

Response to Biosecurity Protection Levy consultation paper

5 October 2023

1. Introduction

Thank you thank you for the opportunity to make this submission in response to the Biosecurity Protection Levy (“**Levy**”) consultation paper. Yumbah Aquaculture Ltd (“**Yumbah**”) is a South Australian based shellfish aquaculture producer with operations in South Australia, Victoria, Tasmania and New South Wales.

A rigorous, effective and equitable biosecurity system is vital for a business like Yumbah. Hence our initial response is to support the Biosecurity Protection Levy from a policy perspective and to recognise its objectives as both sound and crucial.

However, there are significant practical complexities to be considered to ensure objectives are met and adverse consequences are identified and effectively mitigated.

Simply, the challenge is to design a fair and equitable Levy without unforeseen consequences.

This document provides a short outline of Yumbah’s business and biosecurity positions, and briefly discusses five critical issues:

- To whom the Levy is applied
- Preserving a level playing field
- The risk responsiveness of the Levy
- Who benefits from the Levy
- Available time to get this right

We recognise this is an initial response to the consultation paper only and look forward to ongoing engagement in the further development of a measure that has Yumbah’s in-principle support.

2. Yumbah Aquaculture

Yumbah is perhaps best-known as Australia’s largest farmer of abalone in Australia, producing about 750 tonnes of abalone from four farms at Port Lincoln and Kangaroo Island (South Australia), Narrawong (Victoria) and Bicheno (Tasmania), with an abalone feed mill centre and central processing facilities in Adelaide.

In addition to that:

- Yumbah is Australia’s largest oyster spat producer, with an oyster hatchery and nursery at Port Lincoln and an associated “spat bank” lease in nearby Coffin Bay producing more than 100 million oyster spat each year, supplying to grow-out farms in South Australia. The hatchery underpins up to 70 per cent of Coffin Bay oyster production
- Yumbah operates an oyster hatchery and nursery in Tasmania, producing more than 50 million spat to supply our own grow-out farm as well as other oyster growers in Tasmania and New South Wales
- Yumbah’s own Tasmanian oyster grow-out operations produce about 450,000 dozen annually, with a commitment to grow this to 650,000 dozen in the next two years
- With its acquisition this year of Eyre Peninsula Seafoods Yumbah is also Australia’s largest mussel farmer, producing about 2750 tonnes at Port Lincoln and in Victoria’s Port Phillip Bay
- Yumbah also shares ownership of the Victorian Shellfish Hatchery that produces mussel spat and Sydney Rock and Angasi oyster spat for New South Wales and Victorian growers

3. Yumbah and a Biosecurity Protection Levy

Yumbah endorses both the need for a sustainably funded biosecurity system and the introduction of a properly structured Levy to support this. The principle of identifying and sourcing funding from risk creators and risk beneficiaries has merit, but we lack visibility as to the materiality of the impact of the Levy. With that in mind, our comments below are based on conceptual principles we believe must be considered.

- *Should the Levy apply to producers or retailers?*

A Levy applied to producers in effect provides a Levy from the true beneficiaries of biosecurity management: consumers. Ultimately any change in cost of production as a consequence of the Levy will be passed through the value chain by producers to the maximum extent possible.

Collecting the Levy from the end-retailer based on value of product sold would potentially avoid some of the potential distortions that may impact the relative competitiveness of producers. This would be **matched with an export charge paid by producers as a proxy for consumer value**.

We propose this as a diversified producer with operations across multiple species and at different positions in the value chain. Whatever solution transpires there are complexities and potential consequences that must be addressed, not least:

- Every species we produce has different revenue and profit profiles. Determining a Levy rate based on revenue or production volume will be untenable for some operators and impact the sustainability of our industry. A revenue-based Levy without consideration of scale will inhibit industry entry and investment. Equally, a Levy based on a tiered revenue scale will see larger, more mature operators subsidise smaller operators
- The profit profile of shellfish species varies. Profit is linked to inherent cost structures, scale of operations and selected markets. This implies a greater capacity to fund a Levy based on profitability, but potentially a greater value return of the Levy to Beneficiaries. Equally Levying profits can penalise innovators and investors who lead industry development
- The complexity of oyster spat production opens the way for a double dip on Levy payment. For example: a producer may be charged the Levy for a spat sold to a third-party grower, and the third-party grower then pays a Levy on the same oyster when it is sold as a fully-grown oyster. In Yumbah's business, the buyer of our spat is potentially disadvantaged relative to a fully integrated oyster producer who has the identical Beneficiary profile

Levy design must be based on deep understanding of industry profiles and agendas.

- *Does the Levy maintain a level playing field for industry?*

All Australians benefit from the country's global reputation as a safe, responsible producer of food. The Levy will further support this position. However, we must consider price elasticity risk in our ability to recover this new additional charge on produce.

Levy design must account for both the absolute and relative competitiveness of Australia with competing producers who may benefit from subsidies and lower standards. As an example, Yumbah's abalone production faces intense market competition from Chinese, Chilean and other lower cost (including regulatory cost) producers.

We recommend a process of threshold tests or reviews to enable relief if Australian producers are clearly disadvantaged by increased regulatory cost in relative terms in developing product markets.

- *Is the Levy risk responsive and equitable?*

Yumbah maintains intensive biosecurity management systems across all its sites, with systems tailored to specific risk assessments which clearly vary by species and location. We believe **the Levy must reflect the risk/s being addressed** – or alternatively match the benefit to the specific Levy applied to a sector. For Yumbah, this is the crux of an equitable Levy structure.

- *Am I benefiting from the Levy?*

Beyond the question of whether the Levy is equitable is the further question of “what do I get for my money?”. We understand the purpose of the Levy and the method of funds being directed to consolidated revenue and then returned through specific biosecurity activities rather than through appropriations.

We believe **Levy design must include visibility of the return to producers**. This may involve determining offensive biosecurity programs to help industry growth, balanced against defensive “border security” programs. Offensive programs may include funding to improve translocation protocols within Australia, genetics programs to develop disease resistant stock to reduce future biosecurity risk, or stronger marketing of Australia’s biosecurity credentials.

- *Is there enough time to get this right?*

The Levy is due to be effective from 1 July 2024. With just nine months and counting down, we are only in the consultation phase. A common concern that Yumbah shares is that Levy design will be compromised if due consideration is not given to industry-specific complexities, some of which are sketched in this brief submission. **To restate the question: is more time is required to get this right?**

4. Conclusion

Yumbah supports a Biosecurity Protection Levy from a policy perspective and with objectives that are both sound and crucial. Our caution is that Levy design must consider practical complexities to ensure the objectives are met without adverse consequences.

That raises questions of how and where the Levy should be applied; how it maintain a level playing field; its equity and risk-responsiveness; its transparency and visibility of benefit to producers; and the most important concern: can this truly be achieved in nine months?



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