Emergency Animal Diseases Valuation Framework

Discussion Paper

NORTHERN TERRITORY GOVERNMENT

Contents

Background

The Northern Territory (NT) is currently free of major emergency animal diseases (EAD). However, the threat of EADs on the Northern Territory livestock industries has been heightened with the detection of Lumpy skin disease and Foot-and-mouth disease in Indonesia.

Being prepared has never been more important. The NT Government has invested heavily in biosecurity to make sure our industries are protected if an EAD was to be detected here. A range of EAD preparedness activities have been undertaken already, including:

- construction of the new $46M laboratories at Berrimah Farm Science Precinct
- upskilling of scientific staff
- accreditation for new diagnostic testing proficiencies
- emergency response training and
- supporting pastoralists to develop property level biosecurity management plans.

Another important part of our response preparations is the development of an independent livestock valuation framework and tool.

In the event that an emergency disease declaration is made in the Territory under the Livestock Act 2008, the response may include the destruction of livestock as a means to either eradicate or control the spread of disease.

A Valuation Tool (VT) will be used to determine the initial amount of compensation payable for destroyed livestock under the *Livestock Act 2008*, prior to the national cost sharing arrangements.

It is acknowledged that this is a difficult topic and that there will be a range of varying views.

It is important to discuss these matter now and to be clear about the methodology that will be used. As at the time of an EAD all of our combined resources will be focused on eradication of the disease as quickly as possible, potentially including the destruction of large numbers of livestock in a timely manner.

Key issues

- Under the *NT Livestock Act 2008*, the Chief Inspector (the NT Chief Veterinary Officer) must appoint a Valuation Panel comprising of three members. The panel must include:

1. A person who has valuation experience and a knowledge of current values, relevant to the destroyed livestock
2. A person who has a knowledge of and experience in the industry most relevant to the destroyed livestock
3. A person nominated by the owner of the destroyed livestock.

- The Valuation Panel will determine the amount of compensation payable, working independently before coming together to reach consensus.
- The amount of compensation payable for destroyed livestock is the total of the market value of each animal calculated based on the nearest reference market, less the estimated selling costs and estimated transport costs, including any transaction levy that would have been imposed under a law of the Commonwealth i.e. the on-farm price.
- The Valuation Panel must value each animal as if it were free of disease and as it stood on the day immediately before it was destroyed, taking into account the animal's age, sex, breed, body condition, live weight and any other relevant matters. Compensation is also payable for owned livestock that have already died from the declared EAD.
- The NT Livestock Regulations 2009 ONLY provides a calculation methodology for Herd Bulls of at least 3 years of age (see Part 5, Division 2, Clause 84).

Discussion

Given the limitations of the valuation methodology expressed in NT legislation, the development of an enhanced Valuation Tool (VT) which encompasses a methodology for the majority of cattle types in the NT will support a standard approach to compensation calculations in the event of an EAD.

The NT Government has engaged consultants Bush AgriBusiness to develop a VT, which can be used by the Valuation Panel in the determination of the compensation, which would be paid under the NT *Livestock Act 2008*.

How the tool works

- The VT uses NT-specific data if it is available and is consistent with the Principles of the Valuation Framework.

- Where NT-specific data is not available the VT uses Meat & Livestock Australia (MLA) National Livestock Reporting Service (NLRS) indicators as the nearest market reference point, and takes into account the differences in cattle types in Alice Springs, Barkly and the Top End.
- The VT uses decision trees to arrive at the right categorisation of the animal, or group of animals, based on factors such as weight and age **(see Appendix)**.
- The VT currently applies a discount between 7 and 10% on the price of cattle, depending on the data used. This represents the difference between the on-farm price and saleyard or direct sale price of cattle i.e. less transport and selling costs.
- Where NLRS indicators or specific market data are not available, others sources of commercial pricing data may be used, for example from Auctions Plus.
- The VT addresses cattle types that do not have market indicators, such as Pregnancy Tested In Calf (PTIC) females and calves at foot under six months of age.
- The VT allows for Stud Bulls to be assigned a value according to insured values with registration documents from a breed society or evidence from a registered breeder required, including genetic merit.
- The VT does not address other species of livestock, including buffalo, sheep, goats, horses, pigs or poultry.

Compensation payments

In an EAD response, an initial compensation payment would be paid by the NT Government based on the VT. This payment would be delivered to the affected owner of the cattle as soon as possible.

The total amount of compensation payments made by the NT Government would then be submitted to be considered for cost-sharing by all parties subject to national cost-sharing arrangements for EADs, including livestock industry organisations. This may take some months to finalise.

This initial compensation payment is for the market value of animals ordered for destruction and aims to encourage reporting of an EAD by removing disincentives to report.

A “Top Up” payment may be made when the infected property is eligible to be restocked, provided the total value of equivalent livestock is greater on that date, rather than the date of the initial payment. This additional payment may be required to enable the producer to purchase equivalent replacement animals, possibly a long time after the original payment.

Questions for consideration

1. Where NT-specific data, consistent with the principles, is not available, the Valuation Tool uses the NLRS indicators as the nearest market reference point. Do you think that there are more applicable indicators?
2. Given that the NLRS indicators are based on interstate sales, the Valuation Tool currently applies a 10% discount for interstate sale and transport costs. Do you feel this is a reasonable deduction?
3. Would you support industry organisations approaching MLA to develop NT specific Indicator?
4. Where NLRS indicators or specific market data are not available, others sources of standardised commercial pricing data may be used. Do you think that the approach to cattle classes that do not have indicators, such as PTIC females and calves under 6 months, is reasonable?
5. Are there any factors that have not been captured in the development of the Valuation Tool?

Next Steps

We recognise that this is an important issue for you to consider and want to allow you time to think about it. We welcome your feedback and views on the methodology that has been developed.

There are two ways to submit feedback:

1. Email your comments to livestock.ditt@nt.gov.au

2. Use the survey tool on the Have Your Say website to provide your response to thes discussion paper questions: https://haveyoursay.nt.gov.au/valuation-framework

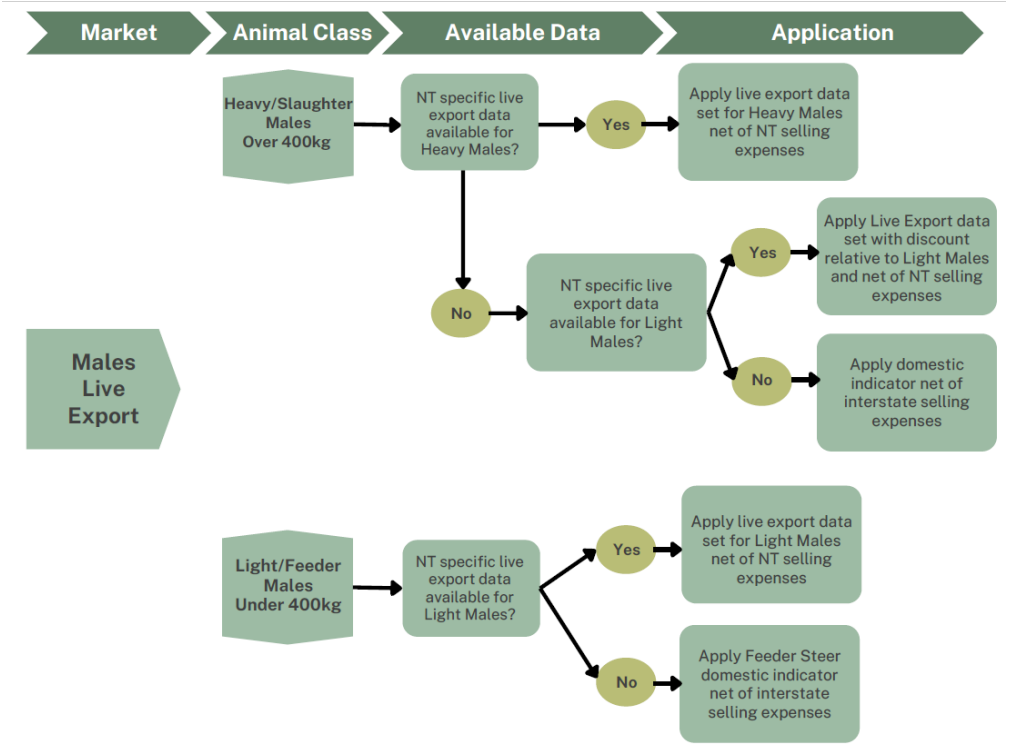
Consultation will close on **Thursday 30 November 2023**.

Appendix – Valuation Process and Decision Trees

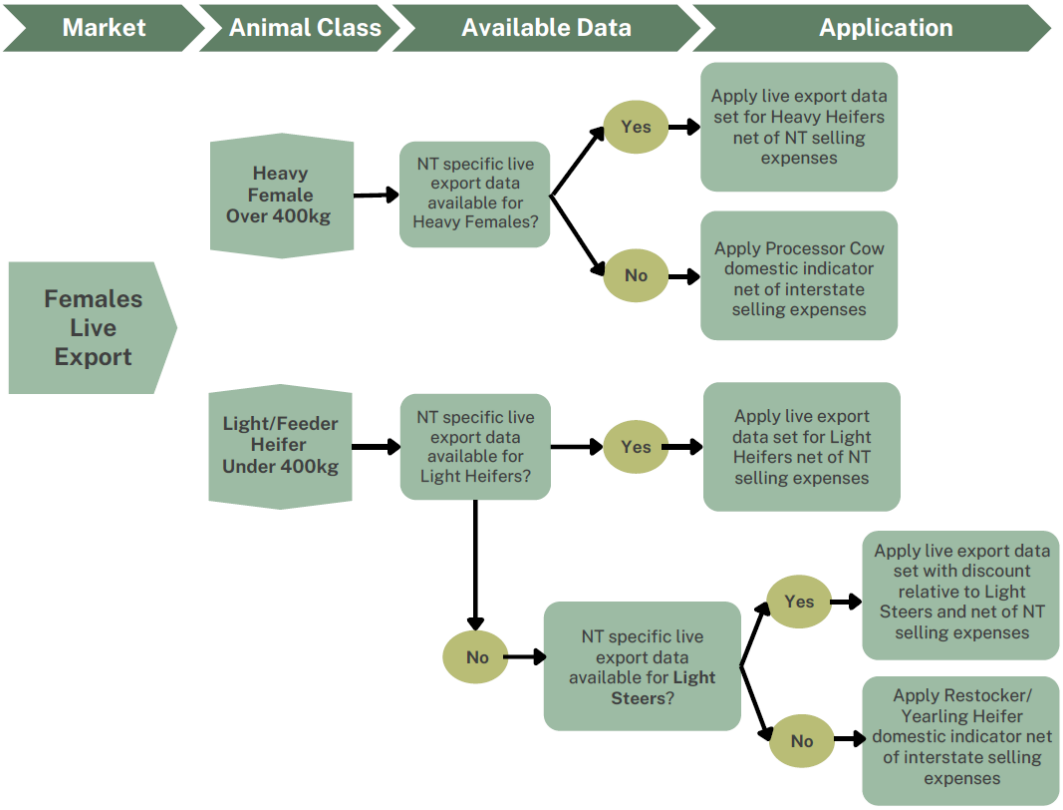
Valuation Process

Market	Animal Class	Available Data	Application
Choose the relevant market for the animals being valued: • Males Live Export • Females Live Export • Males Domestic • Females Domestic • Weaners over 6 months • Bulls under 3 years old • Bulls over 3 years old • PTIC females • Cow/calf units • Calves under 6 months	**Choose the relevant class** of animal within the market based on their weight and age with reference to the valuation framework schematics. The decision tree provides a process for applying the schematics and the two resources support each other. **Dry stock over 6 months old** Valued using NT-specific data or a relevant domestic indicator as per the valuation tool. **Animals outside the specifications** Valued separately by the valuation panel sourcing information outside of established indicators and with reference to the Principles.	**NT-specific data should be used in the first instance** if it is available and consistent with the Principles of this valuation framework. At the time of the development of this valuation framework, NT-specific data consistent with the Principles is not available. If NT-specific live export data is not available or consistent with the Principles, the relevant indicator or data set as outlined in the Application column should be used.	**Valuation for compensation is the on-farm price**, so net of transport and selling costs at the farm gate. For consistency and simplicity, a % discount for all selling expenses is applied. **NT specific data** 7% NT discount for selling expenses. **Domestic indicator or data set** 10% interstate discount for selling expenses.

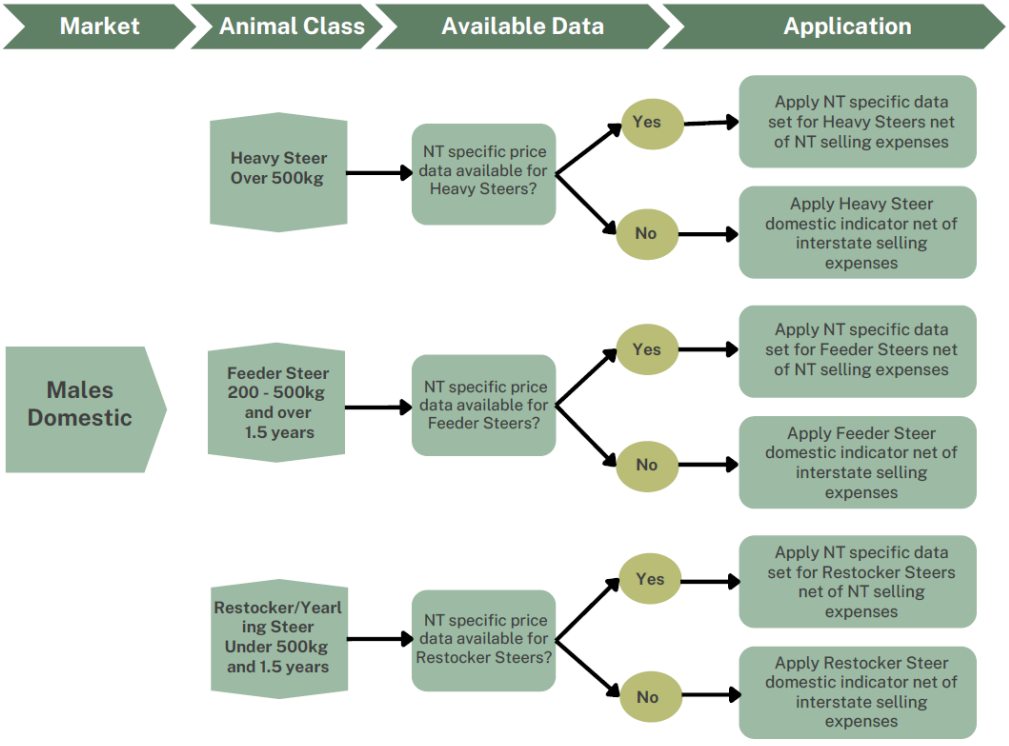
Males Live Export



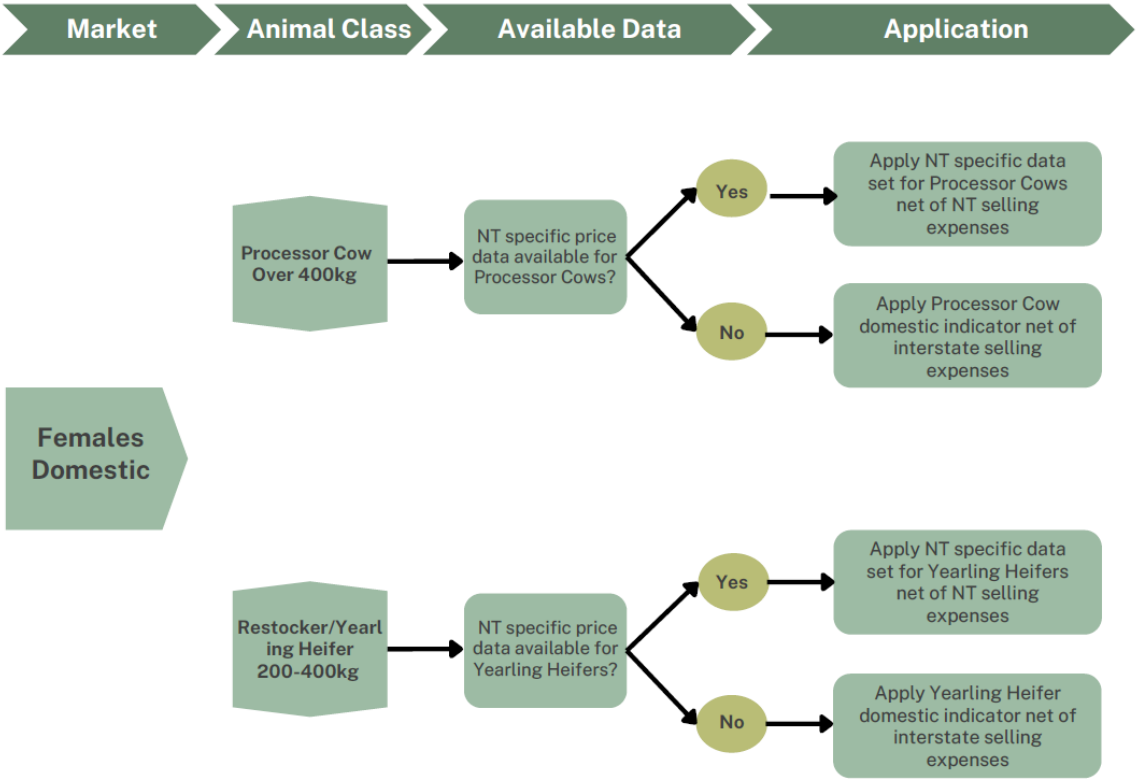
Females Live Export



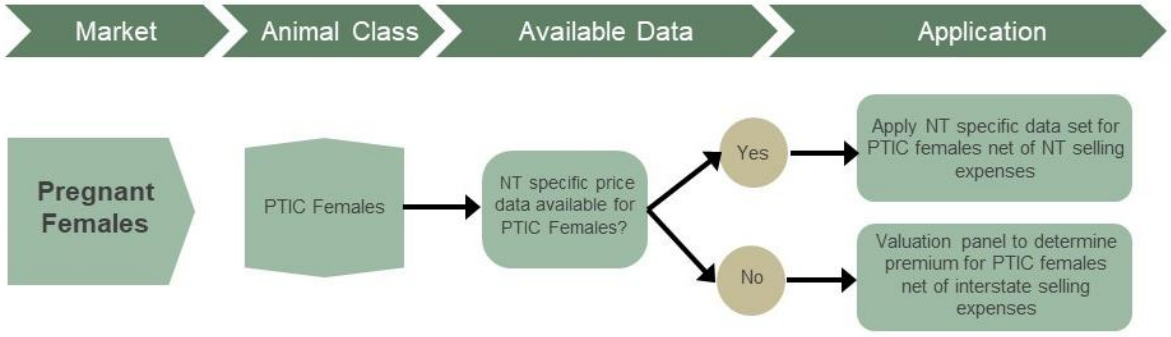
Males Domestic



Females Domestic



Pregnant Females

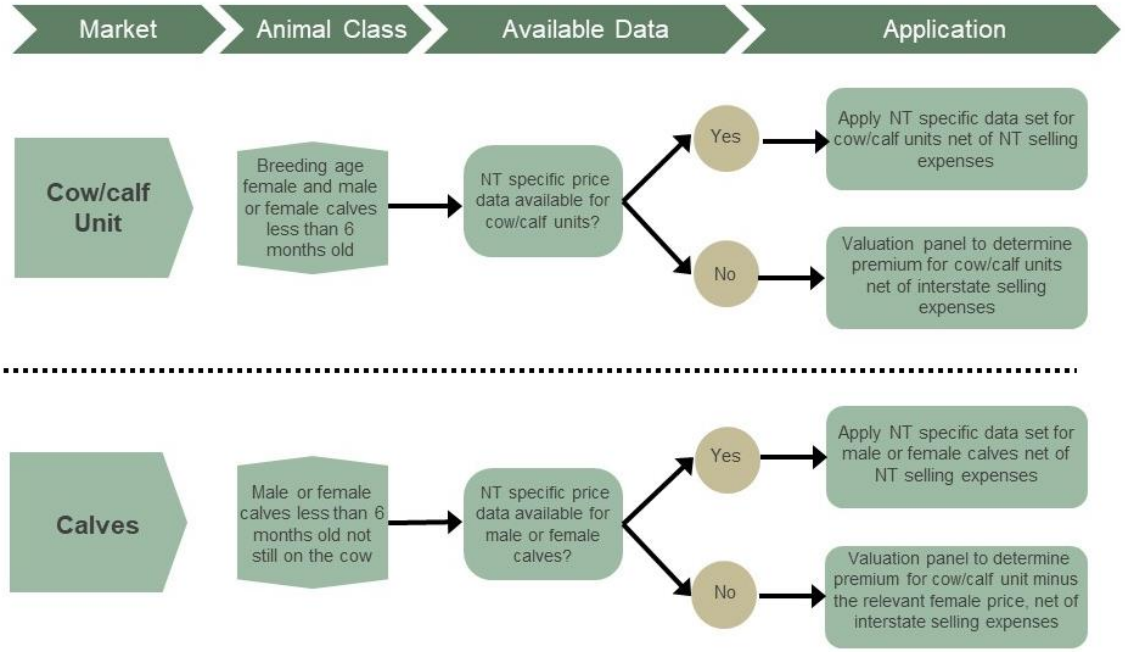


Valuation panel to determine the premium paid for PTIC females in the relevant market, net of selling expenses, from relevant data (e.g. Auctions Plus).

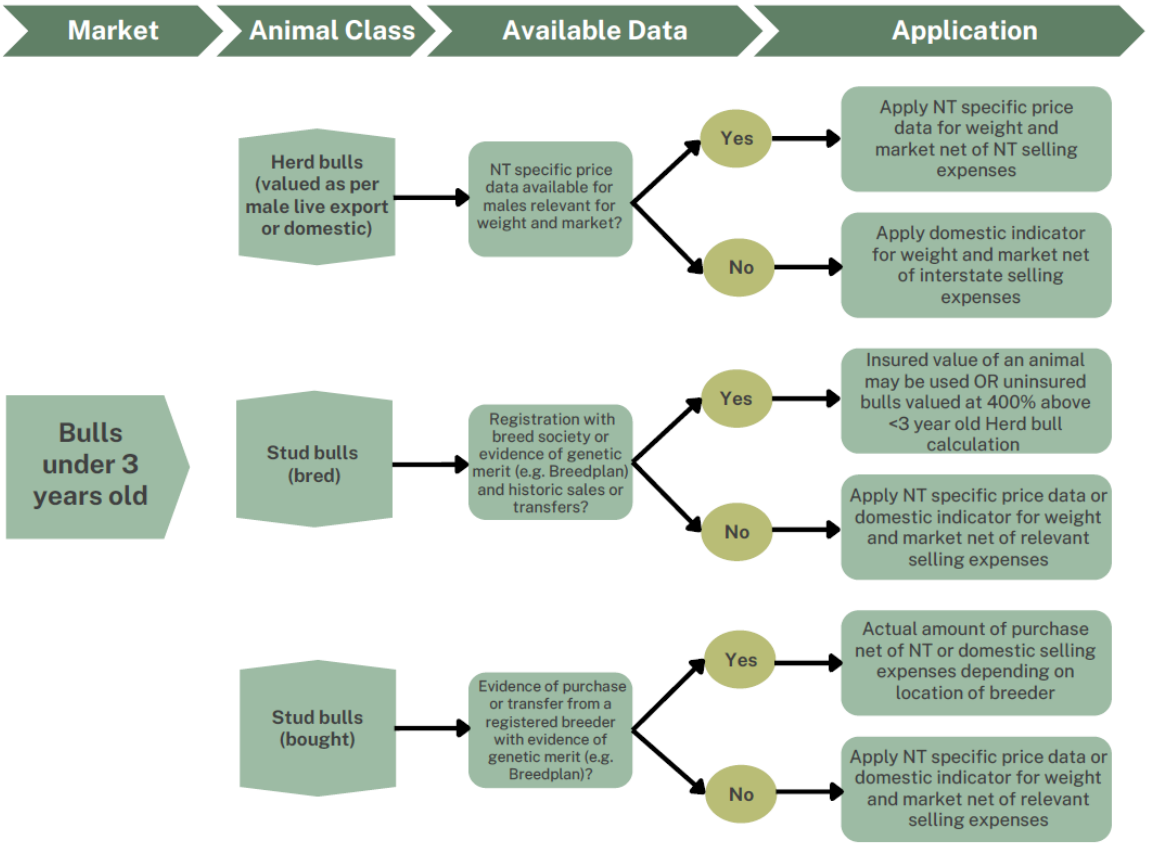
If available, use producer records to determine pregnancy rate from records of pregnancy tested in calf animals.

If producer records are not available, assume 66% of breeding-age females who were exposed to a bull will be pregnant.

Cow/Calf Unit and Calves



Bulls under 3 years old



Bulls over 3 years old