



Department of
AGRICULTURE
FISHERIES &
FORESTRY -
AUSTRALIA



Mr Paul McMahon
Committee Secretary
House of Representatives Standing Committee on
Industry, Science and Resources
Parliament House
CANBERRA ACT 2600

Dear Mr McMahon

I am writing to provide Departmental responses to the questions and requests for information by members during the appearance by officers from AFFA before the Committee on 29 March 2001. The responses are as follows:

- *Is there any move, particularly within Fisheries, to look at how, for instance, quotas in some fisheries are allocated with respect to value adding within those fisheries?*

Quota management strategies should serve both as a conservation and economic management tool for relevant fisheries. Quota management systems are in general more suited to single species, multi method fisheries that do not show significant variation in species abundance or catchability from season to season. In introducing secure access rights to Commonwealth fisheries, in the form of either quota or gear based units, operators are well placed to maximise the return on individual investments through the development of efficient harvest and marketing strategies.

The total allowable catch (TAC) upon which quota levels is set is adjusted to ensure either the ongoing sustainable use of stock or to contribute to the rebuilding of a previously over utilised stock eg gem fish.

The Fisheries Management Act 1991 does not provide a mechanism for the Australian Fisheries Management Authority (AFMA) to manage or allocate quota on the basis of post harvest utilisation. The allocation of quota or other forms of access right in Commonwealth fisheries is largely an independent process that will generally have regard to those factors that recognise the relative positions of the various operators in the fishery. The principle whereby there is minimal redistribution of wealth within a fishery as a result of the allocation of new or changed access rights will be pursued.

The low value nature of the Jack Mackerel Fishery (JMF) has in the past made it a low priority for management resources. Whilst there is currently increased commercial interest in the harvest of JMF species, it is not yet clear that a



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significant increase in management resources is justified. The development of a Statutory Management Plan and the subsequent allocation of Statutory Fishing Rights (SFRs) in the form of quotas or gear based effort restrictions has been identified by AFMA as a possible management approach in the future. In an interim context, and recognising the low value nature of the fishery, AFMA is currently proceeding with the introduction of a Management Policy for the JMF.

At present an ITQ management regime is in place for the well-established Zone A fishery off Tasmania (for which the target species is predominantly Jack Mackerel). This quota regime is an interim management arrangement that has been given effect in Commonwealth waters through reciprocal licensing arrangements between Tasmania and the Commonwealth. Longer term management arrangements for the Zone A fishery, possibly under a Joint Authority arrangement between Tasmania and the Commonwealth, are currently being developed.

- *Request for recent information on the impact of dairy deregulation on dairy farm numbers.*

Provisional figures for 30 June 2000 indicate 12,888 registered dairy farms in the industry. The Australian Bureau of Agricultural and Resource Economics (ABARE) report into the *Impact of an Open Market in Fluid Milk Supply* in December 2000 estimated that fewer than 400 farms have exited the industry following deregulation. No further information is available at this stage.

- *What are the range of impacts on the world market and the world exporters of the European foot-and-mouth problem, since Europe exports 30 per cent of the world market?*

While ABARE is currently considering the impact of the FMD epidemic on world meat markets, it is difficult at present to predict with any certainty the effect of foot and mouth on Australia's trade of dairy products.

The EU supplies over 37% of the world's dairy exports and its milk production regularly exceeds domestic demand by up to 20 million tonnes annually. Around half the surplus production is disposed of to industrial food processors and calf feed producers, with calf feed accounting for a major part of the EU's annual output of skim milk powder (SMP). Sales of SMP for calf feed purposes have declined in recent years and as such, the further effect of FMD quarantine measures in reducing herd sizes could result in an increase in SMP stock as less is utilised in calf feed.

With regard to the possibility that demand for Australian product may increase due to a shortage of supply following the FMD epidemic, it is unlikely that any drop in production will be significant, as the reduction in numbers accounts for

only a relatively minor proportion of the 21 million dairy cows in the EU herd. (For comparison, Australia and New Zealand, who account for 44% of the world export of dairy products, have a combined herd size of under 5.5 million dairy cows.)

Broadly therefore, while the FMD epidemic is unlikely to have a *major* effect on world demand and supply of dairy products, some opportunities are likely for Australia to expand its dairy exports due to our FMD and BSE-free status, and general "clean and green" image.

- *In the last 10 years, has there been a significant shift to specific types of wheat and to higher grades of wheat?*

AWB Ltd publishes data showing the percentage of wheat receivals by class for each season.

There are significant year to year variations within each class but the main change between 1989/90 and 1998/99 (the latest year for which data is published) is the decline in Australian Standard White (ASW) wheats (from 78.7% of receivals to 39%) and the increase in Australian Premium White (APW) from zero to 35.2% of receivals. APW wheat was introduced in 1995/96 and is now used as the benchmark category by AWB Ltd.

The 10 season average percentage of receivals to 1998/99 is: Australian Prime Hard, 5.4%; Australian Hard, 13.2%; ASW, 59.3%; and Australian General Purpose (including feed and winter wheats), 10.4%. APW is not included in the 10-year average figures. Although the data for ASW includes durum, soft and noodle wheats, we understand that segregation of these specialty type wheats has been generally increasing over recent years even though the output of basic ASW type wheat has been declining.

- *Request for additional information on value adding in the grains sector*

In general, tariffs tend to increase strongly in line with the level of processing necessary for a product. This is particularly so in Australia's immediate neighbourhood, where countries are also strongly encouraging growth in processing industries. For our grains industries, given that Australia's natural resource advantages support large cropping industries, and the comparative disadvantages particularly in terms of labour costs, high volume primary product exports are profitable.

In the case of wheat, the single desk (bulk unprocessed product) arrangements tend to reinforce this approach given that the AWB is the largest export and domestic trader of wheat, and its focus is not on value adding through processing. Growers tend to adjust their actions to meet AWB product requirements, and

rewards geared around bulk exports. The AWB has however clearly added value through a significant improvement in quality, consistency and satisfaction of client expectations. The AWB is also an investor in overseas bulk and processing infrastructure in the region.

While the Grains Research and Development Corporation does undertake activities that deal with and aim to improve post primary production processes, these are not specifically export oriented. They are also consistent with the needs of their clients, farmers, who, as noted above, have a focus on meeting AWB requirements.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Pearson', with a long horizontal flourish extending to the right.

Andrew Pearson
General Manager
Science and Economic Policy

9 May 2001