



Australian Dairy Industry Council Inc.

Securing the future of agricultural trade

Draft cost recovery implementation statement: Dairy exports 2026-27

**Submission to Department of Agriculture, Fisheries and
Forestry**

March 2026

Introduction

The Australian Dairy Industry Council (ADIC) welcomes the opportunity to provide this submission to the Department of Agriculture, Fisheries and Forestry (DAFF) on the draft Export Cost Recovery Implementation Statement: Dairy Exports (CRIS) for 2026–27 to 2029–30.

This submission has been developed in consultation with Dairy Australia, and industry members.

The CRIS proposes both an expansion of cost recovery to new regulatory activities and a concurrent increase in export charges.

Efficient and effective export regulatory systems are essential to protecting Australia's international reputation, maintaining, and expanding market access, and supporting dairy exports. Export certification and regulatory assurance provided by DAFF are essential components of this framework.

The dairy industry supports the principle of sustainable funding for export regulatory services, including a transition to full cost recovery. However, this must be based on the minimum efficient cost of delivering export regulation, which has not yet been demonstrated in the draft CRIS.

We are concerned by both the structure and magnitude of the proposed cost increases, particularly in the current operating environment.

We also have significant concerns regarding the transparency of the Activity Based Costing model, the allocation of indirect costs, particularly corporate overheads which account for 26 to 28 per cent of the regulatory cost base, and the expansion of cost recovered activities, including the proposed regulatory efficiency program, for which limited detail has been provided. Taken together, these issues raise material concerns about the potential impact on export competitiveness at a time of heightened global pressure.

Given the non-contestable nature of export certification services, it is critical that the underlying cost base is transparent, independently validated and demonstrably efficient before additional costs are passed on to exporters.

Proceeding to full cost recovery without first establishing an efficient and validated cost base risks embedding inefficiencies into the charging framework and locking in higher costs for exporters over the long term.

The Australian dairy industry supports a transparent and sustainable cost recovery framework. Accordingly, ADIC recommends a phased and evidence-based approach to implementation:

- Pause all fee increases for 12 months (2026–27) pending an independent cost model review and comprehensive impact assessment, while maintaining current government supplementation:
 - I. an independent review – to validate the cost model, including its underlying assumptions and the extent to which existing efficiency gains have been realised and reflected in charges, for example through initiatives such as the DEAP program, and
 - II. a comprehensive impact assessment – of exporter level and distributional impacts, including the appropriateness of volume based banding thresholds

such as exporters above and below 2,000 tonnes, and an assessment of Australia's relative cost competitiveness and benchmarking compared to key dairy export competitors, to ensure the proposed charges do not place Australian exporters at a comparative disadvantage.

- Undertake a three-year regulatory efficiency program, covering both cross commodity and commodity specific activities, funded by government, to ensure export regulatory services are delivered at minimum efficient cost.
- Implement a staged transition to increased cost recovery over five years, commencing in 2027–28, to avoid a front-loaded increase in exporter charges and provide sufficient time for industry to adjust in a highly volatile global environment.
- Ensure that improvements in regulatory efficiency are transparently measured and translated into tangible and timely reductions in exporter charges.

Progression to increased cost recovery should be contingent on demonstrating that the regulatory system is operating at minimum efficient cost, that costs are appropriately allocated between industry and government, and that the resulting charging framework does not materially erode Australia's international competitiveness.

We expand on this below.

The Australian dairy industry

Dairy farming is the third-largest rural industry in Australia, with a farmgate value of \$6.2 billion. Across the supply chain, the dairy industry generates an estimated \$18.5 billion in economic activity and directly employs almost 31,300 people across farming and processing.

Australia is a significant dairy exporter, with around 36 per cent of milk production exported in 2024–25, valued at approximately \$3.8 billion. Australia ranks fifth globally in dairy trade, with around five per cent of global market share behind New Zealand, the European Union, the United Kingdom and the United States. Export competitiveness is therefore critical to the ongoing sustainability of the Australian dairy sector.

ADIC is the peak national representative body for the Australian dairy industry, representing dairy farmers and processors through its constituent bodies, Australian Dairy Farmers (ADF) and the Australian Dairy Products Federation (ADPF).

Shortcomings in the draft CRIS and consultation process

The draft CRIS raises a number of interrelated concerns regarding the consultation process, the transparency of the cost base, the allocation and pricing of export certification services, and the extent to which regulatory efficiency has been demonstrated.

Taken together, these issues limit industry confidence that the proposed charges reflect the minimum efficient cost of delivering export regulatory services.

1. Consultation process and cumulative impacts

The consultation process has not provided industry with sufficient time or information to properly assess the detailed impacts or benefits of the proposed changes. In particular, the release of detailed pricing in January 2026 for implementation from 1 July 2026 represents a highly compressed timeframe, given the scale, complexity and significance of the transition to full cost recovery.

While consultation processes, including the Trade and Exports Sustainable Funding taskforce, have been underway for more than two years, the dairy industry's substantive engagement only commenced in November 2025. Under the current CRIS consultation, key supporting documentation was released as late as 11 March, with submissions due on 20 March, further limiting industry's ability to respond in a considered manner.

Recent Senate action requiring the release of documents underpinning the draft CRIS has highlighted concerns regarding the transparency and robustness of the costing model, and means that critical information will not be available prior to the submission deadline.

Taken together, these factors have constrained meaningful engagement and limited exporters' ability to fully assess the operational and financial implications of the proposed changes.

At the same time, the CRIS does not adequately account for the cumulative pressures currently affecting export industries. For the dairy sector, these proposed increases come against a backdrop of productivity constraints, declining milk production volumes, rising input and compliance costs, strong import competition, and retail concentration.

There is a genuine risk that, if export costs are not appropriately calibrated, exporters will lose competitiveness, resulting in product being diverted to domestic markets, with broader consequences for the industry and the economy.

These increases also coincide with a range of significant structural pressures, including the flow-on impacts of conflict in the Middle East on fuel, freight, fertiliser and packaging costs; the imposition of 10 per cent tariffs on dairy by the United States, alongside broader flow-on effects as the United States secures preferential trade outcomes in key markets such as Taiwan and Indonesia; ongoing margin pressures and competitiveness challenges from subsidised producers in global dairy markets such as Europe and the United States; and the anticipated impacts of a potential Australia–European Union Free Trade Agreement.

As a result, industry has not been in a position to fully assess or validate the proposed cost base, reinforcing the view that the CRIS is not yet ready for implementation in its current form.

2. Transparency of the regulatory cost base

The CRIS also provides limited transparency regarding the underlying regulatory cost base.

While high-level cost pools and charge points are presented, there is insufficient detail to understand how these translate into specific charges or how costs are allocated across commodities. In particular, the methodology used to estimate staff effort and allocate indirect corporate costs is not clearly explained.

Given DAFF is the sole provider of export certification services, there is a heightened obligation to demonstrate that charges are efficient, proportionate, and transparently derived.

Recent developments further underscore the need for greater transparency in the CRIS process. The Senate has agreed to an Order for the Production of Documents requiring the Government to release detailed materials underpinning the draft Export Cost Recovery Implementation Statements, including cost models, key assumptions and analysis of industry impacts. This action reflects significant concern regarding the transparency and integrity of the costing approach.

The costing model also relies on an assumption that new regulatory activities will be offset elsewhere or funded through alternative revenue sources. However, no detail is provided to substantiate this assumption or explain how these offsets will be realised in practice. This

creates a material risk that anticipated offsets will not be delivered, resulting in a higher cost base and increased charges being passed on to exporters.

The dairy industry considers that full visibility of these materials is essential to demonstrate that the proposed charges reflect the minimum efficient cost of regulation and are appropriately allocated. In the absence of this information, industry cannot have confidence that the model is robust, efficient or fair.

3. Certification pricing and cross-commodity consistency

Documentation-related charges represent a significant and rapidly escalating cost pressure for dairy exporters over the proposed transition period, with key per-consignment documentation and certification charges rise significantly. For example, electronic certification fees increase from \$12 to \$36 per consignment, a 200 per cent increase, while the associated electronic export document fee increases from \$30 to \$75, a 150 per cent increase. Together, these core charges increase total certification and documentation costs from \$42 to \$111 per consignment, an uplift of approximately 164 per cent, materially increasing the marginal cost of exporting and raising concerns about cumulative impacts on exporters operating in competitive global markets.

The proposed certification pricing raises questions regarding cost allocation and consistency across commodities. The divergence in fee trajectories between dairy and other commodities, despite a broadly shared regulatory framework, is difficult to reconcile. The magnitude of increases in areas such as electronic certification is also inconsistent with the expected efficiency gains associated with digital systems.

For example, between 2025–26 and 2029–30:

- Export document fees are projected to increase from \$30 to \$75 for dairy (150 per cent increase), compared with \$32 to \$45 for meat (41 per cent increase).
- Electronic certificate (eCert) fees increase from \$12 to \$36 for dairy (200 per cent increase), compared with \$5 to \$7.52 for meat (50 per cent increase).
- Manual certificate fees increase from \$202 to \$361 for dairy (79 per cent increase), compared with \$43 to \$65 for meat (51 per cent increase).

In addition, between 2026–27 and 2029–30, the Dairy Quota electronic certificate increases from \$30 to \$75 for dairy (150 per cent increase), compared with \$35 to \$45 for meat (29 per cent increase).

Taken together, these increases represent a substantial uplift in per-consignment export costs for dairy, with total certification and documentation charges increasing by well over 100 per cent in many cases depending on the certification pathway, significantly outpacing increases faced by other export sectors such as meat.

This impact is evident at the enterprise level over the implementation period. One exporter undertaking approximately 1,500 consignments per year has indicated that certification and documentation costs would increase from around \$63,000 in 2025–26 to \$166,500 in 2029–30 under full implementation, an increase of over \$100,000, before accounting for additional charges such as levies. Similarly, one large exporter has estimated that annual certification costs would increase from approximately \$350,000 in 2025–26 to \$925,000 by 2029–30, an increase of around 164 per cent (or 2.6 times) current costs. This level of increase is not commercially sustainable.

4. Charging structure and unintended impacts

The current charging structure produces unintended outcomes in certain circumstances and raises broader questions about whether charges are appropriately aligned with regulatory effort.

The reliance on per-consignment charges means that exporters incur fees for each transaction, regardless of whether additional regulatory effort is required. This approach can disproportionately impact exporters with higher shipment volumes and may not accurately reflect the underlying cost drivers of regulatory activity.

This is particularly evident in cases where replacement certificates are needed due to circumstances outside the exporter's control, such as geopolitical disruptions or sudden changes in importing country requirements. In these situations, exporters may incur multiple certification charges for a single consignment despite having fully complied with regulatory requirements.

In addition, the CRIS introduces differentiated charging based on exporter volume, including the use of thresholds such as exporters below and above 2,000 tonnes. While industry recognises the rationale for differentiating charges based on scale, it is not clear whether the proposed thresholds reflect the most appropriate or efficient segmentation for the dairy sector which ranges from multinational dairy processors to single-plant operators.

Industry does not have visibility of the underlying data used to determine these thresholds, including how regulatory effort varies across exporter size or whether alternative structures were considered. The value differential across an individual exporter's product mix can vary greatly, where the threshold only considers volume. As a result, it is difficult to assess whether the proposed bands are proportionate, equitable or aligned with actual regulatory costs.

Taken together, these issues indicate that further consideration must be given to the design of the charging framework to ensure it accurately reflects the regulatory effort, avoids unintended outcomes, and is supported by transparent, evidence-based assumptions that deliver value back to industry.

Recommended approach

The dairy industry supports a transition to sustainable, full cost recovery for export regulatory services, provided it delivers an efficient regulatory system while maintaining the competitiveness of Australian dairy exports.

This transition must occur in a phased, transparent, and efficiency-driven manner, ensuring exporters are funding a system that operates at the minimum efficient cost, is effective, and delivers measurable improvements in service performance over time – not merely maintaining existing service standards.

To support this outcome, industry recommends that DAFF should adopt a structured implementation pathway that includes a period of cost stability and validation, a targeted program of regulatory efficiency, and a staged transition to full cost recovery aligned with demonstrated improvements in the underlying cost base.

A. Validation and stability (2026–27)

A critical first step is to establish confidence in the underlying cost base. Industry considers that a 12-month period of stability should be provided in 2026–27, during which exporter charges are held constant and current government supplementation maintained.

During this period, DAFF should commission an independent review of the Activity Based Costing (ABC) model to validate the key assumptions underpinning the proposed charges. This should include assessment of efficiency gains achieved to date, for example through initiatives such as the Dairy Export Assurance Program and audit streamlining, and whether these have been appropriately reflected in the cost base.

The review should place greater weight on historical and observed data, rather than relying predominantly on forward estimates for 2025–26, and include a detailed assessment of staff effort allocation, indirect cost allocation and key cost drivers, including any new activities added to the cost base. It should explicitly test whether the current cost base reflects the minimum efficient cost of delivering export regulatory services.

In parallel, a targeted impact assessment should be undertaken to understand how the proposed charges would affect exporters in practice, including impacts on margins, competitiveness and market participation across different exporter sizes and business models. This should identify any disproportionate impacts, particularly on small and medium processors, and test whether the proposed charging framework supports a competitive and sustainable export sector – and inform decisions on the appropriate pace and structure of any transition to full cost recovery.

The review should also assess whether proposed cost-recovered activities are appropriately classified, ensuring they represent genuine cost-recoverable services rather than core government trade or policy functions that should remain government appropriated, such as market maintenance activities. This should include clearly defining the boundary between cost-recovered and government-funded activities and providing assurance that the current scope represents the full extent of activities to be recovered under the framework and functions delivering broader national interest outcomes – such as market access, trade facilitation and international engagement – remain government funded. The review should also consider whether existing systems and services, for example MICOR, are operating effectively and efficiently before additional costs are passed on to exporters.

In addition, the review should clearly outline how ongoing validation and review processes will be administered over time, providing transparency and confidence in how the model will be maintained.

Establishing a transparent and credible baseline is essential before further cost increases are implemented and will provide industry with confidence that future charges are grounded in an efficient and evidence-based model.

B. Regulatory efficiency program (2026–27 to 2028–29)

Following validation of the cost base, a structured program of regulatory efficiency should be undertaken. Industry supports the implementation of a three-year regulatory efficiency program, recognising that improvements to regulatory systems and processes are necessary to ensure long-term sustainability.

Industry welcomes DAFF’s proposal to co-design elements of this program with industry. However, it is important to recognise that industry has limited visibility into the department’s internal systems, processes and cost drivers. As such, the identification and implementation of efficiencies within DAFF’s regulatory operations will need to be led by the department, drawing on its detailed understanding of internal delivery models, while working closely and collaboratively with industry.

There is a clear and constructive role for industry in supporting this work, particularly at the establishment level. The dairy industry is willing to contribute in-kind through the provision of expertise, operational insights and personnel time to help identify practical improvements in areas such as audit processes, certification pathways and risk-based assurance models.

However, the overall program will require continued government investment to support the transition to an efficient, fully cost-recovered system. This reflects both the broader public benefit of an efficient regulatory framework and the responsibility of government to ensure that regulatory services are delivered at minimum efficient cost. Industry does not consider it appropriate for exporters to fund the identification and implementation of internal departmental efficiencies through cost recovery.

The program should include both cross-commodity and commodity-specific elements. Given the shared nature of many regulatory systems and processes across export commodities, the program should ensure that efficiency gains achieved in one commodity are captured and applied across others, including dairy, and that improvements in system-wide efficiency are reflected consistently and equitably in exporter charges. Opportunities also exist to optimise shared systems, workforce models and regulatory processes across export commodities, while pursuing targeted improvements within the dairy sector.

It is critical that the outcomes of this program are explicitly linked to reductions in the regulatory cost base. Efficiency gains should translate into lower costs for exporters over time, rather than additional recoverable charges.

C. Phased transition to full cost recovery

Once the cost base has been independently validated and efficiency improvements are underway, a transition to full cost recovery can proceed, with appropriate consideration given to the international competitiveness of Australian exporters.

Industry considers that this transition should commence in 2027–28 and be implemented gradually over a five-year period. This approach would align cost increases with demonstrated efficiency gains, reduce the risk of embedding inefficiencies into the pricing structure, and provide exporters with sufficient time to adjust to higher regulatory costs.

It would also take into account the economic and global market pressures facing the dairy processing industry. Processors operate in a highly competitive, cost-driven market, where it is extremely difficult to pass through additional regulatory costs to customers and consumers, placing further pressure on already tight margins. Notably, twenty dairy processors have publicly announced closures over the past three years.

A staged transition will also support greater predictability and allow for ongoing refinement of the model as efficiency outcomes are realised.

D. Improvements to charging design

In parallel with the transition to cost recovery, improvements should be made to the design of the charging framework to ensure that charges more accurately reflect regulatory effort and are applied in a fair and proportionate manner.

This includes reviewing the balance between per-consignment charges and other forms of cost recovery, given the disproportionate impact that transaction-based charging can have on exporters with high shipment volumes, regardless of whether additional regulatory effort is required.

Further transparency is also required regarding the use of exporter segmentation thresholds, such as the distinction between exporters below and above 2,000 tonnes. While industry recognises the intent of differentiating charges based on scale, it is not clear whether the proposed thresholds represent the most appropriate or efficient structure for the dairy sector. Providing the underlying data and rationale for these thresholds would support greater confidence in their application and ensure that segmentation reflects actual regulatory effort.

Consideration should also be given to the treatment of exceptional circumstances. Where replacement certificates are required due to events outside the control of exporters, there should be scope for fees to be waived or reduced. This would ensure that exporters are not penalised for circumstances unrelated to regulatory compliance while maintaining the integrity of the certification system.

E. Transparency, governance and performance accountability

Ongoing transparency and effective governance arrangements will be critical to maintaining industry confidence throughout the transition.

As the CRIS moves toward a more explicit fee-for-service model, there is a corresponding expectation that regulatory services will be delivered with clear accountability for performance, efficiency and outcomes. Where exporters are required to pay directly for services, those services should be supported by co-designed performance metrics that provide visibility over service delivery and drive continuous improvement, with reports made publicly available.

The ADIC therefore recommends that DAFF should work with industry to develop a set of key performance indicators (KPIs) that reflect service timeliness and reliability, efficiency of regulatory processes, reductions in administrative burden, and measurable improvements in cost efficiency over time. These metrics should be transparent, regularly reported, and directly linked to the outcomes of the regulatory efficiency program and changes in the cost base. Embedding performance accountability within the cost recovery framework will help ensure that exporters are not only funding regulatory services but are also seeing tangible improvements in how those services are delivered.

ADIC also seeks greater transparency and frequency in the review of export charging arrangements. While Portfolio Charging Reviews (PCRs) provide high-level assurance, they are conducted infrequently and do not test the detailed cost model or pricing outcomes underpinning the CRIS. ADIC therefore requests that findings from previous PCRs relating to export cost recovery be made available, including how these have informed the current model. More frequent and targeted review points should also be established during the transition period, with appropriate independent oversight, to ensure charging arrangements remain fit for purpose, transparent and aligned with the efficient delivery of regulatory services.

Embedding performance accountability within the cost recovery framework, supported by regular review and continuous improvement processes, will help ensure that exporters are not only funding regulatory services but are also seeing tangible improvements in how those services are delivered.

Conclusion

The Australian dairy industry supports sustainable and transparent funding of export regulatory services, where cost allocation is fair, and recognises the importance of a robust and credible regulatory system.

However, the draft CRIS does not yet demonstrate that the proposed cost base reflects the minimum efficient cost of delivery, nor does it provide sufficient transparency to support industry confidence in the underlying assumptions and methodology, including whether costs deliver clear benefits to exporters or whether exporters are disproportionately funding public regulatory functions.

Accordingly, a more measured, phased and evidence-based approach is required.

This should include a period of stability to validate the cost base, a structured program of regulatory efficiency, and a gradual transition to full cost recovery that is contingent on, and aligned with, demonstrated improvements in efficiency and performance.

Such an approach will ensure that exporters are funding an efficient and fit-for-purpose regulatory system, while supporting the ongoing international competitiveness of Australian dairy exports in an increasingly volatile global environment.

In a globally traded commodity sector, even small regulatory cost increases risk eroding competitiveness where competitors do not recover equivalent costs.

We look forward to working constructively with the Department on next steps and would welcome the opportunity to discuss this submission further.

Yours sincerely,



Ben Bennett
Australian Dairy Industry Council, Chair
Australian Dairy Farmers President



John Williams
Australian Dairy Industry Council, Deputy Chair
Australian Dairy Products Federation Chair

Contact

Janine Waller - Chief Executive Officer
Australian Dairy Products Federation
Office 634, level 6, HWT Tower, 40 City Road Southbank Vic 3006
E: janine.waller@adpf.org.au
M: 0409 189 574
W: www.adpf.org.au