

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2011

Agriculture, Fisheries and Forestry

Question: 01

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: Forest and Wood Products Australia

Proof Hansard Page: 73 (23/05/2011)

Senator Colbeck asked:

Senator COLBECK: Yes. I understand that there is the opportunity to update that as more information comes to light over the four-year project period. I suppose I am trying to get a sense of the value of this whole process to industry planning for demand and that sort of stuff. Obviously, there are a number of processes going on at the moment that will have an impact on supply. That is one of the reasons I have been interested in the existence of the work in the first place.

Dr Clancy: I do not have the specifics of how far into the future they will try to look at demand. The further you go forward, obviously, there more difficult it is to—

Senator COLBECK: I understand that the variability has the capacity to range a bit more with how far you are looking into the future.

Mr Glyde: We should be able to provide that on notice. As I understand it, we are still working on developing the new forecasting model. One of the key variables will be how far out we go and what can be reliable and what is not.

Senator COLBECK: Do you have a scoping document or something that is available to us to have a look at, perhaps on notice?

Mr Glyde: We can take that on notice. We are still in the process of negotiating with, if I am correct, Forest and Wood Products Australia. Obviously there are two parties involved in that decision.

Senator COLBECK: Yes, I understand that.

Answer:

There is currently no scoping document for the proposed forest products forecasting work to be undertaken by ABARES. The timeframes for forecasting forest products trade and consumption will be considered by the project steering committee at its first meeting, proposed for July 2011. The needs of industry and the reliability of the models will determine the most effective timeframes for forecasting trade and consumption in the sawn timber, wood panels and paper products sectors.

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Question: 02

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: 2007-08 department annual report – project by Access Economics

Proof Hansard Page: 78 (23/05/2011)

Senator Siewert asked:

Senator SIEWERT: In your 2007-08 department annual report there was a project by Access Economics which was around developing—this is a BRS project, actually—an Excel model to estimate the potential environmental and economic impacts of various greenhouse gas mitigation strategies for Australian farmers. Has that report ever been tabled or released?

Dr Ritman: No.

Senator SIEWERT: It has never been released? The report that was paid for was \$53,900 and it was about estimating the potential environmental and economic impacts of various greenhouse gas mitigation strategies for Australian farmers. Has that report ever been made publicly available?

Dr O'Connell: Just to clarify, was that a report that Access Economics passed—

Senator SIEWERT: That Access Economics did for BRS.

Dr Ritman: We might have to take that on notice. It has been a couple of years—

Senator SIEWERT: Could you take that on notice? If it has been released, tell me where it is available and, if it has not been released, why not, and will it be released?

Dr Ritman: Yes.

Answer:

In 2007–08 Access Economics produced an Excel based model with preliminary data and an instruction manual. The manual provides operating instructions for the model, outlines the assumptions of the model and offers potential directions to improve the model's capabilities. It contains no conclusions, recommendations or scientific findings from the modelling exercise.

The purpose of the project was to determine the feasibility of utilising survey data on landholder perceptions of climate change within a modelling framework to examine the impacts of greenhouse gas mitigation strategies on the Australian agricultural sector.

The Access Economics manual prepared for BRS has not been released.

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Question: 03

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: Close-kin genetics project

Proof Hansard Page: 106 (23/05/2011)

Senator Colbeck asked:

Senator COLBECK: Can you confirm the number of DNA matches in the first half of the project?

Dr Begg: I would have to get you the specific numbers on notice.

Senator COLBECK: Has any of this information been compiled to give an assessment of the stock at this stage? Or is it all too fresh to the system?

Dr Begg: No, it has not been compiled.

Answer:

As of September 2010, when a progress report on the project was tabled at the Extended Scientific Committee Meeting of the Commission for the Conservation of Southern Bluefin Tuna, seven parent-offspring pairs had been identified via multilocus comparisons (i.e. 'DNA fingerprinting') by comparing adults captured on the Indonesian spawning grounds and juveniles captured in the Great Australian Bight.

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Question: 04

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: Murray Darling Basin Plan

Proof Hansard Page: Written

Senator Colbeck asked:

Please provide and update on DAFF's involvement in the Murray-Darling Basin Plan since Additional Estimates in February?

Answer:

Officers from the department meet regularly with the Murray-Darling Basin Authority (MDBA) to keep informed of developments and convey stakeholder perspectives on matters relating to the Murray-Darling Basin Plan. ABARES is also undertaking additional modelling and analysis of socio-economic impacts for the MDBA and has provided input to MDBA commissioned socio-economic analysis being undertaken by a consortium of private consultants.

In addition, since Additional Estimates in February 2011, ABARES has produced a number of reports that relate to the Murray-Darling Basin Plan. In March 2011, ABARES released a paper at the Outlook Conference 'The economic and social effects of the Murray-Darling Basin Plan: recent research and next steps' (available at www.abares.gov.au).

In April 2011, the department made two supplementary submissions to the inquiry being held by the House Standing Committee on Regional Australia into the impact of the Murray-Darling Basin Plan (submissions 399.1 and 399.2).

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Question: 05

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: Impact of Carbon Price

Proof Hansard Page: 73 (23/05/2011)

Senator Ian MacDonald asked:

Senator IAN MACDONALD: Is your department involved in any way in the assessment of any carbon price on the industries for which your portfolio has responsibility—that is, agriculture, fisheries and forestry?

Senator Ludwig: We can only answer within the officer's ability. We will take that on notice because if the officer says from his perspective and his division, no, then that might not be reflective of the whole department because we do also have ABARES within the department as well. Rather than bring others to the table because it is a broad question, we will take that on notice and get back.

Senator IAN MACDONALD: Clearly, the officers are here. They sat at the table until they got the nod from you that you did not want them. There is no need to take it on notice, they are here. If this officer does not know in his area we have here the secretary and the minister, both of whom can answer my question.

Senator Ludwig: I have said I will take it on notice to ensure that I get you a comprehensive answer to your question.(cont.)

Senator IAN MACDONALD: Regarding the budget, which we are inquiring into today and which pays the salaries of departmental people, obviously, has the department been doing work on the impact on those three industries of a possible carbon tax?

Dr O'Connell: That is the question you asked before.

Senator IAN MACDONALD: Can someone tell me yes or no whether there has been any work done. You do not need to take it on notice, surely. You have this whole room of public servants and not one of them can tell me whether work is being done or not.

Senator Ludwig: If you had been following the conversation we had earlier, I indicated that I would take it on notice to make sure I gave you a fulsome answer across the department, because not all of the portfolio is here.

Answer:

The department is not undertaking any specific assessment work on the impact of a carbon price on portfolio industries. The department has participated in the interdepartmental committee on the Treasury's carbon price modelling. In addition, ABARES has assessed the sequestration potential from reforestation activities under selected carbon price paths for the Treasury.

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Question: 06

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: Productivity

Proof Hansard Page: Written

Senator Heffernan asked:

1. Your answer to your QON 99 from the February Additional Estimates productivity growth in the Dairy sector at 0.8 percent. Do you have a breakdown by states to look at the productivity growth in the fresh milk dependent states of NSW, WA and Qld?
2. In Answer to QON 102 from the February Additional Estimates you listed a cost benefit analysis of the 2010 locust outbreak. What were the parameters of that study and what were the findings (you listed a completion date of 31 March.)?
3. In Answer to QON 102 from the February Additional Estimates you listed a cost benefit analysis of pest a disease incursions. What are the parameters of the study and how is the study progressing? (you listed a completion date of 30 June.)?
4. Have you been asked to do a study of the impacts of the Asian bee or Myrtle Rust incursions? If not why not?
5. In Answer to QON 102 from the February Additional Estimates you listed a study on the Foreign Investment in Australian Agriculture. What are the terms of reference of this study (due for completion in October) and does it allow you to consider the 10 fold increase in foreign ownership in agriculture in the last 3 years and the change from foreign investment to foreign ownership and the impact of that?

Answer:

1. The Australian average (as a whole) was 0.8 per cent productivity growth from 1988-89 to 2008-09. New South Wales averaged 1.7 per cent a year; Victoria averaged 0.1 per cent a year; Queensland averaged 1.4 per cent a year; Western Australia averaged 1.7 per cent a year; South Australia averaged 1.1 per cent per cent a year; and Tasmania averaged 0.9 per cent per year.
2. ABARES was commissioned by the Australian Plague Locust Commission (APLC) to undertake a benefit-cost analysis of locust control operations undertaken by the APLC, states and landholders in agricultural producing regions of the eastern states of Australia in 2010–11. The main finding of the study was that the estimated benefit from the locust control operations, in terms of avoided potential losses, was \$963 million. In comparison, the estimated cost of the operations, including expenses on pesticide, aircraft and staff cost, was \$50 million. Combining these findings resulted in a benefit cost ratio of around

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19:1. In other words, there was an estimated \$19 benefit for each \$1 invested on the locust control operation.

Details of the study are in the ABARES report '*Benefit-cost analysis of Australian plague locust control operations for 2010-11*', available on the department's website
daff.gov.au/__data/assets/pdf_file/0011/1898795/locust-control-11.pdf.

The main parameter assumptions used in this study included locust density, green plant matter consumption, locust feeding days and how these translate into losses in crop yield. The parameters were based on previous ABARES studies on locust control and Australian Plague Locust Commission data.

3. ABARES has been tasked with undertaking benefit-cost analyses (BCA) for chestnut blight, Varroa mite, red imported fire ants and Siam weed.
 - The BCA of an eradication program for the chestnut blight incursion in North East Victoria has been completed.
 - The BCA on a potential incursion of Varroa mite is being finalised.
 - Both the red imported fire ants and Siam weed proposals are in the process of being finalised before the studies commence.
 - In undertaking these studies, ABARES uses the National Framework for Biosecurity BCA (developed by the National Biosecurity Committee) which consists of a key set of requirements that benefit-cost assessments must address, which will in turn facilitate consistent analytical approaches to assessing and comparing the efficiency of potential biosecurity management and control activities.
 - A number of parameter assumptions underlie the benefit-cost analyses. These parameters include: how quickly the pest/disease spreads; the magnitude of the impact of the pest or disease on production and production costs; and the response of producers and consumers to incursions.
4. There has been no request to undertake a benefit-cost analysis (BCA) study on the impacts of the Asian honeybee or myrtle rust incursions. ABARES is working on a number of other benefit-cost analyses for pest incursions (see answer to question above). In this area of work, the National Biosecurity Committee, a sub-committee under the Natural Resource Management and Primary Industries Standing Committees, or a National Management Group, commissions which benefit-cost analyses are to be undertaken by ABARES.
5. The terms of reference for the study on Foreign Investment and Australian Agriculture, which has been commissioned by the Rural Industries Research and Development Corporation (RIRDC), are set out below.
The study will:

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Question: 06 (continued)

- evaluate the economic impact of foreign investment in Australian agricultural industries and agribusiness;
- review the extent to which similar countries monitor and/or regulate foreign investment in agricultural land.

The study will cover the following four areas:

- The role and history of foreign investment in the development of agriculture in Australia, including a consideration of differences between commodities and the origins of that investment, including:
 - historical significance and nature of foreign investment in the development of various Australian agricultural industries e.g. the pastoral beef industry, the cotton industry, live cattle trade etc
 - economic implications of foreign investment in Australian agriculture, including benefits of capital injections, technology, access to international markets and enhanced exports
 - assessment of the impact of foreign investment in agriculture, including the wider economy impacts of additional capital investment.
- The domestic and international factors driving foreign investment in Australian agriculture. These factors might include:
 - supply-chain integration
 - the diversification of sources of supply to address issues such as climate change
 - profit from investment opportunities, possibly enhanced by introducing technology and capital from overseas
 - increased global nature of many agribusiness enterprises
 - the role of sovereign owned investors
 - whether non-commercial drivers are an influencing factor for foreign investment, including for sovereign owned investors.
- The various ownership structures of agribusiness firms for sub-sets of the Australian agriculture industry, and changes in those structures over time:
 - case studies of four agribusiness sectors with a history of foreign ownership
 - depending on information available, these could include meat processing, sugar refining, dairy processing, wheat/grain marketing
 - draw out any implications for the sector of foreign versus local ownership
 - account would be taken of whether there are differences between ownership and control.
- Monitoring and regulation of foreign investment in agricultural land:
 - measures used in selected other countries for regulating and reporting foreign investment in agricultural land: selection of OECD countries, such as New Zealand, Canada and the United States, as well as two large developing-country agricultural producers, such as Brazil and Argentina

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Question: 06 (continued)

- identify the purposes of monitoring and regulating foreign investment in agricultural land in these countries.

If separate data collection by the Australian Bureau of Statistics on land ownership is completed in time, some discussion of the results of this could be also included in the report.

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Question: 07

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: Live cattle exports

Proof Hansard Page: Written

Senator Coonan asked:

1. How many live cattle were exported to Indonesia in 2009/2010?
2. How many were exported in 2008/09?

Answer:

1. Total live cattle exports to Indonesia in 2009-10 were 718 074 head. This included 699 586 feeder/slaughter cattle, 29 beef cattle for breeding purposes and 18 459 dairy cattle for breeding purposes.
2. Total live cattle exports to Indonesia in 2008-09 were 701 413 head. This included 699 859 feeder/slaughter cattle, 425 beef cattle for breeding purposes and 1129 dairy cattle for breeding purposes.

Summary table: Australian live cattle exports to Indonesia, by category, financial year

| Animal | 2008-09 (no. head) | 2009-10 (no. head) |
|-------------------------------|-----------------------|-----------------------|
| dairy cattle, breeders | 1 129 | 18 459 |
| beef cattle, breeders | 425 | 29 |
| beef cattle, slaughter/feeder | 699 859 | 699 586 |
| Total | 701 413 | 718 074 |

Source: ABS *International Trade Statistics Service*, Cat. No. 5464.0

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Agriculture, Fisheries and Forestry

Question: 08

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: Live cattle exports

Proof Hansard Page: Written

Senator Coonan asked:

1. What was the dollar figure for live cattle exports to Indonesia in 2009/2010?
2. What was value of live cattle exports in 2008/09?
3. What is the explanation for any difference/discrepancy between the figures for 2008/09 and 2009/2010?

Answer:

1. The value of total Australian live cattle exports to Indonesia in 2009-10 was \$440 173 443.
2. The value of total Australian live cattle exports to Indonesia in 2008-09 was \$452 366 257.
3. The decrease in the total value of Australian live cattle exports to Indonesia in 2009-10 compared with 2008-09 is largely explained by a lower average unit value for animals exported for feeder/slaughter purposes in 2009-10.

The average price in 2009-10 was \$611 per head, compared with \$641 a head in 2008-09. The effect of this lower average unit export value was partially offset by increased numbers of dairy breeding cattle exported in response to higher Indonesian demand for these animals. On average, dairy cattle for breeding received a higher price per head than cattle exported for feeder/slaughter purposes.

Summary table: Value of Australian live cattle exports to Indonesia, by category, financial year

| Animals | Value of exports \$ 2008-09 | Value of exports \$ 2009-10 |
|-------------------------------|--------------------------------|--------------------------------|
| dairy cattle, breeders | 2 433 059 | 12 530 563 |
| beef cattle, breeders | 1 259 155 | 75 400 |
| beef cattle, slaughter/feeder | 448 674 043 | 427 567 480 |
| Total | 452 366 257 | 440 173 443 |

Source: ABS *International Trade Statistics Service*, Cat. No. 5464.0

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Agriculture, Fisheries and Forestry

Question: 09

Division/Agency: ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences

Topic: Live cattle exports

Proof Hansard Page: Written

Senator Coonan asked:

What statistics do the Department have in relation to the value of the chilled meat export market to the Australian economy, and in particular in regard to the trade in chilled beef to Indonesia? Please provide these.

Answer:

The value and volume of fresh, chilled and frozen beef exports to all markets and to Indonesia are provided below for the past five financial years.

Australian exports to all markets

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|--------|----------------|----------------|----------------|----------------|----------------|
| Value | \$4538.7m | \$4893.3m | \$4410.9m | \$5049.3m | \$4108.5m |
| Volume | 947.7kt | 1028.5kt | 978.8kt | 1006.2kt | 934.4kt |

Exports to Indonesia

| | | | | | |
|--------|---------|---------|---------|----------|----------|
| Value | \$41.0m | \$73.3m | \$99.2m | \$139.3m | \$169.1m |
| Volume | 11.1kt | 23.4kt | 32.4kt | 38.9kt | 50.4kt |

Volumes are thousands (kilo) tonnes on a shipped weight basis.

Values are millions of dollars.

Source: ABS *International Trade Statistics Service*, Cat. No. 5464.0