

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 192

Division/Agency: Horticulture Innovation Australia Limited

Topic: Industry Strategic Plan

Proof Hansard page: 87-88

Senator BULLOCK asked:

Senator BULLOCK: Fair enough. Has the industry provided you with a strategic plan?

Mr Scherf: They have included as part of their submission—in terms of the levy submission to government— a plan, but we are yet to work through that plan in terms of, again, its practicality and whether it has taken on board all of the contemporary issues that need to be addressed.

Senator BULLOCK: It may need work. Can you give us what you have to date?

Mr Scherf: Yes; certainly we can provide that.

Senator BULLOCK: So you can take that on notice and get that for me. Again a step into the dark. Can you provide us with an update on funding issues related to Cherry Growers Australia and Fruit Growers Tasmania?

Answer:

The Australian Sweet Potato Growers' Association's submission to government (Attachment A) included a levy utilisation plan (section 4.4 on page 16). The submission also included a marketing plan (Attachment B).

See QoN 193 for an update on Cherry Growers Australia and Fruit Growers Tasmania funding issues.

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Sweet Potato Levy

**Submission to the
Minister for Agriculture
Fisheries and Forestry
for the establishment of a Levy
to fund the marketing of Sweet Potatoes**



*Australian Sweetpotato
Growers Inc*

December 2012

Prepared by

Australian Sweetpotato Growers Inc

Sweet Potato Levy - Submission to establish a levy

Prepared December 2012

The administrative contact for this submission is Mr Eric Coleman, Secretary, Australian Sweetpotato Growers Inc (ASPG). ASPG is the peak body for the Australian Sweet Potato industry and is proposed as the 'Prescribed Industry Body' for the purposes of this Marketing Levy.

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Abbreviations used in this document

AEC	Australian Electoral Commission
ASPG	Australian Sweetpotato Growers Inc.
DAFF	Australian Government Department of Agriculture, Fisheries and Forestry
HAL	Horticulture Australia Ltd
DAFF - Levies	Formerly 'Levies Revenue Service'
IAC	Industry Advisory Committee <i>(An advisory committee established by HAL)</i>
GVP	Gross Value of Production
M & P	Marketing and Promotion
QDAFF	Queensland Department of Agriculture, Fisheries and Forestry
R & D	Research and Development

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1. THE PROPOSAL

It is proposed that the Minister for Agriculture, Fisheries and Forestry agree to the establishment of a compulsory national Levy/Export Charge calculated at one percent (1%) of the sale price on all Sweet Potato sales, collected at the first point of sale, with that levy to be used for the purposes of marketing and promotion

If approved, this new levy will give rise to changes in the Primary Industries (Excise) Levies Regulations 1999, Primary Industries (Customs) Charges Regulations 2000 and Primary Industries Levies and Charges Collection Regulations 1991.

Note that no change is proposed to the current multi-commodity 'Vegetable Levy' for Research and Development, which includes Sweet Potatoes.

2. REQUIRED INFORMATION IN RELATION TO THE DETERMINATION OF STATUTORY PRIMARY INDUSTRIES LEVIES

Name of levy (commodity)

Sweet Potato Levy

2.1. New or existing

This submission is for the establishment of a new levy.

2.2. Purpose of the levy

The Sweet Potato Levy will support essential Marketing & Promotion activity, for the benefit of the whole industry.

2.3. Explanation of the type of market failure that the levy addresses

Market failure in the form of the “Free Rider Principle” is causing the under-investment in generic marketing and promotion activities in the Sweet Potato industry in the same way as it does for many other horticultural products. The activities funded by this proposed levy:

- Will benefit the whole industry;
- Would not be undertaken by individual producers or other businesses in the industry;
- Will drive increased consumer demand, to ensure that demand meets market supply trends;
- Will increase sales, improve quality, and stimulate efficiencies throughout the supply chain; and
- Will be funded entirely by the levy and will not require any matching government funding.

Collective action, determined by the industry’s national *Strategic Marketing Plan for Fresh Sweetpotatoes 2013-16* (Appendix A) and funded through an equitably imposed statutory levy, will capture efficiencies and ensure the benefit generated is equitably shared across all levy payers.

Some larger growers have funded their own limited marketing activities. This marketing has been primarily in the area of pricing policy linked to major chain retail pricing and promotion. This differs from the proposed industry-led generic marketing activity which is aimed at increasing total consumption, for the benefit of all growers

The lack of a major marketing campaign reduces the returns that growers could otherwise realise and weakens Sweet Potato sales against the variety of like/competing vegetables in the marketplace.

The *Industry Profile* and *Strategic Marketing Plan* documents (Appendices A & B) show the increasing availability and public interest in processed Sweet Potato products. Critically however, a significant proportion of these processed products (frozen fries and French Fries in retail and food service) are imported. Australian producers are excluded from this market as it is impossible to supply the raw product at a competitive and profitable price. It is argued that a proportion of this imported processed product is replacing potential sales of fresh Sweet Potatoes. A levy-funded, industry-driven marketing program would aim to reverse that trend.

Beyond the specific example of imported frozen product, the lack of co-ordinated industry-wide marketing activity means that *fresh* Sweet Potatoes are missing the current growth opportunity being driven by growing consumer interest.

2.4. Size of industry and/or public benefit

The industry produces approximately 75,000 tonnes of Sweet Potato with an estimated Gross Value of Production (GVP) in 2011 of \$80 million. The industry's production has grown considerably over recent years— estimated at more than 1700% over the last 16 years.

Industry peak body, Australian Sweetpotato Growers Inc. believes production will continue to increase and that, if grower returns are to be maintained, the production growth must be matched by increasing demand. The marketing program to be funded by this proposed levy will stimulate that demand.

There are 82 commercial growers (i.e. potential levy payers) all located in regional areas, mostly in Queensland and NSW. Farm size ranges from 10 to 200 hectares, with most in the 15-80 hectare size.

With widespread adoption of outcomes from its levy-funded R&D program, the industry is now able to maintain consistent, year-long supply of high quality Sweet Potatoes to the market.

In its regional growing areas the industry is a significant employer – providing work for between 4,000-5,000 people, in a normal year.

A detailed *Industry Profile* was prepared for the Board of Horticulture Australia Ltd (HAL) and is provided with this submission as further background (Appendix B)

2.5. Relative efficiency criterion

A compulsory levy is the most efficient way to collect the Sweet Potato industry's Marketing and Promotion (M&P) funds. It ensures that each grower contributes to activities for the betterment of the industry on an equitable basis. It also ensures that all growers are able to benefit from the M&P of Sweet Potatoes. Small producers are often unable to raise the funds required to carry out marketing activity. And large producers may feel disinclined to do so if they feel that other producers will leverage off or 'free-ride' from their activities.

The Henry Tax Review agrees, and noted that

“ . . . intellectual property rights may not be robust enough to ensure that a producer gains all the benefit ... for example it may not be possible to patent or copyright an idea or technique that is not embodied in a machine or software. By collecting a levy from all producers in an industry, it is possible to ensure that all producers share both the costs and the benefits.”

While these comments relate to R&D, they are just as applicable in the funding of M&P.

A voluntary levy mechanism is not as efficient as it would allow some growers to opt-out and thus 'free-ride' on the payments of those that do contribute.

The proposed method for collection of the Sweet Potato Levy would be via its application to the sale price at the first point of sale. This is the well-trying and accepted method used for the existing Vegetable Levy (R&D) to which Sweet Potato growers contribute. Modelling this new levy on the imposition and collection mechanism used by the Vegetable Levy (R&D) will help minimise the administrative costs to agents, wholesalers and retail chains.

As an industry with a relatively small number of growers; who have a similarly small number of wholesale market agents handling their produce the levy accounting and collection process should be cost-efficient and relatively simple.

2.6. Industry consultation process

A broad consensus of support for this levy proposal was achieved in the formal ballot conducted by the Australian Electoral Commission (AEC). However the issue of the need for M&P and how it should be funded has been discussed by ASPG and growers for some years. Some key points were:

DATE	ACTIVITY
August 2008 – General Meeting of ASPG members	Motion was moved and carried to employ a consultant to present at the next meeting and give details on the levy structure and possible strategies for the association to develop a promotion levy
December 2009 – General Meeting of ASPG members	Consultant gave a presentation about the horticulture levy system and process in Australia. There was a unanimous agreement to take this concept forward as the next major ASPG project.
October 2010 – ASPG Management Committee Meeting	A sub-committee was formed with the task of investigating the feasibility of developing a promotions levy for Sweetpotato
November 2011 – General Meeting of ASPG members	A report was given discussing the development of a position paper and the process involved in the association implementing a promotion levy to support ongoing market growth in the industry examples from other industries were discussed.
April 2012 – ASPG Annual General Meeting	A motion was debated and developed and read as follows; <i>“That a new marketing levy of 1% is supported that will coexist with the current R&D levy of 0.5 %”</i> . Motion was moved by Michael Jess and seconded by Dean Akers and carried unanimously.

As part of this formal levy process and in accordance with the government’s Levy Principles and Guidelines, ASPG has:

DATE	ACTIVITY
24 September 2012	Mailed to all known Sweet Potato growers: <ul style="list-style-type: none"> • Details of the levy proposal (Appendix C) • A separate ‘Questions and Answers’ document (Appendix D) • Covering letter from the President, ASPG. (Appendix E) • Flyer, promoting the forthcoming regional grower consultation meetings (Appendix F)
Week commencing 8 October 2012	Presented details of the Marketing Plan and levy proposal to two well-attended grower meetings in Cudgen (NSW) and Bundaberg (Qld). Copies of the presentation used, the meeting reports and the attendance registers are provided (Appendices G to K respectively).
Week commencing 29 October 2012	All known growers were personally phoned by a member of the Executive Committee of ASPG to: <ul style="list-style-type: none"> • Ensure they had received the information pack (from ASPG) and ballot materials (from the Australian Electoral Commission [AEC]). • Ask if they had any questions • Encourage them to participate in the ballot.

3. INTRODUCTION & BACKGROUND

This proposal has been prepared by ASPG on behalf of Australian Sweet Potato growers. ASPG is a member focussed non-profit incorporated association and has represented the interests of its members, and all Sweet Potato growers, since 2007.

It is confidently estimated that those growers who are ASPG members are responsible for 80-90% of national Sweet Potato production.

ASPG funds its own operations via a number of non-statutory levy sources, including a voluntary levy on all Sweet Potato seed sales.

ASPG hereby submits this levy proposal for consideration by the Minister and the Australian Government.

ASPG would like to highlight:

- ***The very strong grower support for the proposal as evidenced in the results of the ballot conducted by the Australian Electoral Commission (AEC).***
- ***The importance of an early approval by the Minister so that demand can be stimulated to meet strongly increasing production – thus avoiding unnecessary pressure on grower profitability.***
- ***As this proposal is for a levy to fund marketing and promotion, no matching government contribution is required.***
- ***That, as the industry's recognised peak body with strong and close links to growers/levy payers, ASPG is the logical and most appropriate organisation to be recognised as the Prescribed Industry Body/Eligible Industry Body for this levy***

Structure of this submission

There are 6 parts to this submission:

Section 1 articulates the levy increase proposal.

Section 2 details the formal information required in relation to statutory primary industry levies.

Section 3 provides an introduction to the proposal; important background to the reason for the levy proposal and the process followed.

Section 4 addresses in detail the 11 Levy Principles contained in the 'Levy Principles and Guidelines' issued by the Department of Agriculture, Fisheries and Forestry.

Section 5 covers important additional information in relation to the recognition of ASPG as the Prescribed Industry Body /Eligible Industry Body; the appointment of a Sweet Potato Industry Advisory Committee (IAC); and the maintenance of the existing Vegetable Levy for R&D.

Section 6 provides some concluding comments.

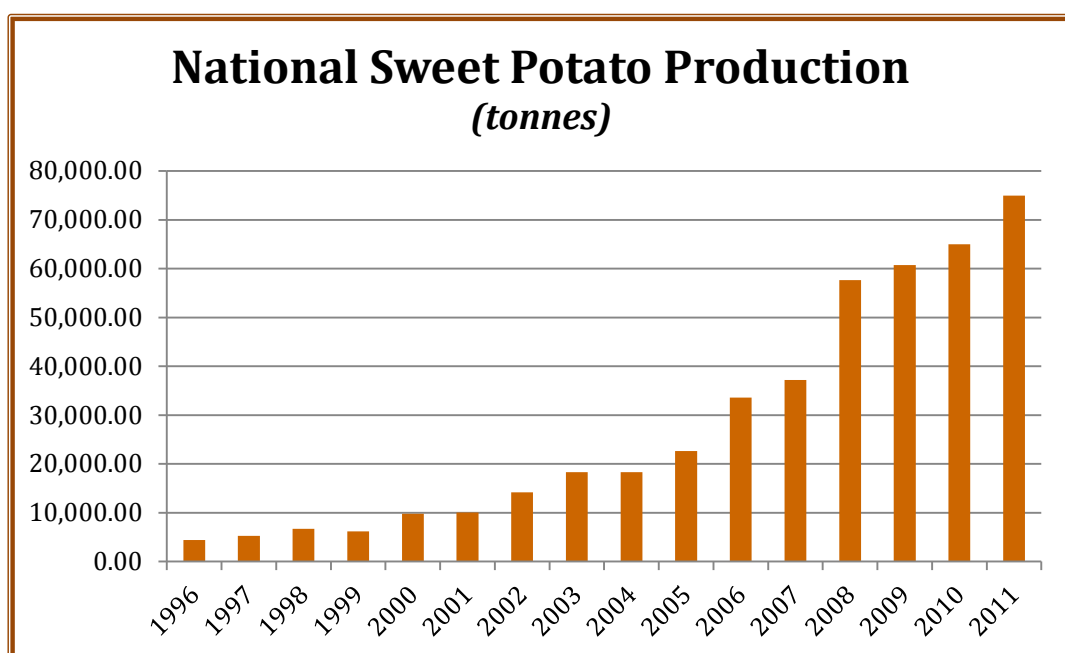
Section 7 contains a series of Appendices provided for further information and reference.

3.1. Increasing production – Opportunity and Risk

Sweet Potato production has grown strongly for at least the 16 years that ASPG has records. This growth has been the result of:

- Significant changes in on-farm practices, driven by R&D, and resulting in a consistent supply of high quality product.
- Strong growth of the Bundaberg region as an ideal location for Sweet Potato production.
- The growing popularity of Sweet Potatoes among consumers; and
- Recognition by retailers of the opportunities Sweet Potatoes provide for increased sales.

Demand and supply have grown in tandem and the profitability for growers has been reasonable.



However consumer and market research shows that there is still significant opportunity for consumption growth. For example:

1. There are large groups in the community who either do not buy Sweet Potato at all or buy infrequently. With the right promotion their purchase frequency can be increased.
2. Many younger families are unfamiliar with Sweet Potatoes and not sure of how to prepare them or include them in the family menu. With the right promotion, they can be tempted to include Sweet Potato more often.

So:

1. *If just another 5% of Australia's 8.648 million households could be convinced to buy 1 kg of Sweetpotato 3 times per year the total consumption increase would be 1,297 tonnes - worth \$1.38 million to growers at current wholesale prices*
2. *If the two-thirds of buyers who buy just twice a year could be convinced to make the national average purchase (1.3kg) just once more in a year the additional consumption would be 7,420 tonnes - worth \$7.87 million to growers at current wholesale prices*

3. From other fruit and vegetable industries there is much experience to show that if consumer demand is stimulated, retailers will respond with increased orders, competitive pricing and their own promotion strategies.

Conversely, if the industry's total production increases without a matching increase in demand, the oversupply will be damaging, right along the supply chain. Grower profitability will suffer.

ASPG and its growers know this situation is avoidable and see the implementation of a strong M&P program as a significant part of the solution. With appropriate promotion there is no reason why the industry should not continue to grow and prosper.

More detail and background on the marketing program is available in the industry's national *Strategic Marketing Plan for Fresh Sweetpotatoes 2013-16* (Appendix A).

3.2. Public Benefit – Sweet potatoes and health

Like almost all fruits and vegetables, Sweet Potatoes have specific nutritional benefits, valuable for human health and wellbeing. At this point it is important to remind ourselves that Sweet Potatoes are not just another potato (*Solanum tuberosum*). While they are distantly related, the Sweet Potato (*Ipomoea batatas*) is a quite different vegetable – requiring different growing conditions and practices and delivering a quite different taste and human nutrition profile. Some highlights are:

- ✓ Sweet Potato is one of the 'average' calorie starch foods. The tuber, however, contains no saturated fats or cholesterol; but is rich source of dietary fibre, anti-oxidants, vitamins, and minerals.
- ✓ Its calorie content mainly comes from starch, a complex carbohydrate. Starch raises the blood sugar levels *slowly* in comparison to simple sugars and therefore, recommended as a healthy food supplement even in diabetes.
- ✓ Sweet Potato is an excellent source of *flavonoid phenolic compounds* such as beta-carotene and Vitamin A (*100 g tuber provides 14,187 IU of vitamin A and 8,509 mcg of β-carotene*). The value is **one of the highest among root vegetables category**. These compounds are powerful natural antioxidants. Vitamin A is also required by the body to maintain integrity of healthy mucus membranes and skin. It is also a vital nutrient for vision. Consumption of vegetables and fruits rich in flavonoids helps to protect from lung and oral cavity cancers.
- ✓ Sweet Potatoes are packed with many essential vitamins such as **pantothenic acid** (vitamin B-5), **pyridoxine** (vitamin B-6), and thiamin (vitamin B-1), niacin, and riboflavin. These vitamins are essential in the sense that the body requires them from external sources to replenish. These vitamins function as co-factors for various enzymes during metabolism.
- ✓ Sweet potato provides good amount of vital minerals such as iron, calcium, magnesium, manganese, and potassium that are very essential for enzyme, protein, and carbohydrate metabolism.

4. ADDRESSING THE 11 LEVY PRINCIPLES

As required, the following information is provided in relation to the Australian Government's 11 Levy Principles (dated January 2009 and current as at 4 September 2011) contained in the *Levy Principles and Guidelines*.

4.1. Levy Principle 1

*The proposed levy must relate to a function for which there is a **market failure**.*

Market failure exists for the Sweet Potato industry in that, without a compulsory levy, the industry is not able to generate the revenue to fund essential M&P activities as identified in the industry's Strategic Marketing Plan to drive consumer demand.

The proposed levy will be applied equitably to all growers.

The activities funded by the proposed levy:

- Benefit the whole industry;
- Would not be undertaken by individual producers or other businesses in the industry;
- Increase sales, improve quality and drive efficiencies in the supply chain; and
- Have health and nutritional benefit to the Australian community.

Collective action, determined by an industry-adopted Strategic Marketing Plan (see Appendix A) and funded through an equitably imposed statutory levy, will capture efficiencies and ensure the benefit generated is equitably shared across all levy payers.

4.2. Levy Principle 2

A request for a levy must be supported by industry bodies representing, wherever possible, all existing and/or potential levy payers, the relevant levy beneficiaries and other interested and/or affected parties.

The initiator shall demonstrate that all reasonable attempts have been made to inform all relevant parties of the proposal and that they have had the opportunity to comment on the proposed levy.

A levy may be initiated by the government, in the public interest, in consultation with the industries involved.

Support by industry body

ASPG is the Sweet Potato industry peak body representing both its Members and all Sweetpotato growers (see 'Objects' in the ASPG Constitution – Appendix M)

ASPG has 53 financial members. Combined, ASPG members are responsible for 80-90% of national Sweet Potato production.

ASPG has taken full responsibility for this levy consultation and proposal process. It has been funded from ASPG's own resources.

Since August 2008, the Management Committee of ASPG have discussed and progressed consultation on this levy proposal. In April 2012, at the Annual General Meeting of ASPG the following resolution was proposed and passed, unanimously:

"That a new marketing levy of 1% is supported that will coexist with the current R&D levy of 0.5 %"

In addition, on a number of occasions since 2008, the need for M&P and the suggestion of a levy to fund that activity was raised by ASPG with growers. This is detailed earlier in the schedule on page 6.

The Management Committee of ASPG unanimously supports this levy submission.

Building the prospective levy payer database (the 'Voting Register')

ASPG went to considerable lengths to build the most extensive list of Sweet Potato growers (i.e. potential levy payers) possible. The process involved:

- Access to the ASPG membership database, which generated an initial list of 53 growers;
- Cross-check this list with the database held by Fairybower Farms, Australia's only supplier of 'virus free' planting material (i.e. Sweet Potato roots). This list contained 85 names in NSW, Qld, SA and WA which, after further analysis, left 24 growers to be individually contacted, to check that they are current commercial growers.
- Cross-check with the QDAFF staff member who managed that department's planting material program from 2007-2010, to identify any further growers.
- Cross-check with QDAFF staff in Bundaberg and Mareeba.
- Cross-check with a recent staff member of the WA Department of Agriculture and Food. This generated the names of two more commercial growers.
- Contact with NT Department of Primary Industries and Fisheries who advised they knew of no commercial Sweet Potato growers in the Territory.
- Contact with the only known grower in South Australia who said they knew of no other growers in that State.
- Contact with a past grower in Kununurra, WA, who said he was not growing and knew of no other growers in that region.

- Contact with one known grower in Carnarvon, WA, who provided the details of the one other grower in that district.
- Contact with one known grower WA region who knew of no other growers.
- A major freight provider in NSW provided the names of three additional growers.
- A representative of Lindsay Rural, provided the name of another NSW grower.

Informing all parties of the proposal

A managed and staged consultation process was undertaken, involving:

DATE	ACTIVITY
24 September 2012	Mailed to all known Sweet Potato growers: <ul style="list-style-type: none"> • Details of the levy proposal (Appendix C) • A separate 'Questions and Answers' document (Appendix D) • Covering letter from the President, ASPG. (Appendix E) • Flyer, promoting the forthcoming regional grower consultation meetings (Appendix F)
3 October 2012	Extended interview on ABC's 'Queensland Country Hour' with Rodney Wolfenden, President ASPG. Covered details of levy proposal, grower meetings and the ballot. Podcast available at http://www.abc.net.au/rural/qld/content/2012/10/s3602985.htm
Week commencing 1 October 2012	Advertising and publicity of the regional grower meetings. See Appendix G
Week commencing 8 October 2012	Presented details of the Marketing Plan and levy proposal to two well-attended grower meetings in Cudgen (NSW) and Bundaberg (Qld). Copies of the presentation used, the meeting reports and the attendance registers are provided (Appendices G to L respectively).
Week commencing 29 October 2012	All known growers were personally phoned by a member of the Executive Committee of ASPG to: <ul style="list-style-type: none"> • Ensure they had received the information pack (from ASPG) and ballot materials (from the Australian Electoral Commission [AEC]). • Ask if they had any questions • Encourage them to participate in the ballot.

In addition all growers were provided with the phone, email and postal contact details of the Levy Proposal Manager, in case they had questions or wanted more information. None contacted the Manager.

Support by the potential levy payers and levy beneficiaries

The levy proposal is supported by a significant majority of levy payers, as evidenced through the formal levy ballot conducted by the AEC in October/November 2012.

The ballot was conducted on a “*one vote per producer (business entity)*” basis as allowed under the Levy Principles and Guidelines. It was decided that a ballot based on “*the amount of levy paid or payable*” was not practical due to the commercial confidentiality of production information.

For the ballot:

- ASPG identified 85 potential levy payers and these formed the Voting Register as required under the levy guidelines. A Statutory Declaration “*verifying the accuracy of the voting register as a list of all potential and existing levy payers*” is provided (Appendix N);
- Voting Rules for the ballot were drafted, reviewed by DAFF personnel, finalised and then provided to the AEC (see Appendix O);
- Ballot wording (see the Ballot Form provided as Appendix P) and the wording for the Voter Declaration (See Voter Declaration provided as Appendix Q) were both reviewed by DAFF, finalised and provided to the AEC;
- Ballot papers were posted to all on the Voting Register on 26 October 2012;
- The ballot closed at 12.00 Noon, on 19 November 2012;
- Ballots were counted and the result declared at 1.00pm, 19 November 2012. The count was independently scrutinised (Appendix R – AEC ballot declaration).

The formal ballot result

The ballot showed a significant majority levy payer support for the proposal:

- **68** of the 85 potential voters submitted ballot forms – an **80** per cent participation
- 1 of the 68 votes was rejected, as neither the YES or NO box had been marked.
- **62 voted in favour** of the proposal (**92.5** per cent of the 67 eligible votes; and **73** percent of all potential voters)
- **5 voted against** the proposal (7.5 per cent of the 67 eligible votes and 6 percent of all 85 potential voters))

A copy of the AEC Ballot Declaration of results is provided as Appendix R

Additional ballot information

During the ballot process ASPG became aware of three growers that were listed on the Voting Register, but who had decided to stop growing Sweet Potatoes for sale, other than their via farm stall. Therefore those growers were not entitled to, and did not, participate in the ballot.

Therefore, *if* their non-qualification were taken into account, and ballot results adjusted, the results would be:

- **68** of the 82 potential voters submitted ballot forms – an **83** per cent participation
- 1 of the 68 votes was rejected, as neither the YES or NO box had been marked.
- **62 voted in favour** of the proposal (**92.5** per cent of the 67 eligible votes; and **76** percent of all 82 potential voters)
- **5** voted against the proposal (7.5 per cent of the 67 eligible votes and 6 percent of all 82 potential voters)

Identified major potential levy-payer support

Sixteen major producers have formally and publicly signified their support for the levy proposal. ASPG confidently estimates that combined, they represent over **70** per cent of Australian Sweet Potato production. They are:

Owner/principal	<i>Business name</i>
Dean Akers	<i>Rosie Produce- Akers Farms</i>
Eric Coleman	<i>Fairybower Farms</i>
Dave Fisher	<i>Ruby Produce Pty Ltd</i>
Anthony Grima	<i>C Grima Enterprises</i>
David Holt	<i>Halt for Holts Pty Ltd</i>
Mike Prichard	<i>MRB Farms</i>
Aaron Jess	<i>Jess Bros Pty Ltd</i>
Duane Joyce	<i>Natara Produce Pty Ltd</i>
Bruce Leslight	<i>Elldykane Pty Ltd</i>
Russell Mortima	<i>Mortimers Farms Pty Ltd</i>
Doug Paddon	<i>DS & J Paddon</i>
Matthew Prichard	<i>MN & HS Pritchard</i>
Troy Prichard	<i>Prichard Farms</i>
Jeff Skilton	<i>Skilton Farms Pty Ltd</i>
Rodney Wolfenden	<i>Wolfies Farms</i>
Darren Zunker	<i>Wind Farms</i>

4.3. Levy Principle 3

The initiator of a levy proposal shall provide an assessment of the extent, nature and source of any opposition to the levy, an analysis of the opposing argument and the reasons why the levy should be imposed despite the argument raised against the levy.

It should be noted that in the formal levy ballot, five (5) growers voted “NO” to the proposal. They represent just 7% of the ballots returned and 6% of all known growers. Beyond this, no specific opposition, formal or otherwise, has been expressed by any grower.

ASPG stands ready to respond fully to any objections that may be lodged with the Minister.

Appendices K and L outline questions and comments raised at grower meetings prior to the ballot.

4.4. Levy Principle 4

The initiator is responsible to provide, as follows:

- *an estimate of the amount of levy to be raised to fulfil its proposed function*
 - *a clear plan of how the levy will be utilised, including an assessment of how the plan will benefit the levy payers in an equitable manner*
 - *demonstrated acceptance of the plan by levy payers in a manner consistent with Levy Principle 2.*
-

Amount to be raised

Based on an introduction of the new levy rate on 1 July 2013 (subject of course to Government approval), it is estimated that the levy will raise the following revenue, over the life of the industry's Marketing Strategic Plan:

Year	Estimated full-year GVP \$'000	Total levy collected \$'000
2013/14	8,000	800
2014/15	8,000	800
2015/16	8,000	800

DAFF levy collection costs; the HAL Corporate cost recovery fee and the HAL levy reserve amount would be deducted from these figures to arrive at the amount to be spent on M&P.

Levy utilisation plan

In anticipation of this levy proposal to growers and submission to the Minister, ASPG recently prepared a detailed *Strategic Marketing Plan for Fresh Sweetpotatoes 2013-2016* (Appendix A). This plan generally conforms to HAL's strategic planning requirements.

Preparation of the plan involved extensive review of industry and market data, plus analysis of all currently available market research.

The plan provides a detailed outline of the objectives, strategies and outcomes to be achieved through levy expenditure. It articulates a number of measures that will be used to gauge achievement against the objectives.

Demonstrated acceptance of the plan by levy payers

The Strategic Marketing Plan was reviewed by the ASPG Executive Committee and has been presented to the two well-attended grower meetings as part of the levy consultation process. It is summarised in the information sent to growers prior to the ballot (Appendix C) and the full plan was available to any grower, should they request it.

ASPG is confident that growers representing over 70% of the industry's production volume have been exposed to the plan and had the opportunity to comment.

4.5. Levy Principle 5

The initiator must provide an outline of how the levy is to be imposed and collected and must be able to demonstrate that there is agreement by a majority of existing/potential levy payers on the levy imposition/collection mechanism or that, despite objections, the proposed mechanism is equitable under the circumstances.

The proposed levy will be imposed and collected at the first point of sale. That is, in exactly the same way as the current 'Vegetable Levy' for R&D is imposed (which includes Sweet Potatoes).

This is a proven, efficient and economic method of collection.

The proposed levy is ad-valorem and is to be levied at one percent (1%) of the value of the sale.

4.6. Levy Principle 6

The levy imposition must be equitable between levy payers.

The proposed levy will be applied equitably across all levy payers and on all sales.

The only exemptions are those proposed in the consultation process and declared in the ballot. That is:

"Where a grower sells by direct retail sale (e.g. direct to the consumer by roadside stalls, shed sales, farm gate etc) no levy is payable on such sales."

4.7. Levy Principle 7

The imposition of the levy must be related to the inputs, outputs or units of value of production of the industry or some other equitable arrangements linked to the function causing the market failure.

As highlighted above, the levy is applied to the sale value of production output.

4.8. Levy Principle 8

The levy collection system must be efficient and practical. It must impose the lowest possible 'red tape' impact on business and must satisfy transparency and accountability requirements.

The levy collection is efficient, practical and currently used for many other horticulture levies, including the Vegetable Levy for R&D, of which Sweet Potatoes are part.

4.9. Levy Principle 9

Unless new structures are proposed, the organisation/s that will manage expenditure of levy monies must be consulted prior to the commencement of an industry consultation process.

Sweet Potato is considered a 'horticulture' product for the purposes of levy and related matters. Therefore HAL is the declared 'Industry Services Body' under the *Horticulture Marketing and Research and Development Services Act 2000*.

As such, HAL will be charged with the responsibility of managing the expenditure of the new Sweet Potato levy funds in accordance with both the 2010 Deed of Agreement between the Commonwealth and HAL and HAL's own Constitution.

This arrangement has been in place since the formation of HAL and prior to that, through HAL's predecessor organisations, the Horticulture Research and Development Corporation and the Australian Horticulture Corporation.

4.10. Levy Principle 10

The body managing expenditure of levy monies must be accountable to levy payers and to the government.

HAL is accountable to levy payers under the terms of the Deed of Agreement (mentioned above), its own Constitution and Australian corporate law and regulations.

4.11. Levy Principle 11

The initiator must provide details for future review of the levy, including how and when the levy will be reviewed to determine whether there is an ongoing need for the levy and the continued adequacy of the levy rate and mechanism.

ASPG proposes that the levy (including its imposition, impact, adequacy and rate) be reviewed five (5) years after introduction. Subject to HAL agreement, the review will be conducted by the proposed Sweet Potato Industry Advisory Committee (see reference on p 21) in conjunction with HAL and ASPG. Levy payers will be invited to provide input to the review.

As a normal course, the implementation of the Strategic Plan (which guides levy expenditure) will be reviewed by the IAC and HAL every year.

In addition, levy payers have the opportunity to comment on the plan and the levy at every Annual Levy Payers' Meeting (required under the HAL Constitution). It is intended that each year, there be a dedicated Annual Levy Payers Meeting for this new levy. It will be held in or near Bundaberg, so that the maximum number of levy payers can attend.

5. ADDITIONAL INFORMATION

Consultation with DAFF

ASPG has maintained contact with DAFF right throughout this levy proposal development and consultation process:

- Initial contact and advice of the process was made by phone and email in early November 2011.
- Later that month a group from ASPG met with DAFF staff to discuss levy options and obtain advice on the way forward.
- A comprehensive briefing meeting was held in June 2012.
- Draft copies of the grower information pack were provided to DAFF for information and comment.
- Copies of the draft ballot documents were provided for review and comment.
- Ongoing ad-hoc contact to update DAFF on progress of the proposal, consultation, ballot etc.

Recognition of Australian Sweetpotato Growers Inc (ASPG) as the Prescribed Industry Body /Eligible Industry Body

ASPG proposes that it be recognised as the Prescribed Industry Body/Eligible Industry Body for the purposes of this proposed levy. The organisation has served the interests of Australian Sweet Potato growers since its formation in 2007.

History and membership

ASPG had its origins as an informal grouping of major growers that came together around 9 years ago to provide input to various R&D projects being run at the time through the Queensland Department of Primary Industries. The group worked well together on projects related to chemicals, pest control and productivity.

That positive experience led the growers to form an incorporated association in May 2007 (registered as an incorporated association with the Queensland Office of Fair Trading on 31 May 2007). A copy of the *ASPG Constitution* is provided as Appendix M.

ASPG is has a lean management structure and is financially robust (see the latest audited *Financial Statement* provided as Appendix S)

ASPG has **53** financial members, which combined, are responsible for **80-90%** of national Sweet Potato production. Such a level of membership (both grower percentage and production volume) and grower participation, is among the highest of all Horticulture industries. Growers pay an annual membership fee.

All growers also pay a small voluntary levy on seed Sweet Potato purchase. This levy goes to fund certain ASPG administration and activities.

ASPG Activity

ASPG is active on a number of fronts. As examples, ASPG:

- Works closely with the Vegetable IAC and HAL on Sweet Potato R&D projects;
- Represents the industry to government and stakeholders; and undertakes activities to advance the interests of the whole industry.
- Has worked collaboratively and productively on Sweet Potato projects with Queensland DAFF (and its predecessor departments) for many years.
- Works in partnership with the Australian Centre for International Agricultural Research on a number of aid-related projects on Sweet Potato production.
- Has close links with the Louisiana State University. LSU is the premier institution in the United States working on Sweet Potato breeding, varieties, pests and diseases.
- Has organised grower study tours to major US Sweet Potato growing regions and visiting government and industry organisations

Establishment of a dedicated Industry Advisory Committee (IAC) for the Sweet Potato Levy.

If the proposed Levy is approved, ASPG will work closely with HAL to establish an Industry Advisory Committee (as required under HAL's Constitution). While subject to further discussion with HAL, it is proposed that the skills mix required on the IAC will include production, supply chain and marketing.

It is envisaged the IAC may be 5 (plus an independent Chairman). If that were the case, no more than 2 (of the 5) would be members of the ASPG Management Committee.

Retention of the existing Vegetable Levy for R&D

Since 1 March 1996 vegetable growers, including Sweet Potato growers, have been liable to pay a statutory levy and export charge of 0.5 per cent on vegetables sold on the fresh domestic market, exported or directed to processing. The levy and charge is collected at first point of sale on certain products (exceptions listed below). There are two components:

- Funds equivalent to the statutory R&D levy and charge is payable to Horticulture Australia Limited (HAL). The current rate is 0.485 per cent of the sale value. The Australian Government provides matching funds for expenditure on R&D;
- Vegetable growers pay a statutory Plant Health Australia (PHA) levy and charge to cover its industries PHA membership fee. The PHA levy and charge rate is 0.015 per cent of the sale value. Any surplus after the PHA fee is paid is directed to HAL for R&D expenditure.

Exceptions of the above levy and charge include the potato, onion, mushroom and processing tomato industries which have their own separate statutory or voluntary levies. Also, levy is not collected on asparagus, garlic, tomatoes sold on the fresh market, melons, seed sprouts or herbs (except parsley and shallots).

The levy raised \$7.076 million in 2010-11 for R&D. A significant sum of voluntary contributions is paid to HAL for vegetable R&D purposes which is also matched by the government. In 2010-11, \$6.449 million was provided in matching funds for statutory R&D levy expenditure while an additional \$3.923 million was provided in matching funds for voluntary R&D levy expenditure.

On 24 November 2008 AUSVEG signed the Emergency Plant Pest Response Deed. An emergency plant pest response levy and charge, set at zero, is in place and will only be activated if a pest or disease outbreak occurs. It would be collected on the same products as would apply to the R&D levy and charge and PHA membership fee.

ASPG position

ASPG considers it important that the industry continue to contribute to the existing Vegetable Levy (which funds R&D activity). The Sweet Potato industry has benefited significantly from a number of past and current projects funded via that levy, plus matching Commonwealth contribution.

Additionally, it is the industry's hope that some future R&D projects can be developed to work in synergy with the Sweet Potato M&P program to be funded via this proposed Sweet Potato Levy.

6. CONCLUSION

The ASPG respectfully requests that the Minister for Agriculture, Fisheries and Forestry agree to the introduction of a new levy on Sweet Potato sales to be used for marketing and promotion activity. Full details of the levy proposal are contained in this document.

- Production continues to increase and there are significant opportunities to stimulate increased consumption.
- There is a need to enable and empower the industry to promote its product;
- Market failure exists, in that smaller growers do not have the resources to undertake promotion activity on the scale required; and larger growers are reluctant to do so, given the potential for 'free riders';
- Therefore, the application of a statutory levy is the most equitable and efficient way to fund a strong and effective marketing and promotion program;
- The potential levy payers have been fully informed of the levy proposal and had opportunity to raise concerns or objections. No objections have been lodged; and
- The potential levy payers have voted, by very strong majority, in support of the proposed levy.

7. APPENDICES

A.	Strategic Marketing Plan for Fresh Sweetpotatoes 2013-16
B.	Industry Profile prepared for the Board of HAL in August 2012
C.	Information Brochure mailed to growers – September 2012
D.	Question & Answer Sheet mailed to growers – September 2012
E.	Covering Letter mailed to growers – September 2012
F.	Flyer promoting grower meetings mailed to growers – September 2012
G.	Advertising and publicity for the regional grower meetings
H.	Presentation slides used at grower consultation meetings
I.	Grower meeting attendance, Bundaberg QLD – October 2012
J.	Grower meeting attendance, Cudgen NSW – October 2012
K.	Grower meeting notes, Bundaberg QLD – October 2012
L.	Grower meeting notes, Cudgen NSW – October 2012
M.	Australian Sweet Potato Growers Inc Constitution
N.	Statutory Declaration verifying the accuracy of the voting register as a list of all potential and existing levy payers
O.	Levy ballot Voting Rules
P.	Ballot Form
Q.	Voter Declaration
R.	AEC Ballot Declaration
S.	ASPG Financial Statement 2010/11

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Situation Review and
Strategic Marketing Plan

for

**Australian Fresh
Sweetpotatoes
2013-2016**



Prepared for:

Australian Sweet Potato Growers Inc.

August 2012

Acknowledgement

This plan has been prepared with the input of members of the Executive Committee of Australian Sweet Potato Growers Inc. Of particular note is assistance of the ASPG's Industry Development Manager, Russell McCrystal.

The contribution of all is acknowledged and appreciated.

Abbreviations

ASPG	Australian Sweet Potato Growers Inc <i>(the peak industry body for the Australian Sweetpotato growing industry)</i>
HAL	Horticulture Australia Limited <i>(a company established to manage the expenditure of horticulture levies, Voluntary Contributions and matching Commonwealth contributions).</i>
IAC	Industry Advisory Committee <i>(a committee established by ASPG and HAL to provide recommendations on expenditure by HAL on behalf of the Sweetpotato industry)</i>

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INTRODUCTION

This Strategic Marketing Plan has been prepared to guide proposed marketing activity for Australian fresh Sweetpotatoes. It also:

- Is an essential part of the communication to Sweet Potato growers about the proposed new Sweet Potato Marketing Levy; and
- Is required as supporting documentation for any submission by Australian Sweet Potato Growers Inc. (ASPG) to the Minister for Agriculture, Fisheries and Forestry on the establishment of the proposed levy.

Validation and refinement of this plan

ASPG has prepared this plan based on currently available information. However it is recognised that some essential consumer and market data still needs to be collected and analysed. It will be noted that the collection and analysis task is an essential first step in this plan. Armed with that additional information, and any other updated data that can be obtained, the Plan will then be reviewed and refined as required. In addition, where possible, additional KPI's will be set to better measure the impact and outcomes of industry marketing activity.

Whole-of-industry marketing and some comments on 'market failure'

ASPG is firmly of the view that the industry faces significant market challenges which must be addressed by the whole industry. Production is forecast to continue growing strongly and without the stimulation of increased consumer demand, the prices received by growers (i.e. the proposed levy payers) will be severely threatened, resulting in 'market failure'. ASPG believes this is avoidable.

Sweetpotatoes are largely perceived (by both consumers and retailers) as a bulk 'commodity' vegetable. Yet the increasing consumer and commercial interest in Sweetpotatoes, plus their unique nutritional and recipe qualities mean that there is much potential for increasing profitability – right along the supply chain.

This Plan includes strategies to create a premium positioning for Sweetpotatoes.

A statutory Marketing Levy is considered essential to raise the pool of funds necessary to implement this plan; and to ensure that the investment in marketing is shared equitably by all growers.

Management of the Plan and marketing activity

If growers vote by majority to support the proposed levy (and the Commonwealth government agrees to introduce the levy), Horticulture Australia Limited (HAL) will be the declared 'Industry Services Body' charged with the responsibility of managing the expenditure of the Sweetpotato Marketing Levy.

HAL will do that in close consultation with ASPG and taking advice from an Industry Advisory Committee (IAC) to be nominated by ASPG. Specific details of how and by whom marketing activities will be implemented is to be discussed and agreed between ASPG and HAL.

What is a Sweet Potato

For any reader with limited knowledge of Sweetpotatoes it is important to be clear about what a Sweetpotato is - and what it is not. Many consumers and some media and organisations are under the mistaken impression that Sweetpotatoes (*Ipomoea batatas*) are just another variety of potato (*Solanum tuberosum*).

While they are distantly related, the Sweetpotato is a quite different vegetable – requiring different growing conditions and practices and delivering a quite different taste and human nutrition profile.

The Sweetpotato industry and its growers (levy payers) consider themselves to be separate from the Potato industry and indeed a specialist segment of the broader Vegetable industry.

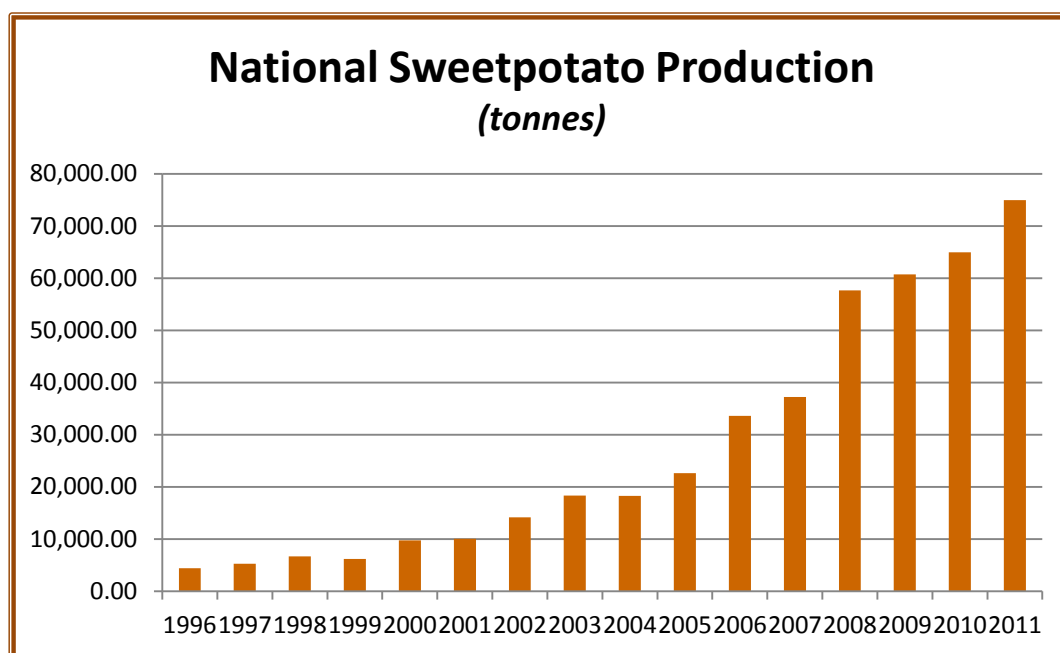
An important part of the marketing strategy will be to promote the difference and special qualities of Sweetpotato.



SITUATION ANALYSIS

Production, growers and produce

Production has grown strongly (almost 1,700% over the last 16 years).



Source: ASPG

Production is heavily concentrated with the Bundaberg region representing 85% of growers and 78% of production. More than 80% of the Bundaberg region production is in the hands of less than 10 growers.

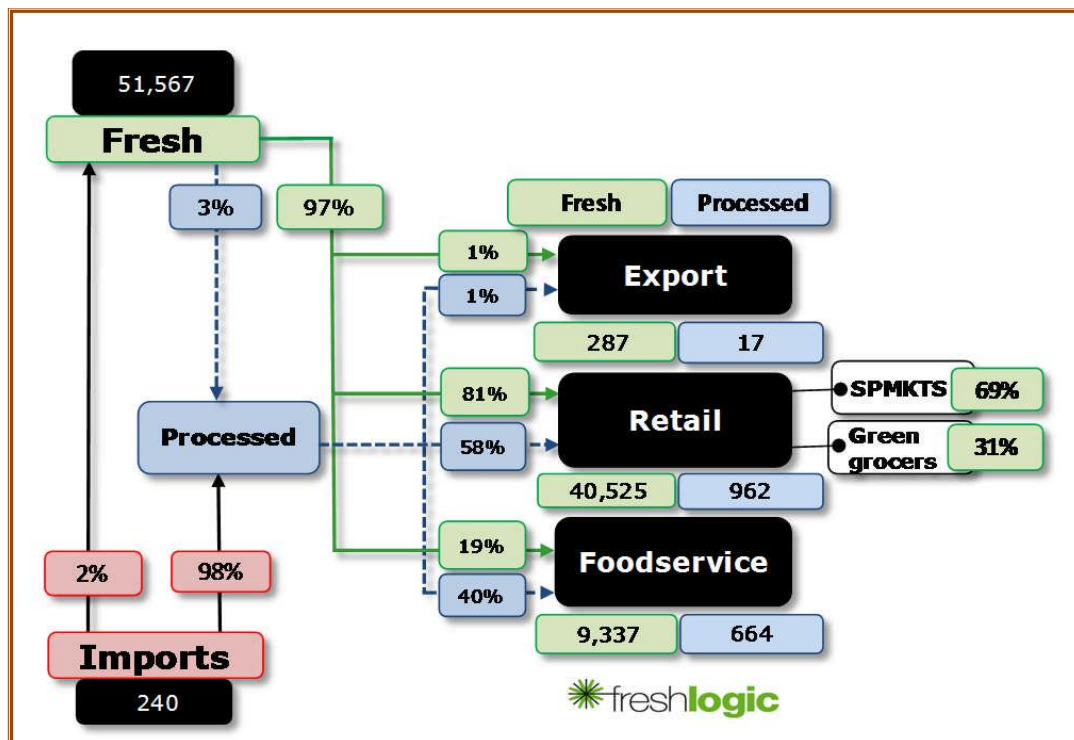
Region	Number of producers 2010	Est. % share of national prod'n
Queensland (Bundaberg, Gatton & Rockhampton areas)	58	79
NSW	18	20
WA	5	1
SA	1	0
TOTAL	82	100

Source: ASPG

Market Volumes and Shares

The 'Veginsights' category profile for Sweetpotato prepared in March 2012 reported that:

- Of Sweetpotatoes produced in Australia in the year to December 2011, 97% went to the Fresh market and the remainder to processing.
- In the Fresh market 81% was Retail, 19% Foodservice and 1% Export.
- Of the retail, 69% was sold through supermarkets and 31% through independent fruit and vegetable outlets.



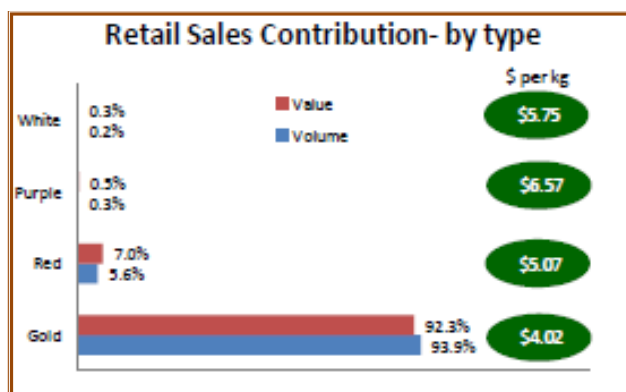
Source: Veginsights by Freshlogic

Nielsen Homescan data reveals a similar split of retail sales, with 68.3% through supermarket chains and 31.7% non-supermarkets.

Pricing

The Veginsights profile, covering sales for the year to December 2011, reports an average price for 'gold' Sweetpotato (i.e. 93% of the market) as \$4.02/kg.

It also reports Average Wholesale Price for 2011 for all Sweetpotato as \$1.89/kg.



Source: Veginsights by Freshlogic

Who's buying; how much; and how often

Nielsen Homescan data to March 2012 reveals:

- 64% of households purchased Sweetpotato in the year
- On average, households purchased 5.5 times/year (with 'Senior Couples' the highest frequency purchasers averaging 6.7 times and 'Young Transitionals' the lowest at 4.7)
- Around 25% of buyers account for 60% of sales. And nearly 60% of Sweetpotato purchasers are classified as low frequency (just 1-4 times in a year).
- Almost 66% of all buyers, buy Sweetpotato just two times per year.

Implication/Opportunity

More than one third of all households do not purchase any Sweetpotato. Can they be 'introduced' to Sweetpotato? If just another 5% of Australia's 8.648 million households could be convinced to buy 1 kg of Sweetpotato 3 times per year the total consumption increase would be 1,297 tonnes - worth \$1.38million to growers at current wholesale prices

Can the two-thirds of buyers who buy just twice a year be convinced to buy more often? If these buyers could be convinced to make the national average purchase (1.3kg) just once more in a year the additional consumption would be 7,420 tonnes - worth \$7.87 million to growers at current wholesale prices

From both value and volume perspectives, the household groups representing greatest potential for growth are 'Small Scale Families', 'Young Transitionals' and 'Independent Singles'. With smart marketing Sweetpotato be made more relevant and appealing to their lifestyles and food preparation preferences?

What we don't know

The Consumer Market

The Nielsen 'Brandscan' and 'Homescan' reports and the Freshlogic Category Profile information provide a certain degree of valuable information about the Sweetpotato market and purchasers. However, to be able to plan marketing strategy with confidence, the industry must have much more detailed and comprehensive consumer research. Qualitative and quantitative studies of consumer attitudes and usage is needed (both purchasers and non-purchasers). This can then be considered alongside the Nielsen and Freshlogic data to verify and if necessary modify the objectives and strategies proposed in this plan.

Foodservice

There is strong evidence of the increasing use of fresh Sweetpotato in the foodservice industry. Yet the industry knows very little about which segments of this huge and growing industry are using Sweetpotato, how they are using it and what may motivate them to use more.

Research to gather this information is needed.

It will be seen that conducting this consumer and foodservice research and then confirming the Objectives and Strategies is the first priority in this Plan.

CURRENT MARKET DEVELOPMENT - FRESH

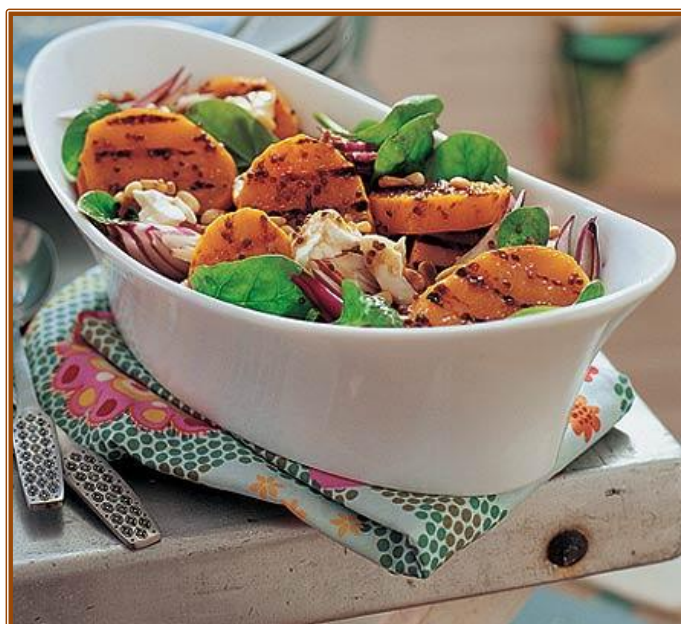
The fresh market

The market for fresh Sweetpotatoes has grown strongly, from a fairly small base. ASPG believes part of the reason for this growth has been growers' constant process of quality improvement – thus ensuring their produce meets the exacting standards of retail chains and is more consistently attractive to purchasers.

In addition it can be presumed that the growth is as a result of a natural process of 'discovery' of Sweetpotato by new consumers and their adoption of new recipes and uses. This all at a time when promotion of Sweetpotato has been minimal.

There is some evidence of limited promotion of Sweetpotatoes by the major supermarket chains. However this promotion is very much price related and not specifically designed to stimulate increased or new consumption.

Despite the overall growth, as highlighted in the earlier section, there are still very significant opportunities for further fresh market development.



CURRENT MARKET DEVELOPMENT – PROCESSED

There is much Sweet Potato activity in different processed product markets – some happening through commercial opportunities and new product development. Many of the following examples have been introduced in the past 12-18 months and show the rising consumer interest in Sweetpotato. These new products are not cheaply priced. They often command a price premium and all help to position Sweetpotato as a premium and special product.

Some products use local Sweetpotato and some are imported. Exploring opportunities for imported product replacement will be on the industry's agenda if funding to carry out the market analysis is available.

Consumer market – Frozen

On the domestic consumer market, McCains currently sell two versions of frozen Sweetpotato fries.

In recent weeks a larger 900g consumer pack of both styles has been launched (alongside the original 450g packs). We presume this is in response to the growing popularity of the smaller pack).

Information on both packs notes that the product is grown and packaged in Canada.



Very recently, Birds Eye have launched 'Mini Gems' in a 450g Frozen pack. The labelling identifies the USA as the country of origin.



Consumer – Snack

Major snack producer, The Kettle Chip Company, have recently launched a snack size (90g) pack of Sweet Potato Kettle Chips. Proudly 'Australian' Sweetpotatoes is claimed on the pack. This is an interesting and positive development in a fast-moving consumer market. Once again, it highlights increasing consumer interest in Sweetpotato.

Following closely behind, is the Woolworths 'Macro' house brand organic Sweet Potato Chips



Foodservice - Fresh

Restaurants, clubs, catering

Many restaurants, clubs and caterers are introducing Sweetpotato into more of their menus dishes. It is not clear what drives this trend, however the research proposed should provide the explanation(s) and recommendations to stimulate further growth.

Processed Fresh – In-store

Recognising the increasing popularity of Sweetpotato, delicatessens and salad bars are starting to offer imaginative Sweetpotato-based salads.



Processed Fresh – Ingredient

Other areas of the supermarket are seeing the introduction of fresh processed products with Sweetpotato as the main ingredient. Two examples are the:

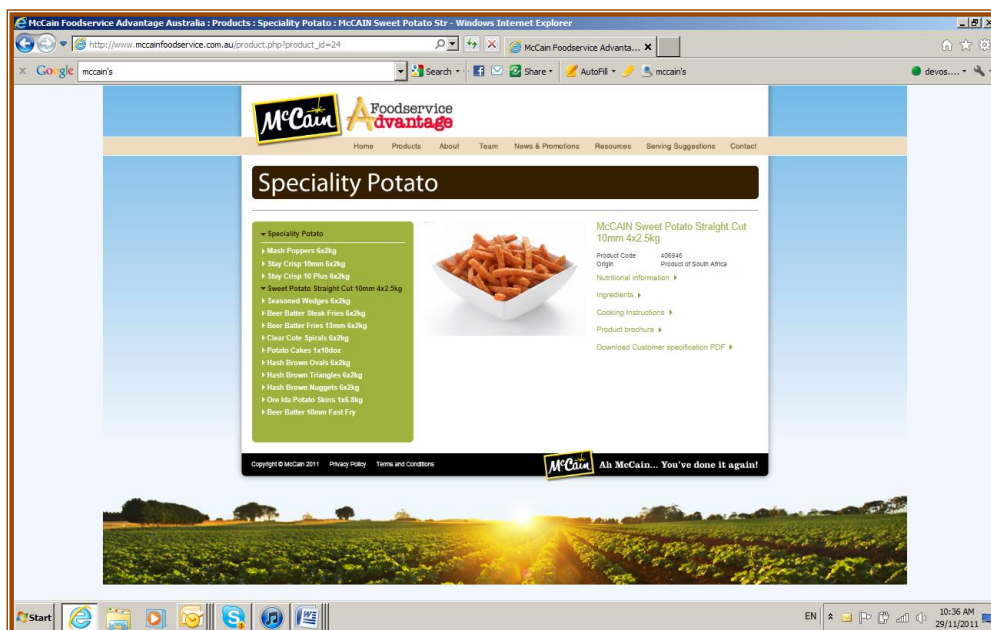
- *Sweetpotato and Cashew Dip* (200g) from Aldi supplier Deli originals
- Woolworths Home Brand *Sweetpotato & Pumpkin Soup* (300g & 600g)



Foodservice – Frozen

Mc Cains

McCains supply frozen Sweet Potato Fries in bulk to foodservice, though there are probably others that do so too. McCains declare that product is grown and packaged in South Africa.



KFC

The KFC chain is currently running a special promotion on Sweetpotato Fries. These too are being sourced frozen from overseas – we understand, through McCains.

Australian growers would be keen and have the capacity to supply fresh product to McCains for their local processed product needs. Representations have been made to McCains. But due to the extremely low labour cost in some overseas production, Australian Sweetpotatoes cannot be supplied at a competitive price.



Implication/Opportunity

All this activity in the various processed product markets is lifting the profile of Sweetpotatoes – masking them more 'visible' appealing and contemporary.

It provides a good background against which the Australian industry can market fresh Sweetpotatoes

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

The following SWOT summary provides additional background to the Marketing Plan. It is prepared from the marketing perspective.

Strengths

- ✓ Sweetpotatoes produced year-round and available fresh all year. Minimal time stored
- ✓ Consistently high quality product meeting supermarket chain standards
- ✓ Specific nutrient profile that is beneficial to human nutrition
- ✓ Available in retail throughout Australia
- ✓ More than 33% sold through independent retail. (i.e. Supermarkets not as dominant as in other fruit and veges)
- ✓ Versatile – can be used year round in many different cooking styles and seasons. Easy to prepare.
- ✓ Steady production increases in the past are likely to continue

Weaknesses

- ↓ Perceived by retail and consumers as a 'commodity' product with little brand identity or specialness.
- ↓ Consumers and others don't recognise Sweetpotatoes as different from ordinary potatoes.
- ↓ No longer a price premium over ordinary potatoes.
- ↓ Consumers, food media and retail not aware of Sweetpotatoes versatility in cooking and recipes
- ↓ Consumers, food media and retail not aware of Sweetpotatoes human nutrition qualities
- ↓ No current marketing or promotion activity
- ↓ Limited market and consumer information

Opportunities

- 👉 Convince the 30% of households that never purchase Sweetpotatoes to trial
- 👉 Convince the lower-consumption households to purchase and cook more often
- 👉 Lift the image and profile of Sweetpotato in the food media
- 👉 Increase Foodservice innovative use of Sweetpotatoes to lift profile and visibility
- 👉 Replace imported frozen processed Sweetpotato products with local produce
- 👉 Inform and educate retailers and others in the supply chain about the qualities of and opportunities for Sweetpotato.

Threats

- 👎 Increased production not met by increased demand – forcing down retail and wholesale prices.
- 👎 Retailers continue to regard Sweetpotatoes as a commodity and price them accordingly.
- 👎 Ordinary potatoes continue to segment and develop their market and erode Sweetpotatoes appeal and sales
- 👎 Increasing interest in ordinary potatoes and other vegetables leads to less space allocated to Sweetpotatoes, particularly in Supermarkets.

OBJECTIVES AND STRATEGIES

The overarching aim of the marketing and promotions program, funded by the Marketing Levy, is to increase both Sweetpotato consumption and grower returns. Therefore two key objectives have been set

1. **By 31 December 2016, increase overall consumption of Sweetpotatoes to 95,000 tonnes (up 20,000 tonnes from 75,000 in 2011)**

Note:

To be measured based on ASPG collected production data.

2. **By 31 December 2016, increase the average wholesale price (ie grower return) of Sweetpotatoes by 10% compared to the average wholesale price for the 2013 year.**

Note:

To be measured based on levy collections.

To achieve these two objectives the Sweetpotato marketing and promotion needs to operate in five different areas – all linked and managed to work together

1. *Market Knowledge*
2. *Targeted Marketing and Promotion*
3. *Retail Support*
4. *Foodservice Promotion*
5. *Industry Information and Communication*

The following Objectives and Strategies are proposed. It is important to highlight that these objectives and strategies, and the accompanying Action Plan, must be reviewed and adjusted if required, following the gathering of essential and currently missing information in the “Market Knowledge” area.

1. Market Knowledge

Objective

Establish, maintain and regularly update a suite of information that fully describes the Sweetpotato market and will help in planning and measuring the impact of marketing and promotion activity.

Strategies

- 1.1 Subscribe to a program of regular monitoring of market size, shares and values. Examples may be the Nielsen ‘Homescan’ and ‘Brandscan’ products and/or the Freshlogic ‘Mealpulse’ product.

Note:

This strategy is very likely to be delivered through the Vegetable R&D Levy’s ‘Consumer Engagement’ program. It may be that the Sweetpotato industry will seek some special enhancement of this reporting, to specifically suit the industry’s marketing and promotion program.

- 1.2 Conduct comprehensive qualitative and quantitative consumer research on a regular basis.

- 1.3 Gather supply and market information from the industry’s own internal resources.

2. Consumer - Targeted Marketing and Promotion

Objective

By 31 December, increase household consumption of Sweetpotatoes to 77,000 tonnes.

Note:

This is 81% of the 95,000 total market objective (see above) and maintains the household share at the 2011 level of 81% (as measured by the Freshlogic 'Veginsights' project)

Strategies

- 2.1 Identify priority consumer segments based on the results of 1.1 and 1.2.
- 2.2 Develop and implement marketing and promotion campaigns.
- 2.3 Regularly review and measure the impact of the campaigns (including cost benefit) and adjust the marketing and promotion program as appropriate.

3. Retail Information and Support

Objective

Maximise retailer interest in and engagement with the industry's marketing and promotion program

Strategies

- 3.1 Develop and implement a program of regular communication with retailers about the Sweetpotato market; the retail opportunities for Sweetpotato; and the industry's marketing and promotion program.
- 3.2 Seek and develop specific opportunities for retailer co-participation in the marketing and promotion program.

4. Foodservice - Marketing and Promotion

Objective

By 31 December 2016, increase the Foodservice segment of the total Sweetpotato market to 18,050 tonnes.

Note:

This is 19% of the 95,000 total market objective (see above) and maintains the household share at the 2011 level of 19% (as measured by the Freshlogic 'Veginsights' project)

Strategies

- 4.1 Conduct a simple review of the Foodservice market to identify, quantify and prioritise marketing and promotion opportunities.
- 4.2 Develop and implement a program to promote the versatility and specialness of Sweetpotato in the Foodservice market.

5. Industry Information and Communication

Objective

Ensure Sweetpotato levy-payers and others in the industry are aware of and support the industry's marketing and promotion program, its impact and the direct benefit to growers.

Strategies

- 5.1 Develop and implement an ongoing program of communication and grower consultation about the industry's Marketing and Promotion program.

Note:

Much of this can be achieved through ASPG's existing communications activities, meetings and grower reporting.



BUDGET AND TIMETABLE

It is essential to be prudent when establishing income and expenditure budgets for a newly established levy. To that end, it is proposed that the levy income be based on the industry's 2011 estimated wholesale value of \$80 million.

At the levy rate proposed, this will generate income of \$800,000 per year. From this must be deducted:

- The government's fixed costs for collection of the levy (estimated by DAFF Levis at \$52,300 in year 1 and \$21,400 each year thereafter);
- An amount as the HAL 'Corporate Cost Recovery' fee; and
- The reserve that the HAL Board requires must be held unspent to meet commitments in the event of a levy income downturn.

Therefore a conservative estimate of income available for the program is:

- \$321,000 in 2013
- \$646,000 in 2014
- \$566,000 in 2015
- \$526,000 in 2016

Notes:

It is anticipated that levy collection will start mid 2013.

The reductions in the total available in 2015 and 2016 reflect the staged introduction of the HAL reserves requirement

Naturally, if actual levy income is greater than the \$800,000 forecast then the expenditure budget can be adjusted accordingly.

The schedule on the following pages details an estimated budget and timetable for each of the Strategies. It is emphasised that these figures and timing will be thoroughly reviewed and adjusted if required once the proposed new levy is in place.

Market Knowledge

Strategy	2013	2014	2015	2016	Comments
1.1 Subscribe to a program of regular monitoring of market size, shares and values. Examples may be the Nielsen 'Homescan' and 'Brandscan' products and/or the Freshlogic 'Mealpulse' product.	20,000	20,000	20,000	20,000	<i>This strategy is very likely to be delivered and funded through the Vegetable R&D Levy's 'Consumer Engagement' program. It may be that the Sweetpotato industry will seek some special enhancement of this reporting, to specifically suit the industry's marketing and promotion program, so an allocation has been allowed for this</i>
1.2 Conduct comprehensive qualitative and quantitative consumer research on a regular basis.	75,000	0	0	50,000	<i>Major consumer research in Year 1. Update and further analysis in Year 4. It may be possible to fund part or all of this through the Vegetable R&D levy if approved by the Vegetable IAC and HAL</i>
1.3 Gather supply and market information from the industry's own internal resources.	0	0	0	0	<i>Does not require specific funding Can be managed from</i>

Targeted Marketing and Promotion

Strategy	2013	2014	2015	2016	Comments
2.1 Identify priority consumer segments based on the results of 1.1 and 1.2.	0	0	0	0	<i>No cost. To be done by whoever has overall management of the marketing and promotion program.</i>
2.2 Develop and implement marketing and promotion campaigns	180,000	460,000	420,000	330,000	<i>Small expenditure in Year 1 as most activity in research and getting the program ready. Expenditure in years 2015 and 2016 has to drop as HAL reserve requirement increases.</i>
2.3 Regularly review and measure the impact of the campaigns (including cost benefit) and adjust the marketing and promotion program as appropriate.	0	0	0	0	<i>No cost. To be done by whoever has overall management of the marketing and promotion program. Will utilise measurement tools in 1.1, 1.2 and 1.3</i>

Retail Support

Strategy	2013	2014	2015	2016	Comments
3.1 Develop and implement a program of regular communication with retailers about the Sweetpotato market; the retail opportunities for Sweetpotato; and the industry's marketing and promotion program.	5,000	10,000	10,000	10,000	<i>Budget is for resources (ie documents writing and design, printing etc) only. The actual liaison with retailers and groups to be done by the Industry Development manager and/or Manager of the marketing and promotion program</i>
3.2 Seek and develop specific opportunities for retailer co-participation in the marketing and promotion program.	0	50,000	50,000	50,000	<i>Budget is for the retailer co-promotion. May be supplemented by funds from the consumer program (2.2 above)</i>

Foodservice Promotion

Strategy	2013	2014	2015	2016	Comments
4.1 Conduct a simple review of the Foodservice market to identify, quantify and prioritise marketing and promotion opportunities.	20,000	0	0	0	<i>Cost for specialist consultant to undertake the task It may be possible to fund part or all of this through the Vegetable R&D levy if approved by the Vegetable IAC and HAL</i>
4.2 Develop and implement a program to promote the versatility and specialness of Sweetpotato in the Foodservice market.	0	75,000	50,000	50,000	<i>It may be possible to fund part of this through the Vegetable R&D levy if approved by the Vegetable IAC and HAL</i>

Industry Information and Communication

Strategy	2013	2014	2015	2016	Comments
5.2 Develop and implement an ongoing program of communication and grower consultation about the industry's Marketing and Promotion program.	0	5,000	5,000	5,000	<i>Much of this can be achieved through ASPG's existing communications activities, meetings and grower reporting. Budget is for a simple annual report for distribution to growers</i>
TOTALS	300,000	620,000	555,000	515,000	

MEASUREMENT AND KPI'S

Achievement of the objectives in the marketing and promotion program must be measured and reported against an agreed set of Key Performance Indicators (KPI's). The following are suggested:

1. Market Knowledge

Objective

Establish, maintain and regularly update a suite of information that fully describes the Sweetpotato market and will help in planning and measuring the impact of marketing and promotion activity.

KPI

Information sources and tools as identified in the Strategies for this Objective are established, reports received and adjustments made in the marketing and promotion program as appropriate.

2. Consumer - Targeted Marketing and Promotion

Objective

By 31 December 2016, increase household consumption of Sweetpotatoes to 77,000 tonnes.

KPI.

- *Consumer research undertaken as planned and the information used to guide the marketing and promotion program.*
- *Marketing and promotion activity undertaken as planned and measured.*
- *Household consumption measured on a regular basis and reported against the objective set.*

3. Retail Information and Support

Objective

Maximise retailer interest in and engagement with the industry's marketing and promotion program

KPI

- *Retailer communication activities undertaken as planned.*
- *Level of retailer interest and participation in the marketing and promotions program increases each year.*

4. Foodservice - Marketing and Promotion

Objective

By 31 December 2016, increase the Foodservice segment of the total Sweetpotato market to 18,050 tonnes.

KPI

- *Foodservice market review undertaken as planned and the information used to guide the marketing and promotion program.*
- *Foodservice marketing and promotion activity undertaken as planned and measured.*
- *Foodservice consumption measured on a regular basis and reported against the objective set.*

5. Industry Information and Communication

Objective

Ensure Sweetpotato levy-payers and others in the industry are aware of and support the industry's marketing and promotion program, its impact and the direct benefit to growers.

KPI

Industry communications activities undertaken as planned.

Level of grower interest in and support for the marketing and promotional program increases each year.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 193

Division/Agency: Horticulture Innovation Australia Limited

Topic: Update on Progress of Review

Proof Hansard page: 89

Senator BULLOCK asked:

Senator BULLOCK: The time limit for answers to questions on notice is 1 April. You have thrown a lot of light on this for me already because, as is so often the case, I did not know what I was talking about. Before 1 April, could you give us an update? Take that as a question: update us by 1 April on how that review has progressed?

Mr Scherf: We can certainly provide you with an update on what the status would be at that point in time in terms of moving that particular exercise through the system.

Answer:

To provide the Committee with an update on the outcomes of the independent review of selected horticultural industry export development projects

Horticulture Innovation Australia (HIA) commissioned independent consultants to undertake a review of export development projects in the cherry, summerfruit, table grape and vegetable industries, with reference to previous reviews of the citrus and apple and pear industries. The draft report was delivered to HIA on 15 March 2016. The summary recommendations are as follows:

1. HIA fundamentally reviews and restructures its investment in export market development, starting with the development of a comprehensive whole-of-industry export strategy with 5, 10 and 20 year development horizons.

Individual industry trade strategies should flow from the over-arching horticulture strategy.

To the extent feasible, HIA should take a cross-industry approach to project delivery including:

Question: 193 (Continued)

- Supply chain mapping
- Market intelligence
- Market research, particularly around understanding market segmentation and market insights into consumer behaviours and preferences
- Trade shows and in-bound trade missions
- Brand development and management

The specialist nature of trade functions in other industries requires specialists with professional skill sets and resources.

2. Discussions with the Department of Agriculture and Water Resources be initiated to improve the market access and improvement process and working relationships between the department, HIA and peak industry bodies. Industries should subsequently develop biosecurity management plans.
3. A knowledge management system and processes to capture intellectual property should be implemented, with knowledge transfer a compulsory deliverable from all projects.
4. HIA develop a new project to explore opportunities and business models related to export clusters, enabling export businesses to achieve scale and long-term viability.
5. HIA initiates a scoping study to identify areas of greater across-industry collaboration.
6. A whole of horticulture umbrella provenance brand and marketing programme be developed as a central element of the Trade Strategy and linked to branding activity in individual industry trade strategies.
7. Permanent in-market horticulture representation in key export markets be examined.

HIA has communicated a précis of the individual commodity market development reports to the respective peak bodies, and has met with the strategic investment advisory panels of both the Cherry and Summerfruit industries to discuss the recommendations. A similar process will be completed by mid-April with the Table Grape and Vegetable industries.

The full overarching report that looks at all the individual reviews and makes a number of cross sector recommendations will be distributed to the peak bodies in early April. High level discussions with respective peak industry body Chairs have been held. Subsequent discussions with strategic investment advisory panels are being planned now, and will assist HIA in developing new market development investments that incorporate the recommendations in order to provide enhanced value and export outcomes for levy payers. This is a priority for HIA and builds upon work already underway.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 194

Division/Agency: Horticulture Innovation Australia Limited

Topic: Aware of Sweet Potato Levy

Proof Hansard page: Written

Senator STERLE asked:

1. I understand that the Minister for Agriculture, Barnaby Joyce MP, has recently approved a new marketing levy for Sweet potatoes that has commenced on January 1 this year, with a new Peak Industry Body called The Australian Sweetpotato Growers Association (ASPG) as the eligible industry body under the *Primary Industries (Excise) Levies Act 1999*. Are you aware of the new levy?
2. Have you been provided with a copy of any marketing plan or business case to support the establishment of the Sweetpotato marketing levy? Are you able to provide a copy?
3. I understand that the legislation underpinning the levy removes sweet potatoes from the vegetable category and designates them as an entirely new leviable commodity, with marketing and R&D components to the sweet potato levy. Can you confirm that the changes to the levies act which mean sweet potatoes are separated out from vegetables will create a separate R&D levy for sweet potatoes, isolated from vegetables?
4. In relation to HIA's management of marketing levy investment for Sweetpotatoes, does this mean that they will require a separate advisory panel including associated overhead costs?
5. Similarly, will a separate advisory committee and overhead costs also be required for advice on the investment of the separate R&D levy for sweet potatoes?
6. Can you provide an indication of the overhead costs associated with setting up these separate levies and committees in relation to the amount of expenditure which will remain to be invested in each case?
7. Do you know if any consultation on this matter been conducted with vegetable levy payers, whose overall levy pool will be diminished if Sweetpotato R&D is invested separately?

Question: 194 (continued)

8. Have you been provided with any information on the process the Australian Sweetpotato Growers Association went through in relation to the establishment of the new marketing levy? Are you able to provide this information?

Answer:

1. Yes.
2. Yes. A copy has been supplied to the Committee in response to QoN 192 as Attachment B.
3. This is correct. The regulations mean that Research & Development (R&D) levies collected on sweet potatoes are separate to vegetable R&D levies.
4. Yes.
5. Horticulture Innovation Australia is yet to speak with AUSVEG as the eligible industry body for the sweet potato R&D levy and the Australian Sweet Potato Growers Association as to the most suitable approach for taking advice from industry on the investment of the sweet potato R&D levy.
6. Horticulture Innovation Australia Limited expects it to be similar to other like horticultural levy programmes – typically in the vicinity of 15 per cent of total funds (the sum of levy funds and, in the case of R&D, matching government funds) are spent on overheads, leaving 85 per cent of the funds available for investment into R&D and marketing services.
7. Horticulture Innovation Australia is not aware of the extent to which consultation took place with other vegetable levy payers as a result of the introduction of a separate sweet potato levy.
8. Yes. This is contained within the Australian Sweet Potato Growers Association's submission for the introduction of the levy and has been provided to the Committee in response to QoN 192 as Attachment A.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 195

Division/Agency: Horticulture Innovation Australia Limited

Topic: Sweet Potato Levy

Proof Hansard page: Written

Senator STERLE asked:

1. How will the new Sweet Potato levy work within HIAs funding structure?
2. Are you are aware of concerns about the new levy that the marketing component will not be sufficient to make any significant impact?
3. Has the Sweet Potato Industry provided a strategic plan to HIA – if so can you please table the plan
4. Provide an update on the funding issues relating to Cherry Growers Australia and Fruit Growers Tasmania.
5. Has HIA been working with Assistant Minister Ruston to resolve the funding issues?
6. Provide an update on the misappropriation of funds from June 2014 to July 2015 to finance the production of Avenue Q by an executive director Mr Westley.
7. Has HIA taken part in the Department's investigation into the lessons that might be learnt from this incident for the governance of fraud throughout the portfolio?

Answer:

1. In the same manner as other horticultural levies managed by Horticulture Innovation Australia. Investment will be made against the objectives as set out in a strategic investment plan for the levy to be developed in consultation with the industry.
2. No. The sweet potato marketing levy will generate annual levy receipts of \$800 000 (based on the industry's estimate and outlined in the Australian Sweet Potato Growers Association (ASPGA) submission).
3. A plan accompanied the ASPGA's submission to government and is the only plan that Horticulture Innovation Australia has been provided by the sweet potato industry (see HIAL01).

Question: 195 (continued)

4. Industry representative bodies (IRBs) such as Cherry Growers Australia and Fruit Growers Tasmania are funded for service provision that is acquired through a bona fide procurement process. There are a number of programs that Cherry Growers Australia has historically provided services for in the past that have been under review. Further information is contained in the response to QoN 193
5. No.
6. The circumstances regarding the misappropriation of funds by ex-employee Mr Luke Westley has not altered. As per the evidence provided to the Committee on 9 February 2016, the general update is the civil matters have concluded that led to a guilty plea on 17 counts of fraud. With respect to the majority of funds that were misappropriated from Horticulture Innovation Australia Limited, 98.7 per cent were recovered through that process in the Supreme Court. No levies were lost in the context of grower money that Horticulture Innovation Australia Limited was holding in trust on behalf of levy payers. The criminal matter still remains before the court and is at the point of sentencing, which is anticipated to occur in March.
7. Yes. Please refer to pages 89 and 90 of the Hansard for Senate Estimates hearing on 9 February 2016.