

ORC Evidence Requirements for the Nursery Production Industry Annual Short Rotation Crops

There are three Owner Reimbursement Costs (ORC) Evidence Framework formulas for the nursery production industry:

- **Annual Short Rotation Crops Nursery Production** - This may include starter crops (seedlings, plug and tube stock production), annual and perennial potted colour, trees and shrubs (ornamental, fruit and vine, landscape, rehabilitation, etc.), foliage plants, palms, in-ground and mother stock (as per APVMA labelling) that are sold at less than 12 months of age.
- Bare Root Stock Production / Large Bare Rooted Plants that are sold at greater than 12 months of age.
- Root Stock Production / Large Rooted Plants that are sold at greater than 12 months of age.

Regardless of the formula used, the ORC Evidence Frameworks will only apply to growers from the nursery production industry. Retail outlets are not covered by these frameworks.

ORCs for nursery production of annual short rotation crops are calculated using the formula for Annual Short Rotation Crops (*Schedule 6, Part 4.4.12 of the Emergency Plant Pest Response Deed, 4 August, 2014*). This formula is: **ORC = (A - B) + C + D + E - F + G**

Revision history

Version	Date issued	Amendment Details	
		Element(s)	
Draft	Draft	All	Full revision of 2008 draft. Provided to NGIA for consideration and approval. Provided to Government Parties for endorsement 29 October 2014.
1.0	14 Nov 2014	All	Endorsed by NGIA, all Government Parties and PHA Board

	Definition of Elements from the EPPRD	Evidence Requirements <i>(in hierarchical order)</i>	Additional Information
A	<p>Estimated farm gate value of the Crop(s) destroyed = a * y * p</p> <p>a = area of Crop destroyed y = yield Or a and y might refer to number of units expected to be sold, such as a number of punnets of seedlings. The yield estimate is to take into account the type of Crop destroyed.</p> <p>IMPORTANT NOTE: Area and yield are terms not applicable to nursery bare root stock production. In this case,</p> <ul style="list-style-type: none"> • “a” equals the number of units of a particular species/variety. • “y” equals type of units expected to be sold as per container type such as pots, bags (including plastic wraps) and inground. <p>This aligns with the descriptions under clause 4.4.12 of Schedule 6.</p>	<p>Certification/assessment of the area and yield of Crop destroyed by an Authorised person using one of the following methods:</p> <ol style="list-style-type: none"> 1. Auditable business records of the number and type of units (e.g. numbers of plants at different stages of development and their breakdown if there are multiple types) of plants under production and their movement through a facility. 2. Where this is not available, the number and types of units of a particular species or variety will be determined by an on ground survey and plant count at the time of the incursion. 	<ul style="list-style-type: none"> - An on the ground survey, including a plant count and variety confirmation will be required to verify the area and type of crop to be destroyed at the time of the incursion. This will be carried out by an Authorised person. - There may be a number of different types and sizes of units moving through the facility (e.g. flasks, plugs, tubes, trays, punnets, pots, bags [including plastic wraps) and inground. These units may also be at different stages of production/development in different container sizes. - Crops are covered where they are still owned by the grower, even if in transit. This includes the scenario of a nursery crop losing its value because it is prohibited from moving off-site (not destroyed) or held at a transit point (not destroyed). - The jurisdictional legislative instrument (by whatever name) will identify the quarantine zone, and the Lead Agency must hold appropriate records of the area of crop Affected.
	<p>p = farm gate price. Either:</p> <ul style="list-style-type: none"> • the average market price for the season in the region or marketplace where normal sales take place; or • where there are signed contracts with the price stipulated on the contract, the contract price <p>Less any transport or selling costs.</p>	<ol style="list-style-type: none"> 1. The price for stock to be destroyed will be taken from the production nursery’s pre-existing product/pricing lists. 2. Where these lists are not available, or there is a large change in price due to the incursion, the price will be taken from the most recent price or invoice (excluding freight costs if these are not separately itemised), prior to the incursion. 3. Where production nursery records are not available, advice will be sought from NGIA on an appropriate Industry average for the Crop in question for the current year. <p>The normal percentage breakdown for stock destination will also be derived from records of the previous year.</p>	<ul style="list-style-type: none"> • Plant value may be based on Industry average although there are major differences based on plant species/variety, plant size/age, container size, business status and location and market). • Advice on Industry averages would take into account current prices at ‘Greenlife Markets’. Greenlife Markets, commonly referred to as wholesale plant markets, are trade-only businesses that supply Greenlife products to the landscape, horticultural, local government, retail nursery and development sectors. Greenlife products are sourced from a variety of production nurseries across Australia and are displayed for purchase by trade only businesses. Not all Greenlife products are available through this

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			<p>component of the supply chain.</p> <ul style="list-style-type: none"> • Recent invoices may also be sourced from customer records where available. • The price for stock will vary with the destination of the stock (e.g. production nursery, wholesale, retail, farmer, other end users). • This also includes things such as Plant Breeder's Rights (PBR) labels and normal labels purchased and stored as a redeemable product/business cost. • The plant species/variety determines the time the plant will take to reach a specific size. • There is no standard or uniform pricing due to the diverse markets and end users.
B	<p>= Harvesting costs plus any other costs normally associated with Crop production between the time of Crop destruction and selling or harvesting. This is to include normal treatment or packaging and handling costs on farm for some harvested produce (for example washing or dipping of products).</p>	<p>Assessment of the gross margin to be assessed on an individual Owner by Owner basis using auditable records and applying best practice and industry average costs where necessary (i.e. no records for some or all elements exist).</p>	<ul style="list-style-type: none"> • In this case, for production nurseries, harvesting equates to dispatch costs (picking, detailing, packaging). • Production nurseries in Australia have significant diversity in cropping and target markets. • The usual dispatch operations and costs for preparing produce for market include: <ul style="list-style-type: none"> o Product picking, grading and detailing o Labelling and staking o Packaging for shipment • The normal handling costs depend on unit type, species and end user. • Transport costs may not be transparent as they may be built into plant cost. Freight may not be included separately. The industry average percentage will be used if freight is not itemised separately. • Labels are purchased on the basis of plants grown and often royalties paid as part of label cost. The cost of the royalty would be included in "p".
C	<p>= Direct costs associated with the Response Plan incurred by the Owner but not normally incurred as a production expense — including cleaning of equipment or glasshouses etc.</p>	<p>This will depend on what the Response Plan requires and will need to be calculated on an Incident by Incident basis with costs estimated using standard local or regional contract prices as appropriate.</p>	<ul style="list-style-type: none"> • Required actions/treatments by Owners need to be specifically defined in a Response Plan. • The legislative order needs to specify the actions/treatments required by the Owner.

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		<p>Assessment of the dispatch and any other costs normally associated with Crop production to be assessed on an individual Owner by Owner basis using auditable records and applying best practice and industry average costs where necessary.</p> <p>A schedule of costs additional to these, where required by the Response Plan, will be developed by the Lead Agency in conjunction with NGIA at the time of the Incident.</p>	<ul style="list-style-type: none"> Loss of breeding stock (this includes mother stock) in a research/breeding program is included here and not in “G”. Where mother stock is replaced on a rotation basis, values are to be depreciated accordingly. This includes seeds, bulbs, corms, etc, plant and container destruction and disposal as required in the Response Plan unless these costs are factored in elsewhere in the Response Plan.
D	<p>= Replacement value of any capital items destroyed as part of the Response Plan.</p>	<p>Replacement value of any capital items destroyed will depend on what the Response Plan requires and will need to be calculated on an Incident by Incident basis.</p> <p>Prices will be sourced from suppliers like:</p> <ul style="list-style-type: none"> Landmark; Elders; Roberts; or Other specialist suppliers at the time of the Incident. <p>Costs are to be determined in accordance with a schedule of market values for items expected to be destroyed, replacing like with like, and agreed by Relevant Parties at the time of developing a Response Plan.</p>	<ul style="list-style-type: none"> The legislative order needs to identify the item requiring destruction. Known capital items requiring destruction need to be specified in a Response Plan. However, some items cannot be replaced until the fallow period ends. The price of these items is likely to increase during the fallow period. As such, an appropriate rate of input price inflation must be determined and applied to these prices. Subsequent values are then depreciated. Replacement value of any capital items destroyed as an unintended consequence of an eradication program need to be included in this element, but will not necessarily be specified in the Response Plan. Unintended destruction of capital items will be dealt with on an Owner by Owner basis. Capital items could include: <ul style="list-style-type: none"> Weed mats Shade cloth Pumps and irrigation equipment Gravel Structures such as shade houses and polyhouses Raw inputs such as growing media, propagation media
E	<p>= Loss of profits from a Response Plan requirement to fallow land or keep glasshouses empty.</p> <p>These ORC are only available where the Response Plan requires a fallow period that</p>	<p>Assessment of the gross margin to be conducted on an individual Owner by Owner basis using auditable records and applying best practice and industry average costs where necessary (i.e. no records for some or all elements exist).</p>	<ul style="list-style-type: none"> If a period of fallow is not required by the Response Plan, E does not apply to ORC. Time lags of production in cases of mother stock destruction as well as time requirements for importation and quarantine of new stock if it is

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	<p>exceeds ten weeks and are to be restricted to loss of profits for a maximum of three years. Profits are to be based on standardised gross margins data from State/Territory departments of agriculture, based on 'best practice'. However, in some cases, for example where glasshouses are involved, profit estimates may need to be based on documentation of profits from previous years.</p>		<p>required should be taken into consideration.</p> <ul style="list-style-type: none"> • The primary goal should be to reduce the costs of the Response to all Parties including the Affected Parties. There needs to be a mechanism to enable people to remain productive when there is an incursion. An alternative Crop could be considered by growers, as the first option to enable them to remain productive. Where the response allows, suitable alternative crops will be identified from business records for previous crops produced (Note: Some previous crops may no longer have a place in the market due to superseded varieties, weed declarations, etc). • Forward order contracts should be considered against the potential return of a substitute crop used to replace the destroyed Crop.
F	<p>= Profits that could be earned from the next best alternative enterprise, produced with the same resources, on the land where the Crop is destroyed and permitted by the Response Plan - as determined in accordance with the definition of 'F' in clause 4.4.11.</p>	<p>A standard Schedule of regional gross margins will be used to estimate costs on 'best practice.' This will be determined by State/Territory Agriculture Departments in consultation with Relevant Parties.</p>	<p>Similar to "E" and should be considered together. This should take into account the level of the grower's expertise for the selected crops and available and profitable markets.</p> <p>If bare fallow is required, F does not apply.</p>
G	<p>= Value of any stored produce on farm destroyed as a directive of the Response Plan — as for annual broad acre Crops.</p>	<p>This will depend on what the Response Plan requires and will need to be calculated on an Incident by Incident basis.</p> <p>Price and yield to be determined using the applicable method as described in 'A'. Amount of stored product can be determined by inspection at the time of the Incident.</p>	<ul style="list-style-type: none"> • Stored product might include budwood, bulbs, seeds, corms and rhizomes for future production. • Loss of breeding stock in a research / breeding program is included in "C".