



16th October 2014

Committee Secretary
Senate Standing Rural and Regional Affairs
and Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email: rrat.sen@aph.gov.au

Dear Committee Secretary,

**RE: Senate Standing Rural and Regional Affairs and Transport References Committee's inquiry
into agricultural levies**

Please find attached a submission made by Costa to the Senate Standing Rural and Regional Affairs
and Transport References Committee's inquiry into agricultural levies.

Costa also wishes to place on the record our preparedness to appear before any hearings that may
be conducted as part of the inquiry process.

Yours faithfully

Harry Debney
CEO
Costa



About Costa

Costa is one of Australia's largest horticultural companies and a major grower, packer and distributor of fresh fruit and vegetables.

Since October 2011, Costa is 50% owned by the Costa family and 50% owned by Paine & Partners, a United States based private equity firm.

With an annual turnover of over of more than \$800 million and employing up to 6,000 workers during peak harvest periods, Costa has an economic presence in over 30 regional and rural communities across every state of Australia.

The Costa business consists of seven fresh produce categories:

- mushrooms
- berries
- truss tomatoes
- bananas
- citrus
- table grapes
- avocados

Six of these categories are vertically integrated enterprises with activities spanning farming through to wholesale and retail sales. Avocados is a predominantly marketing enterprise.

Costa also operates a supply/marketing alliance network with hundreds of fresh produce growers across Australia. In the case of our banana and avocado categories, this also includes ripening services which are provided nationally.

Costa has invested significant capital in post-harvest improvements across its seven categories. Research has also been undertaken in respect to the physiology of our products and their rate of respiration in order to better understand optimal handling practices, storage temperatures and maximum shelf life.

Costa is also a leading provider of third party warehousing and distribution services for both fresh and packaged consumer products. Costa operates distribution centres located in Western Australia, Tasmania, New South Wales and Victoria.

Costa has a partnership (Polar Fresh) with Swire Cold Storage. Polar Fresh provides dedicated storage and distribution of refrigerated and frozen goods to Coles supermarkets across Queensland, New South Wales and Victoria.



- **Mushrooms**

Costa is the largest grower, packer and marketer of fresh mushrooms in the southern hemisphere and ranks within the top 10 growers in the world in terms of size and capability.

Costa produces more than 500 tonnes of mushrooms per week and over 26 million kilograms per annum. Sites are located in Victoria, Queensland, Western Australia, South Australia, and Tasmania employing more than 1,500 people.

- **Tomatoes**

Costa is an industry leader in the growing, packing and marketing of premium truss tomatoes under the Blush brand. The tomatoes are grown in a 20 hectare glasshouse facility at Guyra in the New England region of New South Wales. Production is more than 12 million kilograms of tomatoes per annum. Costa is currently constructing a further 10 hectares of glasshouse in the Guyra region which will be operational in FY16. An additional 16 hectares of tomatoes are grown in third party glasshouses across the country for Costa.

The Costa tomato business is a major economic presence in regional New South Wales, having invested \$65 million in the construction of the original glasshouse and associated infrastructure and an additional \$45 million to be spent on the new facility. The expanded business will employ approximately 470 workers, making it one of the biggest employers in the New England region.

- **Berries**

With 530 hectares of berry farms (blueberries, raspberries, strawberries and blackberries) across Australia in New South Wales, Tasmania, Far North Queensland and Western Australia, Costa is the largest supplier of fresh berries in the Australian marketplace and one of the largest growers of blueberries and raspberries in the world. Current projects will deliver a 50% growth in farming footprint in the next 5 years.

Employing more than 1,800 workers during the peak harvest season, 48% of the blueberry market and 70% of the raspberry market in Australia is serviced by Costa.

A joint venture with world renowned plant breeder and marketer Driscolls means that Costa berries are now marketed under the iconic Driscoll's brand.

- **Citrus and Wine Grapes**

Costa is Australia's largest citrus grower, producing in excess of 75,000 tonnes of citrus and 11,000 tonnes of wine grapes per annum on a total of 2,300 hectares.

Costa has made a significant financial commitment to the future of the Riverland region in South Australia owning farms at Renmark, Murtho and Solara and operating a long term lease over Amaroo Orchard at Murtho. Costa also presently operates three packinghouses, one each in Renmark, Murtho and Solara.



Packing approximately 3 million 18kg carton equivalents of citrus per annum, this constitutes greater than 50% of the South Australian citrus crop and 10% of the total Australian citrus production. During the harvest season, Costa provides employment for more than 700 workers in the Riverland region.

Approximately 50% of all production is marketed domestically and 50% is exported to 25 destinations of which Japan and the United States are the most prominent.

Costa also packs and markets citrus under the Vitor brand for a number of local growers in the Riverland region.

- **Bananas**

Costa's banana category is based in Far North Queensland, running three farms, two in Tully and one at Walkamin on the Atherton Tablelands.

Growing and marketing up to four million cartons per annum of both the Cavendish and Lady Finger banana types, product is available to customers 52 weeks per year.

Costa markets produce grown by a number of third party growers, also providing technical support, particularly in the area of post-harvest treatment. These relationships stretch across the country to Carnarvon in Western Australia.

- **Table Grapes**

Costa currently farms more than 300 hectares of table grapes. These farms are located in Queensland (Mundubbera, St George) and New South Wales (Menindee) supplying an average of 350,000 10kg boxes of high-quality grapes each year.

During peak harvest periods, the total number of people engaged on these farms is between 400 and 450 workers.

In addition to supplying the Australian domestic market, to the value of between \$35 – \$45 million in sales, Costa exports grapes to Malaysia, Indonesia, Hong Kong, New Zealand, Thailand, Vietnam, India and the Philippines.

- **Avocados**

Costa is the largest marketer of avocados in Australia, marketing in excess of 1.3 million trays of avocados each year.

Sourcing the majority of its fruit from Australia and a small volume in New Zealand, Costa has a superior network of quality growers and provides market leading customer service through superior category management and industry advice.

Costa works with specific supply partners in key regions to assess investment in grower and packer businesses, via financial or contractual involvement.

Overview

As the biggest horticultural levy payer in Australia, Costa supports the existence and retention of the horticultural levy system.

Costa also welcomes the Senate Inquiry as an important means by which to ensure the integrity of the levy system and to examine ways in which to improve the accountability of those who operate within it.

A review of Rural and Research and Development Corporations was undertaken by the Productivity Commission in 2011 and the Department of Agriculture commenced a review of the Levy Principles and Guidelines in that same year, however it is timely that the Parliament is now taking the opportunity to inquire into the agricultural levy system and its operation.

Costa currently pays levies on citrus, table grapes, avocados, berries, bananas and mushrooms. In many of these categories Costa is satisfied with the levy that is imposed and supports continued collection and disbursement of these levies.

To ensure the integrity of the whole levy system, those who support the overall aims of the system, as Costa does, should also welcome and actively participate in the Inquiry. There is little to be gained from claiming, as some have done in recent times that the system is somehow under threat because the Parliament legitimately wishes to inquire into its functioning, accountability and governance.

The same applies to those from industry who not dissimilar to a police officer at the scene of a crime, have loudly proclaimed that there is 'nothing to see here' because everyone is supposedly happy with the status quo. If this is indeed the case, then they have nothing to fear from such an Inquiry and should welcome the opportunity to give individual levy payers their say in an open, direct and undiluted way.

There are currently over 60 agricultural and horticultural products that attract levies. This does not tell the whole story because many of these sectors impose multiple levies, so that in total there are actually 150 different levies, (56 of these in horticulture) across agricultural, horticultural and livestock products (refer Appendix One).

For example, the pineapple industry imposes a levy on fresh pineapple, processed pineapple and export pineapple. Likewise the cattle industry which imposes a levy on cattle, lot fed cattle and bobby calves.

Costa does not claim the list at Appendix One to be an exhaustive list and hopes that the Inquiry through the course of its deliberations will be able to obtain and make publicly available a definitive list of current agricultural levies.

The levies cover a broad range of products and commodities from wheat to milk and from goat fibre to lychees. A levy can be imposed on a product or commodity in a number of different ways (refer Appendix One), such as by an export charge, a percentage of sale price and farm gate value, or an amount per weight or per product (such as per head for livestock).

Levies are administered by up to 16 statutory organisations (refer Appendix Two). Once again this list does not tell the whole story. For example, the membership of Horticulture Australia Limited (at least until November 2014) consists of 43 separate 'Peak Industry Bodies' covering all manner of horticultural products. These bodies have the power to propose the imposition of levies and increases. In other sectors it is only the statutory organisation that has the power to propose levies.

Once again Costa hopes that the Inquiry in its deliberations will look closely at the structures that underpin these statutory organisation in order to gain a clear understanding as to just how many industry bodies have a say in determining levies and how many are reliant on levies in order to justify their existence to levy payers and their direct members.

Costa also notes that separately to this Inquiry, a review of Horticulture Australia Limited (HAL) has recently been conducted.

Costa believes that it is important to highlight that the HAL Review did not examine aspects relating to the imposition and increase of levies, nor did the review consider the opportunities levy payers have to approve and reapprove the imposition of levies. The reasons for this are that HAL does not have, and has never had, any jurisdiction over these areas.

Costa supports the HAL review recommendations and believes the Inquiry should complement and reinforce the establishment of Horticulture Innovation Australia Limited (HIAL), the so called 'new' HAL. Importantly the Senate Inquiry will also deal with levy matters that do not fall within the jurisdiction of HAL, including the imposition of levies and the mechanisms by which they are increased.

As the government proceeds at a pace with finalising free trade agreements with Korea, Japan, China and up to 12 other pacific nations (Trans- Pacific Partnership) and proclaims the supposed benefits of opening up Australian agriculture and horticulture to global competition, it must ensure that our mandatory R&D and marketing levy system is designed and operates in such a way as to allow all sectors to be able to compete effectively in the global agricultural market.

As it currently stands there are elements of the system which result in larger growers being forced to literally compete with one hand tied behind their back, particularly where they are not afforded a proportional say in whether a levy should be imposed or increased. This is disappointing as in general it is the larger growers who will be best equipped to exploit export market opportunities.

Compulsory levy contributions should also not be used as a back door way to subsidise competitors and inhibit the capacity of those paying the largest share to spend capital on improving the productivity and expansion of their own business.



With respect to the Levy Principals and Guidelines (refer Appendix Three), the requirement that 'market failure' must be present in order for a levy to be imposed and increased appears to be a low threshold and one that can be broadly interpreted and applied by the Minister of the day when determining whether a proposal be accepted. A strengthened and unambiguous definition of market failure is crucial to maintaining the confidence of levy payers in the system.

On the whole, Costa believes that it derives considerable benefit from the levies used to fund work undertaken by Citrus Australia Limited, the Australian Banana Growers Council, the Australian Table Grape Association and the Australian Blueberry Growers Association. The levy paid by Costa on its blueberry production is a voluntary levy.

The exception to this rule is the mushroom spawn levy. The recent decision by the Agriculture Minister to double the mushroom spawn levy has highlighted serious flaws in the inequitable way in which the mushroom spawn levy is imposed, the absence of any proportionality used in voting to determine the levy rate and the inappropriateness of the split between R&D and marketing expenditure.

It would be naïve and disingenuous for the horticultural sector not to acknowledge that businesses are being compelled to fund some levies from which they derive little to no benefit. To this end the horticultural levy system can always be improved and it must be dynamic to ensure it meets the changing needs of the industry. Without this, the industry cannot expect unqualified support, nor think itself immune from external scrutiny, particularly where taxpayer dollars are being provided to collect levies and used to match R&D spending.

Costa welcomes the opportunity to make a submission stating our support for the overall levy system while at the same time advocating for necessary and practical reforms that will enhance and improve the system so that it continues to play a central role in the growth of Australian horticulture.

Costa's believes that the Inquiry and any subsequent recommendations for reform should focus on the following:

- 1. *The need for there to be a single and unambiguous definition of 'market failure' in order to justify the imposition and maintenance of levies. Such a definition should be legislated in order to remove ambiguity and discretion;***
- 2. *To avoid inequitable and unfair voting processes and outcomes, a proportional voting process should be utilised to determine whether a levy is imposed or increased. In the absence of a proportional voting process, either a majority of levy payers should be required to support any levy increase or those that are responsible for the majority of the volume of production/output ;***
- 3. *More rigour and accountability needs to be applied to industry groups at the point of imposition or increase to a levy in order that they be required to be accountable to levy payers and provide empirical evidence on a regular basis that the levy is achieving its stated aims;***
- 4. *The starting point for the proportion allocated to R&D for any compulsory levy should be not be less than 50% and an industry body should be required on a regular basis to justify why such a proportion should be less than 50%. In determining this split, consideration must also be given to the quantum of funds that individual growers are spending on their own R&D and marketing and how this may already be benefiting the wider industry;***
- 5. *A periodic vote should be taken on the continuance and nature of levies (eg. R&D and marketing split) for each industry. In recognition of the fact that R&D can have a long development phase, this vote should occur no longer than every 5 years.***

Response to relevant inquiry terms of reference.

(b) The basis on which levies are imposed, collected and used

1. Imposition of/increase to a levy

It is pleasing that the terms of reference include an examination of the way levies are imposed and collected as this is an area that for many is unclear and with respect to horticultural levies is often incorrectly thought to fall within the jurisdiction of Horticulture Australia Limited (HAL). This is not the case, as the Minister for Agriculture has complete jurisdiction and discretion over the imposition of, and increase to a levy.

Although a vote of levy payers must be conducted in accordance with the Levy Principles and Guidelines, before a levy can be imposed or increased, the ultimate decision is at the absolute and arbitrary discretion of the Minister for Agriculture. This means that the Commonwealth's taxation powers are being used to collect and disburse compulsory levies at the sole discretion of the Minister.

The Levy Principles and Guidelines are not enshrined in legislation and they can be either interpreted literally or ignored at the Minister's absolute discretion.

In addition, even though the effect of proposed new levies and increases to existing levies must be considered through the preparation of a Regulation Impact Statement, it is apparent that such statements do not accurately assess market conditions, in particular the Department of Agriculture does not take into consideration what other business costs may have increased and whether the levy increase amount is fair and equitable. Such assessment should be mandatory where it is proposed to increase a levy in excess of CPI.

For example, the following exchange between Senator Barry O'Sullivan and Departmental officers in Senate Estimates on the 29th May 2014 highlights this lack of enquiry and analysis on the part of the Department:

Senator O'SULLIVAN: *There was a 100 per cent increase on the (mushroom) levy. In terms of inputs to a mushroom business, are you aware of any other line items that would have increased by 100 per cent, 50 per cent, 30 per cent, 20 per cent or 10 per cent?*

Mr Koval: *No.*

Senator O'SULLIVAN: *Except for energy costs, perhaps.*

Mr Koval: *I have **not gone through line item by line item for a mushroom business** (emphasis added) to say what has increased by a certain per cent. But, in this case here, this is a vote by industry where those other input costs—*

Senator O'SULLIVAN: *I appreciate that this is not yours.*

Mr Koval: *I am not aware of any other cost that has gone up in business to—* (Hansard, page 38).

Costa contends that such lack of enquiry and rigour has led to an environment where the Minister has made, and is making decisions to impose levies based on vague and non-specific guidelines and without any conditions attached to the way in which levy monies are spent.

Most importantly there is an absence of any requirement that an industry body provide evidence and proof that the levy is achieving the stated aim(s) for which it is being imposed or increased.

The fact that this occurs where taxpayers money is being used to collect levies by the Department of Agriculture and to also match R&D spending should be of significant concern to the Parliament. Surely it is in the best interests of all to ensure clarity in the imposition of levies going forward.

The Levy principles 10, 11 and 12 deal with a requirement for the following:

- 10. *The body managing expenditure of levy monies must be accountable to levy payers and to the Commonwealth.***
- 11. *After a specified time period, levies must be reviewed against these Principles in the manner determined by the Government and the industry when the levy was first imposed.***
- 12. *(amendments to existing levies) The initiator must provide details for future review of the levy, including how and when the levy will be reviewed to determine whether there is an ongoing need for the levy and the continued adequacy of the levy rate and mechanism.***

With respect to levy principle 10 and horticultural levies, the 'body' referred to is Horticultural Australia Limited and not the industry body responsible for originally initiating the imposition of the levy. This indicates there is little to no accountability required on the part of the industry body and although it does not manage expenditure of the levy monies, the industry body **does** have the right to initiate the imposition of a levy and any increase.

Costa relies on the recent changes to the mushroom spawn levy as evidence of the lack of clarity and interpretation of levy principles 11 and 12.

Costa is not aware of the Australian Mushroom Growers Association (AMGA) having complied with these principles or the Minister having required them to do, and if they have, then this information has not been made available to all levy payers which highlights an unacceptable lack of transparency in the process.

In its original proposal to double the mushroom levy the AMGA provided minimal information as to how the success or otherwise of the levy being doubled will be measured and what time frame will apply to any such measurement.

Between the time that the doubling of the levy was proposed to take effect (originally 1st July 2012) and the completion of the AMGA Strategic Plan in 2016, there was no formal review mechanism, nor any KPI's nominated in order to measure whether levy funds are being expended effectively and efficiently and they are achieving the stated purpose.

Even the proposal by the AMGA that it and the Mushroom Industry Advisory Council conduct a '*thorough review of the plan and levy (including expenditure, performance, the ongoing need for the levy and the adequacy of the rate and mechanism) at the completion of the current plan in 2016*' was accompanied by no detail.

Indeed there are levies that have been in operation for several years (if not decades) during which time they have never once been reviewed and certainly not according to any specified time period or in a manner determined by the Minister.

Given the wording of levy principle 11 it is unclear why the Minister approved the increase without placing any requirements on the AMGA to regularly review the effectiveness of the levy and to determine whether it is achieving the stated aims of the levy increase as claimed by the AMGA.

Despite the fact that Costa pays one third of the mushroom spawn levy, we have little to no ability to ensure the AMGA is accountable as it only has one vote out of 68 levy payers. Participation in the Industry Advisory Committee is in no way a suitable substitute for this lack of say.

When it comes to levies being imposed and/or increased, it should not simply be a case of set and forget. (This issue is addressed in more detail below under the section 'Periodic Plebiscites'.)

Costa notes that there are industry bodies who have taken it upon themselves to ensure there are mechanisms in place to ensure accountability to levy payers and they should be commended for doing this.

It should also be noted that it is not the role of HAL to do this as it has no jurisdiction in this area. Rather it is the responsibility of the Minister on behalf of the Executive and Parliament. The recent decision by the Minister to double the mushroom spawn levy with no strings attached raises questions as to whether the Minister fully appreciates that he has this discretion and the desire of levy payers that the Minister use it.

The Productivity Commission Report into Rural Research and Development Corporations (2011) noted that *"the burden of demonstrating compliance with the Levy Principles does not appear to the Commission to stem from the principles themselves. Indeed, verifying that a proposed levy addresses a market failure and is equitable, efficient and supported by the industry is inherently desirable"*.

However, it is not clear that demonstrating compliance with the Levy Principles should be as onerous as is currently the case. It appears that DAFF has, in practice, interpreted the principles in such a way as to place an excessive burden on levy-paying industries.' (page 266)

Costa believes the Productivity Commission fundamentally misses the point as to the way in which the Levy Principles should be applied and complied with.

As the Productivity Commission notes, it is absolutely appropriate that market failure should be proven and that a levy imposition or increase should be equitable. However, the problem is not that the principles are too onerous or applied in an onerous way, if anything they are not onerous enough; the problem is that they are not explicit enough and too vague in their application.

The Productivity Commission also observed that *"...preparing a levy proposal is time consuming. On average, it takes industries around 12 months to put together a proposal for a new or changed levy that complies with the Levy Principals"*. (page 261)

When the potential outcome for a grower(s) of a levy imposition or increase is that they will be compelled to pay several hundred thousand if not millions of dollars for something they may ultimately get little benefit from, then the process should be nothing less than thorough and if such a requirement for thoroughness is time consuming, then so be it.

2. Recognition of a Peak Industry Body

It is unclear as to exactly how an industry body comes to be acknowledged by the government as the default body for having the authority to propose the imposition of a levy and levy increase.

The Inquiry should examine in detail the criteria (if any) that is applied in the assessment and determination of the designated industry body. There is certainly nothing within the Levy Principles to indicate what this may be and who has the responsibility for ensuring it occurs and who makes that decision.

For example, Costa is not a member of the AMGA and the AMGA does not represent Costa's interests or views with respect to our business and the mushroom industry.

There are indeed a number of other examples where industry bodies have assumed the responsibility for proposing levies but have a membership base which is not representative of the majority of growers or the majority of production volume.

3. Market failure

Levy Principle 1 states that:

'The proposed levy must relate to a function for which there is a market failure.'

The requirement that 'market failure' must be present in order for a levy to be imposed and increased appears to be one that can be broadly interpreted and applied by the Minister of the day when determining whether a levy proposal is accepted.

For a levy to be imposed, or increased, a representative organisation must be able to demonstrate that the proposed levy will address a 'market failure' resulting in a positive net industry benefit. This concept must be clearly defined going forward.

It is the accepted wisdom, although not necessarily fact, that market failure often exists in the horticulture industry by way of insufficient R&D and marketing activities because individual businesses may not have the resources to undertake these activities on their own. In this way, it is argued that it is more efficient for the whole industry to resource these activities which have a high likelihood of achieving positive industry benefits. In theory these benefits flow across industries and on to consumers.

The reality is somewhat different, as an oversupply or lack of demand for a product is often put forward as an example of market failure thereby necessitating the introduction or increase in the

rate of an existing levy. It is a very low threshold to satisfy and it reinforces a highly regulated and socialistic approach to the horticulture industry and its operation.

It is incongruous to think that what is essentially the normal ebb and flow of the market for a particular commodity, such as supply exceeding demand constitutes 'market failure'.

A case in point is the current proposal being canvassed by Protective Cropping Australia to impose a tomato glasshouse levy.

No such levy presently exists and indeed without any compulsory or voluntary levy, the tomato glasshouse industry has grown from nothing a decade ago to one which is today worth more than \$300 million. By mid-2015, Costa alone will have invested more than \$100 million in the development of the industry.

Such an investment and level of confidence in the future sustainability of the industry surely highlights the absence of market failure and that efficient outcomes can be achieved without a levy, be it compulsory or voluntary. Exactly what 'market failure' exists in an industry that is growing at such a rate is not clear. It is also not clear what attributes of the glasshouse tomato industry prevents it from producing an efficient market outcome.

The definition of market failure needs to be reviewed with the intention of defining strict parameters around what constitutes market failure. At the present time, it is at the ultimate discretion of the Minister and Department to determine what constitutes market failure in the horticultural industry.

A single and unambiguous definition of market failure is required. It cannot be left to peak industry bodies to determine such a definition and it is highly questionable as to whether bureaucrats are adequately equipped to do so. At the present moment there would be multiple and varied definitions of market failure being used to justify the imposition of new levies and increases to existing ones.

Any definition of market failure must consider the market for that particular product as a whole and what factors prevent or render it incapable of producing an efficient market outcome.

It is important to make a distinction between an industry incapable of achieving an efficient market outcome and therefore requiring a collective response, to one that simply chooses not to take reasonable, and where necessary individual action that would either avoid or mitigate alleged market failure occurring in the first place.

This would also ensure that the overwhelming majority of industry participants and those responsible for the majority of the volume of production are in agreement as to what is important and what the industry is genuinely incapable of achieving without the benefit of a levy.

4. Use of levies

4.1 R&D and marketing

Costa's particular interest with respect to the use of levies and this Inquiry relates to the expenditure split between research & development (R&D) and marketing.

The R&D/marketing split is determined essentially by the industry body and levy payers, the Minister for Agriculture has no say in what this split must be although the Minister clearly does have the ultimate discretion to determine this split. This discretion appears to have rarely if ever been exercised and Costa accepts that successive Ministers have determined it to be either inappropriate and/or unnecessary to exercise such discretion.

We know from the statements of the Agriculture Minister that there is high level of government support for R&D and indeed such support is clearly bipartisan, with the Opposition also being strong proponents of the need for government to support R&D.

Recent evidence of the Minister's support for R&D spending as a priority are highlighted below in articles published by the Weekly Times.

"Barnaby Joyce reaffirms commitment to Coalition's R&D election promise" (The Weekly Times 19th February 2014)

The Minister was quoted as saying *"It is very important, because research and development goes to the crux of how we expand our industry."*

The Minister also said \$11 was returned for every \$1 spent in R&D.

"Research and development are not subsidies. And when we hear reported that \$56 million goes into the grains industry for research and development, that is a good investment, when you have \$7.5 billion coming back from grains."

"Barnaby Joyce commits to election pledge of \$100m R&D boost (emphasis added) in Government's 'tough' budget." (Weekly Times 14th May 2014)

The article noted that funding will be made available over four years for a competitive grants program to deliver "cutting-edge technology and applied research" with Mr Joyce determined to make results accessible to farmers.

Minister Joyce was quoted as saying that despite the "dire fiscal environment" the funding showed the Government's commitment to support the sector as a key driver of the economy.

"We've had to consider what the priorities are and make sure that's where the funding goes," Mr Joyce said. "This has been a tough Budget. For me it's about ensuring funding for agriculture goes toward helping our sector remain profitable and competitive into the future."



These views are clearly endorsed by industry with some statutory organisations choosing to spend 100% of their levy money on R&D. (Refer Appendix 1)

In recognition of the importance of R&D in which the benefits are shared across produce categories and industry, the composition of any compulsory levy should at least be a 50/50 split between R&D and marketing.

As an example, the table grape levy is evenly split between marketing/promotion and R&D. This has allowed the industry to focus in equal measure its R&D and marketing programs on opening and improving export markets such as China, Korea and Japan for Australian table grape producers and exporters.

Where an industry body believes that there should not be an even split and that a greater proportion should be spent on marketing, the industry body should be required to provide independent evidence as to the benefits that have or will accrue from spending more than 50% of the levy on marketing. The appropriateness of the levy split should also be required to be voted on by levy payers on a regular basis, including but not limited to when a levy is imposed or increased.

The current composition of the mushroom spawn levy reflects a major imbalance in funds being spent on marketing versus R&D. The current 75/25 split is misaligned, where 75% of the levy is spent on compulsory collective marketing and only 25% on R&D. Costa derives little to no benefit from the levy and will certainly gain nothing from having to pay double the current rate.

Due to the scale of Costa's operations and the capital it has invested, Costa's mushroom sales strategy is complex and comprehensive. Costa produce almost every prepack and bulk mushroom product available and sells to almost every retail and wholesale channel across Australia.

The marketing of mushrooms in a retail setting means that Costa works within the marketing strategy of the retailer. Such initiatives include price promotions, demonstration campaigns, new product development and retailer specific marketing initiatives. Costa spends its own money on such marketing and promotion activity.

It should not be forgotten that any increase to a levy is capital that a grower is unable to expend on improving their own product value and innovation. This can have unintended consequences for the investment decisions of individual growers, including adversely impacting existing and future employment opportunities within that grower's business.

Costa spends a substantial amount of its own funds on mushroom R&D and marketing. To the extent that this expenditure increases the range and type of mushrooms, adds value to and therefore demand for mushrooms or focuses customer awareness of mushrooms, means that benefits flow to the whole industry.

There is no requirement in the Levy Principles that when proposing a levy or an increase that an industry body must take into account and consider how the levy would impact the investment decisions of an individual grower in the areas of R&D and marketing.

Likewise there is no requirement to consider what R&D and marketing expenditure an individual grower is undertaking and what benefits may already be accruing to that grower and the wider industry from this expenditure.

Such considerations must form part of the levy proposal and assessment process.

4.2 Industry wide expenditure

Costa has also previously commented on the use and disbursement (projects that levy money is allocated to by HAL) of levy monies in our submission to the HAL Review. Costa believes there is merit in increasing the proportion of all levy monies expended on important industry wide issues

At any one time there are more than 1,000 HAL projects in receipt of levy money. Many of these projects are wasteful as they are duplicating work that would be better targeted through an industry wide approach. The proportion of HAL resources going into industry wide strategic investment is less than 5 per cent of its total resources.

HAL should focus upon key issues that affect the horticulture industry nationally, including pest management such as the eradication of fruit-fly and enabling of greater export market access to regions such as South East Asia, especially obtaining a reduction in non-tariff barriers to Japan, China and South Korea. (These views are expanded upon under the section 'Collaboration on research to benefit multiple industry and research sectors').

Finally Costa wishes to make clear that it supports levies targeted at addressing biosecurity issues. This also ensures that taxpayers are not being exclusively relied upon to fund any necessary biosecurity campaigns that may be required from time to time by industry.

(e) The opportunities levy payers have to approve and reapprove the imposition of levies

1. Voting process

The voting process used to determine the imposition of a levy and any increase to that levy appears to be a decision for the relevant peak industry body and the level of consultation that occurs between that industry body, its members and levy payers varies to significant degrees.

There are many levy payers who are not members of industry bodies and this means they have little or no say as to the appropriateness of the voting process which is used.

Costa acknowledges that there are levies that utilise the one grower, one vote process and in some there may be reasonable grounds for doing so. Some industry bodies and growers seek to justify the use of this process by claiming that it simply reflects that which exists in our democratic political system. This comparison is spurious as it fails to recognise the simple fact that the agriculture sector is a business, it is not a political system and it does not operate as a democracy where the right to vote occurs through the democratic process. The right to vote in horticulture occurs through paying a compulsory levy.

A one grower, one vote process does not recognise any proportionality and in doing so can make for an inequitable levy system. In particular it does not recognise the situation where one grower pays a larger share of the levy than other growers. The mushroom spawn levy illustrates this point.

The mushroom spawn levy is determined on the basis of one grower, one vote. This means that Costa, who pay one third of the total levy (\$1.6 million) on a per annum basis, only has one vote in determining the levy rate.

It is true that the mushroom levy is capped and Costa can pay no more than one third of the levy. However, out of 68 mushroom levy payers, Costa has 1/68th of the say while being compelled to pay one third of the total levy.

On any reasonable assessment this is clearly inequitable and is not consistent with Levy Principle 7 which states:

'The levy imposition must be equitable between levy payers.'

The levy imposition and the amount paid by Costa may well be equitable in reflecting Costa's overall production volume and the cap, but this is not reflected in Costa having a proportionate say in determining the rate of the levy based on its production and this is clearly inequitable.

Senator Barry O'Sullivan succinctly noted the inequity caused by the lack of proportionality in the vote to determine the mushroom spawn levy rate when he noted the following in Senate Estimates on 29th May 2014:

Senator O'SULLIVAN: *...In my mind, there is something not right about a handful of producers who can fit everything they produce into the back of a utility—for example, when increasing a levy affects them by \$4,000 but affects someone else by \$800,000—getting a disproportionate benefit from an increase in the levy. If the senator's observations are right and it is to be spent on marketing and R&D, the little fella who only has a ute load of mushrooms is going to have a grin from ear to ear because another \$1 million has just hit the pot and he will benefit from it equally without equal contribution...* (Hansard, page 38)

To put the Senator's comments another way, 20 small growers whose combined levy payments total less than Costa's single levy payment could have 20 times the power Costa has in determining decisions about the quantum of the levy.

Costa is also required to pay a compulsory Rubus levy which is decided by a one grower one vote process. This is despite Costa being responsible for 60% of the total volume of raspberries produced in Australia.

Costa recognises that there will obviously be conflicting views from industry bodies and individual growers as to which process is more appropriate, one grower, one vote or one that recognises proportionality. Indeed among the levies that Costa pays, some are determined by one grower, one vote while others are determined based on proportionality.

For example a proportional voting process applies to the determination of the citrus levy based on one vote for every 20 hectares planted. Costa believes this process appropriately provides for recognition of grower size and the opportunity for those growers to have a say which is proportionate to the area of land planted and ultimately production volume.

On balance, there needs to be a closer examination of all voting processes, in particular of those instances where there are obvious examples of one or two producers who are responsible for the bulk of production and hence the bulk of the levy contribution. In such instances, a proportional voting process should apply.

The Inquiry should also examine instances where growers have established separate legal entities in order to have more than one vote. This practice is rife in some categories and it is blatantly unfair, particularly in the absence of proportionality.

The irony of the one grower, one vote process utilised to determine the mushroom spawn levy is that the membership subscription of the Australian Mushroom Growers Association (AMGA) is calculated on a proportional basis and Costa would be required to pay a membership fee of several hundred thousand dollars in order to obtain membership. Costa hopes that the Inquiry can understand why we think this is unreasonable and chooses not to be an AMGA member.

1.1 Majority Vote

In the absence of proportional voting there should be a requirement for a majority vote of levy payers to approve the imposition of a levy and an increase, or a vote of levy payers which reflects the majority of the industry production/volume or output.

Levy Principle 5 states that:

‘The initiator must be able to demonstrate that there is agreement by a majority on the levy imposition/collection mechanism or that, despite objections, the proposed mechanism is equitable under the circumstances.’

It is clear from the recent decision of the Agriculture Minister to double the mushroom spawn levy that a ‘majority’ does not mean a majority of levy payers.

Even the Productivity Commission erred in its understanding of the voting process by stating the following in its 2011 report:

*“Allowing for a six week period for objections seems excessive as, by definition, the proposed levy changes would already have been **approved by a majority of the industry**” (emphasis added.) (p.268)*

There is a popular misconception that a majority of levy payers voted in favour of increasing the mushroom spawn levy.

This is simply not true and the votes taken to decide increases to the mushroom, mango and onion levies illustrate this point.

Of the 68 mushroom producers who pay the levy, only 46 voted (68% of eligible levy payers).

- 33 voted yes
- 11 voted no
- 2 were ineligible

This means that less than half (48.5%) of the total number of levy payers voted yes (33 out of 68), whilst 16% voted no. This is not even a consensus of levy payers.

An examination of the voting outcomes of the recent increases to both the mango and onion levies also highlight the fact that although a majority of those that voted did so in favour of increasing those levies it was a long way short of being anywhere near a majority of levy payers.

In answers to questions without notice from Senator Leyonhjelm on the 27th August 2014, the Leader of the Government in the Senate, Senator Abetz provided the following detail:

Of the 793 mango growers eligible to vote, 69 voted in favour and 66 voted against. The vote is weighted one vote for every 2,000 mango trees to a maximum of 20 votes. In relation to the weighted vote, the 'Yes' vote was 269 and 112.

Of the 793 levy payers, only **17%** of levy payers actually voted.

Of the 244 onion growers eligible to vote, 20 voted in favour and 15 voted against. There were 45 votes cast, with 10 informal votes cast.

Of the 244 levy payers, only **18%** of the levy payers actually voted.

It should not be simply assumed that those levy payers who did not vote were somehow indicating their tacit endorsement of the levy and the proposal to increase it. There would be many and varied reasons as to why so many of the levy payers abstained from voting. This is an issue that should be further examined by the Inquiry.

2. Periodic Plebiscites

It is apparent that many levy rates are simply set and then forgotten about until an industry body or statutory organisation decides that they should be increased.

Even though the application of the *Legislative Instruments Act 2003* (Cwlth) will require levies in industries to have been reviewed by 2016, and every ten years thereafter, levies need to be reviewed with greater frequency than this.

There needs to be regular opportunities for levy payers to have a direct say. On this matter, Costa notes the comments of Senator Leyonhjelm in *The Land* (3rd September 2014) when he said the following about the need for a regular plebiscite:

"...levy payers get one chance to vote on whether to impose or increase a levy, but never vote again. It's set and forget. That leads to disengagement from the entire system. It's like paying any other

kind of tax, there is no sense of ownership. Levies are compulsory and must be paid, but there is little interest in how they are used". (3rd September 2014)

Taxation should equal corresponding representation but levy payers are deprived of a regular say on whether a levy is doing the job that it is claimed to be doing. Strategic plans, even those that are regularly revised and updated, and reviews being undertaken by Industry Advisory Committees as to the levy's effectiveness are in no way substitutes for conducting regular plebiscites of levy payers where everyone gets a say.

In recognition of the fact that much R&D expenditure occurs according to a long term development phase, such plebiscites should be conducted no longer than every five years.

In response to those industry bodies that complain this would be too onerous and an unreasonable requirement, Costa further notes the comments from Senator Leyonhjelm in *The Land* (3rd September 2014):

"All that's required for levy democracy is a register of levy payers. With that, voting can occur online or by post at minimal costs. Enrolling levy payers, where no register exists currently, could occur online too. If levy payers prefer not to enrol to vote, or enrol but choose not to vote, that ought to be their choice."

The Productivity Commission in its report on Rural Research and Development Corporations (2011) got to the nub of the problem by noting the following:

*"More generally, periodic review is encouraged by levy principle 11, which requires every new levy proposal to contain a plan for reviewing the levy by a certain date. However, in practice, **DAFF does not appear to monitor whether industries adhere to their stated levy review plans, and the effectiveness and adequacy of most levies has not been formally reviewed for many years.**"* (emphasis added) (page 262).

Only two industries are currently required to conduct regular reviews and polls on levy rates — the wool industry must demonstrate its continued support for the wool levy every three years, while the dairy industry must review the dairy services levy every five years.

The Productivity Commission also recommended that the Department should, in future, seek to implement new or changed levies within six months of receipt of a properly prepared and documented proposal.

This is a significant problem where votes are conducted to determine whether a levy should be imposed or increased and there is then a delay of several months and in the case of the mushroom spawn levy, two and half years, before a decision is actually taken by the Minister to approve or disapprove the levy or increase.

The mushroom spawn levy is not the only levy to have befallen this fate, with the passionfruit industry agreeing to introduce a marketing levy in late 2007 and having to wait until May 2010 for it to take effect.

The original vote to determine whether there was support for an increase to the mushroom spawn levy occurred in November 2011 with an application made by the Australian Mushroom Growers Association (AMGA) to the Minister occurring in May 2012. It was not until the night of the 2014/15 Commonwealth budget and without any prior warning or notification that the Minister announced his decision to double the levy.

The mushroom industry landscape has significantly changed since the time of the vote and any consideration of the proposal to increase the levy should have at least taken into account current market conditions and not those that existed two and half years ago.

Costa does not agree with the Productivity Commission's recommendation that new or changed levies should be implemented within 6 months. This would place unreasonable pressure on the Department of Agriculture and the Minister. However, if the Minister has failed to act on making a decision to either approve or disapprove a new levy or an increase to an existing levy within 12 months of a vote being taken, then there should be a new ballot required to determine the levy payers' views. This is essential in order to recognise that market conditions, for whatever reasons, can be incredibly fluid and subject to rapid change.

(g) Collaboration on research to benefit multiple industry and research sectors

The 2014 ACIL Allen review of HAL and the Horticulture Levy System titled '*Better Value for Growers – A Future For HAL*' commented that:

"HAL's constitution and core business functions institutionalise an industry by industry approach and limit its ability to plan and invest in whole of horticulture priorities. These arrangements create a general expectation that industry levies and all the associated matching R&D funds can only be spent on the industry that provides the levy". (page 25)

Individual horticultural produce categories contribute only 2.25% of levy/or voluntary contribution (matched 4.5%) to an across industry program that addresses issues that affect all of horticulture, such as water availability, biosecurity and market access (with a focus on reducing non-trade barriers).

This means the proportion of Horticulture Australia Limited (HAL) resources going into industry wide strategic investment is less than 5 per cent of its total resources.

This proportion should be greater and the percentage contribution of levy money allocated to industry wide issues should increase to at least 10% of HALs total resources.

Such an increase is actually more justifiable on market failure grounds than much of the expenditure that occurs on individual category R&D and marketing projects.

For example, the opening up of Australian agriculture to global competition and Free Trade Agreements will only benefit business if they are able to capitalise on market access. Even with free trade, such market access is often difficult to obtain because of the existence of non-tariff trade barriers. Because so many produce categories are affected, removing these barriers requires a co-ordinated approach and this can only occur through allocating sufficient industry wide levy monies.

Efficiencies can also be found by reducing the number of projects that HAL funds at any point in time. There are well in excess of 1,000 projects and close examination of many of them would show considerable duplication. Such duplication is unnecessary and results in resources being wasted on projects that are essentially performing the same work and aiming to achieve the same or similar outcomes. A rationalisation of such projects needs to occur.

(i) any related matter

1. Peak Industry Bodies

Costa can only speak directly about its experience of horticultural peak industry bodies and confines its comments to such.

The horticultural sector is one dominated by what can best be described as ‘cottage industries’. The sector is fragmented and populated by parochial and narrow interests.

Individual producers are supposedly represented by Peak Industry Bodies (PIBs) in the Horticulture Australia Limited (HAL) structure, however many PIBs are not reflective of producer interests. HAL now operates in an environment where it must deal with 43 different members (PIBs) (up from the

28 in 2001). As the Minister noted at the time of HAL’s introduction, HAL was established in ‘partnership’ with the industry and the government. It is little wonder therefore that the PIBs believe that having established HAL with the government they are providing leadership to HAL.

The way in which HAL operates is akin to a federation in which the PIBs are the individual states investing their powers and authority to HAL. As previously alluded to, this is highlighted by the small proportion of levy money going into industry wide strategic investment. Resources are being spread too thinly and allocated in a parochial manner. We need to avoid the scenario where there are effectively 43 cottage industries operating in the horticultural sector without any coherent approach.

The 2014 ACIL Allen review of HAL noted that the existing levy arrangements for horticulture are “complex”, further stating that:

“This is due, in part to the use of a large number of different levies...The complexity inherent in having a large number of different levies is, in part, a function of the number of PIBs/members of HAL making decision about levies. The number of HAL members has grown over the years and this has increased the diversity and complexity of levies”. (page 60)

The 43 PIBs can all propose levies. They all have dealings with government and the very nature of the way in which levies are established and increased (the ultimate decision being with the Agriculture Minister) means that they all seek to exercise political influence and engage in ‘agri political’ activities. It is not surprising then that the PIBs think that they run the show, so to speak. To this end many of the PIBs have become nothing more than self-perpetuating bureaucratic empires that see their role as going way beyond R&D and marketing activity.

Costa notes the recent announcement by the Minister of the establishment of Horticulture Innovation Australia Limited (HIAL) as a successor to HAL. Although limited detail has been released at the time of making this submission, Costa looks forward to the individual growers being direct members of HIAL with proportional voting rights. Such a model must also allow individual members to vote for the appointment of directors.

Conclusion

Throughout this submission Costa has highlighted what it believes to be serious flaws in the way that the mushroom spawn levy is determined and the split between R&D and marketing expenditure. It is hoped that these flaws do not spread to other produce categories because the unintended consequence will be diminishing support from individual growers for the levy system and the meaningful and productive outcomes that most levies achieve.

Costa reiterates the 5 key reforms that we believe need to occur in order to ensure the integrity of the levy system and accountability from those who propose the imposition of new levies and increases to existing levies. These are as follows:

- 1. The need for there to be a single and unambiguous definition of 'market failure' in order to justify the imposition and maintenance of levies. Such a definition should be legislated in order to remove ambiguity and discretion;***
- 2. To avoid inequitable and unfair voting processes and outcomes, a proportional voting process should be utilised to determine whether a levy is imposed or increased. In the absence of a proportional voting process, either a majority of levy payers should be required to support any levy increase or those that are responsible for the majority of the volume of production/output ;***
- 3. More rigour and accountability needs to be applied to industry groups at the point of imposition or increase to a levy in order that they be required to be accountable to levy payers and provide empirical evidence on a regular basis that the levy is achieving its stated aims;***
- 4. The starting point for the proportion allocated to R&D for any compulsory levy should be not be less than 50% and an industry body should be required on a regular basis to justify why such a proportion should be less than 50%. In determining this split, consideration must also be given to the quantum of funds that individual growers are spending on their own R&D and marketing and how this may already be benefiting the wider industry;***
- 5. A periodic vote should be taken on the continuance and nature of levies (eg. R&D and marketing split) for each industry. In recognition of the fact that R&D can have a long development phase, this vote should occur no longer than every 5 years.***

A strengthened and unambiguous definition of market failure is crucial to maintaining the confidence of levy payers in the system. The conditions for satisfying the Minister and Department that market failure exists are too broad and appear to be applied on an industry by industry basis leading to a long and varied list of conditions that somehow satisfy a definition of 'market failure.'



Such a situation results in a loss of confidence in the integrity of the levy system and raises questions about the rigour applied to assessing the merits or otherwise of levy proposals.

There needs to be a close examination of all levy voting processes, in particular of those instances where there are obvious examples of one or two producers who are responsible for the bulk of production and hence the bulk of the levy contribution. In such instances, a proportional voting process should apply.

The horticultural sector (and the broader agricultural sector) should not think it immune from being accountable for the way in which it spends both levy payer and tax payer dollars on research and development and marketing.

If horticulture is to grow and prosper in a global market then reforms and improvements need to be made to the levy system in order to bring it into the 21st century and maintain the confidence of those businesses that will be the primary drivers of the further growth and success of the sector.

END.

Appendix One

Agricultural Product Levies

Agricultural Product Type	Product Detail	Levy
Milk	Milk fat	2.9263 cents per kg
	Milk protein	7.1299 cents per kg
Coarse grains	Barley	1.02% of farm gate value
	Triticale	10.2% of farm gate value
	Oats	1.02% of the farm gate value
	Cereal rye	1.005% of the farm gate value
	Sorghum	1.02% of the farm gate value
	Maize	0.72% of the farm gate value
	Millet	1.005% of the farm gate value
	Canary seed	1.005% of the farm gate value
Cotton	Cotton	2.25 per 227 kg bale
Grain legumes	Field peas	1.02% of farm gate value
	Lupins	1.02% of farm gate value
	Faba beans	1.02% of farm gate value
	Chick peas	1.02% of farm gate value
	Mung beans	1.02% of farm gate value
	Pigeon peas	1.02% of farm gate value
	Peanuts	1.005% of farm gate value
	Navy beans	1.02% of farm gate value
	Vetch	1.02% of farm gate value
	Cow peas	1.02% of farm gate value
	Lentils	1.02% of farm gate value
Oil seeds	Sunflower	1.02% of farm gate value
	Safflower	1.02% of farm gate value
	Linseed (including linola)	1.02% of farm gate value
	Rape seed (including canola)	1.02% of farm gate value
	Soy bean	1.02% of farm gate value
	Sunflower	1.02% of farm gate value
Pasture seeds	Category one (medics)	\$10.0 per tonne
	Category two (lucerne)	\$15.0 per tonne
	Category three (clovers)	\$15.0 per tonne
	Category four (subcolvers)	\$11.0 per tonne
	Category five (serradella)	\$10.0 per tonne
Rice	Rice	\$3.00 per tonne
Wheat	Wheat	1.02% of the farm gate value
Grape research (grapes destined for processing establishments in Australia)		\$2.00 per tonne
Wine export per value	\$0 to \$20.0 million	0.2% of value
	\$20.0 million to \$70.0 million	0.1% of value plus a.
	\$70.0 million and over	0.05% of value plus b.
Wine grape levy (grapes used in the production)	0 to 10 tonnes	\$5.00 per tonne plus \$200
	more than 10 but less than	\$9.20 per tonne (including the

of wine – this levy operates in a similar manner to the personal income tax thresholds)	3,000 tonnes	first 10 tonnes) plus \$180
	more than 3,000 but less than 6,000 tonnes	\$8.80 per tonne plus \$27,780
	more than 6,000 but less than 9,000 tonnes	\$7.00 per tonne plus \$54,180
	more than 9,000 but less than 12,000 tonnes	\$6.30 per tonne plus \$75,180
	more than 12,000 but less than 20,000 tonnes	\$5.60 per tonne plus \$94,080
	more than 20,000 but less than 40,000 tonnes	\$5.50 per tonne plus \$138,880
	more than 40,000	\$5.40 per tonne plus \$248,880
Chicken laying		14.17 cents per chick
Egg promotion		32.5 cents per laying chicken
Farmed prawns		3.64 cents per kg of whole farmed prawns
Queen bees	sold for \$20 and under	0.5% of the sale price
	Sold for over \$20	10 cents per queen bee at the first point of sale
Sugarcane		70 cents per tonne (paid equally by producer and miller)
Wool		2% of the sale price of shorn wool

Source: Department of Agriculture, Fisheries and Forestry, '[Levies](#)' DAFF website

Horticultural Products

Horticultural Product Type	Product Detail	Levy
Apples & Pears	Apples	1.845 cents per kilogram
	Pears (excluding nashi) kilogram	2.099 cents per kilogram
	Juicing Apples	\$2.75 per tonne
	Juicing Pears (excluding nashi)	\$2.95 per tonne
	Processing Apples	\$5.50 per tonne
	Processing Pears (excluding nashi)	\$5.90 per tonne
Avocados	Avocados (levy and export charge)	7.5 cents per kilogram
	Avocados - processing (levy)	1.0 cent per kilogram
Bananas	Bananas	1.7 cents per kilogram
Cherries	Cherries	7 cent per kilogram
Chestnuts	Chestnuts	10 cents per kilogram
Citrus	Oranges in bulk	\$2.75 per tonne
	Oranges not in bulk	5.5 cents per box*
	Other citrus in bulk	\$2.00 per tonne
	Other citrus not in bulk	4 cents per box*
Custard Apple	Custard Apples – Package	40 cents per tray/box*
	Custard Apples – Bulk	\$50.00 per tonne
Dried Fruits (Received at a Packing House)	Dried Tree Fruits (other than prunes)	\$32.00 per tonne
	Dried Plums (prunes	\$13.00 per tonne
	Dried Vine Fruits	\$11.00 per tonne
Dried Vine Fruit	Domestic Dried Vine Fruit	\$7.00 per tonne
	Export Dried Vine Fruit	\$7.00 per tonne
Ginger	Ginger	0.5 per cent of the sale price
Honey	Domestic Levy & Export Charge	2.3 cents per kilogram
Lychee	Fresh Lychee	8 cents per kilogram
	Processing Lychee	1 cent per kilogram
	Export Lychee	8 cents per kilogram
Macadamia	Dried Kernel	25.21 cents per kilogram
Mango	Domestic & Export	1.893 cents per kilogram
Mushrooms, Agaricus	Mushroom Spawn	\$4.32 per kilogram
Nursery Products	Nursery Products	5% of sale price of the container
	Nursery Products	5% of the landed cost price of the container
Olives	Olives	\$3.10 per tonne.
	Distribution of levy	\$3.00 for R&D, \$0.10 for Plant Health Australia, zero for Emergency plant pest response
Onion	Domestic and Export (hard onion)	\$4.00 per tonne
Papaya (Paw Paw)	Fresh Papaya	2 cents per kilogram

	Processing Papaya	0.25 of a cent per kilogram
	Export Papaya	2 cents per kilogram
Passionfruit	Passionfruit	40 cents per 18 litre carton
	Passionfruit	40 cents per 8 kilograms, if not packed in cartons
	Passionfruit	3 cents per kilogram of processing passionfruit
Persimmon	Persimmon	6.25 cents per kilogram
Pineapple	Fresh Pineapples	\$5.00 per tonne
	Processing Pineapple	\$2.00 per tonne
	Export Pineapples	\$5.00 per tonne
Potato	Unprocessed potatoes (levy/export charge)	50 cents per tonne
	Processed potatoes (levy)	50 cents per tonne
Rubus	Rubus	12 cents per kilogram
Stone Fruit	Stone Fruit	1 cent per kilogram
Strawberries	Strawberries	\$8.00 per 1,000 strawberry runners (or part thereof)
Table Grapes	Domestic	1 cent per kilogram
	Export	1 cent per kilogram
Turf	Domestic	1.5 cents per square metre of turf
	Export	1.5 cents per square metre of turf
Vegetables	Domestic Levy	0.5% of the gross sale value at first point of sale
	Export Charge	0.5% of the "free on board" (FOB) value

Source: Department of Agriculture, Fisheries and Forestry, '[Levies](#)', DAFF website

Livestock Products

Livestock Levy Detail			Levy
Beef production			0.6 cents per kg
Buffalo export charge			\$4.60 per head
Buffalo slaughter			\$9.60 per head
Cattle and livestock (producers)	Cattle	Cattle export charge	\$5.00 per head
	Lot-fed cattle		\$5.00 per head
	Bobby calves		\$.90 per head
	Sheep	Livestock export charge, where there is a defined sale price	2% of sale price
	Lambs	Livestock export charge, where there is a defined sale price	2% of sale price
	Goats	Livestock export charge, where there is a defined sale price	2% of sale price
	Sheep	Livestock export charge, where there is no defined sale price	20 cents per head
	Lambs	Livestock export charge, where there is no defined sale price	80 cents per head
Cattle and livestock export charge	Cattle		0.9523 cents per kg
	Sheep (including lambs)		60 cents per head
	Goats		50 cents per head
Cattle transaction levy	Cattle (grass fed)		\$5.00 per head
	Lot-fed cattle		\$5.00 per head
	Bobby calves		\$0.90 per head
Livestock transaction levy	Sheep	Where there is a defined sale price	2% of sale price (to a maximum of 20 cents per head)
	Lambs	Where there is a defined sale price	2% of sale price (to a maximum of \$1.50 per head)
	Goats	Where there is a defined sale price	37.7 cents per head
	Sheep	Where there is no defined sale price	20 cents per head
	Lambs	Where there is no defined sale price	80 cents per head
	Goats	Where there is no defined sale price	37.7 cents per head
Meat chicken			0.2344 cents per chick
Deer export			\$5.00 per head

Deer slaughter			8 cents per kg
Deer velvet		Export	1% of the sale value of the velvet
		Domestic (sale or use in producing other goods)	1% of the sale/declared value of the velvet
Game animals	Game pigs		25 per carcase
	Game goats		3 cents per carcase
	Goat fibre		1.5% of the sale value
	Horse slaughter		\$5.00 per head
Livestock slaughter	Sheep		15 cents per head
	Lambs		16 cents per head
	Goats		10 cents per head
Macropods (kangaroos, wallabies etc):	Kangaroos processed for human consumption		7 cents per carcase
	Other macropods processed for human consumption		4 cents per carcase
	All macropods processed for animal consumption		3 cents per carcase
Pig slaughter			\$2.825 per head
Ratite (emu and ostrich):	Emu		\$2.00 per head
	Ostrich		\$1.25 per head

Source: Department of Agriculture, Fisheries and Forestry, '[Levies](#)', DAFF website

Appendix Two

Agricultural Statutory Organisations – R&D, Marketing and Funding Type

Agricultural R&D and Marketing Statutory Organisation	R&D	Marketing	Levy	Matched by C'W Funding
Cotton Research & Development Corporation	Yes	No	Yes	Yes
Fisheries Research & Development Corporation	Yes	No	No	Yes
Rural Industries Research and Development Corporation	Yes	N/A	Yes	Yes
Sugar Research Australia	Yes	No	Yes	Yes
Meat and Livestock Australia	Yes	Yes	Yes	Yes
Australian Egg Corp Ltd	Yes	Yes	Yes	Yes
Dairy Australia	Yes	Yes	Yes	
Horticulture Australia	Yes	Yes	Yes	Yes
Australian Wool Innovation	Yes	Yes	Yes	Yes
Grains Research and Development Corporation	Yes		Yes	Yes
Australian Meat Processor Corporation	Yes	Yes	Yes	No
Australian Grape and Wine Authority	Yes	Yes	Yes	Yes
Australian Pork Limited	Yes	Yes	Yes	Yes
Livecorp	Yes	Yes	Yes	No
Animal Health	Yes	N/A	Yes	No
Plant Health Australia	Yes	N/A	Yes	N/A

Appendix Three

The 12 Principles are outlined as follows:

1. The proposed levy must relate to a function for which there is a **market failure**.
2. A request for a levy must be supported by industry bodies representing, wherever possible, all existing and/or potential levy payers, the relevant levy beneficiaries and other interested parties. The initiator shall demonstrate that all reasonable attempts have been made to inform all relevant parties of the proposal and that they have had the opportunity to comment on the proposed levy.

A levy may be initiated by the Government, in the public interest, in consultation with the industries involved.
3. The initiator of a levy proposal shall provide an assessment of the extent, the nature and source of any opposition to the levy, and shall provide an analysis of the opposing argument and reasons why the levy should be imposed despite the argument raised against the levy.
4. The initiator is responsible to provide, as follows:
 - an estimate of the amount of levy to be raised to fulfil its proposed function
 - a clear plan of how the levy will be utilised, including an assessment of how the plan will benefit the levy payers in an equitable manner
 - demonstrated acceptance of the plan by levy payers in a manner consistent with Levy Principle 2.
5. The initiator must be able to demonstrate that there is agreement by a majority on the levy imposition/collection mechanism or that, despite objections, the proposed mechanism is equitable under the circumstances.
6. The levy imposition must be equitable between levy payers.
7. The imposition of the levy must be related to the inputs, outputs or units of value of production of the industry or some other equitable arrangements linked to the function causing the market failure.
8. The levy collection system must be efficient and practical. It must impose the lowest possible 'red tape' impact on business and must satisfy transparency and accountability requirements.
9. Unless new structures are proposed, the organisation/s that will manage expenditure of levy monies must be consulted prior to introduction of the levy.
10. The body managing expenditure of levy monies must be accountable to levy payers and to the Commonwealth.
11. After a specified time period, levies must be reviewed against these Principles in the manner determined by the Government and the industry when the levy was first imposed.



Amendments to existing levies

12. The proposed change must be supported by industry bodies or by levy payers or by the Government in the public interest. The initiator of the change must establish the case for change and where an increase is involved, must estimate the additional amount which would be raised. The initiator must indicate how the increase would be spent and must demonstrate the benefit of this expenditure for levy players.