

Chapter 2

Agriculture, Fisheries and Forestry portfolio

2.1 This chapter contains the key issues discussed during the 2008-2009 budget estimates hearings for the Agriculture, Fisheries and Forestry portfolio. A complete list of all the topics discussed, and relevant page numbers, can be found at appendix 4.

Department of Agriculture, Fisheries and Forestry

2.2 The committee heard evidence from the department on Monday 26 May and Tuesday 27 May 2008. The hearings were conducted in the following order:

- Management Services and Corporate Policy
- Product Integrity, Animal and Plant Health
 - Australian Pesticides and Veterinary Medicines Authority
 - Australian Wool Innovation
- Australian Quarantine and Inspection Service
- Export Wheat Commission
- Biosecurity Australia
- International
- Food and Agriculture
 - Grains Research and Development Corporation
 - Meat and Livestock Australia
- Australian Bureau of Agricultural and Resource Economics
- Bureau of Rural Sciences
- Rural Policy and Innovation
- Natural Resource Management
- Fisheries and Forestry (incorporating Australian Fisheries Management Authority)

Management Services and Corporate Policy

2.3 Proceedings began with questions surrounding the department's application of the efficiency dividend, and related questions were raised at various points throughout the hearings. The committee was informed that the department has full latitude in its implementation of the efficiency dividend, and consequently the department applies

the dividend with the intention of reducing the cost of doing business, not reducing the service provided.¹

2.4 The department advised that it is planning to address the 3.25 per cent efficiency dividend for 2008-09 in a variety of ways. New arrangements have been put in place relating to the department's travel, including the transfer to a completely electronic booking system, and looking at 'best fare of the day' arrangements for all travel where appropriate. The department has also continued the process of automating time sheets, which is expected to create further savings.²

2.5 The committee expressed considerable interest in the redevelopment of the Australian Quarantine and Inspection Service's (AQIS) major database, Import Conditions Online (ICON), particularly the employment of additional staff for the project. The department explained that the project involves two stages. The first stage will be the construction of the IT application itself, which will require extra staff employed on contract, in addition to the staff engaged by the IT software application provider. The second stage will consist of the translation of information from the current IT system to the new system, which will be carried out by AQIS staff. The department expects that 20 average staffing levels will be applied to that part of the project, and explained to the committee it is likely that the staff for those 20 positions will be seconded from other areas of AQIS. The department further noted that the project will be mainly funded through cost recovery mechanisms, as importers who will benefit from the ICON project pay for imports on a fee-for-service basis.³

2.6 The committee also asked about the department's utilisation of frequent flyer points. The department advised that according to its travel policy, frequent flyer points accrued for official travel remain the property of the department, and therefore cannot be used for private travel. Consequently frequent flyer points can be used to offset some travel costs. The department explained that staff are required to indicate on their application for travel whether they have sought to use frequent flyer points, however, the department does not require individuals to report on the number of frequent flyer points used.⁴

Australian Pesticides and Veterinary Medicines Authority

2.7 The committee sought information about how the use of chemicals is monitored. The Australian Pesticides and Veterinary Medicines Authority (APVMA) advised that while it develops label and use instructions, it can only regulate chemicals up until the point of sale. Therefore APVMA can only regulate chemical suppliers, it does not have the authority to regulate users. APVMA explained that after a chemical

1 *Estimates Hansard*, 26 May 2008, pp 5-6 and 8-10.

2 *Estimates Hansard*, 26 May 2008, pp 5-6 and 8-10.

3 *Estimates Hansard*, 26 May 2008, pp 7-8, 10-12 and 81.

4 *Estimates Hansard*, 26 May 2008, pp 9 and 21-22.

is sold, it becomes the responsibility of states to monitor the use of that chemical. However, APVMA does have the power to remove a chemical if there is evidence that human health standards are being compromised.⁵

2.8 The committee expressed concern that the demarcation of regulatory responsibility between the states and the Commonwealth does not allow APVMA to ensure that the enforcement and monitoring carried out by the states is adequate.⁶

2.9 The department informed the committee that it had followed up certain issues raised during the discussion regarding residue testing on strawberries at the 2007-2008 additional estimates hearings. As a result, the department was able to clarify that only one chemical, chlorpyrifos, was actually found to be in excess of the maximum residue limit, not three as had been previously reported.⁷

2.10 During the hearings for the 2007-2008 additional estimates, the committee was informed that the review of a chemical identified in residue testing on strawberries (endosulfan) was completed in 2007, and this was noted in the committee's report *Additional Estimates 2007-08*.⁸ However, consequent to the tabling of its report, the committee received correspondence from the Department of Agriculture, Fisheries and Forestry (DAFF), clarifying that the endosulfan review was in fact completed in 2005.

Australian Wool Innovation

2.11 The committee sought information about the business operations and staffing of Australian Wool Innovation (AWI), expressing particular interest in the fact that the company has three appointed company secretaries. AWI explained that due to the frequency of officers' overseas travel, the company thought it wise to appoint additional company secretaries to ensure that there is always a secretary present in the country. AWI further clarified that the number of company secretaries does not pose an additional cost, as company secretaries are normal officers of the company and are not paid for their assignment to the role.⁹

2.12 The committee spent some time inquiring about the employment history and previous experience of two of the company secretaries, Mr Les Targ and Mr Chris Chapman.¹⁰ Following the budget estimates hearings, individual members of the committee received a letter from Mr Chapman concerning his appointment to AWI.

5 *Estimates Hansard*, 26 May 2008, pp 36-38.

6 *Estimates Hansard*, 26 May 2008, pp 36-38.

7 *Estimates Hansard*, 26 May 2008, p. 41.

8 Senate Standing Committee on Rural and Regional Affairs and Transport, *Additional Estimates 2007-08*, March 2008, p. 6.

9 *Estimates Hansard*, 26 May 2008, pp 42-44.

10 *Estimates Hansard*, 26 May 2008, pp 44-46 and 62-63.

2.13 The committee also asked about the expansion of the board of directors. AWI explained that three more directors had recently been appointed on the basis of adding particular skills to the board. As a result, the number of directors on the board had increased from seven to ten, but is expected to return to nine later in the year.¹¹

2.14 AWI gave the committee a brief history of the development of clips as an alternative to the mulesing of sheep. The practice of clipping sheep involves applying clips to the skin to pinch off the patch of skin that is usually removed with mulesing shears. Initial trials found that the clipped area dies quickly with minimal trauma to the animal, and the process does not create an open wound. In 2005, when it became clear that other alternatives to mulesing were not proving particularly successful, the 'clip approach' was taken up by AWI. Officers advised that trials have found that clips work very well when applied correctly at the right age group.¹²

2.15 The committee expressed some concern about the considerable variation in the failure rate of clips, and the implications for farmers if the clips fail on a significant proportion of their sheep. AWI noted that current trials are quite sensitive to operator error in the application of clips. Despite this, AWI appeared confident that with the appropriate training, guidelines and equipment, operators will be able to successfully use clips when they are introduced for widespread commercial use next year.¹³

2.16 AWI further informed the committee that in terms of the attitude of retailers to clips,

...probably 10 retailers have made statements on clips, and in each case those statements have been triggered by fairly heavy intervention by PETA. When we have gone to talk to them about their position and to give them information about clips, they either soften or they change or they stick to their line depending on their own policies. But our view is that, particularly in the United States, the overwhelming majority of retailers at this stage support the use of clips.¹⁴

2.17 The committee also heard evidence on the operation of the Australian Wool and Sheep Industry Taskforce. AWI explained that the role of the taskforce has changed since its initial establishment to manage issues arising out of the *Cormo Express* incident, to dealing mainly with the activities of the organisation People for the Ethical Treatment of Animals (PETA). As a result, AWI has taken over the funding of the taskforce, so the taskforce largely reports to AWI in terms of its costs and funding. Structurally, the taskforce remains representative of the peak wool industry bodies, and all operational and management issues, including the

11 *Estimates Hansard*, 26 May 2008, p. 46.

12 *Estimates Hansard*, 26 May 2008, pp 50-51 and 54-55.

13 *Estimates Hansard*, 26 May 2008, pp 50-51 and 54-55.

14 *Estimates Hansard*, 26 May 2008, pp 52 and 55-57.

appointment of the chair, are a matter for members of the taskforce. However, it was noted that AWI is currently undertaking a substantial review of the role and activities of the taskforce.¹⁵

Product Integrity and Animal and Plant Health

2.18 The committee inquired about the administration and enforcement of Australian standards for the export of livestock, particularly as these standards are not incorporated in state legislation. The department informed the committee that live export standards are developed at a national level, and are consequently administered by states and territories. Officers noted that it is the responsibility of states and territories to have animal welfare legislation, however, this legislation differs across jurisdictions.¹⁶

2.19 The department drew the committee's attention to work currently underway to attain consistency in the standards and guidelines across all jurisdictions. Each standard will be individually developed, and then adopted separately under each of the state and territory legislations. This will enable a level of national consistency in standards across jurisdictions.¹⁷

Australian Quarantine and Inspection Service

2.20 The committee asked officers of AQIS for details of the external container inspection scheme, and whether this has been linked to the incursion of foreign bees carrying the varroa mite disease. Officers informed the committee that only one bee incursion had occurred, however, the incursion was linked to an original infestation in a yacht mast, not a container, and no evidence of the varroa mite disease has been found.¹⁸

2.21 The committee inquired why the Commonwealth had not been involved in the management of the abalone virus, ganglioneuritis. The department explained that while the Commonwealth has a role in national coordination regarding emergency arrangements in an outbreak, under the national management structure, outbreak control activities are the responsibility of the states and territories. The committee noted its concern that a jurisdictional issue is preventing the Commonwealth from taking control of the management of the situation.¹⁹

2.22 The committee sought an update on the Citrus Canker Eradication program and was informed that inspections of the exclusion zone and around the perimeter of

15 *Estimates Hansard*, 26 May 2008, pp 65-67.

16 *Estimates Hansard*, 26 May 2008, pp 70-71 and 74-75.

17 *Estimates Hansard*, 26 May 2008, pp 70-71 and 74-75.

18 *Estimates Hansard*, 26 May 2008, pp 83-84.

19 *Estimates Hansard*, 26 May 2008, pp 86-89.

the exclusion zone have continued. Officers also noted that AQIS has received increased resources for its compliance and investigation functions, and certain legislative changes are currently being progressed.²⁰

2.23 The committee asked officers of AQIS about the status of the case currently before the World Trade Organisation (WTO) concerning the importation of apples from New Zealand. The committee heard that there will be two panel hearings in Geneva, with the first hearing taking place on 2 and 3 September 2008. The department described to the committee how the process is likely to proceed, and offered to provide detail on the related timeframes on notice.²¹

2.24 Officers informed the committee that a taskforce has been set up to handle the presentation of Australia's case before the WTO. The Department of Foreign Affairs and Trade will be leading that taskforce, and will be receiving legal assistance from the Attorney-General's department. Officers from AQIS, Biosecurity Australia and the International division will be providing technical assistance to the taskforce on behalf DAFF.²²

2.25 The committee was advised that new incoming passenger cards have been produced which ask specific questions about whether airline passengers have been in areas where the fresh water algae, *didymosphenia geminata* (didymo), is a risk. The card is now in use on all flights coming in from New Zealand, and will be rolled out to all flights coming into Australia later in the year. Officers further advised the committee that a variety of complementary measures had been implemented to inform the public about the risk of didymo.²³

2.26 The committee also heard in some the detail the measures in place to prevent an outbreak of bovine spongiform encephalopathy (BSE).²⁴

Export Wheat Commission

2.27 The committee was interested to hear how the Export Wheat Commission's successor body, Wheat Exports Australia (WEA), will be funded. The department explained that determination of the funding that will be required by WEA has yet to be finalised. Officers advised that any decision on funding will be reflected in the additional estimates, and until the decision is made, the government will continue the wheat export charge at its current rate.²⁵

20 *Estimates Hansard*, 26 May 2008, pp 89-90.

21 *Estimates Hansard*, 26 May 2008, pp 92-97.

22 *Estimates Hansard*, 26 May 2008, pp 92-97.

23 *Estimates Hansard*, 26 May 2008, pp 106-109.

24 *Estimates Hansard*, 26 May 2008, pp 120-123.

25 *Estimates Hansard*, 26 May 2008, p. 115.

Biosecurity Australia

2.28 The committee sought an update on the progress of the Import Risk Analysis (IRA) for bananas from the Philippines. Chief Executive of Biosecurity Australia advised the committee that the IRA team is currently considering submissions made on the revised draft report. A provisional final draft report will then be referred to the eminent scientists group and released to stakeholders. The provisional draft report will be open to appeal.²⁶

2.29 The committee indicated that a stakeholder had raised concerns about the pest risk assessment for black sigatoka in the draft IRA report. The Chief Executive explained to the committee that the matter raised by the stakeholder was duly referred to the IRA team for consideration. The IRA team consequently advised that a legitimate difference of opinion exists between experts regarding modelling issues associated with the spore count of black sigatoka. The officer explained that the issue revolved around whether the appropriate spore count to be used was one, one-and-a-half, or two. The committee was advised that Biosecurity Australia has taken account of the stakeholders comments.²⁷

International

2.30 The committee sought an update on progress of the Free Trade Agreement (FTA) with China, and expressed concern that Australian agriculture will be at a disadvantage because agricultural products exported from China are subsidised by the existence of 'a different regime on environmental protection, human rights and labour standards and controls'.²⁸ The department explained that due to the already low tariffs in place for imports from China, it is unlikely that the FTA will have a significant impact on imports. Officers advised that the principal gain for Australia from the FTA would be improved access arrangements to the Chinese market.²⁹

Grains Research and Development Corporation

2.31 The committee inquired about the Grains Research and Development Corporation's (GRDC) work in developing 'a path to market' for genetically modified (GM) crops. Officers advised the committee that due to the substantial growth in the adoption of GM around the world, it was clear that Australian farmers will need to have access to GM technology. However, if no path to market is developed, farmers will not invest in the technology. In response to a positive attitude towards GM related

26 *Estimates Hansard*, 26 May 2008, pp 28-35.

27 *Estimates Hansard*, 26 May 2008, pp 28-35.

28 *Estimates Hansard*, 27 May 2008, pp 12-13.

29 *Estimates Hansard*, 27 May 2008, pp 12-13.

work from a grower survey, GRDC has been investing in GM, researching markets and keeping growers informed about the available technology.³⁰

2.32 The committee also asked how GM technology will improve productivity and profitability for farmers. Officers explained that the initial work on GM is producing production related traits, such as herbicide tolerance, and work is currently underway on traits such as nitrogen-use efficiency, water-use efficiency, double insecticide resistance, drought tolerance and saline tolerance. Officers stated that Australia will need access to this technology if it is to produce productively in the future.³¹

Meat and Livestock Australia

2.33 The committee sought information on Meat and Livestock Australia's domestic marketing program. Officers informed the committee that the campaign does not only focus on the quite prominent advertisements, but also involves investment in a series of other measures to promote the product. This includes:

- investment in human nutrition research to better understand the role that red meat plays in a healthy diet;
- working closely with retailers to help make red meat easy to buy and prepare. This may involve improving the trimming, presentation and packaging of the product or the promotion of the product; and
- reassuring consumers about the integrity of the product, by communicating an understanding of how red meat is produced.³²

Food and Agriculture

2.34 The committee asked whether the sugar industry restructure package had been concluded, and was advised that the program will be finalised by 30 June 2008. Officers advised that an amount of \$4 million was carried over to the 2008-09 financial year in the budget papers to complete a number of regional and community projects. It was also noted that some elements of the program were underspent, particularly those parts of the program which were demand driven, as the demand was not as great as originally anticipated.³³

Australian Bureau of Agricultural and Resource Economics

2.35 The committee held a long discussion with officers of the Australian Bureau of Agricultural and Resource Economics (ABARE) regarding the information and assumptions on which ABARE bases its oil price estimate, raising concerns that

30 *Estimates Hansard*, 27 May 2008, pp 35-36

31 *Estimates Hansard*, 27 May 2008, pp 35-39.

32 *Estimates Hansard*, 27 May 2008, pp 46-47.

33 *Estimates Hansard*, 27 May 2008, p. 57.

ABARE's estimated oil prices appear to have been consistently incorrect. Officers of ABARE informed the committee that in their modelling they source reliable published information, and ensure that they are as transparent as possible about the information that they use.³⁴ Officers further explained that they cannot model intangible situations – they can only deal with data:

...we cannot model what might happen in Iraq or we cannot model what the defence strategy of the US government might be, what we tend to do is say: here is what we know about the physical supply and demand and what is influencing those; what are the economic factors? Here are some upside risks, here are some downside risks. Here are risks that might make this estimate, this forecast, right or wrong. To the best of our ability we try to lay out what those risks are so that people can then have a look and say, 'Well, okay, ABARE cannot actually estimate or model geopolitical strategies around the world.' We cannot model hurricanes and the impact of those. We cannot reliably do that. What we try to do to the best of our ability...is try to lay out where we can quantify, we quantify; where we cannot, we will give the qualitative story.³⁵

2.36 The committee also sought further information on an ABARE report on the expected benefit if Australia moved to genetically engineered (GE) crops. The committee raised concerns that the scenario modelled did not appropriately factor in the market constraints which exist on GE crops. Officers explained to the committee that the purpose of the report was to illustrate the maximum potential increase in the value and output of crops if GE technology is adopted. Officers noted that it is not possible to factor in the precision and complexities of the real world within the confines of an economic model. ABARE officers emphasised that the report was simply an illustrative scenario, and that the assumptions used in the modelling were clearly described in the report. Notwithstanding this explanation, the committee reiterated its concern that the information in the report has been embraced by the media, and ABARE has yet to do any alternative work to demonstrate the issues on the other side of the debate.³⁶

Rural Policy and Innovation

2.37 The committee showed interest in the method by which funding for Exceptional Circumstances (EC) assistance is determined. The department explained that:

...estimates are calculated on the basis of current EC declarations....They are based on existing EC declarations, not extensions or new ones. They

34 *Estimates Hansard*, 27 May 2008, pp 59-69.

35 *Estimates Hansard*, 27 May 2008, p. 61.

36 *Estimates Hansard*, 27 May 2008, pp 76-79.

take into account what the current conditions are. They do not try to make predictions about what the future might be.³⁷

.....

Should EC be extended or new areas come in, new estimates would have to be calculated and costings provided and then that money would be provided through an additional estimates or a supplementary additional estimates process.³⁸

2.38 The committee also inquired about the government's undertaking to provide \$15 million of funding to research and development corporations. The department informed the committee that the \$15 million dollars for climate change research is part of the \$130 million dollars allocated to the Australia's Farming Future program, and that details of that particular program had yet to be announced.³⁹

Natural Resource Management

2.39 The committee spent a significant amount of time clarifying the funding allocated to Natural Resource Management (NRM) regional bodies. The department explained that in the 2008-09 year, these regional bodies will receive 60 per cent of their historical funding.⁴⁰ In addition to this, NRM bodies will receive a smaller amount of money to assist them in managing the transition to the new funding arrangements. Funding for future years has yet to be determined.⁴¹

Fisheries and Forestry (incorporating Australian Fisheries Management Authority)

2.40 The committee raised the Auditor-General's report on the Tasmanian Forest Industry Development and Assistance Programs, particularly in relation to the Tasmanian Community Forest Agreement program, and sought the department's response to the report. The department indicated that it has accepted three of the Auditor-General's recommendations, and is currently implementing procedures to address those recommendations.⁴²

2.41 The committee questioned officers on the situation surrounding the destruction of various fishing boats from Indonesia. The department advised that these particular nine vessels had been fishing in an unusual manner and had been apprehended as illegal fishing vessels. Upon further investigation officers realised that an error had been made. However, five of the vessels had been destroyed during

37 *Estimates Hansard*, 27 May 2008, p. 97.

38 *Estimates Hansard*, 27 May 2008, pp 99-100.

39 *Estimates Hansard*, 27 May 2008, pp 100-104.

40 Funding received under the former NHT and NAP programs.

41 *Estimates Hansard*, 27 May 2008, pp 116-122.

42 *Estimates Hansard*, 27 May 2008, pp 131-132.

transport, as it was unsafe to continue towing them. The department consequently paid the fishers restitution for the value of their boats, and covered the cost of repatriating them to their ports.⁴³

2.42 The department advised that in light of the incident, an amendment to the operating instructions in north Australian waters has been issued to prevent a similar situation reoccurring.⁴⁴

43 *Estimates Hansard*, 27 May 2008, pp 132-135.

44 *Estimates Hansard*, 27 May 2008, p. 132.

