SUBMISSION

Response to Australian Government Agricultural Competitiveness Issues Paper

Date 17th April 2014
Grain Producers Australia response to Australian Government Agricultural Competitiveness Issues Paper

Thank you for the opportunity for Grain Producers Australia to provide a response to the Australian Government Agricultural Competitiveness Issues Paper. The grains industry represented by Grain Producers Australia (GPA) represents Australia's broadacre, grain, pulse and oilseed producers at the national level. GPA was created to foster a strong, innovative, profitable, globally competitive and environmentally sustainable grains industry in Australia. The objectives of GPA are to establish a strong independent national advocate for grain producers based on a rigorous and transparent policy development process; engage all sectors of the Australian grains industry to ensure operation of the most efficient and profitable grain supply chain; and facilitate a strategic approach to Research, Development and Extension (RDE) intended to deliver sound commercial outcomes from industry research.

GPA has consulted the appropriate industry participants to formulate this submission and utilised key industry expertise in Dr Rohan Rainbow in preparing a response to the questions and issues detailed in the consultation paper. In developing this response, GPA has also consulted with a number of key peak plant industry bodies.

The options GPA have proposed in this submission address a number of the highlighted issues that have been identified in Agricultural Competitiveness Issues Paper scope;

1. Food security in Australia and the world through the creation of a stronger and more competitive agriculture sector;
2. Means of improving market returns at the farm gate, including through better drought management;
6. The efficiency and competitiveness of inputs to the agriculture value chain—such as skills, training, education and human capital; research and development; and critical infrastructure;
7. The effectiveness of regulations affecting the agriculture sector, including the extent to which regulations promote or retard competition, investment and private sector-led growth.

GPA's continued work in delivering coordinated discussion and establishment of grains industry best management practice pesticide stewardship guidelines supports delivery of issues 1, 2, 6 and 7 but also address issues 4 and 8;

4. The competitiveness of the Australian agriculture sector and its relationship to food and fibre processing and related value chains, including achieving fair returns;
8. Opportunities for enhancing agricultural exports and new market access.

Without significant change in programs to deliver agricultural pesticides and veterinary medicine technologies (Agvet), Australian agricultural productivity will continue to decline, and emerging industries will struggle to establish and meet multi-cultural consumer demand for an increasing diverse range of foods. GPA proposes options for implementation of an improved approach to delivery of worlds best practice Agvet technologies to industry.

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1 Commonwealth of Australia 2014, Agricultural Competitiveness Issues Paper, Canberra, February 2014
Key issues impacting on agricultural productivity

As detailed in a previous GPA responses to proposed options detailed in the APVMA First Principles Review of Cost Recovery at the APVMA Consultation Paper\(^2\) and Proposed Agricultural & Veterinary Chemicals Legislation Amendments Consultation Paper\(^3\), agriculture including the grains industry is facing current productivity challenges, which will significantly increase within the next decade. With declining productivity improvement and changes to external factors in managing weed, pest and disease risk, particularly increased risk of exotic pest and disease incursion through international travel and pesticide resistance evolution, Australia more than ever requires access to new and safer pesticide and veterinary medicines (Figure 1).

Plant and animal industries are facing significant emerging biosecurity threats and impact of pesticide and veterinary medicines resistance. Australia is no longer on the global priority list for pesticide and veterinary medicine commercialization as it was 20 years ago. Some industries in Australia including grains are currently missing out on up to 50% of the potential new technologies which key competitors in Europe and the USA have access to.

![Figure 1. Key internal and external factors impacting on agricultural crop and animal health.](image)

Australia is experiencing increasing market failure of investment in agricultural pesticides and veterinary medicines. Australia is also missing out from productivity improvement through commercial investment in a large number of potential emerging biological, biochemical and biotechnology based Agvet technologies (Figure 2).

![Figure 2. Emerging pesticide and veterinary medicine technologies that require industry investment](image)

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\(^3\) Department of Agriculture Proposed Agricultural & Veterinary Chemicals Legislation Amendments Consultation Paper
Consultant Dr Rohan Rainbow has facilitated discussions with most of the agricultural industry RDCs, peak industry bodies, both Plant and Animal Health Australia, Department of Agriculture, APVMA and key registrant groups Croplife Australia and the Animal Medicines Australia to identify the major factors resulting in declining investment in Australia. These major factors include:

- Australia is a small market in a global context < 1.5%
- Australia is experiencing difficulties with complex Agvet regulations, timeliness and costs relative to commercial return on investment
- Global multinational companies face a poor rate of return on commercialisation investment compared with major developing markets including Brazil and China

In this consultation process, the identified outcomes for community and industry that need to be achieved include:

- Increased National and foreign investment in Australia
- Increased agricultural profitability and sustainability
- Increased delivery of a diverse range of foods to a multicultural community
- Increase productivity and scale of industries contributing to GDP and balance of trade
- Improving safety to community, environment and trade

GPA in discussion with the Grains Research and Development Corporation (GRDC) and other peak industry bodies, recognise that there is increasing market failure for investment in Agvet technologies in Australia. Investment market failure of industry, RDC, government and commercial priorities is now identified as an increasing grey area, well beyond the previously well defined market failure areas of minor use and specialty crops programs (Figure 3).

Figure 3. Model of investment priorities and commercial Agvet investment market failure

To address investment market failure in the longer term, there is need for transformational change to Agvet regulation in Australia. This should include consideration to full international co-regulation with a major technology development country. This will increase multinational confidence for investment into Australia and also increase Australia’s ranking on investment priority compared with competing investment opportunity in Asia and South America. This initiative would deliver:

- Consumer and government confidence in broader international standards
- Cost savings to Australia
- Fastest possible technology access for agricultural industries
- Ensuring Australia is on the first priority commercialisation list
Without significant improvement to Agvet access, Australian agricultural productivity will decline further, and emerging industries will struggle to establish and meet multi-cultural consumer demand for an increasing diverse range of foods. Quite simply, change is required to make new Agvet investment in Australia an easier commercial decision. Reform to Agvet regulation is required to address this increasing market failure in Agvet investment. Further reform is urgently needed to address the need for improved Agvet technology to address the many significant productivity challenges Agriculture will face into the next decade. Improved incentives for Agvet investment in Australia are required as well as reducing unnecessary regulatory costs and improved alignment of regulation and data requirements with key Agvet technology development countries including the USA.

**Options to increase Agvet investment in Australia and drive agricultural productivity**

Through facilitated discussions by Dr Rainbow with most of the agricultural industry RDCs, peak industry bodies, Department of Agriculture, APVMA and key registrant groups Croplife Australia and the Animal Medicines Australia, potential options have been identified to address increased investment in Australia and deliver cross agricultural industry productivity outcomes. These include;

- Improved prioritisation
- New incentives for investment
- Co-investment partnerships
- Increased clarity on benefits and return on investment
- Regulation co-equivalence opportunity
- Clarity of roles for commercial companies, RDCs and regulators
- Regulation reforms

To deliver these options, initiatives have been identified, supported through further legislative Agvet reform delivering productivity outcomes for industry. An improved approach to addressing a core area of Agvet market failure in minor use and specialty industry needs of pesticide and veterinary medicines has been proposed following consultation with many RDC’s and peak industry bodies. These initiatives potentially include;

**Establishment of a new cross industry minor use program** directly negotiated between government, APVMA and industry through establishment of a Minor Use and Specialty Production Initiative (MUSPI) managed by cross-industry research and development corporations (RDCs) resulting in;

- Improved priority setting and cost sharing
- Achieving Government, RDC and Commercial co-investment in data generation
- Achieving cost savings through cross industry efficiencies and international collaboration and co-investment with IR-4 USA and Canada

**Adopt in Agvet legislation and regulations current internationally agreed crop groupings** in grains and horticulture to avoid unnecessary additional data generation costs over and above requirements in other major multi-crop producing countries including the USA, Canada and the European Union. Delivering;

- Reduced data generation costs by combining individual crop data
- Improved alignment with international crop grouping standards
- Provides a mechanism for multiple industries to collaborate in data generation
**Through government appropriations, transfer all minor use permits > 5 years old to label registration;**

- Formalising safer product use for consumers and environment
- Providing costs savings without risk due to consultation with any adverse event reporting
- Creating significant cost efficiency of transferring a large number of permits to label

**Establish a provisional registration system** with fee payment deferral options **based on agroecological co-equivalence** and same use in crops/animals overseas;

- Delivering technology to agricultural industries faster
- Increasing incentive to commercialise technology in Australia
- Provisional review self-funded through sale of product

**Formal collaboration with IR-4 and establish an Australian minor use program cost recovery model which mirrors the US and Canadian minor use programs;**

- Delivering cost savings, which would need to be based on co-equivalence of cost recovery models for evaluation
- Delivering technology to agricultural industries faster
- Increasing international confidence of Australia as a cost effective investment option

**Establishment of third party APVMA approved certifiers** rather than current APVMA monopoly;

- This approach has been implemented successfully in New Zealand
- The approach could be successfully implemented specifically for an industry led minor use program

**Establish a points credit system for registrants** who put minor use onto label being rewarded with acceleration of an alternate registrations evaluation priority to incentivise commercial investment in industry priorities where market failure exists. These credits could then be used to accelerate other applications being assessed perhaps even at a later time eg. 6-12 months later allowing the build up of credits;

- Would be a self-funding program by registrants
- Delivering minor use and new technology onto label to industry faster
- Encourages parity with international labels for agriculture

**Adopt in new Agvet legislation and regulations improved data protection for emergency and minor use permits** to improve the value proposition and incentive for commercial investment, encouraging contribution of exiting Australian and International data to these programs. In addition provide data protection incentives on existing registered labels encouraging investment in minor use through adopting a USA based system of 1 extra year for 3 minor use label extensions would;

- be self funding program by registrants
- potentially provide incentives for additional label registration of minor uses
- improve product stewardship through company label communication

These initiatives, supported through further reform to the Agvet Act and regulations code, when combined would allow delivery of a well-managed cross industry RDC led minor use program.

There is already significant cross industry discussion on establishing an Australian equivalent of a cross industry minor use program addressing Agvet investment market failure, similar to IR-4 in the USA. To support this, either through government appropriation or the proposed coalition government investment in minor use, there is a need for broader regulatory options for the APVMA to support agreed cross-agricultural industry priorities.
Industry would significantly benefit from increased options for the APVMA to issue and manage the holding of permits where they are identified as a key priority. This could be formalised by ‘written submission of the government nominated representative peak agricultural industry organisation or relevant research and development corporation defined under the PIERD Act’.

This option would capture not only minor uses but also major uses where there is demonstrated market failure for investment and a need for additional investment intervention. There is a need to expand the minor use definition to not only those areas that are of low economic value to a registrant but also for situations where there is insufficient approved options for pest management or where investment market failure occurs impacting on industry productivity.

If Australia were to effectively collaborate with IR-4 in the USA, then there will need to be some government appropriation in an Australian equivalent. An investment model without some government appropriation, which would be at odds with the USA system, would be a significant disincentive for increased international collaboration with Australia.

Where there is a clear industry emergency priority, similar changes to the Agvet Act and regulations to improve industry loss mitigation timeframes should be considered, ie. if the use qualifies as a priority ‘by written submission of the government nominated representative peak agricultural industry organisation or relevant research and development corporation defined under the PIERD Act’ then prioritisation and currently legislated relatively long timeframes for approvals should be significantly reduced.

There are significant advantages of having incentives in place as soon as possible to encourage industries to participate in the priority setting process and additional industry and commercial investment. This includes the USA IR-4 approach of priority review by the United States Environmental Protection Agency for support of key industry priorities. Having these linked in the legislation, particularly in terms of fees and assessment timeframes would be an excellent initiative to deliver rapid benefits to industry and the community. In addition, there is a need for a well-managed cross industry RDC led minor use program with permit reviews determined and held by the APVMA. This would address an increasing difficulty of agricultural industry, government or community groups finding suitable organisations to act as permit holders where the specific beneficiary is difficult to define.

**Recommended establishment of a cross industry Agvet technology access task force**

GPA is aware of discussions between the Department of Agriculture and the RDCs on the identified needs and opportunities to address increasing market failure of investment in Agvet technology in Australia and the risks that this presents to continued productivity. GPA recognises that the Department of Agriculture have been participating in discussions on this important strategic issue, however there is urgent need for increased focus and engagement with agricultural industry on potential solutions. Increased engagement through a proposed cross industry task force would be an efficient way to deliver this.

There is a clear need for a cross industry initiative to address the complex discussions between government, agricultural industries, community beneficiaries, APVMA and commercial registrants. GPA recommends the establishment of a cross industry task force to deliver Improved technology Access for Agricultural Production (ITAAP). The objectives of this taskforce should be to:

- Reduce government and industry cost for Agvet delivery and regulation
- Deliver faster technology access and increased agricultural productivity
- Improve consumer and export market confidence through access to safer pesticides and veterinary medicines
Summary comments

Agriculture is at the crossroads today in terms of ability to deal with the future resistance threats and plant and animal health issues. Many agricultural industries, particularly grains will experience significant productivity losses in 8-10 years through the combined impacts of pesticide resistance evolution and the limited access to new technologies. With a lead time of 7 to 10 years to deliver a commercial technology that has already demonstrated proof of concept, Australia cannot afford to wait even another 2-3 years to address this issue.

To address the key strategic issue of productivity impacts from declining technology access, GPA has been in discussion with other plant industry industries in developing this response. GPA has consulted with key peak plant industry bodies including Australian Fodder Industry Association, Canegrowers, Cotton Australia, Growcom, Rice Growers Association of Australia, Wine Grape Growers Australia and recommend that the government urgently address the following:

1. Establish a cross industry task force for improved technology access for agricultural production (ITAAP).
2. Provide government leadership in the establishment of a cross industry minor use and specialty production initiative (MUSPI), which should be jointly managed by cross industry RDC’s.
3. Consider increased international partnership in co-regulation and look for efficiencies and incentives for Agvet investment in Australia
4. Consider regulatory reforms to underwrite these opportunities and initiatives

GPA is committed to further discussion with the Australian government on the need to deliver transformational change on this issue. There is commitment from GPA to work cross industry and deliver productivity outcomes to agricultural industries and the Australian economy and community.

If you would like to discuss any of these comments and suggestions further in detail, please contact either myself [redacted] or GPA consultant Dr Rohan Rainbow [redacted].

I look forward to receiving further feedback and consultation from the review of these responses.

Yours sincerely

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Chairman GPA