



Australian Grain Industry – Code of Practice Technical Guideline Document

No. 13 GRAIN LEVIES

**Compiled on behalf of the Australian Grain Industry by:
Grain Trade Australia**

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Technical Guideline Document

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1. Application

This Technical Guideline Document (TGD) refers to the various levies that apply to the Australian grain industry.

2. Discussion on Levies that Apply

2.1 What are Levies

For the purposes of this Technical Guideline Document, levies are deductions that are required to be taken from the total amount paid for grain produced by the grain producer.

2.2 Types of Levies

There are two types of levies:

2.2.1 Mandatory Levies imposed by Regulation

These are generally referred to as Government imposed levies. These levies:

- May be directly imposed and collected by the Government or set through other legislation where the levies are paid to non-Government industry participants; and are the most common applying in the grain industry.
- May be set by Federal or State Governments; and Grain buyers are legally required to deduct these levies from grain producer payments and pay the levy amount to the respective government agency on behalf of the grain grower.

Common examples include the following:

Federal Levies

- There are seven commodity groups that have a levy, and/or an export charge set by the Commonwealth Department of Agriculture and Water Resources. These commodities include:
 - coarse grains;
 - Cotton;
 - grain legumes;
 - oilseeds;
 - pasture seeds;
 - rice; and
 - wheat.
- These levies/charges provide funding for biosecurity preparedness and emergency plant pest and disease responses (Plant Health Australia), marketing, research and development (via organisations such as GRDC), and residue testing (National Residue Survey) for the grains industry. The levy is set at varying rates of the farm-gate value of the grain. The levy is GST free.
- Refer to <http://www.agriculture.gov.au/ag-farm-food/levies> Whilst not strictly a levy, End Point Royalties (EPR) are collected nationally to fund the shift from a public funded breeding system to a private system with a number of key organisations that fund the majority of Australia's breeding programs. EPR apply to particular crop varieties with the royalty generally being paid to the organisation that has commercially developed that crop variety. Different end-point royalty rates apply for each variety and these are listed at the Varietal Central website. GST is applicable.

Refer to <http://varietycentral.com.au/end-point-royalties>

For more information regarding EPR collection refer to 2.5.1

State Levies

- These may be set for the purposes of State research & biosecurity.
- In most of these schemes, producers have the opportunity to opt-out of the relevant Industry Funding Scheme. Contributions are mandatory in the first instance, but a producer can opt-out and have their annual contribution refunded in full. Opting-out of the Schemes does not negate the producers' responsibility to address biosecurity issues on their property.
- In South Australia,
 - *Grain Industry Research and Development Fund: (opt out available)*
 - *30 cents per tonne from the proceeds of the first sale of all grain.*
 - *Grain Industry Fund: (opt out available)*
 - *20 cents per tonne from the proceeds of the first sale of all grain*
- In Western Australia,
 - *Biosecurity and Agricultural Management Act (BAMA) (opt out available)*
 - \$0.25/t and is used to fund weed control programs and may also be used to manage potential future incursions of other pests/diseases.

2.2.2 Voluntary Levies imposed by Industry

These are relatively few in number. They generally refer to a grain producer allocating a payment on a voluntary basis.

Examples include:

- The donation of grain to a charity i.e. the Foodbank Grains Program.
- In Western Australia — the Council of Grain Growers Organisations (COGGO). The levy is 0.5% of net farm gate production returns and funds are used for various research efforts.

2.3 Where Levies Apply

Mandatory federal and state levies apply to all grain from a grain producer:

- That is sold to an intermediary such as a grain buyer. In this instance the intermediary collects the levy and pays the Government.
- That is used by the grain producer for their own commercial rather than domestic use purposes. In this instance the producer must commercially value the grain used and pay the levy direct to the Government.
- That is sold direct to the end-user. The producer must pay the levy direct to the Government.
 - This levy applies to grain on the human consumption, stockfeed or industrial market.
- The levy only applies to the original commercial use/sale of the grain once harvested.
- There are some specific exemptions, as noted on the Commonwealth Department of Agriculture and Water Resources website.

2.4 How Levies are Calculated

There are several ways that levies are paid. However, for all regulated levies, there are set rules for the manner in which that levies are calculated and deducted from the grain payment.

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Generally, these state words to the effect:

- The amount payable is XX cents or XX% for
 - Each tonne of grain produced and sold, or commercially used by a grain grower.
- Grain purchasers are responsible to pay the levies on behalf of a grain grower and consequently should deduct the amount of the levies from the amount payable by the purchaser to the grain grower for the grain.
- Settlement against ASX contracts differs to traditional grower contracts in a number of ways. One important difference is that when selling through ASX, growers are responsible for organising and making the payment of their levy returns.

Refer to:

<http://www.asx.com.au/products/agricultural-derivatives/grain-grower-daff-levies.htm>

The levy must be calculated on the sale value of the grain, which in the case of grain Pools is the estimated financial return paid to Pool Participants net of all costs, fees and charges including Pool Provider charges at a designated price basing point, i.e., country silo, port, track or free in store ("FIS"). The Levies Collection Unit does not provide guidance as to a calculation methodology to determine the farm gate value of the grain.

2.5 Regulatory Control and Levy Deductions

2.5.1 Industry Control

Section 2.7.3 of the Australian Grain Industry Code of Practice states the following:

"Buyers and other industry participants will implement the following protocols:

- Deduct statutory and industry levies and End Point Royalties (EPRs), as required by law or contract and remit same to the relevant agency (e.g. Plant Breeder's Rights)".

Where EPR's are payable, these can be paid to the royalties manager by either the seller or the buyer. Some buyers offer this service, but it is not mandatory or legislated that they do so.

The grain industry is committed to ensuring that the levy collection and payment mechanism is as accurate as possible and complies with all regulatory requirements.

2.5.2 Government Control

Legislation sets the amount of a levy by commodity type.

For levies such as that applied by the Commonwealth DAWR:

- Industry must lodge payments at varying times, although most are quarterly.
- Payments may be lodged via forms or the preference is for them to be lodged on-line.
- Where the levy/export charge is paid late, a penalty will be payable at the rate of 2% per month compounding on the sum of the unpaid amounts, including penalties already accrued.

3. List of Most Common Levies

| Name of Levy | State Applied | Applicable Commodity | Amount – can be found on links below |
|---|---------------|---|---|
| Commonwealth Department of Agriculture and Water Resources levy & export charge - mandatory | All | Coarse grains (barley, triticale, oats, cereal rye, sorghum, maize, millet and canary seed) | http://www.agriculture.gov.au/ag-farm-food/levies/rates#field-crops |
| | | Legumes (field peas, lupins, faba beans, chick peas, broad beans, mung beans, navy beans, peanuts, pigeon peas, vetch, lentil and cow peas). | |
| | | Oilseeds (sunflower seed, safflower seed, linseed, rape seed (& canola) and soy bean) | |
| | | Wheat | |
| | | Cotton | |
| Grain Industry Fund – mandatory with an option for grain producers to opt out | SA | Cereal and coarse grain (for example, wheat, barley, oats, rye and triticale); or (b) pulses (for example, lentils, chickpeas, field peas, faba beans and lupins); or (c) oilseed (for example, rapeseed, canola, linseed and sunflower seed) | http://www.pir.sa.gov.au/primary_industry/crops_and_pastures/grain_industry_funds |
| Grain Industry Research and Development Fund – mandatory with an option for grain producers to opt out | SA | Cereal and coarse grain (for example, wheat, barley, oats, rye and triticale); or (b) pulses (for example, lentils, chickpeas, field peas, faba beans and lupins); or (c) oilseed (for example, rapeseed, canola, linseed and sunflower seed) | http://www.pir.sa.gov.au/primary_industry/crops_and_pastures/grain_industry_funds |
| Grains, Seeds and Hay Industry Funding Scheme – mandatory with an option for grain producers to opt out | WA | Grain | https://www.agric.wa.gov.au/bam/grains-seeds-and-hay-industry-funding-scheme |

Refer

¹ http://www.agriculture.gov.au/agriculture-food/levies/categories/grains/coarse_grains/information_sheet

4. Further Information

- DAFF - Levies Revenue Service (2009). Levy principles and guidelines - Policy for the management of new and amended levies within Australia (Ed F. a. F. Department of Agriculture). Canberra. <http://www.agriculture.gov.au/SiteCollectionDocuments/ag-food/levies/documentsandreports/levy-principles-guidelines.pdf>
- AEGIC report "The cost of Australia's bulk grain export supply chains - An information paper" January 2014 www.aegic.org.au
- Biosecurity and Agriculture Management, Department of Agriculture and Food, Western Australia <https://www.agric.wa.gov.au/biosecurity-biosecurity-quarantinebiosecurity-and-agriculture-management>
- The GRDC levy is a statutory levy set at 1.02% of farm-gate value — the sale value less storage, handling, freight and FOB costs. The levy is paid on the farm-gate value of grain and obtained from the DA levy & export charge. <http://www.grdc.com.au/About-Us>
- NRS is largely industry-funded through levies on participating plant commodity producers. The funding is obtained from the DA levy & export charge <http://www.agriculture.gov.au/ag-farm-food/food/nrs/about-residues-and-residue-testing> PBR Licence and EPR Collection Agreement, list of the varieties, EPRs and contact details for the Agent – <http://varietycentral.com.au/>
- PIRSA Grain Industry Funding Schemes http://www.pir.sa.gov.au/grants_and_assistance Various Government controlled levies by commodity – <http://www.agriculture.gov.au/ag-farm-food/levies>