



AUSTRALIAN
**Prawn
Farmers**
ASSOCIATION

APFA Marketing Levy Plan

Submission to:

Department of Agriculture and Water Resources

Final 7 October 2016

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1. OBJECTIVE

The farmed prawn sector wishes to establish a national statutory marketing levy, managed with the FRDC. As the industry services body/levy recipient body, the FRDC is responsible for the expenditure and management of the levy.

The APFA, jointly with the FRDC, currently operates a statutory research and development (R&D) levy and export charge (established 2003) for the farmed prawn sector. This 3.64 c/kg levy is payable on five farmed prawn species. No exemptions apply to this levy.

2. THE FARMED PRAWN SECTOR

The Australian Prawn Farmers Association Inc. (APFA) is the national body representing prawn farmers. Its 25 active farm Members across NSW and Qld represent 95% of farmed prawn sector's volume and value.

<u>FARMED PRAWN SECTOR</u>	<u>QLD</u>	<u>NSW</u>	<u>TOTAL</u>
Farm licences (ABARES)	58 approvals	10 licenses	68
Active farms (APFA)	22	3	30
APFA Members (APFA)	16	1	17
2014/15 Harvest tonnes	4,951.5	301.3	5,282.8
2014/15 GVP \$'000	82,600	5,109	87,709

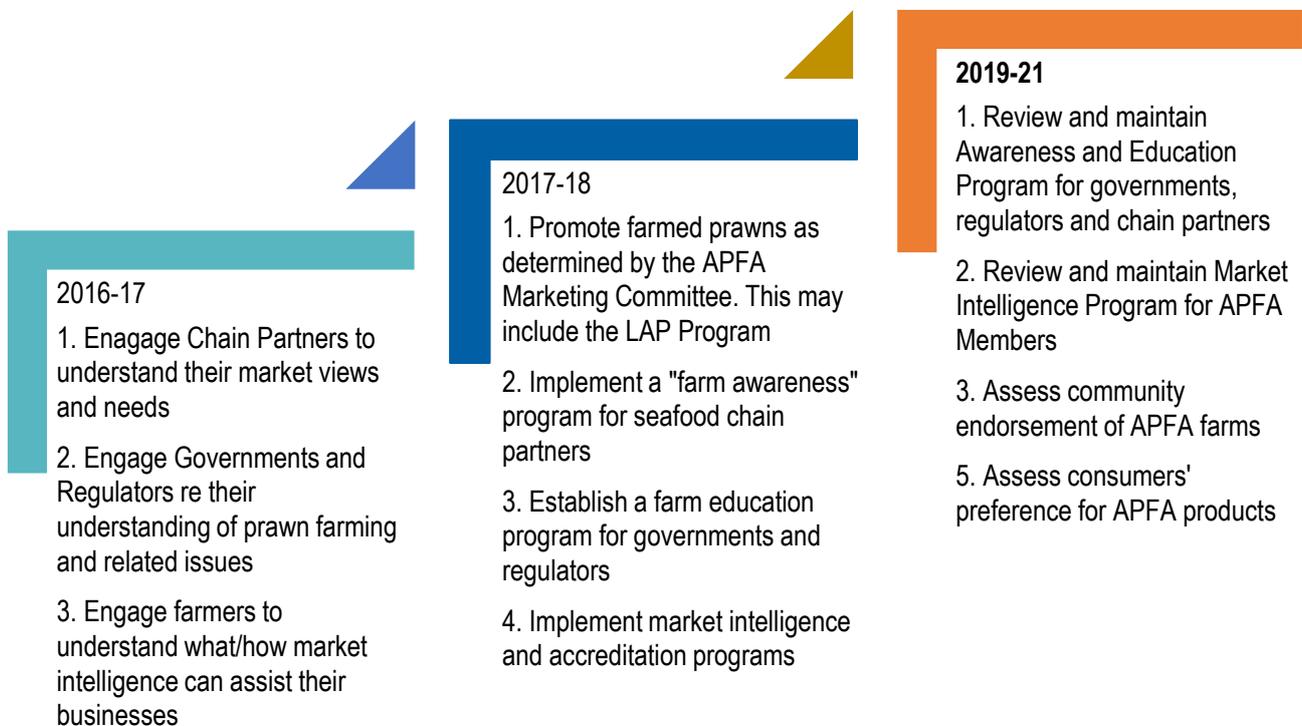
3. MARKET STRATEGY

Since 2013, APFA and Australia's wild prawn fisheries (Australian Council of Prawn Fisheries) have jointly invested in the Love Australian Prawns (LAP) promotion program.



Supported by FRDC/Seafood CRC, industry currently invests ~\$350,000 jointly per year to promote Australian prawns to domestic consumers and chain partners.

APFA will use proceeds from this proposed levy to implement a 3-year marketing strategy, which may include investment in LAP.



The only exemption from this proposed Statutory Farmed Prawn Marketing Levy will be for prawns sold for export. Significant volumes of new green-field farmed prawn investment is currently proposed in the industry. This exemption has been agreed between the new investment project proponent, the APFA Marketing Committee, and the APFA Executive Committee, on behalf of APFA Members. The proposed Statutory Marketing Levy would be applied exclusively to prawns for domestic sales, and not apply to export sales.

4. LEVY DESIGN

The proposed levy design is presented below.

The consultation process will identify amendments to this design, required by stakeholders.



5. STAKEHOLDER CONSULTATION

The APFA and the Department of Agriculture and Water Resources (the department) hold a current database of licensed active prawn farms who are existing levy payers. The project team comprises Matt West (APFA Chairman), Helen Jenkins (APFA Executive Officer) and Ewan Colquhoun (independent consultant and director of Ridge Partners).

The pre-poll consultation program will be as follows:

Oct-Dec 2016	<ul style="list-style-type: none"> • Confirm farm consultation program – farms, contacts, data, • Draft Levy Development Plan – consult APFA / FRDC / DAWR • Release Communications and media / adverts re proposed levy • Consult on site with all farms re levy options & preferences • Document all issues and options, positive and negative • Identify APFA / proponent capability to manage a levy
Nov-Dec	<p>Document matters related to the Australian Government's <i>Levy Principles and Guidelines</i>:</p> <ul style="list-style-type: none"> • Intent of the levy; how funds will be used; unique caps, etc. • Forecast returns/ROI, beneficiaries, management of funds • Why alternate collection options are not attractive • Answers to positive and negative responses from license holders • If / how the levy design will address each concern, etc • Market failure and how levy is best way to resolve this
Dec-Feb	<ul style="list-style-type: none"> • Document when/how levy will be monitored • Document when/how levy reviewed every 5-10 years • Finalise Levy proposal - design, collection, and use of funds • Submit draft levy Business Plan to APFA / FRDC & DAWR • Prepare for Poll/Vote to approve if required
Feb-Mar 2017	<ul style="list-style-type: none"> • Conduct Poll of farmed prawn license holders • APFA / FRDC approval for compulsory or voluntary levy • Submission to FRDC and DAWR Minister if for compulsory levy • Approval and levy begins July 2017.

Pre-poll consultation will raise many issues from farmers and from the independent consultant. The consultant will confirm to farmers that the collection of historical farm production data is designed to assist the Minister's assessment of the levy application. This production data will not impact the voting rights of individual farmers.

6. THE POLL

The independent consultant (Ewan Colquhoun from Ridge Partners) will implement and manage a postal poll to all licensed active prawn farmers in a transparent process at one point in time (likely to be Feb-Mar 2017). This consultant managed the APFA's RD&E statutory levy process in 2002-03.

All voters will be consulted (face to face, unless the active license holder prefers alternate means) and will then be given documented arguments for and against the establishment of a statutory levy prior to casting their ballot.

The Levy Strategic and Business Plans will be drafted and submitted (as drafts) to DAWR well before the scheduled poll to ensure the approach is acceptable, and the process has full government support.

The Poll process, including media, consultation, drafting and polling, will take approximately 28 weeks. This summer/ Christmas period is the peak supply and market period for farmed prawns, so the levy development process will be long and very flexible to consult and work with all license holders, farmers and stakeholders. The plan anticipates:

1. An initial 7-8 weeks (Oct-Dec 2016) of preconsultation for all licensed active prawn farmers. Each farmer will receive an information pack by post, and the Project Team will issue media items in all relevant newspapers and industry periodicals and websites.
2. 4-6 weeks (Nov-Dec) of on-farm face-to-face consultation and documentation,
3. 4-6 weeks (Dec-Feb) of collation, analyses, providing specific levy query responses to farmers and stakeholders, and drafting of the Levy Proposal and Business Plan,
4. 4 weeks (Feb- Mar 2017) for the postal poll process. APFA and DAWR (LRS) will agree the licensed active farmer database in February 2017, and the project team will then mail each farmer: (1) the *Voting Form*, (2) a *small envelope* to contain the completed Voting Form, and (3) a *large prepaid and preaddressed envelope* to post their poll forms back to the PO Box nominated for the independent consultant.

The covering letter sent to licensed active farmers with the poll forms, will set out the procedures for voting and declaration, return of the *Voting Form*, and the specified polling period within which a vote is to be cast and returned to the independent consultant.

The *Voting Form* mailed to each license holder/farmer will confirm their identity, license details, address etc., and seek responses to two questions developed in consultation with prawn farmers:

1. Do you support the introduction in 2017 of a compulsory Farmed Prawn Marketing Levy at XX rate collected quarterly?
2. What tonnage of farmed prawns have you harvested and offered for domestic sale in each of the last 3 calendar years 2014, 2015, and 2016? (Farmers' answers to this question will not affect their levy voting rights – it is simply to assist the Minister to assess the merit of the proposed levy.)

Each *Voting Form* must be signed by the respective licensed active farmer as a Statutory Declaration.

The independent consultant will receive and open all large envelopes and then hold all small envelopes unopened until the specified polling period is completed.

On completion of the specified polling period the independent consultant and an approved scrutineer will check all small envelopes against the licensed active farmer database, open all small envelopes, review all Statutory Declarations, count all accepted votes and respective annual harvest tonnages and declare the poll to the DAWR and the APFA. All submitted *Voting Forms* will then be held confidentially for a period (by agreement with APFA, estimated at 3 years) by the independent consultant.

7. LEVY BUSINESS PLAN

The consultant will collate data for the Levy Business Plan, responses from the consultation program, discussions with FRDC and DAWR, and input from the poll results into a draft Levy Business Plan.

If this levy proposal is endorsed by a majority (50% + 1) of licensed active farmers polled, which are underpinned by a majority of supply volume over the last three years, the APFA will authorise the immediate drafting of a formal submission seeking a statutory levy, to the FRDC, DAWR and the Minister for Agriculture and Water Resources. The submission will be presented, by the FRDC on behalf of the APFA, to the Minister for Agriculture and Water Resources in March - April 2017.

The Levy Business Plan will form the substantive part of this submission. The Plan will specifically respond to the Australian Government's *Levy Principles and Guidelines* for the initiation and approval of an industry levy.

The APFA anticipates commencement of the marketing levy, as per a design agreed by licensed active farmers, from 1 July 2017