

About Growcom

Growcom is the peak representative body for the fruit and vegetable growing industry in Queensland, providing a range of advocacy, research and industry development services. We are the only organisation in Australia to deliver services across the entire horticulture industry to businesses and organisations of all commodities, sizes and regions, as well as to associated industries in the supply chain. We are constantly in contact with growers and other horticultural business operators. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

Growcom is a member of the Queensland Farmers' Federation (QFF).

About the horticulture industry

The Australian horticulture industry is a highly valuable component of Australia's agricultural sector and in 2012 was valued at \$7.56 billion¹. Queensland is Australia's leading state for fruit and vegetable production, growing one-third of the nation's produce and supplying most of Australia's bananas, pineapples, mandarins, avocados, mangoes, beetroot, fresh tomatoes and capsicums.

Response to the productivity commission inquiry into natural disaster funding arrangements – draft report

In responding to this inquiry we would endorse the position put forward by the Queensland Farmers' Federation (QFF) and our response will be particular to those key elements that are pertinent to the horticulture industry. We also recognise that this paper is largely concerned with the funding arrangements *per se* rather than specific programs or projects.

Our key recommendations are:

- Develop options for an effective and affordable multi-peril crop insurance scheme
- Replace concessional loans with direct grants until insurance options become available
- Provide mechanisms for immediate funding for industry organisations to expedite recovery through the provision of industry recovery officers (IROs)

The Queensland horticulture industry is particularly vulnerable to natural disasters and since 2006 has been significantly affected by two major cyclones (TC Larry and TC Yasi) and

¹ *Australian food statistics 2011-12, produced by the Commonwealth Government's Department of Agriculture, Fisheries and Forestry*

two major flooding events (2010-11 floods and ex-sub-tropical cyclone Oswald) as well as numerous other localised events. Growcom has worked closely with State Government in providing support and assistance to affected growers in all of these instances. We have had a significant role in assessing the impact of these natural disasters as well as providing on-ground assistance to growers through the government funded IRO projects. As a consequence we have a detailed understanding of the impacts of these types of events on our industry as well as the affect upon regional economies and their communities.

It should be stated at the outset that Growcom supports the objectives of this enquiry and recognises the need for critical review of how natural disasters are managed to ensure the most cost effective outcomes. However, we contend that the economic arguments put forward do not adequately consider some of the broader economic impacts of natural disasters, the important role horticultural producers play in regional communities and the biophysical constraints on horticulture production.

Whilst the principle of placing responsibility for risk management upon on the asset owner is sound, the practicalities of implementation within the horticulture industry have far-reaching negative consequences for the economy and well-being of the general community. Many horticultural commodities have relatively narrow biophysical parameters and tend to be located in regions or sub-regions that best suit production of those particular commodities. A clear example is the Lockyer Valley which was devastated in both the 2010-11 floods and the 2013 floods. The Lockyer Valley is the premier winter vegetable production region in Australia and due to a unique set of soil and weather characteristics can produce high quality vegetables with minimal inputs (fertilisers and chemicals). The best soils for vegetable production are alluvial soils which are generally located on flood plains. In addition, proximity to Brisbane makes this region ideal for the production of a highly perishable food product.

Whilst we support the concept of growers taking greater responsibility for managing risk there are limited meaningful options that would obviate the need for natural disaster relief payments to primary producers. There are currently no multi-peril crop insurance options available to Australian horticultural producers. The argument put forward in the paper that lack of insurance options or high premiums should send a "price signal" to encourage relocation is also flawed as a most fruit and vegetable growing regions are located to best suit the growing needs of the commodity in question. Many growers already manage and reduce their risk by having a number of farms in geographically spread, separate locations but this is an expensive option for small scale producers and for some commodities it is simply not possible (e.g stonefruit and apples in Stanthorpe and many of the tropical commodities). Post Cyclone Larry many banana producers attempted to geographically spread their risk, but the scale of Cyclone Yasi meant that these new plantations were also adversely impacted. For these reasons, the contention that land use planning can be used as a risk mitigation tool is not feasible for the horticulture industry.

It is very difficult to plan for and mitigate against disasters of this scale and we support the point raised in the QFF submission that these disasters are by their nature overwhelming and there is clear community benefit in providing support to primary producers as they are the engine rooms of many regional economies. Horticulture in particular is a huge source of employment in many regional areas and not only provides employment for local people but also attracts tourists to the region. For example, some individual horticulture enterprises in the Bowen region employ up to 300 seasonal workers (mostly backpackers) all of whom contribute to the local economy in other ways. Anecdotal experience post Cyclone Yasi suggested that many tourists were deterred from visiting Far North Queensland as a consequence of the cyclone. Backpackers seeking work were among the first tourists to return, therefore any funds that enable horticulture producers to get back on their feet more quickly have significant multiplier effects with respect to supporting the entire community. We see the proposal to cease payments to primary producers post- natural disasters without compensating policy mechanisms as being disastrous for many of the regional communities in north Queensland, in particular, and counter to the objectives of the plan to develop Northern Australia.

In terms of other flow on effects, consumers pay a higher price for key fruit and vegetable commodities when supply is limited post- natural disasters. In the case of the Lockyer Valley growers were able to undertake important farm rehabilitation works as a consequence of receiving grants (or in the knowledge that grants were available) and were able to commence production much more quickly than if the grants were not available. This protected consumers from the price shocks like those seen with bananas post- Cyclones Larry and Yasi (prices increased by \$14/kg). An argument could be mounted that we should just import fruit and vegetables post- natural disasters, but in many cases this would have catastrophic biosecurity implications that would undermine the long-term viability of our important horticulture industry.

Whilst we recognise that growers do gain private benefit (i.e . profits) from being located in regions that are prone to natural disasters, we contend that there is significant public benefit in maintaining these regions for horticulture production. We also contend that the profit margin for most growers is very thin and there are a number of other areas of policy reform that need to be implemented to enable growers to be sufficiently profitable to buffer themselves against the impacts of natural disasters. Ironically the price-taking nature of the horticulture supply chain means that when growing conditions are optimal, prices are low, so it is difficult to get ahead even in the good times.

Growcom sees that the most effective mechanism to engender a risk management mentality within horticulture producers – without jeopardising the important contribution that our industry makes to the resilience of regional economies and the broader community – is to facilitate an effective and affordable multi-peril crop insurance scheme. In light of clear market failure, there is a case for the federal government to underwrite such an

insurance scheme with the cost offset against existing natural disaster funding programs. In fact, eligibility for other forms of assistance should be predicated on having taken out the appropriate insurance coverage. This is consistent with the situation in other countries. We appreciate that designing such a program is difficult, but contend that it is the only realistic measure in the long term. We therefore request that detailed investigation of options and models be investigated as a matter of urgency.

We also contend that the relatively modest investment in industry recovery officers has demonstrated significant benefits in enhancing grower's resilience in responding to natural disasters. We seek to have these programs more explicitly and permanently recognised as part of the natural disaster response.