

Productivity Commission Inquiry into Government Drought Support

A submission by Plant Health Australia

December 2008



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Introduction

In making this submission Plant Health Australia (PHA) has consulted with its 45 Members. These Members include the Australian Government, all State and Territory Governments, recognised national representative bodies for 30 Australian plant industries, plus research and development bodies and professional societies.

PHA was established in 2000 to be the central national coordinating body for plant biosecurity in Australia. PHA works in partnerships with governments, industries, researchers and others to lead improvements in biosecurity policy and practice across Australia's plant industries and capacity to respond to plant pest emergencies. Within this broad role PHA is tasked with:

- providing trusted, independent and expert advice to industry, governments and stakeholders on national plant health policy
- commissioning, coordinating, facilitating and managing agreed national plant health programs and services
- facilitating a genuine industry/government partnership approach to the development and implementation of plant health policies and programs
- persuasively communicating the benefits of a better plant health system and the strategies in place
- maintaining and improving international and domestic confidence in Australia's plant health status, and
- contributing to the sustainability of Australia's plant industries and native environment.

PHA understands that the focus of this Inquiry is on business and income support measures available to producers to help mitigate the impacts of drought, impediments to improving the financial self-reliance of producers affected by drought, and the range of mechanisms that governments might adopt to assist producers' preparedness in managing through drought times. In this context, PHA's submission is intended to highlight the potential for producers' self-reliance during times of drought to be detrimentally affected by the disengagement of plant industry representative organisations from biosecurity activities as a consequence of these very same drought conditions. This submission goes on to argue that governments can enhance the capacity of individual producers to implement biosecurity measures by ensuring that national industry representative bodies do not disengage from national biosecurity arrangements and withdraw from funding of essential programs facilitating on-farm action.

Implications Of The Drought For Biosecurity

As the Productivity Commission's draft report acknowledges at page 4, the current drought is considered unprecedented in terms of its geographic spread, length and severity. Drought has seen significant declines in tonnages and the gross value of production of a host of plant industries over successive years. While grain producers have been hard hit, many of the temperate horticulture industries reliant upon irrigation, have fared even worse.

Of great concern is that producers from drought affected industries are in the early stages in adopting recommended biosecurity measures to curb risks posed by emergency plant pests and diseases. Without continued impetus from governments and industries the momentum generated from investment in on-farm biosecurity improvements will be compromised. In particular, PHA expects that producer

investment (time and dollars) in biosecurity measures will decline with the effect of reducing self-reliance, increasing reliance on governments and third parties, and working against the national interest in reducing pest risks and enhancing early detection and response capability.

The Case For Assisting Industries To Meet Their Commitments To Biosecurity

The Inquiry should be aware that measures being taken to improve farm biosecurity will assist producers to mitigate risks which can be accentuated during times of drought and which are expected to worsen under future climate change scenarios. For instance, there is evidence to suggest that drought affected crops and orchards do not receive the pest and disease surveillance attention that harvestable product might. It is worth noting that in the past 18 months numerous industries have approached PHA to express concern about abandonment of permanent plantings on properties contiguous with operating commercial enterprises. This situation is exacerbated when it is considered that altered climatic conditions can significantly change the mix, spread, timing and severity of pest and disease risks.

The drier, hotter conditions that are predicted for many parts of Australia with climate change are expected to place commercially grown species under increased stress. This is expected to increase biosecurity risks as weakened plants are left more susceptible to the affects of pests and diseases. It is also salient to consider that the dynamic between exports and imports of plant products also shifts during times of drought.

Another important reason why governments should support producer initiated biosecurity measures is the linkage between producers' actions and the ability of government and industry parties to meet their obligations under the Emergency Plant Pest Response Deed and respective National Industry Biosecurity Plans. All Australian governments are signatories to the Emergency Plant Pest Response Deed (EPPRD - a legally binding agreement between governments and industries to share responsibility for emergency pest responses) and have supported the development and implementation of these industry specific plans.

Against this backdrop PHA's submission seeks governments' consideration to provide temporary financial support for industries to meet their biosecurity commitments during periods of drought. Currently no assistance of this type is available.

In particular, there is a need for industries to receive support to meet their financial commitments to PHA. Despite their belief in the importance of biosecurity and support for the critical role of PHA, a number of industry Members have stated that an inability to meet their commitments from drought-reduced revenue streams may force them to withdraw from PHA. All governments and plant industries appreciate what a damaging outcome that would be for the cause of 'shared responsibility' in national biosecurity and emergency response arrangements, at a time when the importance of partnerships (coined – "One Biosecurity") has been underscored by the Australian Government's Australian Quarantine and Biosecurity Review.

As well as reducing industries capacity to tackle urgent biosecurity priorities, withdrawal from PHA would have implications for the EPPRD. This is because the government and industry parties agreed in the course of developing the EPPRD that membership of PHA was a mandatory requirement to be considered an eligible EPPRD signatory. At the time, it was not conceived that drought conditions such

as we have known in recent times might occur and put in jeopardy an industry's ability to maintain PHA membership.

This is not to say the possibility of volatility was overlooked. Efforts were made in the crafting of the PHA Constitution to account for climate induced variability in industry revenues through the application of a three year rolling average to the calculation of membership subscriptions. However, while this formula has proved effective at buffering against moderate production variability, the scale and duration of production decline across industries has left Members without the resources to meet even their adjusted financial commitments.

To counter this, PHA Industry Members who meet their subscription commitments via a PHA levy, have sought approval from the Australian Government Minister for Agriculture, Fisheries and Forestry for greater flexibility in levy arrangements. Specifically, they have sought the ability, if required, to annually adjust the proportion of total levies collected for research and development versus the proportion collected for PHA without the need for wide-scale industry consultation. Under this scenario, the net effect on the value of levies collected from producers would be zero. PHA supports the position of these industries.

Typically, levy funds directed to PHA constitute about 1% of total industry levies, so the adjustments needed to ensure PHA subscription commitments are met would have minimal overall impact on the funds flowing to research and development, marketing and promotions. It is not known at this time how the proposal from the group of eight affected industries will be received. Should it be turned down, a small number may be unable to meet their financial commitments in 2008/2009 and an even larger group in 2009/2010.

By far the majority of PHA's plant industry Members meet their financial commitments to PHA via other sources of funding. Those particularly hard hit by drought have seen revenues fall dramatically and their capacity to fund PHA subscriptions and other essential biosecurity activities diminish. In the absence of temporary government support, these industries may be forced to withdraw from national biosecurity arrangements, or seek to introduce a new PHA levy at a time when many of their own members are experiencing extreme financial hardship. While the industries concerned may well have a different view, PHA sees that, where governments underwrite continued industry investment in biosecurity, the most equitable arrangement may be for industries to be required to repay government costs once revenues permit. The principle of interim government underwriting of industry costs is consistent with arrangements that operate under the EPPRD.

Government support as described would not involve large outlays. PHA has estimated that, based on industry production being down on the long-term average in four of the last five years, there will be a corresponding impact on the capacity of plant industries to meet respective shares of the total annual industry contribution to PHA of \$750,000. Industries such as rice (99% production decline in 2007/2008), cotton (69% decline in 2007/2008), dried grapes (33% in 2007/2008), and citrus (10% decline in 2007/2008), are expected to have the greatest difficulty.

For an organisation like PHA with a total subscription budget of \$2.25 million a short fall in subscriptions income would have serious ramifications. Not only would it jeopardise government and producer interests in PHA maintaining the EPPRD, it would also compromise efforts to implement EPPRD-related programs in areas like surveillance, diagnostics and training which are directed at improving Australia's biosecurity status and market access.

Why Do Governments Have a Role?

Governments are involved in biosecurity because of: the public good involved; the incidence of market failure; and in response to legislative imperative.

Public good accrues from the contribution a strong quarantine and biosecurity system makes to maintaining the profitability and sustainability of Australia's agricultural industries, the health of rural communities and the natural environment, and even human wellbeing. Benefits also are gained for the wider economy from having a plant health status that enhances Australia's standing as an exporter of quality, pest and disease free product, and which safeguards national food security.

A second rationale is that biosecurity, in general, is an area that experiences market failure. This failure occurs because of the need for individual producers to accurately assess risk, which is complicated by inadequate information flows, particularly between jurisdictions and between government agencies along the 'biosecurity continuum'. Additionally, market failure results from the absence of market signals that reward good biosecurity practices. While market signals may exist for endemic pests and diseases where area freedom and product certification may attract a premium the situation with exports is more clouded. For instance, import requirements are not always consistently applied by trading partners, and disease free product as opposed to the quality of biosecurity systems is fundamentally the basis for market access. One other area of market failure is in the inability of producers to source insurance against emergency pest and disease risks or which rewards sound biosecurity practices.

The legislative imperative is also clear. Incursion of emergency pests and diseases can only occur through a breaching of border quarantine and biosecurity arrangements. Under the *Quarantine Act 1908* the Australian Government holds responsibility for "prevention or control of the introduction, establishment or spread of diseases or pests that will or could cause significant damage to human beings, animals, plants, other aspects of the environment or economic activities". States and Territories similarly have legislative responsibilities that impinge on quarantine and biosecurity and are the front line agencies in responding to incursions of emergency pests and diseases post-border.

Conclusion

Temporary government assistance to national plant industry representative bodies should be regarded as a justifiable part of any future government drought support package. Such assistance will be modest in cost but deliver substantial benefits to growers, governments and the broader community by enabling these representative groups to maintain membership of PHA, participate in the Emergency Plant Pest Response Deed, and continue to invest in on-farm biosecurity programs. This submission has highlighted the link between engagement of representative bodies and the capacity of producers to take responsibility for mitigating the additional biosecurity risks during times of drought.

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