growcom

together we grow

9 December 2012

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Sir/Madam

Re: Submission on Draft Methodology Paper – Regulated Retail Electricity Prices 2012-13 November 2011-12-07

Growcom is the peak body for production horticulture in Queensland. Horticulture is Queensland's second largest primary industry, with 2700 farms growing produce valued around $2 billion per year and employing around 25 000 permanent staff and many more casual workers. Queensland is Australia's leading state for fruit and vegetable production, growing one-third of the nation's produce.

Despite increasing pressures on individual businesses, the industry has continued to grow, with the value of horticultural production at the farm gate from 2002-03 to 2008-09 increasing by 41 per cent.

Growcom would like to endorse the below submission of Queensland Farmers Federation, of which we are a member, and add some brief comments immediately below:

The horticulture industry in Australia are price takers. With fresh produce needing to be picked and eaten within certain timeframes, growers have little to no ability to determine the price they receive for their crop. With the added domination of the retail market consisting of two highly-competitive supermarket chains, growers' margins are under constant pressure and they are unable to pass on any extra costs to the consumer. These must be borne by the grower, in return reducing their profitability.

Proposals to move from a differential tariff system for charging electricity to a single rate tariff night and day therefore pose a large financial imposition to growers. Irrigation is often undertaken at night to take advantage of lower electricity costs. Packing sheds are often run around the clock in peak picking periods. Since the Queensland Government outlawed Damage Mitigation Permits – i.e. the right to shoot a limited number of flying foxes – one of the few successful methods of keeping flying foxes away from crops is to illuminate the crop with high power lights. As electricity costs stand, this latter activity cuts badly into productivity. Were the price of night-time electricity use to rise, increased outlays in all of these uses of electricity would render may horticulture farms unviable.

For many years, lower night tariffs have encouraged farmers to defer large electricity uses, such as irrigation, from peak periods during the day to evenings when less electricity is being used by other consumers. Among other things, this has removed the need to build extra electricity infrastructure that would otherwise be required if the majority of power usage was concentrated during daylight and early evening hours. Should there no longer be an incentive for on-farm power usage to occur at night, it could reasonably be assumed that expensive upgrades to infrastructure could be required to provide extra powerload being used during the day.

Unlike urban dwellers, many rural businesses have paid tens of thousands of dollars to have electricity connected from the front gate to the farm buildings, representing a cost recovery that has never been charged to urban businesses. Many earlier electricity supplies on rural properties are still carried via poles cut and installed by the property owners themselves in days gone by. These self-reliant and user pays forms of installation of electricity in the first place also deserve to be taken into account when considering increasing night electricity tariffs.

There is little data on electricity consumption across the wide range of horticultural commodities and business models. However, a recent review of electricity consumption for producers of tree fruit crops revealed an average electricity consumption in excess of $30,000 per year. For large horticultural enterprises with on-farm packing and refrigeration facilities, consumption can reach $20,000 per month. As an already large cost to a price-taking industry, increases to these charges would see many farms become unviable.

Yours sincerely,
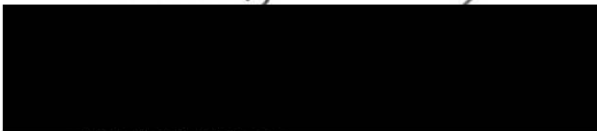
Alex Livingstone
Chief Executive Officer