

Chapter 2

Agriculture, Fisheries and Forestry portfolio

Department of Agriculture, Fisheries and Forestry

2.1 This chapter contains the key issues discussed during the 2009-2010 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 3.

2.2 The committee heard evidence from the department on Monday 25 May and Tuesday 26 May 2009. The hearing was conducted in the following order:

- Corporate Services/Corporate Finance/Corporate Policy
- Land and Water Australia
- Wheat Exports Australia
- Meat and Livestock Australia
- Climate Change
- Australian Bureau of Agricultural and Resource Economics
- Sustainable Resource Management
- Australian Fisheries Management Authority
- Trade and Market Access
- Quarantine and Biosecurity Policy Unit
- Australian Quarantine and Inspection Service
- Biosecurity Australia
- Australian Wool Innovation
- Product Integrity, Animal and Plant Health
- Australian Pesticides and Veterinary Medicines Authority
- Agricultural Productivity
- Rural Industries Research and Development Corporation
- Grains Research and Development Corporation
- Bureau of Rural Sciences

Secretary's overview

2.3 In his opening remarks to the committee, the secretary, Dr Conall O'Connell, sought to clarify aspects of the department's budget for 2009-10. He indicated that drought funding estimates have been revised downward by \$433 million due to a decrease in the number of areas that are Exceptional Circumstances (EC) declared. He explained that the budget papers can appear to show a greater reduction, as funds

previously recorded in this portfolio for EC interest rate subsidies are now accounted for by the Treasury as part of the financial relations reforms stemming from the COAG agreement.¹

2.4 Biosecurity funding has been received for a number of lapsing programs, pending the government's consideration of reforms to the biosecurity framework proposed by the Beale review. The 40 percent subsidy of AQIS fees and charges provided to the agricultural export industry is due to expire as scheduled at the end of 2008-09, equating to \$37.4 million. Fees for 2009-10 are under discussion with industry clients.²

2.5 The government has decided to cease funding for Land and Water Australia (LWA), providing savings of \$6.3 million in 2009-10 and \$13 million in each of the out years. Funding has been reduced by \$3 million per year for the Rural Industries Research and Development Corporation (RIRDC).³

2.6 The department is subject to a 3.25 percent efficiency dividend, amounting to \$5.935 million. This year the department has also been asked to find further efficiencies of \$800,000 in relation to information technology spending as a result of the Gershon review. In addition, the department is subject to a savings measure of \$3.4 million, equating to 1.2 percent of the department's departmental appropriation. This will require a reduction in departmental and agency running costs. To manage outcomes within its appropriation while maintaining the department in a financially secure position, it is estimated that staffing levels may need to decrease by about six percent, or 250 ASL.⁴

Corporate Services/Corporate Finance/Corporate Policy

2.7 The committee began by expressing concern about the level of cuts to the department's budget for 2009-2010, in particular the application of the 1.2 percent savings measures in addition to the 3.25 percent efficiency dividend. The Minister indicated that he considered there had been a range of both inadvertent and deliberate misrepresentations about the size of the budget cuts. The Secretary added that most other departments also had savings measures.⁵

2.8 The committee was interested in the impact of the savings measures on staffing levels, estimated to decrease by six percent, equivalent to 250 staff. The secretary indicated that no decisions have been taken on how this will be managed. The department is currently assessing priorities, taking into account statutory

1 *Proof Estimates Hansard*, 25 May 2009, p. 5.

2 *Proof Estimates Hansard*, 25 May 2009, p. 5.

3 *Proof Estimates Hansard*, 25 May 2009, p. 6.

4 *Proof Estimates Hansard*, 25 May 2009, p. 6.

5 *Proof Estimates Hansard*, 25 May 2009, pp 7–9.

requirements, government priorities and other needs. The secretary emphasised that any changes to staffing levels will not come from the frontline, that is, AQIS, quarantine and export staff.⁶ He explained that:

it is our intention to achieve changes to staffing levels primarily through managing normal turnover and placing staff in suitable positions within the department or, if necessary, other departments. We will minimise reliance on voluntary redundancies and there should be no need for an open offer of voluntary redundancies. It is also our aim to achieve no involuntary redundancies.⁷

2.9 In addition, a freeze has been placed on next year's graduate program of approximately 60 positions.⁸

2.10 The committee questioned the rationale behind the decision to abolish LWA, given its importance as a central research organisation. In response, the Minister stated that:

A great deal has changed since Land and Water was established over 20 years ago. Natural resource management is now a mainstream issue for government, the community and the R&D network generally. Land and Water Australia has played an important role in progressing innovative responses to natural resource management issues and it, rightly and justly, is proud of its contribution. Land and Water Australia has created momentum that is now being carried forward by major natural resource management programs funded by the government, including the \$2.25 billion Caring for our Country program, the \$13 billion water reform and the \$130 million investment program Australia Farming Future initiative. This was a policy decision taken as part of the budget and the government stands by the decision to end this program.⁹

2.11 The committee was interested in the impact of the decision on existing contracts. The department indicated that LWA will receive an appropriation this year of \$6.7 million, firstly, to wind-up the organisation itself and, secondly, to enable transition to occur in relation to key research programs managed by LWA. It is anticipated that a number of programs will be continued, including the Climate Change Research Strategy for Primary Industries (CCRSPI); Managing Climate Variability; Tropical Rivers and Coastal Knowledge (TRaCK); the National Program for Sustainable Irrigation; and the Australian Agriculture and Natural Resources Online (AANRO) facility. The committee was informed that negotiations to identify new hosts for these programs are underway at the moment. The Minister has asked

6 *Proof Estimates Hansard*, 25 May 2009, p. 11.

7 *Proof Estimates Hansard*, 25 May 2009, p. 7.

8 *Proof Estimates Hansard*, 25 May 2009, p. 12.

9 *Proof Estimates Hansard*, 25 May 2009, p. 23.

LWA to identify which programs and projects may possibly be continued and which may be modified or transferred to another agency to manage.¹⁰

2.12 The committee raised concerns that some of the initiatives mentioned by the Minister as replacement programs for those managed by LWA, such as Caring for Country (see paragraph 2.10 above) are not research-based. The department pointed out that:

there now exist a significant number of bodies with a policy and research interest in land and water issues which exist now but did not exist at the time Land and Water Australia was established. And they are to varying degrees purchasers and in some cases conductors of research.¹¹

2.13 The committee also highlighted LWA's important role in carrying out a range of projects around natural resource management and in relation to knowledge brokering. The committee questioned who would now assume responsibility for networking and liaising between all research organisations. The department indicated that it is working through those issues with LWA at the moment.¹²

2.14 The committee also sought information about:

- rationale for removing drought-related payments to the states from the department to Treasury (*Proof Estimates Hansard*, 25 May 2009, pp 9–10);
- explanation of the application of the efficiency dividend and specific savings measures (pp 16–20);
- Gershon review and cuts to IT spending; contract with new IT service provider (pp 20–22); and
- administrative support for Minister's video on the departmental website (pp 31–33).

Land and Water Australia (LWA)

2.15 In his opening statement, the Executive Director, Dr Michael Robinson, indicated that while the LWA board accepts the government's decision to abolish the corporation and is committed to managing the wind-up of the organisation as professionally as possible, they are

deeply disappointed at the government's decision to abolish Land and Water Australia and reduce government investment in research and development.¹³

10 *Proof Estimates Hansard*, 25 May 2009, p. 24. See also p. 29.

11 *Proof Estimates Hansard*, 25 May 2009, p. 25.

12 *Proof Estimates Hansard*, 25 May 2009, p. 26.

13 *Proof Estimates Hansard*, 25 May 2009, p. 33. See also p. 34.

2.16 The committee sought information about the projects LWA is currently running either on its own or in partnership with other research organisations or industry groups and legal liability in relation to funding agreements. LWA indicated that it has about 120 research projects on its books and it has given in-principle commitment to another 26. LWA is about to begin an assessment of each project as to its relative priority and make a judgement, according to its budget, as to what will continue in what form. The 26 projects will be assessed according to the stage of negotiations they have reached. Some have already signed a contract while others are at earlier stages in the process.¹⁴

2.17 The committee asked whether there had been any formal undertaking from the government in relation to the future of the Climate Change Research Strategy for Primary Industries (CCRSPI). The department indicated that the Minister has made it clear that CCRSPI is a priority, with the department expected to play a role in ensuring it is maintained and continues. LWA explained that the CCRSPI steering committee recently met to find a new managing agent. LWA continued:

All of the partners, which include all the RDCs and PISC agencies, the Commonwealth and CSIRO, have reiterated their commitment to continuing CCRSPI but it is a matter of finding a managing agent who has the independence and partnership brokering role that we have played to carry on the role in the same way. That is the process we are working through.¹⁵

2.18 The committee also pursued the following matters:

- rationale for abolishing LWA and cutting research funding for agriculture (*Proof Estimates Hansard*, 25 May 2009, pp 34 and 35–36);
- estimated number of job losses and loss of research capacity if current projects do not go ahead (pp 38, 39–40, 41–42 and 44);
- timeframe for the process to determine the future of programs and projects currently managed by LWA (p. 42);
- cost of termination of building lease (pp 43–44); and
- breakdown of funding allocation for winding-up LWA (pp 47–49).

2.19 LWA was also discussed with the departmental executive under the section on Corporate Services/Corporate Finance/Corporate Policy at paragraphs 2.10–2.13.

Wheat Exports Australia (WEA)

2.20 The committee sought an assessment of the first year's operation of the new deregulated market. WEA responded that 'the system had gone about as well as it could do'. There are now 23 accredited exporters and a majority of those have been

14 *Proof Estimates Hansard*, 25 May 2009, pp 36, 37 and 38.

15 *Proof Estimates Hansard*, 25 May 2009, p. 41.

actively exporting grain. Feedback provided to WEA indicates that people within the industry are 'generally fairly comfortable' with the accreditation scheme.¹⁶

2.21 WEA considers that all of the companies it has a close association with through the accreditation scheme have been performing 'well and creditably'. WEA observed that while the accreditation process is rigorous and difficult, some of the smaller or medium-sized companies have actually improved their systems, such as governance, risk management or credit facilities, as a result of the accreditation process. WEA pointed out that there have been some teething problems, particularly at the ports, however, the bulk handlers have responded 'very openly and well'.¹⁷

2.22 WEA informed the committee that, since deregulation, a number of companies have established new markets in countries such as Rwanda, Mozambique and Israel. While quantities have been small, WEA sees this as an encouraging trend.¹⁸ The committee was also interested in the impact of deregulation on wheat exporting costs. WEA advised that overall, bulk cargo rates have come down by 95 percent.¹⁹

2.23 WEA emphasised that the prime issue to be addressed at present is the access undertaking process, which is due to come into effect on 1 October 2009. Providers of export port terminal services need to have an access undertaking if they wish to be accredited. To date, three major bodies have submitted their draft access undertakings to the Australian Competition and Consumer Commission (ACCC), namely CBH, ABB and GrainCorp.²⁰ WEA explained that while it has no role in developing the access undertakings, it has had discussions with the ACCC and will provide them with assistance and advice if requested.²¹

2.24 The committee also discussed the following matters:

- issues in relation to current access arrangements for port terminals (*Proof Estimates Hansard*, 25 May 2009, p. 53);
- reviews of the grain freight rail networks in NSW and WA (pp 57 and 61);
- update on delays with unloading of road freight at Newcastle terminal (pp 57–58); and
- factors taken into account during assessment of applications for accreditation (pp 58–59).

16 *Proof Estimates Hansard*, 25 May 2009, p. 53.

17 *Proof Estimates Hansard*, 25 May 2009, p. 62.

18 *Proof Estimates Hansard*, 25 May 2009, p. 61.

19 *Proof Estimates Hansard*, 25 May 2009, p. 58.

20 *Proof Estimates Hansard*, 25 May 2009, p. 53. See also pp 62–63.

21 *Proof Estimates Hansard*, 25 May 2009, p. 54.

Meat and Livestock Australia (MLA)

2.25 The committee was interested to know how Meat and Livestock Australia (MLA) will be affected by budget cutbacks. MLA explained that it is largely funded by levies and private sources, with the exception of a significant amount of government funding through the matching R&D dollar, so there has been no change to its income streams.²²

2.26 The committee sought information about the impact of the proposed removal of the 40 percent quarantine exporter's subsidy and the extent to which Australian producers may be disadvantaged in comparison with overseas competitors. MLA indicated that the additional cost will be around \$32 million–\$34 million for meat inspection. It is widely recognised in the meat and livestock industry that all costs apportioned to a processor will either be passed back to the grower or forward to the consumer. MLA also pointed out that this will be an additional impost that American producers do not incur.²³

2.27 The committee held a long discussion with MLA about the impact of the Emissions Trading Scheme (ETS)/Carbon Pollution Reduction Scheme (CPRS) on production costs and profitability. MLA described its role in relation to this issue as twofold: primarily, MLA devotes its energies to stimulate and lift demand for Australian meat domestically and worldwide; separately, its research portfolio is carrying out research into any imposts, burdens or impacts relating to production or productivity. This has included funding of a number of research projects into the possible effects of climate change.²⁴

2.28 The committee also heard evidence on the following matters:

- consultation with the government on AQIS fees (*Proof Estimates Hansard*, 25 May 2009, p. 66);
- assumptions behind research into the impact of CPRS conducted by the Centre for International Economics (CIE) and modelling by ABARE (pp 67–68 and 71–73);
- extent to which meat processors will qualify for assistance as emissions-intensive and trade-exposed (EITEs) (pp 75–76);
- NSW proposal to introduce a meat labelling program; Primary Industries Ministerial Council working group examination of consumer labelling for meat (pp 77–78); and
- research into methane emissions from sheep and cattle (pp 82–84).

22 *Proof Estimates Hansard*, 25 May 2009, p. 65.

23 *Proof Estimates Hansard*, 25 May 2009, p. 66. See also p. 84.

24 *Proof Estimates Hansard*, 25 May 2009, p. 67. See also pages 68–77.

Climate Change; and Australian Bureau of Agricultural and Resource Economics (ABARE)

2.29 The Climate Change division and ABARE appeared together.

2.30 The committee was interested in the extent of ABARE's research into the impact of climate change, the ETS, and the CPRS on agriculture. In particular, it asked whether ABARE had considered factors such as the impact at a state level, flow-on effects on rural communities, population shifts from rural to urban areas and so on. ABARE indicated that while it has not, as yet, looked at the impact of the CPRS below the national level, it is part of its work plan to do so.²⁵

2.31 In relation to flow-on effects on rural and regional communities, ABARE explained that it is limited to a certain extent by lack of data which makes it difficult to develop comprehensive modelling across the country. Data is available on the economy and employment at a fairly fine-grain level, but not on some of the social impacts. Mr Phillip Glyde, Executive Director, ABARE, stated:

I sense a fair bit of frustration about the modelling work that we do, but I think it just goes to the limitations of modelling itself. There is only so far you can go with the level of data we have in the country. If we do not have fine-grain data from the ABS in relation to population trends and dynamics and things like that, it is not worth the effort of modelling it.²⁶

2.32 The committee sought an update on forestry Managed Investment Schemes (MIS), in particular, arrangements for the ongoing management of Timbercorp and Great Southern plantations while they are in the hands of the receivers. The department indicated that the Minister has met with the receivers and discussed the handling of the administration process and employee issues. The department observed that:

It is pretty difficult, if not impossible, to say anything about that at this stage because the whole question of ownership of those assets is not clear. Timbercorp and Great Southern are both in the hands of receivers, so at this stage they remain owned by the current owners. No decision has been taken as to who the future owners might be or what the management arrangements for them might be, so what we have to do at this stage is await the outcome of the process that the receivers have to go through. The receivers have to follow corporate law in doing their job in terms of an orderly treatment, wind-up if that is the case, or whatever, of those corporations and assets in the interests of the owners. Then, from there on, I think there is a question as to how they might be managed, but it is impossible to say—and indeed we cannot really prejudge—what the

25 *Proof Estimates Hansard*, 25 May 2009, pp 94–95.

26 *Proof Estimates Hansard*, 25 May 2009, p. 95.

ownership arrangements might be and what the management arrangements might be.²⁷

2.33 The department suggested that as these are privately owned pieces of land containing privately owned assets, issues of land use and management of fire risk, feral animals, weeds and so on are most appropriately dealt with at the state government level.²⁸

2.34 The committee was interested to know whether the government intends to review the effectiveness of forestry MIS. In response, the Minister indicated that there are three sets of intersecting policy issues across three portfolio areas:

Firstly, there are my responsibilities in respect of corporate law managed investment schemes—the direct regulation and supervision of the investment entities themselves. It is not appropriate for me to go into those issues here and now. The second group of policy issues relate to tax treatment. That is an issue for Minister Bowen and the Treasurer. The third set of issues which would be appropriate here are the various issues around the agricultural effect on production markets et cetera.²⁹

2.35 The department added that it will be examining the consequences of the two failed MIS with a view to providing advice to the government on whether there are issues to be addressed. However, 'that is at the preliminary stage here and now'.³⁰

2.36 The committee also heard evidence on:

- drought policy review process (*Proof Estimates Hansard*, 25 May 2009, pp 86–87);
- funding for research into climate change impacts on the agriculture, fisheries and forestry sector, including the Climate Change Research program (pp 91–93 and 103–104);
- cost of impact of the CPRS on the dairy industry (pp 96, 97–100 and 101);
- National Carbon Accounting Toolbox – development of a standard methodology for measuring and modelling the impact of soil carbon under different farm practices (pp 102–103); and
- update on the government's election commitments in relation to forestry, including: addressing forestry skills shortages; boosting the export of forest products; forestry industry database; development of regulatory framework to restrict illegally logged timber; preparing forest industries for climate change (pp 114–118 and 122).

27 *Proof Estimates Hansard*, 25 May 2009, p. 119.

28 *Proof Estimates Hansard*, 25 May 2009, p. 119.

29 *Proof Estimates Hansard*, 25 May 2009, p. 120.

30 *Proof Estimates Hansard*, 25 May 2009, p. 121.

Sustainable Resource Management

2.37 The committee sought detailed information on the Caring for Country program, including the following:

- breakdown of funding for the Caring for Country program – regional base funding, competitive grants and administration component (*Proof Estimates Hansard*, 25 May 2009, pp 122–124);
- methodology for determining regional allocations (pp 123–127 and 135);
- assessment of applications for competitive grants by multijurisdictional community panels; assessment framework; standard assessment tool (pp 127 and 131–133);
- grant application process (pp 127 and 129); and
- steps taken to improve transparency in decision making to achieve expected project outcomes (p 133).

2.38 The following matters were also raised by the committee:

- replacement for Defeating the Weed Menace program; funding for the National Weeds and Productivity Research program; cost of weeds to Australia (*Proof Estimates Hansard*, 25 May 2009, pp 138–140);
- work of the Recreational Fishing Advisory Committee; progress on the recreational fishing industry development strategy; funding allocated under the Recreational Fishing Community Grants program; funding options for Recfish Australia (pp 140–142); and
- impact of the Coral Sea conservation zone on commercial and recreational fishing; statistics in relation to the Eastern Tuna and Billfish fishery and Coral Sea fishery; bioregional marine planning processes (*Proof Estimates Hansard*, 26 May 2009, pp 4–13).

Australian Fisheries Management Authority (AFMA)

2.39 The committee heard evidence on the following issues:

- update on patrols of the *Oceanic Viking* to the Southern Ocean (*Proof Estimates Hansard*, 26 May 2009, pp 14–15);
- incursions in the north-west fishing zone; discussions with the East Timorese government about illegal fishing in East Timorese waters (p. 16);
- update on the amalgamation of management advisory committees (MACs) (p. 17); and
- change to AFMA's funding basis when it became an FMA Act agency (p. 17).

Trade and Market Access

2.40 The committee discussed the following matters:

- funding for the Live Trade Animal Welfare Partnership, replacing the Live Animal Trade Program; proportion of industry to government funding; operation of the new program (*Proof Estimates Hansard*, 26 May 2009, pp 19–20);
- progress towards the resumption of the live cattle and sheep trade into Egypt (pp 21–22);
- operation of Australia's existing Live Animal Trade Program; improvements since the program began in 2004-05 (pp 22–23);
- export trade in southern bluefin tuna; quotas for Australia and Japan; review of quotas (pp 23–24);
- update on the Indian Ocean Tuna Commission (IOTC) (pp 25–27); and
- role of agricultural attachés; plans to reduce the number of staff in Brussels and Washington and combine the positions in Paris and Rome (pp 27–28).

Quarantine and Biosecurity Policy Unit; Australian Quarantine and Inspection Service (AQIS); and Biosecurity Australia

2.41 The Quarantine and Biosecurity Policy Unit, Australian Quarantine and Inspection Service (AQIS), and Biosecurity Australia appeared together.

2.42 The committee raised concerns about the proposed return to full cost recovery of AQIS fees, following the government's decision to cease the 40 percent quarantine export subsidy paid to exporters. The department indicated that the cost saving to the government is expected to be around \$37 million to \$41 million per year depending on the volume of exports.

2.43 The department advised that the export subsidy:

...was a measure introduced eight years ago. The decision was made when it was renewed four years ago that it would in fact lapse. The previous government made that decision. The decision that it would lapse on 30 June this year was clearly communicated to all parties. The Beale review looked at that and many other issues and reached the same conclusion—that the assistance measure should lapse—and that is the action that has been taken.³¹

2.44 The department explained that since the decision was taken by the government to formally endorse the recommendations of the Beale report, its officers

31 *Proof Estimates Hansard*, 26 May 2009, p. 34.

have met a number of times with each of the six commodity groups that are affected by the increase in the export certification charge. A departmental officer observed:

Specifically, there is always concern when exporters are confronted with an increase. This is a large increase that they have to respond to in terms of their business. So I have spent significant time with each of those sectors to respond with a set of fees and charges that seek to be the most reasonable you could have in reintroducing full cost to these industries.³²

2.45 In terms of the impact on affected businesses, the department advised that the industries have not given specific details, however, industry groups have suggested that the increased fees and charges will have an impact in terms of competitiveness with international markets. The department pointed out that it has received independent economic advice about the impact of currency movements in comparison with the \$40 million increase:

For the meat program, for example, less than half a cent movement in currency offsets the total cost of the \$40 million. For horticulture in terms of the subsidy down around \$2 million, that is less of an event. In terms of competitiveness in international markets, the \$40 million is probably almost unrecognisable in terms of its impact at this stage.³³

2.46 The committee was also interested in the potential for AQIS to introduce productivity gains and efficiencies to bring about reduced costs. The department explained that AQIS is scrutinised every year in terms of the costs underpinning its delivery of services, and if these are wound back too tightly, its regulatory oversight becomes frail. The department continued:

If it is reviewed by importing countries, there is the risk that they will actually delist the country from accessing that market. So you have to run that regulatory framework in a robust way without imposing any unnecessary additional costs on the industry sector.

So you need to maintain an infrastructure there. Yes, there is a capacity to create efficiencies, and I concede that point, but I do not concede that you could ever create a 40 per cent efficiency without actually putting at risk export markets. So I think there is a big percentage that is an efficiency opportunity. I think there is also an investment there that gives you sustainable long-term benefits, in terms of export market opportunities and the robustness of our system in the face of very difficult international trade environments at the moment. So there is a bit of a balancing act between those two items.³⁴

2.47 The committee discussed a range of issues in relation to AQIS fees and charges. For further details please see listing at appendix 3.

32 *Proof Estimates Hansard*, 26 May 2009, p. 35.

33 *Proof Estimates Hansard*, 26 May 2009, p. 35.

34 *Proof Estimates Hansard*, 26 May 2009, p. 57.

2.48 The committee also raised the following matters:

- importation of uncooked dry marinated green prawns into Australia; concerns that the regulations are inadequate to protect against marinade being rinsed off then used for fish bait or by restaurants as a cheap source of raw prawns instead of more expensive local product; justification for the dry marinade being adequate to protect the Australian prawn industry (*Proof Estimates Hansard*, 26 May 2009, pp 30–34);
- update on equine influenza and preparation for the coming breeding season; changes implemented as a result of the previous outbreak (pp 64–65);
- development of an Australian standard for organic production; AQIS' ongoing involvement in certification (pp 65–70);
- progress towards resumption of red meat and wild game exports to the Russian Federation following suspension of 19 processing plants due to microbial contamination in meat (pp 72–73); and
- removal of irradiation as an option for treating imported dried cat food due to its harmful effect on the health of cats; irradiation of other products including some types of dog food and dried pigs' ears (pp 73–74).

Australian Wool Innovation (AWI)

2.49 The committee discussed the following issues with AWI:

- actions taken in the last three months since new Chief Executive Officer, Ms Brenda McGahan, joined AWI (*Proof Estimates Hansard*, 26 May 2009, p. 76);
- AWI marketing and branding strategy using the Woolmark; marketing of Australian wool products, including Australian Merino (pp 76–77 and 80–82);
- management of conflicts of interest on AWI board, including Dr Meredith Shiel's connection with the drug Tri-Solfen; governance procedures (pp 77–79);
- commercial release of clips (pp 82 and 85); and
- progress towards the phasing out of mulesing by the end of 2010 (pp 83–84).

Product Integrity, Animal and Plant Health (PIAPH)

2.50 The committee raised the following matters:

- role of the Australian Animal Health Laboratory (AAHL) in swine flu diagnostic surveillance (*Proof Estimates Hansard*, 26 May 2009, p. 99);

- changes in AAHL's diagnostic workload over the past few years (pp 99–100);
- PIAPH's budget (pp 100–101);
- progress toward eradication of the red imported fire ant (p. 101); and
- update on the National Livestock Identification System (NLIS) (pp 101–102).

Australian Pesticides and Veterinary Medicines Authority (APVMA)

2.51 The committee raised concerns about the use of the triazine herbicides such as Atrazine and Simazine, following their discovery in drinking water supplies in Hobart and a number of other places in Tasmania. The committee noted that in 2004 the APVMA concluded that the labelling instructions for Atrazine were inadequate and needed improvement. The APVMA explained that the recommendations from its review were implemented in early 2008 when changes to the labelling were made.³⁵

2.52 The committee pointed to work conducted by the CSIRO which expressed concern about endocrine disruption caused by this group of herbicides. The APVMA responded that it looked at endocrine disruption potential in quite extensive detail as part of its Atrazine review, and was unable to conclude that there was sufficient evidence that it was going to occur at a level that would be harmful to humans.³⁶ The APVMA continued:

Having said that, we are continuing to investigate all the research that is going on in the area that is suggesting that there may be other modes of action that may not have been taken into account, and we have asked the Office of Chemical Safety within the Department of Health and Ageing to review all the newest literature and provide a report to us. We expect to have that report finalised in the near future.

...Today, with the information that we have before us, we are confident [that it is not a problem for human health]. If new science comes up, which happens in these areas continuously, we keep an eye on any new developments. But we can only make a decision today based on the information that we have before us today.³⁷

2.53 The committee was interested in the difference between the Australian and European framework for assessing chemicals, noting that Atrazine has been prohibited in Europe. The APVMA confirmed that Atrazine is no longer available in Europe as it has been removed from the listing of approved chemicals. It was removed due to

35 *Proof Estimates Hansard*, 26 May 2009, p. 91.

36 *Proof Estimates Hansard*, 26 May 2009, pp 91–92.

37 *Proof Estimates Hansard*, 26 May 2009, p. 92.

insufficient monitoring studies for the authorities to be satisfied that it would not get into waterways, rather than human health concerns.³⁸

2.54 The APVMA informed the committee that:

In Europe, they have a regular re-registration program where the companies have to put in a full submission of all the data and there is a new assessment made from scratch. Then, when they come to the end of that assessment, they decide whether they have all the data and either include the chemical or exclude the chemical.

In Australia we have a program reviewing new concerns with chemicals and, at the end of the process, if we come up with a concern about the chemical, the legislation actually requires us to look for risk mitigation before we can remove the chemical. So, in our instance, we also came to the conclusion that there were insufficient monitoring studies when we looked at Atrazine, but we actually went out there and required the industry to generate those monitoring studies so that we would be able to make a decision with the knowledge rather than without the knowledge.³⁹

2.55 The committee also pursued the following matters:

- review of APVMA's cost recovery arrangements (*Proof Estimates Hansard*, 26 May 2009, pp 87–88);
- update on work being done in relation to permits issued for minor use, including stakeholder liaison (pp 90–91);
- pesticides and herbicides registered for use by the forestry industry in Tasmania; work done to assess the toxicology of the mixture of those chemicals (pp 96–97); and
- use of chemicals by Tasmanian forestry industry that are not registered for general use by APVMA; use of chemicals under research permits (pp 97–98).

Agricultural Productivity

2.56 The committee was interested in the productivity performance of Australia's agricultural sector over the past decade, in view of its importance as a world food supplier. The department indicated that

Over the last 30 years Australian agriculture has had a very strong productivity performance...way above what the economy-wide average is for productivity growth—by our measurement, by about 1.5 per cent a year. Since the turn of the century, though, we have begun to notice that the rate of growth of productivity has begun to fall. We think that might have something to do with the fact that it has been a couple of dry years.

38 *Proof Estimates Hansard*, 26 May 2009, p. 92.

39 *Proof Estimates Hansard*, 26 May 2009, p. 92.

...productivity is simply a measure of outputs by inputs. It is not a measure of absolute production but simply a measure of efficiency of production, so when the outputs fall, as they do during drought, then you are going to expect a decline in productivity. It is hard to be definitive about that, because it is a fairly imprecise measure at the national level, but there are certainly some concerns—and we have certainly been expressing them—that agricultural productivity, broadacre productivity, might have been falling over the last eight to nine years.⁴⁰

2.57 The committee also sought information on the following issues:

- impact of amendments to Division 7A of the tax laws on farms owned by family companies; extent to which the department was consulted by Treasury in the development of this measure (*Proof Estimates Hansard*, 26 May 2009, pp 102–105);
- review of the Horticultural Code of Conduct (pp 107–108);
- 'Grown in Australia' label operated by the Australian Made Campaign Ltd (pp 108–109);
- Food Regulation Ministerial Council's review of food labelling across Australia (pp 109–110);
- research into the long-term impact of non-forestry managed investment schemes on agricultural production (pp 110–112); and
- Regional Food Producers Innovation and Productivity program (pp 112–115).

Rural Industries Research and Development Corporation (RIRDC)

2.58 The committee raised concerns about the RIRDC's budget which has been reduced by \$3 million per year for the next four years. The committee was interested to know how the funding cut will be managed. The RIRDC indicated that the Minister has provided some broad guidance to the RIRDC's board on the implementation of the budget measure. The Minister has asked that:

the corporation's vital role in investing in priority research for a range of new, emerging and established small industries, funded in part by industry levy collections, not be affected and suggest[ed] that savings might be made through administrative overheads and prioritisation within the corporation's national rural industries portfolio. He also suggested that within that, if possible, the priority programs such as Rural People and Learning Systems, Rural Leadership and farm health and safety continue to receive the board's attention.⁴¹

40 *Proof Estimates Hansard*, 26 May 2009, p. 106.

41 *Proof Estimates Hansard*, 26 May 2009, p. 116.

2.59 The RIRDC explained that its board has considered and agreed on a set of principles for implementing the reduction to its budget, as follows:

...first, that we address the government's directions and priorities; second, that it has consistency with corporate and industry strategy and delivering on our objectives to the maximum extent possible; third, that we minimise reputation and relationship impact; fourth, minimise impacts on staff and deal, in the best way possible, with any affected staff; next, that we review and assess commitments, which is to say that we will open up existing contracts as part of this review process; next, that any staff and supplier impacts follow activity reductions; next, that we continue our focus and existing focus on efficiency and effectiveness; next, that we are transparent and explicit in implementing these cuts; and, finally, that we communicate clearly about them. So that is our intention as we apply those principles to our revised budget.⁴²

2.60 The RIRDC stated that the board's decision will be incorporated into its draft annual operating plan, due to be lodged with the Minister by 31 May, however, this year an extension has been granted until 16 June. Under statutory requirements, the annual operating plan must be submitted to the Minister for his approval by 30 June, and will take effect from 1 July.⁴³

2.61 The committee also discussed:

- invitations to the RIRDC's rural women's award; continuation of RIRDC's sponsorship (*Proof Estimates Hansard*, 26 May 2009, pp 115 and 121–122);
- impact of budget cuts on RIRDC's work with new and emerging industries (pp 116 and 118–119);
- other possible sources of funding for the RIRDC (pp 117 and 120–121); and
- R&D budget; five-year R&D plan; R&D program (pp 118, 121 and 122).

Grains Research and Development Corporation (GRDC)

2.62 The committee was again interested in the issue of genetically modified (GM) crops. It sought information about the yields for GM canola from the national variety trials undertaken by the GRDC. The GRDC indicated that of the five specific yield trials carried out, three failed due to poor climatic conditions and the other two trials harvested returned similar yields with some of the conventional canolas in front. A number of reports have been released based on the results of the field trials. In addition, the GRDC has commenced a survey of growers in southern NSW and

42 *Proof Estimates Hansard*, 26 May 2009, p. 121.

43 *Proof Estimates Hansard*, 26 May 2009, pp 116, 118, 120 and 121.

Victoria who grew canola last year. It is expected that this will be an ongoing study for the next three years.⁴⁴

2.63 The committee raised concerns from some growers about the decision by GrainCorp to bin GM and non-GM canola together, given their 2008 statement in which they were very clear about maintaining segregation. The GRDC advised that:

this year the industry has decided to have two standards for canola, given that there is GM production and non-GM production. Previously it only had one standard. One standard will be for combined GM and non-GM crops and the second standard will be for non-GM crops only. Farmers have the option to pursue the second standard only if they want to. But it is an industry driven standard.⁴⁵

2.64 The committee asked about the benefits of binning the two crops together. In the GRDC's opinion, as many of the markets do not differentiate between GM or non-GM canola, the extra cost of segregation was not justified. The GRDC observed that 'from GrainCorp's perspective, it is an efficiency measure, a cost-saving measure'.⁴⁶

2.65 The committee also discussed:

- new wheat classification panel (*Proof Estimates Hansard*, 26 May 2009, pp 123–124);
- research into other potential GM traits in crops such as wheat and barley (p. 125);
- additional costs associated with segregation of non-GM canola; feedback from growers (pp 126–127); and
- ongoing GM trials across Australia (p. 127).

Bureau of Rural Sciences (BRS)

2.66 The committee heard evidence on the following matters:

- modelling of drivers for land use change; clarification of the definition of 'marginal land' (*Proof Estimates Hansard*, 26 May 2009, pp 129–131);
- modelling in relation to fish species considered at risk; production of the Fisheries Status Report (p. 131);
- research into the relationship between forestry and rainfall generation (p. 133); and

44 *Proof Estimates Hansard*, 26 May 2009, p. 124.

45 *Proof Estimates Hansard*, 26 May 2009, p. 125.

46 *Proof Estimates Hansard*, 26 May 2009, p. 126.

- monitoring of soil health and assessment of the impact of the drought on soil health (pp 133–134).