



4. Removing trade assessments

The Australian Government is improving access to agricultural chemicals and veterinary medicines (agvet chemicals) as part of the Agricultural Competitiveness White Paper. Our plan to build a stronger, more prosperous agricultural sector and economy.

This paper seeks your views on one proposed reform to the agvet chemicals system—no longer having the Australian Pesticides and Veterinary Medicines Authority (APVMA) assess the risks to international trade posed by the use of a product.

It will be used as a basis for discussion at workshops to be held in Canberra, Perth, Brisbane, Sydney and Melbourne from 27 October to 13 November 2015. If you are unable to attend these workshops and would like to provide feedback on the reforms, please email agvetreform@agriculture.gov.au by 30 November 2015.

Opportunity

Access to international markets is vital for Australia's export focused industries. Currently, when the APVMA registers a product it must also consider the potential impact on Australia's international trade of produce treated with the chemical product. In doing this, the APVMA considers the likely markets for the end-produce and then sets a withholding period or export slaughter interval ('trade advice') for the chemical to address risks of residues of the chemical exceeding limits in those markets. The trade advice is given as an instruction for use of the product.

The APVMA performs an assessment when the product is registered at a single point in time and does not routinely undertake a review of that decision. International residue limits evolve and shift in response to a variety of factors. As a result, when a market lowers or raises a maximum residue limit (MRL), the APVMA-determined withholding period or slaughter interval is no longer accurate for that market.

The withholding period is also set against the most likely market for produce, in part addressing a practical problem of differing trade advice for different markets and industry practice of consolidating produce from different producers in a single shipment prior to export. As a result, smaller markets with more restrictive MRLs are not easily accessible to all producers. If the trade advice on a label does not reflect current international market requirements or the intended market for the produce, the instructions on the label are of no value to some, and potentially most, end-users.

In response to these shortcomings, export focussed agricultural industries have well established approaches to ensure risks to trade are managed for the product they export.

Assessment of trade risk for all products can also discourage introduction of new chemicals to the Australian domestic market. As it is not possible to effectively ensure that a chemical is used on produce grown only for the domestic market, an extremely low MRL in a likely international market will dictate a label with extremely restrictive trade advice (for example, export slaughter intervals of more than 100 days). The period can apply to the produce regardless of intended market, domestic

or international. These lengthy periods discourage potential users of the product, in particular where an alternative agvet chemical exists with less restrictive trade advice. This in turn reduces the commercial return and viability of the product to chemical manufacturers. Evolution of MRLs in overseas markets has meant that newer, better products are more likely to have restrictive trade advice apply, encouraging the retention of older chemicals in the market.

Internationally, assessing trade risk when making a decision to register an agvet chemical is rare. This adds an almost unique cost and level of complexity to bringing a chemical product to the Australian market; a complexity that is not experienced in Australia's competitor markets internationally, ultimately disadvantaging Australian farmers.

What we have heard

Stakeholders have clearly explained to us the importance perception and reputation has in international trading markets. Changes to regulatory systems should be pursued cautiously to avoid jeopardising opportunities for existing or new export markets and commodities.

Export industries have developed comprehensive and flexible arrangements to ensure Australian producers are able to meet the demands of their international markets. These industries have established robust systems to ensure they can meet these demands. In this environment, a point-in-time label may be outdated and have no value. It may even be harmful if it demands a product be used in a way that does not meet international market requirements.

Some user industries expressed the view that the initial APVMA assessment was valuable, if only to provide a starting point for growers in this situation. A number of examples were identified where the APVMA is already adopting a pragmatic approach of label statements on trade advice that directs users to consult with the relevant industry body on the protocols for trade of produce.

Large chemical manufacturers have expressed views about this idea. Some can see the logic of removing the requirement of a process that adds very little value to the domestic market or in light of the involvement of export industries. We also heard that the existing requirement to consider trade has resulted in Australian producers missing out on products.

A minority of stakeholders expressed a preference for the APVMA to expand its support of Australian exports through a comprehensive and regular review of international market entry requirements, concluding with amendments to relevant trade advice. This would increase APVMA's regulatory effort and the regulatory burden for chemical companies, increase costs and increase the potential for delays in regulatory decisions. However, the increased role was considered by these stakeholders to overcome the potential of the current producer-based models to become splintered and disorganised, ultimately leading to a risk to Australia's trading markets.

The proposed reform measure

The proposal is to no longer have the APVMA assess the risks to international trade posed by use of a product, alternatively, the APVMA could assess trade risk only when an applicant for registration requests it to do so. Where the applicant chooses for the APVMA assess risks to trade, this would be done and the resulting trade advice placed on the label for the product. This has the advantage of

placing the applicant for the product in control of the regulatory cost they will incur. Factors informing an applicant's decision will include the expectations of their customers.

While we acknowledge the concerns expressed during consultation, it is reasonable to assume that for industries focused on international trade, the function of determining withholding periods for produce can be, and is being met independent of government involvement. Where this is the case currently, the work of the APVMA is duplicative and less responsive than that done by industry.

It is clear that export focused industries are very capable when it comes to responding to demands and managing risks. Their commercial interests are too great to leave managing this risk up to the APVMA and state and territory control of chemical use. The responsiveness and flexibility of industry administered systems allow producers to meet specific needs of specific markets. The industry-based approach is an improvement on the APVMA's blanket lowest common denominator approach of meeting the demands of the most likely stringent market.

Ultimately, we consider this is a question of roles.

- The producer is best able to understand their core business and to respond to meet the demands of their markets—domestic or international.
- Industry bodies, rural Research Development Corporations and chemical suppliers are best positioned to provide producers with the relevant information on market demands and withholding periods.
- Chemical manufacturers possess the relevant data and also create a market for their products through ensuring access to international markets for Australian produce.
- Government assists with access to international markets.
- The APVMA's ensures the safe supply and use of agvet chemicals in Australia.
- The state and territories are responsible for control of use.

Both the Departments of Agriculture and Water Resources and Foreign Affairs and Trade have a direct interest and involvement in supporting and prompting Australia's international trade. This involvement would continue and, if this reform progresses, include communicating to our export markets that no practical change to the quality of Australia's exported produce would occur. Ultimately, the risks being managed by an APVMA trade assessment aren't part of the APVMA's core activities of managing the health and safety of Australia's people, animals and environment.

While the role of the APVMA in supporting trade of Australian agricultural produce is being explored, stakeholders are assured that the Australian Government will continue to assist Australian producers in maintaining access to existing markets and support expansion of exports of Australian produce into new markets.

Next steps

We have been encouraged by stakeholder input on this measure to date and believe it is a reform that could be delivered in the early stages of the wider reform package.

We will be hosting a series of workshops for all interested stakeholders to attend and provide their views on the proposed reform measures. To attend one of these workshops please fill in a [registration form](#).

If you are unable to attend one of the workshops, or would like to provide feedback separately, contact the department via email at agvetreform@agriculture.gov.au.

When providing your feedback you might like to consider addressing the following questions:

- Do you support the proposed reform in its current form or would you like further detail?
- If you don't support it, could the reform be amended to achieve your support? If so how?
- Are there any unintended consequences arising from this reform?
- Does the proposed reform result in new issues for you?

Please provide your feedback by 30 November 2015 so we can consider it before finalising a policy paper outlining a comprehensive reform package. The final policy paper will be released for stakeholder comment in the first quarter of 2016.