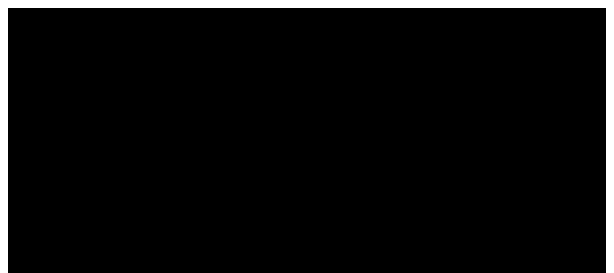
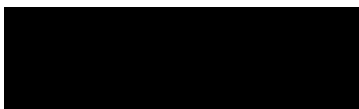




Biosecurity Protection Levy Consultation

Department of Agriculture, Fisheries and
Forestry



These businesses represent:

- half the industry turnover of the Australian fresh produce (fruit and vegetables) sector - \$10 billion total
- a quarter of the volume of fresh produce grown in Australia - 1 million of the 3.9 million tonne total
- more than a third of fresh produce exports - \$410 million of the \$1.2 billion export total
- more than 1,000 growers through commercial arrangements, and
- more than 15,000 direct employees through peak harvest, and up to 25,000 employees in the grower network.

The key issues the [REDACTED] is focusing on include:

- packaging and the role it plays in product shelf life and reducing food waste landfill,
- labour and the need for both a permanent and temporary supply of workers,
- market access to key export markets for Australian produce,
- product integrity both within and outside of the supply chain,
- pollination and research into alternative sources, and
- water security, including clear direction as to the allocation and trading of water rights.

The [REDACTED] aim therefore is to become the first-choice fresh produce group that retailers and government go to for discussion and outcomes on issues involving the growing and supply of fresh produce.

Products grown by [REDACTED] Member companies include:

Apples	Blueberries	Cherries	Nectarines	Raspberries
Apricots	Broccoli	Fioretto	Onions	Salad leaf
Asparagus	Broccolini	Green Beans	Oranges	Spinach
Avocado	Brussel Sprouts	Herbs	Peaches	Strawberries
Baby Broccoli	Butternut	Lemons	Pears	Sweet Corn
Baby Corn	Pumpkin	Lettuce	Pineapples	Table grapes
Bananas	Cabbage	Mandarins	Plums	Tomatoes
Beetroot	Cauliflower	Mango	Potatoes	Water Cress
Blackberries	Celery	Mushrooms	Cucumber	Wombok

Summary

██████████ has welcomed the Government's increased contribution to Australia's biosecurity system, as a robust, effective, and sustainable biosecurity system benefits all Australians. Strong biosecurity systems and processes ensure the ongoing supply of domestically produced food and provide ongoing employment and associated economic benefit to rural and regional Australia.

The ██████ acknowledge the Government has decided that primary producers will contribute a 'fair share' of approximately \$50 million per annum towards Australia's biosecurity system, via a Biosecurity Protection Levy (BPL). It is acknowledged that this contribution from industry will be made to consolidated revenue, not to the operations of the Department of Agriculture Fisheries and Forestry or other agencies with responsibility for delivering biosecurity services.

The Government has taken the position that beneficiaries of a biosecurity system should contribute to the cost of that system. While the concept of beneficiary pays (as opposed to 'user pays') is in itself contentious, the application of the BPL as proposed does not make distinction between benefit to industries, commodities or even individual businesses.

The use of existing levies to generate the BPL is flawed. Existing levies are not an appropriate proxy for production, volume or value, or any baseline by which the Government is able to make an assessment as to the level of 'benefit' a producer should be responsible for contributing to the biosecurity system. Levies within the horticulture sector are made up of up to five parts – a Research and Development levy, a Plant Health Australia Levy, a National Residue Levy, an Emergency Plant Pest Response levy and a Marketing levy. Some commodities collect against all these levies, some collect against only one or two items.

The existing levy system involves levy payers collectively determining the rate of each of these 5 components of levy. To that end, the levy rate per commodity in horticulture is relatively arbitrary and not the basis by which cost recovery should be imposed.

The varying nature of levy rates means that the proposed BPL is fundamentally inequitable both across agriculture sectors broadly, and within the horticulture sector specifically. This proposed approach will result in uncapped collections from farmers, to fund a fixed system cost. Under the proposed approach (based on 10% of 2020/21 agriculture levies collected), if the BPL was collected in 2021/22 industry would have been charged \$60 million, \$10 million more than what government has determined to be the 'fair share' of primary producers.

Notwithstanding the base flaws in a "beneficiary pays" model and attempting to use the levy system to create a cost recovery mechanism, this submission aims to highlight the potential implications of the proposed BPL on the fresh produce industry and offers a more equitable alternative payment solution.

Key Concerns:

1. **Inequity in current proposal:** The current BPL proposal, calculated based on various agricultural levies, is not equitable. Australian agricultural levies are not standardised or benchmarked (across industry or within sectors). Adding to the inequity, the total levy amount used to calculate the BPL is made up of a combination of levies not paid for all commodities (i.e. marketing levy rates are used in the BPL determination, when not all industries collect a marketing levy – disadvantaging those that do). Due to these reasons, it is challenging to create a fair and consistent BPL based on the existing levy system. It would require considerable time and resources to determine a benchmark and develop an equitable system based on existing levies.
2. **Fluctuations in and the growth of horticulture is not accounted for:** Government has indicated that the intent of the BPL is to raise \$50 million per annum to contribute to total biosecurity costs. To reach that figure, the assumption is that the BPL rate was reverse engineered to create a collection rate, that resulted in \$50 million of funds collection. This methodology to set the BPL rate is flawed and based on a single year's levy collection. This methodology disregards the inherent fluctuations of agriculture production. The proposal also doesn't respond to agriculture's growth trajectory (5% per annum on average over the last 5 years), leading to a likely outcome where primary producers

are levied more than their “fair share”. Horticulture is one of the fastest growing sectors and the proposed approach risks overcharging its producers within a short timeframe.

3. **There is no cap on the levy:** the proposed BPL lacks any kind of safeguard mechanism against overcharging primary producers during high-yielding years or as a result of continued industry growth. If the BPL was applied in 2021-22, Government would have collected an estimated \$60 million, \$10 million more than deemed a “fair” contribution by primary producers. Any overcharging through the BPL will create industry angst, partly due to the funds being incorporated in the Government’s consolidated revenue and not isolated specifically for biosecurity activities (or industry investment).

Alternative Proposal:

The [REDACTED] recommend government consider alternative models and provide two suggestions in this submission; a production value based BPL and a tiered business turnover-based BPL. The preferred tiered business turnover-based BPL recommends businesses make a fixed contribution based on which annual turnover bracket they are within, ensuring a more equitable distribution of the BPL. This approach offers easy administration and adjustment, and aligns with the government's goal of creating a fairer payment system.

Recommendations:

1. Consider alternative proposals to achieve a more equitable outcome, including a tiered Business turn-over based BPL that is distributed across the industry equitably.

If Government does not consider an alternative approach based on turnover:

2. Create a BPL levy rate that demonstrates equivalence across all commodities to ensure equity. This would likely require economic analysis to determine the appropriate unit by which commodities are levied (e.g., per kg or by value – as outlined in this submission), and then require setting a levy rate accordingly. This would be done independently of the existing R&D levy system.
 - Importantly, any calculations should be based on industry paying a fixed amount, not an uncapped collection.

If the government will not undertake an alternative approach to determine a BPL levy not based on existing levy system:

3. Recalculate the BPL rate based on:
 - the research and development levy charge only, other levies collected, i.e., marketing, emergency plant pest response, etc. are for specific services and are not collected for all horticulture commodities and should therefore not be included in the calculation of the BPL.
 - an average of levies collected over a period of five years to better accommodate annual production fluctuations.

Contents

Summary	2
Introduction	5
Australian agriculture levy system – Context and Background	6
Proposed Biosecurity Protection Levy – Key Challenges under proposed model.....	7
1. The method used to calculate the Biosecurity Protection Levy rate does not accommodate for the industry’s annual fluctuations and growth	7
2. Australian agricultural levies are not standardised or benchmarked	10
3. Australian agricultural levies are a combination of charges, not consistently applied	11
4. Unfair charges to producers who grow more than one levied commodity	12
5. There is no cap on the Biosecurity Protection Levy.....	12
Alternative proposals:.....	13
1. Alternative – Production value based BPL	13
2. Alternative - Tiered business turnover based BPL.....	13
Recommendations	15
Appendix 1 – Sample of industry levy rates.....	16
Appendix 2 - Alternative Turnover-based Tiered Biosecurity Levy examples.....	18

Introduction

██████████ supports a strong biosecurity system that protects our economy, environment, and way of life.

Pests and diseases that threaten the fresh produce industry have severe consequences for the wider community, including increased food prices, reduced food security, and by causing harm to our natural resources. A strong biosecurity system protects not only our agriculture sector but also our lifestyle and culture, which relies on access to clean, safe, and healthy food. All Australians benefit from a robust, efficient, and effective biosecurity system.

It is vital that the Department of Agriculture, Fisheries and Forestry (DAFF) ensures Australia's biosecurity system is robust, effective, efficient, sustainable and user-friendly. This requires a strong focus on risk assessment, early detection, and rapid response to new and emerging threats.

The ██████ welcomes the government's commitment to strengthen Australia's biosecurity system, to ensure our nation is adequately protected, capable of countering threats and managing outbreaks should they occur. The permanent increase of taxpayer contribution, both overall and as a percentage of total funding, to Australia's biosecurity system is strongly supported.

The ██████ acknowledge that primary producers, growing for the domestic market or exporting into overseas markets, benefit from Australia's favourable biosecurity status. In many instances, a serious biosecurity incursion would challenge the operations of small and large primary producers alike, the parasitic varroa mite infestation of Australia's bee population is evidence of this, as all businesses requiring pollination services in the affected area were impacted. It is important to all primary producers that the government's biosecurity prevention efforts at Australia's border are robust and effective.

While unsupported, the ██████ recognises the Government's decision to collect additional funds from primary producers to contribute to the cost of its biosecurity activities, noting the levy is being introduced during a challenging period for many horticulture businesses. The industry's resilience has been worn down by successive and ongoing challenges – natural disasters, labour shortages, supply-chain disruptions, and cost-increases.

A new BPL will be taken directly from producers' profit margins, further reducing business resilience and capacity to reinvest. Margins in the horticulture sector are infamously slim, creating a further viability risk for businesses.

Overall, should the government push forward with collecting producer contributions to fund Australia's biosecurity system, it is important that the funds collected from industry are done so equitably and the total funds collected remains 'fair', as is the government's stated intent.

This submission has been prepared on the basis that:

- Increased funding was essential to maintain and improve Australia's biosecurity prevention efforts.
- The Government's intent is to deliver a sustainable and "*fairer system of payment for the biosecurity system*".
- The Government has determined that a 'fair' contribution from primary producers to the cost of Government biosecurity activities is approximately \$50 million per annum.
- All primary producers are susceptible to the consequences of a biosecurity incursion, and all benefit from effective government preventive measures, early detection, and rapid response capabilities.

Australian agriculture levy system – Context and Background

As defined in the Animal Health Australia and Plant Health Australia Funding Legislation Amendment Bill 2022,

“Agricultural levies are taxes imposed on producers, to fund and allow for key strategic industry issues to be addressed, and activities to be undertaken by pooling industry resources”.

Traditionally, industries are responsible for establishing and adjusting levies based on majority consensus.

Existing agriculture levies are collected and distributed by government, for example, the majority of levies paid by horticulture producers is provided to Hort Innovation for research and development.

Levy investment is generally focused on delivering outcomes specifically for the producer who paid the levy, for example in 2021/22, onion growers paid approximately \$1 million in levies, and Hort Innovation invested \$832,700 in onion research and development and \$213,529 in onion marketing.

In total, the Government collects levies and charges on more than 70 commodities and then pays these funds to various R&D and marketing bodies, as well as to Animal Health Australia, Plant Health Australia, and the National Residue Survey.

Within the fresh produce sector, there are more than 20 levied crop types. Within these levies, the total levy rate is made up of up to 5 different levies. These are:

- Emergency Plant Pest Response
- Marketing
- National Residue Testing
- Plant Health Australia
- Research and Development

The only levy that is paid consistently (i.e. each commodity pays this levy) is the Research and Development levy.

Within each commodity, the levy rate is set according to different measures, some commodities have chosen to pay per unit (kg/tonne/box) others are paying by value (a percentage taken at first point of sale), others are collected according to alternative measures, such as the strawberry industry paying a levy per runner.

A sample of industry levy rates are included in Appendix 1

The difference between these rates means that levies collected varies dramatically between commodities within the fresh produce sector. Industry's that are levied based on value or have set high marketing contributions typically collect the larger amount of levy funds to spend on industry activities. Commodities where this combination leads to relatively high levy contributions include vegetables, mushrooms, bananas and avocados.

Proposed Biosecurity Protection Levy – Key Challenges under proposed model

The Government has determined that primary producers be levied approximately \$50 million per annum to contribute their 'fair' share to the biosecurity system. This has been described as 6% of the overall funding provided for the biosecurity system (noting that \$50m is closer to 7%).

Key concerns with this approach (beyond the unusual approach to seek reimbursement from system beneficiaries, rather than system users) include:

1. The initial method of calculation of the BPL does not adequately account for industry's fluctuations
 - The modelling used by government to determine contribution required by the BPL to meet the \$50 million contribution is based on a single year of data.
 - This process does not take into account the fluctuation in industry production and value and means that modelling used to make an assessment of the impact of the BPL is flawed.
2. Australian agriculture levies are not standardized
 - Levies across agriculture and within horticulture specifically, are all set at different rates – without a consistent unit over time. Within horticulture, levies are set by value, volume, box or runner. This will lead to inconsistent and inequitable remittance of a BPL.
3. Australian agriculture levies are made up of several different charges, not applied consistently across commodities
 - Within the horticulture industry, there are up to 5 levies, that make up a commodity's total levy. The rates charged against each of these 5 components varies across all commodities. The only consistent levy paid (where a levy exists) is the Research and Development levy.
4. Unfair charges to producers who grow more than one levied commodity
 - The more commodities produced by a single business, the more BPL they are likely to pay. Given the generic nature of the BPL and the biosecurity system, it is difficult to suggest that a producer should be paying for a benefit on a per commodity basis
5. Under the current BPL proposal, the amount collected from industry via the BPL is uncapped
 - Costs associated with operating the biosecurity system are fixed in the federal budget; therefore the amount of contribution required from any party (tax payer, Australia post, importers or producers) should also be fixed – under the current proposal the contribution from producers is not fixed.
 - The use of levies to collect a primary producer's contribution mean that the amount contributed by all producers will be variable; leading to under or over recovery by Government.

It is unlikely that *"a fair system to pay for biosecurity"*¹ can be achieved based on the agricultural levy system using the proposed calculation and collection method due to several reasons that create inequitable outcome between primary producers, especially in the horticulture sector. Attempting to resolve this inequity would require substantial time, resources, and further consultation, and may not be possible.

1. The method used to calculate the Biosecurity Protection Levy rate does not accommodate for the industry's annual fluctuations and growth

As stated in the consultation paper, *"it is intended the levy rate will be equivalent to 10% of 2020-21 agricultural levy rates"*, however there are fundamental challenges with this methodology considering the objective is to raise approximately \$50 million per year from primary producers.

¹ Media Release 16 May 2023 – [Budget delivers first ever sustainable biosecurity funding - Minister Watt](#)

First, calculating the BPL rate on a single year, rather than an average of years does not take into account the fluctuations of agriculture production that occurs due to several factors including natural weather events and climate. Table 1 and 2 demonstrate the fluctuation of a single commodity and of the entire industry's levies collected in 2020-21 and 2021-22 level, and how this fluctuation will impact the BPL funds collected.

Table 1: [REDACTED] (fresh production only, levied at 7.5c per kg)

Year / Period	Production Volume (tonnes)	Total Avocado Levy Collected	BPL contribution (10% of total levy)
2020-2021 (BPL baseline)	72,600	\$5.46m	\$546k
2021-22	116,900	\$8.8m	\$882k
2017-18 to 2021-22 (5-year average)	84,900	\$6.4m	\$637k
2025/26 (Forecast by Avocados Aus)	164,000*	\$12.3m**	\$1.2m**

Source: Hort Statistic Handbook 2020-21 & 2021-22, DAFF levy and charge rates

*Based on the area of current plantings and average yields, production has been forecast by [REDACTED] to increase to around 170,000t by 2026, estimate 6,000 are for processing.

** if levies unchanged

Table 2: Total Agriculture Levies Collected

Year / Period	Australian Agriculture Farmgate Production Value	Total Agriculture Levies Collected (unmatched)	BPL contribution (10% of total levy)
2020-2021	\$71 billion	\$495.556m	\$50m
2021-2022	\$93 billion	\$602.596m	\$60m
5-year avg. 2017-18 to 2021-22	\$72.5 billion	~\$525m	~\$52.5m

Source: DAFF Annual Reports; ABS

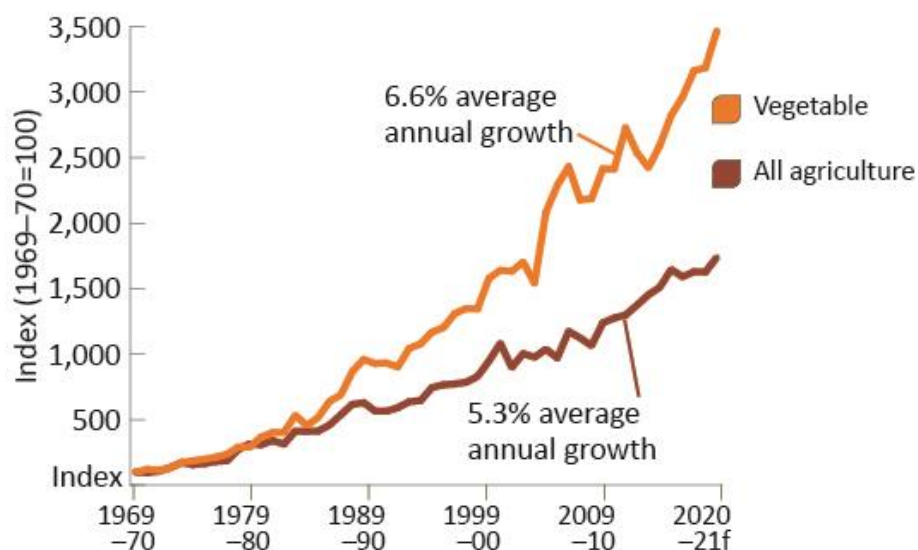
Of note, if the BPL rate was calculated on 2021-22, not 2020-21, with a target of raising ~\$50m from [REDACTED], the future BPL would be 8.5%, not 10%.

Secondly, the value of agricultural, fisheries and forestry production is increasing at an average of about 5% per annum – over the past 20 years it has increased by 59% from approximately \$59 billion in 2002–03 to \$93 billion in 2021–22. Within agriculture, fresh produce is one of the fastest growing sectors, increasing at an average closer to 6% per annum (see Figure 1 & 2). An independent report commissioned by Hort Innovation projects the Australian horticulture sector will surge by up to 22.5% in combined value by 2030, with some commodities, like oranges projected to grow by 43.6% during the period 2020-21 to 2029-30.

Based on the industry's positive growth trajectory, it is likely that within a five to ten years primary producers will be levied significantly more than \$50 million or 6% of overall funding of the biosecurity system. As illustrated in Table 4, 10% of the industry's total average levy collected over the last 5 years is already higher than \$50 million (\$52.5 million), and this estimate does not include commodities that are not levied under the current system, but will be for BPL.

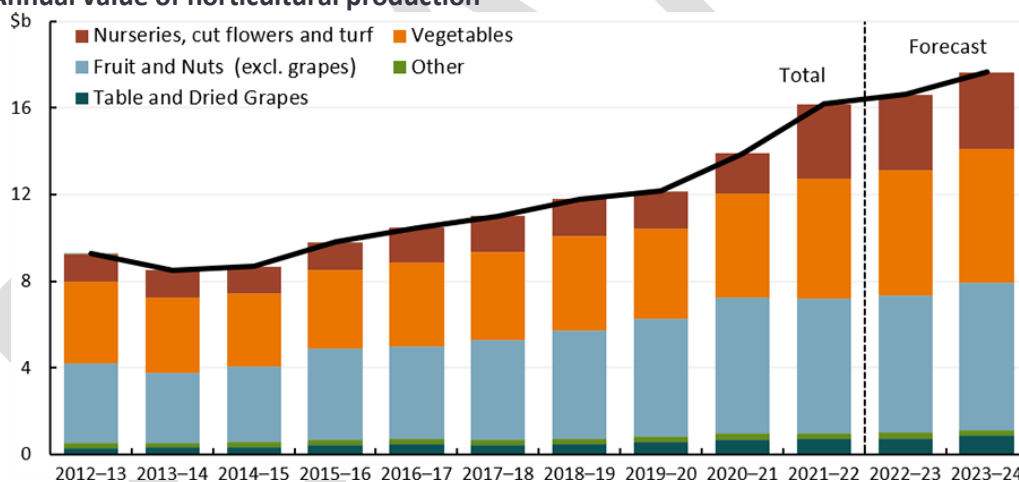
In horticulture several high value and volume commodities are not currently levied, such as fresh tomatoes, blueberries, garlic, asparagus, and others. Once these other commodities are included in the BPL, the additional funds raised in combination with the sector's stronger growth mean that the horticulture sector will undoubtedly be levied at a higher, inequitable amount within a short timeframe.

Figure 1: Growth in nominal gross value of production by industry, 1969–70 to 2020–21



Source: [ABARES](#)

Figure 2: Annual value of horticultural production



Source: [ABARES: ABS](#)

Basing the PBL on a single year, and not an average of years, also disregards the fact the levies are amended periodically by primary producers. Choosing one year to base the BPL on unfairly disadvantages or advantages some producers and creates outcomes likely unintended by Government. For example, Rubus growers recently went through an extensive two-year process to amend their levy, which resulted in a reduction from 12c per kg to 4c per kg in 2021/22.

2. Australian agricultural levies are not standardised or benchmarked

The proposal to collect funds from primary producers based on and through the existing agricultural levy system is inequitable due to the significant discrepancy between each commodity's levy, which are not benchmarked against each other.

Australian agricultural levies are not consistently applied or standardised in how they are calculated and collected across the industry. As illustrated in Table 3 and 4, within the horticulture sector alone there are multiple units of measurement (i.e., by kilogram, by tonne, by box, by carton, by square metre, by a percent of sale price, by runner, etc.) and significant variations in the charges (i.e., potatoes 60c per tonne, apples 1.895 cents per kilogram [\$18.95 per tonne]).

Table 3: Berries Levies and Charges

Commodity	Emergency Plant Pest Response	Marketing	National Residue Testing	Plant Health Australia	Research and Development	Total
Rubus (Raspberries)	-	2 cents per kilogram	-	-	10 cents per kilogram	12 cents per kilogram
Strawberries	-	-	-	0.13 cents per 1000 runners	\$7.87 per 1000 runners	\$8.00 per 1000 runners
Blueberries	No levies collected (voluntary levy in place)					

Table 4: Root Crops Levies and Charges

Commodity	Emergency Plant Pest Response	Marketing	National Residue Testing	Plant Health Australia	Research and Development	Total
Ginger	-	-	-	-	0.5 per cent of the sale price	0.5 per cent of the sale price
Onions	-	\$1.00 per tonne	-	10 cents per tonne	\$2.90 per tonne	\$4.00 per tonne
Potatoes	Domestic and export	10 cents per tonne	-	2 cents per tonne	48 cents per tonne	60 cents per tonne
	Processed	-	-	1 cent per tonne	49 cents per tonne	50 cents per tonne
Sweet potatoes	-	1% of the sale price	-	0.015% of the sale price	0.485% of the sale price	1.5% of the sale price

Source: agriculture.gov.au/agriculture-land/farm-food-drought/levies

This lack of standardisation among horticulture levies is based on the principle that these levies are set by producers (via voting), for the benefit of their specific commodity. This means that the varying levy rates are intended to meet the needs of that specific levied commodity; rates were not designed to be a proxy for an alternative collection method.

Table 5 (over page) demonstrates one measure of inequality of the proposed BPL system by calculating the total 2020/21 BPL charge collected from a commodity as a proportion of its overall production value, and then comparing this with another commodity. This calculation demonstrates that in 2020/21, the BPL would have collected over eleven times more from a sweet potato grower for every dollar they produced than a normal potato grower.

Table 5: Root Crops – BPL % of total production value

Levy Category		2020/21		BPL as a % of Production Value
		Estimated Production Value of Levy Category	Calculated BPL Contribution	
Ginger		\$55 million	\$54,000	0.098%
Onions		\$203 million	\$109,000	0.054%
Sweet Potato		\$91 million	\$161,000	0.177%
Potatoes	Domestic and export	\$807 million	\$128,000	0.016%
	Processed			

Source: Hort Statistic Handbook 2020-21, estimated BPL charge as 10% of levies paid

3. Australian agricultural levies are a combination of charges, not consistently applied

As illustrated in Table 3 and 4, horticulture producers pay a levy that is comprised of up to five charges, being the Emergency Plant Pest Response, Marketing, National Residue Testing, Plant Health Australia and Research and Development levies. Only the Research and Development levy is charged across all commodities. The four other charges are not paid by all commodities and relate to specific services or activities:

- **National Residue Testing** relates to the management of chemical residues and environmental contaminants and is paid by participating primary producers.
- **The Emergency Plant Pest Response (EPPR)** levy is activated in the event of a biosecurity incursion.
- **Plant Health Australia (PHA)** levy is paid by some commodities to assist in developing a national approach to plant health issues.
- **Marketing** levies are collected to promote consumption and use of a commodity, for example to pay for apple marketing. In certain cases, the producers have set a substantial marketing levy, for example the domestic apple levy is 1.03 cents per kilogram, over half of the total levy collected (1.895 cents per kilogram).

There are two key issues in using the total of all levy rates to set the BPL, these are the creation of “double payments” for biosecurity contributions and inflating the costs for commodities where producers have voted to raise a component of their levy.

“Double payments” for biosecurity

Incorporating the EPPR and PHA levies into the total levy calculation, which forms part of the BPL rate will create a situation where commodities that have raised this levy are in effect paying twice for biosecurity operations. For example, producers of a commodity currently experiencing a biosecurity incursion, who are funding an agreed response plan through the EPPR levy, will now indefinitely be charged a higher contribution to support the Government’s biosecurity activities (than if the incursion had not occurred).

This would be true for several horticulture commodities where an EPPR is active to cover the cost associated with an incursion. This extends to industry’s that have agreed to raise a levy for PHA. These commodities are now subject to a higher BPL as a result of the proactive decision to invest collectively in PHA.

Essentially, Government has decided to charge more of producers who have agreed to utilise the levy system to respond to an existing biosecurity threat or procure a service for their (and Australia’s) collective benefit. This is inequitable and also deters producers from using the levy system in the future for fear of this methodology being repeated.

Direct commodity benefit levies

Incorporating marketing levies as part of the BPL levy collection rate further fuels inequity amongst horticulture commodities. The decision to raise a marketing levy paid by levy payers is specifically to drive benefit within an individual product category to improve outcomes for producers within that category.

These levies were raised by commodity groups without the context of them then being used to set an additional levy imposed by Government. Industry's that have set high marketing levies (including apples, mushrooms, avocados and bananas) are disproportionately disadvantaged by including these in the calculation of the BPL, compared to those who have not raised a marketing levy.

If the biosecurity charge is going to be based on any part of the levy, it should only be Research and Development. While the Research and Development levy is also set by industry for the purpose of pooling resources to deliver outcomes of joint benefit, it is a more appropriate basis for calculating the BPL because:

- it is paid by all horticulture commodities, unlike the other levy charges, making it a more equitable figure to base calculations on, and
- unlike the other levy charges, there is a precedence of drawing funds from the horticulture industry's R&D levy pool to invest in outcomes for the benefit of the broader industry.

4. Unfair charges to producers who grow more than one levied commodity

The Government's policy intent behind the BPL is to support a sustainable funding model that sees system beneficiaries contribute to the cost of the biosecurity system. Using the current levy system to generate a BPL rate creates a scenario in which different commodities will contribute different amounts to the BPL.

At a commodity level, this means that the vegetable industry under proposed measures would have contributed \$1 million to the BPL in 2020/21, the mushroom industry \$512,000, the banana industry \$882,000 and the table grape industry \$192,000. At a producer level, this means growers of more than one crop type will be subject to different BPL rates and payments, despite receiving the same level of broad based benefit to their individual operation.

This is different to the current application of existing levies, which are raised for a commodity benefit (i.e. research into a specific pest that impacts apples). Government's policy intent is to support a sustainable funding model that sees biosecurity system beneficiaries contribute to the cost of the system. Arguably, a single farming/producing entity is the beneficiary of the biosecurity system, regardless of what they farm.

This approach (utilising the existing levy system) does not support the Government's policy intent of seeing system beneficiaries contribute to the cost of the biosecurity system, rather this approach treats a commodity, not farmer or grower, as the beneficiary. It is on this basis that the Government should consider charging per business – this approach is explored in this submission as an alternative model of collection.

5. There is no cap on the Biosecurity Protection Levy

A significant issue with the proposed BPL not accounting for the agriculture industry's annual fluctuations and growth, is that it lacks any kind of safeguard mechanism against overcharging primary producers for the short or long-term. The Government should consider introducing a cap on the BPL to mitigate the risk of overcharging, particularly as a result of periods of heightened agricultural production and due to the industry's positive growth.

The immediate need for a cap is demonstrated in Table 2 above, which shows that if the BPL been applied in 2021-22, Government would have collected \$60 million across the agriculture sector, \$10 million more than targeted.

Without a cap, any time funds are collected in excess of \$50 million, Government should expect to experience industry angst towards the BPL and significant scrutiny on the use of the additional funds. This is because funds raised through the BPL will “*not be directly appropriated to the Department of Agriculture, Fisheries and Forestry*”, but will be incorporated into the Government’s consolidated revenue.

Alternative proposals:

The Government has determined that primary producers must contribute approximately \$50 million per annum toward Australia’s biosecurity system, approximately 6-7% of the overall funding provided. The Government should aim to collect these funds in a manner that is more equitable, as well as easy to administer and adjust as required.

1. Alternative – Production value based BPL

While still challenged by some of the issues raised in this submission, one alternative would be to recalculate the BPL based on each commodity’s proportion of the total production value of the entire horticulture industry.

For example, according to Hort Innovation’s Statistics Handbook, in 2020/21 the total production value of horticulture adds to approximately \$12.1 billion, the value of banana production in the same year was \$597 million, which is 4.92% of horticulture’s total production value. If the Horticulture industry was required to contribute \$6 million to Australia’s biosecurity system, based on its proportion of the industry’s total production value, the banana sector could contribute 4.92% of the \$6 million, approximately \$295,000. To raise \$295,000 from the Banana industry, the production value based BPL rate would be 0.000732 cents per kilogram.

The example above and table (6) below have been calculated based on 2020/21 production values to provide a comparison with the proposed BPL, which is based on 10% of 2020/21 levies. Many of the challenges raised in this submission that are the result of using the levy system to collect industry’s biosecurity contribution still need to be addressed as part of this alternative. A production value based levy should be based on an average of years (not a single year) and reviewed frequently (or capped, but this is difficult due to using the levy mechanism to collect funds). It is recommended that any production value based BPL be calculated on a minimum of five years and reviewed a minimum of every five years.

Table 6: Example of a production value based levy, commodities contribute to BPL based on their proportion of total value of horticulture in 2020-21:

	2020/21 Value (\$M)	% of total Hort value in 2020/21	Contribution based on production value (assuming \$6m from Hort)	Contribution based on current BPL proposal (10% of levies)
Bananas	\$597	4.92%	\$294,985	\$882,000
Mushrooms	\$393	3.24%	\$194,186	\$512,000
Mangoes	\$201	1.66%	\$99,316	\$123,000
Rubus	\$227	1.87%	\$112,163	\$124,000
Strawberries	\$417	3.43%	\$206,045	\$77,000
Table Grapes	\$632	5.20%	\$312,279	\$198,000
All Veg (inc. in levy)	\$4,911	40.44%	\$2,426,583	\$1,000,000

2. Alternative - Tiered business turnover based BPL

A second, and more preferably alternative is a BPL based set at a flat fee based on a primary producers business turnover. According to ABS, as at 30 June 2022, there were 87,800 agricultural businesses² (primary producers) in Australia, dividing \$50 million evenly across these businesses calculates to an average of approximately \$540 per business. If all agriculture businesses registered with the Australian Taxation Office paid \$540 as part of their annual tax return, it would be easy to administer, but arguably not equitable. However, if businesses were charged a biosecurity levy based on their turnover, it would be more equitable, easy to administer and adjust.

For example, in 2021-22 the Australian Bureau of Statistics reports there was 18,888 Fruit, Vegetable & Nut (Horticulture) Businesses. The turnover of these businesses can be seen in Table 5. Hypothetically, if the horticulture sector was required to provide \$6 million of the agriculture industry's total \$50 million contribution, this amount could be divided amongst the businesses based on their turnover. As illustrated in Table 7, businesses with the greater turnover could pay a higher levy, businesses with a lower turnover could pay a small or no levy.

Table 7: Example Tiered Biosecurity Levy based on Horticulture Business Turnover 2021-22

Business Turnover*	2021-22 Fruit, Vegetable & Nut Businesses	Hypothetical Biosecurity Levy	Hypothetical Funds raised
Zero to \$49,000	6,276	\$0	\$0
\$50,000 to \$199,999	5,298	\$50	\$265,000
\$200,000 to \$1,999,999	5,878	\$500	\$2,940,000
\$2,000,000 to \$4,999,999	889	\$1,200	\$1,067,000
\$5,000,000 to \$9,999,999	299	\$2,400	\$748,000
\$10,000,000 or more	247	\$4,000	\$988,000
Total Businesses:	18,888	Total levy raised:	\$6,008,000

*the business turnover brackets reflect available ABS data, and may not be the most appropriate range, i.e. Government may wish to include additional brackets for businesses with higher turnovers.

This alternative proposal, a tiered business turnover based levy, also makes it easier to adjust and more accurately collect a contribution from primary producers that will not fluctuate depending on production volume and value.

For example, the Federal Budget indicates the BPL is expected to raise \$153 million over the three years from 1 July 2023-24 – assumably increasing in line with the overall funding of the biosecurity system, i.e. \$50 million in 2023-24, \$51 million in 2024-25 and \$52 million in 2025-26. A turnover-based levy could be set precisely to deliver this amount and dispersed equitably across the industry. Beyond the current Budget forecast, each year a turnover-based levy could be increased or decreased in line with overall spending on the biosecurity system to maintain the primary producer's collective contribution at between 6-7%.

A turn-over based levy better delivers on the government's intent of creating a sustainable and "*fairer system of payment for the biosecurity system*".

² <https://www.abs.gov.au/statistics/industry/agriculture/agricultural-commodities-australia/latest-release>

Recommendations

The [REDACTED] acknowledge the Government has decided that primary producers will contribute a 'fair share' of approximately \$50 million per annum towards Australia's biosecurity system, via a Biosecurity Protection Levy. It is acknowledged that this contribution from industry will be made to consolidated revenue, not to the operations of the Department of Agriculture Fisheries and Forestry or other agencies with responsibility for delivering biosecurity services.

The Government has taken the position that beneficiaries of a biosecurity system should contribute to the cost of that system. While the concept of beneficiary pays (as opposed to 'user pays') is in itself contentious, the application of the BPL as proposed does not make distinction between benefit to industries, commodities or even individual businesses.

The use of existing levies to generate the BPL is flawed. Existing levies are not an appropriate proxy for production, volume or value, or any baseline by which the Government is able to make an assessment as to the level of 'benefit' a producer should be responsible for contributing to the biosecurity system.

To that end, if the Government is intent on moving forward with the introduction of a Biosecurity Protection Levy, the [REDACTED] recommend the Government:

1. Consider alternative proposals to achieve a more equitable outcome, including a tiered Business turn-over based BPL that is distributed across the industry equitably.

If Government does not consider an alternative approach based on turnover:

2. Create a BPL levy rate that demonstrates equivalence across all commodities to ensure equity. This would likely require economic analysis to determine the appropriate unit by which commodities are levied (e.g., per kg or by value – as outlined in this submission), and then require setting a levy rate accordingly. This would be done independently of the existing R&D levy system.
 - o Importantly, any calculations should be based on industry paying a fixed amount, not an uncapped collection.

If the government will not undertake an alternative approach to determine a BPL levy not based on existing levy system:

3. Recalculate the BPL rate based on:
 - o the research and development levy charge only, other levies collected, i.e., marketing, emergency plant pest response, etc. are for specific services and are not collected for all horticulture commodities and should therefore not be included in the calculation of the BPL.
 - o an average of levies collected over a period of five years to better accommodate annual production fluctuations.

Appendix 1 – Sample of industry levy rates

Commodity		Emergency Plant Pest Response	Marketing	National Residue Testing	Plant Health Australia	Research and Development	Total
Apples	Domestic	0.05 cents per kilogram	1.030 cents per kilogram	0.075 cents per kilogram	0.02 cents per kilogram	0.720 cents per kilogram	1.895 cents per kilogram
	Export	0.05 cents per kilogram	1.030 cents per kilogram	0.075 cents per kilogram	0.02 cents per kilogram	0.720 cents per kilogram	1.895 cents per kilogram
	Juicing	\$0.00	\$2.00 per tonne	10 cents per tonne	-	65 cents per tonne	\$2.75 per tonne
	Processing	\$0.00	\$4.00 per tonne	20 cents per tonne	-	\$1.30 per tonne	\$5.50 per tonne
Avocados	Fresh domestic and export	\$0.00	4.5 cents per kilogram	-	0.1 cents per kilogram	2.9 cents per kilogram	7.5 cents per kilogram
	Processing	\$0.00	-	-	-	1 cent per kilogram	1 cent per kilogram
Bananas		\$0.00	1.15 cents per kilogram	-	0.5 cents per kilogram	0.54 cents per kilogram	2.19 cents per kilogram
Cherries		\$0.01	\$0.01 per kilogram	-	\$0.003 per kilogram	\$0.05 per kilogram	\$0.07 per kilogram
Citrus	Oranges in bulk	\$1.05 per tonne	75 cents per tonne	-	30 cents per tonne	\$3.20 per tonne	\$5.30 per tonne
	Oranges not in bulk	2.1 cents per box	1.5 cents per box	-	0.6 cents per box	6.4 cents per box	10.6 cents per box
	Other citrus in bulk	\$1.05 per tonne	-	-	30 cents per tonne	\$3.20 per tonne	\$4.55 per tonne
	Other citrus not in bulk	2.1 cents per box	-	-	0.6 cents per box	6.4 cents per box	9.1 cents per box
Mangoes		0.114 per kilogram	1 cent per kilogram	-	0.029 per kilogram	0.75 cents per kilogram	1.893 cents per kilogram
Melons		\$0.00	-	-	0.1 cents per kilogram	0.3 cents per kilogram	0.4 cents per kilogram
Mushroom (Agaricus)		-	\$2.92 per kilogram	-	-	\$1.08 per kilogram	\$4.00 per kilogram
Onions		\$0.00	\$1.00 per tonne	\$0.00	10 cents per tonne	\$2.90 per tonne	\$4.00 per tonne
Papaya	Fresh domestic and export	-	1 cent per kilogram	-	-	1 cent per kilogram	2 cents per kilogram
	Processing	-	-	-	-	0.25 cents per kilogram	0.25 cents per kilogram

Pears	Domestic	0.05 cents per kilogram	1.249 cents per kilogram	0.075 cents per kilogram	-	0.775 cents per kilogram	2.149 cents per kilogram
	Export	0.05 cents per kilogram	1.249 cents per kilogram	0.075 cents per kilogram	-	0.775 cents per kilogram	2.149 cents per kilogram
	Juicing	\$0.00	\$2.25 per tonne	10 cents per tonne	-	60 cents per tonne	\$2.95 per tonne
	Processing	\$0.00	\$4.50 per tonne	20 cents per tonne	-	\$1.20 per tonne	\$5.90 per tonne
Persimmons		-	2.5 cents per kilogram	-	-	3.75 cents per kilogram	6.25 cents per kilogram
Pineapples	Domestic and export	\$0.00	\$2.00 per tonne	-	10 cents per tonne	\$2.90 per tonne	\$5.00 per tonne
	Processing	\$0.00	-	-	10 cents per tonne	\$1.90 per tonne	\$2.00 per tonne
Potatoes	Domestic and export	10 cents per tonne	-	-	2 cents per tonne	48 cents per tonne	60 cents per tonne
	Processed	-	-	-	1 cent per tonne	49 cents per tonne	50 cents per tonne
Rubus		-	2 cents per kilogram	-	-	10 cents per kilogram	12 cents per kilogram
Stone fruit		0.00 cents per kilogram	0.00 cents per kilogram	n/a	0.02 cents per kilogram	0.98 cents per kilogram	1 cent per kilogram
Strawberries		\$0.00	-	-	0.13 cents per 1000 runners	\$7.87 per 1000 runners	\$8.00 per 1000 runners
Sweet potatoes		\$0.00	1 per cent of the sale price	-	0.015 per cent of the sale price	0.485 per cent of the sale price	1.5 per cent of the sale price
Table grapes		\$0.00	0.5 cents per kilogram	-	-	0.5 cents per kilogram	1 cent per kilogram
Vegetables	Unprocessed	0.010 per cent of the sale price	-	-	0.015 per cent of the sale price	0.485 per cent of the sale price	0.51 per cent of the sale price
	Processed	0.010 per cent of the value of the vegetable if it were first sold as an unprocessed vegetable	-	-	0.015 per cent of the value of the vegetable if it were first sold as an unprocessed vegetable	0.485 per cent of the value of the vegetable if it were first sold as an unprocessed vegetable	

Appendix 2 - Alternative Turnover-based Tiered Biosecurity Levy examples

Option – no charge for businesses below \$199,999

Turnover	2021-22 Fruit, Vegetable & Nut Businesses	Hypothetical Biosecurity Levy	Hypothetical Funds raised
Zero to \$49,000	6,276	\$0	\$0
\$50,000 to \$199,999	5,298	\$0	\$0
\$200,000 to \$1,999,999	5,878	\$500	\$2,940,000
\$2,000,000 to \$4,999,999	889	\$1250	\$1,110,000
\$5,000,000 to \$9,999,999	299	\$2500	\$748,000
\$10,000,000 or more	247	\$5000	\$1,235,000
Total	18,888		\$6,033,000

Option – Most mathematically equitable distribution across all businesses

Turnover	2021-22 Fruit, Vegetable & Nut Businesses	Hypothetical Biosecurity Levy	Hypothetical Funds raised
Zero to \$49,000	6,276	\$20	\$125,500
\$50,000 to \$199,999	5,298	\$45	\$238,000
\$200,000 to \$1,999,999	5,878	\$400	\$2,351,000
\$2,000,000 to \$4,999,999	889	\$1275	\$1,133,000
\$5,000,000 to \$9,999,999	299	\$2700	\$807,000
\$10,000,000 or more	247	\$5450	\$1,346,000
Total	18,888		\$6,000,500