



Western Sheep & Beef Producers

Bulletin – 10 October 2014

SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE:

On 12 December 2013 the Senate referred the industry structures and systems governing the collection and disbursement of marketing and research and development levies pertaining to the sale of grass-fed cattle set out in certain subsections of the Primary Industries (Excise) Levies Act 1999 to this committee for inquiry and report.

In short what is commonly called the cattle transaction levy of \$5 per head of cattle sold.

The initial closing date for submissions was 1 March 2014, to report on 28 March 2014. On 10 July 2014, the Senate granted an extension of time for reporting until 23 September 2014. This extension undoubtedly reflects the depth of emotion and complexity surrounding the whole issue of levy collection.

A report was subsequently handed down at the end of September. It is 120 pages long and makes 7 recommendations. It can be accessed at;

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Beef_levies/~media/Committees/rrat_ctte/beef_levies/report.pdf

The PGA made a short and simple submission that was referred to in both the majority report and the dissenting report by National Party Senator the Hon. Ian McDonald of Queensland.

Following the release of this report and the threatened disallowance motion by Liberal Democratic Party Senator David Leyonhjelm of NSW to block increases in the levies paid by mushroom, mango and onion growers, the Senate referred the industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector to committee for inquiry and report.

Submissions close on 20 October 2014, to report next year.

Further, on 25 September 2014, the Senate referred the *Rural Research and Development Legislation Amendment Bill 2014* for inquiry and report.

The purpose of this Bill is to amend legislation to allow the government to recover the cost of membership fees to international commodity organisations and regional fisheries management organisations from the matching amounts paid to Rural Research and Development Corporations (RDCs).

However, the Commonwealth Department of Agriculture would continue to be responsible for Australia's membership, which suggests that the Commonwealth Government would continue to manage the membership, despite no longer paying for it.

The PGA's general position on agricultural levies is;

- Somebody else's good idea ought not to become everybody else's financial commitment.
- All producers are entitled to good ideas but they are not entitled to impose those ideas on all other producers.
- PGA members are very suspicious of levies.
- Levies should be the exception rather than the rule.
- Levies significantly affect the profitability of the farm business, as they are typically imposed on gross turnovers. Consequently their net effect is multiplied.
- The PGA supports R&D and participation therein by producers.
- Agricultural research can be done without government interventions but it cannot be done without scientists and technicians.
- Generic marketing works on the principle of elasticity of price transmission. That is, when demand for a commodity is more responsive to advertising, or less responsive to price, the price increases and the benefits to producers from more advertising will be greater. Observed experience would suggest that the price increase of agricultural commodities is more influenced by supply than advertising.
- Therefore the PGA does not support generic marketing.
- RDCs should only do R&D and not marketing activities.

If agricultural levies must be collected then the PGA suggests that the model used should be in accordance with the *Wool Services Privatisation (Wool Levy Poll) Regulations 2003*.

Under these regulations;

- An entity is eligible to vote in Wool Poll if the entity has paid wool levy totalling at least \$100 during the last 3 financial years before the poll year.
- AWI must propose 3 to 5 different rates of wool levy at the poll, including a zero rate.
- AWI must determine the eligibility to vote, and voting entitlement, of each entity who is to participate in the poll, in order that ballot papers can be sent out.
- The ballot paper is accompanied by an information memorandum that must set out:
 - for each of the rates listed on the ballot-paper:
 - ✓ the amount of funds the research body estimates it will receive under the funding contract if that rate is adopted; and
 - ✓ how the research body proposes to expend those funds; and
 - AWI's recommended rate from among the rates listed on the ballot-paper; and
 - the reasons for AWI's recommendation.

The PGA believes this system provides the best opportunity for levy payers have to influence over the investment of the levies and to approve and reapprove the imposition of levies.

In conclusion, it seems as if the Senate is determined to keep the PGA occupied in writing return submissions.