Wafex Submission on the draft report
for the Pest Risk Analysis for Cut Flower and Foliage Imports—Part 1

Background to Wafex

Established in 1991 Wafex is Australia’s leading cut flower breeder, producer, importer and exporter. Employing over 100 staff Wafex has offices in Perth, Sydney, Melbourne, Kenya, Ecuador and the USA. Wafex started importing in 1991 and set up some of the original offshore devitalization protocols and treatment and also worked very closely with the department on Gypsophila and Hypericum to set up the entry conditions for these in-demand flower lines. Wafex is the second largest importer of flowers in Australia behind the Lynch group. We import in to all states with average weekly tonnages of 15 000kgs of fresh flowers. The owner Craig Musson sits on the current biosecurity advisory board and has worked closely with the department through the recent changes.

Introduction.

Cut flowers have been imported into Australia in an unregulated manner since the early 80s. Treatment has been via mandatory fumigation with Methyl Bromide on arrival and there have been no known biosecurity incidents. Whilst this process provided significant biosecurity control for the country it was particularly damaging for the product as well as costly. Although under the Montreal protocol the fumigant is permitted for quarantine use it is banned in most countries and is rarely used on traded flowers due to the damage it causes.

The proposed changes to the biosecurity regulations for cut flowers were announced in November 2017. When the changes to the regulations were announced, Wafex was an enthusiastic supporter. The changes as sold to the industry by Sarah Bruce at the biosecurity advisory board were that fumigation would only be required IF the insect found was actionable (this is defined per email from Ivan Popovic of 26/2/18 as “All insects well spread and established in Australia will be considered non-actionable”). We were told the changes were announced because DAWR had not conducted a pest risk analysis on flowers and were keen to reduce the approach rate of insect interceptions. This would require entomology identification of insects down to species level.

A systems approach was developed by DAWR to ensure growers met the required level of insect control. No consultation with growers, importers, exporters or overseas NPPOs was undertaken during this process. No background or advice was provided into the science and reasoning on the proposed recommendations. The new regulations were presented as rewarding quality growers and importers who would not have product damaged by harmful Methyl bromide treatments, and provide incentives for continuous improvement and identify problem growers, and product lines. The regulations were in line with our WTO obligations and pushed the risk offshore. We were told on numerous occasions that the objective was to “reduce the approach rate” of insect interceptions which all parties supported as the overall outcome.

Industry members of the advisory board strongly advised against going live within DAWRs proposed time period of 2 months because we had major concerns about adequate resourcing to handle the volume of insect IDs required at the border. We proposed a 5-month lead time period to allow growers, exporters and importers to put in place significant process changes and for DAWR to prepare their resourcing. This was accepted by the department and the new regulations were introduced in March 2018.
Incorrect assumptions made in draft pest report.

a. Underestimating the value/volume of imports

The assessment that imports comprise 10% of the flower industry is flawed and incorrect. $67M was reported as the value of imports. We assume this comes from customs data which in the majority of cases is likely to be under-valued as shipments are either coming in on a commission basis and as such the final value is yet to be determined or they are coming in on FOB (Free on Board) terms in which the freight has not been added. The freight cost comprises more than half of the landed cost and the significant cost of import clearance (@$2000 per shipment) also needs to be added to achieve a CandF (cost and freight) value. Assuming $67M as the customs declared value we reach a figure of $134M conservatively if we add freight and clearance costs. To then reach a retail price we can conservatively double this figure to account for the importer, wholesaler and retailer margin – making the value of imported flowers $268M at a retail level. The IBIS statistics for 2016 report retail turnover in Australia to be $692M which means imports comprise 38% of retail sales. This is a figure which is substantiated by others in the industry as accurate if not conservative.

b. Inadequate data and poor analysis

The observation that insect interceptions have increased over time is also completely flawed and incorrect. Prior to the new regulations being implemented, inspections were cursory at best, inspectors knew that the shipment was going for mandatory fumigation (irrespective of what they found). Whilst recording was required it was common place for inspectors not to report unless significant infestations were found. The quantity of insects found was not reported nor is it the case now. The vast majority of shipments would have had insects under the mandatory fumigation regulations as there was little or no treatment done prior to export given the mandatory on arrival treatment was required. This poor approach to collection of data and the assumptions tied to it has resulted in the department over estimating the risk and under estimating the work that has been done and the improvement in the results from the days of mandatory fumigation.

Consequences of ill-considered and inflexible biosecurity policy

From day 1 there has been a catastrophic failure to execute the agreed policy, collect accurate data, and consult with industry and NPPOs.

Failure to identify insects to species level – The industry was led to believe insect IDs would be conducted down to species level within a 4 hour time frame - given the perishability of the product this was discussed at the advisory board and was one of the reasons for the delayed implementation. Following on from the ID, treatment would result or if “not actionable” the shipment would be released. The department has provided little or no information on species instead referring simply to genus level in the majority of cases and in some cases going no further than family level – thereby not facilitating confirmation of actionable/non-actionable status of each pest. The industry was also clearly told that shipments with non-actionable insects would NOT be treated as a fail. (Ref email from Ivan Popovic to Craig Musson on 26th February.) Again, this is not how the data has been treated.

More than anyone else the owner of Wafex, Craig Musson has been making the department aware of the fact that stringent chemical usage regulations driven in most cases by the European Union have meant a dramatic restriction in the use of chemicals, foggers, misters and fumigants. This has been replaced by the use of predatory (biological) controls. Craig introduced the department to breeders of predatory mites in Kenya so the department could understand the extent of their use
and adopt a policy for this. The current systems approach recommendation does not take in to account the use of Biological controls adequately. This is an issue all biosecurity agencies around the world have had to deal with, however, unless identification to species level can be conducted there is no possibility of a resolution on this and findings of these species at the border will continue to add falsely to the perception of risk associated with flower imports.

**Failure to analyse interception data.** The perception that more needs to be done to control the risks arising from cut flowers is a consequence of the poor operations/ management/ data collection and interrogation by DAWR. Where is the credible evidence that a real risk exists? The majority of importers buy from numerous growers on one air-way bill (AWB). These growers are identified and placed in inspection lots for samples to be taken. A typical shipment from Kenya may involve 60 000 stems of flowers, from 8 different growers across 5 different lines – roses, gypsophila, carnations, outdoor grown hypericum and field flowers. Currently if one insect is found the whole shipment is treated as a failure. The failure to identify to species level as outlined above further exaggerates the fail percentage and the false perception of risk. Significantly, growers that have no insects are not recorded which means the system is not recording or rewarding exactly the type of growers it wants to. This issue has been raised a number of times, with importers being told to declare growers separately which requires a full customs entry, house AWB and full inspection. There is no way that DAWR can implement that solution given it would require more than double inspector numbers to clear the increased number of consignments. There is also no record keeping on the amount or quantity of insects found. In the days of mandatory fumigation an inspector could if so inclined fill a vial with insects and now its common that one or two insects are found in a whole shipment made up as previously described with many growers and flower types. As such shipments from one grower with one species achieve excellent interception rates however 90% of growers could be providing exactly the same levels of cleanliness but are in mixed shipments.

**Feed back to NPPO’s is seriously inadequate and highly detrimental to trade relations.** Because neither the species nor the growers have been identified, the feedback loop is useless and in fact damaging rather than improving biosecurity outcomes and facilitating safe trade. The department’s aggressive rhetoric about interception rates has put off overseas NPPOs. The departments approach and style of communication does not take in to account language differences, cultural sensitivities and in some instances basic manners. China and Vietnam NPPOs who have been achieving excellent interception rates receive the same communication as other countries who have been struggling. A key trading partner - India was so confused and upset by the communications they simply banned exports to Australia jeopardising the livelihoods of growers, exporters and importers. The Beale review “One Biosecurity : A working partnership” advocated shared responsibility via a collaborative approach sharing data and information, skills and expertise by all responsible parties. None of this has happened to the detriment of good biosecurity outcomes and Australia’s reputation as a trusted trading partner (an interesting approach for a country that exports 2/3rds of its agricultural produce).

**Consequences of DAWRs failures**

Good quality growers have stopped shipping to Australia. NPPOs have reacted very strongly and decisively to the Australian Governments demands including through increased farm inspections, increased inspection rates and diligence at the airports. However, as NPPOs and growers have been unable to obtain information on species of concern and how they are performing they have simply given up – the risks to their reputation as suppliers of high quality, compliant product in other much more valuable markets is not worth damaging for the sake of continued trade with Australia.
Countries are now stopping exports to Australia. Countries are not prepared to risk their global reputation as a result of constant unjustified negative feedback from Australia that comes without clear articulation of the problem or willingness to work constructively to develop solutions that facilitate safe trade.

NPPOs resent the way they have been treated, resent the way in which they have been communicated with and will pay Australia back for its approach when it comes to trade the other way – an example being that China recently announced that it is ceasing approval of fumigation treatment for fruit flies in Australian exports. The total trade relationship cannot be untangled to a product by product approach – it must be considered country to country and managed as an all-encompassing trade strategy.

Overregulation has resulted due to the department being unable to clearly identify and manage the risk. For example, why if a weed seed is found in one grower’s shipment, with all boxes sealed is the whole shipment required to be re-conditioned.

The inability of entomology capacity and capability to cope and also the hours that entomology services are available has resulted in damaging delays and costs. There has been completely inadequate resourcing despite this being identified by importers prior to the commencement of the new regulations which precipitated the delayed implementation. Since this became immediately apparent on implementation of the revised import conditions, importers have continually tried to find a solution, however, it is now at a point where even communicating with the department has become difficult, let alone working in partnership to find solutions.

Log jammed infrastructure. A flow on effect of this has been that weekend arrival flights are now out of the question with entomology services not being offered further exacerbating the Monday logjams. This affects trucking services, cool room and fumigation facilities and DAWR resourcing. Importers proposed funding weekend overtime or resourcing of entomologists at the last advisory meeting and have heard nothing in reply some 6 months later.

WTO implications. All of this puts Australia in a very difficult position to remain a trusted and predictable trading partner. As Australia’s largest exporter, Wafex is concerned it may get caught up in a tit for tat trade war. How we act today is how we can expect to be treated tomorrow. The group level pest risk analysis as released is completely inadequate in providing evidence-based biosecurity measures which are aligned to actual not generalised risks, calculated by amalgamating all products, from all countries and by pest group, rather than species. How can Thrips and Aphids be classified in the same risk bracket as Leaf Miner? The response to these generalisations and flawed assessment approach has been to over regulate, and over emphasise the risk. Everyone is treated the same, and incentive to improve is lost.

Proposed solutions

Systems Approach: There was no consultation with industry on this measure and if DAWR is seeking nil tolerance (which is unlikely to pass the WTO test) as opposed to nil actionable insects then at a minimum, it needs to work collaboratively with industry to resolve pre-shipment fumigation. We note that Phosphine has been approved by DAWR for California citrus and a similar protocol could be developed for flowers. Wafex has put considerable time, money and resources into investigating this gas and so far the results are encouraging.

3 step clearance option

1/ No insects – Release.
2/ Thrips, Aphids, Mites – ID completed at inspection (supported by industry funded entomologists), fumigate and release.
3/ Unidentified insects or insects other than the above – Pests referred for formal entomology identification and appropriate remedial treatment.

Such an approach would simultaneously remove logjams, ease capacity issues for DAWR and reduce costs without impacting on the appropriate management of risk or stop the incentive for importers to bring in insect-free product. Importers are prepared to resource support/training for DAWR inspectors to facilitate Thrips, Aphids and Mites identification to a level sufficient to implement the above three step solution. In the first instance and while a longer-term solution is being developed, this can include having industry-funded entomologists accompany inspectors.

**Improve data collection to identify clean, successful growers as well as problematic growers.**
Industry is prepared to work with suppliers to design and implement a data collection and reporting programme as well as extension support for problematic growers to correct issues. We are confident that a system can be developed that classifies growers at the point of inspection – to be able to report on passed and failed growers and to fine tune the risk management measures commensurate with risk.

**Education with NPPOs.** The industry and NPPOs require accurate information on pests of concern. Armed with this information, proper training and education of NPPOs can be developed, supported and even delivered in partnership with industry.

**Overarching acceptance** by DAWR that we are on a continuous improvement journey to achieve desired outcomes for biosecurity, exporters and importers. This is a pertinent point given we are improving arrangements and biosecurity outcomes for a trade that has existed for decades, much of it without any regulation at all. It makes no sense – particularly from a biosecurity perspective to over-react and over-regulate to a situation which is yet to be shown as creating unmanageable risk. On all fronts, this year needs to be better than last year, with approach rates continually dropping. We are confident the recommendations enclosed will ensure we achieve this outcome.