

13 October 2023
Biosecurity Sustainable Funding Implementation Branch
Department of Agriculture, Fisheries and Forestry
70 Northbourne Avenue,
Canberra 2601, Australia



Via email: secretariatBSF@aff.gov.au

Dear Secretariat,

RE: Consultation Paper – Introduction of the Biosecurity Protection Levy

Sheep Producers Australia welcomes the opportunity to offer feedback through submission to the Department of Agriculture, Fisheries and Forestry's consultation on the design and implementation of the Biosecurity Protection Levy.

Sheep Producers Australia is the collective national voice on issues that affect Australian sheep production, representing the interests close to 20,000 sheep farming businesses. Our purpose is to provide strategic leadership for Australia's sheep industry, supporting a productive, profitable and sustainable future.

In principle, Sheep Producers Australia does not support the introduction of the Biosecurity Protection Levy. This submission provides feedback on the Levy while capturing context from the sheepmeat sector that is of critical importance to the decision-making process underpinning the Levy design process.

Sheep Producers Australia will continue to call on Government to uphold its responsibility to develop strategic, evidence-based policy and legislation designed to support and increase the prosperity of Australian agriculture.

Should you wish to discuss this submission further please do not hesitate to contact me at ceo@sheepproducers.com.au.

Yours sincerely,

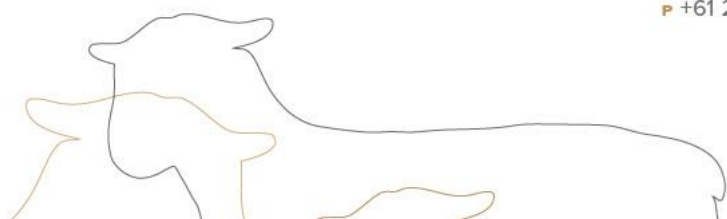
A handwritten signature in black ink, appearing to read "Bonnie Skinner".

Bonnie Skinner
CEO
Sheep Producers Australia

☎ +61 2 6103 0838 ✉ admin@sheepproducers.com.au
PO Box 4225 Manuka ACT 2603

sheepproducers.com.au

ABN 21 256 252 885



SUBMISSION

Consultation Paper – Introduction of the Biosecurity Protection Levy

Introduction

The Australian sheep industry is an integral part of Australian agriculture, providing significant employment opportunities and investment into rural and regional communities.

An increasingly challenging agricultural landscape has seen sheep farming practices transition from specialist wool production and the self-replenishing Merino flock towards dual purpose production for sheepmeat. Additionally, there has been a growing emphasis on diversification through mixed enterprises, where sheep production is integrated with cattle or cropping activities¹, modifying the domestic trade landscape. The sheep industry continues to operate through complex national supply chains, enabling it to navigate and adapt to the diverse geographical, climatic, and economic factors that exist across Australia.

In recent years the national flock has experienced a period of rebuilding in response to good seasonal conditions, high prices and strong global demand for sheepmeat. As of July 2023, Australia's sheep flock and its breeding ewe numbers have reached their highest levels since 2007 at 78.75 million. However, increasing volumes and weaker demand have created significant headwinds for the sector resulting in significantly depressed prices, with a drop in lamb prices of up to 59% in recent months. Increasing input costs, interest rates and drier seasonal conditions expected across Australia in late 2023 are adding to the complexity of decision making for producers planning and business decisions.

Sheep Producers Australia is supportive of the Australian Government's continued investment into protecting Australian agricultural systems from an increasing risk profile of invasive pests, weeds and diseases that continue to threaten our industries. However, any sustainable investment into Australia's biosecurity system must be underpinned by funding mechanisms that are equitable, evidence-based and accurately represent industry interests.

¹ [Mecardo \(2020\). Analysis of Domestic Fundamentals Influencing the National Sheep Flock.](#)

Summary of Recommendations

Recommendation 1: The Australian Government provide a detailed breakdown of the proposed Biosecurity Protection Levy by contributor to ensure that any levy imposed is fair and equitable.

Recommendation 2: The data and modelling underpinning the decision-making process for the proposed Biosecurity Protection Levy rate of 10% on 2020-21 levy rates be made publicly available to all stakeholders.

Recommendation 3: If a Biosecurity Protection Levy is introduced, any biosecurity levies collected from industry must be utilised for industry biosecurity activities, in line with current levy collection principles.

Recommendation 4: If a Biosecurity Protection Levy is introduced, a tax deduction of levy concession must be designed such that current and ongoing industry investment into biosecurity is appropriately recognised.

Recommendation 5: The Australian Government must conduct extensive consultation with concerned stakeholders in impacted industries before designing new levies, charges or taxes.

Recommendation 6: The Australian Government recognises and quantifies the current contribution of industry beneficiaries to biosecurity activities and provide greater transparency on the contribution of impactors, or risk-creators.

Feedback – Design of the Biosecurity Protection Levy

The following feedback will answer the Survey questions with corresponding background where appropriate. Considering that Sheep Producers Australia represents the interests of the levied Australian sheep industry, a response to the question: ‘If your submission relates to a commodity that is not subject to existing agricultural levies, how would you define a producer for that commodity?’ has been omitted for brevity.

- **How should a producer be defined for the purposes of the Biosecurity Protection Levy?**

Sheep Producers Australia notes that the consultation paper describes a producer as “growers, producers, processors or exporters of agricultural fisheries and forestry goods”. Any definition for the purposes of the levy should ensure that it is fair, equitable and considerate of equity of levy burden across producers. Sheep Producers Australia has yet to see a detailed breakdown of the biosecurity levy by contributor to appropriately assess how much sheep producers and the broader sheep industry may contribute and whether this is equitable in comparison to other sectors.

Sheep Transaction Levies collected vary according to stock levels and amount of trading (**Table 1**). The greater the number of sheep and lambs there are in Australian farming systems, and the more sheep and lambs that are traded, the greater the transaction levy collected.

Sheep and lamb transaction levies are only one component of levies on the whole sheep production and slaughter value chain in Australia, which also include wool levies, live export levies and slaughter levies. Producers are also liable for additional commodity levies when operating mixed farming systems (livestock and crop enterprises) that help producers optimise their risk-return trade off.

- **Are definitions from existing levies legislation appropriate (see levies related legislation) legislation?**

Sheep Producers Australia understands that the definition of producer is currently attributable to the *Primary Industries Levies and Charges Collection Act 1991* Section 4(fa) and 4(j) which state: ‘...the person who owned the live-stock immediately before the export in respect of which the charge is imposed...’ and ‘except where subsection (2), (2A) or (2B) applies, in the case of any other product—the grower or breeder of the product’², respectively, while Schedule 12(1) of the *Primary Industries (Customs) Charges Act 1999* defines ‘live-stock’ as ‘...sheep, lambs and goats.’³

Given the context of the Biosecurity Protection Levy and the purpose of this submission, the legislated definition is not considered appropriate.

Recommendation: The Australian Government provide a detailed breakdown of the proposed biosecurity protection levy by contributor to ensure that any levy imposed is fair and equitable.

² [Commonwealth Consolidated Acts \(n.d.\). Primary Industries Levies and Charges Collection Act 1991.](#)

³ [Commonwealth Consolidated Acts \(n.d.\). Primary Industries \(Customs\) Charges Act 1999.](#)

Table 1. Livestock transactions levy rates by commodity and category (data obtained from the Department of Agriculture, Fisheries and Forestry)¹⁰.

Commodity – livestock transactions	Animal Health Australia	Emergency Animal Disease Response	National Residue Testing	Marketing	Research and Development	Total
Sheep - sale at \$5 to \$10 per head	0.18 per cent of the sale price	0 per cent of the sale price	0.18 per cent of the sale price	0.87 per cent of the sale price	0.77 per cent of the sale price	2 per cent of the sale price
Sheep - sale over \$10 per head	1.8 cents per head	\$0.00	1.8 cents per head	8.7 cents per head	7.7 cents per head	20 cents per head
Lambs - sale at \$5 to \$75 per head	0.2 per cent of the sale price	0 per cent of the sale price	0.10667 per cent of the sale price	1.2 per cent of the sale price	0.49333 per cent of the sale price	2 per cent of the sale price
Lambs - sale over \$75 per head	15 cents per head	\$0.00	8 cents per head	90 cents per head	37 cents per head	\$1.50 per head
Goats	4.5 cents per head	\$0.00	6 cents per head	10.5 cents per head	16.7 cents per head	37.7 cents per head
Sheep delivered not by sale	1.8 cents per head	\$0.00	1.8 cents per head	8.7 cents per head	7.7 cents per head	20 cents per head
Lambs delivered not by sale	1.4 cents per head	\$0.00	4.7 cents per head	62.6 cents per head	11.3 cents per head	80 cents per head

- **What should the levy rate look like for the commodities of interest to you?**
- **How should Biosecurity Protection Levy collection arrangements and mechanisms be implemented for your commodity of interest?**

Sheep Producers Australia proposes that the Biosecurity Protection Levy, as a tax on producers be urgently reviewed and critically examined.

Extensive stakeholder consultation must underpin the design of government policy and the introduction of new charges. The Craik Review proposed that *‘State and territory governments should agree a common biosecurity cost-recovery framework and review their biosecurity cost-recovery arrangements to ensure they are nationally consistent, appropriate and transparent.’*⁴ The introduction of the Biosecurity Protection Levy saw no prior industry consultation or facilitation of the Levy discussion pursued by the Australian Government.

Further, the Australian Government identified that *‘[It] will work with industry to review and consider further reform to continue to deliver a strong and equitably funded biosecurity system that is ready for future challenges’*⁵. Yet, no agricultural industry sector was consulted prior to the announcement of the Biosecurity Protection Levy for review or consideration.

CASE STUDY: Impact of a Biosecurity Protection Levy on the Australian sheep industry

Sheep and lamb transaction levy

- Introduction of a 10% Biosecurity Protection Levy from 1 July 2024 will cost the sheep industry an additional \$4,256,612.24, based on 2020-21 transaction levy figures.
- In 2022-23, an estimated \$39,697,607 was collected through the sheep and lamb transaction levies. This was 7.39% lower than levies collected in the 2020-21 financial year (est. \$42,566,122).
- The total collection amount with the BPL levy included (totalling \$46,822,734.61) exceeds total levies collected in the 2022-23 financial year by an estimated \$7,125,127.38.

This increases costs to levy-paying producers by 15%.

Note: This does not include other levies that are paid by mixed-enterprise systems or direct-to-slaughter farming which is subject to an additional Processing Levy.

Sheep Producers Australia requests that the data and modelling underpinning the decision-making process for the proposed Biosecurity Protection Levy rate of 10% on 2020-21 levy rates be made publicly available to all stakeholders in the interests of transparency and equity.

Recommendation: the data and modelling underpinning the decision-making process for the proposed Biosecurity Protection Levy rate of 10% on 2020-21 levy rates be made publicly available to all stakeholders.

⁴ [Craik, W., Palmer, D. and Sheldrake, R. \(2017\). Priorities for Australia’s Biosecurity System – An independent review of the capacity of the national biosecurity system and its underpinning Governmental agreement](#)

⁵ [Department of Agriculture, Fisheries and Forestry \(2023\). Budget 2023-24 - Sustainable funding for a strong biosecurity system.](#)

Biosecurity activities are already funded under current levy arrangements within the Australian sheep industry. The sheep industry has previously undertaken independent analyses on the value and effectiveness of the sheep transaction levy⁶. Critically, the review determined a contribution benefit cost for biosecurity-related levies (Animal Health Australia) of up to 55.7:1, equating to a strong return on investment and consequently justified investment of levy dollars into the system (based on 2016 data). As costs for research, marketing and biosecurity activities increase over time, compounded by variable CPI, industry has the capability to review levy systems and modify the levy quantum as agreed by industry.

The levy investment into biosecurity is in addition to the contribution that producers make to the Australian biosecurity system through the payment of taxes, state and local government rates, fees and charges and implementation of biosecurity practices within their enterprises.

The Sheep Sustainability Framework (SSF) was developed through the collaborative effort of the Australian sheep industry's peak industry councils, Sheep Producers Australia and WoolProducers Australia and service providers, Meat & Livestock Australia and Australian Wool Innovation. The SSF aims to progress the Australian sheep industry and highlights several pillars integral to advancing the profitability and sustainability of the sector. Embedded into the SSF is a priority to deliver good biosecurity through the implementation of traceability measures which mitigate disease risk in the sheep industry⁷. A 2020 materiality assessment conducted by the Australian sheep industry identified biosecurity as a highly material topic as simultaneously identified by the sheepmeat and wool sectors⁸.

Monitoring for the SSF includes ensuring on-farm biosecurity is consistently maintained through the Livestock Production Assurance (LPA) audit process, where 80.2% audited farms had implemented biosecurity measures, corresponding to sheep producers that were compliant with LPA biosecurity requirements⁹. Similarly, in 2022, 86% of Australian cattle properties were covered by a documented biosecurity plan¹⁰. These results are clearly indicative of the ongoing contribution of producers to post-border biosecurity through funding mechanisms, which fund activities upholding high on-farm biosecurity standards scrutinised by industry auditing programs such as LPA.

Under the current proposal, the intent of the Biosecurity Protection Levy is to charge 10% in addition to levies charged to currently levied industries, aligned with the levy rates set across the 2020-21 financial year. There has been no detail provided on monitoring, evaluation, and reporting frameworks which will ensure continued compliance and routinely assess the effectiveness of a potential new levy system or opportunities for potential levy payers to have input into the manner in which the funds are allocated or invested. The provision of this detail is essential for responsible decision making.

The livestock transactions levies are a legislative instrument provided for under the *Primary Industries (Excise) Levies Act 1999*, *National Residue Survey (Excise) Levy Act 1988* and *Primary Industries Levies and Charges Collections Act 1991*. The current levy system has been designed and supported by industry to collect and disburse funds for: Animal Health Australia membership,

⁶ ACIL Allen (2019). Sheep and Lamb Transaction Levies Review.

⁷ [Sheep Sustainability Framework \(2021\). Australian Sheep Sustainability Framework.](#)

⁸ [Sheep Sustainability Framework \(2022\). Sheep Sustainability Framework Annual Report 2022.](#)

⁹ [Sheep Sustainability Framework \(2023\). Sheep Sustainability Framework Annual Report 2023.](#)

¹⁰ [Australian Beef Sustainability Framework \(2023\). Annual Update 2023.](#)

Emergency Animal Disease Response, National Residue Testing, Marketing and Research and Development at a prescribed rate collectively agreed to by industry¹¹.

The Animal Health Australia levy (Table 1), governed under the *Australian Animal Health Council (Live-stock Industries) Funding Act 1996*¹² collects funds which enables Animal Health Australia to conduct strategic activities surrounding biosecurity and emergency animal diseases. The Act also enables the facilitation of funding for emergency responses under emergency biosecurity response deeds in addition to the Emergency Animal Disease Response Agreement (EADRA). Sheep Producers Australia is a signatory to the EADRA, which comprises a cost sharing agreement between government and industry for response activities in the event of an emergency animal disease incursion. The EADRA also requires signatories to ‘...work collectively to reduce the risk of emergency animal disease (EAD) incursions and share the approved costs of EAD responses.’¹³ Given signatories are tasked with these activities under EADRA and proactively contribute to biosecurity preparedness, the Biosecurity Protection Levy presents an unintended consequence of reducing the ability of signatories to meet their EADRA commitments.

Recommendation: if a Biosecurity Protection Levy is introduced, any biosecurity levies collected from industry must be utilised for industry biosecurity activities, in line with current levy collection principles.

- **Should any thresholds and/or exemptions should be considered?**

Should the Biosecurity Protection Levy be implemented, Sheep Producers Australia recommends that a tax deduction or levy concession be introduced into accompanying legislation to acknowledge ongoing industry investment into biosecurity as well as current industry-led biosecurity activities, monitoring, evaluation and reporting.

Recommendation: if the Biosecurity Protection Levy is introduced, a tax deduction or levy concession must be incorporated such that current and ongoing industry investment into biosecurity is appropriately recognised.

It is understood that the Australian Government is using the Biosecurity Protection Levy as a vehicle for cost-recovery. However, Sheep Producers Australia is concerned that the Australian Government has “committed” to the Biosecurity Protection Levy which only serves to impact sheep producers and presents a negative value proposition to the broader farming sector.

Recommendation: the Australian Government must conduct extensive consultation with concerned stakeholders in impacted industries before designing new levies, charges or taxes.

Moreover, Sheep Producers Australia notes the Australian Government’s National Biosecurity Statement as stating: ‘We all share the risks. We all share the benefits. We must all share the responsibility of protecting our unique natural environment.’¹⁴ In direct contradiction, the Biosecurity Protection Levy taxes primary producers – the beneficiaries of a strong biosecurity system – and simultaneously ignores the vulnerabilities of agricultural systems and supply chains to incursions by

¹¹ [Department of Agriculture, Fisheries and Forestry \(n.d.\). Cattle and livestock transactions levy.](#)

¹² [Australian Government \(n.d.\). Federal Register of Legislation](#)

¹³ [Animal Health Australia \(n.d.\). Emergency Animal Disease Response Agreement](#)

¹⁴ [Department of Agriculture, Fisheries and Forestry \(2018\). National Biosecurity Statement.](#)

offshore pest plants, animals, weeds and diseases. Currently, Sheep Producers Australia policy agrees to a national approach to biosecurity being developed which includes market-based mechanisms, best practice biosecurity and shared responsibility, not a system which unfairly targets vulnerable beneficiaries. Reaffirming shared responsibility, farmers actively implement good biosecurity practice and undertake preparedness and prevention activities which maximise economic return against the generalised invasion curve (Figure 1).

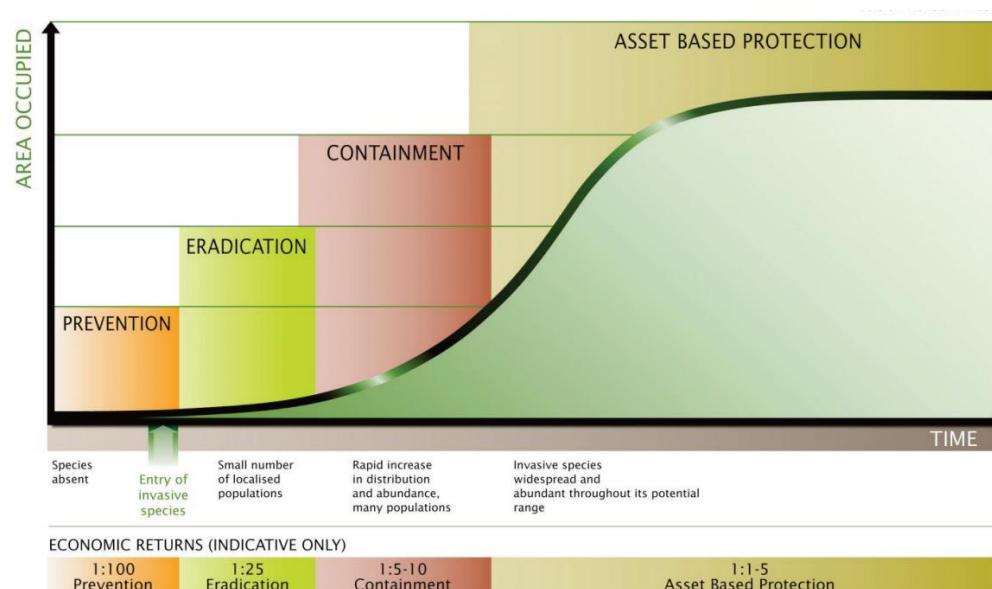


Figure 1. Generalised invasion curve indicating actions appropriate to stage.¹⁵

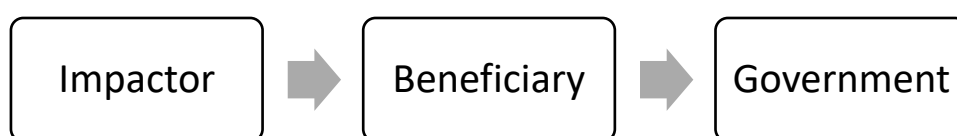
The Craik Review proposed sustainable funding for a national biosecurity system under Recommendation 34, identifying three mechanisms to increase biosecurity funding: 1) per-container levy on incoming maritime shipping containers of \$10 per twenty-foot equivalent unit and a levy of \$5 on incoming air containers, effective 1 July 2019; 2) increasing the Passenger Movement Charge by \$5, effective 1 July 2022 and 3) widespread implementation of land-based levies, including properties greater than two hectares (with a quantum determined by each jurisdiction)¹⁶. Sheep Producers Australia believes these charges, already in place in some jurisdictions are compatible with a biosecurity system that shares responsibility, and consequently the risk profile among risk-creators and beneficiaries of a national biosecurity system.

¹⁵ [Agriculture Victoria \(2018\). Managing weeds: decide the response guide](#)

¹⁶ [Craik, W., Palmer, D. and Sheldrake, R. \(2017\). Priorities for Australia's Biosecurity System – An independent review of the capacity of the national biosecurity system and its underpinning Governmental agreement](#)

- **What information would be important to you to have confidence the levy is proportionate to biosecurity system benefits?**

The Australian Government has previously identified its role in biosecurity as ‘...identify, assess and manage biosecurity risks arising from the arrival of pests and diseases through the movement of people, goods and conveyances, and natural pathways such as wind, tide and wildlife.’¹⁷ This imperative suggests the Australian Government’s role is to protect Australia from pests, weeds and diseases that exist offshore. In this instance, a Biosecurity Protection Levy, as introduced by the Australian Government should be designed around the impactor, or risk-creator charged with protecting Australia from external pests, plants, weeds and diseases. A Frontier Economics report commissioned by the Invasive Species Council supports this stance, proposing that an ‘impactor-pays’ approach that links costs of providing the service with the user is a suitable funding mechanism, in line with the following process¹⁸:



The primary benefactors of Australia’s strong biosecurity system are producers and exporters, whose main asset is market access. The implementation of a beneficiary-pays system, and the projected \$50 million revenue from the Biosecurity Protection Levy currently presents a strongly negative value proposition for sheep producers, given the significant decrease in national lamb prices in the first quarter of the 2023-24 financial year. At the time of writing, the value of sheepmeat production and sheepmeat exports are projected to fall by \$3.9 billion and \$3.8 billion respectively¹⁹. Concurrently, the recent declaration of an El Niño event in the southern hemisphere²⁰ has also signalled a 36.3% increase in sheep turnoff in the June 2023 quarter²¹ as Australia enters a period of decreased rainfall and increased risk of drought. Sheep Producers Australia is concerned that the implementation of the Biosecurity Protection Levy will see new charges incurred by producers that are already impacted by a decline in commercial performance that will only continue throughout the 2023-24 financial year.

Recommendation: the Australian Government recognises and quantifies the current contribution of industry beneficiaries to biosecurity activities and provide greater transparency on the contribution of impactors, or risk-creators

¹⁷ [Department of Agriculture, Fisheries and Forestry \(2022\). Sustainable funding and investment to strengthen biosecurity: discussion paper.](#)

¹⁸ [Frontier Economics \(2023\). Sustainable funding for biosecurity – an evaluation of funding options, A Report for the Invasive Species Council.](#)

¹⁹ [ABARES, Department of Agriculture Fisheries and Forestry \(2023\). Outlook for Sheepmeat.](#)

²⁰ [Bureau of Meteorology \(2023\). El Nino-Southern Oscillation Outlook.](#)

²¹ [Australian Bureau of Statistics \(2023\). Livestock Products, Australia.](#)