



Wednesday 19th November 2014

The banana industry is the largest single horticultural industry in Australia. 2013/14, it had a \$600 million Gross Value of Production.

In Australia, bananas are grown in both tropical and sub tropical regions – in three states and one Australian Territory. That said, 95% of production occurs in North Queensland. Currently there are approximately 720 banana farms in Australia. In 2013/14 they produced 372,000 production tonnes (or 28.6 million cartons of bananas). Climatic conditions can cause production levels to vary but the average annual production is between 330,000 – 350,000 tonnes. In a retail context, bananas have the largest SKU of any retail category ie they are the largest category by any volume - and not just in fresh produce.

The ABGC is the peak industry body that represents banana growers across Australia.

In response to the findings in the Productivity Commission's draft report into Natural Disaster Funding Arrangements, the ABGC would like to raise the following points:

- Cyclones are exceptional events. For example flooded fields, farm assets and roads usually happen every year in the wet tropics. These floods quickly drain away, so there is usually no major or long lasting impact on banana growing. Drought, by contrast, is generally long lasting. Governments, industries and producers need different strategies to respond to the impacts of different weather events.
- There are currently no commercial or government insurance products available that cover the destruction of banana crops as a result of a natural disaster. In the last three years, the ABGC has investigated with major insurance providers the opportunity to insure banana crops against cyclones. Insurance companies were not interested in offering products because they deemed the risk, and therefore potential cost, too large. To give this context, in the past 10 years, there has been two severe tropical cyclones, STC Larry in 2006 and STC Yasi in 2011. This is an area of market failure and suggests an opportunity for government to consider.
- Banana growers are using a number of mitigation strategies to reduce the financial impact of cyclones on their capacity to quickly return to full production. Examples include:

PO Box 309
BRISBANE MARKET QLD
4106

Unit 3, South Gate East
250 Sherwood Road
ROCKLEA QLD 4106

T: 07 3278 4786

F: 07 3278 4938

W: www.abgc.org.au

- **Diversifying farm location:** This means businesses establishing another banana farm away from their existing banana farms. Increasingly, the growers with the largest production are expanding into new areas that are climatically suitable to growing bananas but far enough apart to reduce the risk of all production sites being destroyed in the same disaster, eg Lakeland and Kununurra. There is obviously a natural limit as to where crops can physically be grown and still be financially viable. Diversifying in this way is an expensive option and one that can only be considered by the largest growers who have the required risk appetite and economies of scale.
- **Nurse suckering:** it is possible for a grower to nurse sucker a portion of the farm, i.e. to destroy all the growing bunches of bananas and nurse the remnants of the tree through the cyclone season (December to April). Growers will do that if they have enough days before a cyclone hits to get the work done. As sufficient notice of an approaching cyclone rarely occurs, only a few growers would take the gamble. Nurse suckering delays fruit production off that block, so this approach would only pay off if a cyclone hits a banana growing region.
- **De-leafing:** When the Bureau of Meteorology (BOM) or US Navy predicts a cyclone approaching a growing region, each grower makes a decision whether to deleaf the crop or not. This makes the mature trees better able to withstand wind gusts. This means that fruit production would be delayed and most likely have quality issues however there would be fruit for sale. This provides for a much faster recovery and return to production. This can only happen with enough warning from organisations such as BOM as cyclones are unpredictable and move notoriously fast. Another problem is that when cyclones are predicted farm workers are sent home or leave the district to look after their own family, which usually leaves only the farmer to do the de-leafing in a short amount of time.
- In the absence of a capacity to insure their banana crops, growers rely upon the various levels of governments to provide a minimum amount of support in the immediate wake of a cyclone. This money, paid in the form of grants, up to \$25,000 is essential in allowing growers to provide their families with essential daily living requirements such as food. This is essential until growers can access other jobs or Job Search Allowance.

The other assistance provision that was provided and proved essential following STCs Larry and Yasi (under Category D of natural disaster assistance) was wages assistance to keep farm workers in the region. The industry and the communities around each banana growing region could not recover without access to employees.

- The combined assistance to banana growers helps the entire community recover faster. For example, the banana industry in North Queensland has a farm gate value of approximately \$570m with the supply chain value of this industry being estimated at \$1billion. This is a very large amount of money to be suddenly removed from the North Queensland economy – especially the townships of Innisfail Tully, Mareeba and Lakeland (the four primary growing centres). These communities do not have highly diversified economies and are heavily reliant on bananas. In some of these communities, other agriculture, for example, sugar cane is the only other significant industry and it too is affected by cyclones. Additionally, direct employment by banana farms totalled 3,384 full time equivalent employees. Furthermore it is not just for the income generated from the farm production that is impacted but also all of the associated small

business that contribute along the supply chain. Government assistance following a severe cyclone is essential to ensure the continued existence of strong communities in banana regions across Australia. In 2013 a significant economic study was conducted for the banana industry. It is called the *Value of the Australian Banana Industry to Local and National Economies* and was prepared by CDI Pinnacle Management Pty Ltd. The study looks at the total economic impact and contribution of the banana industry at regional and national levels including the flow on effects of banana farm economic activity on demand up and down the supply chain. It also takes into account the induced impacts resulting from households reinvesting some of the income they earn from banana producers on local goods and services. This is publicly available document and a copy can be provided on request.

- The ABGC also supports the provision of Disaster Recovery Officers (DRO) who can work with emotionally distraught growers to help them apply for the appropriate support and begin the road to recovery. It is accepted that government financial assistance comes with accountability requirements and therefore access to the skills, knowledge and networks of DROs when completing the appropriate paperwork is critical.