



BIOSECURITY PROTECTION LEVY

April 10 2024

Senate Rural and Regional Affairs and Transport
Legislation Committee for inquiry into
*Agriculture (Biosecurity Protection) Levies Bill
2024 and related bills.*



Table of Contents

About AUSVEG	2
Background	3
Executive Summary.....	4
Current Vegetable, Potato, and Onion Levy Fees	6
Beneficiaries and risk creators	6
Ongoing biosecurity threats.....	7
Lack of ability for cost-recovery.....	7
Cost of implementing the Biosecurity Protection Levy.....	8
Consequences on existing Levies	8
Lack of transparency and appropriation of Consolidated Funds	8
Sustainable Biosecurity Funding Advisory Panel	9
AUSVEG opposes the Biosecurity Protection Levy	9
AUSVEG supports alternative solutions	10

About AUSVEG

AUSVEG is the prescribed Peak Industry Body representing the interests of the Australian vegetable, potato, and onion industry. AUSVEG is a not-for-profit, member-based organisation that is run by growers, for growers.

AUSVEG represents over 3,600 vegetable producers that account for 3.6 million tonnes of vegetable production, and an annual farmgate value of \$5.8 billion.

AUSVEG is a nationally federated body with the following members: AUSVEG VIC, AUSVEG SA, Queensland Fruit and Vegetable Growers, vegetablesWA, NSW Farmers, NT Farmers, WA Potatoes, and the TasFarmers.

The purpose of AUSVEG is to advocate on behalf of industry at local, state, and federal levels with the core purpose of enhancing the economic, social, and commercial environment for growers so that the industry can continue to produce outstanding vegetables, potatoes, and onions for Australian and international consumers.

AUSVEG also delivers services for growers around Australia in the areas of extension, communication, environmental sustainability, biosecurity, export development and market access, working closely with growers to ensure their needs are reflected in this work.

In partnership with the International Fresh Produce Association A-NZ, AUSVEG hosts Hort Connections, Australia's largest horticulture conference and trade show which attracts more than 3,500 delegates annually. This event brings growers, supply chain, government and industry members together to increase awareness and uptake of the latest industry innovations, research and development outcomes, and to facilitate vital industry networking opportunities.

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Background

The Biosecurity Protection Levy (BPL) was announced in May 2023 as part of a broader biosecurity funding announcement in the 2024-2025 Federal Budget, with a scheduled implementation and commencement date of 1 July 2024.

Largely caught off-guard by the announcement which was made without due consultation with industry, the agricultural sector expressed widespread opposition to the creation and imposition of the BPL on all domestic agricultural, fisheries and forestry producers. This was primarily due to the additional cost that would be imposed upon primary producers who already invest significant funding into biosecurity. Industry also expressed concerns that funds collected will be part of the Department of Agriculture, Fisheries and Forestry's (DAFF) consolidated revenue, with no clarity that the levy funds will go towards industry biosecurity measures.

The Department of Agriculture, Fisheries and Forestry (DAFF) engaged with industry and stakeholders through meetings, forums, online consultation, and written submissions from May 2023 until January 2024. AUSVEG lodged a written submission to the process outlining its opposition to the Biosecurity Protection Levy in October 2023.

Changes to the way the BPL is to be calculated were announced by DAFF in February 2024 following industry consultation, so that the levy will be based on each industry sector's Gross Value of Production as opposed to 10% of 2020-2021 agricultural levy rates. For many industries, including the vegetable industry, the new calculation leaves the industry significantly worse off. For example, under the previous calculation, 10% of levied industries represented by AUSVEG in 2022/2021 (approximately \$10,815,629 levy collection) would have equated to \$1.08 million. Under the revised calculation, the industries' liability under the tax will be approximately \$2.2 million.

DAFF has also announced a new Sustainable Biosecurity Funding Advisory Panel with the aims of providing transparency to industry, giving the sector a mechanism to have a say on biosecurity priorities, and show how Commonwealth biosecurity funding is used. However, the establishment of this panel has not eased the concerns of the industry, which still categorically opposes the levy and wants to see the risk makers as the key focus of and contributor to new funding streams.

Executive Summary

The fundamental underlying principle of Australia's approach to biosecurity is that of 'shared responsibility'. The Biosecurity Act 2015 explains how biosecurity threats are managed but importantly highlights that everyone from industry to government, and the broader community have a responsibility to work together to ensure that Australia has an effective and sustainable biosecurity system to protect the environment, industry, and human health.

Biosecurity protects a \$80 billion agriculture industry¹ that accounts for 2.5% of national employment. Most critically, strong biosecurity ensures food security for Australia's 25 million population. AUSVEG recognises that a strong biosecurity system assists in reducing the harmful effects of unwanted pests, weeds, and diseases entering Australia that can decimate crops, or reduce yield and productivity. However, the beneficiaries of Australia's strong border protection are much broader than just industry.

Harmful or invasive pests, weeds, and diseases can cause damage to the environment, including world heritage parks, botanical gardens and other natural assets. In recent years, we have seen this acknowledgement in the form of our biosecurity system embracing invasive species and environment as Parties within this space, including via the Chief Environmental Biosecurity Officer with DAFF.

Brown Marmorated Stink Bug (BMSB) is a clear example of a pest that has more significant consequences for the broader community than for primary industries. The impact of BMSB is low to medium for many agricultural industries; whereas that impact is much more pronounced for the environment, regional communities and the Australian way of life. To date, the burden of eradication of BMSB has fallen primarily on the agriculture sector, with farmers contributing to eradication through their levies, despite the relatively low impact it has had on their sector.

Tourism is also heavily reliant on a strong biosecurity system whether that be protecting the natural environment; enjoying safe, quality Australian food and beverages; or the preservation of recreational activities such as fishing, wildlife parks and zoos, city parks and streetscapes. Furthermore, a strong biosecurity system benefits pet owners, hobby farmers, home gardeners, and recreational fishers, just to name a few. The current biosecurity system fails to recognise the significant risk that hobby farmers, pet owners, or home gardeners create through their lack of understanding or training in identifying and managing biosecurity pests, weeds and diseases.

The vegetable industry, as a whole sector, has and continues to spend large amounts of money on preventing, eradicating, researching, managing and increasing industry capability around biosecurity. These funds have come from all levels of government, industry, levies, private/public companies, strategic partners, research organisations and other funding sources.

Growers levy funds are invested in research projects to reduce, contain, manage or prevent biosecurity risks. Over the last seven years there has been a significant investment of over \$150 million in biosecurity research through Hort Innovation, not including in-kind support. It is critical to note that this number is exclusive of the varroa mite response which is a cost-shareable response of \$100 million, of which industry's contribution is \$26.4 million.

Examples of levy funded projects with a biosecurity emphasis include:

¹ [https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/agriculture-overview#:~:text=In%202024%E2%80%93\\$26.4%20million,including%20fisheries%20and%20forestry.](https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/agriculture-overview#:~:text=In%202024%E2%80%93$26.4%20million,including%20fisheries%20and%20forestry.)

- National fall armyworm innovation system for the Australian vegetable industry (VG22006)²
- Vegetable industry biosecurity and business continuity strategy (VG22004)³
- Capturing the real and potential benefits and costs of on-farm biosecurity measures (MT22008)⁴
- Technical workshops for potato pest and disease investments (PT22000)⁵
- Feasibility/scoping study: Surveillance and diagnostic framework for detecting soil-borne pathogens in vegetable industries (MT21016)⁶
- National Bee Pest Surveillance Program: Transition program (MT21008)⁷
- Management strategy for serpentine leafminer, *Liriomyza huidobrensis* (MT20005)⁸

In March 2023, ABARES published a report, Agricultural research and development investment in Australia, highlighting that R&D continues to yield high returns, with estimates indicating that each additional \$1 investment could generate a return for farmers of \$7.82. The report also highlighted that private sector funding has grown at an average annual rate of 5.63% from 2005-06 to 2021-22, exceeding the 2.02% annual growth rate of public sector investment.

Further to the broader industry biosecurity expenditure, vegetable, potato and onion growers, along with a majority of primary producers already invest in biosecurity preparedness and response capabilities. Individual growers put systems in place to protect their livelihoods from unwanted pests, weeds and diseases through actions such as machinery washdown areas, biosecurity signage, standard operating procedures, visitor protocols, and sourcing inputs from approved suppliers.

The introduction of exotic and/or invasive pests, weeds and diseases can also add substantial additional costs to growers in controlling, eradicating or managing the consequences of the new pest, weed or disease. Some of these additional cost and compliance burdens include:

- Additional chemical sprays
- Additional crop monitoring requirements
- Additional agronomy and technical assistance
- Additional agronomic practices, for example soil cultivation, fumigation, crop rotations
- Expenses incurred through new crop rotation practices
- Additional pre and/or post harvest control measures
- Additional crop plantings to offset crop losses caused by pest or disease

As an example, Fall Army Worm (FAW) was first recorded in Australia in January 2020 and is estimated to have cost the corn/maize industry an additional \$375-\$500 per hectare to control.⁹

² <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/vg22006/>

³ Hort Innovation | Vegetable industry biosecurity and business continuity strategy (VG22004) ([horticulture.com.au](https://www.horticulture.com.au))

⁴ <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/mt22008/>

⁵ <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/pt22000/>

⁶ <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/mt21016/>

⁷ <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/mt21008/>

⁸ <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/mt20005/>

⁹ <https://www.agbitech.com/corn-management-challenging-more-expensive-after-three-seasons-of-invasive-fall-armyworm>

In some cases, new pests or diseases can cause loss of lucrative export market access resulting in lower farm incomes and potentially oversupply conditions in national markets. The Cucumber green mottle mosaic virus (CGMMV) was first detected in Australia in 2014. This virus primarily affects cucurbit crops, including cucumbers, melons, pumpkins, and squash. Its detection in Australia caused significant concern for the Australian vegetable industry, particularly in terms of export markets.

The consequences for Australian vegetable exports were significant. Countries around the world impose strict quarantine and biosecurity measures to prevent the spread of CGMMV. Once the virus was detected in Australia, it raised concerns among trading partners about the potential spread of the disease through exported vegetables. As a result, many countries imposed restrictions or outright bans on the importation of Australian cucurbit crops¹⁰.

This had a substantial impact on Australia's vegetable export industry, leading to decreased export volumes and loss of market access in some cases. The Australian government and agricultural authorities implemented rigorous measures to control the spread of CGMMV, including quarantine protocols, surveillance programs, and education campaigns for growers.

Overall, the detection of CGMMV in Australia had significant economic and agricultural implications, highlighting the importance of biosecurity measures in safeguarding agricultural industries from the introduction and spread of harmful plant pathogens.

Vegetable, Potato, and Onion Levy Fees

Further to above costs growers also pay levy fees to Plant Health Australia and also to the Emergency Plant Pest Response as per the below diagram.¹¹

Based on the current rates of EPPR and PHA levies, growers are already pay \$632,381 (2022/2023) per year.

Vegetables	EPPR	PHA	R&D	Marketing	TOTAL
Unprocessed vegetables – calculated as a percentage of the sale value	0.010 per cent	0.015 per cent	0.485 per cent	\$0.00	0.51 per cent
Processed vegetables – calculated as a percentage of the value of the vegetable if it were first sold as an unprocessed vegetable	0.010 per cent	0.015 per cent	0.485 per cent	\$0.00	0.51 per cent
Potatoes	EPPR	PHA	R&D	Marketing	TOTAL
Unprocessed potatoes (up to 30 September 2018)	\$0.00	2 cents per tonne	48 cents per tonne	\$0.00	50 cents per tonne
Unprocessed potatoes (commencing 1 October 2018)	10 cents per tonne	2 cents per tonne	48 cents per tonne	\$0.00	60 cents per tonne
Onions	EPPR	PHA	R&D	Marketing	TOTAL
	\$0.00	10 cents per tonne	\$2.90 per tonne	\$1 per tonne	\$4.00 per tonne

Beneficiaries and risk creators

In 2017, the Craik report found that:

‘Much of the material of concern to the national biosecurity system, including of environmental concern, arrives via vessels and containers—either in the contents of the container or on the external

¹⁰ Final pest risk analysis for Cucumber green mottle mosaic virus (CGMMV) - DAFF (agriculture.gov.au)

¹¹ <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/levies/rates/vegetables>

surfaces of the container itself. More than one third of the pests and diseases included in the RRRRA model have containers as a pathway.'

The agricultural sector, however, bears significant risk through biosecurity incursions – risks created by other stakeholders, with the agriculture sector having minimal influence on their activities. The cost of eradication responses, quarantined businesses and subsequent management of pests that become endemic can pose extraordinary costs to industry.

While biosecurity is everyone's responsibility, unfortunately, the Biosecurity Protection Levy is passing this tax burden onto growers who already contribute significant financial inputs into biosecurity protection.

AUSVEG is incredibly disappointed that one of the most significant risk creators – the container trade - has not been brought under the fold of the levy. Further Recommendation 34 of the Craik review clearly recommends funding for the national biosecurity system should be increased by implementing a per-container levy on incoming shipping containers.

Industry has advocated, through various forums, for a container levy since 2019 due to proven instances of interceptions and incursions on containers i.e. khapra beetle and brown marmorated stink bug. Even more confusing is the fact that the Freight and Trade Alliance and the Australia Peak Shippers Association have come out supporting a container levy which the Government has rejected.

The container trade currently contributes to biosecurity risk but not to mitigation.

Ongoing biosecurity threats

Biosecurity threats are increasing due to a rise in the volume and complexity of trade, the effects of climate change, changing lifestyle patterns such as increased international travel and global on-line shopping, and other factors such as intensified or changing land use. This is widely recognised and identified in Australia's National Biosecurity Strategy.¹²

99% of Australia's international trade is carried by sea and Australia receives over 28,000 visits per year from international trading ships. Each incoming shipping container is a risk to Australia's biosecurity, whether that be from the contents inside the container, or hitchhiker pests and diseases on the exterior of the container (or the international vessel the container came from).

Lack of ability for cost-recovery

The Office of Impact Analysis submission in relation to a sustainable biosecurity funding¹³ states:

"Producers will face additional upfront financial costs associated with paying the required levy amount and administrative costs, directly or indirectly where a collection agent or other intermediary is used. As noted above, some of this cost could be expected to be passed through in commodity prices along the relevant domestic supply chain."

Given the current inquiries and reviews into supermarkets and the asymmetrical relationship between suppliers (growers) and the supermarkets, there should be no doubt that growers have little, if not no, capacity to pass on costs to the supermarkets, or any other avenues in the supply chain. And in a cost-of-living crisis if growers were able to pass on the costs of the biosecurity protection levy, then those costs would be passed on to the consumer.

¹² <https://www.biosecurity.gov.au/sites/default/files/2022-08/National%20Biosecurity%20Strategy%28final%29.pdf>

¹³ [Biosecurity sustainable funding submission | The Office of Impact Analysis \(pmc.gov.au\)](#)

The submission by the Office of Impact Analysis also clearly states that there will additional administrative costs, over and above the costs of the levy itself. This cost impost to growers will add a further financial burden to growers, who have little or no opportunity for cost recovery.

Cost of implementing the Biosecurity Protection Levy

AUSVEG is concerned that the cost of collecting the Biosecurity Protection Levy and auditing the levy collection process to ensure compliance will consume a considerable portion of the \$50 million levy income. This is based on known costs of levy collection based on the current levy collection mechanism.

Consequences on existing Levies

Additional tax in the form of the Biosecurity Protection Levy potentially risks the viability of the current levy structures in place. Growers, when faced with additional levy fees, may be unable to pay both the new biosecurity protection tax and the current agricultural levies. This could result in growers reducing or eliminating their agricultural levies, which would then leave funding gaps in other critical services or funding mechanisms such as the Emergency Plant Pest Response.

Lack of transparency and appropriation of Consolidated Funds

As mentioned in the consultation document, the BPL is intended to be collected as consolidated revenue with no commitment for direct appropriation to DAFF, nor an accompanying disbursement bill associated with the *Agriculture (Biosecurity Protection) Levies Bill 2024 and related bills*. Even if directed to DAFF, there is no guarantee it will result in direct investment in biosecurity outcomes for industry.

Critically, the BPL does not add more biosecurity resources on the ground and is cost recovery without a direct or appropriate mechanism for the recovered costs. Unfortunately, the proposed sustainable model does not address the decline of the overall biosecurity system or state governments' reduced capacity. As mentioned in the Plant Industry Forum (PIF) submission, plant biosecurity is already under serious threat from this lack of capacity, exposing plant industries to a higher number of incursions.

“DAFF needs to build the level of commercial acumen required to develop appropriate revenue strategies, consistent and compliant charging policies, and accurate cost attributions, as well as to provide full cost transparency to industry clients and stakeholders. This review found many industry stakeholders are not against increased charges and fees if the reasons are clear and they can see service improvements. DAFF's record in this area is viewed by stakeholders as being highly variable.

DAFF does not currently have the systems in place to reliably understand its financial circumstances at any given point in time. It cannot reliably forecast how actual expenditure is tracking against estimates. While work has been done through the Designing DAFF initiative to strengthen financial reporting, there is an opportunity to better forecast both revenue and expenditure at a whole-of-enterprise level.

Historically, the cost of delivering essential services is not always matched with revenue coming into DAFF. Half of DAFF's budget comes from cost-recovered activities. Demand for these services, and consequent revenue, can be variable and poses potential sustainability risks.

This situation is compounded by the risk of a biosecurity outbreak, which would be either managed from within existing resources or supplementary funding allocated on a case-by-case basis.”

The report also cites the numerous changes to the Department through the Machinery of Government. The costs related to these changes, driven by differences in government ideology, should not be passed on to the industries the Department serves.

Industry is already contributing to the Department's revenue through the user pays model for a range of services that can only be supplied by government and is forecast to contribute more through increases in charges such as Post Entry Quarantine fees.

Sustainable Biosecurity Funding Advisory Panel

DAFF's media announcement of a Sustainable Biosecurity Funding Advisory Panel is not supported by a scope, clarity on its role, nor invitations prior to the media release and was not part of the legislation tabled in Parliament on 28 February.

AUSVEG opposes the Biosecurity Protection Levy

- *The Biosecurity Protection Levy is a tax.* Under the levies and charges legislation, the agricultural levies charge is a partnership between government and industry that allows industries to fund priorities for identified purposes. DAFF has only offered consultation after the BPL was announced in the Budget and have rejected a strong response to stop this levy, to pause implementation, or to consider other proposals.
- As a levy, the *BPL falls short of every one of the 12 Levy Principles* introduced and adhered to by government and industry alike since 1997.
- *Primary producers have paid their share* in biosecurity for 26 years, since the Plant Health Australia (PHA) and Animal Health Australia (AHA) organisations were formed.
- There is a *lack of recognition of current industry investments*. In 2022/23, the horticulture industry invested almost \$20M in biosecurity programs, \$12.3M in preparedness activities and biosecurity incursion response, and \$26.4M of the \$100M varroa mite response.
- The vegetable, potato and onion industries *collectively contribute to four levies* that fund biosecurity protection and preparedness R&D, plant health and biosecurity.
- There are other beneficiaries and risk creators. In 2017, the Craik Review recommended that the Federal Government *raise a levy on containerised cargo*, where the evidence shows so much biosecurity risk is generated.
- *Other economic beneficiaries to strong biosecurity* include the industries of tourism, environment, sport/gambling (e.g., sporting fields, local government, horse racing, etc.) are excluded from paying a biosecurity protection levy, although they are significant beneficiaries of a strong biosecurity system.
- *Biosecurity protects Australia's industry* (2.5% of national employment), trade (72% of agricultural produce was exported of \$71B industry), and food security (25M population).
- There is a *lack of transparency* and appropriation of consolidated funds. The legislation and current proposal lack transparency on how the funds will deliver dedicated, additional and tangible biosecurity outcomes for industry.
- There is an *assumption that industry can pass this cost on*. Biosecurity Sustainable Funding Impact Analysis conducted states that upfront costs for establishing the BPL payments and ongoing payments can be passed through the domestic supply chain onto consumers and to export markets,
- *Growers are price takers*, relying on the domestic market (only 6% of fresh vegetables are exported) and cannot increase prices due to increased input costs and the margin squeeze growers are currently subject to.
- There is a *lack of strategic process*. There has been no comprehensive assessment of total industry contributions across all stages of biosecurity - preparedness, R&D, and emergency responses, ongoing management of established pests and diseases.
- There has been *no (public) Policy Impact Analysis*, which is required to assist policymakers reflect on how policy can affect people, businesses, and the community as well as its broader economic and competition impacts.

- *BPL does not align with the National Biosecurity Strategy (2022)* to reinforce a shared biosecurity culture.
- The BPL does not address *the decline of the overall biosecurity system* or state governments' reduced capacity.
- The Craik Review recommendation from 2017 into the Intergovernmental Agreement on Biosecurity has still not been implemented to address the gap in funding between PHA and AHA, and further highlights that this proposal has no strategic backing.
- The Australian Government Productivity Commission's research paper *Towards Levyathan? Industry levies in Australia* (12 December 2023) has identified significant design faults including equitability, accountability, efficiency, and a lack of clear links to outcomes valued by industry, concluding that the BPL functions as a tax and unfairly punishes producers.
- Independent academics from the Australian National University's Tax and Transfer Policy Institute (TPPI) prepared a policy brief (February 2024)¹⁴ concluding that “overall, the government’s package to implement *the BPL does not pass critical scrutiny*” and “given the list of weaknesses of the proposed BPL, an alternative policy approach is desirable”.
- The Freight and Trade Alliance and the Australia Peak Shippers Association prepared a *three-point plan*¹⁵ that removed the \$50M impost on primary producers. The government rejected the proposal.

AUSVEG supports alternative solutions

1. Remove the *Agriculture (Biosecurity Protection) Levies Bill 2024 and related bills* from the current parliamentary process.
2. Fund a stocktake of industry investments in the national biosecurity system and make the results public, as recommended by the Craik Review, as part of the next Federal budget.
3. Exhaust all options of raising revenue from the known risk generators and beneficiaries of DAFF service provision before further consultation about other options with its biosecurity partners.
4. Federal Government to provide immediate funding support to DAFF so that it can complete its review of the consistency of the containerised cargo levy with our international trade law obligations before the end of 2024.

¹⁴ https://taxpolicy.crawford.anu.edu.au/sites/default/files/uploads/taxstudies_crawford_anu_edu_au/2024-02/final_pb_breunig_vanek_feb_2024.pdf

¹⁵ <https://ftalliance.com.au/news/31312>