

12 September 2016

Regulation of Agriculture
Productivity Commission
Locked Bag 2, Collins Street East
Melbourne VIC 8003

Dear Sir/Madam

Re: Draft Report into the *Regulatory of Agriculture*

Cattle Council of Australia would like to thank the Productivity Commission for the opportunity to provide further comment on the current regulatory burden imposed on Australian beef producers.

Please find attached Cattle Council's submission in response to the Commission's draft report, *Regulation of Agriculture*, dated July 2016. The focus of the submission is to highlight areas of concern and/ or support with the recommendations, and to address relevant information requests.

Yours faithfully,

Jed Matz, CEO

**SUBMISSION IN RESPONSE TO THE
PRODUCTIVITY COMMISSION'S DRAFT REPORT:
*REGULATION OF AGRICULTURE***

12 September 2016

I. BACKGROUND

Cattle Council of Australia (CCA) was formed in 1979 and is the peak industry body for grassfed beef producers. Its core business is to advance the interest of beef producers through policy development and advocacy, to both industry and government.

CCA provides policy advice on the beef industry to the federal Minister for Agriculture and Water Resources and the associated Department. The Council is also responsible for overseeing the expenditure of the grassfed cattle transaction levy by industry service provider bodies (Meat and Livestock Australia, Animal Health Australia and the National Residue Survey).

II. CCA RESPONSE TO DRAFT RECOMMENDATIONS

A. Animal Welfare

Draft Recommendation 5.1:

The Australian Government should take responsibility for ensuring that scientific principles guide the development of farm animal welfare standards. To do this, an independent body tasked with developing national standards and guidelines for farm animal welfare should be established.

The body should be responsible for determining if new standards are required and, if so, for managing the regulatory impact assessment process for the proposed standards. It should include an animal science and community ethics advisory committee to provide independent evidence on animal welfare science and research on community values.

The Commission made the above recommendation in relation to animal welfare and also requested feedback on certain areas. Information Request 5.1 required feedback on the following:

- The most effective governance structure for the proposed independent body;
- The extent body's responsibilities and whether it should make decisions or recommendations and if the latter, to whom;

- The processes the body should use to inform and gauge community values on farm animal welfare;
- The funding model for such a body.

Cattle Council is committed to the continual improvement of animal welfare practices. This commitment was clearly illustrated by the recent industry strategic plans, Meat Industry Strategic Plan (MISP) and Beef Industry Strategic Plan (BISP), which have enhancements to animal welfare as a central focus for the industry into the future.

CCA strongly opposed the disbandment of the Government-funded Australian Animal Welfare Strategy (AAWS) and related Australian Animal Welfare Advisory Committee (AAWAC). These bodies provided an important forum for industry and government to discuss animal welfare matters and were dissolved due to financial expediency. Nevertheless CCA is opposed to the creation of an Independent Office of Animal Welfare as proposed by the Draft Report.

CCA appreciates that there is a leadership void that currently exists at the Federal Government level. However the proposed establishment of an Independent Office will not satisfactorily alleviate this void, as the new bureau would have a high probability of imposing additional bureaucratic processes and related costs. These extra impositions would not produce effective outcomes and would appear contrary to the Commission's Terms of Reference¹ for this Inquiry, by increasing the burden of unnecessary costs on producers.

In acknowledging the appropriateness of the Commission's suggestion that the Federal Government needs to take responsibility "for ensuring that scientific principles guide the development of farm animal welfare standards", CCA would support the (re)formation of an advisory group to oversee the development and monitoring of national standards and guidelines. The CCA proposal is for the group to supervise the development and provide feedback, but not as suggested in the draft report "to develop" on-farm animal welfare standards.

The term "(re)formation" is used because CCA held the AAWAC in high regard and believes that it would be prudent to reinstate the body or to utilise its structure with the creation of a similar body. As the Commission would be aware, the AAWAC was an advisory body to Government, with an independent Chair and included representatives from industry, government (both federal and jurisdictional), interest groups, the veterinary profession and the scientific community. These bodies had a high level of industry and community commitment when they were operating as they provided an effective forum for animal-welfare policy to be discussed and developed. The AAWS process was of great assistance in the development of science-based Standards and Guidelines for the pig, livestock-transport, cattle, sheep and saleyard sectors. After the cessation of AAWAC, the poultry and goat sectors have attempted to develop their own but this has been at great difficulty. In other words, in terms of the Commission's recommendation, the AAWAC was an effective model for delivering the outcomes desired.

¹ "The inquiry will define priority areas for removing or reducing unnecessary regulatory burdens where doing so will/can contribute to improved productivity for farm businesses as well as the wider economy."

Regarding funding, the Federal Government found the AAWAC/AAWS process expensive and that was the primary rationale for disbandment. However the costs associated with the process could have been more effectively managed and reduced through focusing work on priority areas. Also, in spite of suggestions at the time that many sectors, including the animal-welfare groups, could fund their own representatives' attendance at workshops, the Government refused to consider implementing such a model.

In the absence of re-establishing an AAWAC-type body, CCA is satisfied that animal-welfare imperatives for the beef sector are being adequately met through the sector's programs under Meat and Livestock Australia and Animal Health Australia. Further, while there may be a need for an overarching body to deal with non-production-animal sectors' welfare needs, the production sectors have maintained the development of standards and have continued to acknowledge there is scope for on-going improvements, as scientific knowledge and management methods develop.

The Cattle Welfare Standards and Guidelines were developed through a rigorous, science-backed consultative process involving theorists (researchers, academics, regulators, welfare groups) and practitioners (producers, livestock handlers, veterinarians). CCA is satisfied with the result and sees no need for a new regulatory body to "develop" standards and guidelines any further, in spite of acknowledging the need for the new Standards and Guidelines to be reviewed periodically.

In response to the Productivity Commission's Recommendation 5.1 and Information Request 5.1, CCA recommends that a new advisory body should be revived with the best components of the AAWAC/AAWS advisory model. The funding for this model must come predominantly from the Federal Government and that costs are judiciously managed and, where appropriate, shared with beneficiaries.

Draft Recommendation 5.2:

State and territory governments should review their monitoring and enforcement functions for farm animal welfare and make necessary changes so that:

- there is separation between agriculture policy matters and farm animal welfare monitoring and enforcement functions*
- a transparent process is in place for publicly reporting on monitoring and enforcement activities*
- adequate resourcing is available to support an effective discharge of monitoring and enforcement activities.*

State and territory governments should also consider recognising industry quality assurance schemes as a means of achieving compliance with farm animal welfare standards where the scheme seeks to ensure compliance (at a minimum) with standards in law, and involves independent and transparent auditing arrangements.

CCA supports the elements of this recommendation, particularly in relation to the proposal for industry quality assurance schemes to be used to demonstrate compliance. This suggestion is of particular interest to the cattle industry, as currently

the red meat production sectors (cattle, sheep and goats) are developing an animal welfare module to be included within the industry-run Livestock Production Assurance program. The particular content and requirements of the modules are currently being established but it is essential that industry schemes be recognised by government to avoid regulatory duplication on producers.

Jurisdictional governments, owing to their potential influence in this area, should explicitly display a willingness to assist quality assurance programs and ensure that meaningful punitive action for deliberate non-compliance is undertaken. While it is industry's responsibility to develop and promote commercially relevant quality assurance schemes, the support of government in compliance is required. Industry needs the assistance of jurisdictional government to ensure that effective compliance actions are undertaken.

In response to Recommendation 5.2, CCA suggests that the Commission strengthen its recommendation, such that jurisdictional governments are required to harmonise with industry, through displaying support for the adoption of industry quality assurance schemes as a means of achieving compliance with animal-welfare laws (as a minimum).

B. Biosecurity

The recently finalised beef industry strategic plans, namely the MISP and BISP, identified biosecurity as the industry's highest priority. The importance of biosecurity to the Australian beef industry is due its export nature, with around 70 per cent of production exported annually and to over 100 countries. The access of Australian beef into a large number of markets is due to Australia's international disease and pest free status. This status gives Australian product a competitive advantage and this benefit is dependent on a well-structure and comprehensive biosecurity system.

The prevention, early detection, rapid response and effective collaboration across industry and government are essential to protecting Australia's disease free and safe status. CCA believes that a good national biosecurity system needs to be the responsibility of all in Australia, as a major biosecurity incident would have a detrimental impact on the environment and producers, but also the whole country (for example through tourism and use of emergency services). This shared biosecurity responsibility requires a change in culture and alteration to the management of biosecurity.

There was recently a Review of the Intergovernmental Agreement on Biosecurity (IGAB) to enhance harmonisation of biosecurity regulation and also to enlarge the role of industry, in terms of design and implementation of biosecurity measures. At present there are different rules and regulations operating across Australia, and this is reducing the effectiveness of the regulatory regime through decreasing understanding of the requirements. The key recommendations of Cattle Council's submission to the IGAB were:

- Increased industry and government co-ordination and co-operation in biosecurity activities.
- Improved awareness both with industry and the general community, to ensure that all stakeholders understand the importance and their role in maintaining high biosecurity compliance.
- The need for the Federal and jurisdictional governments to assist industry through providing regulatory underpinning of producer-driven initiatives designed to improve the uptake of on-farm biosecurity practices. Currently such industry initiatives that require governmental support are industry's Livestock Biosecurity Network (for extension and dissemination) and Livestock Health Declarations (for seller-to-buyer information transfer).

Industry contends that governments must play a greater role in supporting industry-driven biosecurity programs. In recent times there has been a pronounced move by jurisdictional governments to limit their direct involvement in biosecurity activities, for example, the decline in resources for endemic-disease management and extension services. Industry has accepted this altered environment and has recognised that the cost savings to government have been directly at the industry's expense. As a result of these changes, industry has made requests to the jurisdictions for assistance with compliance. Industry has requested greater regulatory backing to assist with the implementation of industry disease-management and quality-assurance programs. Jurisdictional governments have generally refused or shown a great reluctance and

CCA requests for the Commission to consider requiring the governments, Federal and jurisdictional, to assist industry through providing regulatory underpinning of producer-driven initiatives designed to improve the uptake of on-farm biosecurity practices.

Additionally, Cattle Council continues to support its own initiative, Livestock Biosecurity Network Pty Ltd, as an important means of filling the void left with the departure of jurisdictional governments from extension services. This initiative presents a great opportunity for an industry/government partnership that would allow industry to leverage its meagre funding and government to maintain an important presence.

C. Agricultural and Veterinary Chemicals

Draft Recommendation 6.2

The Australian Pesticides and Veterinary Medicines Authority should make greater use of international evidence in its assessments of agricultural and veterinary chemicals (including by placing greater reliance on assessments made by trusted comparable international regulators). Reforms currently underway in this area should be expedited.

Agricultural and veterinary (AgVet) chemicals are an important part of the beef production process. These products are vital to increasing animal productivity, controlling pests and disease, and protecting and effectively managing the natural environment.

There is considerable scope to streamline the current registration procedures within Australia to enable producers' access to new technology and chemicals in a timely manner. The current processes of APVMA are slow and this is having a detrimental impact on producers, both through foregone productivity but also decreased international competitiveness.

The Cattle Council supports, in principle, the use of international decisions within the APVMA processes but has a number of conditions to ensure that the international competitive advantage of the Australia beef industry is retained. The conditions are:

- The use of international decision is only supported provided that it is cautiously implemented through a staged process to manage any risk effectively.
- Use only decisions for reputable organisation of a similar standing to APVMA (and excluding the EU given its propensity to deny access to useful chemicals on questionable grounds), thus increasing the likelihood of chemical access being improved.
- Ensure production conditions are equivalent to those applying in Australia to the maximum extent possible.
- Ensure Australia's unique flora and fauna are considered.
- Encourage the registration of chemicals by APVMA after initial access is granted through the use of overseas decisions.
- Require depletion data from the supplying chemical company so Australian users can be guided in determining withholding periods and export slaughter intervals.
- Appropriate to adopt the "most stringent" MRL, although adopting the Codex MRL, if one exists, may be more consistent with Australia's preference for international standardisation.
- The use of overseas decisions should not overrule the need for APVMA to conduct a separate trade assessment on the product.

These conditions are essential to ensuring that any potential risk to Australia's market access is effectively managed. Cattle Council strongly supports improving producers access to Agvet chemicals but this must not be at the cost of Australia's market access, this necessitates a staged process to the use of international decisions and the retention of a trade assessment within the registration process.

Draft Recommendation 6.3

The Australian, state and territory governments should expedite the implementation of a national control-of-use regime for agricultural and veterinary chemicals (which includes increased harmonisation of off-label use provisions), with the aim of having the regime in place in all states and territories by the end of 2018.

CCA strongly supports the Commission's recommendation for increased harmonisation of off-label-use provisions. The lack of inter-jurisdictional harmonisation continues to cause difficulty and additional costs for producers and the industry.

D. Transport

Transport is a major cost for beef producers, especially those located in the north of Australia. This cost could be significantly reduced if there was harmonisation of jurisdictional requirements and also there were improvements to recognise the necessity of long haul livestock freight in Australia.

The Cattle Council is supportive, in principle, of the key findings and recommendations of transportation of the draft Report. However further information about the implementation and operation of a number of the recommendations needs to be detailed, to fully understand the potential impact on producers.

Draft Recommendation 8.1

States and territories that are participating in the Heavy Vehicle National Law should increase the number of routes that are gazetted for heavy vehicle access. Permits should only be required in locations where there are significant risks to public safety or infrastructure that must be managed on a case-by-case basis.

There are arrangements in South Australia to allow road users to propose and undertake road route assessments for gazettal, and in Queensland to fund road assessments and gazettals on both state and local roads. These arrangements should be considered for adoption in other jurisdictions or expansion in respective states.

Cattle Council is supportive of more gazetted heavy vehicle routes, as it would enable for the slow and expensive permit process to be avoided. The current permit process is not effective due to the timeframes involved and the unnecessary costs imposed on producers.

The proposed recommendation to target the use of permits to appropriate situations, when posing a significant risk to public safety or infrastructure, is appropriate. It will enable the appropriate cases to be managed and for unnecessary burdens on producers to be removed.

Draft Recommendation 8.2

The Australian, state and territory governments should pursue road reforms to improve the efficiency of road infrastructure investment and use, particularly through the introduction of road-user charging for selected roads, the creation of Road Funds, and the hypothecation of revenues in a way that incentivises the efficient supply of roads.

Cattle Council is committed improving the efficiency of road infrastructure investment. The proposed introduction of road-user charge for select roads needs more information and analysis before being considered for implementation. There is need for more information on the impact such a charge would have on rural Australia.

Draft Recommendation 8.3

The National Heavy Vehicle Regulator, road managers, and relevant third parties (such as utilities and railway companies) should ensure that requirements for moving

oversized agricultural machinery are proportionate to the risks involved. To achieve this they should, wherever possible, make greater use of gazettal notices or other exemptions for oversized agricultural machinery, and issue permits for oversized agricultural machinery that are valid for longer periods and/or for multiple journeys.

Cattle Council supports this recommendation, as its implementation will assist in streamlining the process, through utilising a risk based approach for transporting agricultural machinery.

Draft Recommendation 8.4

The Australian, state and territory governments should review the National Heavy Vehicle Regulator (NHVR) as part of the planned review of the national transport regulation reforms. The review should fully assess concerns over inefficiencies in heavy vehicle regulations, and identify ways in which new funds allocated following the abolition of the Road Safety Remuneration Tribunal could best be used by the NHVR to improve road safety in all states and territories.

Cattle Council supports this recommendation and believes that it is a necessity to alleviate the current transportation costs burden on producers. The Road Safety Remuneration Tribunal imposed costs that were not balanced with the safety outcomes produced and its abolition will reduce costs on beef businesses. The use of the NHVR is positive but this body needs to be reviewed to ensure that it is delivering benefits to road users and not imposing excessive costs.

E. Foreign Investment in Agriculture

Draft Recommendation 12.1

The Australian Government should increase the screening thresholds for examination of foreign investments in agricultural land and agribusinesses by the Foreign Investment Review Board to \$252 million (indexed annually and not cumulative).

Firstly, Cattle Council acknowledges the benefits that appropriate foreign investment can present to the beef industry and agriculture. However there are also a number of concerns, both within the community and also the industry, that need to be effectively managed to ensure that the foreign investment is appropriate. It is for this reason that there is a need for a robust and effective screening process to be maintained. The screening process needs to have thresholds that are suitable and supported by evidence. Further evidence on the proposed increases to the thresholds is required.

Draft Recommendation 12.2

The Australian Government should set application fees for foreign investment proposals at the level that recovers the costs incurred by the Foreign Investment Review Board in reviewing proposals, and should closely monitor the fees to ensure no over- or under-recovery of costs.

Cattle Council supports this recommendation, as an effective foreign investment screening process has to be effectively resourced whilst ensuring that the fees are not a hindrance to potential investors. The recommendation to align fees on a cost recovery basis is appropriate.

F. *Competition Regulation*

Cattle Council disagrees with the Commission's draft finding that the current competition regulatory regime is adequate and believes that enhancements can be made.

Cattle Council supports the Harper Review's recommendation to introduce an 'effects test' into section 46 of the *Consumer and Competition Act*. 'Effects tests' are common in other advanced economies and the concentration of market power within segments of the beef supply chain means that producers are particularly vulnerable to the misuse of market power.

The Council also believes that industry codes of conduct are valuable tools in ensuring an effective competition landscape. CCA has been advocating for the introduction of a voluntary code within the beef industry.