

# **FUNDING OPTIONS FOR THE AUSTRALIAN WILD-CATCH PRAWN INDUSTRY**

**Incorporating establishment of a voluntary contribution process for  
the national prawn marketing strategy**

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**Project No. 2011/749**



**AUSTRALIAN  
SEAFOOD  
COOPERATIVE  
RESEARCH CENTRE**

**14 October 2013**

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ISBN: 978-0-9874281-4-1

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# Non-Technical Summary

2011/749 Funding options for the Australian (wild-catch) prawn industry.

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## PROJECT OBJECTIVES:

1. Review and collate data related to funding mechanisms that have worked / haven't worked and the reasoning behind their success.
2. Document external stakeholder views regarding arrangements and options for funding mechanisms (e.g. funding management agencies; financiers, diesel hedge managers; prawn service agencies, etc).
3. Draft and release a Briefing Paper to Industry identifying funding options, collection mechanisms, impacts, cost effectiveness, pros and cons of each, etc
4. Conduct regional industry meetings and document responses to Briefing Paper issues – funding options, collection mechanisms, strike rate, fishery and enterprise equity, funds disbursement and admin, etc
5. Document the preferred funding option, and value proposition in detail, related mechanisms rates and impacts, proposed adoption pathway, implementation process, time frame and participating licenseholders.
6. Work with Industry, partners, experts and stakeholders to discuss, refine and confirm the recommended funding option and implementation pathway.
7. Draft and submit a final report of the project process and recommended outcomes to industry and the Seafood CRC.

## OUTCOMES ACHIEVED

Prawn Industry leaders determined in 2011 that the real market prices they received had declined over the last decade and continue to fall. Prawn fishers and farmers faced increasing costs and lower returns. The respective associations, Australian Council of Prawn Fisheries, and the Australian Prawn Farmers Association, recognised that something had to be done in their \$300 million industry.

The two organisations decided to form a project partnership with the Seafood CRC. Jointly the partners (representing over 500 license holders across 16 separate fisheries) agreed to establish a national funding platform, based on a long term strategic approach to Australian prawn industry market development.

The executive staff members from ACPF and APFA were involved with CRC staff in planning, leading and implementation of the project over a 3 year timeframe.

The Seafood CRC (SCRC), under Project Leader Dr Janet Howieson implemented a research component which led to selection of Brand Council as external market development advisors. Brand Council's research with seafood consumers revealed and established the compelling commercial case for a national Australian Prawn promotion strategy incorporating both domestic and export consumers. Without this work and the open and transparent management approach adopted by the Project Team, there would have been no case for investment by fishers and farmers.

Brand Council identified the strategy, and the incentive for the industry to support a

voluntary contribution which could deliver increases to market returns. Advisers Ridge Partners then worked with the project team to convert this market opportunity into a dollar value proposition - a business case with tonnages, import competitors, and dollar amounts to demonstrate why prawn industry fishers and farmers need to invest and how much they would be better off if they did.

The team developed and tested these concepts with industry leaders and then rolled out a series of 16 national workshops and stakeholder meetings to grass roots fishers and farmers in public gatherings. The meetings discussed many topics – funding mechanism options, collection mechanisms, regional issues such as seasonality and species, equity between fishers, and between fishers and farmers, etc – but importantly the project team listened to grass roots concerns and ideas. From these discussions, the value proposition was continually refined with details confirmed regarding regional product supply and quality, in-store support, media and advertising, voluntary contribution rates and payment terms, invoicing, GST, project investment priorities, funds management, etc.

In early 2013 the Industry Partners and the SCRC signed an MOU to authorise the SCRC to act as an independent party to invoice and collect voluntary contributions on behalf of the national industry. The SCRC also established and implemented a formal governance platform to ensure the integrity and transparency of the national funding process and the management of funds according to industry priorities.

#### **LIST OF OUTPUTS PRODUCED**

The project has established a process to collect voluntary contributions on a national basis for the prawn industry across all license holders in the wild-catch and aquaculture sectors.

A national database of the estimated 540 active prawn industry licenseholders has been compiled and submitted to the SCRC. The database is owned by the CRC, to be used under the guidance of the industry.

Industry is implementing the voluntary contribution at a minimum *ad valorem* rate of 0.22% to fund the Marketing Strategy. This level will be sufficient to finance the \$500,000 p.a. for the Strategy while preserving fisher cash flow flexibility and viability.

The value proposition for prawn licenseholders is compelling: an average investment of 2.6 c/kg of landed harvest volume will result in an 11 c/kg increase in average net beach/pond prices by the third year. This is an attractive 4.2:1 multiplier on fishers' contribution investments.

Voluntary contribution invoices have been issued to over 50% of all licenseholders. Funds received voluntarily to date amount to \$374,000. This is 58% of total funds estimated for the first year.

In-store rollout of the national prawn marketing brand (*Love Australian Prawns*<sup>®</sup>) and promotion program commenced in September 2013.

It is recommended that a number of activities be implemented to further develop, disseminate, and exploit commercially the results of research undertaken in this project, including building trust and communication with prawn licenseholders, demonstrating the value from the voluntary contribution investment in marketing, retaining experienced seafood marketers to progressively fine-tune the marketing strategy, transitioning to a more efficient statutory funding mechanism, implementing a cost effective administrative funding arrangement for the ACPF, and maintaining and enhancing the National Prawn Database.

## **ACKNOWLEDGEMENTS**

Many regional and state seafood industry businesses and associations have assisted the industry partners (ACPF and APFA) to establish this national voluntary contribution. Their support and advice continues to provide the firm precompetitive development platform upon which the prawn industry is building its co-investment capacity.

Staff members from the SCRC, the FRDC and all state and commonwealth prawn fishery agencies have assisted this project by providing advice and data from public registers.

# 1. Introduction and Background

## 1.1 Need

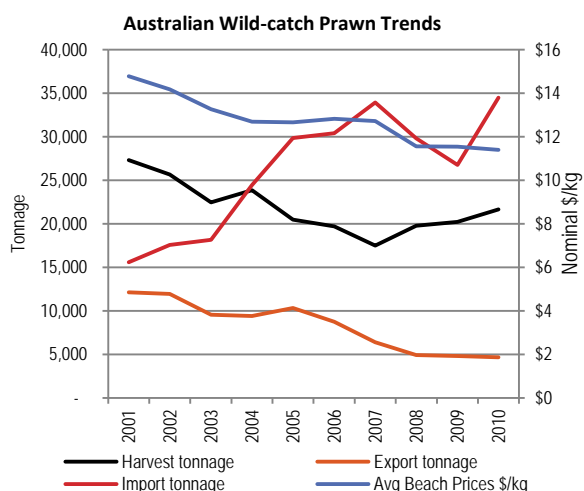
Australian per capita consumption of prawns has increased 35% in the decade since 2003, to 2.38 kg p.a.

Imported prawns are taking an increasing share of this growth in demand. Since 2003 prawn imports have increased from 18,000 tonnes to 33,000 tonnes, and prawn exports have decreased by a third. The relatively strong A\$ has been a strong driver for import growth.

The Australian prawn market has experienced falling real prawn prices over this period. Prawn prices back to the wharf/pond have fallen as a result.

Prawn Fishers and farmers continue to face increased operating costs (e.g. fuel, power) which are not compensated by their reduced beach/pond prices.

The two figures on this page illustrate the trends relevant to the domestic prawn industry.



Tonnes	ABARES Data for Years ending June	2003	2004	2005	2006	2007	2008	2009	2010	2011
Production	Wild-catch	23,076	23,853	20,449	20,046	17,488	19,757	20,201	21,974	22,896
	Farmed	3,365	3,723	3,258	3,541	3,284	3,088	3,985	5,280	3,970
	Total	26,441	27,576	23,707	23,587	20,772	22,845	24,186	27,254	26,866
Exports		9,532	9,396	10,302	8,744	6,377	4,915	4,796	4,659	6,418
Imports	Frozen, chilled, frozen	13,086	18,860	22,590	23,111	26,015	18,730	12,823	17,723	16,442
	Prepared, preserved, other	5,061	5,589	7,265	7,293	7,892	11,088	13,913	16,737	16,146
	Total	18,147	24,449	29,855	30,404	33,907	29,818	26,736	34,460	32,588
Estimated Domestic Prawn Supply		35,056	42,629	43,260	45,247	48,302	47,748	46,126	57,055	53,036
Australian Consumption of Prawns - kg/head		1.76	2.12	2.12	2.19	2.30	2.23	2.12	2.59	2.38
Prawn Imports as % of Consumption		52%	57%	69%	67%	70%	62%	58%	60%	61%
Local Prawn Wild-catch as % of Consumption		66%	56%	47%	44%	36%	41%	44%	39%	43%

The Australian wild-catch prawn sector established a statutory promotion funding mechanism in the early 1990s (the Australian Prawn Promotion Levy), managed under Commonwealth legislation. This mechanism has since lapsed and the enabling legislative framework has also become redundant.

At their 2007 national conference, Australian wild-catch prawn stakeholders agreed to work together to resolve national issues including marketing and promotion of prawn products. The conference confirmed three key resolutions:

- Establish a national wild-catch prawn peak body - Australian Council of Prawn Fisheries (ACPF),
- Establish a licenseholder based mechanism for equitable, compulsory, national funding of project investments across the industry, and

- Develop draft funding options to enable a long term sustainable funding model for the ACPF.

In February 2011 a Productivity Commission enquiry into rural industry funding mechanisms recommended that the Fisheries Research and Development Corporation (FRDC) collect a contribution from the fishing industry for marketing and promotion. In response, the ACPF felt there could be other alternative ways to raise funds for promotion or other activities, and that these alternatives needed to be explored to identify the best option. The ACPF sought the most cost effective funding mechanism for their sector that does not detrimentally impact on individual businesses or operators.

As a result the ACPF approved this project (2011/749) to investigate funding options for the wild-catch prawn industry through the Australian Seafood Cooperative Research Centre (SCRC) and FRDC.

Since 2011, the ACPF has also worked jointly with the Australian Prawn Farmers Association (APFA), to implement the National Prawn Market Development Strategy (the Strategy). The Strategy intends to design and establish a national prawn marketing and promotion campaign that builds on existing regional promotions and incorporates up-to-date consumer research regarding Australian prawns. The aim of the Strategy is to increase consumption of “Australian produced prawns”, initially in the domestic market.

## 1.2 Objectives

Seven objects were initially established in January 2012 for this project:

1. Review and collate data related to funding mechanisms that have worked / haven't worked and the reasoning behind their success.
2. Document external stakeholder views regarding arrangements and options for funding mechanisms (e.g. funding agencies; financiers, diesel hedge managers; prawn service agencies, etc).
3. Draft and release a Briefing Paper to Industry identifying funding options, collection mechanisms, impacts, cost effectiveness, pros and cons of each, etc
4. Conduct regional industry meetings and document responses to Briefing Paper issues – funding options, collection mechanisms, strike rate, fishery and enterprise equity, funds disbursement and admin, etc
5. Document the preferred funding option in detail, related mechanisms rates and impacts, proposed adoption pathway, implementation process and time frame.
6. Conduct a workshop for industry leaders / stakeholders to discuss, refine and confirm the recommended funding option and implementation pathway.
7. Draft and submit a final report of the project process and recommended outcomes to industry and the Seafood CRC.

However, in mid 2012 the project and all its outstanding objectives were realigned to and integrated within a project to fund the National Prawn Market Development Strategy (a separate SCRC project 2012/775 managed by Dr Janet Howieson). As the respective objects for the two projects were very complementary, the realignment delivered a synergistic and cost effective impact to stakeholders.

The net effect of the project realignment was as follows:

1. Initial Objectives 1-3 were completed prior to the realignment and therefore had a singular ACPF perspective.

2. The balance of objectives (4-7) were realigned and completed with a primary focus on joint ACPF & APFA marketing finance and structures, and a secondary focus on ACPF funding.
3. The scope of objectives 4-7 was also expanded to include:
  - Input to management committee organisational design and governance,
  - Additional meetings with stakeholders and governments,
  - Input to a Prawn Market Development Agreement developed by the SCRC (titled *Prawn Market Development Commercial Pilot Program – Funding and Management Agreement*),
  - Development of a national prawn licenseholder database.
4. The change in project scope was accompanied by a variation (approved in Oct 2012) in budget – an increase of \$3,650.

All objectives for the project have been achieved apart from 2 elements:

- Securing full integration of Qld and NSW trawl licenseholders into the communication strategy and their support for the voluntary contribution mechanism: – a separate SCRC team is progressing these matters with ongoing advice and support from the Project Leader.
- Full integration of NSW and Victorian licenseholder data into the national Prawn database: - the SCRC is managing access and integration of this data into the database subject to the point above.



## 2. Methods

The methods implemented to undertake this project were as follows:

1. Review existing data related to funding mechanisms.

The project leader reviewed compulsory and voluntary funding mechanisms, diesel hedging schemes, and association funding risk management schemes that have worked / haven't worked and the reasoning behind their success.

2. Meet 3rd party representatives to discuss funding options and related mechanisms.

The project leader consulted government agencies responsible for voluntary contribution management; banking experts in fuel price hedging, and fishing industry stakeholders with experience in bulk diesel contracts and hedging schemes.

3. Identify and document pros and cons of the different funding options and mechanisms.

A Briefing Paper was compiled and released to ACPF and SCRC in Nov 2012. The Paper documented the outcomes of research and consultation regarding the various funding mechanisms and options.

4. Workshop the different funding mechanisms with relevant industry stakeholders.

Three initial workshops were held with regional prawn fishery licenseholders in SA and WA to consider the quantum and source of funds to support the ACPF. These workshops occurred prior to realignment of the project.

The balance of the workshop program (13 further workshops and meetings) and project structure was then realigned with the National Prawn Market Development Strategy, and implemented jointly with ACPF and APFA. External marketing experts from Brand Council also made presentations regarding the proposed *Love Australian Prawns*<sup>®</sup> marketing program at these workshops and meetings. Case studies from other food industries were also presented.



5. Identify, document and recommend a preferred funding process to industry leaders.

This advice was provided to leaders and to the SCRC, to inform the development of a Supplementary Agreement between ACPF and APFA.

Advice was also provided by the Project Leader in a number of independent meetings with stakeholders, SCRC, FRDC, ACPF, APFA, commonwealth politicians and agencies regarding the aims, issues, participants, status and outcomes of the project.

6. Develop and provide a Prawn Industry Database to ACPA/APFA and SCRC/FRDC.

The database of available commercial prawn industry licenseholders was compiled and submitted.

7. Report on the process, recommendations, and plan progress to industry and the SCRC.

This report provides the final summary of the project.

Milestone reports have been progressively submitted to the SCRC.

A substantial level of reporting of the project has been progressively achieved through emails and phone conversations with relevant Executive Officers, fishery leaders, agency staff, and stakeholders.

### 3. Results

#### a. Recommended Funding Option

The study reviewed five available funding options and related collection mechanisms.

The option recommended for funding the ACPF is an ***ad valorem* voluntary contribution paid annually by all wild-catch prawn licenseholders.**

This option:

- Will be most efficient and cost effective for ACPF members if it is pursued as part of the joint national ACPF+APFA marketing voluntary contribution for “Australian Prawns”,
- Will not attract matching funds from FRDC under current legislation,
- Should be voluntary initially, and for a “marketing and promotion” service only. At industry’s discretion, the contribution could then progress to a compulsory legislated funding mechanism structure across a range of industry services, subject to appropriate legislation and support from FRDC and industry.

#### b. Investment Objectives and Funds Required

Industry members wish to raise the real market price and profit margin of Australian produced prawns.

Baseline voluntary contribution assessment and market research was completed and documented by external consultants (Brand Council and Ridge Partners), and verified by the SCRC/FRDC.

The draft marketing concept was then presented for discussion to wild-catch and farmed prawn industry leaders at a prawn industry annual conference held in North Queensland.

Feedback from leaders confirmed that:

- The comprehensive *Love Australian Prawns*<sup>®</sup> marketing program proposed by Brand Council was compelling and offered an attractive commercial value proposition,
- Funds required from industry to finance the *Love Australian Prawns*<sup>®</sup> Program were in the order of \$500,000 - 700,000 plus GST per year for a period of at least three years,
- There would likely be considerable leakage of the voluntary contributions in the early years (especially from NSW and Qld trawl fisheries) until fishers could see a demonstrated increase in market price and net return from their initial voluntary contribution investment,
- The proposed voluntary contribution would be at an target minimum *ad valorem* rate of 0.220% of beach price (based on the three most recent dataset years available from ABARES), to raise an estimated minimum \$500,000 plus GST p.a. in the first year,

These investment concepts were refined and developed into a commercial value proposition (ie, potential market price gain based on investment in promotion) to be presented at regional and fishery meetings across the national prawn industry.

#### c. Industry Confirmation of Funds, Governance, Contribution Option, and Mechanism

The marketing concept and voluntary contribution proposal were presented face to face to ACPF and APFA stakeholders at 16 workshops and meetings during late 2012.

The 140 attendees at these workshops across the industry confirmed the majority industry view that:

- Licenseholders supported immediate introduction of the recommended voluntary unmatched contribution for marketing of Australian prawns,
- SCRC should formalise an ACPF/APFA Management Committee and governance framework to oversight management of the voluntary contribution and all related funds,
- Any Intellectual Property contained in the marketing program be registered to the SCRC, on behalf of the industry partners,
- The collection mechanism (in the first year) be via voluntary payment to an SCRC joint account by the relevant fishery, the fishery association, or individual fishers,
- Initial voluntary contribution procedures (calculation, invoicing by the SCRC, payment terms, compliance, etc) be flexible to suit fishery circumstances and cash flows,
- A national database of prawn licenseholders (wild-catch and farmed) eligible to contribute to the voluntary funding mechanism be established and reside with FRDC/SCRC with the approval of ACPF and APFA,

A number of leading wild fisheries, and a majority of ACPF licenseholders, did not support any additional administration voluntary contribution charge be imposed to support the ACPF at this time.

#### d. Industry Database

The project leader established a National Prawn Licenseholder Database.

This database was compiled from existing public (state and commonwealth) fishery registers and industry advice.

The database is the property of the SCRC, to be managed on behalf of ACPF and APFA. It was submitted in electronic form to SCRC, FRDC, ACPF and APFA and used as a basis for invoicing of the national prawn marketing voluntary contribution in the first year.

These results are discussed in more in the following sections.

## 4. Discussion

### a. Funding Options

Desk research and stakeholder consultation confirmed that the acceptable and available funding options for the wild-catch prawn sector are all based on contribution of an annual dollar amount by licenseholders.

There is no support, either from industry or third parties, for voluntary ad hoc gifting or grant funding for ACPF administrative activities.

In 2003 the farmed prawn sector became the first Australian seafood sector to formalise a statutory R,D&E Levy (under the PIERD Act). This levy operates today at 3.4 cents/kg p.a. The sector has been pursuing an additional voluntary marketing and promotion contribution for 5 years.

Five funding contribution options were identified and evaluated during the review process:

Funding Option Identified	Findings of this Review
<p>1. National fisher contribution based on cents per litre of diesel fuel use by a licensed prawn fishery vessel. (Refer Appendix 1)</p>	<p>This mechanism is initially attractive to many stakeholders. It appears relatively simple to implement as all licenseholders use diesel generally in proportion to their fishing effort and catch. However the details are not so easy - it is not possible to implement this option on an equitable national basis, because:</p> <ul style="list-style-type: none"> <li>▪ catch costs may be relatively similar across the 6 commercial wild prawn species, but beach prices vary considerably,</li> <li>▪ fuel purchases cannot be reliably tracked to a dedicated prawn fishery, especially where trawlers hold multi species licences,</li> <li>▪ landed fuel prices vary across Australia. A mechanism would have to be incorporated to monitor and include movements.</li> <li>▪ local private fuel supply contracts will take precedence over any national joint approach that purports to be based on “equity”,</li> <li>▪ some large fishers have regional experience with a diesel fuel approach but found it was not possible to equitably implement.</li> </ul>
<p>2. National fisher contribution based on 2 components:</p> <ul style="list-style-type: none"> <li>▪ cents per litre of diesel fuel use,</li> <li>▪ plus a choice to opt-into a national fuel price management contract,</li> </ul>	<p>ACPF (with increased staffing) would charge a fee to participating fishers to provide them with access to a diesel fuel contract back-to-back with a fuel price risk contract (with a financial institution such as CBA, or NAB). Larger/ corporatised fishers noted the potential attractiveness of the option, as both a means to manage future fuel price risk and create a funding stream to sustain the ACPF. This mechanism extends the potential stakeholder benefits (and complexity) of Option 1. However, for similar reasons as in Option 1, there is limited industry support for this option.</p>
<p>3. National fisher contribution based on a percentage of landed catch value at the beach price.</p>	<p>A simple national <i>ad valorem</i> contribution based on a transparent mechanism is strongly supported by most fishers. This option is considered by the bulk of fishers to be the most equitable approach (for funding the ACPF or other marketing programs) as it is directly related to beach price received.</p>
<p>4. National fisher contribution based on cents/kg landed catch.</p>	<p>There are 5 main species of wild-catch commercial prawn (and two farmed species). This approach is not equitable for fishers who harvest species with a low beach price (eg school prawns).</p>
<p>5. National joint wild-catch + aquaculture marketing contribution based on a percentage of landed catch value at the beach price (an <i>ad valorem</i> rate).</p>	<p>This option enhances Option 3, adding greater economy of scale, market control, and impact for the “Australian Prawn” category. Imported prawns would not be included in this funding option. This option offers a pathway to expand “industry services” via a compulsory or voluntary contribution mechanism in future years. This option provides a national collection framework which enables the ACPF to independently set any additional contribution it sees fit to support the ACPF, without impacting the APFA.</p>

## b. Investment Metrics

The project team developed and tested a prawn market development investment proposition based on three criteria:

1. What is the *minimum funding required* to achieve an acceptable precompetitive investment outcome?
2. What is the *equitable source of that funding* across all Australian Prawn producers (6 jurisdictions, 16 wild-catch fisheries, 1 aquaculture fishery, and 6 commercial species)?
3. What is the *value proposition* that each licenseholder payer will evaluate to support their investment via payment of a contribution?

### *Minimum Funding Required*

Consumer and market research undertaken in 2012 by Brand Council for the SCRC confirmed a range of investment tiers available to industry to increase its market outcomes. These tiers are summarised as follows:

Funds Invested p.a.	\$500,000	\$1m	\$1.5m	\$2m
Trade promotion magazines	3000 flyers + store display competition	3000 flyers	3000 flyers + Store display competition	8,000 flyers + Store display competition
Bunting	12mths	12mths	12mths	12mths
Posters	12mths	12mths	12mths	12mths
Window decal	6000	12mths	12mths	12mths
Cabinet stickers	6000	12mths	12mths	12mths
Nutrition flyer	400,000	12mths	12mths	12mths
A Frame boards	2000	2000	2000	2000
Wrapping paper	Print first run 3000	4000 free rolls + purchase	4000 rolls + purchase	6000 rolls + purchase
Outdoor		210 Super 6 & cross track panels within 1klm of supermarkets (6 wks.)	210 x Super6 & cross track panels within 1klm of supermarkets. (12 wks.)	210 x Super6 + cross track panels within 1klm of supermarkets. (12 weeks). Large format portrait panels x 50 (8wks) Bus backs – 500 panels (8 wks.)
Advertising & Web		3 x ½ page Weekend Australian	6 FPC Weekend Australian 3 FPC Body & Soul + web	12 ½ page Weekend Australian/WW 6 FPC Body & Soul + web
Hotel promotion	Trade promotion	Trade promotion & prize	Trade promotion, trade publication ads, prize	Trade promotion, trade publication ads, prize and event
Glass collection promotion				Glass promotion for consumers. Ads in press

The research indicated that a minimum commitment of \$500,000 +GST p.a. for three years was desirable to enable sustained in-market and in-chain impacts to be monitored and assessed.

## Equitable Source of Funding

Research undertaken by Ridge Partners regarding funding options had confirmed that an *ad valorem* (based on landed catch value) national voluntary contribution was the most appropriate, efficient, cost effective, funding option for the ACPF.

This option would also potentially be the most attractive for the joint ACPF/APFA national marketing program, and provide added flexibility to ACPF should it wish to increase its share of the aggregate contribution to cover ACPF's admin expenses.

Ridge Partners developed the detailed funding and contribution metrics for each fishery (by species, by production source) presented in the following table.

National Marketing Program		Tonnes		Landed GVP '\$000						Avg Price	Rate	Ad Valorem Contribution		
Fishery		3 Yr Avg	Share	2008-09	2009-10	2010-11	3 Yr Avg	Share	\$/kg excl. GST		\$ excl GST	%	Avg c/Kg	
1	QLD	QLD Trawl Banana	981	3.8%	\$ 7,327	\$ 6,670	\$ 10,089	\$ 8,029	2.6%	\$ 8.18	0.220%	\$ 17,663		1.80
2		QLD Farmed Banana	915	3.5%	\$ 6,952	\$ 10,802	\$ 7,832	\$ 8,529	2.8%	\$ 9.32	0.268%	\$ 22,857		2.50
3		QLD Trawl Endeavour	581	2.2%	\$ 4,784	\$ 4,176	\$ 3,572	\$ 4,177	1.4%	\$ 7.19	0.220%	\$ 9,190		1.58
4		QLD Trawl King	2,989	11.5%	\$ 38,499	\$ 47,333	\$ 28,959	\$ 38,264	12.5%	\$ 12.80	0.220%	\$ 84,180		2.82
5		QLD Trawl Tiger	1,265	4.8%	\$ 19,996	\$ 18,744	\$ 19,325	\$ 19,355	6.3%	\$ 15.30	0.220%	\$ 42,581		3.37
6		QLD Farmed Tiger	3,337	12.8%	\$ 47,610	\$ 62,197	\$ 47,767	\$ 52,525	17.1%	\$ 15.74	0.254%	\$ 133,413		4.00
7		QLD Trawl Other	594	2.3%	\$ 2,760	\$ 4,622	\$ 3,090	\$ 3,491	1.1%	\$ 5.88	0.220%	\$ 7,679		1.29
		<b>Total Qld</b>	<b>10,662</b>	<b>40.8%</b>	<b>\$ 127,928</b>	<b>\$ 154,544</b>	<b>\$ 120,634</b>	<b>\$ 134,369</b>	<b>43.8%</b>	<b>\$ 12.60</b>		<b>\$ 317,564</b>	<b>45.5%</b>	<b>2.98</b>
		<b>Total Qld Wildcatch</b>	<b>6,410</b>	<b>24.6%</b>	<b>\$ 73,366</b>	<b>\$ 81,545</b>	<b>\$ 65,035</b>	<b>\$ 73,315</b>	<b>23.9%</b>	<b>\$ 11.44</b>		<b>\$ 184,151</b>	<b>26.4%</b>	<b>2.87</b>
		<b>Total Qld farmed</b>	<b>4,252</b>	<b>16.3%</b>	<b>\$ 54,562</b>	<b>\$ 72,999</b>	<b>\$ 55,599</b>	<b>\$ 61,053</b>	<b>19.9%</b>	<b>\$ 14.36</b>		<b>\$ 133,413</b>	<b>19.1%</b>	<b>3.14</b>
		<b>per ABARES Fish Stats----&gt;</b>			<b>\$ 127,928</b>	<b>\$ 154,544</b>	<b>\$ 120,634</b>							
8	NSW	NSW Trawl King	529	2.0%	\$ 10,432	\$ 9,942	\$ 8,602	\$ 9,659	3.2%	\$ 18.27	0.220%	\$ 21,249		4.02
9		NSW Trawl School	895	3.4%	\$ 6,148	\$ 5,305	\$ 5,770	\$ 5,741	1.9%	\$ 6.41	0.220%	\$ 12,630		1.41
10		NSW Trawl Other	41	0.2%	\$ 851	\$ 246	\$ 252	\$ 450	0.1%	\$ 10.88	0.220%	\$ 989		2.39
11		NSW Farmed Tiger	159	0.6%	\$ 2,279	\$ 2,400	\$ 1,732	\$ 2,137	0.7%	\$ 13.44	0.298%	\$ 6,358		4.00
		<b>Total NSW</b>	<b>1,624</b>	<b>6.2%</b>	<b>\$ 19,710</b>	<b>\$ 17,893</b>	<b>\$ 16,356</b>	<b>\$ 17,986</b>	<b>5.9%</b>	<b>\$ 11.07</b>		<b>\$ 41,226</b>	<b>5.9%</b>	<b>2.54</b>
		<b>Total NSW Wildcatch</b>	<b>1,465</b>	<b>5.6%</b>	<b>\$ 17,431</b>	<b>\$ 15,493</b>	<b>\$ 14,624</b>	<b>\$ 15,849</b>	<b>5.2%</b>	<b>\$ 10.82</b>		<b>\$ 34,869</b>	<b>5.0%</b>	<b>2.38</b>
		<b>Total NSW farmed</b>	<b>159</b>	<b>0.6%</b>	<b>\$ 2,279</b>	<b>\$ 2,400</b>	<b>\$ 1,732</b>	<b>\$ 2,137</b>	<b>0.7%</b>	<b>\$ 13.44</b>		<b>\$ 6,358</b>	<b>0.9%</b>	<b>4.00</b>
		<b>per ABARES Fish Stats----&gt;</b>			<b>\$ 19,709</b>	<b>\$ 17,893</b>	<b>\$ 16,356</b>							
12	VIC	VIC Trawl King	75	0.3%	\$ 189	\$ 743	\$ 911	\$ 614	0.2%	\$ 8.15	0.220%	\$ 1,352	0.2%	1.79
		<b>per ABARES Fish Stats----&gt;</b>			<b>\$ 189</b>	<b>\$ 743</b>	<b>\$ 911</b>							
13	SA	SA Gulf St Vincent King	225	0.9%	\$ 3,484	\$ 2,572	\$ 2,116	\$ 2,724	0.9%	\$ 12.11	0.220%	\$ 5,993		2.66
14		SA Spencer Gulf King	2,054	7.9%	\$ 29,549	\$ 27,451	\$ 30,335	\$ 29,112	9.5%	\$ 14.18	0.220%	\$ 64,045		3.12
15		SA West Coast King	105	0.4%	\$ 1,256	\$ 1,122	\$ 1,689	\$ 1,356	0.4%	\$ 12.95	0.220%	\$ 2,982		2.85
		<b>Total SA</b>	<b>2,383</b>	<b>9.1%</b>	<b>\$ 34,289</b>	<b>\$ 31,145</b>	<b>\$ 34,140</b>	<b>\$ 33,191</b>	<b>10.8%</b>	<b>\$ 13.93</b>		<b>\$ 73,021</b>	<b>10.5%</b>	<b>3.06</b>
		<b>per ABARES Fish Stats----&gt;</b>			<b>\$ 34,289</b>	<b>\$ 31,145</b>	<b>\$ 34,140</b>							
16	WA	WA Shark Bay Endeavour	-	0.0%	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	0.220%	\$ -		-
17		WA Shark Bay King	966	3.7%	\$ 9,328	\$ 9,734	\$ 11,624	\$ 10,228	3.3%	\$ 10.59	0.220%	\$ 22,503		2.33
18		WA Shark Bay Tiger	369	1.4%	\$ 4,550	\$ 3,600	\$ 5,216	\$ 4,455	1.5%	\$ 12.07	0.220%	\$ 9,802		2.66
		<b>Total WA</b>	<b>1,335</b>	<b>5.1%</b>	<b>\$ 13,878</b>	<b>\$ 13,334</b>	<b>\$ 16,840</b>	<b>\$ 14,684</b>	<b>56.3%</b>	<b>\$ 11.00</b>	0.220%	<b>\$ 32,304</b>	<b>4.6%</b>	<b>2.42</b>
19		WA Exmouth Gulf Endeav	195	0.7%	\$ 2,205	\$ 792	\$ 759	\$ 1,252	0.4%	\$ 6.42	0.220%	\$ 2,754		1.41
20		WA Exmouth Gulf King	272	1.0%	\$ 3,069	\$ 3,113	\$ 2,794	\$ 2,992	1.0%	\$ 11.00	0.220%	\$ 6,582		2.42
21		WA Exmouth Gulf Tiger	459	1.8%	\$ 6,624	\$ 4,738	\$ 4,462	\$ 5,275	1.7%	\$ 11.50	0.220%	\$ 11,604		2.53
		<b>Total WA</b>	<b>926</b>	<b>3.5%</b>	<b>\$ 11,898</b>	<b>\$ 8,643</b>	<b>\$ 8,015</b>	<b>\$ 9,519</b>	<b>36.5%</b>	<b>\$ 10.28</b>	0.220%	<b>\$ 20,941</b>	<b>3.0%</b>	<b>2.26</b>
22		WA Onslow Bay ??Tiger	40	0.2%	\$ 264	\$ 513	\$ 336	\$ 371	0.1%	\$ 9.36	0.220%	\$ 817		2.06
23		WA Nickol Bay ??Banana	84	0.3%	\$ 602	\$ 1,134	\$ 460	\$ 732	0.2%	\$ 8.71	0.220%	\$ 1,610		1.92
24		WA Broome ??species	1	0.0%	\$ -	\$ 9	\$ 35	\$ 15	0.0%	\$ 10.88	0.220%	\$ 32		2.39
25		WA Kimberley ??Banana	221	0.8%	\$ 1,008	\$ 2,142	\$ 2,816	\$ 1,989	0.6%	\$ 9.01	0.220%	\$ 4,375		1.98
26		WA Other ??species	344	1.3%	\$ 882	\$ 2,167	\$ 6,270	\$ 3,106	1.0%	\$ 9.03	0.220%	\$ 6,834		1.99
		<b>Total WA</b>	<b>2,950</b>	<b>11.3%</b>	<b>\$ 28,533</b>	<b>\$ 27,942</b>	<b>\$ 34,771</b>	<b>\$ 30,415</b>	<b>9.9%</b>	<b>\$ 10.31</b>		<b>\$ 66,914</b>	<b>9.6%</b>	<b>2.27</b>
		<b>per ABARES Fish Stats----&gt;</b>			<b>\$ 28,533</b>	<b>\$ 27,942</b>	<b>\$ 34,771</b>							
27	Cwlth	Cwlth NPF Banana	6,187	23.7%	\$ 46,493	\$ 59,287	\$ 61,372	\$ 55,717	18.2%	\$ 9.01	0.220%	\$ 122,578		1.98
28		Cwlth NPF Endeavour	333	1.3%	\$ 2,314	\$ 2,875	\$ 4,558	\$ 3,249	1.1%	\$ 9.76	0.220%	\$ 7,148		2.15
29		Cwlth NPF King	8	0.0%	\$ 93	\$ 60	\$ 95	\$ 83	0.0%	\$ 10.78	0.220%	\$ 182		2.37
30		Cwlth NPF Tiger	1,308	5.0%	\$ 24,152	\$ 25,996	\$ 28,305	\$ 26,151	8.5%	\$ 19.99	0.220%	\$ 57,532		4.40
31		Cwlth NPF Other	1	0.0%	\$ 15	\$ 8	\$ 7	\$ 10	0.0%	\$ 10.00	0.220%	\$ 22		2.20
		<b>Total Cwlth</b>	<b>7,837</b>	<b>30.0%</b>	<b>\$ 73,067</b>	<b>\$ 88,226</b>	<b>\$ 94,337</b>	<b>\$ 85,210</b>	<b>27.8%</b>	<b>\$ 10.87</b>		<b>\$ 187,462</b>	<b>26.9%</b>	<b>2.392</b>
32		Cwlth TSF Endeavour	146	0.6%	\$ 1,370	\$ 611	\$ 530	\$ 837	0.3%	\$ 5.73	0.220%	\$ 1,841		1.26
33		Cwlth TSF King	13	0.1%	\$ 258	\$ 124	\$ 44	\$ 142	0.0%	\$ 10.65	0.220%	\$ 312		2.34
34		Cwlth TSF Tiger	308	1.2%	\$ 4,446	\$ 2,919	\$ 2,837	\$ 3,401	1.1%	\$ 11.04	0.220%	\$ 7,481		2.43
35		Cwlth TSF Other	5	0.0%	\$ 5	\$ 115	\$ 11	\$ 44	0.0%	\$ 8.19	0.220%	\$ 96		1.80
		<b>Total Cwlth</b>	<b>473</b>	<b>1.8%</b>	<b>\$ 6,079</b>	<b>\$ 3,769</b>	<b>\$ 3,422</b>	<b>\$ 4,423</b>	<b>1.4%</b>	<b>\$ 9.36</b>		<b>\$ 9,731</b>	<b>1.4%</b>	<b>2.06</b>
36		Cwlth SESS Royal Red	90	0.3%	\$ 175	\$ 225	\$ 239	\$ 213	0.1%	\$ 2.37	0.220%	\$ 469		0.52
		<b>Total Cwlth</b>	<b>8,400</b>	<b>32.2%</b>	<b>\$ 79,321</b>	<b>\$ 92,220</b>	<b>\$ 97,998</b>	<b>\$ 89,846</b>	<b>29.3%</b>	<b>\$ 10.70</b>		<b>\$ 197,662</b>	<b>28.3%</b>	<b>2.35</b>
		<b>per ABARES Fish Stats----&gt;</b>	<b>7</b>		<b>\$ 38</b>	<b>\$ 26</b>	<b>\$ 13</b>	<b>26</b>	<b>0.01%</b>	<b>\$ 3.85</b>	0.220%	<b>\$ 56</b>		
		<b>per ABARES Fish Stats----&gt;</b>			<b>\$ 79,323</b>	<b>\$ 92,242</b>	<b>\$ 98,009</b>							
	<b>TOTAL</b>		<b>26,102</b>	<b>100.0%</b>	<b>\$ 290,008</b>	<b>\$ 324,512</b>	<b>\$ 304,824</b>	<b>\$ 306,448</b>	<b>100.0%</b>	<b>\$ 11.74</b>		<b>\$ 697,794</b>	<b>100%</b>	<b>2.67</b>
		<b>Total Wildcatch</b>	<b>21,691</b>	<b>83.1%</b>	<b>\$ 233,167</b>	<b>\$ 249,113</b>	<b>\$ 247,492</b>	<b>\$ 243,257</b>	<b>79.4%</b>	<b>\$ 11.21</b>	0.220%	<b>\$ 535,166</b>	<b>76.7%</b>	<b>2.47</b>
		<b>Total Farmed</b>	<b>4,411</b>	<b>16.9%</b>	<b>\$ 56,841</b>	<b>\$ 75,399</b>	<b>\$ 57,331</b>	<b>\$ 63,190</b>	<b>20.6%</b>	<b>\$ 14.32</b>	0.257%	<b>\$ 162,627</b>	<b>23.3%</b>	<b>3.69</b>

The red shaded data in the table indicates local data to be confirmed by the state agency.

Based on the 3 year rolling average (the standard national metrics base for all rural funding mechanisms) of ABARES data for value and volume by fishery, a contribution rate of 0.22% of landed value would be sufficient to fund the National Prawn Market Development Strategy. This contribution rate would raise approximately \$700,000 (excl. GST) if all funds were received.

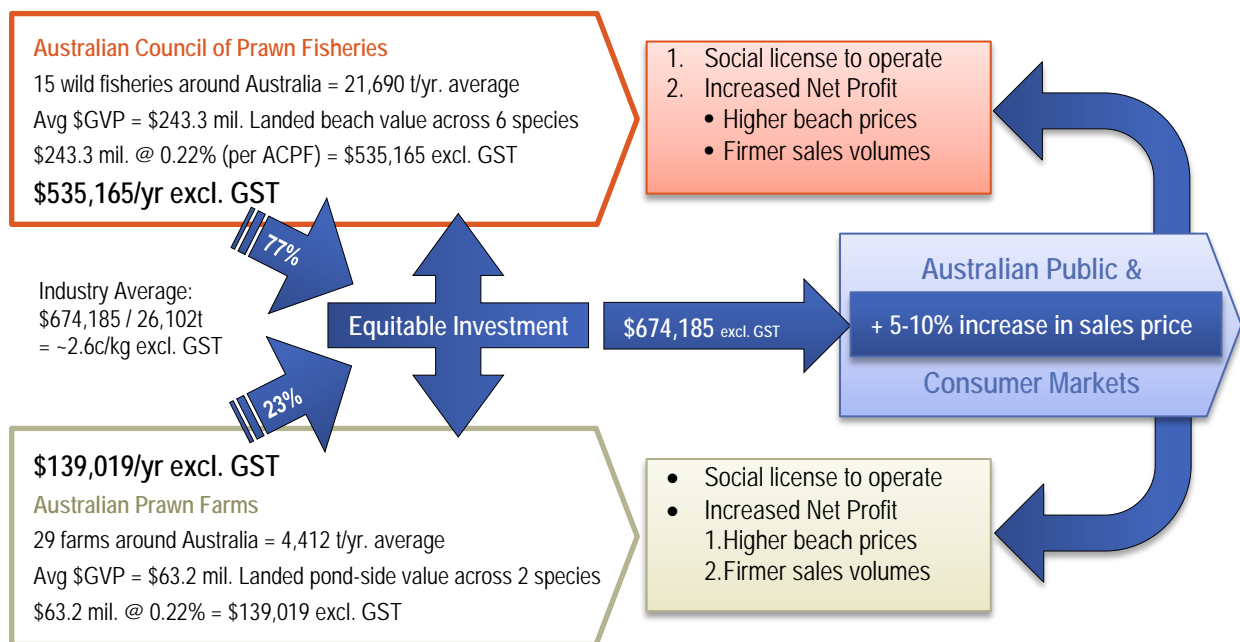
A 0.22% contribution rate (which equates to an average contribution of 2.47 cents/kilogram landed across all prawn species) would therefore provide a \$200,000 funding buffer (\$700,000-\$500,000) to offset contribution leakage expected in the early years and thereby ensure the funding base of the national prawn marketing program was not unduly threatened.

The table confirms the standard 0.22% contribution rate for all wild fisheries, and a higher weighted average contribution rate of 0.257% volunteered by prawn farmers in the APFA. As shown, these calculations are reconciled back to the baseline national ABARES FishStats data set.

It is clear that it is not cost effective to seek contributions from licenseholders in some minor prawn fisheries – eg the Victorian King Prawn trawl fishery.

### Value Proposition

The link between the investment funding required, equitable fund contributions, and commercial and social returns to licenseholders, is presented in the following value proposition diagram.



The raw investment logic of this value proposition is compelling. Based on similar contribution-driven marketing programs established in other national agrifood industries (e.g. beef), the value proposition above forecasts retail sales price increases up to 5-10% within three years from a sustained ~\$600,000 investment per year. Assuming this returns a conservatively estimated net 1% increase in average beach/pond prices to fishers (from \$11.74/kg to \$11.85/kg), then the average contribution investment of 2.6c/kg will result in an increase in average net beach/pond prices of 11 cents/kg, at current sales volumes. While there are a number of risks in this logic (including the level of net returns passed back to fishers by wholesalers), the numbers represent an attractive 4.2:1 multiplier for fishers' contribution investments by the third year.



These metrics and research materials were progressively refined with industry leaders/FRDC/SCRC into a national Consultation Plan detailing consultation target stakeholders, consultation objectives, presentation formats and content, venues and dates.

#### c. Industry Consultation

An estimated total of 140 industry licenseholders and stakeholders attended workshops and meetings held across regional prawn fishery centres to consider the marketing concept and related voluntary contribution proposal.

The discussions were held as follows: 9 July in Adelaide; 10 July Port Lincoln; 11 Sept Fremantle; 23 Oct. Brisbane; 24 Oct. Townsville; 30 Oct. Port Lincoln; 31 Oct. Fremantle; 1 Nov. Coffs Harbour; 2 Nov. Newcastle; 3 Nov. Cairns; 12 Nov. Hervey Bay; 19 Nov. Mooloolaba; 21 Nov. Cardwell; 22 Nov. Maclean; 27 Nov. Brisbane; and 29 Nov. Sydney.

Progressive reporting was undertaken regarding meeting attendees, voluntary contribution design, costs and benefits, timing, and related issues and then reported to ACPF, APFA, Dr Janet Howieson and the SCRC. Appendix 2 summarises these progressive consultations (both before and after the realignment of project objectives).

#### d. Investment Motivation

The realignment of the project toward a marketing focus had a positive impact on project outcomes.

Part way through the industry consultation process it became clear to the Project Leader that the project realignment toward a marketing focus was having a positive impact on ACPF project outcomes.

The combined ACPF/APFA project provided a clearer and more commercially compelling strategic development vision, and therefore a more attractive value proposition and investment case for ACPF members. This raised the motivation of wild-catch licenseholders who attended the workshops to consider investing via a voluntary contribution. Unfortunately the low participation rates of licenseholders from the larger trawl fisheries (Qld and NSW) meant that the bulk of these fishers were not adequately informed about the attractive value proposition.

It has been noted already that the APFA has for some years been seeking to establish a prawn marketing program funded (voluntarily or by statute) by a contribution charge on its members. It is not surprising then that during this joint national prawn Strategy initiative, many leading APFA members were urging a higher rate of equitable contribution from licenseholders, and for the rollout of in-market promotions to begin sooner. The contrast between wild catch and farmed prawn licenseholder motivations became clear. To a large extent, this difference in investment motivation between ACPF members and APFA members reflects the relative strengths of their respective organisations and cultures, and their contrasting roles (respectively as food hunter or food manufacturer) in the joint seafood supply chain.

It is appropriate and desirable that the umbrella National Prawn Market Development Strategy enables the creation of flexible voluntary contribution funding streams to differentiate wild-caught and farmed prawn products, in both domestic and export markets, should industry desire.

#### e. National Prawn Database

The Project Leader developed an electronic database (in Microsoft XL software) for all prawn wild-catch or farming licenseholders in Australia.

There is no pre-existing single source for this data in a harmonised and credible format.



The database has been built in electronic form from data available in a number of public registers (Commonwealth and state), together with data contributed by fisheries associations, fishers and industry stakeholders. A summary of these sources is as follows:

- Qld – extract from state fishery licenseholder public register was provided by QDAFF. Data was reviewed and amended where appropriate based on expert input from three respected regional state fishery license holders and representatives based in Cairns, Harvey Bay and Brisbane.

Development of the Qld component of the database (and hence the whole national voluntary contribution proposal) was opposed by a number of Qld wild fishers. This opinion was provided forcefully and often, to the Project Leader and to the ACPF Executive Officer.

The Qld Trawl Fishery has over 500 active licences, many levels of license authority, multiple prawn species, and is geographically and culturally diverse. Based on the contribution estimates presented earlier in this report, the Qld Trawl Fishery would provide ~26% of all national funds, an amount of \$184,000 excluding GST.

The state fishery does maintain a state fishery association (Qld Seafood Industry Association), but this body is not strongly supported, nor well-funded by licenseholders.

In this context the regional consultation and engagement process undertaken in late 2012 by the Strategy team was inadequate and not effective in engaging with the bulk of wild-catch prawn licenseholders. The outcome, across a significant portion of the state cohort, was low awareness of the attractive value proposition offered by the Strategy, and a lack of trust in the whole prawn voluntary contribution and marketing concept. This matter came to a head when nominal voluntary contribution invoices were mailed to license holders. Current engagement and consultation being undertaken in mid-late 2013 by the SCRC team is addressing this issue and will be reported separately to the SCRC.

- SA - state fishery data supplied by the state associations, and cross checked against the public register of licenseholders available from PIRSA. Data was reviewed and amended where appropriate based on expert input from state fishing industry representatives.
- WA - fishery by fishery license data supplied by licenseholders with supplementary input from WA Fisheries (Status of the Fisheries Reports) and WAFIC (assistance with fishery identification). Data was reviewed and amended where appropriate based on expert input from state fishing industry representatives. Some minor state wild-catch fisheries were progressively responding to requests for data, due to temporary closure of fisheries or other local issues.
- WA wild-catch fisheries comprise ~10% of the estimated national prawn industry voluntary contribution which equates to a current figure of ~\$67,000 excluding GST.
- VIC - data for this very small prawn fishery was requested from VIC Fisheries, but no response was received – this minor fishery has negligible impact (0.2%) on national prawn funding.
- NSW - data for this small wild-catch prawn fishery was requested from NSW Government, but limited data was received. The Agency has identified state privacy laws that it claims preclude release of the data by the Government. The project leader (with support from the ACPF, APFA and SCRC) approached the NSW Professional Fisherman's Ass'n and three NSW Fishing Cooperatives to help build this state dataset. Their responses were slow and ambiguous.

The SCRC is now engaging with NSW wild-catch fishers with support from state agencies. The impact of this fishery on national prawn funding is small - less than 5% of the total national contribution amount.

- Commonwealth

- Data supplied by Australian Fisheries Management Authority (AFMA) from the public register for the Northern Prawn Fishery,
- Data supplied by AFMA and QDAFF from the public register for the Torres Strait Fishery,
- Data was reviewed and amended where appropriate based on expert input from Commonwealth and state fishing industry representatives,
- Data for the remaining Commonwealth prawn fishery (SESS) was requested but not received. This is a minor fishery with negligible impact (<0.01% of GVP) on national prawn funding.

The National Prawn Database has been assembled based on a common record structure. In some instances the existing arrangements in a jurisdiction have meant that uniform national record alignment has not been completely achieved. This inconsistency is a potential source of errors and inequity and should be addressed in coming years.

The common records used to establish the database are: Fishery name / Licenseholder No. / Licenseholder name or contact / License trading name / Licenseholder address, post code etc / Licenseholder phone number / License validity end date or active status / Fishery authority or symbol / Boat name active on the license / Prawn species harvested / Voluntary contribution invoicing instruction / Voluntary contribution invoice amount.

There are no specific confidentiality terms imposed by any state or Commonwealth agency on the release of this database by the project. However a least one agency (QDAFF) has asked that the data be used solely by industry for the prawn marketing purpose proposed, and that QDAFF be noted as a contributor to the database in any related media release by SCRC or FRDC.

The database is the property of the SCRC, managed on behalf of ACPF and APFA.

The national prawn database must be maintained up-to-date and actively managed by industry to ensure its integrity and utility, in particular regarding licenseholder funding and communication with stakeholders.

Submission of the database to SCRC/FRDC included confidentiality provisions, and a standard operating procedure to guide accountants on the invoicing process to collect funds.

There are no existing commercialisation implications from this project, although industry may develop options (ie, other commercial applications) for the dataset in the future.

## 5. Benefits and Adoption

This project is an integral part of the National Prawn Market Development Strategy.

It is assumed by the Project Leader that industry partners (ACPF APFA and the SCRC) have undertaken a separate investment analysis of this Strategy and its return on investment for the collective industry partners.

Beneficiary	Benefits and gains will accrue from:	Risks and losses may arise from:
<b>Both the Wild-catch and Farmed Prawn Sectors</b>	<p><b>1. Price increase is the main benefit sought by the project.</b></p> <p>Gains will accrue via higher beach/pond prices and firmer preferences for sustainable Australia prawns.</p> <p>The value proposition forecasts <u>retail</u> sales price gains of 5-10% over 3 years from a ~\$600,000 annual investment. Assuming a net 1% increase in average <u>beach/pond</u> prices (from \$11.74 to \$11.85/kg), then a contribution of 2.6c/kg will boost net beach/pond prices by ~11.7 cents/kg across Australia's production of ~27,000 tonnes. While there are a number of risks in this logic (e.g. net returns passed back to fishers by wholesalers), this represents a 4.5:1 multiplier for fishers' contribution investments.</p>	<ul style="list-style-type: none"> <li>▪ Wholesalers and other chain operators withholding the retail price gains created by National Prawn Market Development Strategy, and related contribution investments.</li> <li>▪ This risk will be largely resolved as the Strategy plans to work only with accredited wholesalers (who have contractual access to the Strategy's branding, in-store promotions and related IP). Partners will be required to share transactional data and maintain minimum net returns back to fishers.</li> <li>▪ Prawn importers (who collectively offer ~30,000 tonnes to the domestic market) may seek to benefit from the <i>Love Australian Prawns</i><sup>®</sup> initiative by launching their own promotional program</li> </ul>
	<p><b>2. Increased local prawn supply</b></p> <p>Differentiation of Australian Prawns will boost consumer demand for and prices of branded Australia prawns. In turn, this will increase the sales volumes and returns to participating licenseholders and increase their business viability.</p> <p>Over time they will be motivated to further invest in producing prawn tonnage marketed under the <i>Love Australian Prawn</i><sup>®</sup> brand.</p> <p>A 5% increase in both tonnage and price of Australian produced prawns will add ~\$31 million to industry GVP.</p>	<ul style="list-style-type: none"> <li>▪ As seen in other industries (pork, beef), broad scale increases in consumer demand and price do not often result in equitable benefits and dividends to all producer licenseholders. This will be the case in the prawn industry.</li> <li>▪ The most efficient fishers and farmers that are well placed (by location, species, spare harvest capacity, marginal cost of production, etc) will benefit most from growth in consumer demand. They will capture most of the growth in tonnage.</li> </ul>
	<p><b>3. Prawn export market development</b></p> <p>Increased supply of Australian prawns will enable capacity for export to selected markets.</p> <p>Subject to the \$A exchange rate, Australian Tiger and King prawns can attract high prices in high value global seafood markets. There is, therefore, an opportunity to promote Australian Prawns in selective high value export markets under a joint <i>Love Australian Prawns</i><sup>®</sup> marketing banner.</p>	<ul style="list-style-type: none"> <li>▪ Compared to other global shrimp suppliers (e.g. Thailand, Vietnam), local exporters have an ad hoc and speculative approach to exports. They have limited experience in or capacity to secure and manage proprietary marketing and branding programs to overseas consumers.</li> <li>▪ Securing/managing relevant IP in export market chains will be far more challenging than in the local domestic market.</li> </ul>

	<p><b>4. Increased prawn industry cohesion and trust</b></p> <p>The project has brought together all prawn production licenseholders in a working and “action learning” process for mutual gain. Traditionally they have not been happy partners.</p> <p>While it will take some time to build trust and overcome the ill-founded prejudices held by some members of each sector, this project presents a turning point.</p> <p>It initiates a great opportunity for ongoing co-investment in markets, and services.</p> <p>The project could also change and improve the supplier culture, to the extent, for example, that it eliminates floor-priced dumping of seasonal product in consumer markets by rogue operators.</p>	<ul style="list-style-type: none"> <li>▪ Gains (strategic and tactical) achieved through market co-investment will be squandered if the two prawn sectors fail to work to support each other more broadly.</li> <li>▪ Stronger and more viable industry associations and leadership groups are critical to achieving real gains over the long term.</li> <li>▪ The two sectors need to get their national governance houses in order and ensure they develop, retain, network and fund experienced leaders to pursue strategies engaged by all prawn stakeholders.</li> <li>▪ This challenge is far greater for the financially strapped, geographically disparate and culturally fragmented ACPF. APFA has a relatively well managed and well-funded governance arrangement.</li> </ul>
<p><b>Wild-catch Prawn Sector only</b></p>	<p><b>5. ACPF Funding flexibility</b></p> <p>This project has identified and pursued a preferred pre-competitive funding option that is especially beneficial to the ACPF.</p> <p>Voluntary unmatched contributions are a relatively novel concept for the wild-catch sector including ACPF members. It is important therefore that ACPF Members’ initial dealings with this unregulated co-investment approach are efficient and deliver positive returns that build trust and capacity across the sector.</p> <p>The <i>ad valorem</i> contribution option and collection mechanism, housed within a Funds Management Agreement (MOU) with APFA, enables ACPF to increase its share of the funds contribution as and when ACPF Members see fit. Once the mechanism is established, Members could therefore determine a marginal contribution increase to support their association.</p>	<ul style="list-style-type: none"> <li>▪ In 2006 the ACPF was borne in a spirit of mutual co-investment and opportunity as the new wild-catch prawn peak body. Seven years later the ACPF is unloved, underfunded and unable to effectively lead the sector. It is on life support.</li> <li>▪ Collection of national industry funds is often a vexed issue for large industries. Large industries (eg red meat) must deal, from time to time, with dissenting member-contributors seeking to change funding mechanisms in the name of industry “equity”. Wild-catch prawns will, and must, face these issues.</li> <li>▪ A particular risk for a new national admin/industry services funding mechanism is the potential loss of funds away from existing state or regional fishery organisations, coops or associations. The Project Leader takes the view that many current regional/fishery associations fear the proposed national role of the ACPF and hence are significant barriers to its ongoing lack of capacity. A clear policy at the ACPF Board is required to resolve this impasse.</li> </ul>
	<p><b>6. Differentiation of wild-catch prawns in consumer markets</b></p> <p>The Strategy and related <i>Love Australian Prawns</i><sup>®</sup> branding and in-store promotion, provides a national platform for regional differentiation of Australian prawns by species and</p>	<ul style="list-style-type: none"> <li>▪ The central aim of the Strategy is to increase consumer demand for Australian produced prawns in preference to imported prawns. But seafood importers may launch a marketing program of their own in response to the <i>Love Australian</i></li> </ul>

	<p>production source.</p> <p>This opportunity is predominantly available to the wild-catch sector as their 16 regional fisheries and 6 species are geographically centred in local seafood supply chains and food culture. Farmed prawns (2 species, one being banana prawns branded as Crystal Bay Prawns comes from a single producer) are mostly unbranded and contracted to larger retail chains.</p> <p>Previous regional prawn promotions run by regional fishers (e.g. King prawns in the Spencer Gulf) have tried to leverage local consumer demand for local prawn species.</p> <p>Regional branding on a case by case basis, could be funded by a regional increase in payments collected and quarantined via the national marketing funding mechanism.</p>	<p><i>Prawns</i><sup>®</sup> brand.</p> <ul style="list-style-type: none"> <li>▪ Eighty–eight percent of all imported prawns (across all food forms) to Australia in 2011 were from farmed sources in Asia (Thailand, Vietnam, Malaysia, China, Indonesia, Malaysia and Myanmar). As the imported content of Australian seafood consumption is forecast (by government) to rise, a regional prawn differentiation strategy based on the appeal of local wild-catch species may attract consumers. The timing and implementation of the strategy requires careful planning.</li> <li>▪ The current experience of other wild catch global seafood sectors (e.g. Australian abalone) is that sustainable wild-catch fisheries may differentiate their offers and create or fill a consumer niche for natural native foods.</li> </ul>
<b>Farmed Prawn Sector only</b>	<p><b>7. Promotion of Farmed Prawns</b></p> <p>After a number of attempts across many years, the APFA will finally achieve a sustainable investment mechanism to fund, promote and differentiate Australian prawns against rising competition (offered at approximately half the retail price) from imported farmed prawns.</p> <p>Opportunity exists to further differentiate Australian wild-catch and farmed prawns in selected markets.</p>	<ul style="list-style-type: none"> <li>▪ Prawn farmers will voluntarily contribute at a greater contribution rate than ACPF Members (3.7 c/kg compared to 2.5 c/kg). This approach appears to be beneficial to APFA Members and will result in positive spin-off gains to ACPF Members.</li> <li>▪ However both associations need to monitor the impact (both real and perceived) of this variance and respond to any industry concerns regarding inequity or manipulation of investment outcomes.</li> </ul>
<b>Other Australian Seafood Sectors</b>	<p><b>8. Industry Investment Template</b></p> <p>This project developed a template that may be useful to other seafood sectors. Appendix 3 describes the elements of this template in detail.</p>	<ul style="list-style-type: none"> <li>▪ Existing Australian meat marketing programs (e.g. lamb, beef, pork) will respond with competitive marketing initiatives.</li> </ul>
	<p><b>9. Repitch local seafood retail space</b></p> <p>Much of the <i>Love Australian Prawns</i><sup>®</sup> Strategy rests on in-store promotion and point-of-sale engagement with traditional seafood consumers.</p> <p>Other Australian seafood product lines will benefit from this strategy.</p>	<ul style="list-style-type: none"> <li>▪ An unplanned and uncoordinated in-store expansion of the prawn Strategy by other seafood sectors will likely confuse consumers and not help supply chain partners, retailers and food service outlets attract new consumers.</li> </ul>
<b>Community and General Public</b>	<p><b>10. Buy Australian Seafood</b></p> <p>This initiative will boost consumer awareness of local seafood.</p> <p>This initiative will enhance fishers' and farmers' social license to operate, by enhancing the role and viability of fishing communities.</p>	<ul style="list-style-type: none"> <li>▪ Recent interventions from a so called super-trawler (and related media) have created further uncertainty regarding the sustainability of Australian seafood. Inadequate responses from industry do little to offset such concerns.</li> </ul>

## 6. Further Development

It is recommended that the following activities and steps be taken to further develop, disseminate, and exploit commercially the results of research undertaken in this project.

### a. Build Trust with Prawn Licenseholders

Contribution of voluntary funds by licenseholders is a matter of trust in the value proposition and the people managing to this outcome. The initial steps of the Strategy process are proving much more challenging in some fisheries (e.g. Qld Trawl, NSW Trawl) than others (Spencer Gulf, Shark Bay, Northern Prawn).

The lack of mature local communication and effective industry governance arrangements are major causes of the problem.

The SCRC and FRDC should look to support and partner state projects that boost regional / state licenseholder engagement and action learning outcomes.

### b. Demonstrate Value from the Voluntary Contribution Investment

The Strategy must deliver gains to net prices in the next couple of years, in order to demonstrate it is successful. This is a precondition for seeking ongoing funds (voluntarily or compulsorily) from licenseholders.

It is therefore important to periodically undertake an independent, transparent and credible review of the impact of the Strategy, at all levels – national, by state, by fishery and by species. This is the only way to demonstrate that the value proposition is working.

Inherent in this process is understanding that the Marketing Strategy is a standalone initiative with its own metrics - to be managed separately from other “industry service” or administrative influences. Evidence from consultation is that wild-catch licenseholders (in particular) will take a dim view if they perceive that the ACPF is being subsidised or supported by their voluntary marketing contributions.

### c. Develop and Fine-tune the Strategy

Markets are dynamic and so should the national prawn marketing Strategy be.

It is therefore important to retain experienced marketers to ensure the Strategy responds and leads in every opportunity to evolve and capture consumers as their preferred supplier of prawns.

As the A\$ declines relative to import trade partners, and premium/mass affluent seafood consumers prosper, the export of Australian prawns will become increasingly attractive.

### d. Transition to a Statutory Funding Mechanism

A statutory national funding mechanism is the most efficient funding option for all prawn license holders to co-invest, because:

- Industry retains the power to agree and control who pays, compulsory contribution rate, collection mechanism, etc,
- Low set-up and running costs per production unit for large industries,
- Very efficient for industries spread across many states / jurisdictions,
- Very efficient in single-product sectors, low leakage, low cash risk,
- Payment is compulsory and therefore has no leakage,
- Strong national legal platform.

Many existing prawn licenseholders (both wild-catch and farmed) recognise the benefits of a statutory funding mechanism and have urged support for this transition in due course, when industry is ready.

But the Minister will require the clear support of ~80-85% of licenseholders for a national statutory funding mechanism before it is approved into law.

In the interim period, there is a large and ongoing communication task to be developed by industry leaders (ACPF/APFA) and FRDC/SCRC, to implement and to maintain engagement with all prawn licenseholders, demonstrate the performance of the current Strategy and value proposition, and ultimately secure industry's resolution in support of a statutory funding mechanism.

e. Address ACPF Administrative Funding

As noted elsewhere in this report,

- The ACPF suffers a current lack of licenseholder support and funding. The potential demise of the largest industry partner in the National Prawn Industry Market Development Strategy is a significant risk to the long term rollout and viability of the Strategy, and therefore, net returns to Australian prawn producers.
- The choice of a voluntary *ad valorem* based mechanism for the producer contribution means that ACPF can easily vary (increase, decrease or redirect) any funds from its share of contributions received under the national collection agreement. Clearly these changes need to be discussed with other parties to the *Prawn Market Development Funding and Management Agreement*, prior to unilateral action.

ACPF leaders should be encouraged to refer back to the strategic vision and goals of their Strategic Plan (set at the 2007 Conference), where they were charged by licenseholders with establishing a strong and viable national peak body. This was the strategic goal of the original project 2011/749.

It seems the financial mechanism and means to achieve this goal are now within ACPF's grasp and the case should be made, carefully but firmly, to licenseholders that it is the national leadership of the ACPF that will likely soon deliver them higher beach prices. Obviously this proposition may be more powerful in the next 18-36 months, after it has been demonstrated that net beach prices are in fact increasing due to investment of voluntary contributions in marketing.

These metrics in support of admin funding are quite straight forward: the 0.22% voluntary marketing contribution (~2.5 cents/kg) will generate ~\$535,000 in industry funds as presented earlier in this report. Therefore, an increase in the contribution rate up to 0.26% (~3.0 cents/kg) will provide an extra \$110,000 with no change in catch volume. There are at least two major benefits from this piggyback funding approach:

- The ACPF Members and Board have total control of the setting of the contribution rate and all voluntary funds collected across the whole mechanism, regardless of the subsequent use of the funds,
- Any additional contribution amount collected for any purpose does not incur any additional costs for collection.

The bottom line is that the best way wild-catch licenseholders can support development of their prawn sector is to ensure the viability and capacity of their peak body, the ACPF.

f. Maintain and Improve the National Prawn Database

During this project, industry leaders and the SCRC have invested considerable time, money and leadership to develop a national prawn database of licenseholders. This database is the key to engagement with all licenseholders, to raising awareness of

industry issues and opportunities, and to providing cost effective services to the \$350 million prawn industry, now and into the future.

The database should be allocated investment and maintenance capital that is commensurate with its potential long term value to the prawn industry.

As noted earlier, one of the unavoidable shortcomings of the current initial version of the database is a lack of harmony across some data fields that control content from state agencies. Closer alignment is required between the national database and the various sources (Commonwealth, state, fishery, enterprise) of data collected and supplied to maintain it. It is recommended these inconsistencies be resolved and harmonised with supporting agencies as soon as possible before they compound to constrain database integrity and utility.



## 7. Planned Outcomes

### Public Benefit Outcomes

In the original application approved by SCRC the project aimed to achieve 4 outcomes:

- a. To determine an appropriate mechanism for collecting funds from the wild catch prawn sector to deliver on the marketing and promotional activities as determined through the 'National Prawn Market Development Strategy' project.

This outcome has been determined as an *ad valorem* national voluntary contribution paid by producers, with funds remitted by fishers or fishery bodies, to an account managed under an agreement between industry peak bodies and the SCRC/FRDC. The voluntary contribution should progress in due course to a statutory national funding mechanism in order to achieve its most cost-effective returns.

- b. To determine the funds required from participants (wild catch) to effectively deliver the marketing and promotional activities, including on what basis the contribution is collected.

This outcome has been determined in two parts:

- Through initial research by advisory firm, Brand Council, and feedback from industry consultation, to a minimum annual investment of \$500,000-700,000 per year excluding GST, an estimated 77% of which is funded by the wild-catch sector.
- Collection from both wild-catch and farming licenseholders will be at a minimum rate of 0.22% of the average (over last 3 years) landed value of the catch, plus GST. Across all 6 commercial wild-catch prawn species this equates to approximately 2.47 cents/kg landed.

- c. To provide and implement a funding mechanism for the wild catch prawn industry, through an equitable, industry participation approach.

This outcome is being progressively implemented via invoicing from the SCRC, under the terms of the joint MOU Agreement. As at October 2013, per advice from the SCRC, the funds secured are as follows:

Fishery	June 2013 Forecast \$	Funds Invoiced to date \$	Funds Paid to date \$	% of Forecast that is now Invoiced	% of Funds Invoiced that is now Paid
Northern Prawn	187,462	169,145	150,168	80%	89%
Spencer Gulf	64,045	71,924	71,924	112%	100%
Shark Bay	32,304	35,424	35,424	110%	100%
Exmouth Gulf	20,941	23,034	23,034	110%	100%
APFA – farmers	139,770	145,413	81,217	58%	56%
Qld Trawl	184,151	194,046	12,224	7%	6%
NSW Trawl	34,869	0	0	0%	0%
Victorian Trawl	1,352	0	0	0%	0%
SA Gulf St Vincent	5,993	0	0	0%	0%
SA West Coast	2,982	0	0	0%	0%
WA Other	13,668	0	0	0%	0%
Torres Strait	9,731	0	0	0%	0%
SESS/other	525	0	0	0%	0%
<b>Total</b>	<b>\$697,793</b>	<b>\$638,986</b>	<b>\$373,991</b>	<b>54%</b>	<b>59%</b>

- d. To determine funding mechanism options for other activities undertaken by the prawn industry.

In this first year of the voluntary contribution process it is essential that all licenseholders are given the opportunity to contribute under arrangements that they perceive to be fair and equitable. The voluntary contribution is not statutory and therefore there is no formal compliance regime to ensure their individual participation up to the forecast level required. Industry bodies have a responsibility to encourage their members to contribute fully.

The SCRC project team is undertaking further discussions all outstanding fisheries regarding appropriate invoicing and payment terms.

### ***Private Benefit Outcomes***

There are no direct private benefit outcomes from this project

### ***Linkages with CRC Milestone Outcomes***

Subject to the progressive outcomes described in the previous section, the project has achieved all milestones as agreed under the revised and realigned project schedule.

## 8. Conclusion

### ***Strategic Turning Point***

This project is a key turning point in the development of Australia's National Prawn Industry.

No industry can continue to be competitive and viable in an openly traded world food market, unless it invests in its customers, and invests in the harvest and supply chain technologies and capacity to service those customers. The domestic prawn industry faces increased competition as seafood imports from low cost producers continue to rise.

The project has confirmed that a strong majority of prawn licenseholders across the industry want collaboration between fishers and farmers, and new investment thinking to deliver long term commercially viable – both by doing things differently, and doing different things.

As the first output in this national journey, Industry has documented and confirmed its support for a National Prawn Market Development Strategy and proprietary consumer branding program.

### ***Governance***

The details of this Strategy and related procedures have been formalised in a Partnership Agreement between the two national peak bodies representing all license holders, and Commonwealth Government agencies.

The Partnership Agreement builds on existing governance structures developed by the Seafood CRC, establishes a formal Management Committee, and covers all matters related to collection, management and disbursement of industry funds.

The reshaping and streamlining of jurisdictional and fishery governance links is now desirable, to ensure that the productivity and market gains flowing from the strategic national turning point flow into the hands of local vessel and farm owners.

The national prawn industry Partnership Agreement stands as a template for other national seafood industries as they seek to develop and in their greater

### ***Funding Option***

Industry has considered and endorsed a national *ad valorem* voluntary contribution paid by licenseholders as their preferred precompetitive financing option to fund ongoing market development. This option provides the most equitable and cost effective means to collect funds.

Industry has confirmed that this model will initially be voluntary, but they intend to further evaluate the possible transition to a statutory funding mechanism in the midterm.

### ***Contribution Rate and Collection Mechanism***

Industry has agreed to implement the contribution rate at a minimum *ad valorem* rate of 0.22% to fund the Market Strategy. This level has been determined as initially sufficient to finance the \$500,000 p.a. required to implement the marketing strategy while preserving cash flow flexibility for prawn production enterprises.

Under the terms of the Partnership Agreement (MOU), the SCRC will manage collection, retention and disbursal of funds in the near term, on behalf of the Management Committee.

### ***National Industry Database***

The project has established the first national database of the more than 500 licenseholders in the Australian prawn industry. This is a critical project output as it:

- Enables the collection mechanism for the national funding mechanism that will initially finance market development, and other cost effective industry services that licenseholders may determine in the longer term,
- Facilitates direct and cost effective communication by industry leaders and local associations, directly or indirectly, with every active and inactive license holder in every one of the 17 fisheries in the industry, and
- Demonstrates to all Governments that the prawn industry is committed and collaborative in developing a viable and unified national prawn industry.

The project will submit a final report of the project process and recommended outcomes to industry and the Seafood CRC.

In the process, the project objectives have been met, except to bed down policies and processes in smaller fisheries.

## 9. References

ABARES – Publications of *FishStats 2011* and prior

ACPF – Final Report of FRDC Project 2006/303 - 2007 Conference “Beyond the Sea” by Samara Miller, ISBN 978 0 646 47 375 8

ACPF – Newsletter #5 – April 2012

ACPF – Taking Stock and Setting Directions Report 2006, Wild-catch Prawn Industry of Australia Situation Assessment, Ag EconPlus Pty Ltd

ACPF - Research Budget 2012

APFA – Constitution and Articles and Articles of Association

Commonwealth Bank – Risk Management Solutions Flyer, Diesel Index Cap, ADV10551 231007

Commonwealth Bank - Energy Markets and Hedging Capability Profile

FRDC – Summary of PIERD Act changes for Seafood Marketing and Promotion

Productivity Commission – Inquiry Report into Rural Research and Development Corporations, 2011, Australian Government

SCRC Project 2011/749 – ACPF Briefing Paper

University of Florida – Shrimp Production Review, GOAL 2011, Santiago, Chile

Western Australian Government – State of the Fisheries and Aquatic Resources Report 2010/11 and prior

# 10. Appendices

## Appendix 1. Diesel Fuel Analysis

The following table summarises annual estimates (by Ridge Partners) regarding the usage and value of diesel fuel for the Australian wild-catch prawn sector - 2011. Species variations have been ignored.

2011-12 Prawn Industry Estimates				Assume		1,143,2047 litres per tonne of diesel year round										
Fishery	Licence Holdings	Vessels	ABARES Harvest Tonnes	Industry Advice	ABARES 2010	Industry Advice		Total Fuel Use/Yr		Industry & ATO Advice				Avg. Total Fuel Cost at NET Price /Ltr		
				Avg. Price Beach \$/kg	Harvest GVP Beach Value	Fuel Use/Vessel/Yr		Ltrs	Tonnes	Ltrs	Tonnes	Avg Landed Fuel Price Paid \$/Ltr	Gross	GST	Excise	Net
<b>Commonwealth (excl SESS)</b>				\$ 11.78	\$ 91,995,000			20,806,326	18,200	<a href="http://www.aip.com.au/pricing/retail/diesel/index">www.aip.com.au/pricing/retail/diesel/index</a>	\$1.600	\$0.145	\$0.381	\$1.073	22,327,589	\$429,377
Northern Prawn	52	51	7,407		\$ 88,226,000	400,122	350	20,406,204	17,850							
Torres Strait	46	1	402		\$ 3,769,000	400,122	350	400,122	350							
<b>WA</b>				\$ 10.01	\$ 27,940,000			6,459,107	5,650	\$1.600	\$0.145	\$0.381	\$1.073	6,931,367	\$277,255	
Shark Bay	27	18	2,000		\$ 20,028,674	285,801	250	5,144,421	4,500							
Exmouth Gulf	15	6	700		\$ 7,010,036	171,481	150	1,028,884	900							
Nickol Bay	14	1	90		\$ 901,290	285,801	250	285,801	250							
<b>SA</b>				\$ 11.67	\$ 31,142,000			2,578,330	2,255	\$1.530	\$0.139	\$0.381	\$1.009	2,602,770	\$ 50,053	
Gulf St Vincent	10	10	769		\$ 8,972,723	22,423	19.6	224,230	196							
Spencer Gulf	39	39	1,800		\$ 21,002,473	56,050	49.0	2,185,950	1,912							
West Coast	3	3	100		\$ 1,166,804	56,050	49.0	168,150	147							
<b>NSW / VIC / SESS</b>				\$ 11.09	\$ 14,733,000			5,716,024	5,000	\$1.530	\$0.139	\$0.381	\$1.009	5,770,206	\$ 57,702	
Ocean Trawl	238	60				57,160	50	3,429,614	3,000							
Estuary Trawl	178	20				57,160	50	1,143,205	1,000							
Estuary General	616	20				57,160	50	1,143,205	1,000							
<b>Qld</b>				\$ 11.45	\$ 80,770,000			17,148,071	15,000	\$1.520	\$0.138	\$0.381	\$1.000	17,154,727	\$ 57,182	
East Coast Trawl	422	200				57,160	50	11,432,047	10,000							
River & Estuary Trawl	121	100				57,160	50	5,716,024	5,000							
<b>All ACPF</b>	<b>1,781</b>	<b>529</b>	<b>21,648</b>		<b>\$246,580,000</b>		<b>1,718</b>	<b>52,707,856</b>	<b>46,105</b>					<b>\$ 54,786,660</b>	<b>\$103,566</b>	

Further analysis of the diesel fuel funding option is presented below.

The following table compares three likely diesel fuel funding mechanisms available to the ACPF (2011) to fund an estimated annual admin budget up to \$250,000. The data highlights the financial impediments (by fishery and vessel, ignoring species) and the real consequent difficulties in attracting and collecting equitable industry contributions on diesel fuel usage.

2011-12 Prawn Industry Estimates	Output Based		Output Based		Input Based		Average of the 3 Options
	Option 1. Cents/kg of catch		Option 2. Cents/\$ of Beach GVP		Option 3. Cents/litre of fuel		
	\$ 0.0115 /kg Beach landed	\$/Vessel	\$ 0.0010 /\$ of Beach sales	\$/Vessel	\$ 0.0047 /ltr of fuel used	\$/Vessel	
Fishery	\$ Raised	\$/Vessel	\$ Raised	\$/Vessel	\$ Raised	\$/Vessel	
<u>Commonwealth (excl SESS)</u>	\$ 90,181	\$ 1,734	\$ 93,271	\$ 1,794	\$ 98,687	\$ 1,898	\$ 1,808.59
Northern Prawn							
Torres Strait							
<u>WA</u>	\$ 32,220	\$ 1,289	\$ 28,328	\$ 1,133	\$ 30,636	\$ 1,225	\$ 1,215.79
Shark Bay							
Exmouth Gulf							
Nickol Bay							
<u>SA</u>	\$ 30,823	\$ 593	\$ 31,574	\$ 607	\$ 12,229	\$ 235	\$ 478.37
Gulf St Vincent							
Spencer Gulf							
West Coast							
<u>NSW/MC/SESS</u>	\$ 15,336	\$ 153	\$ 14,937	\$ 149	\$ 27,112	\$ 271	\$ 191.28
Ocean Trawl							
Estuary Trawl							
Estuary General							
<u>Qld</u>	\$ 81,439	\$ 271	\$ 81,890	\$ 273	\$ 81,335	\$ 271	\$ 271.85
East Coast Trawl							
River & Estuary Trawl							
All ACPF	\$ 250,000	\$ 472.59	\$ 250,000	\$ 472.59	\$ 250,000	\$ 472.59	\$ 472.59

## Appendix 2. Industry Consultation

Workshop Location	What projects should be funded from mechanism?	What Funding Model is preferred? What Mechanism is Preferred? How will Equity be achieved?	Who Should Pay the Contribution?	Who should Collect, Manage Process & Funds?	How Much Funding should be Collected?
<b>Consultation held prior to alignment and merging of project with National Prawn Market Development Strategy</b>					
<b>1. Adelaide</b> on 9 <sup>th</sup> July at SARDI, West Beach	<ul style="list-style-type: none"> <li>Prawn marketing is the highest priority – maintain / boost prices</li> <li>ACPF should have a Business Plan to ensure funding is spent on industry priorities</li> </ul>	<ul style="list-style-type: none"> <li>Prefer Compulsory national statutory model</li> <li>Either Input (c/kg 21,653t) or Output (ad valorem GVP\$247m) contribution are acceptable – Output contribution is fairer due to range of species and beach prices</li> <li>Use single national diesel fuel contract contribution to help members manage fuel price risk and get all involved – 16m ltrs/yr = \$30m nationally. Possibly use the savings to fund ACPF.</li> <li>Use sliding scale of rates on both Compulsory and diesel fuel funding mechanisms to ensure equity across members</li> </ul>	<ul style="list-style-type: none"> <li>Prawn fishers +possibly processors +possibly importers</li> <li>Depends on what national marketing strategy - "Aussie" or "All prawns")</li> <li>Each region can do additional marketing at own cost</li> </ul>	<ul style="list-style-type: none"> <li>ACPF should manage the process and contributions, with help from FRDC as necessary</li> <li>Need to clarify the admin costs</li> </ul>	<ul style="list-style-type: none"> <li>Same as other PIERD Act industries – around 1-2% of GVP</li> <li>But start at say 0.5% and work up over 5 years so members can see what they are getting for their investment</li> <li>0.5% of GVP\$247million = \$1.235m = 5.7c/kg at beach</li> </ul>
<b>2. Port Lincoln</b> on 10 <sup>th</sup> July at the Ass'ns offices	<ul style="list-style-type: none"> <li>Prawn marketing is the highest priority – maintain / boost prices</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary contribution too risky - prefer Compulsory national statutory model. MOU/TBOA model has some weaknesses for large national sector.</li> <li>Either Input (c/kg harvest) or Output (ad valorem) contribution are acceptable. Output contribution is fairer due to range of prawn species and beach prices</li> <li>Incorporate diesel fuel contribution jointly to help members manage fuel price risk and get involved. Possibly use this to fund ACPF.</li> <li>Must use a sliding scale of rates for both compulsory contribution and diesel fuel contribution to ensure equity across all members</li> </ul>	<ul style="list-style-type: none"> <li>Prawn fishers +possibly processors +possibly importers</li> <li>Depends on what national generic marketing strategy is best</li> </ul>	<ul style="list-style-type: none"> <li>ACPF + FRDC</li> <li>Need to clarify the admin costs</li> </ul>	<ul style="list-style-type: none"> <li>Same as other PIERD Act industries – around 1-2% of GVP</li> <li>Start with 0.5% and build up over a number of years so members can see what they are getting for their investment</li> <li>Possibly charge importers similar rate</li> </ul>
<b>3. Perth</b> on 11 <sup>th</sup> Sept 2012 at WAFIC Office	<ul style="list-style-type: none"> <li>Prawn marketing is the highest priority – maintain / boost prices</li> <li>ACPF should have a Business Plan to ensure funding is spent on industry priorities</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary contribution too risky - prefer Compulsory national statutory model</li> <li>APPA legislation no longer active</li> <li>Need means to limit access by Woolworths/Coles etc to industry promotional funds – industry to control</li> </ul>	<ul style="list-style-type: none"> <li>Prawn fishers +possibly processors +possibly importers</li> <li>Depends on what national generic marketing strategy is best</li> </ul>	<ul style="list-style-type: none"> <li>ACPF + FRDC</li> <li>ACPF must control the Diesel Fuel program funds</li> <li>Need to clarify the admin costs</li> </ul>	<ul style="list-style-type: none"> <li>Use the Diesel Program to fund ACPF where possible</li> <li>Use a compulsory national contribution to fund marketing, promotion and national industry services</li> <li>Start Diesel /other contribution at high level to generate cash reserves to address any admin /marketing /promo /service issues ASAP</li> </ul>
<b>Consultation held jointly after alignment with National Prawn Market Development Strategy</b>					
<b>4. Brisbane</b> on 23 <sup>rd</sup> Oct 2012 at Hamilton	<ul style="list-style-type: none"> <li>Marketing, and possible addition of other industry services</li> </ul>	<ul style="list-style-type: none"> <li>Unanimous support for proposed marketing concept</li> <li>Heads of Agreement voluntary contribution – immediate start</li> <li>Transition to Compulsory contribution – start ASAP</li> <li>Refine the equity formula based on the proposed model</li> </ul>	<ul style="list-style-type: none"> <li>Prawn fishers and farmers only</li> </ul>	<ul style="list-style-type: none"> <li>ACPF + APFA under Heads of Agreement</li> <li>LRS/FRDC compulsory contribution</li> </ul>	<ul style="list-style-type: none"> <li>\$1.0 million</li> <li>Equivalent of 5c/kg</li> </ul>
<b>5. Townsville</b> on	<ul style="list-style-type: none"> <li>Marketing,</li> </ul>	<ul style="list-style-type: none"> <li>Unanimous support for proposed</li> </ul>	<ul style="list-style-type: none"> <li>Prawn fishers</li> </ul>	<ul style="list-style-type: none"> <li>ACPF +</li> </ul>	<ul style="list-style-type: none"> <li>\$1.0 million</li> </ul>



24 <sup>th</sup> Oct 2012 at Palmer St Hotel	and possible addition of other industry services in future	marketing concept <ul style="list-style-type: none"> <li>▪ Heads of Agreement voluntary contribution – immediate start</li> <li>▪ Transition to Compulsory contribution – start ASAP</li> <li>▪ Refine the equity formula based on the proposed model</li> </ul>	and farmers only	APFA under Heads of Agreement process	<ul style="list-style-type: none"> <li>▪ Equivalent of 5c/kg</li> </ul>
6. Port Lincoln on 30 <sup>th</sup> Oct 2012 at PL Hotel	<ul style="list-style-type: none"> <li>▪ Marketing, and possible addition of other industry services in future</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unanimous support for proposed marketing concept</li> <li>▪ Heads of Agreement voluntary contribution – immediate start</li> <li>▪ Transition to Compulsory contribution – start ASAP</li> <li>▪ Refine the equity formula based on the proposed model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prawn fishers and farmers only</li> </ul>	<ul style="list-style-type: none"> <li>▪ LRS/FRDC under compulsory contribution</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$1.0 million</li> <li>▪ Equivalent of 5c/kg</li> </ul>
7. Perth on 31 <sup>st</sup> Oct 2012 at WA Gov't Offices, Fremantle	<ul style="list-style-type: none"> <li>▪ Marketing, and possible addition of other industry services in future</li> </ul>	<ul style="list-style-type: none"> <li>▪ Very strong support for proposed marketing concept</li> <li>▪ Heads of Agreement voluntary contribution – immediate start</li> <li>▪ Transition to Compulsory contribution – start ASAP</li> <li>▪ Refine the equity formula based on the proposed model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prawn fishers and farmers only</li> <li>▪ Need to consider including all Australian prawns, including exported volumes</li> </ul>	<ul style="list-style-type: none"> <li>▪ ACPF + APFA under Heads of Agreement process</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$1.0 million</li> <li>▪ Equivalent of 5c/kg</li> </ul>
8. Coffs Harbour Fishermen's Coop on 1 <sup>st</sup> Nov 2012 at Coop	<ul style="list-style-type: none"> <li>▪ Prawn marketing is a high priority, but other services should be considered as required</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prefer Compulsory national statutory model – no other model will be viable in the wild sector</li> <li>▪ Output contribution is fairer due to range of species and beach prices. Need to ensure equity is achieved across species, fisheries, states, harvest methods</li> <li>▪ Diesel Fuel contracts (one for future fuel prices and one for bulk fuel purchase) should be pursued, possibly as separate opportunity to compulsory services contribution design</li> <li>▪ Need to ensure industry fishery cooperative entities are not penalised by introduction of national funding mechanism, and therefore loose current local cash flow streams from ACPF members (eg fuel supply). May need to do cost benefit for each Coop case, and enable rebate from ACPF.</li> <li>▪ Payment of a national prawn promotion contribution will likely result in reduced freezer storage charges. Coop freezer charges to ACPF members (thereby causing lower net beach prices) may be reduced if prawn promotion lifts consumer demand especially early in the harvest season</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prawn fishers + possibly processors</li> <li>▪ Importers have no role in "Australian Prawn" promotion</li> <li>▪ Initial MOU contribution arrangement will likely result in significant leakage from smaller fishers in east coast. Therefore need the Statutory contribution in place ASAP.</li> <li>▪ In longer term Australian wild industry may need to differentiate wild Aust. Prawns from farmed Aust. prawns – but not now. Focus now must be on single national generic marketing strategy</li> </ul>	<ul style="list-style-type: none"> <li>▪ ACPF is the likely manager – subject to the type of collection mechanism established</li> <li>▪ Joint ACPF-APFA MOU is good near term, moving to FRDC Statutory contribution ASAP</li> <li>▪ Need to clarify the admin costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ As per proposed <i>Love Australian Prawns</i><sup>®</sup> Strategy, the minimum should be ad valorem based (beach or pond GVP) and at the 2.5c/kg minimum (\$500k), possibly 5c/kg (\$1m)</li> <li>▪ Start both the ACPF/APFA MOU process and the compulsory contribution process ASAP</li> </ul>
9. Newcastle Commercial Fishermen's Coop, on 2 <sup>nd</sup> Nov 2012 at Coop	<ul style="list-style-type: none"> <li>▪ Prawn marketing is increasingly important to fishery and fisher viability</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compulsory national statutory model is likely to be the only model viable in the wild sector</li> <li>▪ The equivalent contribution rate of 2.5 cents/kg is likely to be acceptable</li> <li>▪ Need to show that net fisher costs will be significantly less as the coop will be able to move product to higher priced markets early in the season and therefore not need freezer capacity if prices are higher</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fishermen should pay the contribution and make the benefits</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proposed Heads of Agreement structure,</li> <li>▪ Transition to FRDC under compulsory contribution is acceptable</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not possible for attendees to answer this question, but if coop freezer costs can be saved, the 2.5 c/kg (\$500k) equivalent figure is acceptable and possibly the 5c/kg figure (\$1m)</li> </ul>
10. Cairns Commercial Fishers on 3 <sup>rd</sup> Nov 2012 at Cairns Yacht Club	<ul style="list-style-type: none"> <li>▪ Prawn marketing is a high priority, but other services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proposed Marketing concept is very good and supported</li> <li>▪ Compulsory funding model is only viable option</li> <li>▪ Start Heads of Agreement and Compulsory contribution processes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fishers of Australian prawns (farmed and wild-catch) should be the only payers of</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proposed Heads of Agreement structure and transition to</li> </ul>	<ul style="list-style-type: none"> <li>▪ 0.44% of beach price (equivalent to avg. of 5c/kg) is acceptable – may get significant leakage until</li> </ul>

	should be considered as required	immediately <ul style="list-style-type: none"> <li>There will be relatively high level of funds leakage from some east coast ports in the interim MOU period until the compulsory contribution starts in ~2014. But this may not be material in the whole scheme of things as the tonnages in some ports are quite small</li> </ul>	the investment contribution, and therefore should receive the bulk of the returns	FRDC under compulsory contribution is acceptable	compulsory contribution comes in
11. Hervey Bay, Qld on 12 <sup>th</sup> Nov 2012 at Boat Club	<ul style="list-style-type: none"> <li>Prawn marketing</li> </ul>	<ul style="list-style-type: none"> <li>Unanimous support for the marketing concept</li> <li>Unanimous support for Heads of Agreement and Statutory contribution processes to start ASAP</li> <li>Concern about the ability to engage retailers, truth in labelling for "Australian Prawns", and need to ensure increased margins are returned to fishers and farmers</li> <li>Process for collection and management of funds raised needs to be clear</li> </ul>	<ul style="list-style-type: none"> <li>Prawn fishers and farmers</li> </ul>	<ul style="list-style-type: none"> <li>Proposed Heads of Agreement structure,</li> <li>Transition to FRDC under compulsory contribution is acceptable</li> </ul>	<ul style="list-style-type: none"> <li>Unanimous support for 2.5c/kg (\$500k), and possibly 5c/kg (\$1mill.) based on further time to think it through</li> </ul>
12. Mooloolaba, Qld on 19 <sup>th</sup> Nov 2012 at Mantra Resort	<ul style="list-style-type: none"> <li>No response</li> </ul>	<ul style="list-style-type: none"> <li>No response</li> </ul>	<ul style="list-style-type: none"> <li>No response</li> </ul>	<ul style="list-style-type: none"> <li>No response</li> </ul>	<ul style="list-style-type: none"> <li>No response</li> </ul>
13. Cardwell, Qld on 21 <sup>st</sup> Nov 2012 in Cardwell	<ul style="list-style-type: none"> <li>Prawn marketing is the highest priority – boost prices</li> </ul>	<ul style="list-style-type: none"> <li>Unanimous support for the marketing concept</li> <li>Unanimous support for Heads of Agreement and Statutory contribution processes to start ASAP</li> <li>Concern about the small farmer's ability to benefit from the marketing program as they have to follow seasonal water temperatures</li> </ul>	<ul style="list-style-type: none"> <li>Fishers and farmers</li> </ul>	<ul style="list-style-type: none"> <li>Proposed Heads of Agreement structure,</li> <li>Transition to FRDC under compulsory contribution is acceptable</li> </ul>	<ul style="list-style-type: none"> <li>Unanimous support for 2.5c/kg (\$500k), and possibly 5c/kg (\$1m)</li> </ul>
14. Clarence River Fishermen's Coop, Maclean, NSW on 22 <sup>nd</sup> Nov 2012 at Coop	<ul style="list-style-type: none"> <li>Prawn marketing is the highest priority – boost prices</li> <li>ACPF can consider other services as necessary in the future</li> </ul>	<ul style="list-style-type: none"> <li>Proposed Marketing concept is very good and supported</li> <li>Compulsory funding model is only viable option for national marketing program</li> <li>Start both the Heads of Agreement and Compulsory contribution processes immediately</li> <li>Industry must be in control of the contribution rate and the investment priorities for use of the funds</li> <li>Potential equity issues for fishers of estuary prawns</li> <li>Need to enable local coops to use local brands under the <i>Love Australian Prawns</i><sup>®</sup> brand</li> </ul>	<ul style="list-style-type: none"> <li>Fishers of Australian prawns (farmed and wild-catch) should be the only payers of the investment contribution, and therefore should receive the bulk of the returns</li> </ul>	<ul style="list-style-type: none"> <li>Proposed Heads of Agreement structure and transition to FRDC under compulsory contribution is acceptable</li> </ul>	<ul style="list-style-type: none"> <li>0.44% of beach price (equivalent to avg. of 5c/kg) is acceptable – may get significant leakage until compulsory contribution comes in</li> <li>May also consider a higher initial investment rate to get the pool of funds built up quickly</li> </ul>
15. Northern Prawn Fishery on 27 <sup>th</sup> Nov 2012 at Novotel Airport, Brisbane	<ul style="list-style-type: none"> <li>Prawn marketing only</li> </ul>	<ul style="list-style-type: none"> <li>Ad valorem option is most equitable</li> <li>Start with voluntary contribution approach and demonstrate a positive return on investment before seeking industry support for a compulsory contribution</li> </ul>	<ul style="list-style-type: none"> <li>Fishers and farmers</li> </ul>	<ul style="list-style-type: none"> <li>Heads of Agreement (ACPF+APF A)</li> <li>Then transition to FRDC under compulsory contribution</li> </ul>	<ul style="list-style-type: none"> <li>Funding in Yr 1 should be sufficient to engage market and create change</li> <li>Proposed 0.22% is acceptable but NFP will determine its own contribution arrangements</li> </ul>
16. Sydney Office of Seafarm Pty Ltd	<ul style="list-style-type: none"> <li>Prawn marketing only</li> </ul>	<ul style="list-style-type: none"> <li>Ad valorem option is most equitable and should be basis for national contributions across differing prawn species</li> </ul>	<ul style="list-style-type: none"> <li>Fishers and farmers</li> </ul>	<ul style="list-style-type: none"> <li>Heads of Agreement (ACPF+APF A)</li> <li>Then transition to FRDC under compulsory contribution</li> </ul>	<ul style="list-style-type: none"> <li>Proposed 0.22% rate is acceptable but may be too low</li> <li>Need to ensure benefits are measured and equitable across payers</li> </ul>

## Appendix 3. Template of Tasks to Implement Service Funding Mechanisms

### A. Strategic Direction and Commitment

Industry must be the champion for this process. The process will fail without peak sector commitment and leadership.

Financing goals must be clearly defined and prioritised as an integral part of a coherent industry development strategy.

Without a clear link between industry strategic outcomes and stakeholder financing and investment return, industry members will not be motivated to provide their long term support to any subsequent contribution /funding proposal that is developed.

- Step 1.** - industry national/ peak body to identify and commit to a relevant high priority “industry service” goal/objectives (eg National “Australian Prawn” Strategy required to raise prices and volumes from 2015). Preferably the relevant goal will already be identified in a current national industry plan.
- Step 2.** - identify, describe and quantify the scale, scope and timing of specific national funding mechanisms proposed to achieve the stated goal (eg Prawn Strategy - min \$500,000/yr).

### B. Baseline Data and Value Proposition

**Step 3.** - build the baseline data and forecasts, and the value proposition framework for the funding mechanism that will achieve the stated Goal (see below).

#### a. Industry

- structure /species /supply chain /value chain /trade chain /trends /tonnage /GVP /competitive advantage,
- industry harvest access /licenses /production /productivity /chain metrics /margins /budgets /multipliers,
- industry and member database /level of awareness /industry landscape and geography /organization capability /employment profile /national leadership arrangements,
- case studies /other sectors /what works and does not /relevant background and history /champions,
- strategies /SWOT /securities /growth /service streams,
- existing funding streams for national states and local industries and entities,
- equity considerations related to potential joint investment by national industry members,

#### b. Government

- federal and state agencies /existing jurisdictional procedures /electoral cycle /politics /do-ability /timing,
- existing and potential legislation to support mechanism /all relevant jurisdictions /media,
- current and potential role of the FRDC /other national and state agencies and organisations,

#### c. Funding Mechanism Options

- value proposition /alternate options /risks and benefits /preferences /losers & winners /subsidies and offsets /spinoffs,
- design and release of comprehensive industry Briefing Paper to establish the facts /industry feedback.

### C. Communicate, Consult and Confirm

**Step 4.** - Consultation and engagement with industry and key external stakeholders to interrogate and priorities best funding options and mechanisms

- clear and comprehensive communication and engagement with all existing parties who are potential contribution payers and their organisations, cooperatives, etc,
- engagement with relevant Commonwealth, state and territory agencies, and an understanding of existing financing arrangements that will likely be impacted by the proposed contribution mechanism,
- population and external stakeholder sample /issues /engagement process /content /feedback,
- funding contribution options /preferences /statutory or MOU /who pays and who benefits /rate /mechanism /level of industry control /collection /noncompliance /leakage /timing /impacts on sample of members,
- government matching /external gearing /funds pool management /member polling /organisational governance /market and in the vestment planning /competitive tendering /project disbursements /impacts on existing funding streams,
- industry equity and governance - by species /sector /jurisdiction /season /target market /chain point, etc,
- ongoing costs for funding mechanism design /collection /mechanism adjustment /funding mechanism operation, etc,
- Identify, develop and test drive, preferred funding model, collection mechanism and investment plan,
- Industry and Peak Organisation Board confirmation of preferred option and mechanism.

#### D. Document and Draft

**Step 5.** - Progressively record and document – issues, consensus, and outcomes as a basis for final formal submission for approval by Industry, and or Government (in the case of a statutory funding mechanism).