

## Legislative Council Select Committee Inquiry into Poppy Industry

Statement by Jarrod Ritchie 23 April 2013

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### A. INTRODUCTION

Dear Chairman and Committee,

Thank you for the opportunity to appear before the Select Committee.

By way of introduction, I would like to provide some background on TPI, talk briefly about the international market place and Tasmania's role both now and in the future and discuss the fundamental question before the Committee.

If the Committee wishes, I will then respond to any questions arising from the previous hearing.

I am the Founder, Chief Executive Officer and Managing Director of TPI Enterprises Ltd. I am in somewhat of a unique position, in that I have also been a senior executive at GSK's Opiates Division and therefore have senior experience with two of the three Australian Poppy processors.

I resigned from GSK to start TPI as I saw enormous opportunities in this industry based on the nature of the oligopoly operating in the sector, which was either unwilling or unable to introduce innovation and change. This combined with enormous organic growth potential predominantly due to an ageing demographic offered significant potential business growth.

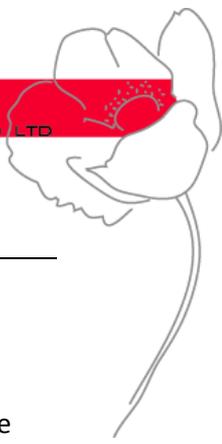
I have spent my whole professional career working in the licit narcotic industry, now coming up to 20 years.

I am passionate about and committed to this industry because of its important role in global pain relief and the consequent reduction in human suffering.

TPI's manufacturing facility is located just outside of Cressy and it has a sales office based in Europe.

As CEO, I am responsible for the safety and livelihood of 70 full-time employees and have been directly responsible for the investment in Tasmania of over \$80 million since 2007. Our current annual salary expenditure is approximately \$5 million.

At the end of the 2013 harvest we will have directly contributed \$36 million to the farm gate since 2007. This \$36 million would not have gone into farmers' pockets without the Government's decision to license TPI in 2007.



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The Government's decision was taken in the face of strident opposition from the incumbent processors and, surprisingly, some farmer representative groups with vested interests.

In 2007, TPI was granted the license to commence commercial production of licit narcotics on the basis of a promise by TPI that we would invest approximately \$80 million dollars over 5 years and employ 40 staff. TPI has, I am proud to report, exceeded these promises.

More than 140 Australians have invested in our business, including members of Australia's business elite. Most are small-scale supporters of a company willing to have a go, others are distinguished people from medicine and science who are passionate about innovation, more particularly Australian innovation. Our shareholders include a growing number of Tasmanians who support a locally owned and managed participant in this industry.

TPI is the only Australian-owned company in the industry. Our profits are reinvested in the State and stay in the country.

While we are tiny relative to GSK and Johnson and Johnson, TPI I believe, has punched well above its weight, with regard to innovation in both the processing and growing areas.

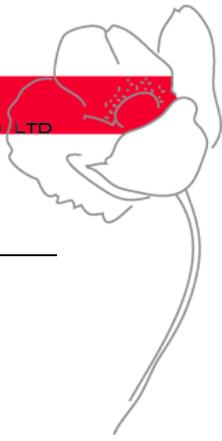
TPI is the first and only processor globally to extract and purify narcotic alkaloids using a water-based process. The Company does not use toxic petroleum-based solvents. As a result, TPI has significant, sustainable health, safety, economic and environmental advantages.

This represents true Australian innovation, created and developed here in Tasmania.

This innovation is now globally accepted in our Industry as the next generation of processing technology. It has resulted in TPI having two foreign acquisition offers placed on our table. Both have been rejected.

The staff behind this innovation and the investors who provided the risk capital are very proud of the Company's achievements.

I will leave this introduction to our Company here. I would now like to comment on the issue of importation. I would be very happy to provide any further information the Committee would like about TPI.



## **B. IMPORTATION OF POPPY STRAW**

TPI understands this is an issue of public interest.

TPI established its operations in Tasmania based on the State's capabilities in the production of poppy straw. Since inception we have had a policy of sourcing our raw material from Tasmanian growers.

Our policy is, and remains, to source straw first from Tasmanian growers.

Our business is simpler, better and more profitable when that happens.

We work closely with Tasmanian growers, specifically the TFGA, to meet demand and maximise yields and returns across the industry.

But the critical factor in this industry – like most others – is the customer.

Customers need to have their orders met or they will source from alternative suppliers.

They demand the product they ordered, delivered on time and to the standards they require.

They do not care where the straw comes from, what the assay of the straw is or the yield per hectare, importantly they never have.

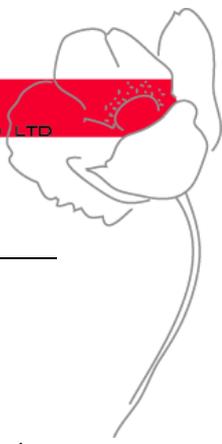
These issues are the responsibility and the concern of the processor.

The potential for Tasmania's reputation in Vienna to suffer as a consequence of importation will never be a concern raised by industry including customers, quite the contrary.

The issue of reputational damage is a self-serving myth perpetuated by the PGT and the PACB, these two groups never have to actually participate in the NRM sector and should not pretend they do.

Our customers are only interested in the quality, price and certainty of supply.

Much has been said about Tasmania's place in the global opiates market. I would like to provide the Committee with TPI's views on this matter.



### C. TASMANIA'S PLACE IN A GLOBAL CONTEXT

There is one critical and indisputable fact that needs to be stated:

Tasmanian-grown pharmaceutical opiates are indistinguishable from opiates grown and processed at other locations around the world.

While Tasmania currently produces the highest kg/ha globally this is of no commercial or economic benefit unless the material can be reliably supplied at a competitive price.

The PGT would have the Committee believe that Tasmania is leading the world in terms of agricultural efficiency. Analysis of citable INCB shows that this is clearly not the case.

The State's commercial advantage does not stem from its agricultural advantages. It is based on the fact that it has two highly efficient companies processing in the State.

Surely no one who has made a submission to you would suggest for a minute that if the processors were all located in Victoria we would source our poppies from Tasmania based on its sustainable agricultural advantages.

We would not. We would grow in Victoria. This crop does not require a 'market garden' approach, as has been misleadingly suggested to you.

Any beliefs that the expansion of Victorian growing acreage will see GSK maintain a major presence in Tasmania in the medium-long term is naive.

I have read the transcripts of the preceding hearings. I can understand the concern and anxiety among growers, and while I can empathise with their perspective, anxiety cannot be allowed to determine the future of the industry in this State, this happens all too often in Tasmania at the expense of jobs.

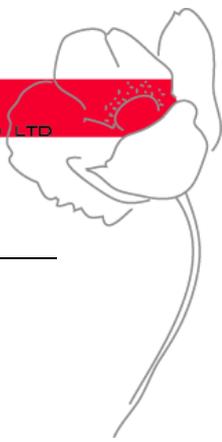
Quite simply, this is a global industry undergoing significant growth and change. This change is unstoppable and it is beginning to have an impact on the Tasmanian industry.

Understandably, there are stakeholders who do not understand the change, and are fearful and angry because of it. They will say or do anything to prevent the change and/or to stop this ill defined threat.

However, let us all be very clear, change is only threatening if it is ignored.

Tasmania, like many other regions around the world, has experienced the chain of events that are inevitable when industries choose to turn their backs on change.

Tasmanian Alkaloids' submission clearly identifies the greatest threat to the Tasmanian poppy industry: "If [the] poppy processing industry in Tasmania is denied the flexibility to import some of its



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*raw material from other locations then over time decisions will tend to be made which gradually relocate the processing elsewhere”.*

It is not imports, but the lack of imports that threaten the Tasmanian industry.

Change creates opportunity. In this instance, Tasmania finds itself in the rare position of sitting in the driver’s seat in pole position.

Much of the testimony I have heard reflects ill-defined fears, rather than a determination to optimise the opportunities created by the change that is inevitable. If ever there was a time to quote *Don Quixote* it is now:

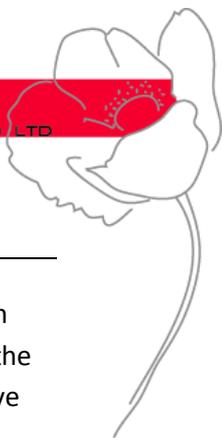
*“Do you see over yonder, friend Sancho, thirty or forty hulking giants?” .*

We all know how the passage ends – with Sancho informing Don that they are windmills not giants. There was no real threat, just an imaginary one. The PGT is truly “tilting at windmills” on this issue.

There are other threats to the Tasmanian poppy industry that are real, and these threats cannot be ignored, however importation is not one of them.

For example:

- a. In June last year Tasmanian Alkaloids’ “high thebaine Norman poppy” patent was challenged in Europe, resulting ultimately in the revocation of the patent. The result is that Tasmanian Alkaloids’ IP can now be used (legally) in crops grown in Europe.
- b. Tasmania bears the greatest regulatory burden of all of the processing countries, of which there are 9 and soon to be 11 (once you include NZ and Canada). TPI has had incessant problems in dealing with the PACB. We have presented our views on the best framework for the management and growth of our industry to Mr John Ramsay.
- c. UK growing is now commercially viable. Yields of 13-15 kg/ha are being reported. The Tasmanian average is not that much higher. The UK growers can supply cheaper raw material than Tasmania when freight and operating costs are factored in.
- d. Portugal has conducted very successful trials and has approved its first commercial crop this year; it will be expanding rapidly over the next few years.
- e. GSK Opiates Division (Chemicals) has recently had significant financial difficulties. The Division has been put up for sale twice in the last 10 years. In 2006 the Opiates Division reported a \$100 million write-down. In my opinion, the parent company would divest them in a heartbeat if they could find a buyer as the Division is not profitable and is considered non-core.



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- f. All that being said, there are a number of efficiencies that could be introduced in Tasmania, but these are not being pursued quickly enough, due to a belief that the industry here is immune to competition. We suffer from inefficient and expensive harvesting; over-reliance on field services and poor coordination of support services; and in the view of the Tasmanian Ombudsman in his 2007 Annual Report, "*an anachronistic regulatory system*".
  
- g. Finally, as I deal with some of Australia's leading investors, one of the greatest risks of vocal, unsubstantiated attacks on a Tasmanian company is the fact that it reinforces mainland views that Tasmania is not a place in invest in, and that it is not business friendly. Reckless headlines comments made by the PGT such as "*Poppy War*" and references to the Taliban when referring to the PACB levy are unhelpful to Tasmania in the extreme, as it implies that the lunatic fringe is unavoidable in the State.  
I cannot overstate the harm these comments do to Tasmania and the ability for it to attract investment.

Tasmania is not the lowest cost producer of poppy raw material. It is the highest kg/Ha producer, but operating costs override this single advantage. Tasmanian growers have no special, guaranteed place in this global industry – they must compete like the rest of the world.

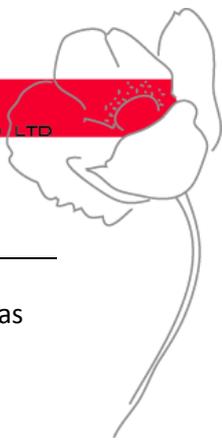
Any alternative view is unrealistic and one that will lead, in a relatively short time, to this great job-creating and investment-attracting industry moving to places where poppy growing and processing is demonstrably welcomed and not obstructed by anachronistic, bureaucratic structures and inefficient agricultural conditions. Significant job losses will follow and investment capital will follow the industry to different locations.

Deep down the PGT knows that there is already a real supply problem in Tasmania.

Now is the time to work together, not just processors and growers, but the PGT and the TFGA. I would personally like to see one grower body representing this industry, and it needs to be a body that isn't conflicted by its reliance on one source of levies. Many farmers agree with this view, including TPI's neighbours the Bayles brothers.

A cooperative approach is currently being facilitated by the Tasmanian Government through the Poppy Industry Strategic Review. I would like to take this opportunity to urge the PGT, in particular their CEO, to bring attendees who are free from political conflict and to truly contribute to this important Review. It is not a time for boycotts and walk-outs – it is a time for cooperation and constructive dialogue on a plan for our industry's future.

The industry is unlikely to return to the highly profitable days of 2002 in the near to medium term, when the price per kg was 30 per cent higher than it is today. Those days are gone as long as the Australian dollar trades above parity with the US dollar, compared with the 0.55 level that it was back then.



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Despite all three processors supporting the necessity of importation, this is still being presented as solely a TPI issue.

I am sympathetic to the difficult position the PGT is in. However, this is a commercial issue that needs to be addressed pragmatically and realistically to ensure a sustainable and prosperous industry in Tasmania.

The Committee has heard testimony from the PGT and its supporters that is demonstrably untrue. Let me reiterate, their testimony is not arguable, it is demonstrably untrue.

The PGT statements and submissions are without reference to any citable facts. Their claims are ephemeral, and rely on emotive rhetoric such as “reputation”, “respect”, “United Nations”, “Vienna” “proliferation”, “Inter-Governmental Agreements (IGAs)” and “trust”.

They have consistently personalised this debate. To the extent that on pg 4 of their submission to the Committee they state in bold font “ **the message from the proponent that it cannot source material for its needs from Tasmania, is that this message has created a self fulfilling prophesy of supply failure for the entire industry.**”

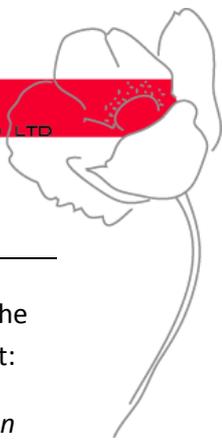
Simply the PGT assert, TPI is to blame for not only its supply issues but those of GSK and Tasmanian Alkaloids.

I understand it is very difficult for The PGT to gather information and to establish the facts as they are a small organisation without the resources of either the processors or the TFGA.

Glynn Williams in his testimony acknowledges as much when he said: “*Issues of commerciality are really beyond my knowledge*”.

I would like to take this opportunity to place on the record some critical, compelling and irrefutable facts:

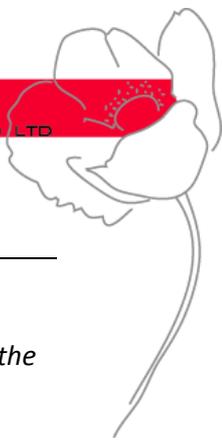
1. We trade in a free market. We compete on three parameters – price, quality and reliability of supply. The PGT suggests otherwise, and this is clearly false. While it is a prerequisite to be licensed, it is a free market and we are all subject to the competitive forces that prevail in a free market. The only two countries that have a protected spot in the world are India and ironically Turkey. These two countries are traditional suppliers and have unique access to the US through the 80:20 rule.
2. India is a great example of what happens to an industry that believes it is immune from competition and hides behind agrarian or other protectionist mechanisms (as the PGT believe Tasmania should). Opium exports have dropped from 550 tonnes 1 decade ago to 300 tonnes in 2010. Companies do not want to pay for expensive impure opium, when cheaper purer NRM’s are available.



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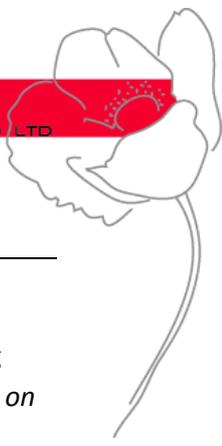
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3. There is a supply shortage. Tasmania has had a number of very difficult growing years. The PGT would have you believe this is not the case but this is, again, demonstrably incorrect:
  - a. In GSK's submission they state: "*Chronic drought, followed by the wettest year on record (2010/11) has led to decreased supply reliability*". The submission also states: "*...resulting in a loss of revenue growth and market share we may have otherwise secured*".
  - b. Adverse weather is not a new occurrence. In 1999 Tasmanian Poppy Growers Association president Wayne Smith called the 1999 season "pretty disastrous" for the valuable industry.
  - c. GSK also notes:
    - i. Overall demand growth cannot be sustainably met by simply increasing land area in Tasmania.
    - ii. The existing difference in productivity between the top and bottom quartile of land is already at unsustainable levels.
    - iii. GSK's very transparent graph regarding Crop Yield gives an insight into the difficulties the processors are experiencing:
      - In summary, the graph reveals the stark contrast across the state. The bottom 20% of there are is yielding a 1/3 of that of the top 20%.
      - Over 50% of their area is achieving ½ the yield/Ha of the top 20%
    - iv. On 12 March 2009 on ABC Rural, Dr Mike Doyle stated: "*Tasmania can't meet the increasing demand for crop*".
    - v. In 2009 Rohan Kile in the Warrnambool Standard was quoted as saying: "*Conditions in the last three years meant the company had not met production budgets*".
  - d. Tasmanian Alkaloids has also confirmed that supply is a major issue:
    - i. Mr Rick Rockcliff in ABC Rural News in Oct 2009 stated: "*Supply risks and recent shortages of poppies from Tasmania have prompted the trial (in New Zealand)*".
    - ii. He goes on: "*We've had trouble sourcing all the material we have wanted in Tasmanian for quite a number of years now*".
    - iii. "*There is a very large difference between the best results and the average*"



- iv. He continues: *“ if anything, it enhances our Tasmanian position by guaranteeing we have an adequate source of material for 12 months of the year-something we haven’t been able to do over the last few years”*
- v. In the Rural Report dated 8 August 2012, Rick Rockcliff stated: *“With 30,000 Hectares contracted this year, Tasmania is reaching its sustainable limit for growing poppies now”*.
- vi. On March 6, 2013 on ABC’s Tasmanian Country Hour: Mr Sereda stated *“Our main concern is whether or not Tasmania can in fact provide enough raw materials for our site in Westbury”*.
- e. Mr Glynn Williams, in The Examiner January 27, 2011 (after the floods of January 14) was quoted as saying, *“Producers faced a 40% loss on what the crops was worth.”* So devastating to the crops were those floods that Tasmanian government gave \$5,000 of immediate relief to farmers and a further \$20,000 to those who were eligible.
  - i. Not only did farmers lose 40% but so too did producers
  - ii. To give you some sense of perspective this was TPI’s fourth year of growing
- e. There is also the farmer’s perspective. Mr Malcolm French (winner of the Top Crop for Tasmanian Alkaloids in 2012) was referred to in a news story (The Examiner, May 16, 2012) where it was claimed that Mr French grew about 50 hectares of poppies in 2012 but was unlikely to increase that area next year, despite Tasmanian Alkaloids increasing its contracted area by 25% to 17,000ha. Mr French stated: *“We don’t have the land”*.
- f. Other cropping industries have also acknowledged the need to move to Victoria: Botanical Resources Australia (Ulverstone) CEO Mr Ian Folder in ABC Rural 2008 was quoted, *“We will continue to have our dominant source of supply coming from Tasmania but we're finding it too difficult to expand at the rate we want to expand at”*.

*“For example we’ve looked at returning into the Southern areas but a lot of those growers have alternative options and there wasn’t the level of enthusiasm there that warranted us continuing.”*



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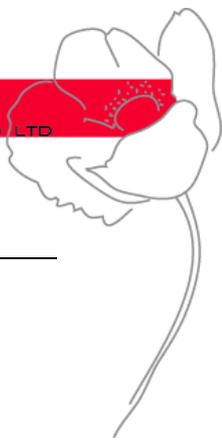
- h. Even the PACB believes that the area is tight. In the last three years the letter received from Mr Terry Stuart regarding our growing approval had the following sentence included and I quote *"I can indicate that there will be obvious pressure on available and suitable hectares this season, with a total combined [X\*] ha being approved for licensing."* In the years before 2011 they did not have this sentence included.

*\* denotes different figure each year*

- i. Another example which rejects the notion of additional land availability is the situation with regard to crop rotation.
- j. It is common knowledge that poppies should be grown on a 3 or 4 year rotation. However, the industry is acutely aware that rather than move to more marginal land, the farmers are using shorter and shorter rotations.
- k. Mr Glynn Williams himself in The Examiner dated 24 May 2012 stated, *"It is important to mention both Tas-Alk and GSK are concerned about short rotation cropping (growing poppies with only a one or two year break in between). This has been occurring in a number of areas and leading to significant reduced returns for both the farmer and company"*.  
This rebuts any suggestion that there is abundant land and that this is a TPI-specific problem. If more productive land was available this practice would be unnecessary. TPI itself has at least 10% of our area on short rotation land.
- l. And finally Tasmanian Alkaloids have confirmed that they imported 10,000kg of Morphine, ironically from Turkey in the 1990's when agriculturally Tasmania didn't deliver. TPI has sought to import twice this amount and the PGT suggest TPI's importation is somehow different.

4. In the face of these facts how can the PGT maintain such an untenable position? Instead of adopting a position that reflects the otherwise universal view that there is a shortage of viable land, the PGT blames TPI for not only its supply shortage, but that of GSK and Tasmanian Alkaloids.
5. The TIAR report and the Macquarie Franklin report both support the fact that land availability is a major issue that will become increasingly problematic as demand increases globally.

Both of these reports should be reviewed in their entirety. These are not reports from which you can select some facts that you like and ignore others. These reports are not a buffet from which to choose your favourites, as the PGT has done.



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The PGT seek to grab sound bites to support an unsupportable position. This approach is doing a great injustice to the farmers who rely on their judgement to make sound decisions about their future.

The PGT are painting a picture to the farmers which gives them a false sense of security, one which creates a climate of complacency and a reluctance to accept and implement change. My experience with the farming community is that they are pragmatic operators. They want to know the facts as soon as possible, unvarnished, so they can plan for the future.

They do not want surprises as they experienced in 2006 with GSK growing only 2000Ha and in 2003 with Tasmanian Alkaloids pulling out completely of the northeast of the State.

I would like to give a considered review of the reports for the Committee and for the record.

THE TIAR report stated the following:

1. There are 65,000Ha available to grow poppies. That was the sound bite used by the PGT.
2. Importantly the report broke down those 65,000 Ha into areas with reference to reliability:
  - a. Class 1 (490Ha) 1 in 3 year rotation
  - b. Class 2 (1,933Ha) 1 in 3 year rotation
  - c. Class 3 (7,798Ha) 1 in 4 year rotation
  - d. Class 4 (54,845Ha) 1 in 6 year rotation

Class 4 land is described as *“Land marginally suitable for cropping. Frequently has severe limitations of both physical and structural nature. Cropping rotations should be restricted to 1 or 2 years in 10”*.

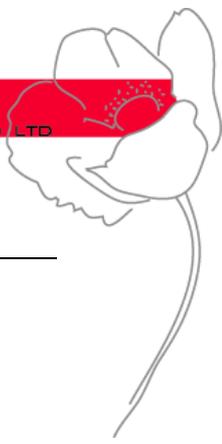
This report clearly states that while there are 65,000Ha available, yet by breaking down that area into reliability, it also states that 85% of that land is described as Class 4.

On page 4 of the Report, it foreshadows that it may have overestimated the area. The Macquarie Report indeed reduced the total available area down to 45,000Ha.

The risk of growing on Class 4 land is widely acknowledged.

Mr Johnston in his oral submission to the Legislative Council (page 39 of the Morning Session) made the following statement: *“In my own personal situation I am growing on class 4 land, some class 5. This year was a good year to get away with it.”*

Therein lies the problem: 85% of the 65,000Ha (available area) is class 4 land, farmers themselves concede that it is risky and this year, to quote a farmer: we got away with it.



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Both the industry generally and TPI in particular cannot afford to have 85% of our raw material supplied from an area in which we rely on being able to *'get away with it'*.

Tellingly over the last five years the Tasmanian industry has not got away with it.

Mr Rohan Kile from GSK has stated they consider the East Coast to be too high a risk, and based on the fact that TA are not there either suggests they too take a similar view.

Yet this area is included in the TIAR report. It is an area that TPI supports solely (we have grown over \$4 million dollars of crop in an area that would otherwise not be growing poppies).

In fact on page 4 of the Macquarie Franklin Report they remove the whole of the east coast, including Mr Greenhill's area for not being a viable area.

For the record, TPI will continue to support the East Coast and give the farmers a choice they would not have without TPI.

Tasmania, as noted by GSK and Tas Alkaloid, is already at full capacity. That is not to say it cannot be expanded, it will be where possible, when possible.

The Macquarie Franklin Report provides even more insight into the farming situation.

Firstly it downgrades the area from 65,000Ha to 45,000Ha. Those who have looked at the Report superficially (as the PGT have done) could be forgiven for claiming that this means that an additional 15,000Ha are available now and this is a good news story.

The Report does not say this. Any objective review of the Macquarie Franklin Report would quickly dispel such a statement as vacuous and misleading.

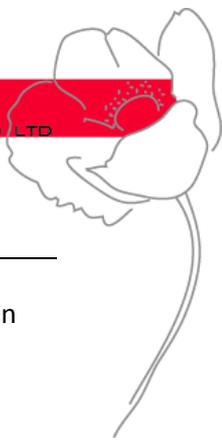
It does state that expanded irrigation schemes could increase the current 30,000Ha by 6,000Ha, especially in areas associated with the Southern and Northern Midlands.

This expansion capacity is not currently available.

The Report also states that 17% of current growers reported growing more than their suggested or sustainable area. It goes on "They indicate "overwhelmingly" they would not grow poppies at all for the next several years – this is how they manage their rotation. "

This translates to a loss of 5,100Ha of area from the 30,000Ha currently being grown due to over-commitment of area above the sustainable rotation.

So already the Report states that the 30,000Ha is likely to decrease to 25,000Ha next year due to growing beyond a sustainable rotation. 6,000Ha is potentially available above the 25,000Ha but it is not yet possible due to a lack of irrigation infrastructure.



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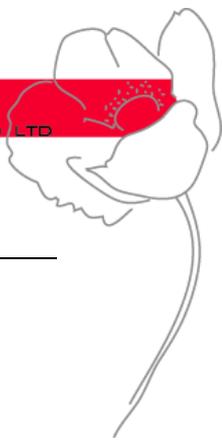
Most alarming of all is the fact, that in this Report (part-funded by the PGT) there is no mention in the body of the Report (the first 24 pages) that 5,500Ha per year (1 in 6 year rotation) of the 45,000Ha has been added to the TIAR report based on the addition of Class 5 land (refer to Appendix A).

That is, 5,500Ha of the 45,000Ha is Class 5 land. Class 5 is worse than Class 4.

If it could get any worse.

In summary, when taking all the information presented, this Report unequivocally states that unless you include even worse land than class 4 next year, or until further irrigation infrastructure is implemented then there is no further area available.

This confirms what the industry is saying. There is not enough sustainable land to support the industry's growth.



#### **D. TPI'S RELATIONSHIP WITH THE FARMER**

Much has also been said with regard to TPI's relationship with the farmers.

Chairman, committee members, I am sure that as politicians you would accept that you cannot make everyone happy. In fact Mr Chairman you yourself have had much criticism in the Tasmanian Times prior to your last re-election.

Despite commanding an 80% vote for your re-election, you had 20% against you. If I paraded the 20% before you it would not be a pretty picture. In your first year you won with just 30% of the vote.

We understand the PGT are a small grower group and it is not surprising they do not support us as we will not collect levies for them.

As Jan Davis notes, the relationship between grower and producer has by its very nature an undercurrent of friction. That is the nature of a free market.

TPI's position is clear:

TPI does not and will not collect levies for the PGT.

TPI believes the PGT have consistently misled the Tasmanian farming community, they have no place at the INCB and should cease to purport they do.

The imposition by the PGT of a "Vienna tax" on farmers at a time when efficiency and cost effectiveness is dramatically required is inappropriate in the extreme.

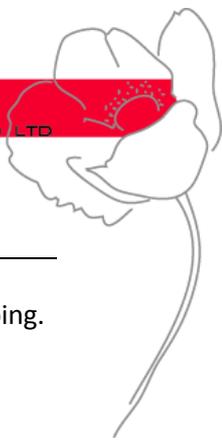
The PGT are a splinter group from the TFGA and should rejoin the TFGA to unify the growers, rather than dividing them.

It should be no surprise therefore to the committee that with TPI having such views the PGT do not have kind things to say about us.

There are some farmers who will only grow for us, there are some that will only grow for Tasmanian Alkaloids and some will only grow for GSK. We support the grower's ability to choose who they grow for.

It is a well known fact that in the last couple of years Tasmanian Alkaloids have attempted to get area in the northeast of Tasmania. After abandoning the area in 2003, farmers are extremely reluctant to give them a go. This is the nature of the industry and the right of the farmer.

We have approx 150 farmers. We had over 200 farmers attend our grower's night last year. Our Top Morphine Crop in the 2012 harvest was the best Morphine crop in the state. Our TPI top crop beat the Tasmanian Alkaloid crop for the 2012 harvest and gave GSK a whipping.



**Statement for Legislative Council Select Committee** Jarrod Ritchie 23 April 2013

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This year, on the same property I am informed that the Tasmanian Alkaloid crop gave us a whipping.

Such are the vagaries and cycles of agriculture.

TPI continue to bear the risk and cost of growing in marginal areas such as the east coast.

We have some brave growers come out in public support of TPI. I have had many conversations with growers who support TPI as a small Australian company and are thankful for our presence in this industry.

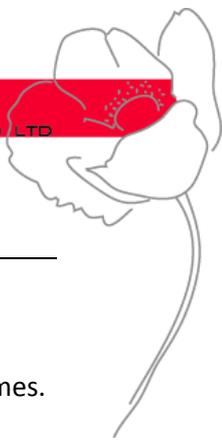
They are thankful for the additional \$34 million we have injected into the State at the farm gate.

They are thankful we put up the average price by 25% in our first year. The price of alkaloid in 2006 was approximately \$114/kg. It is now closer to \$160/kg, this is due to competition.

TPI has a very strong and robust relationship with the TFGA, we do not always agree, nor should we. Importation is one area in which we do not agree. We do not agree based on a respectful and factual dialogue.

We do not support PGT as it is our view they did not support TPI's original application at the requests of GSK and Tasmanian Alkaloids.

They are, by the nature of their levy structure, heavily conflicted and compromised. A recommendation I would ask the Committee to consider is that levies should not be collected by companies as this compromises the grower's representative body, especially when they only represent one crop as in the case of the PGT.



## **E. SUMMARY**

In conclusion I would like to say that agrarian protectionism is a weak argument at the best of times.

This industry is undergoing a transformation, one that offers great opportunities for those willing to grasp the nettle. For those seeking to remain in the past these changes represent a great threat.

My local competitors have acknowledged that Tasmania must accept imports of poppy straw to sustain production.

In other words, demand for our products is not determined by either the weather in Tasmania or the preferences of our farmers for the uses they choose to make of their land.

Put simply, the choice Tasmania has to make is between allowing imports to bolster local industry or seeing processing and ultimately growing happen elsewhere.

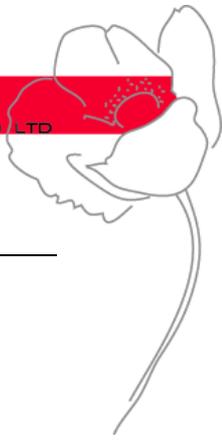
Demand for pharmaceutical opiates is growing. The demand will be met from suppliers somewhere in the world.

Tasmanian agricultural conditions and preferences will never determine the demand and supply of pharmaceutical opiates.

What Tasmania can determine, however, is how much of this international market it wants to secure.

But it can only do this if it makes the right decisions about the industry's growth and development.

Any other course will see this industry lost to this State.



APPENDICES

Figure 1. INCB data for kg/Ha for the main producer countries in Morphine

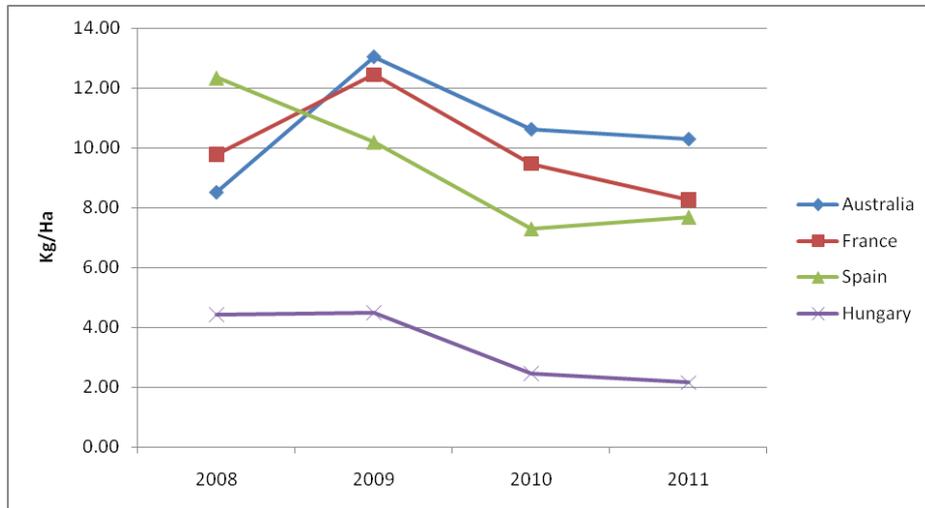


Figure 2. INCB data for kg/Ha for the main producer countries in Thebaine

