FINAL REPORT

REGULATORY COSTS IN THE RED MEAT AND LIVESTOCK INDUSTRIES

Project: G.POL.1600

FOR MEAT AND LIVESTOCK AUSTRALIA

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1 EXECUTIVE SUMMARY

The purpose of this project was to update the ProAnd 2012 report on regulatory costs in the red meat and livestock industries. The project makes use of the same approaches and data sources as the 2012 report and looks mainly at the 2014-15 fiscal year.

The study classifies regulatory cost into a range of major categories, including time taken to comply with regulatory requirements. Data to quantify regulatory costs was sourced from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), other literature and industry consultation, including financial data from businesses throughout the value chain. Comparisons with findings with the 2012 report are provided in the document.

The main highlights are as follows for:

Beef producers

- Analysis was completed for northern and southern Australian beef producers.
- In 2014-15 regulation cost for northern beef producers were around 10% of total revenue and southern beef enterprises were around 15% of revenue.
- Major costs were incurred by beef producers in connection with transport, labour on-costs, shire land rates, environmental regulation and time taken to comply.
- Major cost categories are similar to those identified in 2012
- Recommendations for reform of existing regulations were informed by consultation and highest priorities were associated with greater reliance on self-regulatory systems, pastoral lease reform, the easing of vegetation clearing restrictions that impede property management, increased use of overseas generated efficacy and safety data to inform agvet chemical registration without forgoing trade risk assessments, ongoing efforts to harmonise state transport regulations, deregulation of coastal shipping, implementation of proposed 'Standards and Guidelines – Cattle', measures to address lack of competition and potential for collusion in saleyards, and the reining in of worker on-costs including current onerous requirements for induction training.

Sheep producers

- An analysis was completed for Australian sheep producers.
- In 2014-15 regulation cost Australian sheep producers around 16% of total revenue.
- Major cost items associated with regulation included shire land rates, labour on-costs, environmental regulation and time taken to comply.
- Relatively speaking, land use planning costs are less significant than recorded by ProAnd Associates back in 2012.
- Recommendations for reform of existing regulations were informed by consultation and highest priorities were associated with the need for the three tiers of government to work closely together to achieve a consistent regulatory position, the need to shift from underfunded government inspection driven systems to those that are industry led and endorsed, land use planning that recognises right to farm and reasonable approval costs for farm buildings, rewards for sound environmental stewardship, greater certainty with regard to vegetation clearing regulations, synchronisation of withholding periods for sheep after chemical use, further harmonisation of state transport regulations, retention of mob based electronic identification of sheep until individual animal identification is required by the market, the need to address regional buying monopolies particularly in Western Australia, and the need to address labour on-costs including induction training.

Feedlot sector

- Analysis was completed for a large scale and a small scale feedlot operation.
- This indicated regulation cost in the order of 4.1% and 4.4% respectively in 2014-15.
- For feedlot operators, the major regulatory costs included transport, biosecurity tasks, animal welfare, labour on-costs, levies and time taken to comply.

- Compliance with environmental regulation seemed less important than it was in 2012.
- Recommendations for reform of existing regulations were informed by consultation and highest priorities included reform to the new feedlot development process with greater consistency between Queensland and NSW Development Application requirements, greater reliance on self-regulatory systems including use of the National Environmental Code of Practice, improved access to next generation veterinary medicines, further harmonisation of state transport regulations, alignment of driver fatigue laws with animal welfare requirements, review and reduction in costs associated with the Australian Export Meat Inspection System – these costs are passed back to feedlotters, concern in relation to the ongoing consolidation of the beef processing sector in Australia, greater flexibility and administrative ease in employing Working Holiday and 457 Visa holders and containment of labour on-costs including the cost of induction training.

Live export sector

- The analysis for exporters of live cattle to South East Asia, and exporters of live sheep from Western Australia to the Middle East was updated from 2008/09 to 2014/15.
- While for live cattle exporters, government-influenced costs as a percentage of total enterprise revenue fell slightly – from 6.4% in 2008/09 to 5.9% in 2014/15 (mainly as a result of improved trading conditions) – they increased significantly when measured as a percentage of enterprise expenses – from 7.4% in 2008/09 to 9.2% in 2014/15.
- Sea freight, fodder and administration remained as major government influenced costs for live cattle exporters (fodder costs are a proxy for regulations regarding animal welfare during the voyage), with the significant addition since 2011 of costs associated with the Exporter Supply Chain Assurance System (ESCAS),which added over 13% to government-influenced costs in 2014/15.
- Government influenced costs for live cattle exporters are only about half the level (in terms of percentage of revenue and costs) incurred by northern beef producers. However the export of live cattle is a trading enterprise where 70% of total costs are incurred in the purchase of cattle for export. Government-influenced costs continue to account for almost 30% of costs incurred after the purchase of livestock.
- Government-influenced costs, for live sheep exporters, represented 9.7% and 8.4% of total enterprise revenue in 2008/09 and 2014/15 respectively and 11.3% and 10.5% of enterprise expenses in 2008/09 and 2014/15 respectively.
- Sea freight, fodder, and administration remained major government-influenced costs for live sheep exporters. Assembly depot costs were much higher for sheep exporters because of government requirements that they spend sufficient time in the depot to accustom them to fodder pellets used during shipment, and to ensure sheep unfit to travel are culled from the shipment. ESCAS costs added almost 6% to government-influenced costs in 2014/15.
- Live sheep exporters do not face as high a level of government-influenced costs as sheep producers, but again these are 30% of costs incurred after sheep are purchased.
- Aside from the regular costs identified in this study that are influenced by government, the Australian Quarantine and Inspection Service (AQIS) can from time to time impose conditions on the granting of an export permit that increase the cost of a shipment. For example, AQIS can impose lower stocking densities at times of the year when there may be a higher risk of heat stress causing unacceptable mortalities during shipment.

Rangeland goat sector

- An analysis was completed for Australian rangeland goat producers and harvesters
- The main regulatory cost items for rangeland goat operations were land rates applicable to many but not all operations
- In addition regulation cost them in the form of fuel excise and road regulations.
- Government-influenced costs and charges represented around 4.6% of enterprise revenue and 6.2% of enterprise expenses
- Improved revenue levels in the past 24 months have assisted management of these regulatory costs compared to the previous period reviewed when live animal values were lower and market outlook was inconsistent.

Meat processing sector

- An analysis was completed for Australian beef and sheepmeat processors.
- In the earlier report for the period 2008-09, regulatory costs in beef processing were estimated at 3.8% of enterprise revenue and 4.1% of enterprise expenses.
- Significant regulatory costs were labour on-costs, industry levies and charges and environmental management.
- For sheepmeat processing businesses, regulatory costs in that period were estimated at 2.7% of enterprise revenue and 3.1% of enterprise expenses.
- In the period 2014-15, regulatory costs for beef processors were equivalent to 3.3% of enterprise revenue and 4.6% of enterprise expenses or around approximately 20% of non-livestock costs.
- In the same period regulatory costs for sheepmeat processors were put at 2.1% of enterprise revenue and 2.4% of enterprise expenses or 24% of non-livestock expenses.
- Regulatory costs as a percentage of revenue would have been affected by the highly buoyant trading conditions for processors in the 2014-15 year.

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ABBREVIATIONS

AAWS	Australian Animal Welfare Strategy
ABARES	Australian Bureau of Agricultural & Resource Economics & Sciences
AEMIS	Australian Export Meat Inspection System
AQIS	Australian Quarantine and Inspection Service
CCA	Cattle Council of Australia
CPC	Consolidated Pastoral Company
DIIS	Department of Industry, Innovation and Science
FMD	Farm Management Deposit
FSANZ	Food Standards Australia New Zealand
ESCAS	Exporter Supply Chain Assurance Scheme
LPA	Livestock Production Assurance (on-farm food safety program)
MLA	Meat and Livestock Australia
NLIS	National Livestock Identification System
NVD	National Vendor Declarations (part of the LPA food safety system)
OECD	Organisation for Economic Cooperation and Development
PAA	Proand Associates Australia
RSRT	Road Safety Remuneration Tribunal
SCA	Sheepmeat Council of Australia

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2 INTRODUCTION

2.1 STUDY PURPOSE

The purpose of the study is to provide peak bodies in the meat and livestock sectors with specific information and examples of regulatory costs that affect their sectors to assist in preparing submissions to the Productivity Commission's inquiry into regulation in agriculture. This is to be achieved by updating an earlier study completed for Meat and Livestock Australia (MLA) (ProAnd 2012). This report looked at the extent and impact of regulatory costs on Australia's red meat and livestock industries through the use of revenue and cost data at enterprise level. The study is intended to provide a summary for each stage of the value chain for beef, sheep and goats about the main regulatory costs and estimate of time taken to meet requirements.

2.2 TERMS OF REFERENCE

The following terms of reference have been supplied for the project:

1. Review changes to the regulatory environment and government policies since 2011 which affect the red meat and livestock industry. Identify the key drivers for those changes.
2. Examine the government charges and regulations and industry rules that are placed on Australian cattle, sheep and goat producers, feedlots, red meat processors/exporters and livestock exporters.
    a) Include implicit or sub-textual drivers in 1(a) above e.g. land clearing legislation and similar initiatives impacting on industry
    b) Include on-costs paid by industry, whether uniform with other industries or not.
    c) Include cost centres wherever feasible in data collection tasks.
3. Identify the quantum of time taken and cost for cattle, sheep and goat producers, feedlots, processors/exporters and livestock exporters to comply with these regulations/rules.
    a) Calculate the proportion of these costs on revenue, expenses and net profit.
4. Analyse the relative competitive advantage or disadvantage sustained by the Australian industry as a result of these charges and regulations.
5. Prioritise the various regulations/charges/rules for each sector of the red meat industry (i.e. cattle/beef, sheep/lamb, goat, exporter/processor, livestock exporter) in terms of net cost impost/negative impacts.

2.3 STUDY APPROACH

An understanding of the drivers and issues which have led to the introduction or expansion of regulatory requirements was considered to be a key element of the study, in order to give context and perspective for the Productivity Commission and observers. This was obtained through a literature review, along with publications and reports by peak industry bodies, stakeholders and specialised entities e.g. MLA, state departments of agriculture etc.

Using information gleaned from the research phase, a discussion guide appropriate to the specific sector was developed and used in consultation, first with stakeholder bodies and also with enterprise operators. This stage focussed on understanding and quantifying revenue levels and costs of operations during the 2014-15 fiscal year (or other periods as appropriate); identifying the regulatory component of different costs; and estimating the total of regulatory-related costs expressed as a percentage of revenue. Finally, these calculations were compared with results from the previous study to see where changes have occurred in costs and regulatory scope.

Farms Survey data from the Australian Bureau of Agriculture and Research Economics and Sciences (ABARES) is deemed to be among the more reliable and extensive financial data available for the Australian industry across different production and climatic zones: the recent results for 2014-15 year were disaggregated to provide insight into northern and southern beef production enterprises and sheep enterprises. These results were also compared with results from the northern beef and southern beef research studies completed for MLA by a specialised financial consultancy. In the case of feedlots, where data gathering can be more challenging due to commercial concerns, businesses provided financial data in the profit and loss format used in the Farms Survey. Businesses in the live export and processing sectors provided information about revenue and costs which enabled the regulatory cost components to be identified and presented as a total of revenue. In the last report stage, conclusions were formulated based and different types of regulatory costs were ranked in terms of net impost.

2.4 REGULATORY CHANGES SINCE 2008-09

Major changes in the regulatory landscape and costs and charges affecting the red meat and livestock industry since 2008-09 include:

- Introduction and subsequent repeal of the carbon tax legislation
- Temporary closure of the livestock export industry in 2011 by the Federal Government and its subsequent re-opening following the imposition of the mandatory Exporter Supply Chain Assurance Scheme (ESCAS)
- Implementation of the Australian Export Meat Inspection System (AEMIS)
- Closure of the Russian red meat market to Australian exports in 2014 following Australian Government protests at the downing of a Malaysian passenger jet.

In pursuit of the Commonwealth Government's commitment to red tape reduction, the following changes have been made since September 2013[1]:

- Exclusion of certain types of stock and companion animal feed from APVMA processes ($7.9 million per annum saving)
- A new Biosecurity Act 2015 with more flexible government approaches to the management of biosecurity ($6.9 million per annum saving)
- Farm Management Deposit (FMD) threshold for off-farm income earned increased from $65,000 to $100,000 per annum ($1.9 million per annum saving)
- Risk based audits for ESCAS introduced ($1.7 million per annum saving)
- Changes to the requirements for inspection of shipping containers for some plant/aquaculture exports ($1.1 million pa saving)
- Export registration for seafood producers ($0.8 million per annum saving)
- Reforms to the 457 visa program making it easier for firms to sponsor skilled applicants

In particular, the new Biosecurity Act 2015, changes to FMD thresholds and risk based assessments for ESCAS have the potential to directly impact the red meat and livestock industries.

New regulatory proposals under consideration with the potential to impact the red meat and livestock industry include those addressing animal welfare regulation, livestock transport and food standards as set out below:

[1] Department of Industry, Innovation and Skills, Australian Government Regulation Changes Impacting Growth Sectors, August 2015, Page. 4.

2.4.1 Implementation of the Australian Animal Welfare Strategy (AAWS) and National Implementation Plan 2010-14

- The primary objective of the AAWS is to promote greater national regulatory consistency by converting the various industry-based Model Codes of Practice for the Welfare of Animals into partly enforceable Australian Standards and Guidelines for the Welfare of Animals (AHA 2013)
- Animal Welfare Standards and Guidelines for both Cattle and Sheep would replace current model codes
- The process of converting model codes to Standards and Guidelines started in 2004 but so far only standards for the land transport of livestock have been fully developed and in 2016 not all states have implemented these transport standards into state and territory law. Standards for the welfare of cattle and sheep have also been developed but they are yet to be implemented at the state and territory level. New South Wales has already indicated that it does not propose to adopt these standards as mandatory requirements contrary to the national agreement for all standards to be regulated under state law (RSPCA 2016)
- It is also understood that the current Federal Government is less keen on the Standards and Guidelines process and have withdrawn funding support for the AAWS and its associated advisory bodies.

2.4.2 Alternative Heavy Vehicle Charges on Red Meat Industries (Verve 2012)

- The Coalition of Australian Government (COAG) road reform process has given consideration of the benefits and costs of alternative registration and road use charges for vehicles hauling freight including livestock transporters.
- Alternative registration and road use charges under consideration include charges based on $/km travelled, mass based pricing, etc. Case studies analysed by Verve 2012 showed an average increase in costs for red meat producers of 2.1%. Change to this form of pricing is yet to occur.

In 2012 the Australian Government introduced the Road Safety Remuneration Tribunal (RSRT). The RSRT is charged with setting minimum pay rates for heavy vehicles to ensure adequate income is earned by drivers without compromising road safety. In April 2016 the RSRT has recommended an increase in pay rates that if implemented will affect owner driver costs and flow through to cost of road freight haulage and costs incurred by livestock producers (http://www.smh.com.au/federal-politics/political-news/turnbull-government-to-abolish-road-safety-remuneration-tribunal-if-reelected-20160410-go2pl6.html accessed 11 April 2016).

2.4.3 Changes to Standard 4.2.3 of the Food Standards Code (FSANZ 2013)

- Amendment of the standard would include minimal primary production requirements for traceability, inputs and management of waste for farmed animals
- The Australian Food Standard presently imposes obligations on processors relating to on-farm activities but there are no corresponding obligations on primary producers in food safety legislation. This means that in many States and Territories there is an inability to investigate food safety issues in the primary production sector without activating emergency powers. Consequently, a range of issues are not being investigated and managed, that do not meet the definition of an emergency but, if left, could cause issues in the long term. An example could be the suspected repeated incorrect filling out of documentation provided to an abattoir.
- FSANZ 2013 note that the proposed changes will not alter costs of regulation for the vast majority of farmers.

The status of regulatory proposals is also considered when assessing regulatory costs to the red meat and livestock industry.

3 BEEF PRODUCTION SECTOR

The representative industry analysis initially addresses beef industry concerns with regulation. The historical impact of government-influenced costs and charges is also presented (ProAnd 2012). It then goes on to provide a review of relevant contemporary data for the period 2014-15, using literature and consultation to determine changes in regulatory burden. The representative industry analysis then provides an estimate of the impact on revenue and expenses of government costs and charges to Northern Australian and Southern Australian specialist beef producers in the same period.

3.1 BEEF INDUSTRY CONCERNS WITH REGULATION

Peak industry body the Cattle Council of Australia (CCA) in its national strategies document for Australia's grass-fed beef sector 'Beef 2015 and Beyond' recognises the need to 'Identify and prosecute government and industry red and green tape that is unnecessarily hampering the profitability and productivity of the beef industry' (CCA 2012).

CCA (April 2014) notes that the most important issues facing the beef industry are export market access and rising input costs. One component of rising input costs is government-influenced costs and charges, or to quote the report: 'Government red tape must be removed to make way for industry self-regulation where the latter delivers greater production efficiency and profitability'. CCA wants to see a reduction in the current cost of red tape identified by ProAnd 2012 but stresses that it is important that industry self-regulation is differentiated from government regulation. 'There is currently a layer of industry regulation in place to manage industry systems such as the National Livestock Identification System (NLIS) and Livestock Production Assurance (LPA). These regulations support market access and must be maintained. Areas where CCA sees the capacity for regulatory reform include the cattle industry transaction levy. 'The process of changing the $5 transaction levy is dated and clumsy, update is consistent with a government undertaking to review red tape'. Only when industry self-regulation is underpinned by essential government regulation is government intervention desired.

Beef industry response, CCA and others, to questions posed in the Productivity Commission (PC) 'Regulation of Australian Agriculture' Issues Paper (PC December 2015) are summarised in Table 1. The content of this table informs the regulatory cost analysis of the beef production sector.

Table 1 - Beef Industry Response to the Productivity Commission's Issues Paper

PC Question	Beef Industry Response
Overarching • Are there systematic problems with government regulatory approaches? • What reform options are appropriate?	• Greater reliance on self-regulatory systems (CCA 2014)
Land use planning • Are particular land use planning restrictions overly burdensome? • Are there issues with pastoral leases? • Does native title affect business decision making?	• Land use conditions imposed by pastoral leases are not aligned with modern land management systems. They limit the ability of pastoralists to realise the full commercial potential of the land in an ecologically sustainable manner • Native title can co-exist with non-indigenous property rights. However, even with goodwill on both sides, the current regulatory framework demands excessive time and is inefficient. A new streamlined approach is required (CPC 2016) • Potential investors in new beef processing plants are discouraged by onerous and slow DA processes (CCA 2016)

PC Question	Beef Industry Response
Environmental protection • What excessive and unnecessary costs do environmental protection regulations impose? • Are there greater impacts on certain classes of agricultural business? • Are there examples of best practice overseas that could be adopted in Australia?	• Northern Australian pastoralists are required to comply with/take account of at least 46 separate environmental acts and regulations across as many as four jurisdictions • Current native vegetation regulations in northern jurisdictions should be reviewed and recast to protect biodiversity, enable the sustainable use of the land for pastoral and related purposes, and provide policy consistency and administrative efficiency across northern Australia (CPC 2016) • Qld land clearing laws have imposed production costs on beef producers, frequent change has created uncertainty and a barrier to investment (CCA 2016) • Land clearing laws effectively prevent the thinning of scrub in Northern Australia for pasture management purposes. The result is an annual loss of productivity • Southern beef production is also impacted by native vegetation regulation. Beef producers point to an inability to maintain effective breaks along boundary fence lines
Access to technologies and chemicals • Are GM restrictions hurting the industry • Can improvements in the regulation of 'agvet' chemicals be made?	• Access to the internet is restricted in both Northern and Southern beef producing areas. Improved internet access would lessen the time spent on regulatory compliance • CCA support GM innovation with the proviso that it is consistent with consumer expectations • Agvet chemicals are an important part of the beef production process – growing productivity, controlling pests and diseases, and protecting the natural environment (e.g. weed control). • There is considerable scope to streamline the current registration procedures to get chemicals into commercial use in a more timely fashion (CPC 2016) • For example, oral drench Trisect was slow in being approved in Australia and once it was approved the withholding period was 70 days. It took a further twelve months before withholding period was reduced to a more commercially viable 21 days • Current APVMA process is too slow and is costing beef producers in foregone productivity. CCA supports retention of current market access criteria used in the registration of new agvet chemicals
Water • Are there aspects of the water market that are imposing an unnecessary regulatory burden on farm businesses?	• Water market is less relevant to the beef industry. The industry does however note the importance of water use efficiency • A South Australian beef producer notes that natural resource managers in the Adelaide Hills and South East of that state are currently pushing to have landholders install metres on dams, bores and wells, an additional capital and operating cost, if it is approved.
Transport • Do transport regulations impose unnecessary burdens on agricultural producers? • Are there aspects of coastal shipping	• Transport is a major cost for northern beef producers. This cost would be significantly reduced if there was harmonisation of state regulations with the new National Heavy Vehicle Accreditation Scheme and the national scheme was updated to accommodate the special circumstances of long haul livestock freight in northern

PC Question	Beef Industry Response
regulation that are unnecessarily burdensome to agriculture?	Australia (CPC 2016) • CCA note that a lack of harmonisation in road transport regulations between state jurisdictions is a major cost for beef industry – driver fatigue laws, weight/mass restrictions, effluent spill, use of road trains and B doubles. Restrictions on road trains pose site specific costs e.g. cattle have to be moved off road trains and on to B doubles at Port Augusta SA before proceeding to market – imposing, welfare, OHS, financial costs on the industry. Central Qld producers note the same set of circumstances – cattle are shifted from road trains to B doubles at Toowoomba before proceeding to Casino Abattoir in NSW • Road Safety Remuneration Tribunal (RSRT) proposed reforms have the potential to both increase pay rates for owner driver and the cost of moving cattle • Regulations controlling coastal shipping increase the cost of transporting Australian beef – for example it is cheaper to road freight beef from the abattoir in Townsville to Brisbane than it is to send it by ship. Existing cabotage laws need to be dismantled to allow overseas flagged ships to travel to a second port before leaving Australian waters e.g. after leaving the Port of Brisbane being able to pick up boxed beef in Townsville for shipment to world markets
Animal welfare • Do animal welfare regulations materially affect the competitiveness of livestock industries? • What are the animal welfare regulation reform priorities? • Have recent reforms (e.g. ESCAS) delivered net benefits to the community?	• Effective animal welfare regimes should be science based and focussed on the welfare of animals not the political objectives of the animal rights lobby (CPC 2016) • Proposed 'Standards and Guidelines – Cattle' will, when implemented, achieve harmonisation across state jurisdictions and cost saving for beef producers • Cattle producers note that NLIS has an animal welfare (as well as traceability) component and costs are incurred by producers (tags, administration, tracking) that benefit the whole supply chain. Primary producers are being gouged by saleyards when they sell stock – saleyards are charging $5/head for tag read/record • The industry supports ongoing reform of ESCAS and reform should focus on transitioning from a direct regulation system to a co-regulation model (CPC 2016)
Biosecurity • What improvements to government export certification processes? • Are biosecurity audits unnecessarily burdensome? • Will the new Biosecurity Act 2015 achieve its aims? • Are import risk assessments (IRA) balancing the costs to importers and the benefits to Australia? • Useful overseas examples?	• Export certification is a major cost for the processing industry and beef producer profitability is highly influenced by the cost structure of processors • Government decline in resources allocated towards biosecurity is now a critical issue • Producers support the need for industry to play a more active role in biosecurity management in future. Industry may need supporting legislation if it is to effectively self-regulate e.g. BJD self-regulation requires legislation mandating compulsory disease assessment statements • CCA supports implementation of the new Commonwealth Biosecurity Act • Ongoing work is required by government to reduce biosecurity related industry charges through more efficient administration (CPC 2016) • IRAs must maintain Australia's world class biosecurity system. Many countries affected by BSE would like the

PC Question	Beef Industry Response
	ability to export to Australia in order to prove their product is safe
Consumer related regulation • Are food safety standards appropriate? • Are differences in food safety standards between states an issue? • Do food safety audits create an unnecessary regulatory burden? • Do food labels place unnecessary burdens on agricultural producers?	• CCA would like to see more work with respect to truth in labelling. Misrepresentation of Australian grass fed beef is costing the Australian industry • Proposed compulsory labelling showing Australian content and the kangaroo emblem is detrimental to Australian beef. We do not want domestic or export customers concerned that kangaroo has been substituted for beef
Competition regulation • Where are the restrictions on competition in the agricultural sector or its supply chains? • Which areas of regulation that affect competition require reform?	• The beef industry is concerned by the lack of competition and the potential for collusion in saleyards. Under the current unregulated system agents are able to buy for multiple processors and not declare their client. Agents are unregulated and individuals are able to buy many hundreds of thousands of dollars' worth of cattle in a single bid. Real estate agents who work in a similar way have both codes of conduct and licensing. • Beef producers are also concerned with the consolidation (closure) of regional abattoirs and an emerging processing duopoly. Processor closures can limit market competition for producers and lead to reduced farm-gate returns • The beef industry is less affected by concentration in domestic retailing, 70% of output is exported and beef prices are largely set by the world market.
Investment • Are there regulatory impediments to domestic or foreign investment in agriculture?	• The beef industry believes that foreign investment has a key role to play in growing agricultural production in Australia. It does however note that there is potential for profit shifting and under paying of Australian tax. It is straightforward for foreign owned beef producers to declare under the current beef description language that their product is low value and subject to low rates of taxation when this is not the case.
Other • Labour costs • Climate change	• Northern beef producers are required to comply with no less than 54 separate acts, related regulations and codes in managing their labour force. The situation is similar in Southern Australia • Matters relating to conditions of employment, OHS and workers compensation are particularly time consuming and costly. Beef producers also note the ongoing transfer of responsibility from employees to employers and the need for employers to produce a risk free work environment. Induction training has become a significant cost for beef producers – full and part time employees must receive training on commencement in stock handling, fencing, paddock clearing, etc. Contractors now have to be subjected to safety audits to obtain public liability renewal • The beef industry supports government action at an international and national level to support climate change. At the farm level the NFF view is supported i.e. that building resilience into property management practices is the most effective way of mitigating the impact of climate

PC Question	Beef Industry Response
	change on agricultural production • Southern beef producers have expressed concern that opportunities to participate in carbon sequestration are not available for smaller scale beef producers

3.2 SPECIALIST BEEF PRODUCERS IN NORTHERN AUSTRALIA – REGULATORY COST

3.2.1 Analysis Description

The Northern Australia specialist beef producer analysis was compiled from commissioned ABARES Farm Survey data for 2014-15 for Queensland, Northern Territory and Western Australia after considering insights provided by the Northern Beef Situation Analysis 2013 (McLean, Holmes, Counsell, Bush Agribusiness and Holmes 2014) and industry consultation.

3.2.2 Impact of Government-influenced Costs and Charges in 2008-09

ProAnd (2012) estimated that government-influenced costs incurred by Northern specialist beef producers totalled $90,289 ($86,289 in cash costs and $4,000 for imputed compliance labour) in 2008-09. These costs accounted for 11.3% of enterprise revenue of $798,376 and 12.6% of enterprise expenses of $718,799.

Significant government-influenced costs for northern beef producers in 2008-09 included environment, labour on-costs and transport.

3.2.3 Review of Contemporary Data, Literature and Consultation Outcomes

ABARES Farm Survey 2014-15

Commissioned ABARES Farm Survey for 2014-15 for beef industry farms in Queensland, Northern Territory and Western Australia is summarised in Table 2 below.

Table 2 - ABARES Farm Survey Data - Key Metrics Beef Industry (Qld, WA and NT) 2014-15

	Queensland	Western Australia	Northern Territory
Sample (no. farms)	271	44	42
Survey population (farms)	7,196	1,061	167
Average:			
Farm area (ha)	17,043	71,356	291,867
Beef cattle herd (no.)	1,487	1,593	11,718
Cash receipts ($)	396,745	534,892	2,199,356
Cash costs ($)	283,541	352,279	1,431,774
Farm cash income ($)	113,204	182,613	767,582

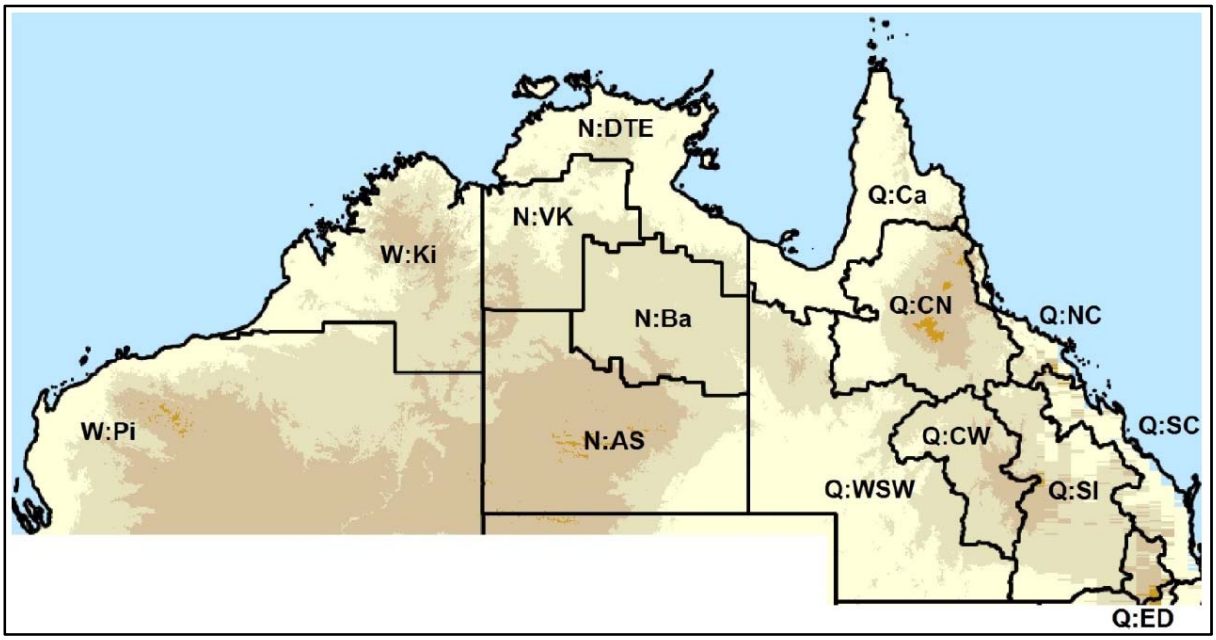
Source: Commissioned ABARES Farm Survey data

The complete ABARES data set provides a detailed breakdown of administration costs, utilities, rates, levies, registration and other government charges. The data is 'whole state' rather than just focussing on the northern beef industry (i.e. includes southern WA). McLean et al (2014) provides analysis that specifically addresses the northern beef industry.

Northern Beef Industry Situation Assessment (McLean *et al* 2014)

McLean et al (2014) defines the northern beef industry on the basis of eight regions in Queensland, four in the Northern Territory and two in Western Australia (see Figure 1).

Figure 1 - Northern Beef Industry as defined by McLean *et al* (2014)



Source: McLean *et al* 2014

McLean et al (2014) collected data from private clients and from ABARES and analysed this information using proprietary software – The Business Analyser®. The resulting analysis provides an extra 'richness' that is not present in the ABARES commissioned data set (e.g. detailed breakdown of labour on-costs). Data reported in McLean et al (2014) is for the three financial years 2009-10 to 2011-12 and for the time series 2001 to 2012.

Key findings from McLean et al 2014 include:

- The majority of northern beef businesses were not economically sustainable in 2012 nor have they been economically sustainable during the twelve year analysis period
- Economic sustainability takes a long term view; in the short term many beef businesses were struggling to survive with cash deficits accumulating
- Whilst profits before financing were largely unchanged (on average over the 12 year period analysed), after financing, performance has deteriorated due to increased debt with no increase in profit
- Income has decreased over the 12 year period analysed, mostly as a function of declining beef prices rather than a decline in productivity. Costs have reduced as income has reduced, through 'belt tightening', and improved labour efficiency, resulting in little change in profits
- Profitability of the top performers has declined over the longer term, suggesting that northern beef industry profitability has decreased.

McLean et al (2014) notes that there is no evidence of overall expense increases during the 2001 to 2012 analysis period. However, this is not to say that some input costs have not increased in real terms, but any increases have been absorbed and the overall cost structure of businesses has not increased (executive summary page 12).

The McLean data is not as current as the commissioned ABARES Farm Survey data and misses more recent commodity price increases.

Consultation
Ad hoc consultation with northern beef industry stakeholders confirms the long term pressure on returns documented by McLean et al (2014) despite recent high cattle prices. Concerns with the cost of production were paramount and government influenced costs and charges adding to this burden included land clearing restrictions, and cattle transport regulations (check).

3.2.4 Representative Industry Enterprise – Northern Beef 2014-15

Based on ABARES, private data, literature and consultation findings the following analysis of government-influenced costs and charges was prepared.

The table includes ABARES data for the northern Australian states (WA, NT and Qld) augmented with details available from the McLean et al (2014) analysis.

Column one provides enterprise descriptors and cost items, column two shows the quantum for the data set and column three provides an explanation of why a cost associated with government charges is incurred and the quantum of the cost.

Table 3 - Specialist Beef Producers Northern Australia – Government-influenced Costs and Charges 2014-15

Item	Specialist Beef Northern Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Producer cattle sales	837,077	MLA transaction levy: $5/head on sales of 1,400 head i.e. $7,000
Other receipts	206,588	
Total receipts	**1,043,665**	
Cash costs		
Cattle / Other livestock purchases	70,828	
Fertiliser, seed and pasture	11,347	
Farm chemicals	2,633	Delayed access to chemicals and chemicals with extended withholding periods – 5% of total chemical cost i.e. $132
Fodder and agistment	56,307	Fuel excise and fodder transport regulations. Fuel excise payable by fodder transport company which also incurs costs associated with state fodder transportation regulation – estimated at 10% of total fodder cost (NB:

Item	Specialist Beef Northern Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
		excise is 30% of fuel cost) i.e. $5,631
Livestock materials	22,838	NLIS costs for cattle: tag plus labour $2.60/head by natural increase of 1,505 i.e. $3,913
Freight	63,070	Road transport and coastal shipping regulations, excise and animal welfare: 30% of fuel cost for excise and a further 10% for transport regulations and animal welfare requirements e.g. driver fatigue laws, weight/mass restrictions, effluent spill, use of road trains and B double restrictions, time off water/feed, cabotage and potentially RSRT – total government related cost of $25,228 ($18,921 transport regulation related and $6,307 animal welfare related).
Marketing charges (e.g. agent fees)	17,123	
Fuel, oil and grease	59,295	Fuel used on farm is assumed to be diesel and eligible for primary producer rebate, no cost incurred
Electricity	3,129	To some extent electricity is still regulated and subject to additional cost impost (e.g. renewable energy policy). However, most northern beef producers would have generators so utility regulation not relevant to this case study.
Other materials	6,161	
Contracts	40,236	Labour on-costs: 15% of total contracts value i.e. $6,035
Stores and rations	7,210	
Interest	50,769	
R&M or Buildings and Plant	60,178	Estimated 10% of this cost incurred to meet the requirements of state based building codes and regulations i.e. $6,018

Item	Specialist Beef Northern Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Hired labour - wages	76,993	This figure is net of superannuation and OHS costs which are presented in the rows below
Hired labour - other (superannuation)	13,859	Superannuation is legislated: total cost of $13,869 is applicable
Hired labour - workers' compensation	2,310	OHS is legislated: total cost of $2,310 is applicable
Accounting	5,244	Tax and superannuation compliance cost – total is applicable
Bank and legal Fees	3649	Included at 100% for consistency with ProAnd 2012
Phone, post and subscriptions	5,017	Internet access is poor and costly adding at least 10% to the cost of this service i.e. $502
Insurance	18,024	
Other Services and Admin Costs	16,472	
Advisory services	834	
Shire rates - land	11,220	Included at 100% for consistency with ProAnd 2012
Licensing and permits	376	Includes water licences, included at 100%
Leasing (e.g. equipment)	324	
Land leasing rent	12,353	Some northern Queensland beef producers have needed to lease more land to offset native vegetation regulation losses in productivity – 50% of this cost included to represent this incremental additional expense i.e. $6,177
Land maintenance or Landcare	1,737	Land stewardship is underpinned with regulation requiring control of invasive plants and animals – 100% of cost included
Vehicles plus plant hire	11,830	Vehicle registration costs: estimate of $1,500 per vehicle for 3 registered vehicles i.e.

Item	Specialist Beef Northern Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
		$4,500
Other cash costs	37,831	
Total cash costs	**689,198**	
Cash surplus	**354,467**	

Source: PAA analysis of public and private data

In addition to the cash costs shown in Table 3 above, a cost is also incurred by northern beef producers to comply with government imposed regulations and rules. Reference to the literature (Holmes and Sackett 2007) would indicate that between 15 and 20 days are required by an Australian farm operator to meet regulatory compliance requirements. This estimate was confirmed during consultation in March 2016 with northern beef producers who indicated that the upper bound estimate (20 days) was more accurate. The time cost is estimated at $4,500 per annum.

3.2.5 Qualitative Analysis of Regulatory Benefits – Northern Beef

Red meat producers are quick to point out that government regulations and rules generate benefits both for their industry and for the Australian community. A review of major regulatory areas identified in the representative industry analysis and their resultant benefits is summarised in Table 4.

Table 4 - Benefits Attributable to Government-influenced Costs and Charges – Northern Beef

Regulation Type	Industry Benefits	Community Benefits
Animal welfare	Retention of the industry's good corporate citizenship standing.	Increase in utility for those concerned about the humane treatment of animals.
Disease control	Healthy, and in the long term more profitable, livestock.	• Improved animal welfare outcomes. • Food security e.g. major loss in beef production would be associated with an FMD outbreak.
Environment	Retention of the industry's good corporate citizenship standing.	Incremental reductions in air, soil, water pollution and improved local amenity – minor for the extensive northern cattle industry.
Food safety	Consumer confidence in red meat, greater long term sales.	Improvement in community health.
Indigenous	Retention of the industry's good corporate citizenship standing. Enhancement of relationships with northern Aboriginal communities.	More equitable Australia.

Regulation Type	Industry Benefits	Community Benefits
Land use	Clearing restrictions provide nil benefit to beef producers.	Incremental additional biodiversity along with the benefit of any additional carbon capture and storage.
Labour on-costs	Coverage in the event of a work related accident. Superannuation to fund employee retirement. Safe delivery of livestock and lower long term freight costs (e.g. transport insurance cost savings)	Better outcomes for people employed in the industry. Lower costs for compensating injured workers and old age pensions. Safer roads with lower accident related costs.
Regulation of the industry, Inspection fees and industry levies	Revenue streams for red meat marketing, research, development and disease control.	Spillover benefits associated with industry R&D.
Transport	Nil	General government revenue for community priorities.
Utilities	Controls that prevent price gouging on electricity.	Revenue from state owned utilities plus controls that prevent price gouging on electricity.
Rates	Services including maintenance of property access roads	Revenue for local services
Miscellaneous regulatory costs	Registration - Safe personal vehicles	Registration - Safe vehicles on public roads

Source: PAA analysis

3.2.6 Summary and Conclusions – Northern Beef

From the above analysis it can be estimated that government-influenced costs for northern beef producers totalled $108,031 ($103,531 in cash costs and $4,500 for imputed compliance labour). This total cost estimate is equivalent to:

- 10.4% of enterprise revenue of $1,043,665
- 15.7% of enterprise expenses of $689,198

Significant cost items include transport, labour on-costs, shire land rates and environmental regulation. These same major cost items were identified by ProAnd 2012.

3.3 Specialist Beef Producers in Southern Australia – Regulatory Cost

3.3.1 Analysis Description

This analysis addresses the impact of government-influenced costs and charges for specialist beef producers in Southern Australia. It presents a review of relevant data for the 2014-15 period based on literature and consultation with producers to identify changes in regulatory burdens. The enterprise

analysis provides an estimate of the impact on revenue and expenses of government-related costs and charges for specialist beef producers in this region.

3.3.2 Impact of Government-influenced Costs and Charges in 2008-09

ProAnd (2012) estimated that government-influenced costs incurred by southern specialist beef producers totalled $27,394 ($23,394 in cash costs and $4,000 for imputed compliance labour) in 2008-09. These costs accounted for 12.0% of enterprise revenue of $229,035 and 14.4% of enterprise expenses of $190,611.

Significant government-influenced costs for southern beef producers in 2008-09 included land use, labour on-costs, rates and compliance time taken.

3.3.3 Review of Contemporary Data, Literature and Consultation Outcomes

Commissioned ABARES Farm Survey data for 2014-15 for beef industry farms in southern Australia states is summarised in Table 5 below.

Table 5 - ABARES Farm Survey Data - Key Metrics Southern Beef Industry 2014-15

	NSW	Victoria	South Australia	Tasmania
Sample (no. farms)	93	45	13	16
Survey population (farms)	5,463	4,635	683	441
Average:				
Farm area (ha)	802	304	48,588	466
Beef cattle herd (no.)	407	317	818	503
Cash receipts ($)	226,274	155,809	314,028	267,522
Cash costs ($)	158,881	96,983	216,497	164,007
Farm cash income ($)	67,393	58,826	97,531	103,515

Source: Commissioned ABARES Farm Survey data

Data provided by ABARES was augmented with information from the Southern Beef Industry Situation Assessment (McEachern and Francis 2014) and through consultation with Southern Australian graziers.

Key findings from McEachern and Francis 2014 include:

- Profits in Southern beef enterprises in 2012 were high in relative terms and second only to 2002 levels
- When compared to alternative enterprise choices over the long term, average beef profits per hectare exceeded wool but lagged dual-purpose, prime lamb and cropping enterprises
- Other the 15 years to 2012 the average maximum profit per hectare of beef enterprises was lower than alternative enterprises. This was in part due to the lower relative performance of beef when compared to alternative enterprises over the long term
- There is a trend for increasing cost of production in beef enterprises but, at the same time production per Dry Sheep Equivalent and per hectare has also increased.

The McEachern and Francis (2014) data is not as current as the commissioned ABARES Farm Survey data.

3.3.4 Representative Industry Enterprise – Southern Beef 2014-15

Using ABARES data, relevant recent literature and consultation notes, the following analysis of government-influenced costs and charges for Southern Australian beef producers was compiled.

The ABARES data set comprises NSW, Victoria, South Australia and Tasmania and was supplemented with details found in McEachern and Francis (2014). Column one provides enterprise descriptors and cost items, column two shows the quantum of the data set and column three provides an explanation of why a cost associated with government charges is incurred and the quantum of the cost.

Table 6 - Specialist Beef Producers Southern Australia – Government-influenced Costs and Charges 2014-15

Item	Specialist Beef Southern Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Producer cattle sales	203,462	MLA transaction levy: $5/head on sales of 231 head i.e. $1,155
Other receipts	37,447	
Total receipts	**240,908**	
Cash costs		
Cattle / Other livestock purchases	16,204	
Fertiliser, seed and pasture	21,037	
Farm chemicals	2,355	Delayed access to chemicals and chemicals with extended withholding periods – 5% of total chemical cost i.e. $118
Fodder and agistment	7,328	Fuel excise and fodder transport regulations. Fuel excise payable by fodder transport company which also incurs costs associated with state fodder transportation regulation – estimated at 10% of total fodder cost (NB: excise is 30% of fuel cost) i.e. $733
Livestock materials	5,539	NLIS costs for cattle: tags plus labour $2.60/head by natural increase of 185 i.e. $481

Item	Specialist Beef Southern Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Freight	10,968	Excise and road transport regulation cost estimated at 30% of freight cost total i.e. $3,290. Animal welfare related costs (e.g. time off water) estimated at 10% of freight total cost i.e. $1,097.
Marketing charges (e.g. agent fees)	4,864	
Fuel, oil and grease	9,548	Fuel used on farm is assumed to be diesel and eligible for primary producer rebate, no cost incurred
Electricity	2,569	To some extent electricity is still regulated and subject to additional cost impost (e.g. renewable energy policy). Regulatory impact estimated at 20% of the total i.e. $514
Other materials	1,623	
Contracts	6,210	Labour on-costs: 15% of total contracts value i.e. $1,242
Stores and rations	398	
Interest	10,263	
R&M on Buildings and Plant	14,535	Estimated 10% of this cost incurred to meet the requirements of state based building codes and regulations i.e. $1,454
Hired labour - wages	11,106	This figure is net of superannuation and OHS costs which are presented in the rows below
Hired labour - other (superannuation)	1,999	Superannuation is legislated: total cost of $1,999 is applicable
Hired labour - workers' compensation	333	OHS is legislated: total cost of $333 is applicable
Accounting	2,301	Tax and superannuation compliance cost – total is applicable

Item	Specialist Beef Southern Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Bank and legal fees	1,550	Included at 100% for consistency with ProAnd 2012
Phone, post and subscriptions	1,623	
Insurance	5,863	
Other Services and Admin Costs	225	
Advisory services	299	
Shire rates - land	6,784	Included at 100% for consistency with ProAnd 2012
Licensing and permits	1,885	Includes water licences, included at 100%
Leasing (e.g. equipment)	261	
Land leasing rent	2,392	Leasing of additional land to offset production lost through clearing restrictions, uncertainty relating to environmental policy positions, spray buffers, etc. – 100% of this cost included as regulatory cost related
Land maintenance or Landcare	1,490	Land stewardship is underpinned with regulation controlling invasive plants / animals – 100% included
Vehicles plus plant hire	4,085	Vehicle registration costs: estimated at $1,500 for a single vehicle
Other cash costs	3,458	
Total cash costs	**159,092**	
Cash surplus	**81,817**	

Source: PAA analysis of public and private data

As with the Northern Australian beef producer representative industry analysis the above ABARES data does not include time taken for a farm owner operator to comply with government regulation. Southern beef industry consultation reveals an average time taken of 3 hours per week - an estimated cost of $4,500 per annum.

3.3.5 Qualitative Analysis of Regulatory Benefits – Southern Beef

It is assumed that the same types of benefits accrue to specialist beef producers in Southern Australia as those identified in the northern Australian cohort and indicated in the review of major regulatory areas summarised in Section 2.2.6 above.

3.3.6 Summary and Conclusions – Southern Beef

From the above analysis it can be estimated that government-influenced costs totalled $34,818 ($30,318 in cash costs and $4,500 for imputed compliance labour). This total cost estimate is equivalent to:

- 14.5% of enterprise revenue of $240,908
- 21.9% of enterprise expenses of $208,423

Significant cost items include shire land rates, transport, labour on-costs and time taken to comply. ProAnd 2012 identified these same costs as significant but also included land use as a high cost item.

4 SHEEPMEAT PRODUCTION SECTOR

The representative industry analysis initially addresses sheepmeat industry concerns with regulation. The historical impact of government-influenced costs and charges is also presented (ProAnd 2012). It then goes on to provide a review of relevant contemporary data for the period 2014-15, using literature and consultation to determine changes in regulatory burden. The representative industry analysis then provides an estimate of the impact on revenue and expenses of government costs and charges on specialist sheep producers in the same period.

4.1 SHEEP INDUSTRY CONCERNS WITH REGULATION

Sheepmeat producer and peak industry body the Sheepmeat Council of Australia (SCA) response to questions posed in the PC Regulation of Australian Agriculture Issues Paper are summarised in Table 7. The content of this table informs the sheepmeat production sector regulatory cost analysis.

Table 7 - Sheep Industry Response to Productivity Commission Issues Paper

PC Question	Sheep Industry Response
Overarching • Are there systematic problems with government regulatory approaches? • What reform options are appropriate?	• Inability of the three tiers of government to work together and achieve a consistent regulatory position • Greater reliance on self-regulatory systems is required • Shift from underfunded government inspection driven systems to those that are industry led and endorsed • Self-regulatory systems can be more cost efficient
Land use planning • Are particular land use planning restrictions overly burdensome? • Are there issues with pastoral leases? • Does native title affect business decision making?	• Sheep industry generally operates in more closely settled areas. Its land use planning issues are associated with local government processes including difficulties with Development Applications and peri-urban encroachment e.g. local council requires a $2,920 building permit to erect a hay shed on a large grazing holding in western Victoria. • SCA notes the need to ensure that local government processes are streamlined and the 'right to farm' is respected in local environmental plans
Environmental protection • What excessive and unnecessary costs do environmental protection regulations impose? • Are there greater impacts on certain	• SCA suggests a rethink on environmental protection regulation. Regulation should be focussed on rewarding sound environmental stewardship rather than punishing those who don't manage weeds, pest animals and their creek lines. Incentives and sanctions should extend to public land managers. Rewards for

PC Question	Sheep Industry Response
classes of agricultural business? • Are there examples of best practice overseas that could be adopted in Australia?	environmental stewardship together with recognition of associated economic benefits is a better approach than the current model which relies on public sector inspection and penalty notices. • Individual sheepmeat producers noted the importance of protecting mature habitat trees on properties that are extensively cropped. Others noted the cost of these same trees to farm productivity. All sheepmeat producers contacted noted that regulatory uncertainty and time delay in getting approval for vegetation and water management activities were significant costs to their business.
Access to technologies and chemicals • Are GM restrictions hurting industry? • Can improvements in the regulation of agvet chemicals be made?	• Access to the internet is restricted in many sheep producing areas. This costs the industry. For example NVDs could be lodged on line saving producer time and money. • Access to agvet chemicals is a major issue for the sheep industry. A number of the agvet chemical products used in countries like New Zealand cannot be accessed in Australia or have long periods of delay e.g. Zolvix was delayed a full two years after registration in NZ. New chemicals for footrot control are absent from the Australian market. There are delays in registering wild dog baits that have been available in the US for many years. Often there is no economic return for chemical companies in generating data required for Australian registration. • Often the withholding period for sheep after use of a chemical is much longer in Australia than in other jurisdictions. In NZ sheep producers can use Zolvix and sell their sheep after two weeks. In Australia the withholding period is 144 days – this effectively renders the product unusable – which in turn reduces chemical rotation options for control of worms, increases the risk of resistance and poor animal health outcomes. • SCA understands that APVMA registration processes are under review at the current time and proposals are being examined that include greater use of overseas generated data to secure chemical registration in Australia. SCA is in favour of this proposal if data is generated from countries with similar regulatory standards AND the APVMA continues to complete an Australian Trade Risk Assessment. Improved chemical access should not come at the cost of lost sheepmeat export markets
Water • Are there aspects of the water market that impose unnecessary regulatory burdens on farm businesses?	• The water market is less relevant to the sheepmeat industry. The industry does however note the importance of water use efficiency.
Transport • Do transport regulations impose unnecessary burdens on agricultural producers? • Are there aspects of coastal shipping regulation that are unnecessarily burdensome to agriculture?	• Transport regulation imposes major costs on sheep producers, inevitably transport cost impositions are passed back to primary producers • SCA note that while national regulation is promising, an ongoing lack of harmonisation in road transport regulations between state jurisdictions is a major cost for the sheep industry – driver fatigue laws, weight/mass restrictions, effluent spill, use of road trains and B doubles.

PC Question	Sheep Industry Response
Transport • Do transport regulations impose unnecessary burdens on agricultural producers? Are there aspects of coastal shipping regulation that are unnecessarily	Restrictions on road trains pose particular constraints – sheep have to be moved off road trains and on to B doubles before proceeding to market – imposing welfare, OHS and financial costs on the industry. One sheepmeat producer noted that the requirement to unload, rest, feed and water sheep after 800km adds to transport cost and provides abattoirs within an 800km radius of production with a price discounting opportunity. • Individual sheepmeat producers note that implementation of harmonised national regulations for transport have also lifted compliance costs in some states where costs have been incurred by truck owners in meeting the new national requirements • Road Safety Remuneration Tribunal (RSRT) proposed reforms are not transparent and lack accountability – if the pay rates of owner drivers are increased then this will impact the cost of transport for primary producers • Spending on road and bridge infrastructure is inadequate, bridges are being closed to B doubles and trucks are using longer and more expensive routes • SCA urges greater use of industry developed standards such as the Fit to Load Standard to manage animal welfare during transport and the voluntary code developed by the saleyards association for the management of sheep moving into and out of regional saleyards • Regulations controlling coastal shipping increase the cost of transporting Australian sheepmeat – SCA is aligned with the NFF in requesting further deregulation of this sector
Animal welfare • Do animal welfare regulations materially affect the competitiveness of livestock industries? • What are the animal welfare regulation reform priorities? • Have recent reforms (e.g. ESCAS) delivered net benefits to the community?	• SCA preferred policy position is the incorporation of welfare requirements into the LPS. For this to occur, assistance is required with supporting legislation to ensure recognition of self-regulation systems. In the interim, SCA favours the change from the Model Code of Practice for Animal Welfare to Standards and Guidelines – Sheep with relatively minor changes to the current document • Individual sheepmeat producers note the new Standards & Guidelines place emphasis on minimising mulesing in merino flocks with corresponding production cost increases • Sheepmeat producers note that NLIS has a strong animal welfare component and costs are incurred for tags, administration and tracking. • SCA supports the livestock export industry and ongoing reform of ESCAS. ESCAS requires simplification with transition to a co-regulatory model.
Biosecurity • What improvements to government export certification processes? • Are biosecurity audits unnecessarily burdensome? • Will the new Biosecurity Act 2015 achieve its aims? • Are import risk assessments (IRA)	• Export certification is a major cost for the processing industry and sheep producer profitability is highly influenced by the cost structure of processors • Government decline in resources allocated towards biosecurity is a critical issue • Producers support the need for industry to play a more active role in biosecurity management in future. The sheep and wool industries are currently working on an industry biosecurity strategy. Once again industry may need

PC Question	Sheep Industry Response
balancing the costs to importers and the benefits to Australia? • Useful overseas examples?	supporting legislation if it is to effectively self-regulate e.g. OJD self-regulation requires legislation mandating compulsory disease assessment statements • SCA supports implementation of the new Commonwealth Biosecurity Act • Ongoing work is required by government to reduce biosecurity related industry charges through more efficient administration. Support for the NLIS may also be required • SCA supports current mob based electronic identification with a shift to the identification of individual sheep when this is required by export and domestic markets
Consumer related regulation • Are food safety standards appropriate? • Are differences in food safety standards between states an issue? • Do food safety audits create an unnecessary regulatory burden? • Do food labels place unnecessary burdens on agricultural producers?	• Food safety systems are an important part of the Australian sheep industry's market place advantage. The industry asks for consistency between auditable programs • Industry driven food safety systems are in place through the LPS. LPS based food safety systems are well recognised and insisted upon by all but a small number of domestic only sheep processors. The sheep industry now requires their recognition by the various state jurisdictions together with their implementation on a consistent basis. State differences in food safety systems are a cost to the sheep industry. • NLIS tagging is a cost to the industry that would be easier to support if processors provided consistent feedback on dressed weight, disease status (pleurisy) and grass seeds • SCA notes the importance of truth in labelling and the need for accurate differentiation of lamb, hogget and mutton in the market place. SCA is working toward a review of the sheepmeat industry product description language
Competition regulation • Where are the restrictions on competition in the agricultural sector or its supply chains? • Which areas of regulation that affect competition require reform?	• SCA has general concerns about the trend for consolidation of major meat processing plants in Australia e.g. Primo Group's purchase by JBS and the purchase of abattoirs in WA by livestock export companies. Regional monopolies can limit market competition for producers and lead to reduced farm-gate returns. As a consequence SCA supports strengthened competition laws and greater feedback across the sheepmeat value chain • WA sheepmeat producers note the importance of competition in that state. The live export trade provides a vital alternative to limited processor activity and they note that only having one sheepskin buyer results in WA producers receiving half the price ($4.50/skin) received by their eastern state counterparts • A Victorian sheepmeat producer notes the requirement for use of an agent in Australian saleyards with an average commission rate of 5.5% plus yard fees, plus transaction fees plus transport levies. In the US a flat 3% commission fee is charged for these same services.
Investment • Are there regulatory impediments to domestic or foreign investment in agriculture?	• The sheepmeat industry understands the importance of the family farm and Australian ownership of farm assets. It also recognises the importance of foreign capital in developing Australian agriculture and feels that the current FIRB review threshold of $15 million may be too low.
Other	• Neither labour regulation nor climate change policy are

PC Question	Sheep Industry Response
• Labour costs • Climate change	current areas of focus for the SCA • Individual sheepmeat producers note the ongoing transfer of responsibility from employees to employers and the need for employers to produce a risk free work environment. Labour costs for shearing, when on-costs are included, are now approaching the sale price of a cross breed fleece. Induction training has become a significant cost for sheepmeat producers – full and part time employees must receive training on commencement in stock handling, shearing, fencing, paddock clearing, etc. Contractors need to be subject to safety audits. Sheepmeat producers estimate induction training and safety audits consume 10% of their total work time.

The SCA recognises that regulation has the capacity to impinge on the productivity of sheepmeat producers. However, in seeking to cut 'red tape' it is important that industry self-regulation is differentiated from government regulation. There is currently a layer of industry regulation in place to manage its industry systems such as NLIS and LPA. This industry regulation supports the sheepmeat industry's market access, must be left to industry to maintain and be supported with government regulation to ensure compliance.

Analysis of regulatory costs recognises both government-influenced costs with net industry benefits and the cost of red tape where there is a 'deadweight' loss for the red meat industry.

4.2 SHEEP PRODUCERS – REGULATORY COST

4.2.1 Analysis Description

The sheep producer case study uses data from ProAnd 2012 for sheep farms 2008-09 and commissioned ABARES Sheep Industry Farms data for 2014-15.

ABARES data was supplemented with information from the Prime Lamb Situation Assessment 2014 (McEachern, Francis and Lee 2014) and consultation with Southern Australian graziers.

4.2.2 Impact of Government-influenced Costs and Charges 2008-09

ProAnd (2012) estimated that government-influenced costs incurred by sheep producers totalled $30,158 ($26,158 in cash costs and $4,000 for imputed compliance labour) in 2008-09. These costs accounted for 14.4% of enterprise revenue of $210,090 and 18.1% of enterprise expenses of $166,560.

Significant government-influenced costs for sheep producers in 2008-09 included land use, labour on-costs, rates and compliance time taken.

4.2.3 Review of Contemporary Data, Literature and Consultation Outcomes

Commissioned ABARES Farm Survey data for 2014-15 for the sheep industry is summarised in Table 8.

Table 8 - ABARES Farm Survey Data - Key Metrics Sheep Industry 2014-15

	Australia (i.e. all states and territories)
Sample (no. farms)	254
Survey population (farms)	8,443
Average:	
Farm area (ha)	4,062
Cash receipts ($)	246,005
Cash costs ($)	208,423
Farm cash income ($)	37,582

Source: Commissioned ABARES Farm Survey data

Data provided by ABARES was augmented with information from the Prime Lamb Situation Assessment (McEachern, Francis and Lee 2014) and through consultation with Southern Australian graziers.

Key findings from McEachern, Francis and Lee 2014 include:

- Sheep producers are specialising, operating self-replacing prime lamb flocks, dual purpose lamb production and specialist wool production systems. There are fewer traditional first cross ewe operations.
- There is as much variation in profitability within each enterprise as there is between sheep production, beef production and cropping alternatives.
- In the ten years to 2012 the average cost of production in a sheep enterprise has increased by 100%. The same analysis in beef showed a 50% increase over the same period which means beef producers have done a much better job of controlling costs of production.
- The major cost of production for sheep flocks was employed labour with its government-influenced on-costs. Other major sheepmeat production costs with a government-influenced cost component include administration, contract services (labour on-costs and legal fees), fertiliser (embedded energy and fuel), fuel and lubricants, selling costs, shearing and supplementary feed.

The McEachern, Francis and Lee 2014 analysis helps inform the case study.

4.2.4 Representative Industry Enterprise – Sheep Producers 2014-15

Using ABARES data, relevant recent literature and consultation notes, the following analysis of government-influenced costs and charges for sheepmeat producers was compiled as set out in Table 9.

The ABARES data set comprises NSW, Victoria, Queensland, Western Australia, South Australia and Tasmania and was supplemented with details found in McEachern, Francis and Lee (2014). Column one provides enterprise descriptors and cost items, column two shows the quantum of the data set and column three provides an explanation of why a cost associated with government charges is incurred and the quantum of the cost.

Table 9 - Sheep Producers – Government-influenced Costs and Charges 2014-15

Item	Specialist Sheep Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Producer sheep sales	130,894	MLA transaction levy: 2% of sale price i.e. $2,618 Poorly designed/policed competition regulations reducing prices received by sheep producers – un-costed
Producer wool sales	100,258	
Other receipts	14,853	MLA transaction levy: $5/head on cattle sales of 15 head i.e. $75
Total receipts	**246,005**	
Cash costs		
Sheep / other livestock purchases	20,365	
Shearing and crutching	19,323	Includes labour on-costs: 15% of total contract value i.e. $2,898
Fertiliser, seed and pasture	17,393	
Farm chemicals	5,903	Delayed access to chemicals and chemicals with extended withholding periods – 5% of total chemical cost i.e. $295
Fodder and agistment	10,775	Fuel excise and fodder transport regulations. Fuel excise payable by fodder transport company which also incurs costs associated with state fodder transportation regulation – estimated at 10% of total fodder cost (NB: excise is 30% of fuel cost) i.e. $1,078
Livestock materials	9,572	NLIS costs for cattle $2.60/head and $0.33/head for sheep, noting that individual tags for sheep are not compulsory

Item	Specialist Sheep Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Freight	6,996	Transport regulations, excise and animal welfare: 30% of fuel cost for excise and a further 10% for transport regulations and animal welfare requirements e.g. driver fatigue laws, weight/mass restrictions, effluent spill, use of road trains and B double restrictions, time off water/feed and potentially RSRT i.e. total government related cost of $2,798 - $1,399 freight and $1,399 for animal welfare
Marketing charges (e.g. agent fees)	8,402	
Fuel, oil and grease	13,108	Fuel used on-farm is assumed to be diesel and eligible for primary producer rebate, no cost incurred.
Electricity	3,053	To some extent electricity is still regulated and subject to additional cost impost (e.g. renewable energy policy). Regulation impact estimated at 20% of the total cost i.e. $611.
Contracts	7,806	Labour on-costs: 15% of total contract value i.e. $1,171.
Stores and rations	400	
Interest	15,116	
R&M or Buildings and Plant	21,499	Estimated 10% of this cost incurred to meet requirements of local council building applications, state based building codes and regulations i.e. $2,150
Hired labour - wages	9,073	This figure is net of superannuation and OHS costs which are presented in the rows below
Hired labour - other (superannuation)	1,633	Superannuation is legislated: total cost is applicable.
Hired labour - workers' compensation	272	OHS is legislated: total cost is applicable.

Item	Specialist Sheep Australia $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Accounting	2,561	Tax and superannuation compliance cost – total is applicable
Bank and Legal Fees	1,344	Included at 100% for consistency with ProAnd 2012
Other Services and Admin Costs	10,335	
Shire rates - land	7,036	Government imposed cost, included at 100%
Licensing and permits	1,703	Includes water licences, 100% relevant
Leasing (e.g. equipment)	157	
Land leasing rent	4,470	Leasing of additional land to offset production lost through clearing restrictions, uncertainty relating to environmental policy positions, spray buffers, etc. – 100% of this cost included as regulatory cost related.
Land maintenance or Landcare	651	Land stewardship is underpinned with regulation controlling invasive plants/animals – 100% included
Vehicles plus plant hire	3,107	Vehicle registration costs: estimated at $1,500 for a single vehicle
Other cash costs	6,370	
Total cash costs	**208,423**	
Cash surplus	**37,582**	

Source: PAA analysis of public and private data

The above ABARES data does not include time taken for a farm owner operator to comply with government regulation. Sheep industry consultation reveals an average time taken of 3 hours per week – an estimated cost of $4,500 per annum.

4.2.5 Qualitative Analysis of Regulatory Benefits – Sheep Producers

Many sheep producers readily acknowledge that product values have increased over the past decade and a half and that their industry has realised some benefits from government regulations and requirements which also benefit the wider Australian community. Some of the major regulatory areas relevant to specialist sheep production and identified through the analysis are summarised in Table 10 below.

Table 10 - Benefits Attributable to Government-influenced Costs and Charges – Sheep Production

Regulation Type	Industry Benefits	Community Benefits
Animal welfare	Retention of the industry's good corporate citizenship standing	Increase in utility for those concerned about the humane treatment of sheep
Disease control	Healthy, and in the long term more profitable, livestock	Improved animal welfare outcomes. Food security e.g. major loss in sheep meat production would be associated with an exotic disease outbreak.
Environment	Retention of the industry's good corporate citizenship standing	Incremental reductions in air, soil, water pollution and improved local amenity.
Food safety	Consumer confidence in sheep meat and additional long term sales.	Improvements in community health.
Indigenous	N/a	N/a
Land use	Nil.	Incremental additional biodiversity along with the benefit of any additional carbon capture and storage
Labour on-costs	Coverage in the event of a work related accident. Superannuation to fund employee retirement	Better outcomes for people employed in the industry. Lower costs for compensating injured workers' and old age pensions
Regulation of the industry, inspection fees and industry levies	Revenue streams for red meat marketing, research, development and disease control.	Spillover benefits associated with industry R&D.
Transport	Excise on fuel – Nil	Excise on fuel – general government revenue for community priorities.
Utilities	Controls that prevent price gouging on electricity	Revenue from state owned utilities plus controls that prevent price gouging on electricity.
Rates	Services including maintenance of property access roads	Revenue for local services
Miscellaneous regulatory costs	Registration – safe personal vehicles	Registration – safe vehicles on public roads.

Source: PAA analysis

4.2.6 Summary and Conclusions – Sheep Producers

From the above analysis it can be estimated that government-influenced costs totalled $39,064 ($35,064 in cash costs and $4,500 for imputed compliance labour). This total cost estimate is equivalent to:

- 16.1% of enterprise revenue of $246,005
- 19.0% of enterprise expenses of $208,423

Significant cost items include shire land rates, labour on-costs, environmental regulation and time taken to comply.

Relatively speaking land use planning costs are less significant than recorded by ProAnd Associates 2012.

5 Live Export Sector

Over the years, livestock exports have been subjected to significantly increased government regulation in an effort to improve animal welfare outcomes. This culminated in the introduction in 2011 of a new regulatory framework (Exporter Supply Chain Assurance System (ESCAS)) that imposed significant additional costs on Australian livestock exporters. This analysis provides an estimate of government-influenced costs and charges in 2008-09, prior to the introduction of ESCAS, and these costs in 2014-15 including the additional impost of ESCAS.

5.1 Live Export Cattle

5.1.1 Analysis Description

This analysis addresses the impact of government-influenced costs and charges on Australian live cattle exporters. It is based on a relatively large-scale Northern Australian operation exporting cattle to South East Asia.

5.1.2 Representative Industry Analysis – Live Cattle Exporters 2008-09 and 2014-15

The impact of government-influenced costs and charges on Australian exporters of live cattle to South East Asia is analysed in Table 11 below.

Table 11 - Live Cattle Exporters from Northern Australia – Government-influenced Costs and Charges 2008-09 and 2014-15

Item	2008-09 $	2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Receipts from export sales:			
100,000 head @ $960($1300)**/head	96,000,000	130,000,000	Almost all cattle are exported on a CIF basis.
Total receipts	**96,000,000**	**130,000,000**	
Cash costs:			
Cattle purchased –	61,500,000	58,000,000	Cattle are purchased

Item	2008-09 $	2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
100,000 head @ $615($580)/head			delivered to the assembly depot, with dipping cost, agent's commission, insurance and transport paid by the vendor.
Assembly depot fee @ $2($2)/head	200,000	200,000	Although cattle would usually be assembled at some point prior to export, this is now an AQIS requirement, and cattle would now spend 4 days rather than 3 in a depot to facilitate AQIS inspection – an estimated 25% of cost attributable to AQIS regulation.
Fodder costs in depot @ $12($14)/head	1,200,000	1,400,000	Fuel excise payable by fodder transport company which also incurs costs associated with state fodder transport regulations: estimated at 10% of total fodder cost. Also as explained immediately above, 25% of fodder costs attributable to AQIS regulation.
Ear tag – tag + labour @ $1.05($1.05)/head	105,000	105,000	Became a regulatory requirement in 2011 under the NLIS.
Third party veterinarian @ $3.50($3.50)/head	350,000	350,000	AQIS requirement
Road transport to port @ $13($15)/head	1,300,000	1,500,000	Includes 30% excise on fuel, and estimated 10% of total freight cost to meet animal welfare and OHS regulations.

Item	2008-09 $	2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Port and wharf charges @ $4($4.50)/head	400,000	450,000	
Stevedoring charges @ $4($4.50)/head	400,000	450,000	
AQIS charges @ $2.50/head	250,000	250,000	Australian Government charge
LiveCorp levy @ $0.0095238/kg	300,000	300,000	A compulsory levy backed by Australian Government regulations
Sea freight @ $130($150)/head	13,000,000	15,000,000	Estimate that sea freight costs are 25% higher than would otherwise be the case because of AQIS and AMSA regulation (e.g. stock density requirements)
Fodder for voyage @ $18($20)/head	1,800,000	2,000,000	As per immediately above 25% due to AQIS and AMSA regulation
Stockman @ $300/day x 30 voyages annually x 6 days	54,000	54,000	AQIS requirement
Livestock manager	150,000	150,000	Includes regulatory costs – superannuation and workers' compensation.
Livestock buyer	120,000	120,000	Includes regulatory costs – superannuation and workers' compensation.
Administration – including office rental & expenses, general management, accounting and business	1,800,000	2,000,000	Estimated that 25% of total administration costs result from compliance with various regulations – tax and superannuation laws, corporations law, industrial laws, AQIS regulations,

Item	2008-09 $	2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
administration, and sales, marketing and documentation			export documentation regulations, etc
ESCAS costs @$9/head		900,000	100% regulatory cost
Total Costs	**82,929,000**	**83,229,000**	

Source: PAA analysis

** Unit costs for 2014-15 are in parentheses.

5.1.3 Summary and Conclusions – Live Cattle Exporters

Government-influenced costs and charges for a large live cattle exporter in 2008-09 and 2014-15 are estimated as follows in Table 12 below.

Table 12 - Government Influenced costs and Charges 2008-09 and 2014-15 for Live Cattle Exports

Item	Regulatory Costs	
	2008-09	**2014-15**
Assembly depot fee	$50,000	$50,000
Fodder in depot	$420,000	$490,000
Third party veterinarian	$350,000	$350,000
Transport to port	$325,000	$375,000
AQIS charges	$250,000	$250,000
LiveCorp levy	$300,000	$300,000
Sea freight	$3,250,000	$3,750,000
Fodder during voyage	$450,000	$500,000
Stockman	$54,000	$54,000
Super and workers' comp	$60,000	$60,000
Administration	$450,000	$500,000
1 man-year extra*	$100,000	$100,000
ESCAS costs**		$900,000
Total	**$6,139,000**	**$7,679,000**

Source: PAA analysis

* Exporters estimate that it takes the equivalent of an additional staff position to comply with the numerous government regulations.

**ESCAS costs estimated in the Ernst & Young analysis that informed the LiveCorp submission to the PC review of the regulation of Australian Agriculture (2016).

This total regulatory cost estimates of $6,139,000 in 2008-09 and $7,679,000 in 2014-15 are equivalent to:

- 6.4% of enterprise revenue of $96,000,000 in 2008-09 and 5.9% of enterprise revenue of $130,000,000 in 2014-15
- 7.4% of enterprise expenses of $82,929,000 in 2008-09 and 9.2% of enterprise expenses of $83,229,000 in 2014-15

The percentage of enterprise revenue and expenses accounted for by government-influenced costs and charges is lower for live cattle exporters than, for example, northern Australian beef producers. However the export of live cattle is a trading enterprise where at least 70% of total costs are incurred in the purchase of cattle for export. Government-influenced costs and charges accounted for approximately 30% of costs incurred after the purchase of livestock in 2008-09 and 2014-15.

In addition to the regulatory costs and charges included above, Department of Agriculture can, from time to time, impose conditions on the granting of an export permit that increase the cost of a shipment. For example, it can impose lower stocking densities at times of the year when there may be a higher risk of heat stress causing unacceptable mortality levels during shipment (and there is a ban on shipping Bos Taurus cattle from below the 26th parallel to the Middle East during the Australian winter). AQIS can also require that an AQIS registered veterinarian accompany livestock on long haul (over 10 days) voyages.

5.2 LIVE EXPORT SHEEP

5.2.1 Analysis Description

This analysis addresses the impact of government-influenced costs and charges on Australian live sheep exporters. It is based on Australian exporters of live sheep from Western Australia to the Middle East.

5.2.2 Representative Industry Analysis – Live Sheep Exporters 2008-09 and 2014-15

The impact of government-influenced costs and charges on Australian exporters of live sheep from Western Australia to the Middle East is analysed in Table 13 below.

Table 13 - Live Sheep Exporters from Western Australia to the Middle East – Government-influenced Costs and Charges 2008-09 and 2014-15

Item	2008-09 $	2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Receipts from export sales:			
1,000,000 head @ $125($165)**/head	125,000,000	165,000,000	Sheep are exported to the Middle East on both a CIF and a FOB basis, but CIF is used in this case study.
Other (wool, manure) @ $0.20($0.30)/head	200,000	300,000	
Total receipts	**125,200,000**	**165,300,000**	

Item	2008-09 $	2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Cash costs:			
Sheep purchased – 1,000,000 head @ $66($85)/head	66,000,000	85,000,000	Sheep are purchased delivered to the assembly depot, with agent's commission, insurance and transport paid by the vendor.
Assembly depot fee @ $0.30/head	300,000	300,000	Although sheep would be assembled in a depot prior to loading AQIS require they spend an extended period in the depot to allow for adjustment to pellet feed and to cull shy feeders and other unsuitable stock from the shipment – estimate 50% of cost attributable to AQIS regulation.
Fodder costs in depot @ $5($4.60)/head	5,000,000	4,600,000	Fuel excise payable by fodder transport company which also incurs costs associated with state fodder transport regulations: estimated at 10% of total fodder cost. Also as explained immediately above, 25% of costs attributable to AQIS regulation.
Third party veterinarian @ $0.10($0.12)/head	100,000	120,000	AQIS requirement
Road transport to port @ $2($1.60/head	2,000,000	1,600,000	Includes 30% excise on fuel, and estimated 10% of total freight cost to meet animal welfare and OHS regulations.
Port and wharf charges	200,000	280,000	

Item	2008-09 $	2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
@ $0.20($0.28)/head			
Stevedoring charges @ $0.20($0.40)/head	200,000	400,000	
AQIS charges @ $0.60($0.40)/head	600,000	400,000	Aust Govt charge
LiveCorp levy @ $0.60	600,000	600,000	A compulsory levy backed by Aust Govt regulations
Sea freight @ $25($28)/head	25,000,000	28,000,000	Estimate that sea freight costs are 25% higher than would otherwise be the case because of AQIS and AMSA regulation
Fodder for voyage @ $5($7.50)/head	5,000,000	7,500,000	As per immediately above 25% due to AQIS and AMSA regulation
Stockman and veterinarian @ $0.30/head	300,000	300,000	AQIS requirement
Livestock manager	150,000	150,000	Includes regulatory costs – superannuation and workers' compensation.
Livestock buyer	120,000	120,000	Includes regulatory costs– superannuation and workers' compensation.
Administration, including office rental & expenses, general management, accounting and business administration, and sales, marketing and documentation	1,800,000	2,000,000	Estimated that 25% of total admin costs result from compliance with various regulations – tax and superannuation laws, corporations law, industrial laws, AQIS regulations, export documentation regulations, etc
ESCAS costs @ $0.77/head		770,000	100% regulatory cost

Item	2008-09 $	2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Total Costs	**107,370,000**	**132,140,000**	

Source: PAA analysis

** Unit costs for 2014-15 are in parentheses.

5.2.3 Summary and Conclusions – Live Sheep Exporters

Government-influenced costs and charges for a large live sheep exporter in 2008-09 and 2014-15 are estimated in Table 14:

Table 14 - Government Influenced costs and Charges 2008-09 and 2014-15 for Live Sheep Exports

Item	Regulatory Costs	
	2008-09	**2014-15**
Assembly depot fee	$150,000	$150,000
Fodder in depot	$1,750,000	$1,610,000
Third party veterinarian	$100,000	$120,000
Transport to port	$500,000	$400,000
AQIS charges	$600,000	$400,000
LiveCorp levy	$600,000	$600,000
Sea freight	$6,250,000	$7,000,000
Fodder during voyage	$1,250,000	$1,875,000
Stockmen & veterinarian	$300,000	$300,000
Super and workers' comp	$60,000	$60,000
Administration	$450,000	$500,000
1 man-year extra*	$100,000	$100,000
ESCAS costs**		$770,000
Total	**$12,110,000**	**$13,885,000**

Source: PAA analysis

* Exporters estimate that it takes the equivalent of an additional staff position to comply with the numerous government regulations.

**ESCAS costs estimated in the Ernst & Young analysis that informed the LiveCorp submission to the PC review of the regulation of Australian Agriculture (2016).

The total regulatory cost estimates of $12,110,000in 2008-09 and $13,885,000 in 2014-15 are equivalent to:

- 9.7% of enterprise revenue of $125,200,000 in 2008-09 and 8.4% of enterprise revenue of $165,300,000 in 2014-15
- 11.3% of enterprise expenses of $107,370,000 in 2008-09 and 10.5% of enterprise expenses of $132,140,000 in 2014-15

The percentage of enterprise revenue and expenses accounted for by government-influenced costs and charges is lower for live sheep exporters than, for example, Australian sheep producers. However the export of live sheep is predominantly a trading enterprise where over 60% of total costs are incurred in the purchase of sheep for export. Government-influenced costs and charges accounted for 30% of costs incurred after the purchase of livestock in both 2008-09 and 2014-15.

In addition to the regulatory costs and charges included above, AQIS can also impose conditions on the granting of an export permit, which also increases the cost of a shipment. For example, AQIS can impose lower stocking densities at different times of the year when there may be a higher risk of heat stress causing unacceptable mortality levels during shipment.

Table 15 - Benefits Attributable to Government-influenced Costs and Charges – Live Export Sector

Regulation Type	Industry Benefits	Community Benefits
Animal welfare	Retention of the industry's good corporate citizenship standing – live export sector now heavily monitored.	Increase in utility for those concerned about the humane treatment of livestock in transport.
Carbon pricing and abatement	Not applicable	Not applicable
Disease control	Livestock health and disease control are critical where animals are in close proximity en route to market via ship.	Improved animal welfare outcomes.
Environment	Retention of the industry's good corporate citizenship standing.	Incremental reductions in air, soil, water pollution and improved local amenity – important in an intensive industry generally located in more closely settled areas.
Food safety	Not applicable.	Not applicable.
Indigenous	Not applicable.	Not applicable.
Land use	Not applicable.	Not applicable.
Labour on-costs	Coverage in the event of a work related accident. Superannuation to fund employee retirement. Safe delivery of livestock.	Better outcomes for people employed in the live export industry. Lower costs for compensating injured workers' and old age pensions.
Regulation of the industry, Inspection fees and industry levies	Revenue streams for live animal marketing, research, development and disease control.	Spillover benefits associated with industry R&D.
Transport	Regulatory costs largely a reflection of improved animal welfare outcomes.	Improved standing in community.

Regulation Type	Industry Benefits	Community Benefits
Utilities	Not applicable.	Not applicable.
Rates	Not applicable.	Not applicable.
Miscellaneous regulatory costs	Registration - safe personal vehicles	Registration - safe vehicles on public roads

Source: PAA analysis

6 FEEDLOT SECTOR

6.1 FEEDLOT INDUSTRY CONCERNS WITH REGULATION

The feedlot industry is subject to both general planning regulations (shire based) and environmental regulations (state based and federal based). Planning regulations are typical of any industrial development and consider access, amenity, infrastructure demands and appropriate land zoning. Environmental regulations are typically managed by state Environmental Protection Agencies (EPA) and deal with site suitability for feedlot development with respect to nutrient reuse, land suitability and odour (separation distances). In addition many feedlots must report under Commonwealth environmental reporting schemes such as the National Pollutant Inventory (NPI).

These regulations can be a significant constraint to development, and may impose considerable pressure on feedlot enterprises. Challenges include environmental sustainability (protecting air, water and soil quality, managing waste, preventing or controlling pollution), OHS requirements and resource efficiency (water and energy) programs run by state and federal governments (2020 Vision for the Australian Feedlot Industry).

Feedlot industry response to questions posed in the PC Regulation of Australian Agriculture Issues Paper are summarised in Table 16. The content of this table informs the feedlot industry regulatory cost analysis.

Table 16 - Feedlot Industry Response to PC Issues Paper

PC Question	Feedlot Industry Response
Overarching • Are there systematic problems with government regulatory approaches? • What reform options are appropriate?	• Inability of the three tiers of government to work in a coordinated way or even consistently to streamline regulatory requirements • Greater reliance on self-regulatory systems
Land use planning • Are particular land use planning restrictions overly burdensome? • Are there issues with pastoral leases? • Does native title affect business decision making?	• New feedlot developments and expansion of existing feedlots require substantial investment in regulatory approval processes including local government Development Applications, EPA approvals and authorities from relevant departments of main roads. For example, at one feedlot consulted, permission to add an additional 1,000 Standard Cattle Units (SCU) to an existing large scale feedlot necessitated the sealing of a 50m strip of access road at a cost of approximately $500,000. The feedlot had successfully operated at the site for 30 years. • There is substantial variation in local government DA requirements from Qld to NSW and one shire to the next.
Environmental protection • What excessive and unnecessary costs do environmental protection regulations impose?	• The feedlot industry is required to comply with a plethora of state and local government regulations. However its environmental governance is determined by an industry driven national code of conduct – the National

PC Question	Feedlot Industry Response
• Are there greater impacts on certain classes of agricultural business? • Are there examples of best practice overseas that could be adopted in Australia?	Environmental Code of Practice. Under this regime the performance of the industry against the standards set by the code is the subject of an annual audit. Industry recommends that the code be more widely accepted by state and local government resulting in a more uniform approach, government and industry cost savings (CPC 2016) • Costs associated with environmental protection include environmental tests, EPA sampling and employment of environmental consultants
Access to technologies and chemicals • Are GM restrictions hurting the industry • Can improvements in the regulation of agvet chemicals be made?	• Internet access and reliability is essential, feedlots are large integrated business operations that buy and sell electronically. When the internet fails business ceases. • Lack of access to next generation veterinary medicines is a major issue for the feedlot industry. The cost of registering chemicals in Australia means that there is no economic return for specialised medicines and the industry misses out on more effective and lower cost solutions. • Use of overseas generated efficacy and safety data to facilitate Australian registration is encouraged but must be accompanied by an Australian Trade Risk Assessment.
Water • Are there aspects of the water market that are imposing an unnecessary regulatory burden on farm businesses?	• The feedlot industry is reliant on high security licenced water. Administrative costs associated with water licensing are a significant cost item for the feedlot industry.
Transport • Do transport regulations impose unnecessary burdens on agricultural producers? • Are there aspects of coastal shipping regulation that are unnecessarily burdensome to agriculture?	• Transport is a major cost for feedlotters. Cost would be significantly reduced with further harmonisation of state regulation – driver fatigue laws, weight/mass restrictions, effluent spill, use of road trains and B doubles • If recommendations from the Road Safety Remuneration Tribunal (RSRT) are implemented they will force a lot of smaller owner drivers out of the market and large transport companies will simply increase freight rates charged to primary producers and feedlotters • One feedlotter noted that currently they are restricted to B doubles with a maximum configuration of 19m. Easing this restriction to allow B doubles of up to 25m would decrease feedlot transport costs. Other feedlotters noted the possibility of introducing 'time of day' opportunities for approved carriers whereby road trains would be able to access secondary rural roads, outside of say school bus times. Uniform stock loading level restrictions with parity between NSW and Qld would also ease the feedlot industry's regulatory compliance cost.
Animal welfare • Do animal welfare regulations materially affect the competitiveness of livestock industries? • What are the animal welfare regulation reform priorities? • Have recent reforms (e.g. ESCAS) delivered net benefits to the	• Whilst driver fatigue laws are beneficial to the driver this is not necessarily the case for the cattle being transported particularly if the truck and the cattle in it are parked in the sun (no water for cattle to drink) or if cattle have to be unloaded and reloaded which is stressful for them. It is far better for the stock to be transported as quick as possible so that the cattle may get to feed and water promptly. In this respect driver fatigue laws only add an unnecessary layer of

PC Question	Feedlot Industry Response
community?	regulation negatively impacting the wellbeing of cattle.
Biosecurity • What improvements to government export certification processes? • Are biosecurity audits unnecessarily burdensome? • Will the new Biosecurity Act 2015 achieve its aims? • Are import risk assessments (IRA) balancing the costs to importers and the benefits to Australia? • Useful overseas examples?	• Export inspection charges are a major cost to the beef industry and may be passed back to feedlotters by processors. Since 2011 the Australian Export Meat Inspection System (AEMIS) has been implemented and an increase in cost has been reported by the meat industry • Ongoing work is required by government to reduce biosecurity related industry charges through more efficient administration • The feedlot industry is aware of both the biosecurity benefit of not importing bulk grain and the additional cost imposed on its production by lack of access to low cost grain imports especially during drought e.g. US corn.
Consumer related regulation • Are food safety standards appropriate? • Are differences in food safety standards between states an issue? • Do food safety audits create an unnecessary regulatory burden? • Do food labels place unnecessary burdens on agricultural producers?	• Food safety standards are appropriate. However, consistency between states would lower food safety compliance cost • Additional labelling clarity would assist with product differentiation and the ongoing development of industry brands
Competition regulation • Where are the restrictions on competition in the agricultural sector or its supply chains? • Which areas of regulation that affect competition require reform?	• Ongoing consolidation of the processing sector is of concern to the feedlot industry.
Investment • Are there regulatory impediments to domestic or foreign investment in agriculture?	• Foreign investment is essential to the development of Australian agriculture
Other • Labour costs • Climate change	• The feedlot sector is a large employer. For example a 30,000 head operation has in the order of 36 full time and 3 part time employees. Labour on-costs are a large cost to the feedlot industry. Feedlotters note that induction training has become a major burden on their industry. External trainers are required for most of the roles in the feedlot including boilermaker, frontend loader operator and bobcat operator. External trainers are employed for staff that turnover rapidly once they have their 'ticket'. Feedlot operators suggest internalising induction training whereby experienced staff members can induct a new employee over a number of weeks – reducing the cost of the process and, by delaying qualification, increasing the duration of the inductees' employment with the feedlot. • Feedlot operators also ask for greater flexibility and administration ease in employing both Working Holiday and 457 Visa holders – these staff provide essential support for the business when local employees cannot be secured

6.2 FEEDLOT REGULATORY COST

6.2.1 Analysis Description

Two analyses were completed – one for a large-scale cattle feedlot and one for a small-scale cattle feedlot. Analysis relied on private data supplemented with analysis completed for '2020 Vision for the Australian Feedlot Industry' (EconSearch et al 2009).

6.2.2 Impact of Government-influenced Costs and Charges in 2008-09

ProAnd (2012) estimated that government-influenced costs were about 2.7% of revenue for large-scale cattle feedlots and 3.2% of revenue for small-scale cattle feedlots in 2008-09. Major cost items included disease control (biosecurity), environment (waste and water management), labour on-costs, industry levies, transport and compliance (time taken).

6.2.3 Representative Industry Enterprise – Large Scale Cattle Feedlot 2014-15

The representative large-scale cattle feedlot has a Standard Cattle Unit (SCU) capacity of 25,000 head, turns off 75,000 head per annum and has an annual sales turnover of $90.8 million – Table 17.

Table 17 - Large-Scale Cattle Feedlot: Government-influenced Costs and Charges 2014-15

Item	Large Scale Cattle Feedlot $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Feedlot's cattle sales	90,799,490	MLA transaction levy: $5/head on the ~40% of sales that are not custom fed for other owners i.e. $150,000. Pass back of inspection charges is dependent on ruling elasticities. This cost is noted, but due to its variable nature depending as it does on individual circumstances and time periods, is not quantified in this analysis
Other receipts (e.g. manure sales)	429,750	
Total revenue	**91,229,240**	
Cattle purchases	50,278,363	
Grain, roughage and other feed	25,403,000	GRDC levy of 0.99% estimated as a cost of compliance. Long term average cost of biosecurity regulations preventing the use of imported grain – estimated at 3% of long term average grain cost. Total grain related regulatory costs estimated at $724,000
Transport – cattle in/out, fodder in and manure out	4,731,070	Road transport regulations, fuel excise payable by transport company as well as animal welfare related costs: 30% of fuel cost for excise and a further 10% for transport regulations and animal welfare

Item	Large Scale Cattle Feedlot $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
		requirements e.g. driver fatigue laws, weight/mass restrictions, effluent spill, use of road trains and B double restrictions, time off water/feed and potentially RSRT – total government cost of $1,892,000 ($1,419,000 for transport regulation and $473,000 for animal welfare regulation).
Animal health – chemicals, drugs and veterinarian	882,420	Costs associated with Australian registration and delay in registration of animal health products estimated to add 5% to total cost of chemicals i.e. $19,100.
Hired labour – wages	1,906,180	Superannuation is legislated and therefore a cost of compliance. OHS is legislated and the total cost is applicable.
Hired labour – superannuation	346,665	Superannuation is legislated: total cost is applicable
Hired labour – workers' compensation	58,255	OHS is legislated: total cost is applicable
Admin – accounting, audit and legal	286,500	Tax and superannuation compliance costs. Legal fees included for consistency with ProAnd 2012
Admin – insurance	191,000	
Admin – office	124,150	An estimated 10% of total office time is required to comply with regulatory requirements i.e. $12,415
Rates and taxes - shire	19,100	Included for consistency with ProAnd 2012
Rates and taxes – state payroll tax	114,600	Not included and this is consistent with ProAnd 2012
Registration – state for vehicles	28,650	Included as a state based charge
Registration – ALFA and other subscriptions	66,850	Not a government imposed cost.

Item	Large Scale Cattle Feedlot $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Services – phone, consultants, QA lab	194,820	
Repairs and maintenance – pens, water, waste management, plant, equipment and other	1,002,750	Estimate for waste management R&M is directly applicable to state based environmental compliance regulations i.e. $143,250
Energy – fuel and oil	573,000	Fuel used at the feedlot is assumed to be diesel and eligible for rebate, no cost incurred.
Energy – electricity	171,900	Utilities: to some extent still regulated and subject to additional cost impost (e.g. renewable energy policy). An estimated 10% of total cost is attributable to utilities regulation.
Water	87,860	Water is a significant regulatory cost for the feedlot industry e.g. administration costs associated with water licenses – 25% of total water cost is estimated as attributable to environmental regulation.
Other	5,730	
Total Cash Costs	**86,472,863**	
Cash Surplus	**4,756,378**	

Time cost for the feedlot sector to comply with government imposed regulations and rules have been included in the above analysis.

6.2.4 Qualitative Analysis of Regulatory Benefits – Large-Scale Cattle Feedlot

The benefits of regulation to the feedlot sector are summarised in Table 18 below.

Table 18 - Benefits Attributable to Government-influenced Costs and Charges – Large Scale Cattle Feedlot

Regulation Type	Industry Benefits	Community Benefits
Animal welfare	Retention of the industry's good corporate citizenship standing – feedlot sector now seen as animal industry leader in NSW.	Increase in utility for those concerned about the humane treatment of cattle in feedlots.

Regulation Type	Industry Benefits	Community Benefits
Biosecurity	Restrictions on grain import provide no direct benefit to the feedlot industry.	Restrictions on grain import help prevent introduction of grain pests and diseases
Disease control	Healthy livestock – critical in an intensive industry like feedlotting where disease may spread rapidly through large numbers of cattle.	Improved animal welfare outcomes.
Environment	Retention of the industry's good corporate citizenship standing. In the industry's early days there were problems with runoff and waste storage.	Incremental reductions in air, soil, water pollution and improved local amenity – important in an intensive industry generally located in more closely settled areas.
Food safety	Consumer confidence in grain finished beef and additional long term sales.	Improvement in community health.
Indigenous	Not applicable.	Not applicable.
Land use	Clearing restrictions less relevant to the feedlot sector. Land use buffers may improve feedlot visual amenity.	Land use buffers around feedlots improve visual amenity.
Labour on-costs	Coverage in the event of a work related accident. Superannuation to fund employee retirement. Safe delivery of livestock.	Better outcomes for people employed in the feedlot industry. Lower costs for compensating injured workers' and old age pensions. Safer roads with lower accident related costs.
Regulation of the industry, Inspection fees and industry levies	Revenue streams for red meat marketing, research, development and disease control.	Spillover benefits associated with industry R&D.
Transport	Fuel excise - nil	General government revenue for community priorities.
Utilities	Controls that prevent price gouging on electricity.	Revenue from state owned utilities plus controls that prevent price gouging on electricity.
Rates	Services including maintenance of property access roads	Revenue for local services
Miscellaneous regulatory costs	Registration - safe personal vehicles	Registration - safe vehicles on public roads

Source: PAA analysis

6.2.5 Summary and Conclusions – Large-Scale Cattle Feedlot

From consultation and analysis of large-scale cattle feedlot data it can be estimated that government-influenced costs totalled $3,719,000 including compliance labour. This total cost estimate is equivalent to:

- 4.1% of enterprise revenue of $91,229,240
- 4.3% of enterprise expenses of $86,472,863

Significant cost items are similar to ProAnd 2012 – transport, biosecurity, animal welfare, labour on-costs, levies and time taken to comply. Compliance with environmental regulation is reportedly less important than it was in 2012.

6.2.6 Representative Industry Analysis – Small-Scale Cattle Feedlot 2014-15

The representative small-scale cattle feedlot has a Standard Cattle Unit (SCU) capacity of 2,000 head, turns off 6,000 head per annum and has an annual sales turnover of $8.4 million and is presented at Table 19.

Table 19 - Small Scale Cattle Feedlot: Government-influenced Costs and Charges 2015-16

Item	Small Scale Cattle Feedlot $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Feedlot's cattle sales	8,327,600	MLA transaction levy: $5/head on the 60% of sales that are not custom fed i.e. $18,000. Pass back of inspection charges is dependent on ruling elasticities. The cost is noted, but due to its variable nature depending as it does on individual circumstances and time periods, is not quantified in this analysis.
Other receipts (e.g. manure sales)	70,670	
Total revenue	**8,398,270**	
Cattle purchases	4,870,500	
Grain, roughage and other feed	2,473,450	GRDC levy of 0.99% estimated as a cost of compliance. Long term average cost of biosecurity regulations preventing the use of imported grain – estimated at 3% of long term average grain cost. Total grain related regulatory costs estimated at $70,417.
Transport – cattle in/out, fodder in and manure out	420,200	Road transport regulations, fuel excise payable by transport company as well as animal welfare related costs: 30% of fuel cost for excise and a further 10% for transport regulations and animal welfare requirements e.g. driver fatigue laws, weight/mass restrictions, effluent spill, use of road trains and B double restrictions, time off water/feed

Item	Small Scale Cattle Feedlot $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
		and potentially RSRT – total government cost of $168,080 ($126,060 for transport regulation and $42,020 for animal welfare regulation).
Animal health – chemicals, drugs and veterinarian	171,900	Costs associated with Australian registration and delay in registration of animal health products estimated to add 5% of total cost of chemicals i.e. $8,595.
Hired labour – wages	153,774	
Hired labour – superannuation	27,680	Superannuation is legislated: total cost is applicable.
Hired labour – workers' compensation	4,613	OHS is legislated: total cost is applicable.
Admin – accounting, audit and legal	47,750	Tax and superannuation compliance costs. Legal fees included for consistency with ProAnd 2012.
Admin – insurance	19,100	
Admin – office	15,280	An estimated 10% of office time is required to comply with regulatory requirements i.e. $1,528.
Rates and taxes - shire	3,820	Included for consistency with ProAnd 2012.
Rates and taxes – state payroll tax	0	
Registration – state for vehicles	1,910	Included as a state based charge.
Registration – ALFA and Others	5,730	Not a government imposed cost.
Services – phone, consultants, QA lab	19,100	
Repairs and maintenance – pens, water, waste management, plant, equipment and other	32,470	Estimate for waste management R&M is directly applicable to state based compliance regulations i.e. $19,100.
Energy – fuel and oil	28,650	Fuel used in feedlot is assumed to be diesel and eligible for rebate, no cost incurred.
Energy – electricity	3,820	Utilities: to come extent still regulated and subject to additional cost impost (e.g. renewable energy policy). An estimated 10% of total cost is attributable to utilities regulation
Water	3,820	Water is a significant regulatory cost for the feedlot industry e.g. administration costs associated with eater licences – 25% of total

Item	Small Scale Cattle Feedlot $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
		water cost is estimated as attributable to environmental regulation.
Other	0	
Total Cash Costs	**8,303,566**	
Cash Surplus	**94,704**	

Time cost for the feedlot sector to comply with government imposed regulations and rules have been included in the above analysis.

6.2.7 Qualitative Analysis of Regulatory Benefits – Small-Scale Cattle Feedlot

The benefits of regulation to a small-scale cattle feedlot are consistent with those described for a large scale cattle feedlot in Section 4.2.4 above.

6.2.8 Summary and Conclusions – Small-Scale Cattle Feedlot

From consultation and analysis of small-scale feedlot data it can be estimated that government-influenced costs totalled $372,830 including compliance labour. This cost estimate is equivalent to:

- 4.4% of enterprise revenue of $8,398,270
- 4.5% of enterprise expenses of $8,303,566

Significant cost items are similar to ProAnd 2012 and the large-scale cattle feedlot analysis – transport, biosecurity, animal welfare and levies.

7 Rangeland Goat Producers and Harvesters

7.1 Goat Industry Concerns with Regulation

Ostensibly the main incursions from regulation on goat production relate to land use and environmental management. Labour inputs in the sector are moderate and are normally applied for managing mustering and capture e.g. separating nannies from billies and then further sorting for estimated weight ranges, horned/non-horned and conformation. Like sheep production enterprises, a high proportion of rangeland production and harvesting businesses utilise family labour and thus on-costs are somewhat mitigated. This was borne out in MLA:2013 which found rangeland businesses had a lower labour cost relative to other businesses including dairy goat/fibre goat businesses. Also, because rangeland businesses tend to use contract labour, costs of fuel and other inputs of this type may be caught up in the contractors' cost and not fully reflected in the costs presented here. This research used a different financial year however the results are not expected to be dissimilar. Overall, rangeland enterprises have low supplementary feed expenses as well as low labour related expenses.

Other regulatory imposts identified in the industry consultation include restrictions on vehicles' carrying weights for livestock transporters. Also common is the need identified by several respondents to lease additional land on which to run unmanaged goats. Tree-clearing laws often restrict clearing of mulga and other bush vegetation which means lower stocking rates and an increased need to source other lands.

In addition, Qld and WA now require land condition assessments to be made for lease renewals in the marginal areas that have traditionally been associated with rangeland goat production. In Qld, for

example, assessments are now required for rural leasehold land leases issued for terms of 20 or more years on areas of 100 hectares or more. A subsequent land management plan is then required which can be costly to commission and implement. Respondents also raised the impact on productivity levels from wild dog and wild pig incursions, in part caused by regulations about use of poisons and eradication methods.

Goats must comply with provisions of the National Livestock Identification System (NLIS) enabling the mob or group to be traced once they leave farm of origin and enter a saleyard or are exported live. Goats that are moving to an abattoir from the property on which they were captured do not need to be identified with an NLIS device. Harvested rangeland goats must be identified with an NLIS tag if the goats are retained in a goat depot for longer than 10 days or are to be moved from the goat depot either to another depot; any other property; a saleyard for sale; or for live export. . GICA sees benefits in traceability but considers that the current system meets traceability performance standards and that imposition of a requirement for an individual electronic tag on all goats before movement would represent a major financial impost on producers and would require significant resources to bring into effect.

GICA has also advocated that, while the rangeland industry is only a small user of agvet chemicals and products, the regulations imposed by the Agricultural and Veterinary Chemicals Legislation Amendment Act 2013 would potentially increase the cost of production to producers and further restrict the limited range of agvet chemicals that are realistically available for goat producers to use.

Table 20 summarises the response of the industry's peak council Goat Industry Council of Australia (GICA) members and others to the issues raised by the Productivity Commission. The content of this table informs the regulatory cost analysis of the sector. It also was referred from submissions and reports released by (GICA); an MLA report from a Goat Costs of Production workshop held in November 2013; and consultation and data gathering with some of GICA's officers and with enterprises located in Vic, NSW and Qld. There is no comprehensive ABARES data available for the rangeland sector at the time of report preparation.

Table 20 - Goat Industry Response to the Productivity Commission's Issues Paper

PC Question	Goat Industry Response
Overarching • Are there systematic problems with government regulatory approaches? • What reform options are appropriate?	• State-by-state anomalies on some regulatory issues make it difficult to frame an industry-wide response
Land use planning • Are particular land use planning restrictions overly burdensome? • Are there issues with pastoral leases? • Does native title affect business decision making?	• Some conditions of land use in some states can limit pastoralists' capacity to make productivity gains in an ecologically sustainable manner • Lack of willingness for land services bodies and state government entities to allow eradication of pests e.g. kangaroo, wild dogs and pigs is directly affecting productivity and commercial returns
Environmental protection • What excessive and unnecessary costs do environmental protection regulations impose? • Are there greater impacts on certain classes of agricultural business? • Are there examples of best practice	• South Australian legislation effectively prohibits expansion and development of the rangelands goat industry there due to environmental protection requirements • Land clearing laws can largely prevent removal of scrub in Qld/NSW for better pasture management, thus having an impact on productivity

PC Question	Goat Industry Response
overseas that could be adopted in Australia?	
Access to technologies and chemicals • Are GM restrictions hurting the industry • Can improvements in the regulation of 'agvet' chemicals be made?	• Lack of availability of some ag-vet chemicals means that goat producers in some regions have difficulty controlling worms in rangeland production enterprises which directly affects productivity and commercial returns • Requests for exemptions and licenses is time-consuming, compounded by poor internet access at times • Goat producers agree that current registration procedures for chemicals should be expedited to get chemicals available for on-farm use but without compromising market access
Water • Are there aspects of the water market that are imposing an unnecessary regulatory burden on farm businesses?	• Overall this is a low impact area for rangeland goat producers
Transport • Do transport regulations impose unnecessary burdens on agricultural producers? • Are there aspects of coastal shipping regulation that are unnecessarily burdensome to agriculture?	• Transport represents a major cost for rangeland goat producers and harvesters: they seek better harmonisation of state regulations with the new National Heavy Vehicle Accreditation Scheme • Their returns are defrayed by transport costs that include provision for driver fatigue laws, effluent spill precautions, weight/mass restrictions in some areas, in addition to OHS requirements
Animal welfare • Do animal welfare regulations materially affect the competitiveness of livestock industries? • What are the animal welfare regulation reform priorities? • Have recent reforms (e.g. ESCAS) delivered net benefits to the community?	• This primarily impacts operators who produce goats for live export and their concerns are similar for the live exporters of cattle and sheep - that animal welfare requirements should be directed at welfare of animals not the political objectives of the animal rights lobby
Biosecurity • What improvements to government export certification processes? • Are biosecurity audits unnecessarily burdensome? • Will the new Biosecurity Act 2015 achieve its aims? • Are import risk assessments (IRA) balancing the costs to importers and the benefits to Australia? • Useful overseas examples?	• Goat producers feel they bear a disproportionate share of costs for export certification particularly in regard to ante-mortem inspection requirements. • GICA states adoption of a full-blown NLIS system for goats would make the industry uneconomic and is mostly redundant due to the rangeland nature of the product. • GICA supports an NLIS that is 'affordable, nationally consistent and meets national traceability standards [including] enhancing the existing mob-based [but not] the introduction of a mandatory electronic identification system with or without exceptions, as this would involve signification financial commitment from producers and the industry as a whole.'
Consumer related regulation • Are food safety standards appropriate?	• CCA would like to see more work with respect to truth in labelling. Misrepresentation of Australian grass fed beef is costing the Australian industry

PC Question	Goat Industry Response
• Are differences in food safety standards between states an issue? • Do food safety audits create an unnecessary regulatory burden? • Do food labels place unnecessary burdens on agricultural producers?	• Proposed compulsory labelling showing Australian content and the kangaroo emblem is detrimental to Australian beef. We do not want domestic or export customers concerned that kangaroo has been substituted for beef
Competition regulation • Where are the restrictions on competition in the agricultural sector or its supply chains? • Which areas of regulation that affect competition require reform?	• Major concerns around lack of competitiveness stem from regulations which direct affect land productivity e.g. pest control and eradication, clearing laws and requirements, plus time delays in livestock transport times which serve to restrict average carcase weights and reduce revenue.
Investment • Are there regulatory impediments to domestic or foreign investment in agriculture?	
Other • Climate change • Labour costs	• Potential to participate in carbon sequestration schemes • Oncosts associated with permanent part-time labour and casual labour are keenly felt as well as for OHS and workers' compensation • Rangeland producers feel they carry disproportionate responsibility for risk free work environments in their industry • Failure of state governments to effectively manage control of predators e.g. wild dogs particularly in state forests/parks which reduce productivity in the rangeland areas

7.2 Rangeland Goat Producers - Regulatory Cost

7.2.1 Analysis Description

The rangeland goat industry[2], as well as feral capture businesses, have benefited in recent years from increased demand for goat meat particularly in the export market. This has been borne out in higher over-the-hooks (OTH) and contract prices. In 2014-15 Australia exported approximately 35,000 tonnes (shipped weight) of goat meat carcases and cuts: OTH indicators were roughly 45% higher in late 2015 than in the previous year at around 480cents/kg liveweight. Enterprises in this sector advise that market conditions are better and more consistent than in previous years and that the industry is now better placed to respond to demand from export markets for lean goat meat and that markets are more diverse than previously.

Rangeland goat production is an important and emerging industry which enables enterprises in low rainfall and marginal rainfall areas to achieve better farm returns, particularly those which may have left sheep and wool production due to lower prices and existence of predators. Rangeland goat production can add value to mixed farming operations particularly in marginal areas by utilising existing fencing and other infrastructure, taking forage off poorer type of country and reducing weed

[2] Rangeland goat is defined by GICA as a composite goat breed which has become naturalised in rangelands areas. Over the past decade, rangeland production has become more viable and has moved away from only opportunistic harvesting of feral goats to increasingly managed production systems e.g. the removal of more male animals from the herd; focussing on better carcase weight and conformation parameters.

growth, all while requiring less maintenance and husbandry than sheep and cattle. GICA estimates that up to 90% of goatmeat exports in 2015 were sourced from rangeland enterprises. With an average carcase weight of 15.5 kg, lean goat meat is popular in domestic ethnic markets and in key export markets such as US, Taiwan and Caribbean. Total goat exports in 2015 were valued at approximately $243 m (FOB). Australia is the world's major goatmeat exporter and is in a good position to capitalise on consumer growth in foreign markets by moving more livestock into managed herds.

7.2.2 Impact of Government-influenced Costs and Charges in 2008-09

The ProAnd (2012) report estimated that government-influenced costs incurred by typical rangeland goat producers and harvesters were in the order of $23,500.00 per annum or 8.8% of total costs. These costs accounted for around 75% of enterprise revenue. At that time, the main government-influenced costs for rangeland goat producers related to land use and leases as well as labour on-costs for hired workers.

7.2.3 Review of Contemporary Data, Literature and Consultation Outcomes

There has been little work done on examining the costs associated with rangeland goat production with the exception of the 2013 study by MLA, the results of which were incorporated into this report. it is apparent that rangeland goat production is a viable business model and an important revenue source for many producers. One of the salient points to emerge from the MLA study was that, based on a survey of a relatively small number of rangeland goat and fibre goat enterprises, the industry has relatively low costs of production based on limited research from MLA with around 90% of goat meat being produced for less than $2.50/kg dressed weight. This research also bore out the hypothesis that around 90% of total production comes from rangeland or harvesting operations.

7.2.4 Representative Industry Analysis – Goat Producers 2014-15

The representative enterprise examined here is located in NSW and produces in excess of 15,000 rangeland or 'unmanaged' goats per annum requiring minimal inputs and husbandry. They are harvested in reaction to market demand and yield around 10,000 head annually off the property. Financial data for the enterprise is summarised at Table 21 below.

Table 21 - Rangeland Goat Production and Harvesting: Government-influenced Costs and Charges 2014-15

Item	Rangeland Goats 2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Producer goat sales (10,000 head)	520,000	
Other receipts	na	
Total receipts	**520,000**	
Cash costs		
Goat / Other livestock purchases	250,000	Top-up for contract for domestic market
MLA Levy	3,770	$0.377 cents/hd i.e. $3,770

Item	Rangeland Goats 2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Mustering, yarding, other work	11,850	Includes labour on-costs: 15% of total contracts value i.e. $1,778
Supplementary Fodder	4,550	Fuel excise and fodder transport regulations. Fuel excise payable by fodder transport company which also incurs costs associated with state fodder transportation regulation – estimated at 10% of total fodder cost (NB: excise is 30% of fuel cost) i.e. $455
Freight	3,780	Excise and animal welfare: 30% of fuel cost for excise. Animal welfare and OHS estimated at a further 10% (40% in total) to meet new time off water and driver fatigue requirements for transported livestock, i.e. total government related cost of $*i.e. $* freight and animal welfare.
Fuel, oil and grease	37,500	Excise: fuel used on-farm is assumed to be diesel and eligible for primary producer rebate, no cost incurred.
Electricity	2,590	To some extent still regulated and subject to additional cost impost (e.g. renewable energy policy). Regulation impact estimated at 20% of the total cost i.e. $518.
Interest	4,800	
Hired labour - wages	6,950	This figure is net of superannuation and OHS costs which are presented in the rows below
Hired labour - other (super A)	810	Superannuation is legislated: total cost is applicable.
Industry systems compliance incl NLIS	1,100	Includes eartags or other mob recording systems
Hired labour - workers' comp.	275	OHS is legislated: total cost is applicable.
Accounting	2,100	Tax and superannuation compliance cost - total is applicable
Bank and Legal Fees	500	Included at 100%

Item	Rangeland Goats 2014-15 $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Other Services and Admin Costs	12,200	Office and administrative records maintenance, phone and communications.
Shire rates - land	5,370	Included at 100 (but not applicable in all cases)
Licensing and permits	1080	Includes water licences, 100% relevant
Land leasing rent	4,950	Leasing of additional land to offset production lost through restrictions on Mulga clearing and lower stocking rates – 100% of this cost included as regulatory related.
Land maintenance, Landcare or similar	670	Land stewardship is underpinned with regulation controlling invasive plants/animals, include 100%
Vehicles, plant hire, equip leasing	24,800	Vehicle registration-costs: estimated at $1,750 for a single vehicle
Other cash costs	3,700	
Total cash costs	**$383,345**	

Source: PAA analysis of private data

7.2.5 Qualitative Analysis of Regulatory Benefits – Rangeland Goat Producers

As outlined above, rangeland producers have seen improved values in the past decade although most would be hesitant to attribute this situation to the presence of regulations across the issues discussed. Table 22 lists the main regulatory areas that pertain to rangeland goat production.

Table 22 - Benefits Attributable to Government-influenced Costs and Charges – Rangeland Goat Production

Regulation Type	Industry Benefits	Community Benefits
Animal welfare	Retention of the industry's good corporate citizenship standing as with other examples	Recognition of industry as a good means of managing rangeland goat population
Disease control	Healthier and more productive livestock	Improved animal welfare outcomes overall
Environment	Retention of the industry's good corporate citizenship standing	Effective managers of weed infestation in rangeland areas.
Food safety	Consumer confidence in goat	Improvements in community

Regulation Type	Industry Benefits	Community Benefits
	meat product and increased sales.	health from the product
Indigenous	Not applicable	Not applicable
Land use	Better utilisation of marginal land	Additional biodiversity and any additional carbon capture and storage
Labour on-costs	Coverage in the event of a work related accident. Superannuation to fund employee retirement	Better outcomes for people employed in the industry. Lower costs for compensating injured workers' and old age pensions
Regulation of the industry, inspection fees and industry levies	Recognition of industry's relevance and access to revenue streams for marketing, research, development and disease control.	Spillover benefits associated with industry R&D.
Transport	Excise on fuel – Nil	Excise on fuel – general government revenue for community priorities.
Utilities	Controls that prevent price gouging on electricity	Revenue from state owned utilities plus controls that prevent price gouging on electricity.
Rates	Services including maintenance of property access roads	Revenue for local services
Miscellaneous regulatory costs	Registration – safe vehicles	Registration – safe vehicles on public roads.

Source: PAA analysis

7.2.6 Summary and Conclusions

From the above analysis an estimate of government-influenced costs and charges totalling $25,121 was arrived at for rangeland goat operations in 2014-15. This total estimate is equivalent to approximately:

- 4.6% of enterprise revenue of $520,000
- 6.24% of enterprise expenses of $383,345

The main regulatory cost items for rangeland goat operations are land rates applicable to many but not all operations in addition to components of transport costs in the form of excise and road regulations. Improved revenue levels in the past 24 months have assisted management of these regulatory costs compared to the previous period reviewed when live animal values were lower and market outlook was inconsistent.

8 Beef and Sheepmeat Processors

This section examines the reported impact on revenue and expenses of government costs and charges for specialist beef processors and sheepmeat processors in the period 2014-15. The

assessment also provides a qualitative assessment of benefits associated with relevant costs and charges.

8.1 PROCESSING SECTOR CONCERNS WITH REGULATION

Four main points emerged from consultation with processors about regulatory costs: the new export inspection system of full cost recovery; labour on-costs; the growth of quasi-regulatory customer audits; and greater food safety requirements. Other regulatory costs that concern businesses were fuel excise charges and increased expenditure on worker health and safety provisions and safety training.

When the Commonwealth Department of Agriculture moved towards a fully cost recovered arrangement under the new Australian Export Meat Inspection System (AEMIS) many processors stated they were ill-prepared for the sharp increase in costs but also reject the argument that it has delivered any financial savings to their businesses. This has been the subject of a separate and detailed submission to the PC in February 2016 (AMIC 2016).

Meat processors also mentioned costs of developing and maintaining environmental management plans as an obvious source of regulatory impost and time-to-comply obligations. Facilities are licensed by state environmental bodies to which they must submit annual or even monthly reports on water and soil results. There is now a requirement in NSW that these be posted on company websites if such exists. Additionally, processors must respond to NGERs and NPI reporting requirements annually to estimate greenhouse gas emissions and pollutants. Table 23 sets out processors' responses to the PC's Issues Paper.

Table 23 - Processor Responses to the Productivity Commission's Issues Paper

PC Question	Beef Industry Response
Overarching • Are there systematic problems with government regulatory approaches? • What reform options are appropriate?	• Inflexible approach to issues like inspection, plant approval and certification
Land use planning • Are particular land use planning restrictions overly burdensome? • Are there issues with pastoral leases? • Does native title affect business decision making?	• State-based development applications can be onerous. Other issues of low relevance.
Environmental protection • What excessive and unnecessary costs do environmental protection regulations impose? • Are there greater impacts on certain classes of agricultural business? • Are there examples of best practice overseas that could be adopted in Australia?	• Rulings on vegetation clearance can impede expansion of irrigation and effluent treatment areas • Environmental reporting by abattoirs takes on additional burden every year e.g. NPI, NGERs, state agencies, audits, obligations for web-based reports • Obligations perceived as greater for processors with noxious industry or residential land use nearby
Access to technologies and chemicals • Are GM restrictions hurting the industry • Can improvements in the regulation of	• low relevance

PC Question	Beef Industry Response
'agvet' chemicals be made?	
Water • Are there aspects of the water market that are imposing an unnecessary regulatory burden on farm businesses?	• Overall industry has responded well and can agree the benefits of reduced water consumption by plants
Transport • Do transport regulations impose unnecessary burdens on agricultural producers? • Are there aspects of coastal shipping regulation that are unnecessarily burdensome to agriculture?	• Processors are seeking harmonisation of state regulations through the National Heavy Vehicle Accreditation Scheme to accommodate the special circumstances of long haul livestock freight in northern Australia • Disparity in road transport regulations between state jurisdictions on driver fatigue laws, weight/mass restrictions, effluent spill.
Animal welfare • Do animal welfare regulations materially affect the competitiveness of livestock industries? • What are the animal welfare regulation reform priorities? • Have recent reforms (e.g. ESCAS) delivered net benefits to the community?	• Processors overall agree that new animal welfare regulations provide them with significant 'license to operate' advantages
Biosecurity • What improvements to government export certification processes? • Are biosecurity audits unnecessarily burdensome? • Will the new Biosecurity Act 2015 achieve its aims? • Are import risk assessments (IRA) balancing the costs to importers and the benefits to Australia? • Useful overseas examples?	• Processors assert that export certification is one of 3 largest costs for their operations and has become unwieldy and inflexible • May put them at a financial disadvantage against competitors • Government should absorb more of the cost • Government should reduce biosecurity related charges to industry through more efficient administration measures
Consumer related regulation • Are food safety standards appropriate? • Are differences in food safety standards between states an issue? • Do food safety audits create an unnecessary regulatory burden? • Do food labels place unnecessary burdens on agricultural producers?	• Some concern that there is inconsistency between states of food safety standards and food labelling requirements
Competition regulation • Where are the restrictions on competition in the agricultural sector or its supply chains? • Which areas of regulation that affect	• The live export trade is perceived as being subsidised by lower costs of production in overseas markets, enabling live exporters to offer producers a higher price in the marketplace and disadvantaging Australian processors due to on-costs, inspection costs and other burdens

PC Question	Beef Industry Response
competition require reform?	
Investment • Are there regulatory impediments to domestic or foreign investment in agriculture?	
Other • Labour costs • Climate change	• Labour costs are unacceptably high and processors should have more flexibility to negotiate suitable terms when industry conditions change • Meat industry has been unfairly targeted in climate change action agenda

8.2 PROCESSING SECTOR - REGULATORY COST

8.2.1 Analysis Description

As noted in the 2012 report, there has been considerable specialisation by species occurring in the processing sector: single species plants now predominate and provide an opportunity to attempt to identify the regulatory costs by size of plant and by species processed. This section of the report looks at regulatory issues which affect the beef and the sheepmeat processing sectors, then examines representative enterprises from both these areas. Red meat processing is a major employer of skilled and semi-skilled labour with approximately 27,500 workers involved in these tasks.

A major aspect of the business environment in the processing sector is the presence of many regulatory obligations to state and federal entities. Like producers and saleyard centres, processing companies must comply with rules about biosecurity, environmental protection, animal traceability and also animal welfare. The main arrangements are shown in Table 24 below.

Table 24 - Current state & territory regulatory arrangements for red meat processors

State / Territory	Public Health Acts	Industry Acts	Animal Health Acts	Other
New South Wales	• Food Act 2003 • Food Regulation 2010	• Meat Industry Act 1989	• Stock Disease Act 1923 • Animal Diseases and Animal Pests (Emergency Outbreaks) Act 1991	• Agricultural and Veterinary Chemicals Act 1994
Victoria	• Food (Amendment) Act 1997	• Meat Industry Act 1993	• Livestock Disease Control Act 1994	• Agricultural and Veterinary Chemicals Act 1994
Queensland	• Food Act 2006 • Food Regulation 2006 • Food Production (Safety) Act 2000 • Food Production (Safety) Regulation 2002	• Meat Industry Act 1993	• Stock Act 1915	• Agricultural and Veterinary Chemicals Act 1994
South Australia	• Food Act 2001 • Food regulations 2002 • Public and Environment Health Act 1987	• Primary Produce (Food Safety Schemes) (Meat Industry) Regulations 2006	• Livestock Act 1997 • Livestock Regulations 2013	• Agricultural and Veterinary Chemicals Act 1994
Western Australia	• Food Act 2008 • Food Regulations 2009	• Meat Authority Industry Act 1976	• Biosecurity and Agriculture Management Act 2007	• Agricultural and Veterinary Chemicals Act 1995
Tasmania	• Food Act 2003	• Primary Produce Safety Act 2011 • Primary Produce Safety (Meat and Poultry) Regulations 2014	• Animal Health Act 1995	• Agricultural and Veterinary Chemicals Act 1994
Northern Territory	• Food Act 1986 • Food Standards Regulations 1988	• Meat Industry Act 1996	• Livestock Act 2008	• Agricultural and Veterinary Chemicals Act 1994
Australian Capital Territory	• Food Act 1992		• Stock Act 1991 • Animal Disease Act 1993	

Source: Department of Agriculture 2015.

In addition to these regulatory arrangements, export-registered plants must meet additional regulations set by the Commonwealth which relate to importing country requirements and observance of these bilateral agreements underpins Australia's premium market access worldwide. In 2011 the inspection arrangements for export registered plants changed substantially wherein full cost recovery for government inspection and certification services was passed by to the exporter/processor (previously these costs were absorbed by the federal department). The consultation stage for this project confirmed that many businesses are still adjusting to the new regulatory framework and particularly to the increased cost to processors and approval system because processing operates typically on high volumes and thin margins. Higher inspection costs are difficult to pass on to the customer and may instead be passed back in terms of prices offered for livestock. This situation affects sheepmeat and beef processing businesses equally.

8.2.2 Impact of Government-influenced Costs and Charges 2008-09

The 2012 report found that significant regulatory cost items for this category of processor are labour on-costs, environmental monitoring and reporting charges, industry levies and systems along with provisions for worker safety and animal welfare. Regulatory costs for inspection systems and certification were expected to increase in line with new inspection fee arrangements.

8.2.3 Representative Industry Enterprise - Large Scale Beef Processor 2014-15

Five beef processors were consulted to ensure identification of the full range and impact of regulatory issues. Financial data was obtained for three plants, each operating as a single-species, export-registered facility.

The example is an integrated (slaughter, boning, freezing) beef processing company operating in Queensland with two shifts per day and throughput in the order of 150,000-170,000 cattle per year and employing approximately 500 workers.

Table 25 - Regulatory Costs for Large Scale Beef Processor

Item	Beef Processor $	Effect of regulation, extent of effect and type of regulation (from consultation)
Revenue - Sales and Charges	**371,500,000.00**	
Costs:		
Cost of Livestock	197,000,000	Includes $1,150,000 as representative of combined regulatory costs in livestock purchases e.g. NLIS, documentation, impact of trucking restrictions
Bank charges	14,988	100% included
Contract Hire	4,500,589	Assume 10% as on-costs and other charges ($450,058).
General Employee Costs	195,000	
Fuel & Water	880,000	
Energy	1,721,974	Utilities: to some extent still regulated and subject to additional cost impost (e.g. renewable energy policy). Regulation impact estimated at 20% of the total i.e. $344,390
Environmental Costs	285,000	Comprises annual testing obligations, monitoring plans, EPA annual returns, National Pollutant Inventory (NPI) returns, NGERs, laboratory tests for water and soil, etc.
Fees	121,091	Licenses and inspection fees
Freight	487,835	Excise applicable in this case: $87810 with fuel costs assumed to be approx 60% of total charges (primary producer rebate not relevant to livestock transport companies).
Inspection costs	650,000	100%. Routine plant inspection and product inspection costs

Insurances	871,560	Includes fire and property insurance
On-costs leave	2,579,000	100% mandated
On-costs payroll	997,512	100% mandated
On-costs superannuation	2,329,099	100% mandated
On-costs training	297,080	Training and skilling courses
On-costs workers' compensation	801,000	Compulsory for workplace-100%. Includes premiums and other charges in line with WC provision
Labour	22,300,000	
Land Taxes	13,495	100% included
Leases	105,695	
Legal/accounting	159,726	Assume 50% to ensure compliance with regulatory obligations.
Levies	489,000	Slaughter levies-100% regulatory cost.
MV fuel	90,877	Fuel excise tax applicable $27263: rebate not available to this sector.
MV leases	117,423	Assume 3% as stamp duty costs.
Office expenses	1,825,780	Incl motor vehicle registration at $480 each= $7200
OHS	1,565,169	100% related to regulatory cost.
Production costs	16,890,642	
Export market quota	2,508	Company purchases quote to enable shipment to selected markets. Quota scheme administered by govt: 100%
Repairs & Maintenance	3,776,987	
Rates	27,490	Assume 100% ; rates on premises plus irrigation areas maintained by company.
Salaries	$4,656,640	(on-costs included in items above).
TOTAL COSTS	265,753,162.10	Total regulatory costs amount to $12,322,538

Source: PAA analysis of private data

8.2.4 Summary and Conclusions

From the above analysis an estimate of government-influenced costs and charges totalled $12,322,538 is made for a large scale beef processor in Australia in 2014-15. As foreshadowed, regulatory costs for inspection systems have increased markedly since previous reporting period.

This total estimate is equivalent to:

- 3.3% of enterprise revenue of $371,500,000
- 4.6% of enterprise expenses of $265,453,162 (approximately 20% of non-livestock costs)

Significant cost items for the processors are labour on-costs, inspection charges and industry levies in addition to costs embedded in livestock transport charges, environmental management and monitoring and license fees as well as provisions for worker safety and animal welfare. Somewhat like live exporters, processors are trading businesses where a high percentage of total costs are incurred in the purchase of livestock: government-influenced costs and charges therefore accounted for around 19% of costs incurred after the purchase of livestock in 2014-15.

8.2.5 Representative Industry Enterprise – Sheep Processor 2014-15

Table 26 provides financial data for a large scale sheep-only processor, export-registered, slaughtering in excess of 1.5 million head per annum. The combined regulatory costs for the enterprise of $5,602,509 was equal to 2.5% of cash costs (or 25% of non-livestock costs) and 2.1% of sales revenue.

Table 26 - Regulatory Costs for Large Scale Sheep Processor

Item	Sheep Processor $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
Revenue – Sales	264,500,000	
Livestock costs	197,998,687	Include $1,108,000 as representative cost of documentation and transport regulatory burdens.
AQIS inspection	372,665	$372,665 100% regulatory cost. Routine plant inspection and product inspection costs
Bank charges	3,800	100% included
Energy	381,228	Utilities: to some extent still regulated and subject to additional cost impost (e.g. renewable energy policy). Regulation impact estimated at 20% of the total i.e. $76245
Audits	195,000	50% in line with industry statements, 97500
Environmental costs	217,845	$167,700 Comprises annual testing obligations, development of monitoring plans and annual returns, NPI returns, laboratory tests for water and soil, etc.
Freight	28,750	Excise applicable in this case: $5,175 with

Item	Sheep Processor $	Effect of regulation, extent of effect and type of regulation (from literature and consultation)
		fuel costs assumed to be 60% of total charges (primary producer rebate not relevant to livestock transport companies).
Fuel & Water	315,877	$31,587 assume 10% regulatory costs
MV fuel	54,878	$15914 Fuel excise tax applicable, rebate not available to this sector.
Insurance	127,455	
Leases	1,500	
Levies	297,000	100% mandated
Legal	35,118	17,559 included at 50%
Licenses	119,000	
Office	178,488	
OHS	345,982	100% related to regulatory cost. Includes clothing, personal protection equipment, other non-capital purchases
Production Costs	649,000	
Repairs & Maintenance	1,197,068	
Training	99,429	Training and skilling courses.
Work Cover	57,844	
Salaries	4,781,698	
Labour	9,158,922	
On-costs superannuation	1,370,000	1,370,000 100% mandated
On-costs Work Cover	632,877	612,877 100% mandated
On-costs Leave	1,115,000	1,115,000 100% mandated
On-costs payroll tax	651,087	651,087 100% mandated
Total cash costs:	220,424,514	Regulatory cost total of $5,602,509

Source: PAA analysis of private data

In the above analysis of costs for a major sheepmeat processor, labour on-costs as well as social licence costs are the major regulatory imposts after government inspection charges. In the consultation phase the same concerns were expressed by sheepmeat processors about the increased complexity and cost of the new AEMIS arrangements. All processors highlighted as well the additional costs they face due to wider environmental reporting obligations under state agency provisions in addition to NGERs at the federal level. An example given by NSW processors is the recent requirement for holders of EPA licenses to provide results of soil and water testing on a monthly or quarterly basis via the company website, in addition to publication and testing of a pollution incident response plan.

AMIC's submission to the Productivity Commission supports processors' assertions about the ballooning cost of compulsory audits that occur frequently, citing an export-registered processing plant with multiple market registrations wherein almost 200 days of audit were recorded in the previous 12-month period (this did not include the regulators' own audit nor the verification activities of the Department of Agriculture's on-site veterinarian. In most cases this situation necessitates a staff member being full-time to mange audits taking place at the plant, induction on-site and follow up of issues flagged.

8.2.6 Qualitative Analysis of Regulatory Benefits – Beef Processing Sector

The benefits of regulation to the beef processing sector are summarised in Table 27 below by setting out benefits that can be attributed to government-imposed costs and charges. It could be assumed that the same types of benefits accrue to sheep processors overall as those identified for beef processors.

Table 27 - Benefits Attributable to Government-influenced Costs and Charges – Australian Processors

Regulation Type	Industry Benefits	Community Benefits
Animal welfare	Retention of the industry's good corporate citizenship standing.	Increase in utility for those concerned about the humane treatment of animals.
Carbon pricing and abatement	Opportunities to sequester carbon produced in processing and wastewater treatment.	A lower carbon emission Australian economy.
Disease control	Access to premium markets worldwide due to superior animal health and food safety standards.	High value for exports of beef and sheep meat products. Animal welfare enhanced.
Environment	Retention of the industry's good corporate citizenship standing.	Responsible management of water use and of air, soil and water pollution; local amenity protected.
Food safety	Consumer confidence in beef and additional long term sales.	Mitigate outbreaks of food-borne illnesses.
Indigenous	Not applicable	Not applicable
Land use	Not applicable	Not applicable
Labour on-costs	Coverage in the event of a work related accident. Superannuation to fund employee retirement. Safe	Better outcomes for people employed in the industry. Lower costs for compensating injured workers and old age pensions. Safer

Regulation Type	Industry Benefits	Community Benefits
	delivery of livestock and lower long term freight costs (e.g. transport insurance cost savings)	roads with lower accident related costs.
Regulation of the industry, Inspection fees and industry levies	Revenue streams for red meat marketing, research, development and disease control.	Spillover benefits associated with industry R&D.
Transport	Safe delivery of livestock and lower long term freight costs (e.g. transport insurance cost savings)	General government revenue for community priorities.
Utilities	Controls that prevent price gouging on electricity.	Revenue from state owned utilities plus controls that prevent price gouging on electricity.
Rates	Services including maintenance of property access roads	Revenue for local services
Miscellaneous regulatory costs	Registration - Safe personal vehicles	Registration - Safe vehicles on public roads

8.2.7 Summary and Conclusions

From the above analysis an estimate of government-influenced costs and charges of $5,602,509 is made for a sheepmeat processor in 2014-15. This total estimate is equivalent to:

- 2.1% of enterprise revenue
- 2.4% of enterprise expenses (or approximately 24% of non-livestock expenses)

Estimated regulatory compliance costs for sheep meat processors appear to be marginally lower than those for beef processors included in this response. The main reasons for this have not been determined.

9 Government Assistance to Meat and Livestock Production

9.1 Background on Government Assistance

The earlier study (ProAnd 2012) compared the extent of regulatory costs and government assistance in the US beef industry and the NZ lamb industry and their subsequent impact on Australia's competitiveness. The current study does not updated these aspects due to time constraints, however, recent data about government assistance is included here for completeness.

The project team used Organisation for Economic Cooperation and Development (OECD) data sources to provide a basis for international comparison of support for producers.3 The OECD provides data at two levels:

- It provides a Total Support Estimate (TSE) for the agriculture sector of each member country, disaggregated into Producer Support Estimate (PSE), General Services Support Estimate (GSSE), and Consumer Support Estimate (CSE).

- A PSE estimate only is provided for the main commodities within the agriculture sector, including beef production and sheep production.

Recent estimates were obtained from OECD to update the information on assistance measures. These comprise:

- The publication Agricultural Policy Monitoring and Evaluation 2015 which provides commentary and data on trends in assistance to agriculture across the OECD and for each OECD member country.
- Detailed spreadsheets for Australia, NZ and US to provide the PSE (including its various elements) for the beef and sheepmeat sectors for each year from 1986 to 2014.

9.2 Broad Trends in Government Assistance to Agriculture

Collectively, the countries covered in the OECD report transferred an annual average of USD 601 billion to agricultural producers in the years 2012-14, as measured by the OECD Producer Support Estimate (PSE), and they spent an additional USD 135 billion on general services that support the overall functioning of the sector.

Average levels of support to agricultural producers in OECD countries and in emerging economies are converging: emerging economies, on average, have passed from taxing their agriculture in the 1990s to providing significant levels of support, while the historically very high level of support across the OECD area, on average, has declined. In recent years some large emerging economies have even begun to reach the average level of support provided by OECD countries. Across all 49 countries covered in the OECD report, 18% of gross farm receipts in 2014 stem from public policies that support farmers.

There have been some, generally positive, changes in the way support is provided to the agricultural sector in OECD countries, particularly in the important area of decoupling support from production:

- For the OECD area as a whole, gradual progress has been made in moving away from policy instruments such as market price support and input subsidies and towards policies that do not directly influence farm production decisions. This has occurred to different degrees and at different speeds, with changes particularly slow in the group of countries with the highest levels of support and protection.
- Some steps have been made towards addressing expressed long-term priorities such as environmental sustainability, innovation and risk management.

Despite these improvements, the OECD noted that some emerging economies are moving in the opposite direction, increasing the use of price and production-linked support policies. Across all 49 countries, 67% of support to farmers is directly linked to prices, output, or input use without constraints.

9.3 Changes in Government Assistance to Agriculture in Australia – 1986-88, 2006-08, and 2012-14

Australian agriculture receives the second lowest level of government support of all OECD countries, second only to NZ. In Australia, while government assistance to the agriculture sector has remained low and trended downwards over the past 25 years, there have been significant shifts in the type of assistance provided.

[3] WP to footnote

Table 28 - Government Assistance to Agriculture in Australia

	1986-88 A$	2006-08 A$	2012-14 A$
Total value of production at farm gate (TVP)	19,888m	40,016m	50,841m
Producer support estimate (PSE)	1,327m	2,696m	1,092m
PSE as a % of TVP	7%	6%	2%
General Services Support Estimate (GSSE)	132m	1,132m	1,106m
Research & Development	132m	619m	710m
Inspection Services	0	86m	105m
Infrastructure	0	411m	280m
Marketing & promotion	0	14m	11m
GSSE as % of TSE	10%	32%	50%
Consumer Support Estimate (CSE)	-547m	-250m	0
Transfers to producers from consumers	-424m	-1m	0
Transfers to consumer from taxpayer	-123m	-240m	0
CSE as % of consumer expenditure on agricultural commodities	-7%	-1%	0%
Total Support Estimate (TSE)	1,337m	3,578m	2,197m
Transfer from consumers	424m	9m	0
Transfer from taxpayers	913m	3,576m	2,197m
TSE as % of GDP	0.4%	0.3%	0.1%

Source: PAA analysis from public data. Figures are annual averages for the indicated periods.

Total annual support for Australian agriculture increased from A$1.3 billion in 1986-88 to just over A$3.5 billion in 2006-08, although as a proportion of Australia's GDP, support has actually declined from 0.4% to 0.3%. Total support declined to A$2.2m and only 0.1% of GDP in 2012-14.

Furthermore, there were a number of significant changes in the type of support provided:

- Although direct producer support (PSE as a % of Total Value of Production-TVP) remained relatively low and declining, there was a big decline in the most distorting forms of support – output linked support – and greater use of support not specific to a commodity.
- Support provided by way of research and development (R&D) continued to grow, but support via infrastructure and marketing has declined since 2006-08.
- The percentage of TSE provided through general services (GSSE) increased from 32% in 2006-08 to 50% in 2012-14.
- Costs imposed on consumers declined significantly from 7% in 1986-88 to 1% in 2006-08 largely as a result of liberalisation of the Australian dairy sector in 2000. Such costs had ceased entirely by 2012-14.
- All support now comprises much more transparent transfers from taxpayers to producers, rather than transfers from consumers to producers via price support schemes.

9.4 Comparison of Government Assistance to Agriculture in Australia, US & NZ

OECD provides a comprehensive set of measures, at the agricultural sector level, to allow the level and type of support provided to producers in Australia to be compared with that provided to producers in the US and NZ, two major competitors in international beef and sheepmeat markets.

Table 29 - Government Assistance to Agriculture in Australia, US and NZ – 2012-14

	Australia $A million	US US$ million	New Zealand NZ$ million
Total value of production at farm gate (TVP)	50,841	393,035	23,717
Producer support estimate (PSE)	1,092	34,565	192
PSE as a % of TVP	2%	8%	1%
General Services Support Estimate (GSSE)	1,106	8,132	514
GSSE as % of TSE	50%	9%	73%
Consumer Support Estimate (CSE)	0	40,900	-151
CSE as % of consumer expenditure on agric commodities	0%	16%	-4%
Total Support Estimate (TSE)	2,197	90,111	706
TSE as % of GDP	0.1%	0.5%	0.3%

Source: PAA analysis from OECD data

Overall, the US provides approximately five times the level of government assistance to its producers compared with Australia, although assistance in both countries has declined since 2006-08. Assistance provided to NZ producers has increased since 2006-08, from 0.2% to 0.3%, and is now higher than is provided to Australian producers. This increase has largely come in the form of assistance for R&D and inspection services.

Both Australian and NZ governments provide a high and increasing percentage of their support for their agriculture sector by way of general services. In contrast, the US government has reduced significantly the level of such support. This decline was as a result of a big reduction in marketing and promotion assistance from USD 33m in 2006-08 to just over USD 1m in 2012-14.

9.5 Comparison of Government Assistance to the Livestock Production Sectors in Australia, US and NZ

As previously mentioned the OECD provides Producer Support Estimate (PSE) data for commodities within the agriculture sector. PSE data is available for each year from 1986 to 2012 for cattle and sheep producers in Australia, and for cattle producers in the US, and sheep producers in NZ. The data confirms that historically livestock producers in all three countries have received very low levels of direct government assistance, dropping to zero levels in recent years.

The PSE data, comparing Australian and US beef producers, and Australian and NZ sheep producers, can be summarised as follows:

9.5.1 Support to beef producers

- Australia – effectively zero direct government assistance from 1986 to 2012.
- US – low level PSE as % of farm gate production from 1986 to 1993 (1986 1.31%, 1987 2.17%, 1988 to 1992 negative or less than 1%, 1993 1.8%) and thereafter negative or zero. Although livestock producers in the US no longer receive direct government assistance, they are likely to benefit indirectly from assistance provided for other agricultural products.
- In particular they are likely to benefit indirectly from government assistance provided to producers of a large number of crops, including fodder crops such as corn, sorghum, wheat, barley, and oats, as indicated in the US Census of Agriculture farm financial data.

9.5.2 Support to sheep producers

- Australia – low level PSE as % of farm gate production from 1986 to 1990 (1986 1.48%, 1987 0.89%, 1988 1.67%, 1989 1.96%, 1990 2.91%), thereafter, following the demise of the wool reserve price scheme, zero
- NZ – zero direct government assistance from 1986 to 2012

9.6 General Information on Government Assistance to Agriculture

OECD data does not always account for some specific types of government assistance provided at farm level in Australia, particularly assistance from sub-national levels of government. It may not include some of the following assistance measures:

- Exceptional Circumstances Programmers (Commonwealth government)
- Federal and state expenditures related to the provision of information, training and services directly to farmers. This category includes technical assistance components of other programmes, such as conservation programmes
- Programs such as FarmBis which provide financial support for farmer participation in learning activities to improve business management and natural resources
- Fuel tax rebates for the production sector
- Deferral of interest charges on business loans in the agricultural sector
- Government payments related to animal identification systems and disease eradication programs

9.7 Summary

Information presented in this section confirms the findings from the 2012 study that both the beef and sheep production industries in Australia receive little government assistance in any of the forms recognised in other OECD member countries. It also confirms that, with some exceptions, there is a gradual move in emerging economies away from within the OECD an

10 TIME TAKEN FOR REGULATORY COMPLIANCE

This chapter brings together results from the analysis in Chapters 2 to 8 of representative industry enterprises to answer key questions posed in the study's terms of reference. The chapter includes:

It is difficult to accurately quantify the amount of time taken by the different stages of production -on-farm, feedlot, live export, processing-to comply with specific and wide-ranging regulatory reporting requirements. Therefore the report seeks to shows the level of impact attributed to regulatory compliance by the major area of focus as mandays per annum, as depicted in Table 30 (low, medium and high impact). More detailed information could not be obtained in the timeframe without compromising the financial data also needed for the report. This approach has enabled some comparison between regulatory issues as to how much labour and time are required to meet obligations, and has also enabled comparison of results with the study from 2012. It is apparent that inspection/audit, food safety, industry systems and similar requirements occupy considerable time across most of the sectors. Land use requirements Animal welfare requirements range from medium to high impact for live export and processing enterprises.

Table 30 - Estimates of Time Taken to Comply by Regulatory Area of Focus

Area of Focus	Northern Beef Producer	Southern Beef Producer	Sheep Producer	Feedlot Large	Feedlot Small	Live Export Cattle	Live Export Sheep	Beef Processor	Lamb Processor	Rangeland Goat Producer
Animal welfare			M			H	H	M	M	L
Carbon pricing										
Disease control				L	L	M	M	L	L	
Environment	M	M	M	H	H			H	H	M
Food safety				L	L			H	H	
Indigenous										
Inspection						H	H	H	H	
Land use	L		L	L	L					
OHS	H	H	H	H	H	L	L	M	M	L
Regulation of the industry	L	L				M	M	M	M	L
Transport	M	L	L	L	L	M	M	L	L	M
Time taken to comply	L	M	M	M	M	H	H	M	M	L
Labour on-costs	M	M	M	H	M	M	M	L	L	L
Utilities	L	L	L	L	L			L	L	L
Rates	L	L	L	L	L					
Levies	L	L	L	L	L	L	L	L	L	
Building compliance	L	L	L	L	L	M	M	L	L	
Admin, accounting, bank fees, legal	L	M	M	H	M	M	M	M	M	L
Vehicle reg'n	L	L	L	L	L	L	L			M

L	Low Impact (< 5 mandays p.a.)	M	Medium (5-10 mandays p.a.)	H	High (>10 mandays p.a.)

11 CONCLUSIONS AND RECOMMENDATIONS

The report sought to estimate the cost of regulatory compliance along the supply chain for cattle, sheep and goats. It used industry records and enterprise financial data to allocate costs against a specific range of regulatory issues and 'hot spots'. It compared results of the first regulatory cost study done in 2012 based on the 2008-09 financial year.

For the beef production sector, separate analyses were conducted for northern and southern producers as scale of operations can have a major impact on results for these businesses. It found that in 2014-15 regulation cost for northern beef producers were around 10% of total revenue while southern beef enterprises recorded around 15% of revenue on regulatory costs. The bulk of these costs were in connection with transport, labour on-costs, shire land rates, environmental regulation and time taken to comply.

Highest priorities in terms of reform are associated with the following elements: greater reliance on self-regulatory systems, pastoral lease reform and the easing of vegetation clearing restrictions that impede property management. There is also scope for reform around increased use of overseas generated efficacy and safety data to inform agvet chemical registration (without forgoing trade risk assessments), further efforts to harmonise state transport regulations, deregulation of coastal shipping, as well as implementation of proposed 'Standards and Guidelines – Cattle' and measures to address lack of competition and potential for collusion in saleyards. Reining-in of worker on-costs also should be targeted from consultation results.

In regard to the sheep production sector, analysis suggested that in 2014-15 regulation cost Australian sheep producers around 16% of total revenue. Major cost items associated with regulation included shire land rates, labour on-costs, environmental regulation and time taken to comply. The report noted that in relative terms land use planning costs were less significant than recorded in the initial ProAnd report from 2012.

Recommendations for action in regard to regulatory costs for the sheep sector include the need for the three tiers of government to work closely together to achieve a consistent regulatory position, as well as encouraging a shift from underfunded government inspection driven systems to those that are industry led and endorsed. There is also major scope for reform in land use planning that will recognise 'right to farm' values as well as reasonable approval costs for farm buildings and rewards for sound environmental stewardship. Producers and other stakeholders want greater certainty around vegetation clearing regulations, synchronisation of withholding periods for sheep after chemical use and harmonisation of state transport regulations. There is broad agreement that mob based identification of sheep should be retained until individual animal identification is required by the market. Producers also wish to see an investigation of regional buying monopolies, particularly in Western Australia, and have labour on-costs including induction training requirements re-appraised.

The feedlot sector component of the report produced interesting results. In brief, analysis was completed for a large scale and a small scale feedlot operation which suggested regulation cost in the order of 4.1% and 4.4% respectively of revenue in 2014-15. For feedlot operators, the major

regulatory costs included transport, biosecurity tasks, animal welfare, labour on-costs, levies and time taken to comply. There were lower costs recorded for environmental compliance than in 2012.

Recommendations for reform of existing regulations were informed by consultation and highest priorities included reform to the new feedlot development process, with greater consistency between Queensland and NSW Development Application requirements and greater reliance on self-regulatory systems including use of the National Environmental Code of Practice. There is a call for reform to enable improved access to next-generation veterinary medicines, further harmonisation of state transport regulations, alignment of driver fatigue laws with animal welfare requirements and a full review and reduction in costs associated with the Australian Export Meat Inspection System. These costs are passed back to feedlotters. Feedlotters also called for enquiries in relation to the ongoing consolidation of the beef processing sector in Australia, greater flexibility and administrative ease in employing Working Holiday and 457 Visa holders and containment of labour on-costs (again, including the cost of induction training.)

The analysis for exporters of live cattle to South East Asia, and exporters of live sheep from Western Australia to the Middle East was updated from 2008/09 to 2014/15. It found government-influenced costs as a percentage of total enterprise revenue fell slightly in 2014-15 to 5.9% (largely as a result of improved trading conditions) but also that they increased significantly when measured as a percentage of enterprise expenses (from 7.4% in 2008/09 to 9.2% in 2014/15.) In terms of greatest cost, sea freight, fodder and administration remained as major government influenced costs for live cattle exporters (fodder costs are a proxy for regulations regarding animal welfare during the voyage). The significant addition since 2011 of costs associated with the Exporter Supply Chain Assurance System (ESCAS) added over 13% to government-influenced costs in 2014/15. Government influenced costs for live cattle exporters are only about half the level (in terms of percentage of revenue and costs) incurred by northern beef producers. However the export of live cattle is a trading enterprise where 70% of total costs are incurred in the purchase of cattle for export. Government-influenced costs continue to account for almost 30% of costs incurred after the purchase of livestock.

Government-influenced costs, for live sheep exporters represented 9.7% and 8.4% of total enterprise revenue in 2008/09 and 2014/15 respectively and 11.3% and 10.5% of enterprise expenses in 2008/09 and 2014/15 respectively. Again, sea freight, fodder and administration remained major government-influenced costs for live sheep exporters. Assembly depot costs were much higher for sheep exporters because of government requirements that they spend sufficient time in the depot to accustom them to fodder pellets used during shipment, and to ensure sheep unfit to travel are culled from the shipment. ESCAS costs added almost 6% to government-influenced costs in 2014/15. Live sheep exporters do not face as high a level of government-influenced costs as sheep producers, but again these are 30% of costs incurred after sheep are purchased.

Aside from the regular costs identified in this study that are influenced by government, the federal department can from time to time impose conditions on the granting of an export permit that increase the cost of a shipment. For example, it can impose lower stocking densities at times of the year when there may be a higher risk of heat stress causing unacceptable mortalities during shipment.

Australian livestock exports face high and increasing levels of regulation. When account is taken of the fact that exporting livestock is a trading enterprise, government-influenced costs account for 30% of total enterprise costs. The introduction of ESCAS in recent years has added significantly to regulatory costs in this industry. There is mounting evidence that Australian livestock exports are becoming less competitive internationally: live sheep exports have fallen dramatically and some previously major markets such as Saudi Arabia no longer exist. Efforts should be made to reduce the regulatory burden faced by livestock exporters, consistent with ensuring the welfare of exported livestock, to ensure the industry remains competitive in the global market.

In regard to rangeland goat production, the main regulatory cost items were land rates applicable to many but not all operations. In addition regulation cost them in the form of fuel excise and road regulations. Government-influenced costs and charges represented around 4.6% of enterprise revenue and 6.2% of enterprise expenses

Improved revenue levels in the past 24 months have assisted management of these regulatory costs compared to the previous period reviewed when live animal values were lower and market outlook was inconsistent. Rangeland goat enterprises are keen to maintain a low level of intervention around livestock identification and to see state authorities better coordinate rules about transport regulations and animal welfare.

The analysis of the impact of regulatory costs on the meat processing sector (beef and sheepmeat) found that results for 2014-15 were roughly comparable with those for the previous period 2008-09, at 3.3% of enterprise revenue and 4.6% of enterprise expenses for beef (about 20% of non-livestock costs). For sheep processors, regulatory costs were equal to 2.7% of enterprise revenue and 3.1% of enterprise expenses for sheep. Regulatory costs were around 22-24% of non-livestock expenses. Significant regulatory costs were labour on-costs, industry levies and charges and environmental management. In the 2014-15 results, there was considerable concern about the cost and direction of the full recovery system of funding behind the AEMIS arrangements and, like the companies in the live export area, businesses want to see major changes to make the export certification system more cost effective. Regulatory costs as a percentage of revenue in the 2014-15 year would have been reduced by the highly buoyant trading conditions that prevailed at that time.

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