



Avocados Australia Limited

submission to the:

Biosecurity Protection Levy

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On behalf of the Board of Avocados Australia Limited

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Introduction

Avocados Australia Limited (AAL) is the representative industry body for the Australian avocado industry. AAL's vision is for a globally competitive and trusted Australian Avocado Industry. Our purpose is to support Australian growers to become world leading sustainable producers.

AAL provides a range of services to our members and the broader industry to foster growth and development. We are a "not for profit" member-based organisation with members comprising avocado growers, associated businesses and industry people.

AAL works with all parts of the supply chain, from production through to the consumer. By working together, we seek to continually improve our growers' ability to provide a healthy, profitable and safe product for all consumers. As part of this continual improvement, we work with Hort Innovation to ensure the industry levy funded Research and Development and Marketing programs for the Australian avocado industry are well directed and responsive to industry needs.

Whilst the need for sustainable funding for biosecurity has long been a priority expressed by industry, Avocados Australia Limited does not support the proposed Biosecurity Protection Levy to be introduced on 1 July 2024.

Industry Concerns

We have many concerns with the proposed Biosecurity Protection Levy. We firmly believe that the cost of managing border biosecurity should be borne by risk creators, not those sectors that suffer from border biosecurity failures.

We believe that the governments' proposal for a levy on producers to fund border biosecurity demonstrates that, within government, there is a very poor understanding of the significant contribution that agriculture makes to biosecurity.

We are very concerned about the lack of transparency around how the levy will be used, with no guarantee that it will be used specifically to improve border biosecurity to deliver increased activity.

As an additional cost to producers, we believe the levy will drive industries to reduce other agricultural levies, to avoid increasing the cost burden on producers who are already struggling to remain profitable with escalating business costs.

We believe the proposed approach for setting the levy rate is inequitable and penalises those industries who have boldly invested in their future through the agricultural levy system.

Risk creators should fund border biosecurity

Biosecurity incidents are largely due to the movement of people and goods into Australia. Over the past 20 years, the frequency of pest and disease incursions has increased rapidly, and this is expected to increase with further increases in the movement of people and goods into Australia.

The cost of managing biosecurity risks should be borne by those who create the risks. A suitable mechanism to ensure the risk creators fund the management of the risks they create is the introduction of a biosecurity container levy (which was recommended by the Craik review in 2017). A commitment was made in the 2018-19 budget to introduce a Biosecurity Imports Levy. A budget fact sheet provided by the Department of Agriculture and Water Resources at the time states that: "The review found that resourcing the biosecurity system is a challenge and governments cannot do it alone. The levy would contribute to the government's investment in measures for the benefit of all Australians. It ensures sustainable funding of the activities that help protect Australia's: unique environment and its \$6 trillion in environmental assets; \$63 billion agricultural industry; inbound tourism sector worth \$38 billion."

A levy on imports would be the most effective, efficient and sustainable biosecurity funding mechanism.

Primary producers, in the normal course of business, do not create any of the biosecurity risks. Of course, primary producers utilise imported goods like many businesses do and if a container levy was implemented, it would be applied to these goods also.

The risk creators currently do not contribute to the cost of managing pest, disease and weed incursions. However, producers who are impacted by these incursions bear the cost. If the incursion is not able to be eradicated, producers suffer ongoing losses or increased costs to manage the new pest, disease or weed. If eradication is possible, the costs for eradication are borne by producers, and other taxpayers. Where importers have brought exotic pests, diseases or weeds into the country, they do not incur any of the costs associated with ongoing management or potential eradication.

Why should primary producers be forced to contribute more funding to manage biosecurity risks that they have not created?

The Biosecurity Protection Levy consultation paper states that "Additional cost recovery or charging models for imports will be considered as part of a review looking at options to reform border fees and charges. Consultation on this will commence later in 2023." We believe that this process should be expedited.

When will this consultation commence, what are the processes and timeframes for completing this work?

Government lack of knowledge of industry biosecurity funding

The proposed Biosecurity Protection Levy is predicated on the premise that industry is a beneficiary of the biosecurity system and therefore should contribute to the cost of biosecurity.

Clearly, the government has a very limited understanding of the contribution that agriculture makes towards managing biosecurity - pre-border, at border and post-border.

The avocado industry contributes significant R&D levy funds for a range of biosecurity R&D projects through Hort Innovation. This includes projects to develop diagnostic tools for detecting exotic avocado pests and diseases; projects to increase the preparedness of the avocado industry to effectively respond to pest and disease incursions; contributions to projects to detect new incursion such as the Varroa mite sentinel hive network. No doubt, with the recent failure of border biosecurity allowing the incursion of Varroa mite to become established, the industry will be investing in new R&D projects to develop alternative pollination systems.

The avocado industry invests in the Torres Strait Fruit Fly Strategy which is an ongoing response plan in northern Australia to monitor and eradicate exotic fruit flies. This an ongoing eradication program funded by industry to protect Australia from exotic fruit fly incursions from northern neighbours.

Avocados Australia is a financial member of Plant Health Australia and is a signatory to the Emergency Plant Pest Response Deed. In addition to our annual subscription fees, we invest significant time and resources participating in Plant Health Australia business around the deed and its operation.

We contribute significant time and resources to the Consultative Committee for Emergency Plant Pests and the National Management Group. This burden is increasing exponentially, due to the increasing failure of border biosecurity. We have been involved in three new response plans in FY2023 alone.

We are currently an affected party in the Varroa Destructor Response Plan which has consumed hundreds of hours of CEO time over the past 12+ months. The latest response plan will require the activation of the Avocado Emergency Plant Pest Response levy to fund the avocado industry contribution which is currently more than \$2,000,000.

Clearly, the avocado industry already makes a very significant contribution to biosecurity.

Is the government aware of the combined contribution that the agriculture industry currently makes to biosecurity?

No guarantee how the Biosecurity Protection Levy will be used

The proposal clearly explains that funds raised by the proposed levy will be transferred to consolidated revenue with no guarantee that it will be applied to biosecurity measures.

The consultation paper states “The funds collected through the Biosecurity Protection Levy will go to the consolidated revenue fund and will not be disbursed to research and development corporations, Animal Health Australia, Plant Health Australia or the National Residue Survey.

While Biosecurity Protection Levy funds will not be directly appropriated to the Department of Agriculture, Fisheries and Forestry, the additional contributions into consolidated revenue will support the Government’s capacity to provide the increased and ongoing appropriation funding for biosecurity committed to in the Budget.”

There is no transparency around the proposed use of the levy funds. What guarantee do primary producers have that the funds will be used to improve border biosecurity?

What additional biosecurity activity will be achieved?

We understand that DAFF has been running a deficit budget for many years to fund existing biosecurity measures.

What assurance is there that the Biosecurity Protection Levy will deliver improved biosecurity outcomes?

Are there efficiency gains that can be made by DAFF, in order to improve border biosecurity management without burdening primary producers with a new levy?

Risk to current levies

Avocado growers currently pay statutory levies for Research and Development and Marketing and Promotion. These are levies which avocado growers have chosen to implement to support the profitable and sustainable development of the industry.

As price takers, with low profit margins, the current levies represent a significant proportion of net returns for avocado growers. An increase of 10 percent on top of current levies is likely to lead to growers seeking to reduce their existing levies such that the total levy payment is unchanged. This would be an unfortunate and retrograde step at a time when industry is striving to increase exports and improve production efficiency. However, it would be understandable while profit margins are extremely low and costs of production continue to escalate.

Has the government considered the likelihood that the Biosecurity Protection Levy will drive reductions in other agricultural levies and therefore the investments in R&D and Marketing and Promotion?

The current agriculture levies that avocado growers pay have been implemented with broad industry support. They can be increased or decreased based on broad industry support. However, the Biosecurity Protection Levy will be imposed on growers like a tax.

What assurances are there that the rate will not be increased in the future when government realises that their costs have increased further?

Equitability of the levy

The proposed Biosecurity Protection Levy rate of 10 percent of current levies is unfair and inequitable. The avocado industry has set their levies at a relatively high rate, compared with other commodities. Growers have committed to invest strongly in the future of the avocado industry.

Some industries don't have any agricultural levies, some have multiple levies, some have very high levies (like avocados) and some have very low levies.

Basing the rate of the Biosecurity Protection Levy at 10 percent of each agricultural levy will lead to a very unfair and inequitable imposition across agriculture. Industries like the avocado industry, which has very high levies for R&D and Marketing and Promotion, will pay a disproportional amount of Biosecurity Protection Levies. The proposed mechanism provides a strong disincentive for industries to invest in their future development. In fact, growers will be financially penalised for being progressive.

*How would the levy rate be set to ensure it is equitable across all of agriculture?
What assurances are there that industries without levies will contribute under the proposed mechanism?*

Conclusion

Avocados Australia Limited does not support the Biosecurity Protection Levy planned to be introduced on 1 July 2024, due to the reasons outlined in this paper.

We welcome a response to the questions we have raised.

The need for sustainable funding remains a very high priority and the demands on the biosecurity system are most certainly going to continue to increase.

Avocados Australia Limited welcomes the opportunity to discuss alternative mechanisms to achieve long term sustainability funding for biosecurity.