November 26th 2010

onions australia

Waterfront Place,
1 Eagle Street
Brisbane Qld 4000

GPO Box 228
Brisbane Qld 4001

Dear Senator Ludwig,

RE: Rural Research and Development Corporations: Productivity Commission Draft Report

Onions Australia is the national industry association for Australian onion growers. The association was originally formed in 1966 and introduced the statutory levy in 2001.

Although Onions Australia (Australian Onion Industry Association) is providing a submission to the Productivity Commission, after many discussions with our stakeholders it seemed was prudent to write to you with a brief overview of our concerns within the above document.

Onions Australia believes our industry's R&D program would not be sustainable if the draft report was to be adopted, obviously causing alarm within our industry.

We also have genuine concerns about a resultant 'brain drain' of Australian research experts to overseas countries if funding to that field was cut.

Finally we believe there are more fiscal ways of managing RDCs rather than introducing another level of bureaucracy, which has been mooted to further drain resources from industry.

We trust you will consider our submission with the intent in which it was written.

Yours sincerely

Joanne Thomas-Ward
Executive Officer
Onions Australia

ONIONS AUSTRALIA

(AUSTRALIAN ONION INDUSTRY ASSOCIATION INC)

SUBMISSION TO

The Productivity Commission Inquiry into the Australian Government Research and Development Corporations Model

NOVEMBER 2010

ONIONS AUSTRALIA INTRODUCTION

Onions Australia as it is today was originally founded in 1966 as the Australian Onion Coordinating Committee (AOCC).

The AOCC was formed to bring all sectors of the then fragmented onion industry together.

It was and still is intended to serve as an umbrella organisation covering all those engaged in the onion industry including growers, packers, wholesalers, exporters, retail outlets, R&D bodies and other related industries including packing manufacturers.

In 1990 the AOCC went through a period of growth and consolidation. During this process the committee underwent a name change to the Australian Onion Association. In 2004 another name changed occurred, the association becoming known as Onions Australia and with it came the new logo for the industry.

The Australian Onion Industry

Onions are a food staple and Australians consume approximately 11kg/per capita/year. Consumption appears to have declined from 12.9kg/per capita/year since 1999 based on national averages. Onions are Australia's fourth largest vegetable crop accounting for 9% of total vegetable production. The Australian onion industry provides for both domestic and international markets.

Production Statistics

The onion industry in Australia is considered "mature" and neither the value nor volume of production has changed greatly during the last 10 years. Industry statistics suggest production levels of 240,000 tonnes are routinely achieved. Onion production is centred in South Australia and Tasmania although all states produce significant volumes. Two-thirds of the domestic market onions are grown in South Australia. Total area planted is approximately 5500ha grown by approximately 380 growers nationally.

Approximately 14% of the onion crop is exported, principally to Germany, Netherlands and UK. An estimated 85% of the Tasmanian onion crop is exported per year. The average annual cost of production is estimated at $361/tonne (ABARE, 2007/08). The gross value of production (GVP) averaged $181M/year between 2006 and 2008. The value of exports has been estimated at $27M (Clarke *et al.*,2010).

DATA from AUSTRALIAN Bureau Statistics June 2009

Ref 7121.0 - Agricultural Commodities, Australia, 2008-09

Onions Statistics 2008-2009

	2007	2008	2009	NSW	Vic	Qld	SA	WA	TAS
Production(t)	246500	254400	283800	19400	18700	28900	96100	21800	98800
Area(ha)	5413	5013	5463	526	362	915	1708	362	1591
Yield (t/ha)	46	51	52	37	52	32	56	60	62

Onions Australia developed a strategic plan with consultation with the whole produce chain. (The Australian Onion Industry Strategic Plan 2006-2011

The Current Reality

- Onions are Australia's number four vegetable crop – 9% of total vegetable production.
- 14% of the crop is exported
- Exporting is often uncoordinated and adversarial.
- Competition in domestic and export markets is increasing and domestic consumption is declining.
- Consumer understanding and knowledge is poor .
- Industry undertakes negligible marketing and promotion.
- Rising costs of production, poor communication and a lack of trust are impacting on our competitiveness and profitability.
- Leadership and succession are critical issues

The Vision & Mission 2015

"By 2015, the Australian onion industry is recognised as a valued supplier of competitive onion products demanded by domestic and global customers
Our Mission is to sustainably increase the quality and value of Australian onion products while improving industry profitability at all levels of the value chain"

Our Strategic Imperatives

1. Grow the market for Australian onion products

1.1 Understand onion consumers
1.2 Develop onion products aligned with priority market segments
1.3 Explore export opportunities for onion products

2. Improve industry competitiveness

2.1 Improve through-chain productivity
2.2 Maintain environmentally sustainable systems
2.3 Reduce the impact of regulation on industry
2.4 Improve our ability to respond to disease and pest threats

3. Strengthen industry information and communication networks

3.1 Generate and communicate reliable and targeted information for "industry members"
3.2 Encourage through chain collaboration and communication

4. Identify and build industry leadership and capacity

4.1 Encourage industry participation and leadership
4.2 Enhance industry business and leadership skills

Over the past four years onions has worked via its research and development program to meet the above strategic imperatives.

ONIONS AUSTRALIA'S RESPONSE TO THE DRAFT REPORT

Onions Australia has very grave concerns regarding the Productivity Commission Inquiry into the Australian Government Research and Development Corporations Model and fears that if the mooted recommendations were to proceed it would be dire for our industry's financial future.

Onions Australia believes our industry members will not have the capacity to cover the resulting gap left by the proposed reduction of Federal Government funds as already our growers are having to bridge the shortfall from State Government cutbacks, leaving them financially challenged.

Our industry is highly aware that voluntary contributions are incredibly important to our onion R&D program, with the combination of levy and voluntary contributions plus matched funds having a flow-on effect for food safety, biocontrols and on-farm biosecurity. Put simply, voluntary contributions keep the experts in our field in Australia.

There will be wide-ranging flow-on effects if this funding is cut, local communities will be affected as a whole as employment, education and general well-being will suffer.

Australia will have difficulty keeping researchers, sustainable farming will diminish and research will take longer. Less investment in R&D equals less productivity.

Onions Australia believes the establishment of the RRA is unsound and not cost effective as the current RDC model could take on "public good" R&D as they already have the rapport with industry. Our industry cannot see any reason to "reinvent the wheel".

There is flexibility required regarding our levy as it is not logistically possible to complete the 12 step model each time a change is required; For example if an industry doesn't want to change the total amount of levy, but would like to change the distribution of the statutory levy.

The recommendation to have the RRA means that body would be dealing with the larger across agriculture issues (ie climate change, water, food security etc). This would be funded by reducing matching funds to RDCs over 10 years.

Onion Australia's R&D income for 2008/09 was $360,000, matching Commonwealth funding was $382,667. R&D funding 2009/10 was $340,000, matching Commonwealth funding was $473,394. Even with these amounts there was an operating deficit in each of these years and a number of projects postponed or not endorsed due to lack of funds. Onions has been fortunate that private enterprise believed that some of this work was required immediately therefore contributed funds knowing that with Government matching funds for voluntary contribution it would benefit the industry as a whole.

Put simply, in onion terms the proposed cutbacks would reduce our total revenue from approximately $770,000 to $580,000 per year – (figures are without increasing the R&D levy), which would leave us with a deficit of approximately $276,000 a year, meaning therefore our R&D program as it is now would not be sustainable.

As an industry we have recently completed our consultation process to change our levy although our vote is not complete.

Onions Australia has undertaken extensive, nation-wide consultation and the main comment from growers is that $4 a tonne would hit farms hard now but those growers don't want to go through this process again in the next 10 years.

We have confidence the vote will be endorsed but our industry members have been quite vocal that they can do no more.

So it is extremely concerning that with increasing input costs our growers simply don't have the income to fund the levy that the report is trying to take away – they can't pick up that shortfall.

If the vote endorses the above the industry feels it has invested considerably within its own industry.

As this statutory levy now includes a marketing levy this will ensure consumption increases, therefore yield increases, therefore levy paid at first point of sale would also increase.