Berries Australia Limited
ABN 48 627 401 692
PO Box 578 Archerfield, QLD 4108
Telephone: 0408 796 199

Berries Australia Submission into the *Agriculture (Biosecurity Protection) Levies Bill 2024 [Provisions] and related bills* Inquiry

April 2024

Summary statement

Berries Australia strongly rejects the premise and content of the *Agriculture (Biosecurity Protection) Levies Bill 2024 [Provisions] and related bills* (the Bill) and welcomes the opportunity to provide a submission to the Senate on this matter.

The development of this Bill has been characterised by a complete disregard for standard consultation processes or procedural fairness for the impacted agricultural producers. The lack of detail around the cost implications for producers and the unwillingness of government to appropriately engage in relation to this matter is deeply concerning, particularly as it pertains to a new tax on agriculture.

The so-called biosecurity protection levy should be called out for what it is – a tax on farmers, with funds going into consolidated government revenue. It should also be called out for not being compliant with any of the basic principles underpinning a taxation system which include neutrality, efficiency, certainty and simplicity, effectiveness and fairness and flexibility[1].

We urge the Senators to apply the same level of scrutiny as they would a tax on any other part of the Australian economy and contend that an absence of detail relating to the application of the tax would not be considered acceptable. The current proposal to tax turnover rather than profit is ludicrous, particularly for commodities such as berries which have very high production costs despite their high value. Grower returns can often be quite low and grower profitability is declining in real terms as supply is beginning to overtake demand and input costs are soaring.

The concept of 'shared responsibility' is supposedly one of the key principles of modern biosecurity management and is enshrined in legislation. Berries Australia supports this principle as it reflects the true dynamics of the biosecurity continuum whereby responsibility rests on different shoulders depending on the stage in the invasion curve (see figure 1). We consider that the proposed Bill overturns the concept of shared responsibility and risks the integrity of the biosecurity system as a whole.

Please consider that of the 90 odd submissions to the Department of Agriculture, Fisheries and Forestry, not a single one supported the application of this tax and the revised collection methodology proposed by the government does nothing to reduce our concerns. Please also note that the recent Productivity Commission review of levies and charges clearly considers this approach to be flawed.

[1] OECD – Fundamental Principles of Taxation https://www.oecd-ilibrary.org/fundamental-principles-of-taxation_5jxv8zhcggxv.pdf

Berries Australia Limited
ABN 48 627 401 692
PO Box 578 Archerfield, QLD 4108
Telephone: 0408 796 199

Our preferred outcome is that the current Bill is rejected in its entirety.

We encourage the Department of Agriculture Fisheries and Forestry to engage in a comprehensive analysis of recent reviews of the biosecurity system then work with industry to develop a long-term sustainable funding model.

About Berries Australia and the Berry sector.

Berries Australia was established in November 2018 as a joint venture between the Australian Blueberry Growers' Association Inc. (ABGA), Raspberries and Blackberries Australia Inc. (RABA) and Strawberries Australia Inc. (SAI) to represent the interests of the Australian berry industry as a whole. Valued at $1.4 billion/annum, the berry industry now represents the single largest fresh produce category in Australian supermarkets. That said, the cost of berry production is extremely high with minimal opportunity for mechanised harvesting and very high set up costs.

Berries Australia represents nearly 1000 individual growers nationally ranging from significant corporate holdings to small family farms. Berries are grown in every state in Australia and due to this geographic spread are produced virtually year-round.

The levy ecosystem for the berry industry is quite complicated particularly as many berry growers grow at least two types of berry.

Strawberries

The Australian strawberry industry is worth **$417 million/annum**. It is estimated that there are around 500 active strawberry growers in Australia. Strawberry growers are currently subject to a statutory levy of $8/1000 runners. Of that, $7.87 contributes to Research and Development and 13c to the PHA levy. The EPPR levy is currently set at zero but will be increased to cover the varroa response. Levy income is actually dropping as runner varieties become more productive. The value of strawberry production has dropped by 4% since 2020. The industry exports around 8% of its annual production.

Rubus

The Rubus industry is worth **$205million/annum.** The Rubus industry undertook a full levy amendment process as required under the levy legislation and amended their levy. From 1 October 2023 Rubus growers are subject to a statutory research and development levy of 2c/kg and a new biosecurity levy of 2c/kg. The industry voted to remove the marketing levy as it was not delivering for the sector. Prior to the levy amendment, the industry paid 12c/kg levy (10c R&D, 2c Marketing). Rubus production has extremely high set up costs and the establishment of new operations is around $400,000 per ha. As supply has increased to meet demand growers are now being paid less than the cost of production at certain times of year. The export value of the industry is negligible and due to the highly perishable nature of the product a viable export market is many years away. There are roughly 60 active growers most of whom also grow other berry types.

Blueberries

The blueberry industry is worth **$407 million/annum** and currently pays a voluntary levy based on tonnage to the ABGA with the amount decided annually by the committee. The industry currently contributes 2.2c/kg to a collective industry fund (CIF) mechanism which is paid to Hort Innovation. We are currently negotiating with Hort Innovation to increase this to 4.75c/kg. There are approximately

Berries Australia Limited
ABN 48 627 401 692
PO Box 578 Archerfield, QLD 4108
Telephone: 0408 796 199

300 active growers. Blueberry exports are limited due to a lack of market access. As the blueberry industry is not currently subject to a statutory levy, the lack of clarity around how they will be brought into the biosecurity levy is deeply concerning. In addition, it should be noted that the industry's plans to explore establishing a PHA and EPPR levy have been put on hold until there is greater clarity as to the application of the so-called Biosecurity Protection Levy (BPL).

Nursery products levy

Many berry growers also inadvertently contribute to the nursery products levy as they use modern hydroponic cropping methodology. Berry growers currently derive no benefit from the nursery products levy. We are in active discussions with the department about removing that obligation which is an unintended consequence of a levy mechanism developed more than 30 years ago which did not intend to capture fruit growers. We estimate that berry growers (Rubus and blueberry) contribute around $100,000/year to this levy so it is essential berry growers are not inadvertently captured in the BPL calculations and commitment for the Greenlife industry.

Response to the proposed Bill

Berries Australia is a member of the National Farmers' Federation Horticulture Council and the PHA Plant Industry Forum. As such, we support the basic premise put forward by those representative groups ; that there should be significantly more consultation as to how the current biosecurity system could be improved and how industry can best contribute. This includes discussion on how to improve efficiency within the department, how costs are distributed across the risk-creator/beneficiary continuum and the most effective mechanism for industry to contribute to the shared responsibility paradigm.

As highlighted in other industry submissions, there have been numerous reviews of the biosecurity system, and we request that government works with all stakeholders to effectively implement the recommendations put forward in those reviews. The development of a world class biosecurity system is in everyone's interests, but it is also reliant on mutual trust and shared decision making.

The current system is built around the concept of shared responsibility, whereby all beneficiaries and risk creators contribute to the system at the appropriate point as outlined in figure 1 below and have a clear understanding of their roles and responsibilities.

Berries Australia Limited
ABN 48 627 401 692
PO Box 578 Archerfield, QLD 4108
Telephone: 0408 796 199

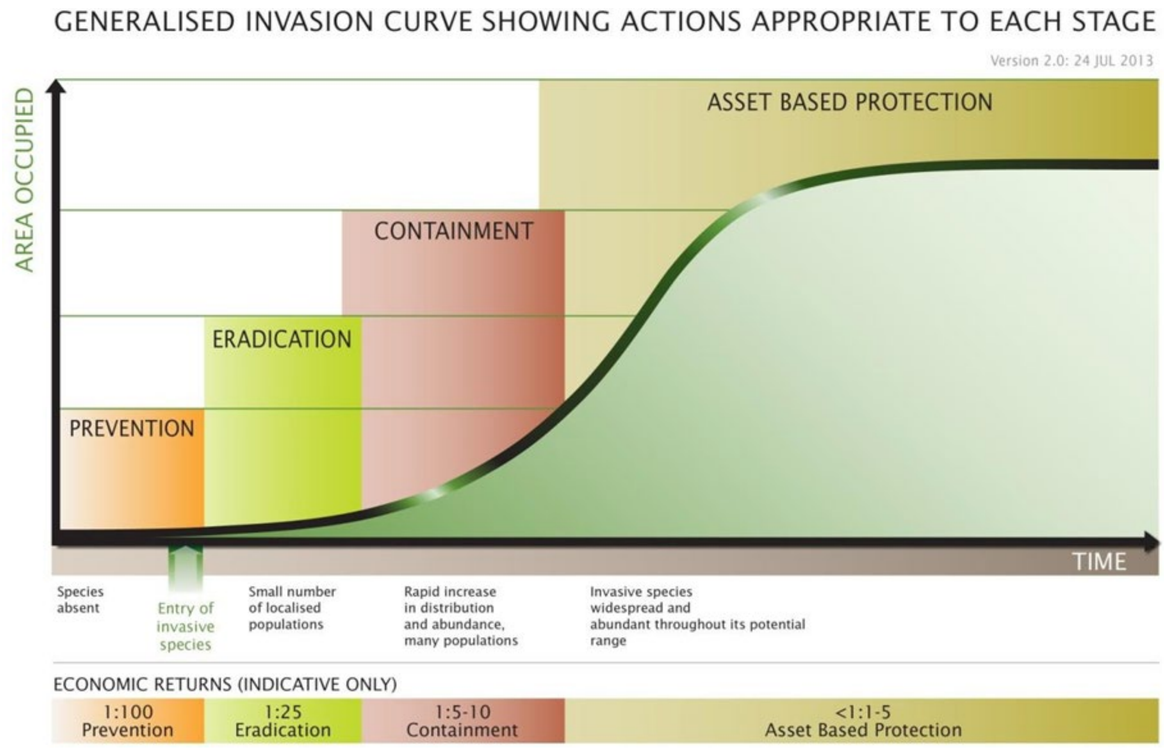

Figure 1

Source: Biosecurity Victoria

As can be seen from the above, the appropriate intervention point for government is at the beginning of the invasion curve where the cost benefit is highest, and the beneficiaries are across the economy as a whole. Industry already makes enormous and recognised contributions to the biosecurity continuum once a pest has entered Australia.

The current animal and plant health deeds are the envy of jurisdictions and industry representatives around the world for the clear mechanisms established to cost share the management of exotic pests. It would be enormously detrimental for the whole system if there is an undermining of the clearly understood principles underpinning our shared responsibility model. Existing signatories to the deed may choose to walk away as the government is no longer upholding its end of the biosecurity bargain and the response to each incursion will be prosecuted in the court of public opinion. It is naïve in the extreme to think that the public will accept the collapse of key agricultural commodities in the event of a biosecurity outbreak, so the ultimate cost to government will be significantly higher than the proposed $50 million to be raised by this tax.

We also contend that the prevention end of the invasion curve is the appropriate point for risk creators as opposed to beneficiaries to contribute. Industries which currently have limited export opportunities are not the beneficiaries of free trade but do bear the consequences if pests get in. Berries Australia strongly supports free trade and the development of export markets, but it must be noted that the risks and benefits are not evenly distributed across the agricultural sector.

It is disappointing that the government has chosen not to implement the recommendations of many of the reviews into the biosecurity system, including the recent Craik review and has rushed to put a band-aid on the department's fiscal haemorrhage rather than fixing the system as a whole. We are not entirely against restructuring how industry contributes to the system, but it needs to be done in a coherent, constructive, equitable and well thought through manner. Indeed, the berry industry would be supportive of any mechanism to fast-track market access, but a poorly thought through tax flowing into consolidated revenue with no transparency as to expenditure cannot be supported.

In addition, no consideration has been provided in consultations on the policy this Bill seeks to introduce, of the damage this has caused and will continue to cause for the existing agricultural levy-payer system that sees producers co-invest in the delivery of outcomes that deliver multiple shared benefits. This includes benefits for the environment, biosecurity and the economy with productivity growth across the supply chain where many participants, including large commercial enterprises, also benefit.

Response to proposed implementation

The lack of consultation and rush to implement the biosecurity tax does not give industry any confidence that the regulations will be based on consultation and best practice. The original approach was clearly unworkable. The proposed new approach is only marginally better and again points to a rush to find a way to hit the $50 million target rather than a considered and strategic approach to funding biosecurity over the long term.

Whilst we appreciate this consultation relates to the content of the Bill it is important for Senators to understand why the proposed approach is unfair and unworkable.

Firstly, there is a lack of clarity as to how the tax will be applied and the current suggestion to tax according to contribution of the industry to the total value of agriculture is deeply flawed for the following reasons:

- ABARES data for horticulture is recognised as very inaccurate, Whilst the Hort Stats handbook provides some better detail for many commodities, especially berries, the data is incomplete. If the total value of agriculture is based on ABARES data and then the horticulture contribution is calculated using the Hort Stats data which is calculated using an entirely different methodology, then the figures will be distorted from the outset.
- Horticulture and particularly berries are high value but high-cost production systems where it is almost impossible to recoup costs through the supply chain. The actual money going back into a berry growers' pocket for a given turn-over is significantly less than for other less intensive forms of agriculture, so berry growers (and much of horticulture) will be disproportionately impacted.
- The relationship between the value of the industry and the levy collection mechanism is not linear in many instances. For example, the strawberry levy is collected on runners which is very efficient and has minimal leakage as there are very few collection points, but the number of runners purchased by the grower does not have a direct relationship to the value derived by the grower. Certain varieties produce more fruit/runner but often lack other attributes such as flavour and shelf life. This is evidenced by the fact that strawberry levy income is going down even though the value of the industry has increased. In the case of a volume-based levy collection method (as for Rubus), growers will pay more levy if volumes are high, regardless of whether prices are down (which is the usual scenario in a supply and

demand market). This is less critical when grower levies are invested back into industry led research and development but of more concern if the funds just go into consolidated revenue. It is also unclear what happens if the tax raises more than the $150 million.

- Many horticulture producers grow multiple commodities but because levies have been developed in different ways, a vegetable grower who grows three types of vegetable (all of which have different pest and disease profiles) will only pay one ad-valorem levy whereas a berry grower might be subject to three different levies collected in three different ways making the relationship to value even more tenuous.
- Whilst the government is happy to use terms like beneficiary to justify the tax, there has been no real analysis of who the beneficiaries and indeed risk creators are across the biosecurity continuum.

Conclusions

In alignment with our industry colleagues, we reject the BPL for the following reasons:

- *The Biosecurity Protection Levy is a tax.* Under existing the levies and charges legislation, the agricultural levies charge is a partnership between government and industry that allows industries to fund priorities for identified purposes. DAFF has only offered consultation after the BPL was announced in the Budget and have rejected a strong response to stop this levy, to pause implementation, or to consider other proposals. This means it is not a levy but a tax and should be considered accordingly.
- A tax on turnover, not profit, rewards some parts of agriculture over others and has no place in a modern taxation system.
- As a levy, the *BPL falls short of every one of the 12 Levy Principles* introduced and adhered to by government and industry alike since 1997.
- *Primary producers have paid their share* in biosecurity response for 26 years, since the Plant Health Australia (PHA) and Animal Health Australia (AHA) organisations were formed. Primary Producers are also responsible for managing on-farm biosecurity.
- There is a *lack of recognition of current industry investments*. In 2022/23, the horticulture industry alone invested almost $20M in biosecurity programs, $12.3M in preparedness activities and biosecurity incursion response, and $26.4M of the $100M varroa mite response.
- *Other economic beneficiaries of strong biosecurity* include the industries of tourism, environment, sport/gambling (e.g., sporting fields, local government, horse racing, etc.) are excluded from paying a biosecurity protection levy, although they are significant beneficiaries of a strong biosecurity system.
- *Biosecurity protects Australia's industry* (2.5% of national employment), trade (72% of agricultural produce was exported of $71B industry), and food security (25M population).
- There is a *lack of transparency* around how the funds will be apportioned and used. The Department has a record of poor financial management and effective stakeholder engagement.
- There is an *assumption that industry can pass this cost on*. The Biosecurity Sustainable Funding Impact Analysis conducted states that upfront costs for establishing the BPL payments and ongoing payments can be passed through the domestic supply chain onto

consumers and to export markets. This is not possible in horticulture as has been heard in the Senate Inquiry into Supermarket pricing.

- There has been a *lack of strategic process*. There has been no comprehensive assessment of total industry contributions across the biosecurity continuum and no strategic assessment or gap analysis conducted as part of this proposal. There have been numerous reviews into the biosecurity system which do not seem to have been considered.

Our preferred outcome is that the current Bill is rejected in its entirety. We encourage the government to engage in a comprehensive analysis of recent reviews of the biosecurity system then work with industry to develop a long-term sustainable funding model.

This submission was prepared by Rachel Mackenze Executive Director of Berries Australia. Please contact rachelmackenzie@berries.net.au or 0408 796 199 should you require further information.