Australian Government Department of Agriculture

Regulations for Sweet Potato Marketing Levy

Regulation Impact Statement

Office of Best Practice Regulation id no. 14851

November 2013

Contents

Section 1 – Background

The Australian Sweetpotato[1] Growers Inc. (ASPG), the peak industry body for sweet potatoes, has made a submission to the Government to introduce:

- an *ad valorem* statutory marketing levy to be set at one per cent (1%) of the sale price on all sweet potato sales, collected at the first domestic point of sale; and
- an *ad valorem* statutory marketing export charge to be set at one per cent (1%) of the free-on-board value of sweet potato applying immediately before export (not payable if the marketing levy has already been paid for the sweet potato).

The sweet potato industry and growers consider themselves to be a specialist segment of the broader vegetable industry. Unlike many other vegetable production enterprises which grow a variety of crops, sweet potato growers tend to specialise and grow only sweet potatoes.

There are approximately 85 commercial sweet potato growers in Australia, with 16 major growers producing over 70 per cent of the national crop. Farm sizes range from 10 to 200 hectares, with most in the 15-80 hectare range.

1.1 Industry background

The ASPG is a non-profit, member-based organisation and represents the interests of the sweet potato industry. The ASPG had its origins as an informal grouping of major growers that came together around 9 years ago to provide input to various R&D projects being run at the time through the Queensland Department of Primary Industries.

That experience led the growers to form an incorporated association in May 2007 (registered as an incorporated association with the Queensland Office of Fair Trading on 31 May 2007).

The ASPG has 53 financial members and claims that its members are responsible for 80-90 per cent of national sweet potato production. Members pay an annual membership fee and a small voluntary levy on seed sweet potatoes. This voluntary levy was established in July 2011 and is set at 18 cents per kilogram of seed purchased. The voluntary levy is payable to ASPG and helps fund ASPG running costs and minor projects such as the submission to government for a statutory marketing levy.

1.2 Levy history

Since 1 March 1996 the vegetable industry (including sweet potato growers) has paid a statutory research and development (R&D) levy of 0.5 per cent of the wholesale value at first point of sale after production. The funds raised by the levy are payable to Horticulture Australia Limited (HAL) as the service provider. HAL also receives matching Australian Government funding for eligible R&D expenditure up to 0.5 per cent of horticulture's gross value of production (wine grapes excluded). There is no vegetable marketing levy.

1.3 Sweet potato production and trade

While distantly related, sweet potatoes (*Ipomoea batatas*) are not a variety of potato (*Solanum tuberosum*). It is the starchy, tuberous roots of *Ipomoea batatas* that is the root vegetable people know as sweet potato. The sweet potato requires different growing

[1] We understand that 'sweetpotato' is a Queensland term, whereas Australian Government legislation refers to 'sweet potato'.

conditions and practices, and delivers a different taste and human nutrition profile to that of potatoes.

In terms of value of production, sweet potatoes rank outside of Australia's top ten vegetable crops. Sweet potatoes represent 5.65 per cent of total leviable vegetable production in Australia. In 2010-11 the gross value of production for sweet potatoes was $80 million.

Table 1. Sweet potato production

Year	Area sown (ha)	Total production (tonnes)[2]	Total production (tonnes)[3]	No. of businesses
2002-03	n/a	n/a	18,342	n/a
2003-04	n/a	n/a	18,299	n/a
2004-05	n/a	n/a	22,636	n/a
2005-06	1,589	44,293	33,610	148
2006-07	1,419	49,131	37,210	146
2007-08	1,441	38,407	57,677	n/a
2008-09	1,693	42,460	60,711	130
2009-10	n/a	n/a	65,000	n/a
2010-11	n/a	n/a	75,000	n/a
2011-12	n/a	n/a	n/a	n/a
2012-13	n/a	n/a	n/a	n/a

Sources: AUSVEG (2012), ABS (various years) & ASPG (2012a)

The majority of the 75,000 tonnes of sweet potato produced in 2011 came from Queensland (79 per cent) with a further 20 per cent from NSW (WA and SA produced the remaining 1 per cent of national production). [4]

Ninety-seven per cent of sweet potatoes produced in Australia in the year to December 2011 went to the fresh market and the remainder to processing (Freshlogic 2012).

Australia only exports small quantities of sweet potatoes. In 2010-11 Australia's exports of fresh sweet potatoes totalled 358 tonnes and were valued at $0.54 million. The three top major markets for exports of fresh sweet potatoes, both by value and volume, were the United Arab Emirates, Singapore and New Zealand (HAL 2012).

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[2] ABS production figures.

[3] ASPG production figures.

[4] This is based on ASPG data. ASPG claims to have precise data on sweet potato production in the Bundaberg region and estimates the region produces 75 per cent of national production.

Imports of fresh sweet potatoes are less substantial. In 2010-11 Australia imported a total of 131 tonnes of sweet potatoes, worth $0.23 million. The USA, China and Thailand were the dominant suppliers (HAL 2012).

Figure 1 sweet potato volumes and shares through the chain (Freshlogic 2012)

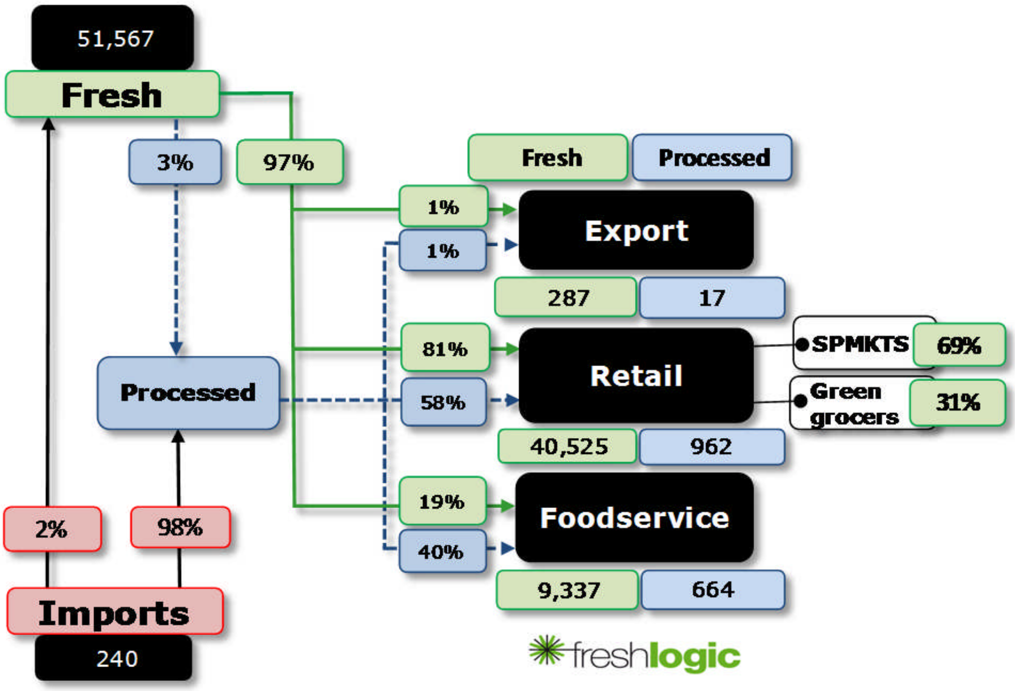

Table 2. Estimated average sweet potato wholesale prices

Year	Nominal ($/kg)	Real ($/kg)[5]
2002-03	1.38	.81
2003-04	1.48	.89
2004-05	1.44	.80
2005-06	1.91	.33
2006-07	1.52	.79
2007-08	1.25	.44
2008-09	1.15	.27
2009-10	1.15	.24
2010-11	1.07	.12
2011-12[6]	1.89	.89
2012-13	1.35[7]	.32

Source: ASPG 2013, personal communication

[5] Real wholesale prices are expressed in 2012 dollars using the RBA inflation calculator at http://www.rba.gov.au/calculator/annualDecimal.html.

[6] The Veginsights Sweet Potato Category in Profile, covering sales for the year ending to December 2011, reported the average wholesale price for all sweet potato as $1.89/kg and the average retail price paid for all sweet potato as $4.09/kg. In comparison Veginsights reported the average retail price for the standard potato as $2.40/kg (Source: Freshlogic 2012).

[7] 12 months ending December 2012.

Figure 2 average monthly price for orange-fleshed sweet potatoes on the Brisbane market 2007-2009 (Qld DAFF 2010)[8]

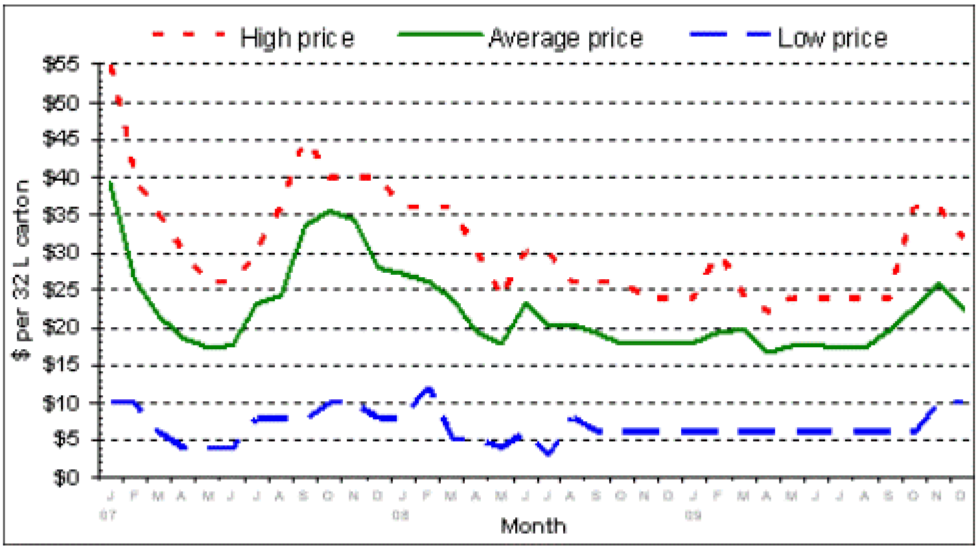

Table 3 provides an idea of the key costs of production for sweet potatoes (around $0.57-0.86/kg in 2000).

Table 3. Average costs of sweet potato production in Queensland in 2000

	South Qld			North Qld		
Type of cost	$ / carton	$ / hectare	$ / kg	$ /carton	$ / hectare	$ / kg
Growing	2.40	2,998.81	0.133	4.38	4,377.59	0.243
Harvesting[9]	4.96	6,194.20	0.276	5.43	5,429.07	0.302
Marketing[10]	2.85	3,562.50	0.158	5.71	5,716.67	0.317
total	10.21	12,755.51	0.567	15.52	15,523.33	0.862

Source: Qld DAFF 2010

[8] Sweet potatoes are usually sold in 32 litre cartons that hold 18 kg of storage roots. Prices averaged $24.38 for the 2007-09 period.

[9] Includes pick, pack & carton.

[10] Includes freight & commission.

Section 2 – Assessing the Problem

As a result of the vegetable industries levy-funded research and development program the sweet potato industry has developed production systems that can deliver year round supply of fresh product. The industry has also addressed some issues that limited consumer appeal of sweet potato. For example, in 2002 a survey of the major wholesalers and retailers found that a limiting factor to the expansion of the sweet potato category was inconsistent supply of even shaped smooth skinned sweet potato. This resulted in a series of R&D projects (funded by HAL via the vegetable R&D levy and Australian Government matching payments) aimed at identifying the key growing factors influencing size and shape of sweet potatoes (AUSVEG 2012).

The outcome of these projects has been the availability of a more consistent and easy to peel product. The industry believes that these changes have been partly responsible for the strong increases in sweet potato sales since 2005. However, the number of households who purchase sweet potato lags other comparable root vegetables. Household penetration (the proportion of households purchasing a product in a specified period expressed as a percentage of all households) for sweet potato is reported at 64 per cent for 2010–11. This compares to a 95 per cent household penetration for potatoes and carrots and 94 per cent for onions (Horticulture Australia Limited 2012).

In August 2012 the ASPG released its strategic marketing plan for sweet potatoes. The plan identifies that consumers are not aware of the cooking versatility of sweet potatoes or their nutritional qualities. The marketing plan for sweet potato has two key objectives: (1) to create a premium positioning for sweet potatoes, and (2) increase overall consumption of sweet potatoes.

Experience in other horticulture industries indicates that investment in generic promotions generates positive returns. For example the evaluation of the Australian banana marketing program showed return on investment rates of 12:1 (HAL Pers Comm). International experience also demonstrates that statutory funded generic marketing programs have benefited agricultural producers. An evaluation of generic marketing/promotion programs in California, covering a range of commodities including avocados, eggs, table grapes, walnuts and almonds was conducted. The overwhelming conclusion was that the marketing programs have been very profitable for California's agricultural producers (Alston *et al* 2007).

The sweet potato industry is dominated by relatively small scale businesses that, individually, do not have the capacity to invest in substantial marketing and promotion activities. Sweet potatoes, like other vegetables such as carrots and potatoes are usually sold at retail level as non-branded commodities. This commodity nature means that any promotion of sweet potatoes by an individual business is non-excludable (i.e. the first business that paid for the promotion cannot prevent the second - and other - businesses benefiting from it). This free-rider effect discourages individual businesses from investing in the promotion of sweet potatoes and has resulted in a lack of funds to implement the ASPG's strategic marketing plan.

Section 3 – Objective of Government action

The objective of Australian Government action is to help maintain and strengthen the viability of the Australian sweet potato industry.

3.1 - Options that may achieve the objective

3.1.1 – Option 1 - Status Quo

Under this option sweet potato growers would continue to pay an annual membership fee and a small voluntary (non-marketing) levy on seed sweet potato purchases to the ASPG. These funds go to support the day-to-day operating expense of the ASPG.

3.1.2 – Option 2 - Implement a voluntary contribution system

Sweet potatoes growers could be asked to pay a voluntary contribution equivalent to the rate proposed by the ASPG.

3.1.3 – Option 3 - Implement the ASPG's proposed marketing levy

The Government could accept the ASPG's proposal to establish the statutory marketing levy at a rate of one per cent (1%) of the sale price on all sweet potato sales, collected at the first domestic point of sale and on the export of sweet potatoes.

3.1.4 – Option 4 - Implement a weight-based statutory levy

Under this option the marketing levy could be enacted and collected based on the weight of the leviable product rather than based on a set percentage of the price of sweet potato at the first domestic point of sale.

3.1.5 – Option 5 - Implement the proposed statutory levy in two stages

Under this option the rate of statutory levy for marketing could be implemented in two stages, with introduction at a rate of 0.5 per cent of the sale price on all sweet potato sales in the first year, and then increased to a rate of 1 per cent in the second year.

Section 4 – Impact Analysis – Cost, Benefit and Risk

4.1 – Impact Group Identification

Sweet potato growers would be liable to pay the proposed levy if it was introduced.

4.1.1 – Option 1 - Status Quo

Benefits

Individual businesses are free to make the choice of whether to invest in building their own 'sweet potato' brand or to refrain from funding any marketing and promotion activities. Growers would not be liable to pay the costs of establishing and administering a statutory levy.

Costs

This option does not address the free-rider problem and lack of investment in generic marketing and promotion. Any private investment would focus on brand, rather than generic marketing of sweet potatoes with the benefits accruing only to the individual grower.

Assessment

Continuing the *status quo* does not address the free-rider problem and the sweet potato industry would have insufficient funds to undertake the generic marketing and promotion outlined in the ASPG's strategic marketing plan.

4.1.2 – Option 2 - Implement a voluntary contribution system

Benefits

A voluntary contribution system may provide funding at a level to allow some marketing work to be undertaken. There would be no Australian Government administrative costs for collecting voluntary industry contributions.

Costs

The sweet potato industry does not have any experience in attracting voluntary contributions for marketing. This mechanism has proved inefficient in other horticulture industries as it has allowed a number of growers to 'free-ride' on the contribution of other industry participants.

Based on figures provided by the ASPG and past behaviour in the industry with voluntary funding, it is estimated that over the three years from 1 July 2013 a voluntary contribution system for marketing could result in a figure between $0 (no voluntary contributions) and $1.260 million (50 per cent voluntary contributions) in levy revenue. Further detail is provided in Table 8.

Assuming 50 per cent[11] participation, voluntary levy payments by small sweet potato growing businesses are estimated at $2,328 per annum; levy payments by medium sweet potato growing businesses would be $7,218 per annum; levy payments by medium-large sweet potato growing businesses would be $16,298 per annum; large sweet potato growing businesses levy payments would be around $21,187; and the

[11] A 50 per cent participation rate is used for illustrative purposes.

largest grower's levy payments would be around $42,375. The median annual voluntary levy payments on average per business would be around $4,706.

Assessment

A voluntary system for funding industry marketing would not overcome the "free-rider" problem. While there is a current voluntary levy for ASPG membership that is supported by a majority of the industry, this levy is relatively minor (it raises approximately $75 000 annually). It is estimated that implementation of the ASPG's strategic marketing plan would require approximately $830 000 annually. There is a major risk that relying on a voluntary marketing levy to raise this magnitude of funds would result in a considerable shortfall in (and uncertainty of) the level of funds required to implement a strategic marketing plan.

4.1.3 – Option 3 - Implement the ASPG's proposed marketing levy

Benefits

A statutory marketing levy overcomes the free rider problem associated with the status quo and voluntary contribution options and would secure a reliable source of funds to implement the ASPG's strategic marketing plan.

A statutory marketing and promotion levy would be used for generic marketing and promotion. Similar marketing programs conducted by other industries have been shown to be cost effective (see Section 2: Assessing the Problem).

There would also be public good spill-overs expected from the generic promotion of sweet potatoes, especially in increasing the consumption of vegetables and improving public health. Based on the most recent consumption data, to meet the recommended food group intakes, most adults should increase their total consumption of vegetables by more than 30%. A 30% increase in intake of green and Brassica vegetables, 140% in red- and orange-coloured vegetables (such as sweet potato) and 90% in other vegetables would be optimal to increase the variety of vegetables consumed (National Health and Medical Research Council 2013).

It is not possible to quantify the spill-over effect of increased sweet potato marketing on human health. The proposed levy, if implemented, would raise approximately $0.8 million annually for marketing and promotion of sweet potatoes. This marketing program would include promoting the health benefits of consuming sweet potatoes.

The funds raised under the proposal would be managed by HAL. HAL is experienced in managing generic marketing programs and currently invests in excess of $19 million of levy funds annually on marketing and promotion programs on behalf of several other horticultural industries.

The Australian Government supports statutory marketing levies where the relevant industry body requests this and there is widespread support from levy payers for a marketing levy (Rural Research and Development Policy Statement July 2012).

Costs

The cost of the levy increase will be borne by sweet potato growers. Based on figures supplied by the ASPG, over the three years from 1 July 2013, if the new levy is implemented it would result in $2.520 million in levy revenue. Further detail is provided in Table 8. The ASPG submission states that levy payers would need less than two cents extra per kilogram of sweet potatoes produced to pay for the levy rate.

Based upon estimates, average levy payments by small scale growers[12] would be $4,657 per annum; levy payments by medium scale growers would be $14,435 per annum; levy payments by medium-large scale growers would be $32,596 per annum; large scale growers levy payments would be around $42,375; and the largest grower's levy payments would be around $84,750. The median annual levy payments on average per business would be around $9,412.

The ASPG's proposal also includes an export charge for sweet potatoes that are exported from Australia. The export charge is not payable if the marketing levy has already been paid at the first point of sale. While the export charge imposes an additional cost on sweet potato exports, growers produce primarily for the domestic market with the exports being opportunistic (in 2010-11 only 350 tonnes out of the total production 75,000 tonnes was exported). Imposing two different rates (zero and 1%) on the same product increases the complexity of collection and raises the collection costs. For these reasons the industry voted for a proposal that includes an export charge set at the same rate as the marketing levy.

Over time it is possible that some or all of the levy increase will be passed onto the consumer by growers and/or wholesalers through price increases. However, consumers will only pay more if they are convinced of the value proposition and if their total satisfaction with the product increases.

Assessment

The statutory levy arrangement would overcome the "free-rider" problem associated with the status quo or a voluntary levy arrangement. This option would raise sufficient funds to invest in marketing and promotion activities according to the ASPG's strategic marketing plan. These activities are aimed at increasing the overall consumption of sweet potatoes. In addition to benefits for producers this is in line with Australian Dietary Guidelines which suggest a 30% increase in consumption of vegetable is needed.

Funds for sweet potato marketing and promotion should be obtained from the Australian sweet potato industry as sweet potato growers are the major beneficiaries of the outcomes achieved by marketing and promotion work. All sweet potato growers had the opportunity to vote on the ASPG proposal. The ballot resulted 92.5 per cent of voters supporting the proposal.

4.1.4 – Option 4 - Implement a weight-based statutory levy

Benefits

A weight-based levy rate, at a rate comparable with the ASPG's levy proposal, could ensure adequate investment in marketing and meet the priorities outlined in the industry's strategic marketing plan. To generate the comparable level of levy revenue a weight-based levy would be approximately 9 to 10c/kg ($9 to $10/t). Benefits of statutory levies identified under option 3 above also apply for this option.

Costs

Costs of a weight based statutory levy would be similar to option 3. However, sweet potato growers already pay an *ad valorem* rate for the vegetable R&D levy. A weight basis for the proposed marketing levy could present difficulties and confusion for levypayers, agents and other entities involved with collecting the levy. It is likely that a

[12] Business categories are based on the area of sweet potato sown.

weight based levy would require extra administrative effort and resources, above that of an *ad valorem* rate and result in higher collection cost.

Based on figures supplied by the ASPG, over the three years from 1 July 2013, a new weight-based levy set at an equivalent rate as under option 3 would provide an estimated $2.520 million in levy revenue. Further detail is provided in Table 8.

Assessment

Sweet potato growers currently pay their R&D levy as an *ad valorem* rate. If the proposed marketing levy was implemented on a weight based rate, then set up, collection and compliance costs would increase. There appears to be no additional benefits to a weight based system to justify its use over the *ad valorem* rate proposed under option 3.

4.1.5 – Option 5 - Implement the ASPG's proposed statutory levy in two stages

Benefits

Under this option the operative rates of the marketing levy could be increased over time and would offer a more gradual implementation of the proposed levy. A staged increase in the levy rate could help any growers who are financially marginal to cope with the new levy.

Costs

Introducing and later changing an industry levy rate involves more administrative effort than introducing it at the higher rate. Accordingly, it involves a higher set up and collection cost, which would have to be cost recovered from the levy funds, resulting in less funds for projects.

Not receiving the full proposed levy funds from day one would delay some priority marketing projects at a time the industry is signalling a clear urgency for such projects.

Assessment

On balance this option does not offer any net advantages over implementing the levy rate in one stage (option 3). A two-staged increase of levy rates would attract high administrative costs and delay payment of a significant quantum of levy funds for priority marketing projects. The industry has not been consulted on this option.

Given that the magnitude of the levy is relatively small and has strong support from potential levy payers, there appears to be no additional benefits of this option compared to option 3.

Section 5 – Competition Policy

The new sweet potato marketing levy would be applied equitably to all Australian sweet potato growers. The monies raised would be utilised solely for marketing and promotion activities focussed on assisting the industry as a whole. Therefore, the marketing and promotion should be competition-neutral by not favouring or disadvantaging one individual grower in the industry over another. Over time, continued funding for marketing and promotion activities are expected to enhance the viability and profitability of the industry.

Section 6 – Consultation

The ASPG has conducted a thorough consultation campaign with all known potential levy payers, in-line with the Levy Principles and Guidelines (LPGs). In addition to the ASPG's strategic marketing plan, the ASPG prepared a detailed paper outlining the levy proposal, a separate 'Questions and Answers' document, a flyer for regional grower consultation meetings, and information packs for growers.

A series of specially organised grower meetings were run to detail the levy proposal. Efforts were made to speak to every levy payer, encouraging them to read the levy proposal paper and participate in the ballot – the ASPG claims that all identified potential levy payers were contacted by a member of the ASPG Executive Committee.

A postal ballot of registered sweet potato growers was undertaken on the proposed marketing levy by the Australian Electoral Commission (AEC) over a three and a half week period from 26 October 2012 to 19 November 2012. On 19 November 2012 the AEC declared the results for the ballot. Of 85 potential levy payers, 68 returned a ballot paper for scrutiny (80 per cent participation). The AEC declared result was 62 votes in favour of the ASPG proposal (92.5 per cent support) and 5 against, with one ballot paper being informal.

The Department is satisfied the ballot was conducted fairly and that the positive vote in favour of the proposed levy is reliable.

After a formal submission of a levy proposal, the LPGs provide for a 6 week period in which dissenting objections can be lodged. The Department invoked a 6 week objection period commencing on 11 January 2013 and ending on 22 February 2013. There were no objections raised by levy payers.

AUSVEG, the peak industry body for the vegetable R&D levy, raised concerns about the proposal on the basis of administrative efficiency and lack of consultation with AUSVEG. It also believes that the approval of the sweet potato levy may encourage other vegetable industries to establish their own individual levies, which would lead to the fragmentation of the vegetable industry.

ASPG in responding to these concerns, noted that:

- The proposed sweet potato marketing program would be managed by HAL, not the ASPG. There should be administrative efficiencies of scale in HAL managing the sweet potato marketing levy in conjunction with the other 21 horticulture marketing levies it manages.
- ASPG consulted widely with all potential levy payers. ASPG did not consult with AUSVEG as a potential levy payer. However, ASPG did undertake a number of meetings with AUSVEG which discussed the establishment of a levy on sweet potatoes to fund marketing and promotion activities. ASPG does not consider AUSVEG to be a potential levy payer nor the relevant commodity specific peak industry body.
- The issue of whether other vegetable industries would be encouraged to establish their own marketing levies is a matter for each individual industry. There is unlikely to be enough support within the vegetable industry as a whole for a marketing levy. AUSVEG's position precludes those industries (such as sweet potatoes in this case) that want a marketing levy and are prepared to pay for it.

The Department considers the ASPG's proposal is consistent with the LPGs. The submission provides evidence of wide industry consultation and provides an assessment of the consequences of not establishing the marketing levy.

Section 7 – Conclusion and recommended option

The ASPG proposal (option 3) is the recommended option. Option 3 is preferred because it is practical to implement, will override growers free-riding, provides the funds needed to invest in priority marketing projects in a timely manner, and has the overwhelming support of the industry (both by grower numbers and level of production).

Options 4 and 5 are the next most preferred in terms of maximising estimated levy collections (Table 8 summarises the expected levy revenue to be generated from each of the options considered).

Table 8. Estimated sweet potato marketing levy collections ($)

Option	2013-14	2014-15	2015-16	2013-14/2015-16
1. Status quo	0	0	0	0
2. Voluntary contribution	0-400,000	0-420,000	0-440,000	0-1,260,000
3. ASPG's proposed levy [13]	800,000	840,000	880,000	2,520,000
4. Weight-based levy [14]	800,000	840,000	880,000	2,520,000
5. Two stage increase [15]	400,000	840,000	880,000	2,120,000

The proposed levy is regarded as the most effective means of raising the funds required to undertake the industry's marketing and promotion priorities set out in the strategic marketing plan.

The ASPG proposal to establish the sweet potato marketing levy:

- conforms to the Levy Principles and Guidelines;
- would be applied universally across the levy paying population;
- has clear potential to benefit the industry;
- has potential positive spill-overs for Australian society from increasing vegetable consumption and human health; and
- is not expected to impose significant costs on consumers.

[13] Does not include costs of collection to be recovered by the Government (estimated at around $50,000 first year set-up and $20,000 each year thereafter).

[14] Does not include costs of collection to be recovered by the Government (estimated at around $50,000 first year set-up and $20,000 each year thereafter).

[15] Does not include costs of collection to be recovered by the Government (estimated at around $50,000 first year set-up and $20,000 each year thereafter).

Section 8 – Implementation and review

The ASPG has asked the government to implement the sweet potato marketing levy as soon as practicable. Amendments to the Primary Industries (Excise) Levies Regulations 1999, the Primary Industries (Customs) Charges Regulations 2000 and the Primary Industries Levies and Charges Collection Regulations 1991 made under the *Primary Industries (Excise) Levies Act 1999*, the *Primary Industries (Customs) Charges Act 2000* and the *Primary Industries Levies and Charges Collection Act 1991* will be required.

The implementation of the strategic marketing plan, which guides priorities for marketing and promotion work and levy expenditure, would be reviewed by HAL and the ASPG.

It is anticipated that HAL would establish a sweet potato industry advisory committee to advise it on how the levy should be spent on a yearly basis. The ASPG and HAL propose to conduct a review of the strategic marketing plan in 2016. There would also be opportunities throughout the year to raise and review levy issues at Annual Levy Payers Meeting and at the ASPG's Annual General Meetings. The government does not intend to review the operation of the levy.

8.1 – Compliance Costs

Currently a vegetable R&D levy is collected via a standard online or hard copy return form (either quarterly or annual). It is estimated that there are 670 collection agents for the vegetable R&D levy, of which approximately 30 to 35 deal in sweet potatoes. The vegetable R&D levy is payable as a percentage of the value of the first point of sale (the same basis as the proposed sweet potato marketing levy).

Under the current arrangements the collection agent enters the value of leviable vegetables sold (including sweet potatoes) and the online form automatically calculates the levy/charge payable for the vegetable R&D levy. Under the recommended option the value of sweet potato sales would also be used to calculate the sweet potato marketing levy.

If the collection agent uses the hard copy form then under the current arrangements the agent enters the value of leviable vegetables sold (including sweet potatoes), enters the levy/charge rate and calculates the levy/charge payable for the vegetable R&D levy. Under the recommended option the hard copy form would include an additional line for the sweet potato marketing levy and the agent would enter the value of sweet potato sales, the levy/charge rate and calculate the levy/charge payable for the sweet potato marketing levy. The return form and return process would remain the same except for this additional line for the sweet potato marketing levy.

Collection agents would need to communicate with growers that there is a new sweet potato marketing levy that needs to be collected. This would be conducted as part of normal communication activities between collection agents and sweet potato growers. In addition Australian Sweet Potato Growers has already undertaken an extensive consultation program, including a vote, with sweet potato growers on the proposal to establish a new marketing levy. There is no additional compliance cost expected for this communication task.

As the estimated 30 to 35 sweet potato collection agents already record the value of sweet potato sales it is estimated that there is a close to zero average annual change in compliance costs of the recommended option compared to business as usual.

Table 8.1. Regulatory Burden and Cost Offset

Table 8.1. Regulatory Burden and Cost Offset

Average Annual Change in Compliance Costs (from Business As Usual)				
Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	$432	$0	$0	$432
Substantive Compliance Costs	$0	$0	$0	$0
Delay Costs	$0	$0	$0	$0
Total by Sector	$432	$0	$0	$432
Annual Cost Offset				
	Agency	Within portfolio	Outside portfolio	Total
Business	>$432*	$0	$0	>$432
Not-for-profit	$0	$0	$0	$0
Individuals	$0	$0	$0	$0
Total	>$432	$0	$0	>$432

Proposal is cost neutral? ☒ yes ☐ no

Proposal is deregulatory? ☐ yes ☒ no

Balance of cost offsets $0.00

*Levy collection agents will be encouraged to submit their returns on-line which will reduce their administrative costs in submitting levy returns for sweet potatoes and other horticultural commodities.

Horticulture Policy Section

Agricultural Productivity Division

Australian Government Department of Agriculture

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