

FACT SHEET

Poisons Amendment (Poppy Advisory and Control Board Levy) Bill 2012

The Tasmanian opiate alkaloid industry is the world's largest producer of licit narcotic raw material supplying around half of the world's demand for use in pharmaceuticals.

A joint decision of the Federal and State Governments in 1972 restricted the growing of opium poppies to Tasmania for reasons of security. Cultivation, possession or refining of opium poppies are all criminal offences under the *Misuse of Drugs Act* unless the activity (growing and processing) is licensed by the Minister for Health and Human Services - licences to grow poppies in Tasmania have been issued annually since 1966.

Approximately 1000 licences to grow opium poppies are being issued each year to over 750 poppy-growers to grow some 34,000 hectares of opium poppies on contract for the three licensed pharmaceutical companies – GlaxoSmithKline; Tasmanian Alkaloids Pty Ltd and TPI Enterprises Ltd. Growers' licences are conditional on the grower having a contract with one of the three processors. The three processors provide the seed, assist in the growing process, arrange for harvesting and take the heads for processing. The processing industry now grosses in excess of \$100 million per annum and the farm gate return to growers is estimated at between \$70 and \$90 million each year.

The Poppy Advisory and Control Board (PACB) is a statutory body located in the Department of Justice - it has an independent chair and a number of Government (State and Commonwealth) representatives. The annual cost of the operation of the Board most of which is the day to day oversight of the growing of poppies is approximately \$700,000 which is currently funded from the Consolidated Fund through the Department of Justice.

There has been no industry contribution to the operation of the Board since its inception although there have been various proposals for the imposition of some level of cost recovery over the years.

There is a division of responsibility between the Minister for Justice and the Minister for Health and Human Services in relation to the overall regulation of the industry but the operation and cost of the Board is currently borne by the Department of Justice. Some other costs are borne by the Department of Police and Emergency

Management in relation to surveillance and security particularly during the growing period when the poppy heads may be stolen and during harvesting seasons.

In the 2011/12 State Budget, the government announced that funding for the Poppy Advisory and Control Board (PACB) would be shifted from the Consolidated Fund to an industry funding model for the 2012-13 financial year.

It is proposed that only \$650,000 will be raised by the levy in the first year of the levy with the full amount of the estimated costs of the operation of the Board and the inspectorate being raised through the levy in subsequent years.

Consultation has occurred both face to face and through the circulation of a Discussion Paper with the industry (growers and processors) and other interested bodies including the Tasmanian Farmers and Graziers Association.

Levying the processors would be the simplest process. It also has the advantage that the processors can pass the costs of the levy either back to the growers or to their purchasers in their pricing structures they use to either pay their growers or to sell their products. They have the capacity to pass the costs in either direction.

The funding model is as equitable as possible considering the nature of poppy growing and processing and the proposed collection method would ensure that compliance costs for the industry and administrative costs for the Government are kept to a minimum.

Some of the submissions to the funding paper sought a review of the Board's operations before the levy is introduced. This would delay the levy for a further twelve months so it is proposed to go ahead with the levy and the Government will undertake a review of the operation of the Board looking at its relevance and efficiency; consultative processes and structure during the next twelve months.

If, as expected, the total hectares being sown and harvested in 2012/13 is around 34,000 the rate of the levy will be approximately \$20.00 per hectare which given the estimated value of the crop is a reasonably moderate amount.