

DEPARTMENT OF AGRICULTURE, FISHERIES &  
FORESTRY

REGULATIONS FOR OLIVE INDUSTRY  
RESEARCH AND DEVELOPMENT AND  
BIOSECURITY LEVIES

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REGULATION IMPACT STATEMENT

OFFICE OF BEST PRACTICE REGULATION ID NO. 13298

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## Section 1 Background

The Australian Olive Association (AOA), the peak body representing olive growers in Australia, has made a submission to the Government to implement the following levies to be collected on fresh olives utilised for processing either as table olives (pickling) or as olive oil (pressing) at the point of processing (that is, delivered to the processor weighbridge):

- a research and development (R&D) levy at a rate of \$3.00 per tonne to be paid to Horticulture Australia Limited (HAL);
- a Plant Health Australia (PHA) subscription levy at a rate of \$0.10 per tonne; and
- an Emergency Plant Pest Response (EPPR) levy, initially to be set at zero.

An exemption would apply to olive growers producing less than \$100 in olive levy liability in any one levy year.

HAL is an industry-owned company that provides marketing and R&D services for the benefit of the horticulture industry. The company has been declared the industry services body under the *Horticulture Marketing and Research and Development Services Act 2000*.

HAL currently receives statutory levies and voluntary contributions from approximately 40 horticultural industries. The company also receives matching government funding for eligible R&D expenditure up to 0.5 per cent of horticulture's gross value of production (wine grapes excluded). Currently, HAL administers funds from statutory levies for 27 horticultural industries.

HAL's revenue in 2011-2012 was \$101.7 million, with its expenditure on R&D programs \$76.7 million (including Australian Government matching funds) and expenditure on its marketing programs \$17.0 million (source: HAL Annual Report). Commonwealth matching funds paid to HAL for R&D in 2011-12 totalled \$42.0 million.

Statutory levy collections for horticulture for 2011-12 totalled \$37.0 million (marketing \$15.2m and R&D \$21.8m). HAL deducts its administrative fee from levy collections (both statutory and voluntary contributions). DAFF collection costs are also deducted before the amount available for expenditure on marketing and R&D is known.

The olive industry's R&D has to date been undertaken by the Rural Industries Research and Development Corporation (RIRDC).

RIRDC is a statutory authority established by the *Primary Industries and Energy Research and Development Act 1989*. RIRDC was established by the Australian Government to work with industry to invest in R&D for a more profitable, sustainable and dynamic rural sector. Specifically, RIRDC's mandate from government is to achieve results from R&D investments in three areas:

- New rural industries
- Specific established rural industries, where there is not otherwise a suitable R&D service provider
- National rural issues.

RIRDC provides R&D services for the benefit of some of the smaller and newer emerging industries, such as the pomegranate and truffle industries. RIRDC currently classifies the olive industry as an established mature industry.

It is important that industries are encouraged to move on from RIRDC once they have reached maturity. If not, RIRDC's portfolio of mature industries will continue to grow and its ability to focus and thus fulfil its charter of nurturing new and emerging industries will diminish.

The olive industry is amongst the ten largest horticultural industries by value (its gross value of production for 2010-11 was \$169.3 million).

Accordingly, and in line with government policy, the olive industry has been encouraged and agreed to move on from RIRDC, to become self-supporting with a R&D levy and to have funds raised by the levy paid to HAL.

## ***1.2 Industry structure***

At present the industry has four identifiable grower sectors:

- Large vertically integrated corporate entities servicing the domestic supermarket trade and targeting export markets, with branded and bulk olive products;
- Smaller and medium sized family based boutique producers developing branded products to service local and other niche markets;
- Medium sized olive producers growing fruit for the bulk olive oil market, having neither a brand identity nor the economy of scale to underpin their profitability;
- Many hundreds of other olive groves including small hobby farms in various stages of establishment or abandonment, but generally not in 'commercial' production. Many of these entities trade and barter fresh olives and olive products through family and local networks.

The scale of olive production in Australia varies greatly from the largest corporate grove of over 6,000 hectares to small boutique holdings of just 1 or 2 hectares. The cost of production of olives depends on the scale of operation with the larger enterprises employing professional management plus staff and contractors covering all production and processing operations. Smaller boutique operators typically use family and friends as paid or unpaid labour, and their own or shared equipment which masks the real cost of production.

The AOA estimates that 41-48 percent of olive industry participants are involved in table olive production and 94-99 percent involved in olive oil production.

Over the past decade the industry has expanded from a cottage industry to what is now a mature commercial industry with domestic and export retail sales of around an estimated \$180 million per annum. It is expected to become more uniformly established across Australia by 2015–20.

## ***1.3 Olive production and trade***

Olives are grown throughout most of the temperate south-eastern, south-western and eastern-seaboard regions of Australia. There are limited official statistics produced on olive and olive oil production. The following statistics, based on current industry estimates, are provided by the AOA, the peak body representing olive growers in Australia. The AOA was formed in 1995 to represent olive producers, processors, marketers and other service providers.

There are approximately 10 million olive trees grown in Australia on over 800 commercial groves covering more than 30,000 hectares. Over 70 per cent of the trees are concentrated in less than 20 groves, with the largest – Boundary Bend Ltd in Victoria – being in excess of 6,000 hectares. Based on existing plantings, Australian olive production is expected to plateau at 149,000 fresh tonnes by 2016.

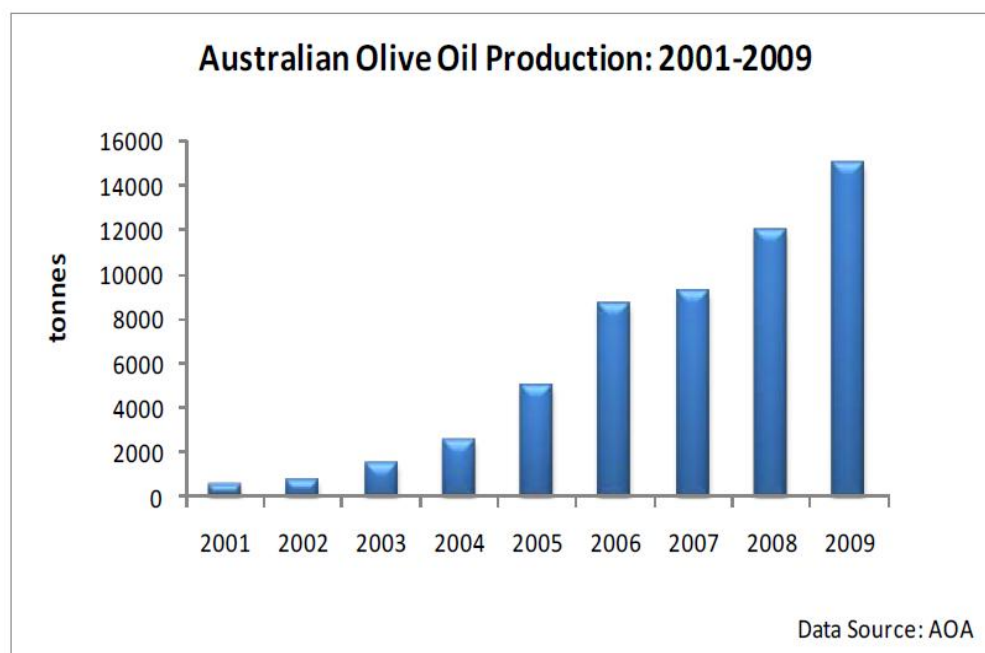
In 2011, Victoria accounted for an estimated 63 percent of Australia's production, Western Australia 17 percent, South Australia 12 percent, NSW 6 percent, Queensland 2 percent and Tasmania 0.2 percent. Production of olives in 2011 was 96,700 tonnes – production of table olives was 5,000 tonnes and production of olives for oil was 91,700 tonnes. In the same year olive oil production was estimated at 15,100 tonnes.

Australia is a net importer of table olives and olive oil. In 2011 exports of table olives were estimated at 600 tonnes whereas imports were estimated at 16,000 tonnes. For olive oil, 2011 exports were estimated at 7,000 tonnes whereas imports were estimated at 32,700 tonnes.

The AOA estimates that in 2016 table olive production will be 10,000 tonnes, exports will be 1,100 tonnes and imports 13,000 tonnes. For olive oil, estimates for 2016 are production of 22,900 tonnes, exports of 6,500 tonnes and imports of 27,500 tonnes. Thus the Australian market for both table olives and olive oil is expected to expand in the medium-term.

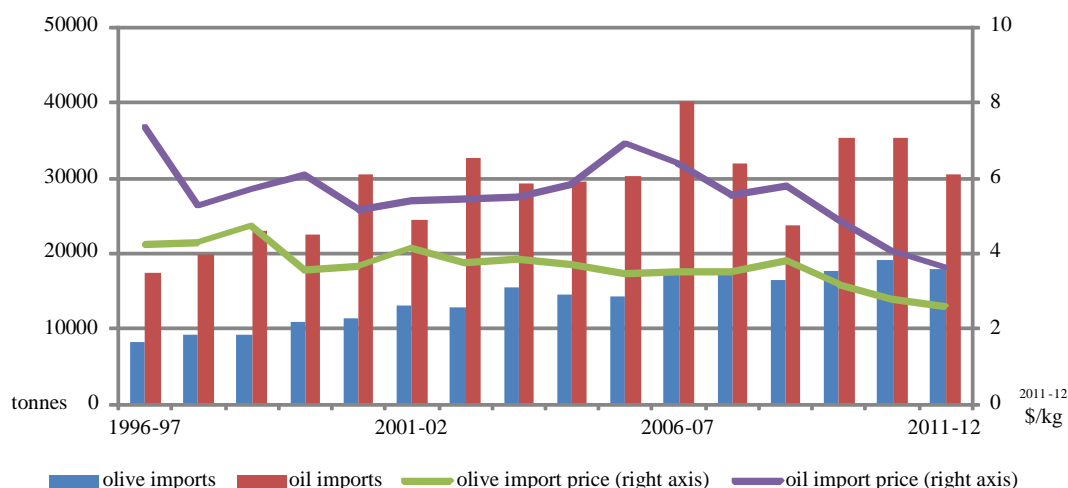
Australia has witnessed a rapid growth of the olive industry over the past decade (Figure 1). The basis of this growth has been driven by commercial investment into the olive industry, alongside large-scale family-farm operations. The industry has aimed to tap into growing consumer demand, and to tackle imports (import replacement) with a superior quality product.

**Figure 1: Australian olive oil production 2001-2009 (RIRDC, 2010)**



The challenge facing the Australian olive industry has been competing with imported product. Despite the rapid growth of the domestic industry, and rising consumption, imports have continued to increase, although they have been relatively stable in recent years (Figure 2), with the market share continuing to be dominated by overseas product. Import prices of olive oil have steadily declined over the past decade. Olive oil (already packaged and labelled) lands at a lower price (of around 10 per cent) - in 2011 this was around \$3.62 compared with local oil at an average price of \$3.82.

**Figure 2: Olives: imports and import prices, Australia**



Data source: ABS (2012a)

## Section 2 Assessing the problem

The Australian olive industry has been under pressure in recent years. The global market for olive oil has been unprofitable for most producers. A combination of the global financial crisis, three above

average crops in Spain and increased fraudulent trade in low grade olive oils labelled as extra virgin have all placed downward pressure on olive oil prices.

Industry has explored several ways to counter misleading claims for olive oils. The Australian Standard for Olive Oils and Olive Pomace Oils (AS 5264-2011), has been developed in parallel with the development of the Australian Olive Industry Code of Practice and the Consumer Awareness and Education Campaign.

However, price changes due to market forces, including consumer purchasing behaviour, are not considered a market failure. Nevertheless, the olives industry's perception is that greater expenditure on R&D in order to provide information that establishes the benefits of Australian fresh olive products, maintaining the current high quality product while improving productivity, profitability and environmental management through all stages of the supply chain, as well as biosecurity risk mitigation, are important factors in delivering better outcomes for the Australian industry and consumers.

It would be difficult to achieve these goals under the current arrangements where voluntary R&D contributions have been provided irregularly and only when producer finances allow. The existence of a free-rider problem means that it is unlikely that an individual producer or group of producers would invest adequately in R&D.

Many small to medium producers recognise the need for a more cohesive and cooperative industry, particularly at the processing and retailing level. All these aspects are important to maintaining and strengthening the viability of the domestic olive industry.

The AOA believes for the Australian olive industry to achieve the required productivity and profitability improvements that the levels of investment in R&D identified by the *Australian Olive Industry RD&E Plan 2010-2015* are crucial.

The AOA also believes it is essential that a statutory Emergency Plant Pest Response levy be established to manage the costs and responsibilities for responding to an emergency plant pest outbreak.

## **Section 3 Objectives of Government action**

The objective is to maintain and strengthen the viability of the Australian olive industry.

### ***3.1 Options that may achieve the objective***

#### **3.1.1 Option 1 – Status quo: voluntary financial contributions**

Under this option olive businesses would continue to make voluntary financial contributions to Horticulture Australia Limited or AOA.

#### **3.1.2 Option 2 – Implement the AOA proposed Statutory Levies**

Under this option the following levies would be mandatory:

- a new statutory R&D levy on olive growers at rate of \$3.00 per tonne of fresh olives for processing payable to HAL;
- an olive Emergency Plant Pest Response levy, initially set at zero; and
- an olive Plant Health Australia levy at a rate of \$0.10 per tonne of fresh olives for processing.

#### **3.1.3 Option 3 – Implement ad valorem statutory levies**

Under this option levies could be enacted based on a set percentage of the price of olives at the point of processing rather than on levies based on the weight of the leviable product.

## **Section 4 Impact analysis – costs, benefits and risks**

### ***4.1 Option 1 – Status quo: voluntary financial contributions***

#### **Benefits**

The AOA and its state and regional branches have voluntary membership arrangements with over 680 members (including 630 directly involved with olive production). This represents approximately 70% of potential industry support by enterprise number, and 90% by production, including membership and active involvement by the largest olive producers, processors and marketers in Australia. The current voluntary R&D arrangements generate contributions of \$180,000-\$190,000 per annum (RIRDC, 2010). Compared to statutory levy, a voluntary levy system generates less government administrative or regulatory burden.

#### **Costs**

A free-rider problem exists with this voluntary arrangement. As a result it is unlikely that an individual producer or group of producers would invest adequately in R&D or meet the industry's Plant Health Australia or Emergency Plant Pest Response Deed obligations.

Under the current voluntary regime, funds for R&D have been provided irregularly and only when producer finances allow. This makes it difficult to forecast who would make contributions in any given year and in turn makes it difficult to plan R&D programs. Further, it is unlikely that voluntary contributions will increase significantly to the levels identified as being required to address the industries R&D priorities. Current funding for R&D is declining. RIRDC will no longer fund olive R&D without a statutory levy being put in place. However, it is government policy for mature horticulture industries that statutory levies be directed to HAL. Expenditure by HAL on olive R&D in 2011-12 was only \$3,000 (\$36,700 in 2010-11).

Any research conducted privately is unlikely to be provided for the benefit of all producers, it is more likely the benefits of the research would be captured privately. In addition, private researchers would also be less likely to pursue research of an industry-wide or public good nature as it would deny them a competitive advantage. Research conducted by state-based grower associations is not efficient as many of the issues affect the entire industry and overlap between the various state-based program would result in inefficiency. In the case of the EPPRD funding obligations, the amount of funding that the olive industry could be required to repay to the government to recover the costs of an emergency response to a post-border pest or disease outbreak could be many millions of dollars. In the absence of statutory compulsion it is unclear that voluntary mechanisms would collect from the olive industry the monies owing to the government to meet the industries EPPRD obligations.

#### **Assessment**

Qualitatively, the weaknesses of the current (or other voluntary) arrangements outweigh its strengths. Although the AOA has a high level of voluntary industry participation and collects voluntary payments of \$180,000-190,000 per annum for R&D, this amount of funding is less than the industry's preferred stated level of funding for R&D services (approximately \$320,000 per annum). Moreover, the voluntary nature of payments makes establishing a medium-term R&D program difficult. In addition, in the absence of compulsion, it is unlikely that the olive industry could repay the government's costs associated with an emergency response to an olive pest or disease outbreak as required under the EPPRD.

### ***4.2 Option 2 – Implement the AOA proposed statutory levies***

#### **Benefits**

Funds for olive R&D, EPPR and PHA membership would be obtained from the Australian olive industry, as olive producers and processors would be the major beneficiaries of the outcomes achieved by the R&D and biosecurity work. Undertaking essential R&D and biosecurity work is aimed at maintaining the supply of olives and thus maintaining processing operations and full-time and casual employment within the industry.

The RD&E Plan outlines priority research to be undertaken on:

- providing information which establishes the benefits of Australian olive products;
  - information on the benefits of fresh olive oil is important in differentiating Australian olive oil from imported olive oils and contributes to the industry achieving its import replacement objective and increasing exports. Examples include research on consumer purchasing decisions and perceptions and use of olive oil.
- maintaining the current high quality product while improving productivity, profitability and environmental management through all stages of the supply chain (nursery, grove, processing, storage);
  - the Australian olive oil industry has higher production costs than its international competitors and also has to cope with the high value of the Australian dollar, which benefits imported oil. Investing in R&D to improve the productivity of the Australian industry is the only sustainable way of ensuring the long-term financial viability of the industry. Examples includes the selection of new high yielding, low input requiring olive cultivars; the development of pest and disease management strategies; increasing extraction efficiency and, the optimisation of machine harvesting and pruning procedures.
- developing strategies for existing and new olive producers to reduce where practicable the effects of climate change and variability; and
  - extreme weather events are a threat to the financial viability of olive growing business. The frequency of these extreme events is likely to increase in the future as a consequence of climate change. R&D on orchard and business management practices that can help olive growing businesses manage these extreme events can help secure the long-term viability of olive growing businesses, and the industry as a whole. Examples include developing orchard survival strategies to cope with short-term climate extremes (drought, frost, heatwaves etc) and longer-term changes in climate.
- building an educated, collaborative, innovative and skilled industry workforce and a cost effective, well funded RD&E program.
  - research and development is only useful if it is put into practice. Examples include providing producer education and developing an accredited vocational training program.

The *Olive Industry Biosecurity Plan 2009* provides a robust framework for the implementation of biosecurity risk mitigation measures in the industry. With an EPPR levy (initially set at zero) and a small PHA subscription levy, the olive industry through the AOA and PHA will be able to implement the *Olive Industry Biosecurity Plan 2009* by funding activities, including:

- promotion of biosecurity through the development of exotic pest awareness material
- official surveillance programs where data is recorded in a national database
- promotion of on-farm training programs for best practice biosecurity
- development of pest-specific contingency plans
- development of an on-farm biosecurity manual.

A compulsory national R&D levy would address the market failure in R&D applicable to the olive industry and enable the industry to meet its PHA and EPPRD funding obligations. Based on an industry estimated production of 106,000 tonnes in 2012, and a levy of \$3.10 per tonne of fresh olives, annual levy collections would be approximately \$328,600. This would enable an extra \$130-140,000 per annum to be invested in R&D for the olive industry (an increase of approximately 75 per cent per annum) compared to the current voluntary R&D system.

The R&D levy would be applied equitably to all Australian olive producers, eliminating the potential for “free riders”. The proposed statutory R&D levy would be compulsory on all olive producers who supply processors (excluding those below the annual \$100 levy liability level). The levy would not have a disproportionate impact on a particular group or size of producers, as the rate of levy payable on the sale of olives would be the same for all producers, irrespective of size of operation.



The money to be raised by the R&D levy would be utilised solely for R&D activities focussed at assisting the industry as a whole. Hence this R&D should be competitively-neutral in the industry (that is, not favouring or disadvantaging one individual or group in the industry over another). Over time, continuing funding on R&D projects is expected to enhance the viability and profitability of the industry.

### Costs

Establishing a reliable source of funds available for olive R&D is expected to principally affect producers and processors, who would pay the levy and thus have reduced net income. The levy would also indirectly affect other businesses located in olive growing communities and on suppliers/customers of producers (for example - farm workers, machinery suppliers, transporters and wholesalers), who depend on the levy payers for their business.

The AOA has undertaken modelling (utilising calculations and assumptions) to determine the amount collected of the olive levy relative to average price received per tonne of olives. The modelling concludes:

- The proposed R&D levy of \$3.00 a fresh tonne represents 0.35% of the weighted average wholesale value of Australian olive products (olive oil and table olives), or 0.58% of the weighted average value of fresh olives at the weighbridge;
- For olive varieties processed into olive oil - the equivalent wholesale value of fresh olives processed into olive oil is estimated at \$720 a tonne;
- For olive varieties processed into table olives - based on a price of \$4.00 per kilogram, and a product yield of 80%, the wholesale value of fresh olives processed into table olives is estimated at \$3,200 a tonne;
- Weighted average value of olives - assuming the percentage of olives destined for processing into olive oil is 94%, and into table olives is 6%, the weighted average wholesale value of fresh olives is \$870 a fresh tonne, and the weighted average value at the weighbridge is \$520 a fresh tonne.

It is anticipated that technically there would be an annual cost to the Australian Government of around \$300,000 annually through providing matching payments for R&D expenditure. However, no actual new government matching payments will be required, as HAL already receives matching government funding for eligible R&D expenditure up to the 0.5 percent gross value of production limit for the horticultural sector. There would be no administrative costs for the Australian Government in collecting and remitting the levy as DAFF Levies unit of the Australian Government Department of Agriculture, Fisheries and Forestry operates under full cost recovery.

The cost of the R&D levy is likely to be borne by both olive producers and olive consumers. Most olive producers support the imposition of the levy as a collective investment in their future. They are willing to bear a medium-term cost for longer-term gain. However, it is likely that a significant proportion of the levy will be passed on to consumers by processors and/or wholesalers through price increases. At a rate of \$3.00 per tonne of fresh olives at the first point of sale price the proposed levy is assessed to only result in a relatively small increase in retail prices of table olives and olive oil.

There is not expected to be any significant impact on olive producers from the levy not applying to imports. Imports consist of processed product (table olives and olive oil), not fresh olives for processing.

The implementation of a statutory levy on olive producers would have little impact on retail prices of olive products compared to fluctuations in the Australian dollar. A major influence on the retail price of table olives and olive oil is the value of the Australian dollar.

The cost of collecting a statutory levy is greater than the cost of collecting a voluntary levy. A statutory levy imposes an administrative burden on the government to collect the levy, which is in-turn taken from the amount of levy collected to recover the government's costs. These costs are not incurred where industry members voluntarily monitor and pay their levy obligations to the recipient body. Based upon information provided by the AOA, cost recovery charges by the Department of Agriculture, Fisheries and Forestry would be in the order of \$27,700 per levy year. A \$38,900 fee associated with

the initial start up of the collection of the R&D levy would also be incurred in the first levy year. The AOA is exploring ways that these costs may be reduced.

### **Assessment**

On balance, the qualitative strengths of implementing statutory levies to fund olive industry R&D and to meet the industries biosecurity obligations outweigh the weakness. Although less administratively efficient than a voluntary levy, the statutory levy arrangement overcomes the “free-rider” problem associated with the current voluntary levy arrangements and raises more funds to invest in research and development to benefit the industry (a net increase in levy collections of approximately \$100,000 per annum [after levy collection costs are subtracted] compared to the current voluntary arrangement). In addition, the levy would attract Australian Government matching payments for eligible R&D expenditure.

This option ensures the olive industries would be able to repay debts owing to the government from an emergency plan pest response covered by the EPPRD.

## ***4.3 Option 3 – Implement ad valorem statutory levies***

### **Benefits**

Ad valorem levies (that is compulsory levies set at a percentage of the sale price) at the point of processing could apply to all olive producers and would therefore ensure adequate investment in R&D and meet the industry’s Plant Health Australia or Emergency Plant Pest Response Deed obligations equitably. Benefits of statutory levies identified under option 2 above also apply for this option.

### **Costs**

The nature of the industry presents timing difficulties and makes it costly to apply ad valorem levies to fund essential R&D, EPPR and PHA obligations.

Olives (whether processed into oil or sold as table olives) remain in storage for many months and up to a year. For oil the purpose is to allow the oil to settle and clarify prior to sale. Therefore, the final sale price is not usually known within the production season. Whilst some growers sell their olives to a processor, it is more usual for the olives to be contract processed with the oil either collected by the grower or held in storage by the processor. Payment for processing costs is made either by cash or retention of some oil.

Administering the large number of collection points for an ad valorem levies option would lead to prohibitive levy collection costs.

### **Assessment**

On balance the benefits are outweighed by the costs of implementing an ad valorem levies option, which are significantly expensive and experience practical difficulties.

## ***4.2 Competition Policy***

The olive levy would be applied equitably to all Australian olive producers. The money to be raised would be utilised solely for R&D activities focussed at assisting the industry as a whole. Hence this R&D should be competitively-neutral in the industry (that is, not favouring or disadvantaging one individual or group in the industry over another).

## **Section 5 Consultation**

The AOA conducted a thorough consultation campaign with all known potential levy payers, in line with the *Australian Government Levy Principles and Guidelines* (LPGs). The AOA identified all prospective levy payers, informed them of the proposal and included them as registered olive producers on the ballot roll.

During the consultation period some industry participants expressed opposition to the levy proposal for various reasons including: the lack of affordability in difficult economic times; they have no need

for the levy as they do all their own research; the information is freely available on the internet; or they pay consultants to provide this information.

The proposed statutory levies were determined as part of the consultation process. A proposition was put to growers, through a ballot process, to support the proposed levies. The voting method considered most equitable was the one vote per producer (business entity) model.

The postal ballot of registered olive producers was undertaken on the proposed statutory levies by the Australian Electoral Commission (AEC) over a four week period from 2 June 2011 to 30 June 2011, with 310 ballot papers distributed, 270 ballot papers (87 percent) returned for scrutiny, 2 ballot papers rejected at preliminary scrutiny and 268 ballot papers admitted to the count.

On a state by state basis the 268 ballot papers admitted to the count were made up of the following: 70 Victoria, 59 NSW, 59 South Australia, 44 Western Australia, 19 Tasmania, 14 Queensland, 3 ACT, 0 Northern Territory.

On 30 June 2011 the AEC declared the result for the ballot was:

- 222 “yes” votes (83 percent) in favour of implementing a statutory R&D levy and 46 “no” votes (17 percent) against
- 219 “yes” votes (82 percent) in favour of implementing a statutory PHA subscription levy with 48 “no” votes (17 percent) against, and 1 informal vote.
- 222 “yes” votes (83 percent) in favour of implementing a statutory EPPR levy and 46 “no” votes (17 percent) against

The LPGs state that it is a requirement for industry to achieve a majority of those that vote if a new levy is to be implemented. Thus with 82-83 percent of valid votes in favour on a one vote per enterprise basis, the AOA considers it has achieved a strong mandate for progressing implementation of the three levies.

As the ballot conducted by the AEC was secret, it is not possible to know which growers voted against the proposal or why they chose to do so.

After a formal submission of a levy proposal the LPGs provide for a six week period for industry comment or objections. The six week period for the AOA proposal, which ended on 8 December 2011, was notified by the AOA to all potential levy payers. No dissenting submissions were received by the AOA or the Government during this period.

However, the Government received correspondence after the end of the objection period from three South Australian olive producers and the state member for Taylor, Ms Leesa Vlahos MP, on behalf of non-commercial producers in her electorate. Although these objections were received outside the formal period for objections, they were considered as evidence of some opposition to the levy amongst South Australian growers who are the only growers currently with access to a levy collection system.

The three South Australian olive producers (two are related companies) objected to a national R&D levy and voiced support for the current system of voluntary state-based marketing and promotion levy collected through Olives SA.

Ms Vlahos’ constituents concerns included the cost of the proposed levies, the method of introduction and possible consequences for small olive growers. Most, if not all, olive growers in her electorate should not be affected by the proposed levies. Olive growers producing less than 34 tonnes of fresh olives for processing annually would not reach a liability level for levy payments. Producers that grow olives only for their own household use are unlikely to have to pay the levies. Further, the AOA understands that when the proposed national statutory olive levies are implemented its South Australian state branch (Olives South Australia) intends to seek the repeal of the South Australian levy/voluntary contribution arrangements.

After due consideration of the objections the Minister for Agriculture, Fisheries and Forestry accepted that the concerns raised were relatively minor in weight, had been adequately addressed, lacked supporting argument, were not relevant to the levy proposal and/or were strongly countered by a suitable evidenced-based case put forward by the AOA.

## Section 6 Conclusion and recommended option

The recommended option is Option 2 - to implement three compulsory levies under the *Primary Industries (Excise) Levies Act 1999* and the *Primary Industries Levies and Charges Collection Act 1991*: to fund olive R&D through HAL; to pay a membership fee to PHA; and to put in place an EPPR levy set at zero.

The proposed compulsory national olive R&D levy is regarded as the only effective means of correcting a market failure in funding R&D that currently exists in the industry. In addition, the statutory R&D levy proposal is regarded as the only equitable means of raising the funds required to undertake the industry's R&D priorities.

The proposal for a national statutory R&D levy for the olive industry:

- conforms to the Government's Levy Principle Guidelines ;
- would be applied universally across the levy paying population;
- has potential to benefit the industry; and
- is not expected to impose significant costs on consumers.

## Section 7 Implementation and review

To implement the AOA proposal will require amendments to the Primary Industries (Excise) Levies Regulations 1999 and the Primary Industries Levies and Charges Collection Regulations 1991. These Regulations are made under the *Primary Industries (Excise) Levies Act 1999* and the *Primary Industries Levies and Charges Collection Act 1991* and provide for new statutory levies and charges to be made.

Amendments to the Primary Industries (Customs) Charges Regulations 2000, made under the *Primary Industries (Customs) Charges Act 1999*, will be needed for administrative purposes (including reserving a corresponding part for a possible future export charge for olives).

The olive levies are to be implemented as soon as practicable, depending on the legislative process.

Once the R&D levy is implemented, HAL would be expected to establish an Olive Industry Advisory Committee to oversee the development of the five year R&D plan for the industry. The committee would assess R&D projects against the five year plan allowing for any urgent research priorities that may arise in the meantime. While the AOA anticipates having an appropriate involvement in the Committee, any levy payer would be eligible for appointment to the committee irrespective of whether an AOA member or not.

The five year R&D plan would continue to form the basis against which R&D progress and achievements would be judged. The five year plan would be annually reviewed and adjusted by the committee.

The Emergency Plant Pest Response Deed (EPPRD) levy would involve industry signatories to the EPPRD nominating how they will meet their financial liabilities. This is usually done by establishing an emergency plant pest response (EPPR) levy and/or charge. An EPPR levy and/or charge is usually set at zero and only activated when an emergency plant pest incident occurs. It is a formal agreement between the Australian Government, all state and territory governments, Plant Health Australia (PHA) and plant industry signatories on how to manage the costs and responsibilities for responding to an emergency plant pest outbreak. Under the EPPRD, the Australian Government may initially meet an industry's cost-sharing obligations, but the industry will then repay the Australian Government within a reasonable time period – generally up to 10 years.

The Plant Health Australia (PHA) levy would contribute to annual membership liabilities. PHA is a company responsible for coordinating national plant health matters. Its members consist of the Commonwealth (one third share), all state and territory governments (one third share) and a cross-section of plant representative industry bodies (the remaining third share), including grains, cotton, horticulture, rice, sugar and wine.

PHA's core annual running costs are shared between its members, with plant industries' liabilities generally met through the PHA levy on industry production imposed under the *Primary Industries*

*(Excise) Levies Act 1999* (Excise Levy Act) and the PHA charge on exports imposed under the *Primary Industries (Customs) Charges Act 1999* (Customs Charges Act). PHA's budget, including its core annual running costs, are subject to agreement by its government and industry members at its Annual General Meeting held in May/June each year.

Once the PHA and EPPR levies are implemented, the AOA proposes to develop and implement a biosecurity awareness and preparedness program for the industry, including cross-referencing the biosecurity plan strategies with the R&D plan strategies.

There would be no administrative costs for the Government in collecting and remitting the levy as the service is provided by the Department of Agriculture, Fisheries and Forestry under full cost recovery. Levy issues can be raised and reviewed at the AOA's Annual General Meeting and other AOA General Meetings held throughout the year.

Once implemented, in line with usual practice, the Government does not intend to review the operation of the levy.

## References

ABS (Australian Bureau of Statistics) 2012, *International trade, Australia*, cat. no. 5465.0, Canberra (and previous issues).

RIRDC (Rural Industries Research and Development Corporation), 2010. *The Australian Olive Industry Research, Development and Extension Plan 2010-2015*. RIRDC, Canberra.

Horticulture Policy Section  
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