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3 September 2009

Committee Secretary
Senate Rural and Regional Affairs and Transport Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Ms Radcliffe

RE: MANAGEMENT OF REMOVAL OF FEE REBATE FOR AQIS EXPORT CERTIFICATION FUNCTIONS

Thank you for the opportunity to comment on the management of the removal of the 40 per cent rebate for the Australian Quarantine and Inspection Service.

AgForce Background

Since its inception in 1999, AgForce Queensland has built a reputation of integrity, effort and success. It is a proactive organisation which is making a difference in rural and regional Queensland. AgForce is Queensland's premier rural lobby group; AgForce represents 7000 primary producers throughout the State across the broadacre commodity groups of beef cattle, sheep and wool, and grains, and aims to ensure the long term growth, viability, competitiveness and profitability of agricultural industries both in domestic and international markets. AgForce members are the first link in an ongoing chain which generates billions of dollars in employment and growth for the economy of both Queensland and the nation.

- a) **The level of industry support for the removal of the 40 per cent rebate prior to the implementation of comprehensive reform of AQIS's export inspection and certification services**

Concerns

AgForce has concerns over the removal of the 40% rebate for export certification functions and the affect that this will have financially on grass root producers.

While AgForce welcomes efficiencies for the agricultural export trade, including the removal of duplication between federal and state jurisdictions and the electronic processing of export certificates, it does not believe that the systems that have been implemented are proportionate to the cost to producers.

Queensland prides itself as being the largest beef producing state in Australia which is widely regarded as the world leader in supplying safe, quality red meat – a position that AgForce believes cannot be compromised, which is why AgForce is a passionate advocate of biosecurity. However AgForce believes that producers should not be sole financier of this enviable status, it is the responsibility of all supply chain partners to contribute to industry protection.

In terms of biosecurity, producers are already incurring significant costs through on-farm measures such as NLIS as well as quality assurance programs such as Livestock Production Assurance (LPA). Industry has a proven track record of compliance with these measures and therefore believes that there is no justification to add to this already considerable expense.

AgForce cannot support producers being the sole contributors for programs that enhance the entire supply chain, until there is an equitable way to apportion this additional cost and that there is a guarantee that these specified efficiencies can be gained then AgForce Queensland will be opposed to the removal of this rebate.

The agricultural sector has been the only industry in Australia that has stayed in positive territory during the global financial crisis and has been widely touted as the industry that will keep Australia from sinking into a recession, so for this reason alone AgForce cannot see why this industry is being penalised when other industries are receiving incentives to stay afloat.

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Issues to be Resolved

The removal of the 40% fee rebate for AQIS certification will have a detrimental effect on Queensland and Australia's red meat industries, and represents a cost of around \$33.5 million annually through costs to both the live animal and meat export programs. The removal of the 40% rebate will only see an additional \$43.89 million in the federal budget, which pales in size to the cost to all exporting industries that Australia is reliant upon. AgForce does not believe that the overall financial benefit of removing this fee rebate justifies the expense that industry will incur.

Whilst this charge is not directly aimed at our members, it will be passed down the supply chain to producers, who will ultimately end up bearing the financial burden of this decision. There have been estimates that the removal of the rebate will be charged back to producers at a rate of \$5 per head for every animal – that if materialises will be unacceptable to producers.

There are numerous reasons why this payment should never have full cost recovery applied to including the fact that meat processors/exporters are well equipped to employ more efficient third-party vets and/or auditors to inspect their product from a hygiene perspective but are prevented from doing so by the governments of the countries to which they export, making AQIS meat inspection an undesirably compulsory service.

Cost recovering for this compulsory AQIS service therefore places them at a distinct disadvantage against foreign competitors who are receiving an identical service funded by the taxpayer.

By necessity, exporting plants in Australia also supply the domestic market; having to pay for compulsory AQIS meat inspection would place them at a distinct financial disadvantage against domestic-only plants who only employ third-party inspectors at a significantly lower cost.

Cessation of the 40 per cent funding will, until the Government's promise of greater efficiency in the service is delivered, impose an additional cost burden of around \$32m on the Australian industry, most, if not all, of which will be passed on to the producing sector. With the current international financial malaise affecting export-dependent industries like ours, the timing for such an additional impost could not be worse.

While AgForce acknowledges the \$40 million reform package that the government has provided over the next 12 months to ensure that industries comply with the new export protocols, it does not provide enough time to roll out reform and will therefore have the potential to cause a massive impost to producers.

The new reforms that have been floated have not been discussed with trading partners to assess if they are acceptable to our customers. There is currently no resolution on whether non-government Australian inspectors will sufficiently meet customer demands in terms of impartiality.

(b) The adequacy of consultation by the Government in the development of industry work plans

AgForce Queensland has not been consulted by Government in the development of industry work plans, therefore is unaware of what is included in any efficiency proposals, proposed funding of industry work plans or the progress of meeting any of the industry work plan targets.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Grant Maudsley'.

Grant Maudsley
President
AgForce Cattle