



AMGA

Australian Mushroom Growers' Assoc.

**AGARICUS
MUSHROOM
STATUTORY LEVY
BALLOT**

Making an informed
decision

HISTORY

THE MUSHROOM INDUSTRY AND THE LEVY



The AMGA is the Peak Industry Body for the mushroom industry and is owned by grower members, and one of its roles is to advocate and lobby Government on behalf of its membership.[1] Since 1961 the AMGA has been representing the interests of growers and others in the supply chain.[2]

Hort Innovation Australia Ltd (HIAL) is a grower-owned, not-for-profit research and development corporation (RDC).[3] RDCs are tasked with delivering tangible and practical improvements for their industries in terms of productivity and profitability, sustainability, and the community. They do this through strategic and targeted investments in and partnerships for research, development and adoption, and in some cases, market access, market development and promotion.[4] To gain industry insights for strategic levy investments in research and development (R&D), marketing and promotions (M&P), Hort Innovation consults with growers through industry-specific Strategic Investment Advisory Panels (SIAPs).[5]

The Agaricus Mushroom Statutory Levy (the Levy) was originally introduced in 2002. Prior to that, since 1967, producers funded R&D and M&P through a voluntary levy. The potential for market failure, with one or more producers benefiting from but not contributing to R&D and M&P, (i.e. the free-rider problem) led to the introduction of a statutory levy.[2]

The levy is collected on a production input, the amount of mushroom spawn that is essential for commercial production of Agaricus mushrooms. [2] If you purchase mushroom spawn from an Australian mushroom spawn seller, you pay the levy to the seller who then pays this to the Department of Agriculture, Water and the Environment. As of 1 July 2018, the levy is \$4 per kilogram of mushroom spawn, of which \$1.08 is for R&D and \$2.92 is for M&P.[6]

FUTURE

WHY WE MUST KEEP THE STATUTORY LEVY...



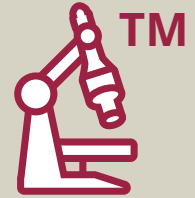
- ✓ Our levy is the envy of the mushroom industry internationally
- ✓ Our R&D program is world class - Matched \$ for \$ government funding
- ✓ Our levy has enabled us to maintain our position in the grocery basket
- ✓ The industry has remained competitive despite new fresh products entering the market
- ✓ A statutory levy prevents large growers from opting-out, and benefiting from the M&P investment of others
- ✓ Our levy investment in R&D and M&P has helped us to grow production by 20% over the past decade
- ✓ The value of mushrooms dropped substantially in the late 90s whilst under a voluntary levy when a large grower opted-out

IF WE LOSE THE LEVY, WE ALSO LOSE...

- ✗ AMSAFE
- ✗ Food Safety program
- ✗ Pest and Disease Management Service
- ✗ AMGA Conference
- ✗ Marsh Lawson Mushroom Research Unit
- ✗ Pesticide Registration
- ✗ Quarterly Australian Mushrooms Journal
- ✗ AGORA
- ✗ Major disease outbreak support
- ✗ On-site training
- ✗ Food safety response team
- ✗ Updated Risk Management Plans [7]
- ✗ \$2.83 million investment in marketing [8]



WHAT DOES THE MUSHROOM INDUSTRY LOOK LIKE WITHOUT A STATUTORY LEVY?



1 REDUCTION IN MUSHROOM CONSUMPTION

There is evidence both during the voluntary and statutory levy periods where mushroom consumption has dropped alongside a decline and/or absence of M&P.[7] This occurred in the late 90s when a large grower ceased making voluntary levy payments, and again in 2014 when M&P was suspended for a period of 12 months.[7] Without adequate and sustained investment in M&P there is the potential for mushrooms to lose their share of the grocery basket, which the industry has sustained for many years.

2 REDUCED ACCESS TO R&D FINDINGS AND OUTCOMES

Any research conducted privately is unlikely to provide industry wide benefits in the short to medium term with the financier attempting to capture the benefits privately. In addition, private researchers would also be less likely to pursue research of an industrywide or public-good nature as it would deny them a competitive advantage. Any private investment would focus on brand, rather than collective or generic marketing of mushrooms.[9]

3 REDUCTION IN \$\$\$ TO FUND M&P AND R&D

Potential for large growers to choose not to invest in the industry, and undertake in-house M&P and R&D, and select marketing strategies and projects suited to individual business growth over industry-wide and public-good benefits.[7]

In the 1995–98 period, production was growing strongly at the same time as M&P was reduced sharply due to a lack of levy funds. Without M&P to drive consumer demand, the industry found itself in oversupply. Retail prices were heavily discounted and wholesale prices suffered accordingly in spite of rapidly rising production costs. As a result, the viability of many growers was seriously challenged and some were forced out of the industry.[9]

Research on the impacts of a test-market experiment in Tasmania using evidence-based health messages demonstrated that the potential benefit-cost ratio of the project to be 11.4:1 if financed by a levy, and a reduction to 7.6:1 if the AMGA were to bear the entire cost.[10]

4 REDUCED SUPPORT DURING DISEASE OUTBREAKS

The levy funds support from Judy Allan and Warwick Gill during a major disease outbreak on your farm. This level of support would be lost under a voluntary levy scheme.[7]

5 A RETURN TO 'FREE-RIDER' AND 'OPT-OUT' SCENARIO = MARKET FAILURE

Prior to 2002, the mushroom industry funded all M&P and R&D activities through a voluntary scheme. This allowed for a number of growers to opt-out and 'freeride' on the contribution of others. The statutory levy was implemented to address this 'free-rider' problem. A voluntary system is likely to result in a considerable shortfall in (and uncertainty of) the level of funds collected.[9]

Non-contributors to a voluntary scheme would be able to obtain benefits from M&P without contributing to meet the cost. This system would also provide a commercial advantage in terms of lower costs for those growers that decide not to contribute.[9]

6 INCREASED CAPACITY FOR LARGE GROWERS TO TARGET MAJOR RETAILERS

Major supermarkets (i.e. Coles, Woolworths and Aldi) make up 76.9% of the retail dollar share of trade for mushrooms.[11] Without the support of an industry backed M&P strategy that focuses on promoting mushrooms to consumers, could you afford to self-fund a M&P strategy directed at major supermarkets and reduce your farm gate price to remain competitive against larger growers?

7 REDUCED CAPACITY FOR INTERNATIONAL PARTNERSHIPS

Attendance at conferences, meetings and study tours of international mushroom industries are important activities for building partnerships. The development of personal links with international R&D and M&P organisations and, staff who are directly involved with mushrooms, are important levy investments for the future of the industry in Australia. Levy funds supported the successful test-market experiment in Tasmania – an international collaboration with US researchers.[10]

MUSHROOM PRODUCTION

Mushroom Consumption has remained stable in Australia for the past 5-6 years[1], despite a range of new products entering the market and competing for the grocery basket.

In fact, mushroom production has increased by around 9,000 tonnes over the past few years to meet demand.[12] What does this mean? – the population is growing and mushrooms have remained a staple in the Australian household.

Did you know that with a current population of over 25 million people in Australia, production would need to increase by another 28,000 tonnes to be able to supply 4kg of fresh mushrooms per capita?[12,13]

81%

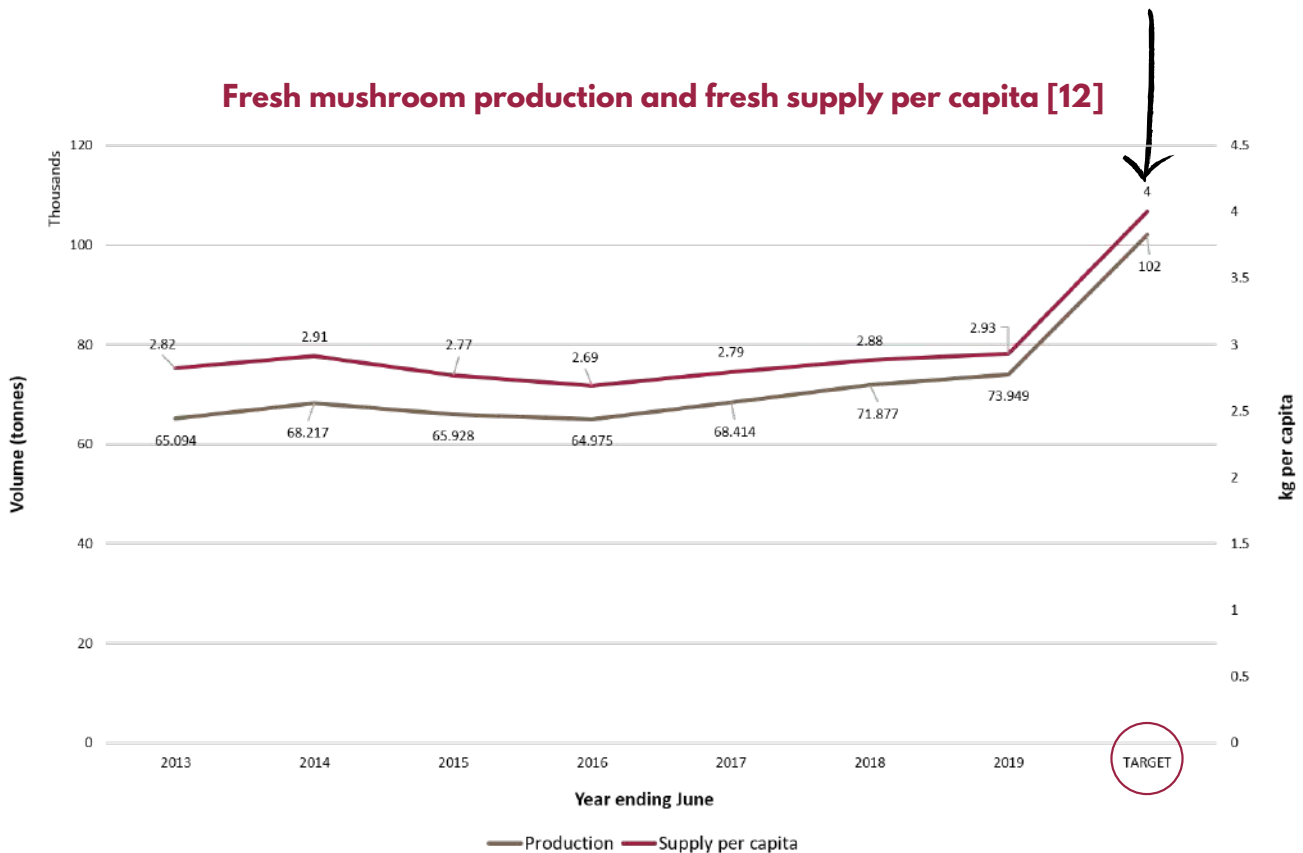
of Australia's households purchased mushrooms in 2019-20[14]

20%

growth in production over past 10 years[15]

We can't consume 4kg per person if the volume doesn't exist

Fresh mushroom production and fresh supply per capita [12]



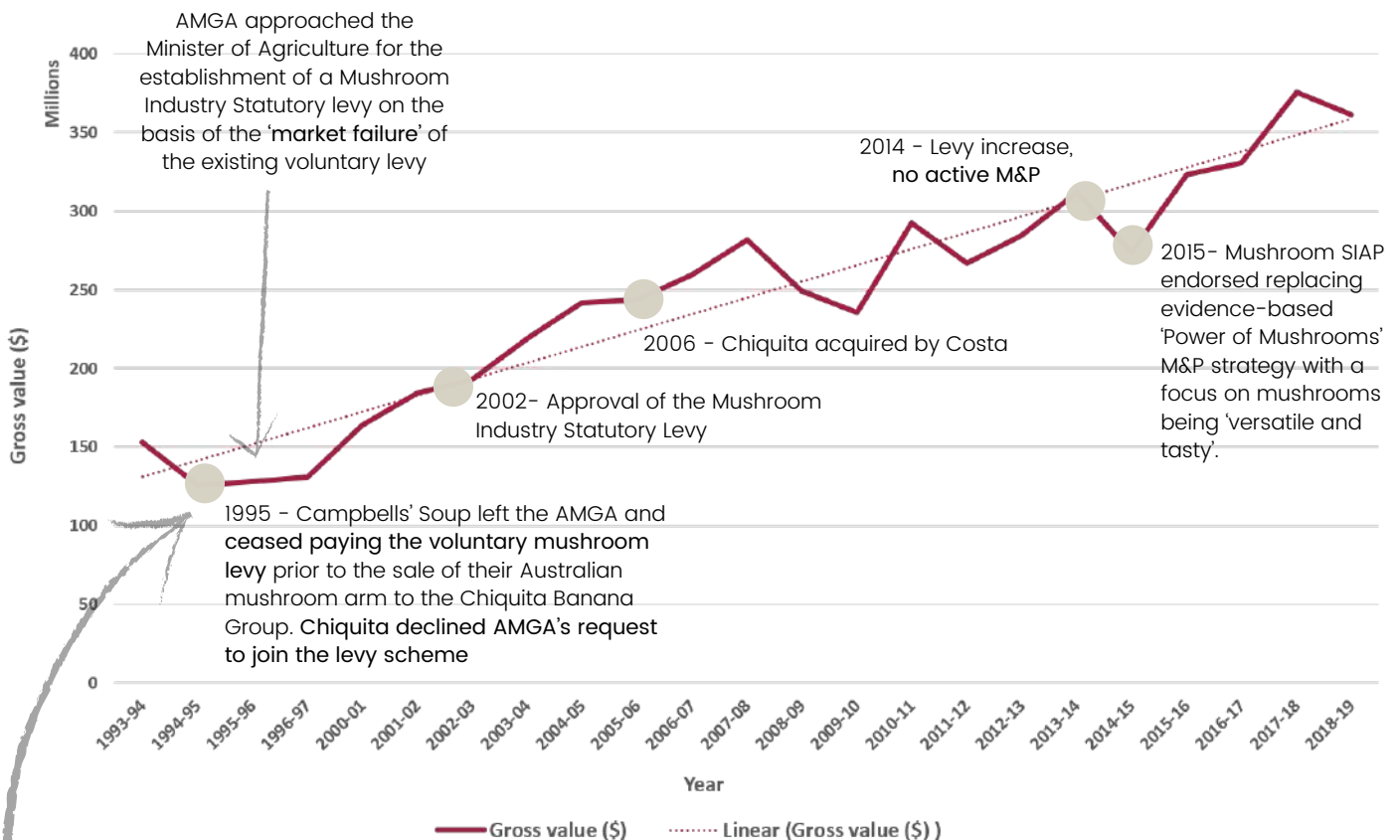
VALUE OF MUSHROOMS

Prior to 1995, the Mushroom Industry operated a voluntary levy system for marketing. In 1995, Campbells' Soup, one of the largest mushroom growers, decided to 'opt-out' and stopped paying the voluntary levy. [7]

Other mushroom growers continued to pay the voluntary levy whilst Campbells' Soup, and subsequently Chiquita, continued to benefit from marketing activities. This 'market failure' prompted the AMGA to advocate for the introduction of a statutory levy. [7]

If the statutory levy for R&D or M&P is abolished, large growers would NOT be obliged to pay into an alternate AMGA run voluntary levy.

Value of Agricultural Commodities Produced - Mushrooms (Australia) [7,16]



Game-changer for the mushroom industry - One grower exiting the voluntary levy system triggered a host of negative outcomes for other growers.

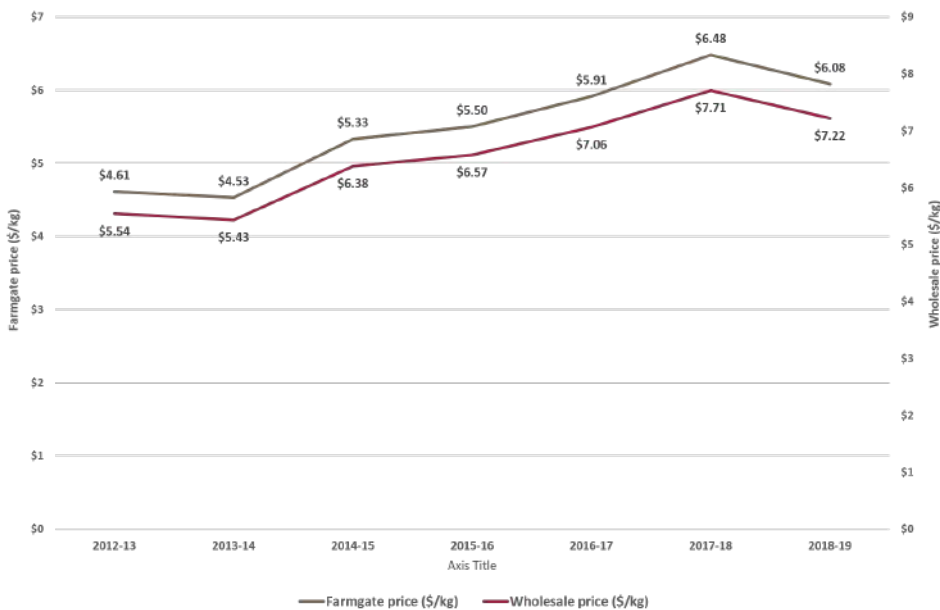
MUSHROOM CONSUMPTION

Australia has one of the highest consumption per capita of mushrooms of countries with developed economies.[17] It is also one of the fastest growing mushroom industries in the world with production growing by 20% over the past 10 years.[15]

Mushroom consumption per capita [18]



Farmgate and wholesale prices of mushrooms [19]



32%

increase in farmgate prices since 2012-13[19]

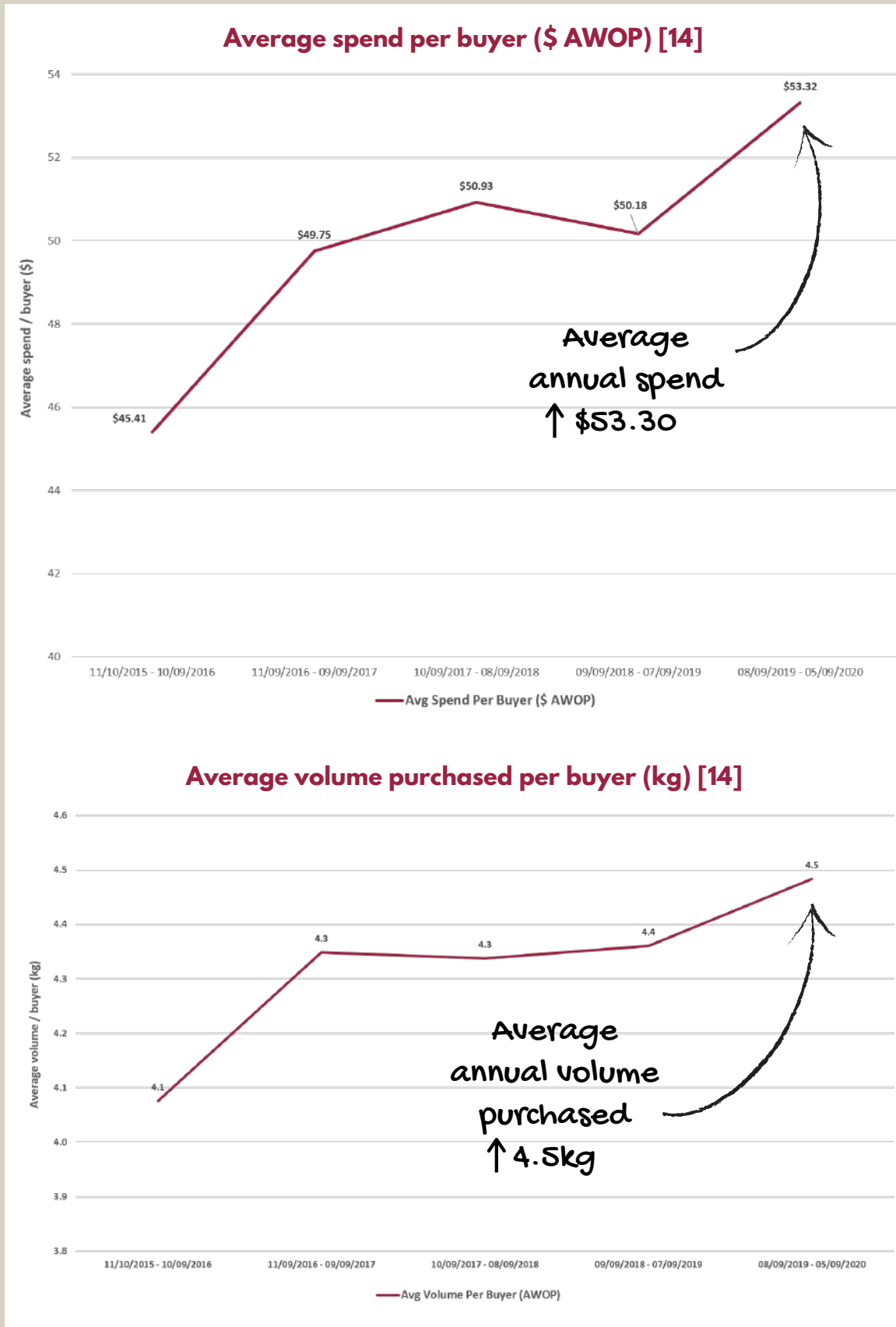
30%

increase in wholesale prices since 2012-13[19]



AUSSIERS ARE BUYING MORE

Australian consumers are buying more mushrooms both in value and volume. [14]



What has the levy delivered?

R&D



Funded the Marsh Lawson Mushroom Research Centre – Ass.Prof Michael Kertesz currently undertaking world renowned research into composting process [7, 8]



First global systematic review of the health benefits of the Agaricus bisporus mushroom [20, 21]



Independent review found R&D investments in five sampled projects from Mushroom Fund provided benefit-cost ratio at 2.22 to 1 [22]



The benefits of the five projects are expected to deliver some \$3.41 million in additional value to the industry and community over the next 30 years [22]



AGORA, the industry's knowledge database for pest and disease management
agora.australianmushrooms.com.au [8]

M&P



Market research experiment in Tasmania saw mushroom consumption double [7]



Diverse marketing campaign – TV, radio, Spotify, catch-up TV, YouTube, digital screens in shopping centres, billboards, street furniture, Facebook, Instagram, public relations (recipes, influencers, magazines), brand ambassador (Celebrity chef – Miguel Maestre), in-store sampling, website, consumer e-newsletter, and events [8]



The mushroom Harvest to Home dashboard providing regular consumer behavioural data and insight reporting, at www.harvesttohome.net.au [8]



Initiatives to educate health professionals, the foodservice industry and children on all things mushrooms [8]



Responded to COVID-19 with revised media campaign, brand communications, PR activity, sampling changes, and the Good Mood Food campaign [14]



WHAT DO OUR FELLOW INDUSTRY MEMBERS HAVE TO SAY?

Dr Geoff Martin, AMGA Chair

Talk to any mushroom grower at any overseas conference and Australia's Statutory Levy is hailed as being the best. In particular the funding for R&D which is matched dollar for dollar by the Federal Government is the envy of them all. Do we want to go down the path common in Europe, where large mushroom corporates such as Monahan for example run their own research centres and keep all the acquired knowledge to themselves? Knowledge is a public good and private funding of R&D is the ultimate market failure.

Do we really want to throw the 'Baby out with the Bath Water' by dumping our World renowned Mushroom Industry Statutory Levy at the behest of a corporate; whose senior management come and go, whose interests lie with its shareholders and their 'bottom line' rather than those of the Australian Mushroom Industry as a whole?

Let me make the situation as clear as I possibly can; if we lose the statutory levy we will never get it back again. I and others who have worked in this industry in other countries have seen the effect upon mushroom consumption when large players contributing into voluntary marketing schemes have fallen out and funding has ceased; it is not pretty. We stand or fall together!

Vote NO to abolishing either the R&D or M&P elements of the Mushroom Statutory Levy!

Kevin Tolson, AMGA Deputy Chair

The blueberry and greenhouse tomato industries were in their infancy 20 years ago and like many new products with new varieties, they have flourished. Mushrooms compete for the grocery basket against these products yet have managed to maintain our market share. This in itself is an endorsement that we have not lost our share of the grocery basket despite increased competition by other horticultural products.

Tim Adlington, Former AMGA Chair

Without the Agaricus Mushroom Statutory Levy, the industry is likely to suffer the consequences of over-production and under consumption. We've seen in the past, both in Australia and internationally, the consequences of not working together as an industry and promoting mushrooms. Moving to a voluntary levy allows larger growers to shift their marketing strategies from a focus on mushrooms to "point of sale" marketing with the larger retailers effectively driving smaller growers out of the market. A "point of sale" marketing strategy could secure sales contracts with major retailers at lower cost price than what other smaller growers could afford to stay operational.

Steve Willemse, SJW Mushrooms

I was born into mushrooms. I'm a 2nd generation mushroom farmer and my son is a 3rd generation farmer. Costa is not a team player in my eyes and many others in the Industry. I have been trying to visit Costa's W.A and S.A farm for years now but I've always been told I cannot. I visit other farms around Australia, and they are always happy to share knowledge. I also believe that without the \$18m spent on marketing over the last 6 years, the per capita consumption would have reduced as mushrooms would not have been on people's minds, and would soon have dropped off the shopping list. I will be voting against a change to the levy.

Kim Margin, Margins Mushrooms

The mushroom industry has benefited enormously from the statutory levy. It is a fair system, where everyone pays proportionally on grain spawn. The levy provides overall promotion of mushrooms, which benefits everyone. The more promotion, the more we sell. The levy enables a coordinated approach to continue, which the industry has benefited from for over 50 years.

Douglas Schirripa, Former AMGA Chair

If the Agaricus Mushroom Statutory Levy is lost, there will be a huge downturn. Small growers will go by the wayside. The industry needs to advertise mushrooms as an industry, not individually. Advertising mushrooms results in a better farm gate price and has the added benefit of improved consumer knowledge about the health benefits of mushrooms. Without the levy, growers just won't get the return. Australia's levy model is the envy of the United States. They look to us to see what we are doing.

Nick Femia, SA Mushrooms

I do not agree with many of the statements in Costa's 'Briefing' to growers. Most of their statements are factually incorrect. We do not have a flat market – the population has increased whilst we have maintained a stable consumption rate, which equals increased production per week of approx. 155 tonnes. Costa have had access to industry experts and AGORA – both funded by the R&D levy, and they have also had numerous opportunities to advise on levy investment through their membership on the SIAP.

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