



2 April 2024

Mr Tas Larnach
Committee Secretary
Senate Rural and Regional Affairs and Transport Legislation Committee
Parliament House
Canberra

Sent via: Online

Dear Mr Larnach

RE: *Agriculture (Biosecurity Protection) Levies Bill 2024 [Provisions] and related bills*

The Australian Sugar Milling Council (ASMC) is pleased to provide this submission to the Senate Inquiry into the *Agriculture (Biosecurity Protection) Levies Bill 2024 [Provisions] and related bills*.

Government's stated objectives with these bills is to establish a new legislative framework for implementation and management of the biosecurity protection levy (BPL) to support the government's commitment to sustainable biosecurity funding.

While the ASMC supports the sustainable management of Australia's biosecurity systems, the BPL is fundamentally flawed as it stands, as:

- Industry is being asked to further fund a biosecurity system that is likely to stay flawed, with funding not being linked to various recommended reviews of the system (e.g. Craik Review);
- A select group of supply chain actors are being asked to pay the BPL, whilst the entire Australian community benefits, not just the agriculture industry;
- Other competing global jurisdictions support and subsidize their sugar industry, whilst the BPL places an unaffordable tax on a vulnerable, export orientated industry;
- The industry already makes a significant contribution to the biosecurity system through funding by sugar producers for the Emergency Plant Pest Response Deed and industry contributions of approximately \$5 million per annum for biosecurity to Sugar Research Australia;
- It is not targeted to sugar's biosecurity incursion risks with sugarcane biosecurity incursions predominantly coming from airborne sources, and as such less reliant on the Government's border operations; and
- The proposed BPL risks undermining the existing levy system that contributes significantly to the biosecurity system.

Background to the ASMC and the milling sector

The ASMC is the peak industry organisation for the Australian raw sugar manufacturing sector. We represent sugar manufacturing companies which collectively produce 85 percent of Australia's raw sugar.

The Australian sugar industry consists of around 4,000 canegrowers growing around 32 million tonnes of cane per annum. This cane is supplied to 22 Australian sugar mills who manufacture around 4.1 million tonnes of raw sugar per annum, as well as significant amounts of cogeneration electricity and ethanol from the bagasse and molasses by-products respectively.

The industry contributes substantially to national, regional Queensland and New South Wales'



economies and communities, employing more than 20,000 people and contributing around AUD\$4 billion annually in Queensland and \$470 million in New South Wales in gross state product.

Our understanding of the BPL policy proposal

Whilst regulations outlining the details of the BPL policy are yet to be publicly released, our understanding is that the BPL if implemented would:

- Be collected in perpetuity an amount per annum from various Australian agriculture sectors as beneficiaries of biosecurity activities (\$51.4 million is the current revenue target);
- See tax contributions directed to consolidated revenue to partially fund the Australian Government's biosecurity activities;
- See an advisory committee of selected agricultural sectors formed to advise on biosecurity activities; and
- See the Australian sugar industry levied approximately \$835,000 per annum (or around 1.67 percent of total Australian agriculture Gross Value of Production).

Our concerns with this policy

Following careful consideration, we are strongly opposed to the proposed BPL on the following grounds.

Contributing more to a system that will continue to be flawed

ASMC seeks a robust, fit-for-purpose system of national biosecurity. We are however concerned at the lack of real reform of the system since the 2017 Craik Review which provided 42 critical recommendations.

Consultation with government on the BPL indicates that the activities to be funded by the BPL are *existing* government activities that will continue to be managed under a business-as-usual approach. That is, the additional funds from the sugar industry will only go to generic activities with no innovation or improvement of the system proposed.

Agriculture is now forced to respond to a proposal to shift costs onto farmers and processors to help prop up an underfunded and flawed system. Any discussion with industry on additional contributions to Australia's biosecurity system must commence with a meaningful dialogue of how these reforms can be achieved.

The entire Australian community benefits, not just the agriculture industry

Under the Biosecurity Act (the Act), the Australian Government has responsibility for border protections (e.g., import declaration, inspection, import treatment requirements, surveillance) that reduce the risk of harmful pests and diseases entering into Australia.

The BPL Consultation paper and Departmental briefings have implied that agricultural producers and processors receive special benefits from the system that justifies the imposition of a new excise on them to raise funds for this system.

However, border protection and associated surveillance activities benefit **all** Australians and should therefore be funded from the current tax base. This principle also holds when considering mitigation of risk of incursions that impact agriculture. For example:

- Reductions in agricultural production arising from biosecurity incursions impact not only primary producers, but also the supply chain companies and regional communities that

support and are supported by these agricultural industries (note - the Australian sugar industry alone is responsible for roughly \$4.47 billion in economic activity and supports over 20,000 jobs and 10,000 businesses¹)

- Similarly, roughly 90% of groceries stocked on Australian supermarket shelves is grown or raised in Australia², meaning all Australians benefit from the increased food security provided by our biosecurity system; and
- Australia's biosecurity system is not designed solely for the benefit of our agricultural industries, but also the protection of our unique and fragile environment from incursions of pests, weeds, and diseases. All Australians benefit from these activities and all Australians suffer when these activities fail, as demonstrated by the ongoing, costly efforts to fight the permanent establishment of Red Imported Fire Ants.

The proposed “levy” is not a levy, it is an unfair tax on the agricultural sector

The proposed biosecurity activities and costs cannot be reasonably attributed to any agricultural group or organisation. It is therefore not a levy but a tax on a price taking, export orientated industry that is subject to considerable price and output volatilities and uncertainties.

Sugar growers already make a significant contribution to the biosecurity system

The BPL policy ignores the significant contribution the Australian sugar industry already makes to biosecurity. Australian sugar millers and canegrowers already contribute to biosecurity through:

- The payment of taxes; and
- Industry-specific biosecurity activities, from R&D and other industry levies, including preparation for managing incursions by priority pest and disease threats.

One of the most important aspects of the biosecurity system already funded by sugar producers is the Emergency Plant Pest Response Deed (EPPRD). Through the Deed, producers already cover the costs of the eradication and response activities required when the system fails due to the activities of risk creators.

Further, the industry also contributes approximately \$5 million per annum for biosecurity to Sugar Research Australia. In reviewing in detail what industry funds through SRA, it is clear that the BPL proposal in its current form would be a very poor investment for the sugar industry as many of the proposed activities are already performed by Sugar Research Australia (SRA) and funded by existing levies (see Table One).

¹ <https://asmc.com.au/sugar-industrys-economic-contribution-2020-21/>

² [Food - DAFF \(agriculture.gov.au\)](https://www.daff.gov.au/food)

Table One

Proposed activity in BPL Consultation paper	Existing-levy funded activities undertaken by Sugar Research Australia
Plant and animal health surveillance along Australia's coastline and in near neighbour countries such as Timor Leste, Papua New Guinea and the Solomon Islands	Surveillance activities by growers and officers from each District Productivity Service and local SRA office.
Strategic policy, research and innovation to support the development of improved biosecurity preparedness and prevention activities.	<p>Review and implementation of the Sugarcane Industry Biosecurity Plan</p> <p>Risk assessments for potential incursions, including new assessments for exotic weeds and a newly identified parasitic nematode.</p> <p>Preparedness for incursions of high-risk pests such as moth borers from PNG, including offshore evaluation of the pest's biology and control methods.</p> <p>Screening breeding germplasm to support release of varieties resistant to endemic diseases.</p> <p>Development of alternative crop protection products.</p>
Community awareness-raising and education around biosecurity, including in remote frontline communities	Regular communication and education activities on biosecurity through SRA communications materials, workshops, and field days.
Piloting, onboarding and ongoing sustainment of new biosecurity detection technologies and diagnostic tools to enable improved and faster identification of pests and disease	<p>Development of new diagnostic technologies for Pachymetrya, nematodes, and Ratoon Stunting Disease.</p> <p>Diagnostic testing services to support importation of sugarcane for plant breeding and movement of sugarcane between Australian biosecurity zones.</p>
	Eradication programs for Fiji leaf gall and Red Witchweed.
	Membership of Plant Health Australia (PHA) with CANEGROWERS as the industry signatory to the Emergency Plant Pest Response Deed.

The BPL is not targeted to sugar's incursion risks

The basis for setting the levy is also flawed in the context of Australian sugar. The current biosecurity risk profile and protection measures required by the sugar industry is not strongly relevant to the Australian Government's proposed biosecurity system. For example, sugarcane biosecurity incursions are less likely to come through DAFF's border operations (eg airports, mail or shipping) but more from airborne sources. As such, SRA R&D levies are of far greater benefit and value to the sugar industry.

The proposal risks undermining the existing levy system

If cane producers fail to see merit (value) in this additional tax or cannot afford the levy, they will seek to reduce their voluntary levy contributions with the following unintended consequences likely:

- An increase in biosecurity risks if industry opts to reduce its SRA and PHA contributions by a commensurate amount and reduce further proactive, collaborative biosecurity projects and activities;
- A decrease in viability if the industry opts to reduce levy contributions to Productivity service boards whose objective is to increase yields and maintain viable throughput through mills; and
- A decrease in sustainability if levy contributions to current sustainability initiatives are reduced.

Further, the impacts will not be felt equally by all industries, reducing confidence and funding in the existing levy system. The proposal will impact most on those industries that are proactive and organised enough to already have existing levies in place. At the same time, industries that have not already joined PHA or the EPPRD will be disincentivised from joining and from raising an EPPRD levy.

Conclusion

The Australian sugar milling sector maintains its strong opposition to the BPL and we request that the Parliament, through the Senate committee, critically evaluate the likely effectiveness and equity of what is proposed.

Our objective is to work with government to improve the national biosecurity system, and to foster additional investment from agricultural industries into R&D and other measures that address their specific biosecurity risks. However, we cannot support the Biosecurity Protection Levy as a means of achieving this goal.

Please don't hesitate to contact David Rynne, Director Policy, Economics & Trade at david.rynn@asmc.com.au or phone 0431 729 509 for further clarification on the issues raised in this submission. We would welcome the opportunity to meet with the Department to discuss our issues.

Yours sincerely



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Australian Sugar Milling Council