



Livestock SA Inc. ABN: 12 332 656 991

Adelaide Showground - Heavy Horse Memorial Building, Leader Street, Wayville SA 5034

PO Box 211 Goodwood SA 5034

P: 08 8297 2299 | **E:** admin@livestocksa.org.au | **W:** livestocksa.org.au

SUBMISSION

10 April 2024

Committee Secretary
Senate Rural and Regional Affairs and Transport Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via email: rrat.sen@aph.gov.au

Dear Committee Secretary

Re: Submission to Agriculture (Biosecurity Protection) Levies Bill 2024 [Provisions] and related bills Inquiry

Livestock SA is the peak industry organisation for South Australia's red meat and wool industries. There are over 5,200 sheep producers and more than 2,700 beef cattle producers in the state. With a membership of over 3,500 sheep, beef cattle and goat production businesses, we work to secure a strong and sustainable livestock sector in South Australia.

The red meat and wool industries are the backbone of South Australia's livestock and meat processing sectors, which contribute \$5.4 billion annually to the state.

Livestock SA is a member of Primary Producers SA (PPSA) and is the South Australian representative member of four national peak industry councils: Sheep Producers Australia, WoolProducers Australia, Cattle Australia and Goat Industry Council of Australia. Through PPSA and the Peak Councils, Livestock SA is also a member of the National Farmers' Federation.

Livestock SA welcomes the opportunity to provide a submission to the *Agriculture (Biosecurity Protection) Levies Bill 2024* and *related bills Inquiry*, which is vitally important to our members as it would impose a permanent, inequitable and unwarranted financial burden on their businesses.

Proposed BPL is not supported

Livestock SA remains opposed to the Biosecurity Protection Levy (BPL) as stated in our first submission to the Australian Government Department of Agriculture, Forestry and Fisheries (DAFF) on 13 October 2023. We continue to have significant concerns about the structure, function, and administration of the BPL.

Livestock SA and our members recognise that strong and effective biosecurity systems and processes are essential for the protection and future success of our industry, and that this requires

an adequate level of sustainable funding. South Australian livestock producers financially contribute to the biosecurity system on four levels: on farm private business investment, state-based levies (technically called contributions), statutory federal levies, and general taxation.

On-farm investment into biosecurity by farm businesses is hard to quantify, but substantial. On average, 85% of land managers spend \$21,950 on pest and weed species management¹. This is in addition to expenditure on farms to manage biosecurity risks, animal health and disease spread through activities such as farm biosecurity signage, vehicle wash down infrastructure, vaccinations and worm and lice prevention. Although these activities benefit producers and protect their farm, this work is also valuable to the wider community and Australian trade through the prevention and control of serious diseases which can impact production volumes, red meat and wool quality and export access.

State-based Sheep and Cattle Industry Funds² have been in place for over 20 years. Levies (contributions) on sheep transactions and on NLIS cattle devices (tags) are compulsorily acquired by the State Government. Producers may apply to have them refunded, but this rarely occurs. Industry-funded initiatives include animal health programs, livestock disease monitoring and management (e.g. footrot and lice), biosecurity extension programs and National Livestock Identification System (NLIS) compliance. For FY2023-24, this investment included:

- \$909,555 in ovine footrot management
- \$315,610 in livestock biosecurity support and extension
- \$171,873 on sheep lice compliance
- \$439,798 on NLIS compliance in the sheep and cattle industries

This equates to equates to 49 per cent and 37 per cent of Sheep Industry Funds and Cattle Industry Funds expenditure respectively, being directed to biosecurity in South Australia, which has broader benefits beyond the state.

SA livestock producers also contribute directly to the national biosecurity system through statutory federal levies which include funding Animal Health Australia, and general taxation contributions. These contributions will be articulated and explained in the submissions from our Peak Industry Councils.

Livestock producers also contribute to state and federal biosecurity policy setting, including the development of the National Biosecurity Strategy and action plan³. Emergency Animal Disease planning and preparedness is another investment through membership of State Farming Organisations such as Livestock SA and Peak Industry Councils, which work alongside the government to improve state and national biosecurity systems.

Although this level of investment by South Australian livestock producers was outlined in our previous submission, the inequitable and additional financial burden placed on SA's livestock producers with this proposed additional 'levy' has not been recognised or addressed. The BPL adds more financial burden South Australian livestock producers who are already contributing more than their fair share towards national biosecurity.

Additionally, while there is never a good time to increase the operating costs of running a business, the timing for the BPL is during a period of ever-increasing regulatory responsibility being placed on

¹ Pest Animal and Weed Management Survey (ABARES) 2023 <https://www.agriculture.gov.au/abares/research-topics/social-sciences/pest-animals-weed-management-survey>

² Cattle and sheep industry funds <https://livestocksa.org.au/industry-funds>

³ DAFF (2022), National Biosecurity Strategy 2022 – 2032, <https://www.biosecurity.gov.au/about/national-biosecurity-committee/nbs>

producers in several areas. Where sheep and goat producers are concerned, it also coincides with other government mandated changes to the traceability system (based on biosecurity grounds) with the introduction of individual animal electronic identification (eID) in 2025.

Federal government modelling estimated the total cost to transition to eID for sheep and goats will cost \$810 million to \$831 million (depending on scenario). Tag costs are the greatest proportion of these costs accounting for 82 per cent, or \$683 million, of the total cost of \$831 million. It is also important to note that this is an ongoing cost that producers will bear following the transition, estimated to cost \$53 million in 2027 and \$63.3 million in 2032.

Urgent request

1. The Australian Government ceases pursuing the establishment of the (revised) BPL and identifies alternative funding sources to raise the budget required.

Consultation and industry engagement process grossly inadequate

From the beginning of the BPL introductory process, the consultation with industry has been inadequate, and this was reflected in the subsequent levy design. Producers and broader industry stakeholders were not given the opportunity for authentic dialogue with policy developers on the BPL design prior to its announcement. Communication throughout the process of BPL development has been unclear, leading to confusion and dissatisfaction for producers. Although some minor alterations to the BPL have been made following industry advice, insufficient effort has been invested to truly understand our producers' concerns and the levy remains unsuitable and inequitable as a result.

Livestock SA also shares concerns raised by the Peak Industry Councils that the consultation did not include an adequate Regulatory Impact Statement (RIS) and calls for the government to undertake this before further decisions are made. We consider that consultation on the BPL to date has been inadequate to enable the legislative decision-makers to have a complete and full understanding of the potential impact of the current proposal on producers.

A clear indication that this consultation process has been insufficient is the obvious lack of understanding and recognition of the current contributions made by producers to the biosecurity system. This is especially true for South Australian sheep and cattle producers, who already contribute a significant amount of financial investment into biosecurity, a fact which has not been addressed in the proposed BPL structure.

Urgent request

2. The Australian Government engage in authentic dialogue with national and state producer bodies to fully understand the unique issues presented by the proposed BPL.
3. The Australian Government complete a Regulatory Impact Statement (RIS) to better understand the complexities of the introduction of the proposed BPL.

Misclassification as a Levy

As highlighted in our October 2023 submission, the proposed BPL misrepresents the agricultural levy system and should be relabelled as a tax. The BPL policy proposal was determined to not have satisfied the requirements of what is considered 'good practice' by the government's own Office of

Impact Analysis (OIA)⁴, demonstrating that the design of this levy is flawed and will not be fairly or effectively implemented.

Additionally, the Australian National University's (ANU) Tax and Transfer Institute⁵ agreed with problems identified by the Productivity Commission,⁶ and due to the "*weakness of the proposed BPL*" concluded that "*an alternative policy approach is desirable*"⁴. The findings by the ANU that the BPL "*does not pass critical scrutiny*" demonstrates the poor understanding of the critical success factors of the current industry levy structure by the policy designers.

Request

4. If the BPL proposal is to proceed in its current form, the Australian Government renames it a 'tax' to distinguish the income collection from the current industry levy system.

Inequitable financial burden on producers

The model of shared responsibility regarding biosecurity is supported by industry, including Livestock SA. However, the current BPL proposal does not fit this model. It places an unfair level of financial responsibility on producers who are not the sole beneficiaries of the biosecurity system.

Primary producers benefit from strong biosecurity; however, the benefits of a strong biosecurity system are significant beyond producers and agricultural industries. Food security aside, a multi-state outbreak of foot and mouth disease has been estimated to cost the Australian economy \$80 billion over 10 years with the impacts felt far beyond the farming sector.⁷ To create a policy that truly reflects the 'shared responsibility' model, the ANU outlines alternative levy models. This includes increasing charges for those creating biosecurity threats such as importers and travellers and funding biosecurity through general revenue.

Together the ANU Tax and Transfer Institute, the Productivity Commission, and OIA have determined the design of the BPL is not a suitable policy to fairly fund Australia's biosecurity systems. Therefore, this policy must be reviewed immediately and thorough, authentic dialogue with agricultural industries undertaken before any further steps are taken.

The lack of transparency of BPL revenue expenditure remains a concern, with the funds generated allocated to consolidated revenue. While the establishment of an industry advisory committee to discuss biosecurity funding is welcome, it does not fully address this issue. Producers are currently paying an increased and inequitable share towards biosecurity and yet will have a limited say on how the funds are spent. This is inappropriate. Funds collected by the proposed BPL must be allocated to biosecurity activities with input from primary producers on expenditure.

⁴ Office of Impact Analysis, Biosecurity Sustainable Funding Impact Analysis, <https://oia.pmc.gov.au/published-impact-analyses-and-reports/biosecurity-sustainable-funding-submission>

⁵ The biosecurity protection levy: Principles for design TPPI Policy Brief 3/2024 February 2024

⁶ Towards Levyathan? Industry levies in Australia <https://www.pc.gov.au/research/completed/industry-levies>

⁷ Direct economic impacts of a foot-and-mouth (FMD) disease incursion in Australia, An update of ABARES 2013 estimate (2022 Update) <https://www.agriculture.gov.au/abares/research-topics/biosecurity/biosecurity-economics/fmd-update-of-2013-estimate#:~:text=in%202013%2C%20ABARES%20estimated%20the,by%20the%20time%20of%20detection>

Request

5. The Australian Government develop a multi-criteria analysis tool that can effectively compare all risk creators and beneficiaries of the biosecurity system, their current financial contribution to the system, and a gap analysis to identify an equitable level of funding from each market segment.

Summary

The value of the Australian biosecurity system is undeniable, and this system continues to be supported through investment by agricultural industries and primary producers. South Australian livestock producers continue to contribute more to biosecurity than their counterparts in other states through the state-legislated Sheep and Cattle Industry Funds, which is not recognised in the BPL design.

Sustainable and adequate biosecurity funding is necessary to ensure our system can withstand the mounting pressures and remain free of serious pests and diseases. However, the BPL model as currently proposed places an unacceptable level of responsibility on primary producers, while also inadequately recognising the full impacts of risk creators such as importers or travellers.

Livestock SA remains opposed to the BPL in its current form. If introduced, it would place an unacceptable and inequitable financial burden on SA livestock producers.

Please contact the Livestock SA office on (08) 8297 2299 or via email at admin@livestocksa.org.au if you would like to discuss this submission further.

Yours sincerely

Travis Tobin
Chief Executive Officer