

**Summerfruit Australia Limited proposes that changes be made to the existing research and development and marketing components of the Stone fruit levy collected by the Levies Revenue Service (LRS) of DAFF and managed by Horticulture Australia Limited (HAL).**

This document outlines to growers and others the following:

- What is the stone fruit levy?
- Summerfruit Australia recommends the following changes be made
- How is the consultation being carried out?
- Why is there a need for the proposed increase to the Stone fruit levy?
- How will the increased levy benefit levy payers?
- How much levy is needed? How it will be spent?
- What are the proposed rates for the levy?
- Who pays and who submits the returns?
- Are there exemptions in levy payment?
- What are the Levy Collection costs charged?

### ***What is the stone fruit levy?***

The fresh stone fruit industry benefits from marketing and research and development (R&D) activities undertaken by Horticulture Australia Ltd (HAL).

A national statutory levy and export charge on fresh stone fruit (includes peaches, nectarines, plums, sugar plums and apricots but excludes cherries) produced has been in place since 1 August 1995 and the current rate of this domestic levy and export charge on stone fruit is **1 cent / kilogram (ie. \$10 per tonne)**.

55% of the collected levy/charge funds are for R&D (ie the R&D component) and the other 45% are for marketing (ie the marketing component).

All these funds less collection fees are provided to HAL to expend on eligible activities on behalf of the industry. Funds from the R&D component of the levy/charge that are expended by HAL on R&D activities are matched by the Commonwealth Government.

There is also an emergency plant pest response component of the levy/charge, but at the moment this is set at zero and the rate will only be increased if a pest or disease outbreak affecting the stone fruit industry occurs and as part of an agreed response to this outbreak. This component is designed to meet the industry's financial obligations under the Emergency Plant Pest Response Deed.

Levy is payable by the producer or the first purchaser, buying agent, selling agent or merchant quarterly of the fruit. No levy is payable for fruit sold directly to a processor for processing.

The levy is paid quarterly except for levy on direct retail sales which can be paid annually.

For the purposes of the levy/export charge on stone fruit, Summerfruit Australia Ltd is the identified industry body.

### **Summerfruit Australia recommends the following changes be made**

- The rate of the **R&D** component of the **levy** and export charge be increased from the current effective rate of 0.55 cent per kilogram to **0.98 cent per kilogram** and the rate be reviewed in three years time;
- The cost of Summerfruit Australia Limited's membership subscription to **Plant Health Australia** be paid from a new PHA membership component of the levy of **0.02 cents per kilogram**. Membership cost is currently \$13,700 pa. Any excess after membership has been paid will be passed into the R&D component of the levy. The rate be reviewed in three years;
- The rate of the **marketing** component of the **levy** and export charge be increased from 0.45 cents per kilogram to **2 cents per kilogram** and the rate be reviewed in three years time;
- Continue to maintain the current rate of the Emergency Plant Pest Response component of the levy (ie set to 0.0 cents per kilogram) until such time as a pest or disease outbreak affecting the stone fruit industry occurs and an increased rate is agreed as part of the response to this outbreak to meet the industry's financial obligations under the Emergency Plant Pest Response Deed.

### **How is the consultation being carried out?**

A series of 11 meetings are being held around the country to give levy payers the chance to discuss face to face the proposed levy changes with Summerfruit Australia Limited (SAL), voice their views and to make recommendations.

**Donnybrook, WA** Weds 6<sup>th</sup> July, 3 - 5.00pm  
Donnybrook Resource Centre & Library,  
Emerald St, Donnybrook WA 6239

**Perth Hills, WA** 7<sup>th</sup> July, 7.30-9.30 pm  
Pickering Brook Sports Club, 35 Weston Rd,  
Pickering Brook WA 6076

**Stanthorpe, QLD** 11<sup>th</sup> July, 7 -9 pm  
The Vines Motel, 2 Wallangarra Rd,  
Stanthorpe, QLD 4380

**Bangalow, NSW** 12<sup>th</sup> July, 3 – 5 pm  
Bangalow Bowling & Sports Club, Byron St,  
Bangalow NSW 2479

**Richmond, NSW** 18<sup>th</sup> July, 1 – 3 pm  
The Richmond Club, 6 East Market Street,  
Richmond NSW 2755

**Orange, NSW** 18<sup>th</sup> July, 7.30 - 9.30pm  
Orange Ex-Services Club, 231-243 Anson  
Street, Orange NSW 2800

**Young, NSW** 19<sup>th</sup> July, 2.00 pm – 4.00pm  
Young Services Club, Cloete Street, Young  
NSW 2594

**Shepparton, VIC** Tues 26<sup>th</sup> July, 2.30 –  
4.30pm  
Park lake Hotel Shepparton, (Formerly  
Country Comfort), 481 Wyndham Street  
Shepparton VIC 3630

**Cobram, VIC** Tues 26<sup>th</sup> July, 7 – 9pm  
Italian club, 1 Koonoomoo Rd, Cobram VIC  
3644

**Swan Hill, VIC** Fri 29<sup>th</sup> July, 7 – 9pm  
Commercial Hotel, 91-105 Campbell St,  
Swan Hill VIC 3585

**Renmark, SA** Mon 1<sup>st</sup> August, 7 – 9pm  
Renmark Hotel-Motel, Murray Ave, Renmark,  
South Australia, 5341

Growers may ask specific questions and forward their objective written comment to the consultant conducting the process. These comments will be collated and considered by SAL prior to any further action. The comments will also be reported to HAL and DAFF as part of the levy review process.

Objective comments with the growers name and address clearly written can be emailed to

[sal-levy@iinet.net.au](mailto:sal-levy@iinet.net.au)

Or posted to:

SAL levy, PO Box 2410, Keperra QLD 4054

Or faxed to :

07 3122 7455

Should there be general consensus for a change in the levy then a **formal independent ballot based on one vote per grower (business entity)** will be held where identified levy payers will be able to vote independently and **in secret through the Australian Electoral Commission (AEC)**. The AEC will notify SAL of growers overall decisions regarding the levy once the deadline for voting has passed and all votes are counted.

### ***Why is there a need for the proposed increase to the Stone fruit levy?***

Over the past few years Summerfruit Australia Limited was formally requested to increase the rate of the Marketing and Research & Development components of the Levy/charge at its 2009 Annual General Meeting of levy payers. The motion has been canvassed in periodic industry journals and various other communication channels. An increase is needed to fund and stimulate research and marketing activity that has been identified as necessary but that cannot be afforded currently and to cover the increasing cost of R&D and marketing. These issues have been formalised and are detailed within the current **Australian Summerfruit Industry Strategic Plan 2010-2014** (endorsed March 2010). Key priorities identified by Summerfruit Australia Limited include to:

- Increase Demand and Improve Markets Performance – 40% of proposed levy budget
  - Increase export volumes (export expansion and maintenance to existing export markets and obtain market access to key new markets)
  - Increase domestic consumption through better marketing to increase consumer satisfaction, market research, scan data, marketing champions
  - Minimise impact of potential new imports
  - Develop better industry statistics and use to improve marketing of fruit during periods of high and low supply
  - Improve varieties to improve consumer satisfaction and commercialise new varieties for industry income
  - Interstate and international market issues – ICA protocols, fruit fly research, meeting MRL limits
- Reduce Costs Across Entire Chain – 15% of proposed levy budget
  - Research, analyse and prioritise farm and supply chain costs
  - Develop activities designed to mitigate the high cost pressures on-farm and in the supply chain
  - Improved, smarter chemical availability, residue reduction, targeted pest and disease research
- Improve Eating Quality and Consistency of Produce – 15% of proposed levy budget
  - Develop programs to improve presentation of summerfruit at retail outlets
- Adapt to environmental issues such as climate and water supply changes – 15% of proposed levy budget
  - Environmental Stewardship and Regional Sustainability - flying fox encroachment
  - Improved water security
  - Understand and educate how climate change will affect the industry
- Improve Industry Cohesion – 15% of proposed levy budget
  - Levy program communication development and partnership agreement projects
  - R&D prioritised to go to Summerfruit IAC identified projects

### ***How will the increased levy benefit levy payers?***

The levy will assist with increasing the capacity of the industry to positively intervene in the identified areas of concern and to have a beneficial influence in the operating environment to increase consumer demand. This will therefore ensure a better rate of return on investment for growers and other supply chain members.

The increase in the R&D component of the levy will allow the deficient areas of research at present to be addressed. And to ensure that support for a coherent centralised support body is maintained.

The aim of the marketing component of the levy is to improve grower returns by promoting a more consistent summerfruit product in quality and supply terms so that consumers eat the fruit more regularly and consistently thereby supporting current supply levels and stimulating improved prices. To achieve this summerfruit sales need to be backed up by a consistent offering at the retail interface and the increase on the marketing component of the levy will pay for work with supply chain members to ensure this occurs.

Benefits to growers will be measured in more consistent prices and higher demand for sales of higher quality fruit marketed in tune with customer demand.

### ***How much levy is needed? How will it be spent?***

If the levy increase is approved increased rates in the levy are expected to commence in 2012-13.

Summerfruit Australia limited expects that the R&D proposals that need to be developed would cost in the region of \$1.4 million per annum with marketing funding requirements also in the order of \$1.4 million per annum. As R&D can be supported with matching payments through the Commonwealth Government SAL is seeking that approx \$0.8 million is raised through an increased R&D component of the levy.

Some of the activities envisaged will include marketing research that is eligible to attract matched funding.

These expectations in costs provide the basis for SAL's proposed new rates of the R&D and marketing components of the levy. It is expected that in the first year of new rates collection 85% of the target amount will be collected but that this will rise to 100% of expected funds in subsequent years.

Higher R&D and Marketing levy reserves will need to be built up with HAL over four years if an increase in levy funds are approved. This initial rebuilding of reserves will curtail full project expenditure until these reserves are reached.

To deliver the best return on levy investment the following R&D and marketing funding split is recommended:

- 40% Invested to Increase Demand & Improve Markets Performance
- 15% Invested to Reduce Costs Across Entire Chain
- 15% Invested to Improve Eating Quality & Consistency
- 15% Invested to Adapt to Climate and Water Changes
- 15% Invested to Improve Industry Cohesion

***What are the proposed new rates for the levy?***

The **CURRENT** rates of the R&D and marketing components of the levy/export charge is calculated as follows:

- 1 cent per kilogram of stone fruit with
  - an effective rate of 0.55 cent per kilogram for R&D and
  - an effective rate of 0.45 cent per kilogram for marketing

SAL’s proposed **NEW** rates of the levy/export charge for stone fruit to be put to stonefruit growers at consultative meetings are as follows:

- 3 cents per kilogram of stonefruit with
  - 0.98 cent per kilogram for R&D (matchable)
  - 0.02 cents per kilogram for annual PHA membership, and
  - 2 cents per kilogram for marketing

This proposed levy rate is expected to raise the required funds for the R&D and promotional program outlined in the Australian Summerfruit Industry Strategic Plan 2010-2014 based on what the levy has raised in recent years.

***Recent R&D and marketing levy collections***

	<b>R&amp;D</b>	<b>Marketing</b>
<b>2006-07</b>	\$551,840	\$451,054
<b>2007-08</b>	\$529,551	\$433,395
<b>2008-09</b>	\$531,812	\$436,424
<b>2009-10</b>	\$515,694	\$421,962

***Approximate annual levy income expected***

	<b>CURRENT LEVY REGIME</b>	<b>PROPOSED LEVY REGIME</b>
Levy basis	1 Cent Per Kg Harvested	3 Cents Per Kg Harvested
<b>Split Between R&amp;D and Marketing</b>		
R&D (\$/KG) [\$0.0098 + \$0.0002 = \$ 0.01] (Propose a factor of \$0.0002 /kg for P.H.A annual subscription)	\$0.0055 \$0	(\$0.0002) \$0.0098
Marketing (\$/KG) \$ 0.02	\$0.0045	\$0.02
<b>Tonnes Harvested</b>	<b>90,000</b>	<b>90,000</b>
R&D Levy Collected (Before Collection and Other Costs)	\$495,000	\$882,000
- P.H.A. component (0.02cents per kilo)	\$0	\$18,000
Approximate Government Matching Funding Acquired	\$445,500	\$794,000
<b>R&amp;D Levy Funds &amp; Matching Govt Funds (Before Collection and Other Costs)</b>	<b>\$940,500</b>	<b>\$1,694,000</b>
<b>Marketing Levy Collected (Before Collection and Other Costs)</b>	<b>\$405,000</b>	<b>\$1,800,000</b>
<b>TOTAL FUNDS TO INVEST (BEFORE COLLECTION AND OTHER COSTS)</b>	<b>\$1,345,500</b>	<b>\$3,494,000</b>

### ***Who pays and who submits the returns?***

As with the current stone fruit levy and export charge it is proposed that producers (the person who owns the stonefruit immediately after they are harvested) are liable to pay the levy.

It is proposed that the levy be collected in the same manner as currently. That is:

- It is to be paid quarterly (with a levy year is equivalent in timing to a tax year);
- Where producers sell their produce via an intermediary, such as a first purchaser, buying agent, selling agent, merchant or processor, the intermediary is liable to pay on behalf of the producer and claim the payment from the producer;
- A stone fruit producer who sells by retail sale (that is directly to the public for example at roadside stalls, shed sales, farm gate) must submit levy and returns directly to the Levies Revenue Service (LRS) but are eligible to pay annually rather than quarterly but must be granted an exemption from the LRS in order to do so;
- In the case of the Export Charge, the producer, defined as the person who exports the product from Australia (the owner of the product at the time of export), is liable to pay the charge. This person must forward export charge to the LRS along with return forms. If the product is exported through an exporting agent, the agent is liable to pay the charge on behalf of the producer and submit it along with return forms to LRS. The exporting agent can recover the amount of charge paid from the producer (the owner of the product at the time of export).
- No levy is chargeable of stone fruit sent to processors

Other conditions are to be similar for the current collection of the stonefruit levy. These can be viewed by following the following link and referring to stonefruit:

<http://www.daff.gov.au/agriculture-food/levies/horticulture>

Levies can be submitted online through [www.leviesonline.daff.gov.au](http://www.leviesonline.daff.gov.au) and to do so reduces the cost of levy collection and is in the best interests of the Summerfruit industry.

### ***Are there exemptions in levy payment?***

There are no exemptions from paying the stonefruit levy.

However, a first purchaser, buying agent, selling agent or exporter may apply through LRS for an exemption from the requirement to lodge **quarterly** returns for a levy year if that person has reasonable grounds for believing that the sum of levy/export charge payable for the year would be less than \$500. If exemption is granted, returns must be lodged on an **annual** basis.

### ***What are the levy collection costs charged?***

The Stonefruit levy collection costs by the levy Revenue Service are currently \$63,000 per annum.

A further Corporate Cost Recovery, currently 11.6% and reducing to 10.9% in 2011/12 of remaining funds, is taken by Horticulture Australia for managing the levies and project funding and management process.

### Calculation of expected levy overhead costs

RESEARCH AND DEVELOPMENT COMPONENT OF THE LEVY	CURRENT LEVY REGIME	PROPOSED LEVY REGIME
Research and Development Funds Before Costs	\$940,500	\$1,694,000
HAL Corporate Cost Recovery (11.6% > 10.9% )	\$109,098	\$184,600
Across Industry Projects Contribution (1.16% >3.0%)	\$10,910	\$53,000
Collection Fee (Set by Levy Revenue Services) – expected to rise by 2-3%	\$35,516 (55% of \$63,000)	\$21,310 approx (33% of \$64,000)
<b>Total Fund Overhead Costs</b>	<b>\$155,524</b>	<b>\$258,900</b>
<b>Net Funds to Invest</b>	<b>\$784,976</b>	<b>\$1,435,100</b>

MARKETING COMPONENT OF THE LEVY	CURRENT LEVY REGIME	PROPOSED LEVY REGIME
Marketing Funds Before Costs	\$405,000	\$1,800,000
HAL Corporate Cost Recovery (11.6% > 10.9%)	\$46,980	\$196,200
Across Industry Projects Contribution (1.16% > 3.0%)	\$4,698	\$50,000
Collection Fee (Set by Levy Revenue Services)	\$29,059 (45% of \$63,000)	\$43,300 approx (66% of \$64,000)
<b>Total Fund Overhead Costs</b>	<b>\$80,737</b>	<b>\$289,500</b>
<b>Net Funds to Invest</b>	<b>\$324,263</b>	<b>\$1,510,500</b>

PLANT HEALTH AUSTRALIA MEMBERSHIP COMPONENT OF THE LEVY	CURRENT LEVY REGIME	PROPOSED LEVY REGIME
PHA Levy Funds Before Costs	\$0	\$18,000
HAL Corporate Cost Recovery (11.6% > 10.9% )	\$0	\$1,962
Collection Fee (Set by Levy Revenue Services) – expected to rise by 2-3%	\$0	\$384 approx (approx 0.06% of \$64,000)
<b>Total Fund Overhead Costs</b>	<b>\$0</b>	<b>\$2,346</b>
<b>Net Funds for membership – (excess to R&amp;D levy)</b>	<b>\$0</b>	<b>\$15,654</b>