National Residue Survey (Excise) Levy Amendment (Deer) Bill 2011

Juli Tomaras
Law and Bills Digest Section

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National Residue Survey (Excise) Levy Amendment (Deer) Bill 2011

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House: House of Representatives
Portfolio: Agriculture, Fisheries and Forestry
Commencement: The day after receiving Royal Assent

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill's home page, or through http://www.aph.gov.au/bills/. When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the ComLaw website at http://www.comlaw.gov.au/.

Purpose

The Bill amends the National Residue Survey (Excise) Levy Act 1998 (the Act) to increase the maximum rate (cap) of the National Residue Survey (NRS) component of deer slaughter from 4 cents to 10.5 cents per kilogram of carcase weight. This increase will therefore cover the Deer Industry Association of Australia's (DIAA) recent request for the NRS component of the levy to be increased from 4 to 6 cents per kilogram of carcase weight, as well as providing (up to the amount of the cap) for future increases in that component which the DIAA may request, without the need to make another amendment to the Act. It should be noted that the DIAA requested increase from 4 to 6 cents per kilogram of carcase weight was achieved by a reduction in the research and development component from 4 cents to 2 cents per kilogram, thus there was a re-apportionment of the levy.

The increase in the NRS component was necessary to ensure sufficient revenue ‘to support a residue monitoring program that includes sufficient samples to ensure access to key export markets for deer producers.’

The Australian on-farm deer population has declined, especially since the onset of drought in 2002, though this has not been the sole or dominant explanatory factor. The decline in numbers

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2. Explanatory Memorandum, National Residue Survey (Excise) Levy Amendment (Deer) Bill 2011, p. 2.
3. ibid.

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slaughtered has negatively impacted on the amount of money raised through deer levies which are used to support the important work of the residue monitoring program.

**Background**

Deer farming mainly takes place in Victoria, South Australia, New South Wales and Tasmania, with some tropical species in Queensland and Western Australia. The bulk of venison produced in Australia is destined for overseas markets.\(^5\)

**The NRS** is an operational unit of the Food and Product Safety and Integrity Branch of the Product Integrity, Animal and Plant Health Division within the Department of Agriculture, Fisheries and Forestry (DAFF).\(^7\)

**Residues, health and trade**\(^8\)

In agriculture, the term ‘residue’ is generally used to describe a small amount of a chemical or its breakdown products which remain in or on a product. In the context of food safety concerns, the term ‘residue’ can also include environmental contaminants such as metals, or chemicals [...]. These may be present in food either through natural circumstances or as a consequence of industrial or agricultural activities.

Conventional agricultural systems depend extensively on the use of a wide range of agricultural and veterinary (agvet) chemicals. Current analytical technology can detect such chemicals at very low concentrations. It is therefore to be expected that a wide range of chemicals will be detected in agricultural products and, in fact, in all products of the natural environment.

In these circumstances, the detection of a residue is not a matter of concern except when the use of the relevant chemical is unauthorised or its concentration is greater than a limit set in either the context of trade (domestic, export and import) or human health. [...]

Food standards take into account residue levels that are normally likely to occur (environmental contaminants), and the amount that should not be exceeded if good agricultural practice has been followed (agvet chemicals). The average daily intake is normally established at a level 100 times lower than the ‘No Observable Effect Level’, so residue standards have a large built-in safety factor. However, climate, geography, pests, diseases and products vary from country to country, and therefore differing limits may be set for particular residues in certain products in other countries.

The general purposes of residue monitoring are to:

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8. Ibid.

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• provide an estimate of the occurrence of residues in products (based on sampling procedures and statistical probabilities)

• confirm (or otherwise) that residues in products are below set limits, and

• alert responsible government authorities and industry if and when limits are exceeded so that corrective action can be taken.

Objectives

NRS residue monitoring is part of an overall Australian Government strategy to minimise chemical residues and environmental contaminants in food. NRS can also assist in identifying potential problems including failure to comply with good agricultural practice, and can indicate where follow-up action is required to maintain Australia’s reputation as a supplier of produce that meets domestic and international market requirements.

Operating environment

The World Trade Organisation Agreement on Sanitary and Phytosanitary Measures (WTO SPS Agreement) came into effect in 1995 following conclusion of the Uruguay round of multilateral trade negotiations. Implemented by member countries, it provides measures to safeguard the health and lives of humans, animals and plants, and allows for scientific scrutiny. The WTO SPS Agreement also requires such standards to be based, as far as possible, on international standards [...].

This important change to the trading environment for Australian agricultural industries focused attention on the need for residue standards to be scientifically based and for data from residue testing programs (such as those conducted by NRS) to be capable of withstanding scientific scrutiny.

Some countries that import Australian meat products require a Government residue monitoring program in the country of origin, as a condition of entry for certain products. These countries include the United States of America and the European Union, both of which audit the operations and results of NRS random residue monitoring surveys. Canada, Mexico, Japan and Korea have conditions of entry similar to the United States. [...] Most countries require that imported food commodities are certified as complying with agreed chemical residues limits. The Australian Quarantine Inspection Service (AQIS) certifies meat products on the basis of NRS monitoring surveys.

The results from NRS residue testing facilitate certification of commodities for export (when this is required) and compliance with requirements for domestic consumption. NRS random monitoring projects assist participating industries to maintain long-term access to, and competitive advantage in, important markets. They also support agricultural and food

9. ibid.
10. ibid.

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promotions in new and potential markets and serve as yardsticks against which industry-operated quality assurance schemes can be validated.

**Funding**

Since legislation was enabled in 1992, NRS has operated under full cost-recovery. NRS is largely funded by industry, with projects being funded in several ways:

- direct funding via industry levies, and interest earned on the short-term investment of industry funds held in industry equalisation accounts (IEAs)
- direct payments from industries - for example, projects undertaken under contract
- payments from laboratories for participation in proficiency testing
- payments from external clients for provision of proficiency testing services.

NRS is also funded through the community service obligation appropriation of the Australian Government for activities related to national and international residue control.

**Financial implications**

The Explanatory Memorandum states that the increase in the cap on the NRS component of the levy will have no financial impact on the Australian Government and affected parties. It also states:

> The Rural Industries Research and Development Corporation confirmed that the reduction in the R&D component of the levy is acceptable considering the industry’s circumstances and should not impact future deer-related projects.

However, it appears a bit difficult to align the acceptance by the Research and Development Corporation (RIRDC) with two statements on the website of the RIRDC. Firstly, in reference to the re-apportionment of the levy resulting in a reduction in the R&D component, the RIRDC states that:

> This is impacting on the amount of revenue received by the R&D Program and will incur a steep decline in Program reserves. [emphasis added]

And in the context of what changes may assist and improve economic prospects for the industry the RIRDC stated that:

> While broadly based research and development is undoubtedly needed in the industry to maintain industry competitiveness, the industry has also recognized the need to establish

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11. ibid.
12. Explanatory Memorandum, p. 3.

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Market-Focused Supply Chain Alliances and have targeted all their funds towards this as a short-term measure to re-define the industry.14

Main issues

It is difficult to envisage how a reduction in the R&D component mentioned above would not adversely impact on the ability to carry out meaningful robust deer-related projects in the future, which might be advantageous to the prospects of the industry. If this is the case, then it may be an issue worth re-visiting.

14. ibid.
Members, Senators and Parliamentary staff can obtain further information from the Parliamentary Library on (02) 6277 2404.

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