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Department of Agriculture
Agvet Chemicals Policy
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Submission on cost recovery

The National Farmers' Federation (NFF) welcomes the opportunity to comment on the Department of Agriculture's commissioned report: *First Principles Review of Cost Recovery at the Australian Pesticides and Veterinary Medicines Authority (APVMA)*. The NFF and its member organisations tend not to be regularly engaged in the registration of agricultural and veterinary chemicals. However, Australian farmers need a system of chemical registration that facilitates the introduction of new products onto the Australian market in a timely and cost efficient manner.

The NFF supports the rationale within the recommended framework for cost recovery that the assessment and registration process for agricultural and veterinary chemicals should be efficient, effective to reduce the cost of the process, and importantly transparent. On this premise, the report has failed to provide industry stakeholders with the necessary transparency around the impact of the potential changes to the cost recovery system on the Australian market for Agvet chemicals. It is the belief of the NFF that industry stakeholders should be provided with detailed modelling of these impacts to facilitate the required level of discussion that will assist industry and government in developing informed views on the changes proposed.

The NFF would encourage the Department of Agriculture to consider any changes, not just on policy principles, but with the end outcomes for farmers in front of mind.

While farmers will bear the impact of changes to APVMA through cost and access of products, chemical, registrants will be impacted directly by any changes to the cost recovery framework and are in a better position to understand the implications and potential direct costs for their sector. We therefore encourage the Department to work closely with registrants and their peak bodies, such as NFF-member Animal Medicines Australia, to ensure any changes will not inadvertently lead to unnecessary regulatory costs.

Beyond the lack of modelling accompanying the report, the NFF would like to cover a few issues briefly:

By dismissing a range of policy processes currently underway, the report limits its value. Specifically, by the report proposing that processes such as the recent Better Regulation of agricultural and veterinary chemicals reforms and attempts to reduce barriers to minor use permits are largely outside the scope of the review (page 36), the report fails to build a compelling case that its recommendations would be appropriate beyond a business as usual operating environment for the APVMA. This again, brings into question the appropriateness of accepting the recommendations of the report when they have not been developed with a long-term vision about the focus of the APVMA.

Australian farmers compete in international markets, and it is important that they have access to the tools which allow them to produce safe fresh produce in a cost effective manner; particularly when these productive tools are available to our international competitors. The costs of registration and timeframe around this process should not deter registrants from seeking to introduce new chemicals to the Australian market. The system should also provide for competition within this market to ensure Australian farmers pay a reasonable price for agricultural and veterinary chemical products. Any changes to funding structures and modelling undertaken should ultimately be viewed from this perspective.

Overall, while the NFF understands the rationale for cost recovery of many of the APVMA's functions, such as assessment of applications; it would be reasonable for other functions, such as community engagement activities and general information resources, to be funded by the Australian Government, given the broader public benefit of these activities. Further, the Department has previously indicated a level of public good exists in activities such as compliance (during hearings of the Senate Standing Committees on Rural and Regional Affairs and Transport into the *Agricultural and Veterinary Chemicals Legislation Amendment Bill 2012*) and therefore shifting costs purely to registrants sends an incoherent message from the Australian Government about the need to reduce unnecessary regulatory burdens. The NFF disagrees with the report's recommendations regarding a levy on products to fund general activities and the lack of consideration of Government contributions to other activities of the APVMA that have a broader public-good function.

On the matter of minor use permits, while the report accepts the permits should be subsidised it is silent on the appropriate level of subsidisation. On this basis it is reasonable for the NFF to be concerned that this entails an increase in the cost of minor use permit applications, which would have a detrimental impact on availability of chemical products for Australian farmers. While the application fee directly may not seem significant within the broader system, when compounded by preparation costs and potential data generation, the total cost may start to stretch beyond the reach of small industry groups. The principle of keeping costs at a minimum remains, particularly where it may limit farmers access to products through costs. NFF does not support an increase to the application fees for Minor use and emergency permit through this cost recovery review process.

Putting aside the argument around which specific activities should be cost recovered, the APVMA ultimately needs to be able to demonstrate to chemical users and registrants that it operates effectively and efficiently, and that its cost structures are fair and reasonable. The fee structure and any related changes need to be both transparent and measurable, underpinned by the opportunity for reviews of resulting structures and outcomes.

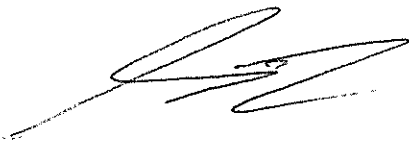
Any consideration of changes to the proportion of funding from up-front fees and sales-based levy, needs to be considered not in the context of benefits for the companies registering the products, but from the perspective from the ultimate end-user – farmers. The availability and price of products for farmers needs to be front and centre of any discussion. While companies that have a large market share should be encouraged to continue to invest in the Australian market, changes that would provide a disincentive for new players in the market need to be carefully analysed for the impact on competition and farmer access to the range of products they require now and into the future.

The NFF encourages the Australian Government to work collaboratively with industry and continue any further reforms of agricultural and veterinary chemicals through a more holistic approach. The NFF has been encouraged by recent steps taken by the Department of Agriculture to improve their approach. However, this consultation process, with a lack of accompanied impact analysis and modeling, is disappointing.

It will be important that any steps taken to change the funding structure of APVMA, are integrated with work on an effective minor use program and other steps to resolve the market failure currently leading to lack of access to agricultural and veterinary chemical products in Australia. The lack of a clear and coherent approach of these various processes will no doubt limit the opportunity for improved outcomes.

The key challenges outlined above are certainly not exhaustive and it will be essential that Australian Government and the APVMA continue to work closely with industry to identify and address future influences on the management of agricultural and veterinary chemicals in Australia.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon Talbot', with a long horizontal stroke extending to the left.

SIMON TALBOT
Chief Executive Officer