its organisation. In her submission, Mrs Goldsworthy identified a number of serious weaknesses in the way the honey bee industry is currently organised and run:

To date the Australian honey bee industry has managed itself to the best of its ability, utilising a structure based on an historic state and national farm / agri-political type model. As part of this model historically the marketers of Australian honey have played a significant leadership role in providing direction for the industry.

This structure only remains fundamentally sound in looking after the interests of the Australian honey bee industry production sector whilst the interests of the marketing sector are aligned with the production sector. This time has long past and the Australian Honey Bee industry structure finds itself in difficulty in managing a number of complex issues that it faces. This is because for some stakeholders a good result is exactly opposite for another stakeholder.³⁸

- 5.39 According to Mrs Goldsworthy, a critical issue was the funding of AHBIC and the disproportionate influence of one major industry player:
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36 FFIC, Submission no. 80, p. 6.

37 Australian Honey Exports Pty Ltd, Submission no. 40, p. 1.

38 Mrs Jodie Goldsworthy, Submission no. 69, p. 13.

Further complicating the new confusion due to complexity of market and production issues is the fact that the major funding source of the Australian Honey Bee Industry Council, the resulting peak body, comes from one major company, Capilano.

Difficult situations have arisen in the past and will continue into the future where there is a risk of the AHBIC being at odds with the interests of the major companies funding the AHBIC. The structure itself is robust however the funding arrangements at times have the ability to influence decisions made that impact on the future viability of the Australian honey industry. To date there have been no alternatives to the funding dilemma's of the peak body, however the broader industry perception of the impacts of this issue and therefore the ability of AHBIC to be truly representative of the broader industry can perhaps be best measured in the involuntary scale of the "voluntary" funding arrangement.³⁹

5.40 Mrs Goldsworthy urged government intervention to correct the problems:

Additionally in relation to the issues above the author believes the Australian Honey Bee Industry Council and state based recruitment, corporate governance and decision making practices should be rigorously analyzed by government with the view to improving the effectiveness of these organizations.⁴⁰

5.41 She noted that one significant problem was that the industry largely relied on part time volunteers to run its peak bodies, that with the exception of the Executive Officer of AHBIC, all industry positions 'are voluntary and current selection processes and skill sets may not be resulting in organizations and committees possessing the diversity required to achieve the best results possible'. She noted that:

Many individuals have had negative leadership experiences as a result of lack of clearly recorded guidelines, terms of reference, reporting requirements and expectations that were not clearly communicated.⁴¹

5.42 Mrs Goldsworthy argued that:

Without the governments investigation into the shortcomings of the existing industry decision making practices and lack of diversity all current and future funding is at risk of failing to deliver on the full

39 Mrs Jodie Goldsworthy, Submission no. 69, pp. 13-14.

40 Mrs Jodie Goldsworthy, Submission no. 69, p. 14.

41 Mrs Jodie Goldsworthy, Submission no. 69, p. 14.

potential or required outcomes. Supplementing this investigation a mechanism needs to be developed to assist the Australian honeybee industry to address these current shortcomings through the outside assistance and facilitation by appropriately skilled persons experienced in such tasks.

It is the author's belief that once this task is accomplished, the industry will be better equipped to help itself and existing industry and Government work will deliver better results.⁴²

- 5.43 Mr Allan Baker, a Western Australian beekeeper, was also highly critical of the current organisation and management of the industry. He stated in his submission that:

The future of the industry lies in the liberalization of honey production and marketing, cracking down on monopolistic behaviour restricting sales and marketing options, local product development and regional identification, a vast improvement in genetic quality, rigorous attention to bio-security issues and improved environmental management. The industry also needs marketing support for bee keeping produce for individual bee keeping businesses.⁴³

Imports and standards

- 5.44 The importation of honey raises a number of significant and interrelated issues. Price competition with local producers is seen as a problem by the local industry; but there is also the question of whether local producers and importers are playing on a level playing field, questions about product standards, and issues about the labelling of Australian, imported and blended product.

- 5.45 In its submission, the Central Victorian Apiarists Association noted that:

Competition with imported product has led to lower prices being paid for Australian honey. Apiarists believe that for fair competition the imported products must meet all the same standards required of Australian products, including a trace back system. Increased legislation in Australia is increasing the cost of production to

42 Mrs Jodie Goldsworthy, Submission no. 69, p. 15.

43 Mr Allan Baker, Submission no. 53, p. 1.

Australian Apiarists making it difficult to remain competitive against imported products.⁴⁴

- 5.46 One solution raised was to ensure that all imported honey matches Australian standards for consumption and export. In his submission, Mr Peter McDonald stated:

To help protect our industry from the bad effects of international trade I see an easy option. Make the imports of honey match the standard to what we produce and export our honey to. If that were the case then we would increase the cost of the cheaper imports as they would have to work as hard as we do to provide a quality product, and then we would be able to compete on the basis of quality and efficiencies.

So specifically, I think there should be more resources to the conduct testing of imports to guarantee healthy food and make imports match the standards imposed on our industry's exports through the recent AQIS Export Control (Honey and Bee Products) Orders 2007.⁴⁵

- 5.47 In its submission, the South Australian Apiarists' Association also argued for the more rigorous testing of honey:

Requirement for honey standards relating to impurities, chemical contamination and other basic honey quality issues is required to ensure both domestic and imported honey is of equally high consumer standards...

Imported low price, low quality honey is a threat to both the image and profitability of the industry; thus the need for honey standards.⁴⁶

- 5.48 In his submission, Mr Michael Leahy emphasised the importance of setting rigorous standards for honey and applying them to all imported products:

There should be standards set for Australian honey and then all overseas product should have to attain these standards before they are allowed to be sold in Australia. And certainly if we are not allowed to use a product which contaminates honey and is banned, produced in Australia or overseas it should never be sold here.⁴⁷

44 CVAA, Submission no. 72, p. 2.

45 Mr Peter McDonald, Submission no. 45, p. 3.

46 South Australian Apiarists' Association, Submission no. 7, p. 3.

47 Mr Michael Leahy, Submission no. 61, p. 13.

- 5.49 Mr Leahy went further, however, emphasising the need for rigorous standards to be applied to Australian honey, and the need to protect our 'clean-green' image:

...AHBIC is presently seeking a Minimum Residue Level (MRL) for a chemical banned for use in this industry for 10 years. It was found in honey in Europe by a customer, cannot be sold there and they now want to pack it for the local supermarket chains to get rid of the product. Because the substance PDB stays in wax combs for ten or more years how long does this go on for.

The same thing has occurred in the past for an antibiotic used in Argentina for honey bees not for use and never has been in Australia so they set MRLs for the product. So why produce clean and green product when you can use any product you like banned, illegal or whatever as you only need to set an MRL.

So personally I believe that the National Residue Survey should beef up their testing and broaden the range of things they are testing for.⁴⁸

- 5.50 In its response to the inquiry, DAFF outlined the testing regime currently in force for imported honey. The submission stated:

Under the *Imported Food Control Act 1994*, honey from all countries, except New Zealand, is referred to AQIS for testing at a rate of five per cent of consignments. AQIS is advised by Food Standards Australia New Zealand of the foods considered medium to high risk, which are required to be sampled at a higher rate. Product found not to comply with Australia's requirements is not permitted entry and must be destroyed or re-exported. Subsequent consignments from the same source are subject to 100 per cent inspection until a history of compliance is demonstrated. Five consecutive consignments must test clear before the sampling rate can be reduced to five per cent.⁴⁹

- 5.51 There was some discussion in the evidence presented to the committee as to whether the current testing regime for imported honey was adequate. In a supplementary submission DAFF stated:

Imported honey is randomly tested at a rate of 5 per cent of consignments arriving in Australia. Samples drawn from the selected consignments are tested for antibiotics (chloramphenicol, nitrofurans, tetracyclines, sulphonamides and streptomycin) and

48 Mr Michael Leahy, Submission no. 61, p. 13.

49 DAFF, Submission no. 82, p. 5.

screened for the presence of 49 pesticide chemical residues to ensure compliance with Australian food standards.⁵⁰

5.52 However, in their submission, Queensland beekeepers Trevor and Marion Weatherhead questioned the efficacy of the current testing regime, stating:

AQIS does not test honey for a lot of the chemicals found in the EU Rapid Alert System for Food and Feed and have expressed the view that they will not test for these. Is Australia to become the dumping ground for this unacceptable honey?⁵¹

5.53 Their submission continued:

As the Committee is no doubt aware, there are amendments to the Export Control Act so that we can meet the standards, for honey, of several countries including the EU, Canada, Brazil, Papua New Guinea and New Zealand. This will then allow us to export to these countries if we meet these standards.

However, there is no requirement for countries sending honey to Australia to meet these standards. Why? Looking at the EU Rapid Alert System for Food and Feed, it is fairly obvious that there is a lot of honey out there in the world that contains unacceptable residues and would not meet the requirements imposed on Australian exporters by the Export Control Act. Australian beekeepers will be required to have a Food Safety Plan and be audited for these QA standards. Why then will beekeepers in countries sending honey to Australia not also be required to have equivalent standards in their operations?⁵²

5.54 Mr Gavin Jamieson, a Victorian beekeeper, also questioned whether the testing of imported honey was sufficiently rigorous. He told the committee:

Some three or four years ago when it was said – I cannot say who the person was who said it – in defence of products that were being brought into Australia that we are testing honey as we do our own honey, there were 11 antibiotics and substances being added to honey in some countries. We only had a test method available in Australian laboratories for two of the 11 alleged chemical products. That worried me. I used to, many years ago, be involved with two multinational chemical companies in a research and development capacity. Sure, we can send the samples overseas for testing, but we

50 DAFF, Submission no. 82, p. 7.

51 Trevor and Marion Weatherhead, Submission no. 42, p. 11.

52 Trevor and Marion Weatherhead, Submission no. 42, pp. 10-11.

were not doing that and it is not done regularly. So I have some doubts as to whether the testing program is adequate.⁵³

5.55 In its submission, the Victorian Apiarists' Association also questioned the rigour of testing, stating:

The VAA submits, the accommodation reached with AQIS for testing imported honey for chemical residue contaminants is not rigorous enough to confidently provide assurances. Further, there are implications for exporters of honey from Australia where contaminated, imported honey whether blended with Australian product or not is exported under an Australian label, there is an accident waiting to happen in the overseas market place. Not every batch of honey packed in Australia destined for export is tested by AQIS.⁵⁴

5.56 The VAA urged the creation of a for Australian honey by which to measure exports and imports:

The VAA submits that...the following measures, if agreed by the Australian Honey Bee Industry Council and the Commonwealth, should not conflict with government objectives dealing with market support and trade, while providing a real potential for consolidation of honey production sector viability:

- Establish national, Federal Government accredited auditable standards for Australian produced honey.
- that all honey imports to Australia be required by the Federal Government to at least equal Australian produced honey accredited standards, as a condition of landing.

The VAA submits, that a regime for Australian produced honey standards could rest on two criteria:

- National Residue Survey testing and reporting on Australian produced honey has proceeded continuously for more than 40 years, disclosing an exceptional, long term record of freedom from chemical residues. Detections have been very few and far between. Data from test results could form the benchmark of Australian honey standards for residues.
- An Australian Federal Government accredited and auditable national AFB control program, incidence averaged annually across all states to form the benchmark standard for each following year.⁵⁵

53 Mr Gavin Jamieson, *Transcript of Evidence*, 25 July 2007, p. 29.

54 Victorian Apiarists' Association, Submission no. 71, p. 34.

55 Victorian Apiarists' Association, Submission no. 71, p. 34.

5.57 An important aspect of this is the labelling of blended honey and other honey products as 'Australian made', especially in cases of chemical contamination. In its submission, AHBIC noted that:

Labelling rules regarding the country of origin are currently administered under the Trade Practices Amendment (Country of Origin Representations) Bill and it is the responsibility of the Australian Competition and Consumers Commission (ACCC) to enforce this. In general, to claim that a honeybee product is 'Made in Australia', it must have been substantially transformed in Australia and at least 50 per cent or more of the cost of manufacturing the good must have been incurred in Australia. To claim the product is a 'Product of Australia', each significant ingredient of the product must have come from Australia and virtually all processes in its production must have happened in Australia (ACCI, 2005).

However, industry consultations suggest there may be a large amount of royal jelly and propolis being imported into Australia from China by Australian health food distributors and then re-exported to Asia and Europe with a 'Made in Australia' label without meeting the appropriate labelling standards. Due to the high risk of antibiotic contamination in Chinese products, inappropriate labelling introduces a huge risk to the Australian honeybee industry because a contaminated product that is mislabelled 'Made in Australia' or 'Product of Australia' could impose a massive cost to Australia's clean and green image around the world. Already there have been two incidents where Chloramphenicol was detected in royal jelly that was labelled Australian made.

The complicating factor is that these distributors are technically satisfying the current labelling laws due to the small portion of royal jelly and propolis content within the products (around 0.03 per cent royal jelly in some cases). Therefore the majority of the product (the filler) is actually made in Australia. This means there is a problem with labelling the products as 'royal jelly' or 'propolis'.

In order to reduce the risk to the Australian industry of contaminated honeybee products, the industry believes that the government should better enforce the rules and regulations associated with product labelling of honeybee products. In addition, this should be supported by the enforcement of labelling on honeybee product descriptions so re-exporters are not allowed to

attach a label that relates to a specific ingredient when in fact the majority of the product is made up of filling material.⁵⁶

- 5.58 The other issue concerning labelling was raised by Mrs Goldsworthy in her evidence before the committee, the labelling of processed foods and honey substitutes. She told the committee:

The other issue for honey is that there are a whole lot of manufacturers of products who are really keen to use the word 'honey' in their marketing of the particular product, whether they be cereal manufacturers, muesli bar manufacturers or whatever. Often they are marketing their products and utilising the natural perception that honey is good for you. Yet when you look at the list of ingredients, which lists the largest ingredient to the smallest ingredient, somewhere right down the very bottom you see that a small amount of honey is going into those products; in some cases, no honey is going into those products. I would like to look at truth in labelling going more broadly than the spreads themselves into the ingredients as well, where honey is used as an industrial ingredient. Some of those markets are actually quite large markets. We have certainly found that that is the area where Australian honey is losing ground, because Australian honey, in an industrial manufacturing sense, is in fact an invisible ingredient. So if a manufacturer can source an imitation honey or a lower priced imported honey and use that in their honey muesli or whatever it is, the consumer is not asking the question. They just do not know.⁵⁷

Exports

- 5.59 There are significant challenges facing exporters of honey and other bee products from Australia to the rest of the world. Honey producers and exporters of packaged and queen bees face a range of tariff and non-tariff barriers to export markets. In addition, smaller producers are met with the prospect of breaking into foreign markets without the benefit of skills and experience of operating internationally. This has implications for the long term structure and viability of the industry.
- 5.60 The difficulties facing new players in the international marketplace were outlined by AHBIC in its submission to the inquiry. According to AHBIC:

⁵⁶ AHBIC, Submission no. 56, pp. 46–7.

⁵⁷ Mrs Jodie Goldsworthy, *Transcript of Evidence*, 25 July 2007, p. 50.

Experience suggests it is very difficult for a new honey exporter to gain market share within an international market as distribution channels are very hard and costly to acquire. Furthermore, a honey exporter entering a new market needs to demonstrate that it can guarantee a consistent product (in terms of volume, taste, and colour) for the full 12 months, year on year. This may be difficult for a small to medium size exporter as the current restrictions in place on access to natural resources limits the ability of the industry to meet these demands.⁵⁸

- 5.61 In her evidence before the committee, Mrs Jodie Goldsworthy outlined the approach of Beechworth Honey to the export trade, especially the difficulty in obtaining information with regard to specific markets:

I think the biggest risk to success in exporting Australian honey is the prospect of somebody getting it wrong. If you go through all the normal processes of establishing an international business relationship and ship your first lot of honey into a particular market without fully understanding the regulatory expectations or the honey standard or specification that is required in that market, then the chances are that someone within that market – and particularly a competitor within that market – will test that honey and, if it does not meet the written specification, it will end up being a problem for Australia. So over the last five years we have begun to explore export markets. We have done that in a very tentative fashion because we have not wanted to get it wrong.

The first thing is to source those standards for honey. In a lot of cases you are delving into countries that are not well developed when it comes to their printed material and their departments. You are looking for a specification that states that X percentage of this, that and everything else is allowable within the honey. You then need that to be translated and come back to you. You then need to ensure that you conduct the right sort of testing to ensure that what you are going to send to your customer meets their requirements. Our experience is that it is almost impossible to access that information. In defence of the people within Austrade, Australian honey has been marketed for a long period of time by a very small handful of companies and that knowledge probably resides within those companies rather than within the Austrade system. When someone tries to access that, nobody knows where to find it.

58 AHBIC, Submission no. 56, p. 19.

In the Thai honey standard, for example – and we have had some experience in that particular market – they have stated and specified that there is a zero allowable limit on some of the microbiological bacteria that you could expect to find on the glass here or on the table in any First World country. So anybody who tries to export Australian honey into that market is highly at risk of having it rejected because of the way that the standard was written. It probably took us somewhere in the order of 18 months to get that material. After getting the material, it was translated and we still did not pick up that there was an issue with some of these things. Food safety experts in this country cannot believe it. They are the sorts of things that are barriers to smaller emerging marketers of honey becoming successful in exporting their products.⁵⁹

5.62 In its submission, Capilano Honey Limited stated:

Maintenance of the directive requirements of exporting countries, such as those imposed by the EU, require the assistance of Government authorities to ensure that exporters are aware of and can meet the requirements. Assistance from Government Departments, such as the National Residue Survey, Austrade and DAFF, are valuable in facilitating export and overcoming regulatory issues that may arise. It is important that industry remains aware of developments and changes to export requirements.⁶⁰

5.63 The range of tariff and non-tariff barriers facing exporters is considerable. Tariffs in some markets, such as South Korea, are prohibitive. Other markets rely heavily on non-tariff barriers, such as product standards that are prohibitively high. In evidence before the committee, Dr Ben McKee of Capilano Honey Limited, stated:

With South Korea and those types of tariffs, you just wipe off that market. More important to us would be the 17 per cent tariffs going into the EU that we still pay. I notice that there has been some benefit from the government's interaction with the USA, in terms of dumping and so on, with our operations overseas as well. We do not see a great deal of change of direction or support on those things. The culture of the EU is that they make extreme demands on the quality of our product. Our industry has to go into full-scale quality assurance programs to be able to export to the EU. That is a cost to every beekeeper in Australia if they want to export to the EU. We have to meet those expectations and at the same time pay a 17 per

59 Mrs Jodie Goldsworthy, *Transcript of Evidence*, 25 July 2007, pp. 48–9.

60 Capilano Honey Limited, Submission no. 55, p. 4.

cent tariff to subsidise local stuff when 83 per cent of the honey produced in the EU does not meet their own standards.⁶¹

- 5.64 In its submission, Wescobee Limited noted that ‘the largest trade barrier faced by Wescobee as honey exporters is at overseas country borders via the application of ad valorem tariffs or artificial barriers’.⁶² On the subject of non-tariff barriers, Wescobee stated:

These include quotas place on the total amount of honey allowed to be exported into the country and expensive quality testing measures that are not placed on domestic honey supply in those countries. In some markets there are unequal rules - such as Mexico which can ship to Germany with just a 7% tariff yet we face 17.5%. In South Africa there is an insistence that all honey must be irradiated before entering which excludes Australia to ship final product into the retail market of that country. Irradiation for South Africa is insisted on for local disease control yet South Africa is well known to have most if not all of the bee diseases that are found in the world.

While Wescobee and Australian honey exporters face these barriers honey can be imported into Australia from the above tariff mentioned countries without these barriers. China is a good example of this with no tariff applied.⁶³

- 5.65 The Australian honey bee industry’s biggest asset is its ‘clean and green’ image. Dr McKee told the committee:

It is extremely important, and we always get the sales because our honey is clean and green. The hardest bit is to get the premium for that, with the competition that we face. It is very easy for us in markets, whether they be retail or bulk, to walk in and get contracts because of Australia’s clean and green image. One of our biggest purchasers is Nestle; we provide a lot of honey for them around the world to go into their baby food, mainly because Capilano has put a lot of effort and money into its quality assurance side.

- 5.66 However, as the New South Wales Government noted in its submission:

While the residue free status enjoyed by Australian Honey is supported by voluntary QA systems and backed by the National Honey Residue Survey, any significant failure by individual Australian beekeepers to comply with pesticide product labels or

61 Dr Ben McKee, *Transcript of Evidence*, 10 August 2007, pp. 9-10.

62 Wescobee Limited, Submission no. 34, p. 5.

63 Wescobee Limited, Submission no. 34, p. 5.

adhere to relevant Australian registration advice could be viewed as a potential constraint on export markets.⁶⁴

Queen bee and packaged bee exports

5.67 The queen bee and packaged bee export sector is an important part of the Australian honey bee industry and the export of bees is vital to the viability of the sector. In evidence before the committee, Mrs Paula Dewar, national secretary of the Australian Queen Bee Breeders Association (AQBBA), stated:

In order for us to have a viable industry, we have to be able to export queens. We personally export about 30 per cent of our production. Without that, I do not know that a lot of commercial queen breeders would be able to survive. In Australia we have, I believe, the best breeding stock that is currently available, and I think this is shown in the continued orders that a lot of queen breeders have for their stock to be exported. We personally export quite a lot of queen bees to the Middle East as well as the US and Canada.⁶⁵

5.68 In its submission, AQBBA identified two barriers to the viability of the export trade. The first was trade barriers in importing countries:

TRADE (Barriers): We would like to start on a sour note and that is for a number of years the AQBBA has felt that our industry has been sacrificed in favour of the large agricultural and horticulture industries. For example it has taken 2 decades to get queen bees and package bees into the USA market. The US has every disease plus more than Australia but their protocol is seen as trade restrictive.

Japan—the Japanese protocol has been requiring amendment for several years. The last review unfortunately overlooked chalkbrood. The Japan protocol requires 5 km freedom despite our associations efforts to seek action from AQIS/Biosecurity to amend the protocol this has not been achieved. Chalkbrood is endemic in Japan.

Korea is another country that has placed unrealistic protocols on queen bee imports. They are unable to meet their own protocol. Korea has the potential as a large importer of queen bees.⁶⁶

5.69 The other issue was inspection charges for bee consignments, which rendered some consignments uneconomic:

64 NSW Government, Submission no. 79, p. 5.

65 Mrs Paula Dewar, *Transcript of Evidence*, 10 August 2007, p. 29.

66 Australian Queen Bee Breeders Association, Submission no. 60, p. 2.

AQIS CHARGES: The administration charge of \$104 is acceptable. The additional inspection charges, which vary from state to state, are inhibiting some exports. Various countries have different import protocols eg US requires inspection 10 days prior to shipment; Canada requires 30 days, Japan 30 days. If one operator has a large number of queen breeding colonies spread over a wide area then the travelling/ inspection time will be significant. Please bear in mind that most apiaries are some distance from the department offices. E.g. Qld Queen Breeder situated in Murgon – the department office is situated in Nambour over 150klms away @ 50c per km and time of \$140 hour with 2000 hives to be inspected by 10% the costs could be astronomical.

A US order of 500 queens @\$14 per queen plus charges (export certification), packing and shipping of \$640, plus transport Murgon to Brisbane.

200 Queens to Japan- \$14.00 per queen plus minimum freight charge of \$560 export certification of \$?

As can be seen we are not encouraged to export a world class product. Recently a broader community benefit has finally been recognised by the Horticulture and Agriculture industries and government. Australia needs a profitable queen breeding sector that can export queens, to sustain the whole industry.⁶⁷

5.70 Similarly, the Department of Agriculture and Food, Western Australia, expressed concern over the impact of AQIS charges on bee exports:

Beekeepers exporting consignments of bees advise that the Australian Quarantine and Inspection Service (AQIS) fees are such that for small orders of queen bees exported overseas, AQIS charges double the cost to the buyer. Because of this the orders are abandoned in many cases. This issue is unique to breeder queen bees where usually the order is for fewer than 10 queen bees but where many individual orders world-wide can be a significant income stream for a beekeeper.

A full time development officer employed to co-ordinate the package bee and queen bee export market is warranted. The benefit of this export market in total sales could run to \$20-30 million. Export of packaged bees is an opportunity being exploited in the face of the current world shortage of bees, particularly in the United States and could be one of the success stories of the rural sector. However,

67 Australian Queen Bee Breeders Association, Submission no. 60, pp. 1-2.

current regulations are unnecessarily restricting this export industry.⁶⁸

Committee conclusions

- 5.71 The committee agrees with the evidence presented that the economic viability of the honey bee industry is critical to the provision of pollination services to agriculture and that the industry's economic viability is far from assured. The price pressures facing honey producers are hardly unique amongst primary producers, but the implications of economic failure spread well beyond the honey bee industry itself. Clearly, this is an issue that must be addressed.
- 5.72 Whether the economic problems facing the industry are principally a consequence of price pressure from retailers, importers or honey packers – or the result of poor marketing or poor industry organisation – is unclear on the basis of the evidence presented to the committee. It appears that to some degree all these factors are affecting the industry. It is clear from the evidence presented in Chapter 1, however, that the industry must diversify and modernise if it is to remain viable.
- 5.73 Honey marketing is a vexed issue. The application of a generic levy for honey marketing has widespread support, but is opposed by key industry players. Single desk marketing has also been proposed, but again would appear to lack support from key players. This, in turn, raises questions about industry organisation and the role of packers and producers within the industry.
- 5.74 The committee agrees that price differentials between producers and consumers are a matter for concern and warrant further investigation by the ACCC. The committee can also see grounds for investigation of the current marketing and organisational structures of the honey bee industry, and the regulatory environment within which it operates, by the Productivity Commission, to see whether changes can be made to improve industry performance.

Recommendation 17

- 5.75 **The Committee recommends that the Australian Government request the Australian Competition and Consumer Commission to investigate pricing practices for honey within the honey bee industry and the retail**

68 Department of Agriculture and Food, Western Australia, Submission no. 24, p. 4.

sector.

Recommendation 18

- 5.76 **The Committee recommends that the Australian Government request the Productivity Commission investigate the long term viability of the Australian honey bee industry in respect of industry organisation, marketing structures and the financial viability of producers and packers.**
- 5.77 The committee accepts that the industry faces difficulties over current labour shortages, and agrees that the importation of foreign workers is a part of the solution to that problem. It notes beekeeper concern over the lack of flexibility in 457 visa arrangements from the point of view of the honey bee industry and supports a review of this issue in line with a recommendation made by the Joint Standing Committee on Migration in its report *Temporary visas...permanent benefits*, tabled in September 2007. The second recommendation of that report read:

The Committee recommends that the Department of Immigration and Citizenship commission research into sectoral usage of the 457 visa program, commencing with the meat processing sector, with a view to further refining temporary skilled migration policy and the 457 visa program with reference to specific industry sector needs.⁶⁹

Recommendation 19

- 5.78 **The Committee recommends that the Department of Immigration and Citizenship look at the skilled migration program with a view to further refining opportunities for the honey bee industry and the emerging pollination industry.**
- 5.79 The committee notes that the threat of imports from low cost countries puts price pressure on Australian producers. In itself, this represents the legitimate operation of market forces. However, several issues have been

⁶⁹ Joint Standing Committee on Migration, *Temporary visas ... permanent benefits*, Parliament of Australia, 12 September 2007, p. 22.

raised which cause the committee concern. It is evident that there is a considerable differential in product standards between Australian producers and honey producers in low cost countries. This also ties in with the hurdles faced by Australian exporters in marketing honey overseas. Double standards are at play. The committee believes that rigorous product standards should be applied to both Australian and imported honey, especially with regard to chemical and antibiotic contamination; that a rigorous testing regime should be applied to both; and that imported products failing to meet these standards should be refused entry. In this regard, the committee believes that Australian product standards should be equivalent to those applied by the European Union, and that an identical testing regime should be applied.

Recommendation 20

- 5.80 **The committee recommends that the Australian Government develop product standards for honey and other bee products with regard to food standards and chemical contamination in line with those in force in the European Union, and that all imported honey products are tested against this standard.**
- 5.81 Product labelling should also be made more rigorous to reflect country of origin. The committee is concerned at the ease with which 'Made in Australia' can be applied to blended honey products or products whose key ingredients are imported. Labelling standards should be altered to more accurately reflect the origin and composition of the components of honey bee products, not merely their place of final manufacture. This would protect the 'clean and green' reputation of the Australian product and ensure that competition with imports was carried out on a level playing field.

Recommendation 21

- 5.82 **The Committee recommends that the Australian Government develop labelling standards to more accurately reflect the place of origin and composition of honey and honey bee products.**

- 5.83 Likewise, the committee is concerned with the range of tariff and non-tariff barriers facing Australian exporters of honey and other bee products, especially queen bees and packed bees. Again, double standards seem to apply in many cases. The committee is of the view that a common international honey export standard would go a long way to opening foreign markets to Australian exporters. The committee also believes that the Australian Government should aggressively pursue the diminution of trade barriers in the honey and bee products sector. In stating this, it should be remembered that the honey bee industry, while small in its own terms, makes a significant contribution to Australian agriculture; and that the economic viability of the honey bee industry is essential to the delivery of pollination services.

Recommendation 22

- 5.84 **The Committee recommends that the Australian Government pursue the development of a uniform international standard for the testing and labelling of honey bee products and the removal of all tariffs on honey bee products.**
- 5.85 The committee also believes that administration and inspection charges applied to packaged bees and queen bee exports should better reflect the small scale nature of the industry and its economic importance to the agricultural sector. The restriction of exports through the application of prohibitive charges is in nobody's interest.

Recommendation 23

- 5.86 **The Committee recommends that the Australian Government, in consultation with industry, reduce inspection charges, if possible, for queen and packaged bees to make the export of this product more cost effective to producers.**