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Department of  
**Employment, Economic  
Development and Innovation**

28 JUN 2010

Dr Richard Chadwick  
General Manager  
Adjudication Branch  
Australian Competition & Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

FILE No:

DOC:

MARS/PRISM:

Dear Dr Chadwick

**Agsafe Limited's application to the Australian Competition and Consumer Commission**

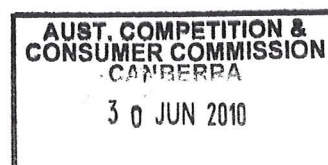
Thank you for your letter of 1 June 2010 alerting the Department of Employment, Economic Development and Innovation (DEEDI) to the opportunity to make a submission in support of exemption from parts of the *Trade Practices Act 1974* for another three years. This will enable Agsafe Limited to continue to make its training compulsory for resellers of agricultural and veterinary chemicals and to continue with its threat of sanctions for those who do no training.

The application for substitution of a new authorisation for the next three years was very thorough and had strong evidence to support its statements. Agsafe Limited has indicated it will move towards an incentive-based scheme after this three-year period.

The ACCC specifically asked for comments under the following headings:

- Public benefit of Agsafe Limited
- Likely effects of trading sanctions, if applied and
- Proposed transition to new incentive-based scheme.


The attached submission provides a DEEDI response to these issues as requested.



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If you require any further information regarding this matter, please do not hesitate to contact Sandra Baxendell of DEEDI on telephone 07 3239 3859 or email [sandra.baxendell@deedi.qld.gov.au](mailto:sandra.baxendell@deedi.qld.gov.au).

Yours sincerely

A handwritten signature in blue ink, consisting of stylized initials 'RS' followed by a horizontal line and a small flourish.

Robert Setter

**Associate Director-General**

**Department of Employment, Economic Development and Innovation**

Att

***Department of Employment, Economic Development and  
Innovation's (DEEDI) Submission***

***on***

***Agsafe Limited's application to the  
Australian Competition and Consumer Commission***

**Public benefit of Agsafe Limited**

- The Biosecurity Strategy for Queensland has a vision of Queensland being protected from the risks and impacts of pests and diseases through the collaborative efforts of all Queenslanders. This will be achieved in part by governments, industries and communities working together to build Queensland's capacity to manage biosecurity risks. Therefore Agsafe is a good example of how to achieve this vision. Agsafe has met with Biosecurity Queensland in the past to review the Agsafe code and seek technical input to their training documents which is an excellent example of collaboration.
- Agsafe has the strong support of the main agricultural and veterinary (agvet) chemical industry organisations, Croplife and Animal Health Alliance. Access to agvet chemicals will only continue if they are transported, stored, handled and used responsibly by all parts of the supply chain.
- Regulation of agvet chemicals serves to ensure that the risks to human health, welfare of animals, environment and trade from agvet chemical use are kept within acceptable limits while facilitating continuing access to appropriate products for primary producers, pest controllers and other users.
- Access to herbicides is essential for zero till farming (where herbicides instead of several passes of a plough are used to control weeds). This is much better for the environment as it reduces erosion and soil deposits into sensitive catchments, that is, reef catchments. Also DEEDI economists have now been able to quantify their economic benefit to farmers. Work done in the Dawson-Callide and Central Highlands with grain growers found that modelled changes to farm business profit for a representative 800 ha broadacre cropping farm in the Dawson-Callide and a 2000 ha farm in the Central Highlands catchment were substantial. For the Dawson-Callide region making the transition from a conventional farming system to zero till went from losing \$74/ha to making \$64/ha profit – change in per hectare profit of \$138/ha. Similarly gains were documented for the Central Highlands. In addition, they also documented the effects of minimising offsite environmental impacts resulting from broadacre cropping by limiting soil loss and reducing the runoff of water, nutrients and pesticides. The value of environmental benefits based on the current adoption of Grains BMP standards, which includes zero tillage, across the Fitzroy Basin grains industry is placed a \$41.6m annually.

- Access to agvet chemicals is also essential for the control of invasive plants and animals. Locust plagues would wipe out large areas of profitable agriculture if left untreated. Wild dogs would cause lots of livestock pain and suffering if numbers were not controlled in a planned and measured way with baits. Wild pigs do serious environmental damage as well as being a potential reservoir for foot and mouth disease.
- Profitable agriculture requires access to a wide range of agvet chemicals. Even organic farming needs access to certain allowed chemicals.
- Livestock owners, when caring for their animals, also need access to veterinary chemicals and some pesticides to a standard that meets community expectations. Resellers are a source of advice to livestock owners and one of the modules available is on animal health. The poisons schedule is also covered and this ensures that legislation is obeyed by the resellers.
- If agvet chemicals are not used responsibly and according to the label or permit, then residues can be detected by overseas or interstate markets. Technology is now so far advanced that it is possible for developed countries to screen for 1000 or more chemicals down to parts per billion. Australia agriculture can suffer very badly if such a detection occurs. A few years ago an abattoir in a major regional centre in Queensland lost access to the Singapore market when it found a banned antibiotic in pork it had exported. This ultimately caused the company to close down its operations in Queensland and relocate its workforce south. A more recent example was provided when Tilmicosin (Elanco's commercial injectable antibiotic product "Micotil") residues were found in feedlot beef by Australian screening. This resulted in SAFEMEAT's Incident Response Action Plan being initiated in June 2007 to prevent any loss of overseas trade. The Australian Lot Feeders' Association estimated that the SAFEMEAT action in implementing a longer Export Slaughter Interval during the period of July and August 2007 cost the average 15 000 head feedlot \$300,000 (mainly in additional feed costs).
- The Agsafe training course seems very flexible with both face to face and on-line modules and the timetable very lenient, that is, one module every two to three years.
- Agsafe saves the various state regulators considerable time and effort as they do the educational component for state and national legislation concerning agvet chemicals. Also by self regulating there is no need for legislation concerning resellers to be inspected by state authorities. There have been no issues with resellers in Queensland in the last five years or more.

#### **Likely effects of trading sanctions, if applied**

- As the Agsafe submission suggests not everyone will do the right thing just because they should. Biosecurity inspectors have had to prosecute commercial sprayers who have not undertaken the training and also not obtained their licence as required by legislation.

- Sanctions would only be a last resort as while it may prevent a small business from operating, it also harms the major wholesalers and agvet chemical manufacturers due to the loss of a major customer. Some sales would be picked up by competitors but it would certainly harm customer relationships and not be undertaken lightly.
- Agricultural enterprises would be less affected as most towns have several resellers and many purchase on-line or from long distances for better deals.

**Proposed transition to new incentive-based scheme**

- The proposed incentive-based scheme has yet to be developed and so comments on this can only be very broad.
- There is currently a national review of the whole regulatory system for agvet chemicals to ensure there is a single national framework. Recently the Primary Industries Ministerial Council endorsed key policy principles and outcomes of such a framework. Relevant extracts are below:

***“Policy Principles***

1. *The national framework recognises industry co-regulation efforts where it is effective and efficient to do so.*

.....

***Policy Outcomes***

.....

2. *Legislation facilitates development of codes of practice for manufacture, supply and use and recognises those codes where appropriate.*
3. *Legislation allows for industry co-regulation, where appropriate.*
4. *The manufacture, sale and use of agvet chemicals, and the risks to human health, welfare of animals, trade and the environment, are managed.*

***Discussion***

*Recognition of, and input to, industry stewardship programs for supply and use of chemical products and quality assurance programs for agricultural produce, can have important efficiency benefits for regulation. Such arrangements may allow agvet regulators to lower or avoid some monitoring or enforcement activities, with consequent cost savings. Further, industry expertise may make a direct input into the risk management decision making, leading to an improved capacity to manage the risks. As well, coordination with industry efforts may improve the effectiveness of regulatory efforts to achieve positive behavioural change amongst users.*

*While cooperation with industry programs is important, regulators have ultimate responsibility to ensure that risks are managed effectively. To provide the basis for discharging that responsibility, regulators must be provided with a full range of legislative instruments. Access to a full range of options will allow choice of the most cost effective and efficient instrument for each particular set of circumstances. Compared with access to a constrained set of instruments, comprehensive access should allow greater compliance (and thus lower total risk) for a lesser cost.”.....*

- The timing is therefore very fortuitous; as Agsafe will be developing its incentive-based scheme at the same time as the Product Safety and Integrity Committee is developing its model to implement this agreed framework which includes the above comments.