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Tony Ferrall  
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Department of Treasury and Finance  
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Dear Tony

### **Premier's Economic and Social Recovery Advisory Council**

Thank you for the opportunity to make an initial submission to the Premier's Economic and Social Recovery Advisory Council.

As we outline below, Fruit Growers Tasmania seeks to support the Council's work and in particular cooperatively detail how Tasmania's fruit industry can take a leading role in the state's recovery from COVID-19 and in building a stronger and more resilient Tasmania. For many reasons we strongly believe the industry is well placed to do so.

While we will provide a further more detailed submission at the appropriate time, please find below responses to the initial questions you raised.

*What impacts are currently being seen by your sector or members?*

**Through fortunate timing, government support, good management and the fundamental nature of the fruit industry, our industry has been affected in only a relatively small way by COVID-19.**

The most export oriented sector of the Tasmanian fruit industry is cherries. Tasmania is Australia's largest cherry exporting state (45% by value) with exports of \$37 million (1,700 tonnes) in the 2019/20 season. Some 60% of total production (estimated at \$60 million) is exported.

The timing of the Tasmanian cherry harvest meant that it was complete by mid February and being a highly perishable fruit only the last 10-15% of production was markedly affected by COVID-19. Summerfruit production, in particular apricots, follows a similar pattern. In short, we were fortunate.

Our biggest fruit sector is berries (with production estimated at some \$200 million) which has a 6-7 month harvest concluding in May, and like apples and pears (March to June) operated throughout the peak of COVID-19. However, Tasmanian berries are sold only into domestic markets and only a very small volume of apples are exported, meaning they were not affected by reduced access to export markets. Domestic demand was maintained for berries but down for apples, with the hyper-extended school holidays having a significant effect even though mainland supply was down some 30%. This has seen more apples going into cold storage with the effect on revenue not known until later in the year.

Both sectors were quick to implement revised management practices for their workforces, and while both rely heavily on seasonal workers and hence lost some international workers who returned home, their workforces were largely unaffected by COVID-19.

The support governments gave by declaring agriculture an 'essential' service, maintaining transport services and supporting international seasonal workers including through visa extensions and other support mechanisms, also contributed to the largely unaltered harvests for both sectors.

*What impacts are anticipated in the coming weeks and months?*

The fruit sector now enters a winter season of lower activity. Once past this however, **the Tasmanian fruit sector faces the following 3 key risks due to COVID-19.**

- 1) The availability of seasonal workers from October 2020 onwards for harvest related activities.**
- 2) The availability of economic airfreight options to the 17 countries and more than 25 destinations that cherries were exported to in 2019/2020, including China, from December 2020.**
- 3) The ability to cost effectively manage the highly labour intensive and close working environment of cherry/summerfruit grading and packing operations from December 2020.**

As noted, these risks are some months away and hence there is some time to both observe how the COVID-19 environment evolves as well as to develop and implement some mitigation strategies. While we plan to provide more information on these issues in a subsequent submission we wish to make the follow points.

1. The fruit industry has very high peaks in labour requirements during harvest. For example in April 2020 it was reported that some 2,000 international seasonal workers were employed in the berry sector and up to 500 in apples and pears. (Cherries are estimated at over 1,000.) We are currently surveying growers to determine expected labour needs for the year ahead. To be frank, this represents both an opportunity and a threat for the year ahead and in the context of COVID-19.
  - a. An opportunity from the perspective of whether there will be more local interest in and labour availability for seasonal work from Tasmanian residents (which traditionally has not been the case). Again we will address this in a subsequent submission.
  - b. A threat from the perspective of whether sufficient international seasonal workers will return to the state from October 2020 onwards.
2. It is almost certain that the availability of economic airfreight options will be hugely restricted in the season ahead. With the vast majority of cherries traditionally being airfreighted in the underbelly of passenger aircraft, both the cost and availability of services will simply not be the same in the year ahead. In addition, the Federal Government's International Freight assistance Mechanism will have concluded before our season starts, hence adding to the uncertainty for cherry and summerfruit exporters. Finally, China remains an important export market averaging 17% of exports in 2019/20 and up to 30% for some exporters. Despite the attractive nature of the China market exporters have actively looked to limit their reliance on any one market. While this places them in a better position than some other commodity exporters, China remains a significant market.
3. There is significant work to be done to make cherry/summerfruit grading and packing operations COVID-19 compliant.

*What would help your sector/members re-employ where there have been reductions in jobs, or grow employment levels?*

**Fruit Growers Tasmania strongly believes the Tasmanian fruit industry comes from a sound base and presents a low risk opportunity to make a significant contribution in:**

- **facilitating sustainable economic growth;**
- **expanding a competitive and brand advantage;**
- **capturing opportunities for employment growth;**

**and hence play a key role in working with the Tasmanian Government to build a stronger and more resilient Tasmania.**

As mentioned above the Tasmanian fruit industry has been very fortunate in terms of the extent that it has been impacted by COVID-19. Accordingly, while its immediate future is by no means completely certain, it is coming from a sound base and is not required to rebuild like numerous industries unfortunately are required to do.

The Tasmanian Government already had in place a clear vision for the growth of agriculture and its role in the state's economic future. The Government has "a commitment to grow the value of the agricultural sector in Tasmania tenfold to \$10 billion per year by 2050, backed by our long-term Agrivision 2050 Plan."

Its current 'Tasmania's Sustainable Agri-food Plan 2019-23' focuses on the themes of 'Grow, Make, Protect and Experience', all of which apply directly to the Tasmanian fruit industry.

The Government's significant irrigation infrastructure investment to date and program for further expansion, sets the state apart from the other states and will be the linchpin of achieving the government's Agrivision 2050. As already seen, irrigation promotes the conversion of extensive agriculture into intensive agriculture. The fruit industry and its intensive agricultural practices and reliance on closely controlled and reliable irrigation has already demonstrated its readiness to commit to irrigation schemes and has invested heavily in orchards and berry growing infrastructure.

The Government's recently released 'Competitiveness of Tasmanian Agriculture for 2050' White Paper again highlighted the role of irrigation in supporting the competitiveness of Tasmanian agriculture and its role in harnessing the state's natural capital.

The White Paper also highlighted a number of other key areas for the fruit industry. In particular:

- red tape reduction and harmonisation – using the State Government's planning powers to support investment in crop protection systems (such as hail netting) and on-farm accommodation for seasonal workers, which are slowed down and/or stopped at the local government level;
- agricultural skills – ensuring that systemic training for the skills required by agriculture is in place;
- supporting employment – a realignment of the state's workers compensation system to address the inequitable burden of proof placed on employers, not employees, to demonstrate that the cause of the workers compensation claim is in fact as a result of a workplace incident or injury;

- extension and adoption of new and improved practices and technology – the resolution of the future of the former Grove research facility and its potential to be transformed into a “Centre of Excellence for Temperate Fruits” in collaboration with commercial growers and suppliers.

**Given this established vision and advanced planning, Fruit Growers Tasmania recommends Government bring forward its roll-out of irrigation schemes and progress initiatives in the above areas that currently hold back the competitiveness and growth of the Tasmanian fruit industry.**

**While we will provide further detail in a subsequent submission, we seek guidance from the Advisory Council on its view of the fruit industry playing a leading role in the recovery from COVID-19 and what specific further information it might require.**

The discussion above focuses on providing the right environment to allow the fruit industry to continue to grow and invest and expand employment opportunities through commercial decision making. It is not about handouts and subsidy. The Council’s position that “a long list of proposals for Government spending would be inconsistent with the financial impacts of COVID-19” is also acknowledged.

**Nonetheless, when considering the role played by the Tasmanian Government in the competitiveness of the fruit industry and in the growth of employment, it would be remiss not to raise the role played by payroll tax. While the role it plays in revenue raising is significant, the role it plays in increasing the cost of employment and decreasing competitiveness, particularly as it relates to companies who engage large seasonal workforces, is perhaps even more significant. It is clearly a disincentive to employing people.**

The role of agriculture in the post COVID-19 rebuild has also been recognised at a national level.

Andrew Liveris the former CEO and chairman of the Dow Chemical Company and an adviser to the National COVID-19 Co-ordination Commission identified that crucial areas for future jobs would include food and agribusiness processing. Similarly Visy Industries executive chairman Anthony Pratt has stated “we should double down on the growing and manufacturing of food, which will create more jobs .... We need to export food as much as we can as the cornerstone of our manufacturing revival and I think we should import things we don’t have a competitive advantage in .... Food is our biggest manufacturing sector today and represents 30 per cent of all manufacturing jobs. Australia has a natural competitive advantage in growing things.”

While it is appreciated that policy levers at a national level are beyond the direct purview of the Tasmanian Government, negotiation with the Commonwealth Government on specific initiatives are not.

In this regard Fruit Growers Tasmania raises one last area for consideration and discussion with the Commonwealth Government. That is the area of depreciation for capital investment.

On 12 March the Commonwealth Government announced two initiatives in this area applying to businesses with a turnover of up to \$500 million. The first was an increase in the instant asset write off from \$30,000 to \$150,000. While originally allowed to 30 June, this was extended to 31 December 2020 on 9 June.

The second was a 50 per cent accelerated depreciation deduction over and above what businesses can already deduct in the first year and is available to 30 June 2021.

These two initiatives have already had a positive effect on investment in the Tasmanian fruit industry, even in the uncertain time of COVID-19. They are ideal initiatives that effectively have no cost to government in the long term, just a delay in revenue in the near term. However, to the extent that they support investment that would otherwise not take place, primarily due to the long life and hence long payback and greater risk of these investments, this initiative will produce increased revenue to government over the longer term.

**Accordingly, given the time taken to undertake such investment, and the fact that this often needs to occur in the winter off-season, extension of the instant asset write-off and accelerated depreciation to 31 December 2021 would make these initiatives even more effective.**

I trust that the above is useful for the Council's deliberations.

Fruit Growers Tasmania will continue to develop a subsequent submission but in the interim would greatly appreciate any guidance that the Council sees fit to provide, as to how we might work cooperatively to build a stronger and more resilient Tasmania.

Kind Regards



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Fruit Growers Tasmania

