



Suitability of financial mechanisms to support NSW oyster farmers during significant interruptions to supply  
NSW Farmers Association

04 September 2024

# Background

Oyster production is vulnerable to disease outbreaks and other disruptors which cause significant production and financial losses.

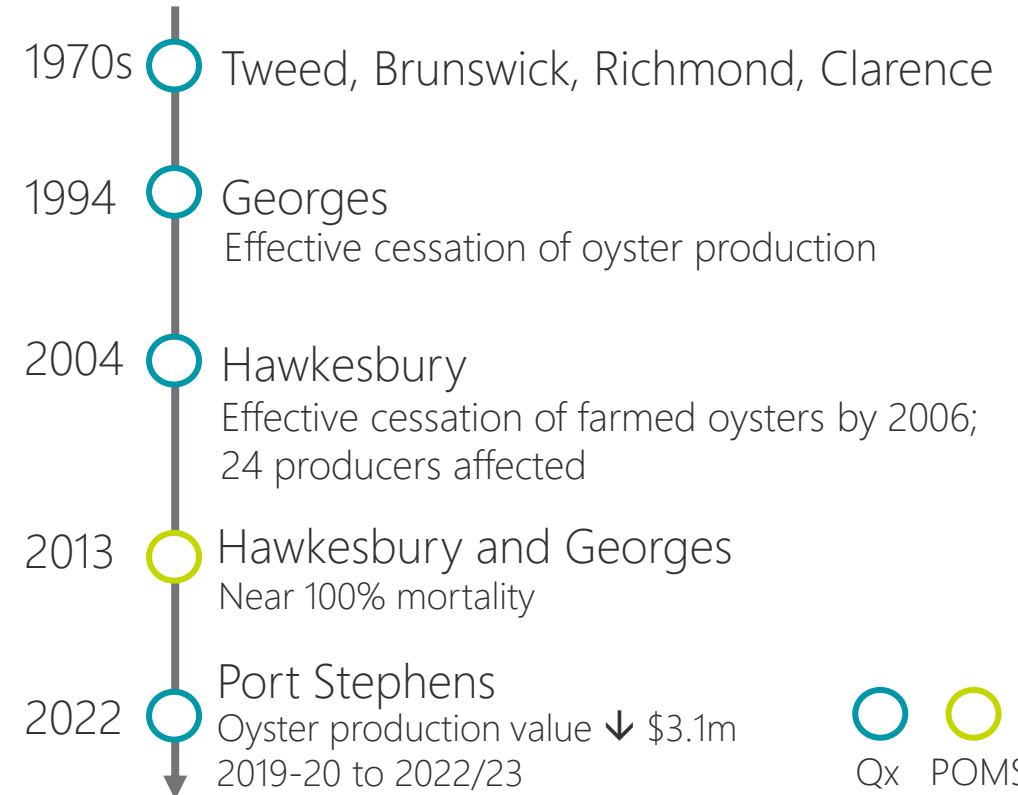
Oyster production generates social, environmental and economic benefits

Oysters are vulnerable to environmental and disease threats

Financial 'safety nets' for producers in the event of a supply disruption are lacking, particularly compared to other primary industries

Change is needed to ensure long-term continuity of oyster production in NSW

## TIMELINE OF MAJOR DISEASE OUTBREAKS SINCE 1970

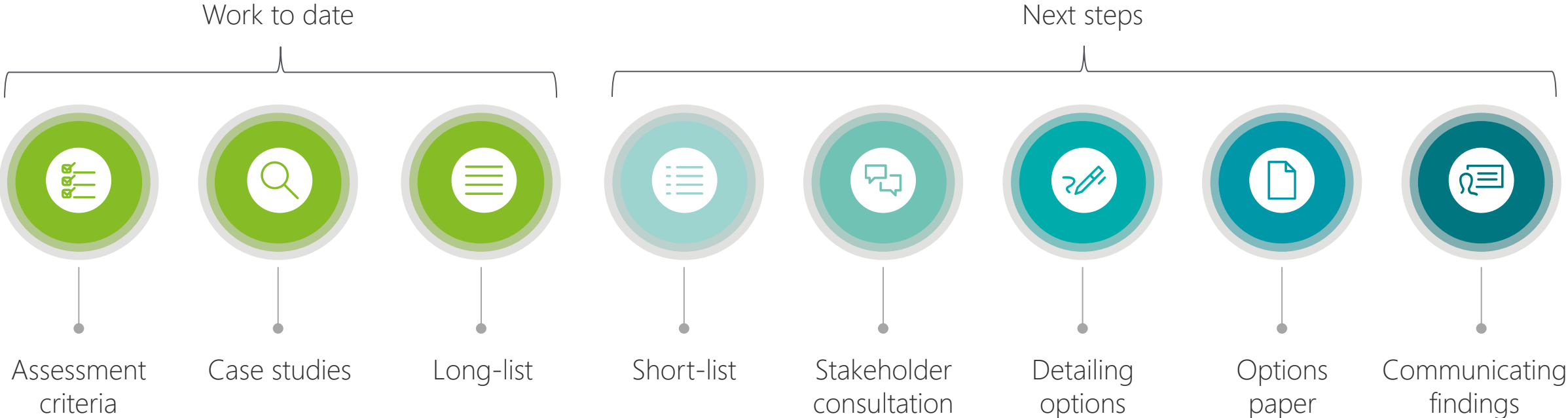


# Our work

Deloitte is working with NSWFA to develop an options paper which explores financial support mechanisms that could be adopted by industry to minimise the impact of supply-side disruptions, such as a disease outbreak.

## PURPOSE OF TODAY'S PRESENTATION

- Project overview
- Opportunities for industry input
- Project outputs and next steps



# Overarching principles guiding our work

## PRINCIPLES OF GOOD FUNDING MECHANISMS

### OBJECTIVE OF OUR WORK

Identify and detail the **best ways** through which the **NSW oyster industry** could utilise financial support mechanisms to **minimise the impact of supply-side disruptions**.



### Practicality

Will the scheme effectively minimise the impacts of supply disruptors and increase certainty for farmers.



### Cost-effectiveness

Is the scheme likely to be financially feasible and cost-effective for all stakeholders.



### Fairness & equity

Does the scheme allow for fair and equitable sharing of costs and revenue with respect to risk and beneficiaries.



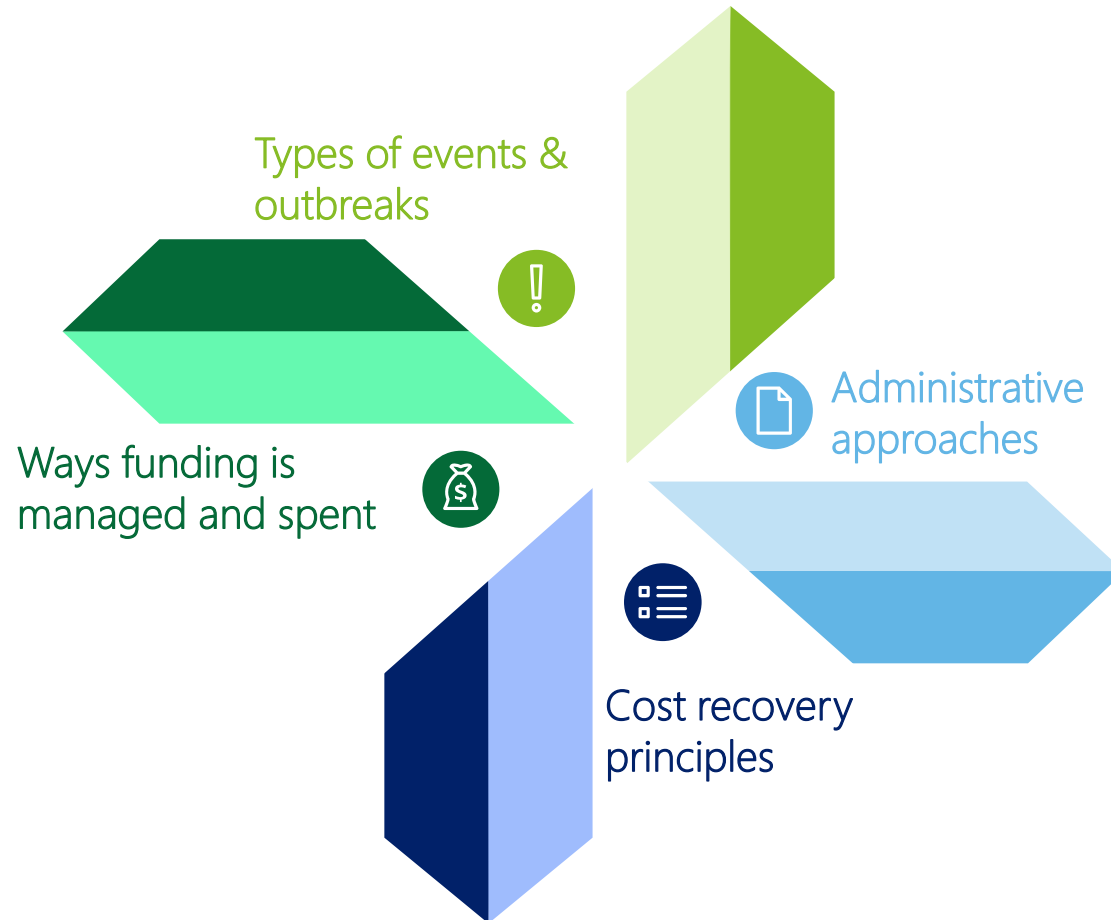
### Biosecurity & scheme consequences

Does the scheme encourage behaviour that mitigates, minimises and manages biosecurity risk.

# Case Studies

Through initial research and consultation with NSWFA, 12 instances of other industries that had recently used financial support mechanisms in response to biosecurity occurrences were identified for detailed consideration.

## WHAT WE FOUND



## CASE STUDIES

|    | Case Study                        | Sector affected             |
|----|-----------------------------------|-----------------------------|
| 1  | <b>TAS POMS outbreak</b>          | Tasmanian Pacific oysters   |
| 2  | <b>Bonamia ostreae</b>            | Bluff oysters               |
| 3  | <b>White Spot disease</b>         | Prawns                      |
| 4  | <b>American foulbrood disease</b> | Bees                        |
| 5  | <b>Varroa Mite</b>                | Bees                        |
| 6  | <b>Avian Influenza</b>            | Chickens                    |
| 7  | <b>Foot &amp; Mouth Disease</b>   | Cattle, sheep, goats        |
| 8  | <b>Anthrax</b>                    | Cattle, sheep, goats        |
| 9  | <b>Equine Influenza</b>           | Horses                      |
| 10 | <b>Blue tongue disease</b>        | Cattle, sheep, goats        |
| 11 | <b>Red Witchweed</b>              | Sugarcane, rice wheat, rice |
| 12 | <b>Banana Freckle</b>             | Bananas                     |

# Long-listing

The long-listing process involves identifying and assessing potential financial support options.

## CORE FEATURES USED TO INFORM OUR LONG-LIST

### Coverage

- Compulsory
- Opt-in

### Administration

- Government, in collaboration with industry
- Industry-led
- Grower-led

### Flexibility

- Applies uniformly across the state
- Geographically focused (region or estuary)
- Applies individually at the farm level

### Other considerations

- Incentivising risk minimizing behaviour
- Penalising risk creation
- Proactive vs reactive in nature

# Next steps

Our options assessment process will culminate in an options paper communicated to stakeholders at the end of the year



Short list



Stakeholder consultation



Detailing options



Options paper



Communicating findings

August-September

September

September

October – November

November – December



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# Case studies

# Case Studies Overview

Pests and diseases covered under Deeds typically provide the most comprehensive set of financial support activities

| Case Study                 | Sector affected             | Financial support mechanism activity  |   |   |                                       |   | Activities occur under Deed? | Endemic/<br>Exotic | Deed category |
|----------------------------|-----------------------------|---|---|---|---------------------------------------|---|------------------------------|--------------------|---------------|
|                            |                             | Early detection incentives and prevention<br>Federal, State and/or Industry | Eradication costs<br>Cost sharing<br>(Federal, state and/or Industry) | Compensation for destruction of stock<br>Cost sharing<br>(Federal, state and/or Industry) | Financial hardship support<br>Federal | Assistance to restart, restructure or diversify operations<br>Federal, state government |                              |                    |               |
| Avian Influenza            | Chickens                    | ✗   | ✓   | ✓   | ✓                                     | ✗   | Yes                          | Exotic             | Category 3    |
| White Spot disease         | Prawns                      | ✓   | ✓   | ✗   | ✗                                     | ✓   | No                           | Exotic             | N/A           |
| Foot & Mouth Disease       | Cloven-hoofed animals       | ✓   | ✓   | ✓   | ✓                                     | ✗   | Yes                          | Exotic             | Category 2    |
| Varroa Mite                | Bees                        | ✓   | ✓   | ✓   | ✓                                     | ✗   | Yes                          | Endemic            | Category 2    |
| Anthrax                    | Cloven-hoofed animals       | ✓   | ✓   | ✓   | ✓                                     | ✗   | Yes                          | Endemic            | Category 3    |
| Equine Influenza           | Horses                      | ✓   | ✓   | ✓   | ✓                                     | ✗   | No                           | Exotic             | Category 4    |
| Banana Freckle             | Bananas                     | ✓   | ✓   | ✓   | ✓                                     | ✗   | No                           | Exotic             | Category 3    |
| American foulbrood disease | Bees                        | ✗   | ✗   | ✓ partial   | ✓                                     | ✗   | No                           | Endemic            | N/A           |
| Red Witchweed              | Sugarcane, rice wheat, rice | ✗   | ✓   | ✗   | ✓                                     | ✗   | No                           | Exotic             | N/A           |
| Blue tongue disease        | Cattle, sheep, goats        | ✗   | ✓   | ✓   | ✓                                     | ✗   | Yes                          | Endemic            | Category 3    |
| TAS POMS outbreak          | Tasmanian Pacific oysters   | ✗   | ✓   | ✗   | ✗                                     | ✓   | No                           | Endemic            | N/A           |
| Bonamia ostreae            | Bluff oysters               | ✗   | ✓   | ✓   | ✓                                     | ✓   | N/A                          | Exotic             | N/A           |
| Qx and POMS                | Oysters                     | ✗   | ✗   | ✗   | ✗                                     | ✗   | No                           | Endemic            | N/A           |

# Informing the long list of options

We will draw together various components from the case studies into a long list of potential options for the NSW oyster industry

- The table below outlines common disease outbreak response activities funded via formal pest/disease response arrangements (e.g. the EADRA) and one-off government-funded support packages.
- Examples of specific mechanisms derived from the initial list of case studies are given under each activity.
- The development of a long list of last-resort financial support options for NSW oyster producers will draw on these mechanisms to address issues that are unique to the industry.

| Activity/feature                             | Early detection incentives and prevention   | Compensation for destruction of stock  | Financial hardship support   | Clean-up assistance  | Assistance to restart, restructure or diversify operations                                  |
|--|---|--|--|--|---|
| Example mechanisms derived from case studies | <ul style="list-style-type: none"> <li>• Incentive payments following positive case of disease</li> </ul> | <ul style="list-style-type: none"> <li>• Signatory to the EADRA/EPPRD</li> </ul>                         | <ul style="list-style-type: none"> <li>• Household assistance payments</li> </ul>                  | <ul style="list-style-type: none"> <li>• Low-interest loans or grants</li> </ul>         | <ul style="list-style-type: none"> <li>• Low-interest loans</li> </ul>                      |
|  |   | <ul style="list-style-type: none"> <li>• Compensation claim according to relevant legislation</li> </ul> | <ul style="list-style-type: none"> <li>• Financial services (RFCS, Rural Support Trust)</li> </ul> | <ul style="list-style-type: none"> <li>• Labour assistance for clean-up costs</li> </ul> | <ul style="list-style-type: none"> <li>• Mediation between creditors and farmers</li> </ul> |
|  |   |  | <ul style="list-style-type: none"> <li>• Compensation for lost income</li> </ul>                   | <ul style="list-style-type: none"> <li>• License and other fee waivers</li> </ul>        | <ul style="list-style-type: none"> <li>• Schemes to smooth income over time</li> </ul>      |
|  |   |  |  |  | <ul style="list-style-type: none"> <li>• Education and training</li> </ul>                  |

# Long List Options Overview

The long list of options are a hybrid combination of funding arrangements, scales, and support mechanism activities identified during case study research

| Option | Option Type                | Scale      | Government Funding Involved | Cost recovery from Industry | Eliminates ad-hoc state government funding / fee waivers | Financial support mechanism activity      |                   |                                       |                            |  |              |              |
|--------|----------------------------|------------|-----------------------------|-----------------------------|--|---|-------------------|---------------------------------------|----------------------------|--|--------------|--------------|
|        |                            |            |                             |                             |  | Early detection incentives and prevention | Eradication costs | Compensation for destruction of stock | Financial hardship support | Assistance to restart, restructure or diversify operations |              |              |
| 1      | Tiered cost-shared         | Compulsory | Industry wide               | Yes                         | Partial  | Yes                                       | ✘                 | Could enable                          | Could enable               | Could enable   | Could enable | Could enable |
| 2      | Tiered cost-shared         | Compulsory | Region wide                 | Yes                         | Partial  | Yes                                       | ✘                 | Could enable                          | Could enable               | Could enable   | Could enable | Could enable |
| 3      | Flat cost-shared           | Compulsory | Industry wide               | Yes                         | Partial  | Yes                                       | ✘                 | Could enable                          | Could enable               | Could enable   | Could enable | Could enable |
| 4      | Common fund                | Compulsory | Industry wide               | No                          | Full   | No  | ✘                 | Could enable                          | Could enable               | Could enable   | Could enable | Could enable |
| 5      | Common fund                | Compulsory | Region wide                 | No                          | Full   | No  | ✘                 | Could enable                          | Could enable               | Could enable   | Could enable | Could enable |
| 6      | Industry insurance         | Compulsory | Industry wide               | No                          | Full   | No  | ✘                 | Could enable                          | Could enable               | ✘  | ✘            | ✘            |
| 7      | Flat cost-shared           | Voluntary  | Individual                  | Yes                         | Partial  | Maybe                                     | ✘                 | Could enable                          | Could enable               | Could enable   | Could enable | Could enable |
| 8      | Common fund                | Voluntary  | Individual                  | No                          | Full   | No  | ✘                 | Could enable                          | Could enable               | Could enable   | Could enable | Could enable |
| 9      | Income smoothing mechanism | Voluntary  | Individual                  | No                          | Full   | No  | ✘                 | ✘                                     | ✘                          | Could enable   | ✘            | ✘            |
| 10     | Individual insurance       | Voluntary  | Individual                  | No                          | Full   | No  | ✘                 | Could enable                          | Could enable               | ✘  | ✘            | ✘            |
| 11     | User pays                  | Voluntary  | Individual                  | No                          | None   | No  | ✘                 | ✘                                     | ✘                          | ✘  | ✘            | ✘            |
| 12     | Risk creator levy          | Other      | Individual                  | No                          | None   | Maybe                                     | Could enable      | ✘                                     | ✘                          | ✘  | ✘            | ✘            |
| 13     | Risk minimizer incentive   | Other      | Individual                  | No                          | Full   | Maybe                                     | Could enable      | ✘                                     | ✘                          | Could enable   | ✘            | ✘            |