

**Senate Rural and Regional Affairs and Transport Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE  
Supplementary Budget Estimates October 2009  
**Agriculture, Fisheries and Forestry**

**Question:** TMA 01

**Division/Agency:** Trade and Market Access Division

**Topic:** Russian representations

**Hansard Page:** 16 (19/10/2009)

**Senator Back asked:**

**Senator BACK**—Returning to the comments earlier in the day regarding local staffing et cetera in offices overseas, I read recently that we have engaged with the Russians on access for our meat into their markets and that we have sent some officers across to Russia. Could I pursue that for a couple of moments?

**Dr O'Connell**—It might be best to wait for the Trade and Market Access Division. Mr Glyde's intimate knowledge might well fail us, whereas the people who will come shortly will be able to give you the box and dice. But, yes, there have been efforts to engage local staff as well as to send people from Australia to engage in discussions.

**Senator BACK**—Perhaps we can start the questions. I am sure Mr Glyde's capacity will see the day through. How many officers have gone across to engage in that particular activity?

**Mr Glyde**—I will have to take that question on notice. I am aware that we had an Australian based officer placed there temporarily for a period. Also there have been visits; in fact, there was a visit last week. To be precise, I would have to take that question on notice. We have engaged someone locally to represent our interests as well. I do not have details at my fingertips of when that started and how it has changed over the past, say, 12 months.

**Dr O'Connell**—I think recently three or four senior level staff went to Russia as well. To be accurate, we will have to wait until the people from the Trade and Market Access Division and Biosecurity arrive, who were the ones that went across.

**Answer:**

Since July 2008, numerous representations on meat market access issues have been made by Australian ministers and senior officials from the Departments of Agriculture, Fisheries and Forestry (DAFF), including the Australian Quarantine and Inspection Service (AQIS), and Foreign Affairs and Trade (DFAT). These representations have been made to Russian ministers and officials, particularly from Rosselkhoznadzor (the Russian veterinary service). Since July 2008, these representations have been supplemented by numerous letters and submissions on meat market access issues from Australian Government officials in Canberra and Moscow to Rosselkhoznadzor and the Russian Ministry of Agriculture.

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**Question:** TMA 01 (continued)

A chronology of representations on meat market access issues is provided below:

<b>Date</b>	<b>Event</b>
3-4 July 2008	AQIS officers made representations to Rosselkhoznadzor in Moscow.
16 July 2008	Counsellor (Agriculture) in Brussels made representations to Rosselkhoznadzor in Moscow.
25 August 2008	Minister Burke met with Russian Ambassador Blokhin in Canberra.
2 September 2008	AQIS officer made representations to Rosselkhoznadzor in Moscow.
23 October 2008	Commencement of short term posting of A-based Counsellor (Agriculture) in Australian Embassy in Moscow.
30 October 2008	Minister Crean raised a number of agricultural issues with (then) Russian Agriculture Minister Gordeyev during the Australia-Russia Joint Commission on Trade and Economic Cooperation.
10 November 2008	Moscow Counsellor (Agriculture) met with Rosselkhoznadzor.
13 January 2009	AQIS and Moscow Counsellor (Agriculture) discussed a Memorandum of Understanding (MoU) on Meat and the audit of Australian meat establishments with Rosselkhoznadzor on the sidelines of Berlin Conference.
13 February 2009	Moscow Counsellor (Agriculture) met with Rosselkhoznadzor to discuss the Russian audit and its implications for progressing relisting and cold store approvals.
19 April 2009	Minister Burke met with Russian Agriculture Minister, Elena Skrynnik, at the G8+ Agriculture Ministers' meeting in Italy. He raised a number of matters including suspended meat establishments.
20 May 2009	DFAT officers met with Rosselkhoznadzor in Moscow to discuss outstanding bilateral veterinary issues.
16 September 2009	AQIS officers met with Rosselkhoznadzor in Moscow to discuss relisting of suspended meat establishments and other market access issues.
15 October 2009	Inaugural Australia-Russia Agricultural Working Group meeting in Moscow involved DAFF and AQIS officers in discussions with Russian Ministry of Agriculture and Rosselkhoznadzor officials on the full range of Australia's agricultural market access interests, including meat.

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**Question:** TMA 02

**Division/Agency:** Technical Market Access Division  
**Topic:** Australia's BSE and imported food safety policy  
**Hansard Page:** 13 (27\10\2009)

**Senator BACK asked:**

I draw attention to a joint media release we all received last week from Ministers Crean, Burke, Roxon and a parliamentary secretary. In conversation with various industry stakeholders, we understand they were consulted leading up to this release, beef and other related meat industry personnel; is that correct?

**Dr O'Connell**—Consulted by the relevant ministers?

**Senator BACK**—Yes, and the department.

**Dr O'Connell**—I would certainly have to take on notice the ministers part; the media releases were from the ministers.

**Answer:**

With regard to consultations between the Department and industry, on 28 July 2009 the Red Meat Market Access Committee (RedMMAC) was advised by DFAT of the recent pressure from trading partners for a review of Australia's BSE policy. Industry members of the Committee present at the meeting included 8 representatives of the Australian Meat Industry Council (AMIC), 1 representative of Meat and Livestock Australia (MLA) and 2 representatives of the Cattle Council of Australia. DAFF representatives were also present. It was agreed that AMIC would write to the Red Meat Advisory Council Limited (RMAC) seeking consideration of the issue with a view to providing a consistent industry policy position back to Government for consideration. RMAC, on behalf of its members, subsequently wrote to Minister Burke on 9 August 2009 seeking an urgent update of the 2001 policy on BSE. RMAC members include the Cattle Council of Australia, the Sheepmeat Council of Australia, the Australian Lot Feeders' Association, the Australian Livestock Exporters' Council and AMIC.

On 14 September 2009 the department undertook targeted consultation through a teleconference with RMAC, the Cattle Council of Australia, the National Farmers Federation (NFF), MLA and AMIC.

On 18 September 2009 RMAC sent a further letter to Minister Burke reiterating its request for an update of the 2001 policy on BSE to reflect, among other things, increased understanding of the risks posed by BSE, increased confidence in measures to minimise the risks of BSE and recommendations and principles of the World Organisation for Animal Health (OIE).

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**Question:** TMA 02 (continued)

Informal discussions also occurred with a number of the above groups over the period the policy was being considered. During these discussions industry was made aware that assessments by experts indicated that there were negligible health concerns regarding the proposed changes to the BSE and imported food safety policy.

The department informed the following industry bodies about the announcement shortly before it occurred: RMAC, AMIC, the Cattle Council of Australia, the NFF, MLA, Australian Dairy Farmers Limited and the Australian Lot Feeders' Association. This information was confidential until the release. The Australian Beef Association was advised by the department of the announcement at about the time that it occurred.

The department is not in a position to provide information on any consultations that may have occurred between ministers and industry.

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**Question:** TMA 03

**Division/Agency:** Trade and Market Access Division  
**Topic:** Australia's BSE and imported food safety policy  
**Hansard Page:** 13-14 (27/10/2004)

**Senator BACK asked:**

**Senator BACK**—Can you tell me whether they were asked or required to sign confidentiality agreements prior to those consultations taking place?

**Mr Morris**—They were not asked to sign any confidentiality agreements.

**Senator BACK**—They were not asked to do so?

**Mr Morris**—Not to sign any.

**Senator BACK**—Were they told to keep the information confidential?

**Mr Morris**—There was a very targeted consultation process here.

**Senator BACK**—Does that mean they were told to keep the information confidential or not?

**Mr Morris**—Let me take that on notice. I would have to be clear about precisely what the conditions were.

**Answer:**

On 14 September 2009 a teleconference was convened by the Department with key industry groups, including the Red Meat Advisory Council, the Cattle Council of Australia, the National Farmers Federation, Meat and Livestock Australia and the Australian Meat Industry Council. Representatives from the Department of Foreign Affairs and Trade were also included. Given the international sensitivities of the decision and that advice was being prepared for consideration by the government, participants were asked to treat the issues discussed as confidential.

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**Question:** TMA 04

**Division/Agency:** Trade and Market Access Division

**Topic:** Benefits to Agriculture, Fisheries & Forestry Industries from FTA Agreements.

**Hansard Page:** 14 (27/10/2009)

**Senator Milne asked:**

**Senator Milne** — At the last estimates I did ask whether there had been any evaluation put in place of the claims made about all the benefits that were going to accrue to primary industry from the US-Australia Free Trade Agreement or indeed the Chile agreement. You indicated there had been no evaluation at that time but you would provide any information that came to hand. I do not believe I have received anything on that front. I am interested to hear whether you have subsequently done or intend to do an evaluation of the US-Australia one or can give me any update on the Chile one?

**Mr Burns**—“.....What we have done subsequently is more of a qualitative study than a quantitative study. We have been talking to some of the industry people about what some of the benefits are that they have received. We have, for example, anecdotal evidence about individual exporters who are benefiting, et cetera. I think as we have said last time, it is very difficult to do a broad macroeconomic analysis of what the benefits might be. But we do have—and I would be quite happy to take this on notice—specific examples of where we have increased exports of certain cheese types to the US. We have had examples of significant increases in wine exports to Thailand since the FTA. A lot of people we have spoken to have said that the benefits are coming as much from what they refer to as a head-turning effect; the FTAs have increased the interest in sourcing products from Australia. A lot of the exporters are reluctant to say, ‘Well, this is the dollar benefit we have got out of it’, but they are saying that, yes, they are seeing in some cases increases in exports to the US and Thailand in particular. But we could table some of those examples for you.

**Answer:**

Analysis of the benefits flowing to portfolio industries from Free Trade Agreements (FTAs) has to date focussed on the United States and Thailand FTAs given their longer period of implementation. Anecdotal evidence to date (largely based on discussions with a range of industry representatives) has indicated that these FTAs have both contributed to improved returns to Australian industry through removal of tariffs on established trade, as well as creating expanded and new market access for portfolio exports.

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**Question:** TMA 04 (continued)

**The United States FTA** has led to improved margins for producers exporting beef to the USA since 2005 through the immediate elimination of the in-quota tariff of 4.4USc per kg from 1 January 2005. Exports to the US for 2008 were 220,825 tonnes and thus Australian producers gained approximately \$A9.7 million over the calendar year.

The FTA has also created expanded and new market access opportunities for a range of dairy exports to the USA as a result of specific new quota access for Australian dairy products. Since the FTA's entry into force on 1 January 2005 and to August 2009, cumulative dairy exports to the USA included European style cheeses (6,092 tonnes of new exports), Goya cheese (8,007 tonnes of new exports), Cheddar Cheese (2,945 tonnes of additional exports), and a range of other new and additional cheese exports (12,398 tonnes), as well as butter (6,243 tonnes of new exports) and milk powders. Beef and dairy are two of Australia's most significant agricultural exports to the USA and these figures are based on shipped volumes.

**The Thailand FTA** also appears to have contributed to substantial growth in wine exports to Thailand and some emerging opportunities for other industries. Thailand FTA outcomes provided for substantial reductions on wine tariffs from 54% to zero by 2015, with tariffs already halved to 24% in 2009. Wine exports have grown from approximately \$12 million over the period 2000-2005 to total around \$40 million over the period 2005-2009. Anecdotal evidence from industry suggests that the substantial tariff reductions have played a part in this significant growth. The reductions in import duties are also likely to have increased returns to producers on every litre of wine sold into the Thai market since 2005. With many tariffs under the Thailand FTA to be phased to zero by 2010 (including, for example, sheep meat, dairy, fruit and vegetables and juices), there may also be a clearer response by other sectors of Australian industry to these new market opportunities over the next few years.

The FTAs also appear to be contributing to increased awareness of Australian export commodities in these markets. This "head-turning" effect of the FTAs has increased interest in sourcing products from Australia. Anecdotal evidence also suggests that the FTAs have provided opportunities for smaller Australian companies to either enter new export markets, improve returns on existing trade from lower tariffs, or to export new product lines.

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**Question:** TMA 05

**Division/Agency:** Trade and Market Access Division

**Topic:** Australia's BSE and imported food safety policy

**Hansard Page:** 19 (27/10/2009)

**Senator BACK asked:**

**Senator BACK**—Can I return to the line of questioning earlier regarding the joint media release from the various ministers? In Senate estimates last week we asked the Secretary to the Department of Health and Ageing whether or not that agency had the lead in this particular area and they assured us they did not. Could you advise whether your department was the lead agency in this area?

**Dr O'Connell**—I think the media release, as I understood it, was through Minister Crean's office

originally. I may be mistaken there. I will have to take that on notice as to exactly which office the media release came from. The fundamental issue is a health issue, quite clearly, and it is one related to health standards.

**Answer:**

The media release was jointly published on 20 October 2009 by the Hon. Minister for Trade, Simon Crean, the Hon. Minister for Health and Aging, Nicola Roxon, the Hon Minister for Agriculture, Tony Burke, and the Hon. Parliamentary Secretary for Health, Mark Butler.

The development of Australia's new food safety policy for imported beef and beef products was an interagency process involving the Department of Health and Aging, Department of Foreign Affairs and Trade (DFAT), the Department of Agriculture, Fisheries and Forestry, and the Department of the Prime Minister and Cabinet.



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**Question:** TMA 06

**Division/Agency:** Trade and Market Access Division

**Topic:** Departmental staff posted overseas

**Hansard Page:** Written

**Senator Colbeck asked:**

1. How many staff does the Department have stationed overseas currently? And during the periods 2007-2008 and 2008-2009? Broken down by location please.
2. What is the total of each of these officers for the period 2008-2009 (actual) and 2009-2010 (budget)?
3. For any positions cut back, what was the cost of removing these staff and their families back to Australia? And what was the cost of any other incidentals in removing their positions including but not limited to breaking of house leases.
4. Have these staff been reallocated to other positions within DAFF?

**Answer:**

1. The department currently (as at 10 November 2009) has 12 overseas staff, also called Australia based (A-based) officers, and 20 locally engaged staff (LES).

Further details for question 1 are contained in the table below.

2. Answers for question 2 are contained in the table below.

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**Question:** TMA 06 (continued)

Location	Staff	Officers 07-08	Officers 08-09	Actual cost 08-09 (\$m)	Officers 09-10	Budget 09-10 (\$m)
BANGKOK	A-Based	1	1	<b>0.419</b>	1	<b>0.322</b>
	LES	1	1		1	
BEIJING	A-Based	2	2	<b>1.406</b>	2	<b>1.121</b>
	LES	2	2		2	
BRUSSELS	A-Based	2	2	<b>1.562</b>	1	<b>0.860</b>
	LES	2	2		2	
DUBAI	A-Based	1	1	<b>0.689</b>	1	<b>0.511</b>
	LES	1	1		1	
JAKARTA	A-Based	1	1	<b>0.487</b>	1	<b>0.381</b>
	LES	4	4		4	
MOSCOW	A-Based	-	1: Short Term only	<b>0.139</b>	-	<b>0.122</b>
	LES	-			1 to start Jan 2010	
NEW DELHI	A-Based	1	1	<b>0.699</b>	1	<b>0.463</b>
	LES	1	1		1	
PARIS OECD	A-Based	1	1	<b>0.952</b>	-	<b>0.273</b>
	LES	1	2 x 0.5		1 and 1x 0.5	
ROME	A-Based	1	1	<b>0.735</b>	1	<b>0.761</b>
	LES	1	1		1	
SEOUL	A-Based	1	1	<b>0.688</b>	1	<b>0.693</b>
	LES	1	1		1	
TAIPEI	LES	1 x 0.5	1 x 0.5	<b>0.017</b>	1 x 0.5	<b>0.017</b>
TOKYO	A-Based	2	2	<b>2.208</b>	2	<b>1.867</b>
	LES	2	2		2	
WASHINGTON	A-Based	2	2	<b>1.275</b>	1	<b>0.876</b>
	LES	2	2		2	
<b>Totals:</b>	A-Based	<b>15</b>	<b>16</b> (incl one short term)	<b>11.276</b>	<b>12</b>	<b>8.267</b>
	LES	<b>19</b> (incl. 1 part time)	<b>20</b> (incl. 3 part time)		<b>21</b> (incl.2 part time)	

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**Question:** TMA 06 (continued)

3. The Overseas Agricultural Officer positions removed were one position from Brussels, one position from Washington DC, and one position from Paris, OECD. The costs involved in removing these positions, including the breaking of leases and incidentals such as flights and removals, were:

Washington: \$ **0.056m**, Brussels: \$ **0.029m**, Rome: \$ **0.062m** (the person from Rome was removed and replaced with a higher level officer; the person in Paris (OECD) had been previously scheduled for cross-posting to Washington DC).

4. Two of the staff that were removed from posts have been reallocated to positions within DAFF and the third was recruited by a regulatory authority associated with the portfolio prior to recommencing in DAFF in Canberra.

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**Question:** TMA 07

**Division/Agency:** Trade and Market Access Division

**Topic:** Role of TMAD

**Hansard Page:** Written

**Senator Back asked:**

1. What is your role and how do you differ from AQIS?
2. How do you benchmark your success?
3. How many markets have you gained in the last 6 years?
4. Do you deal with import risk assessment and if not how does this intersect with your division?
5. How many staff do you currently have?
6. Have there been any changes over the last two budget periods?

**Answer:**

1. The Trade and Market Access Division's (TMAD) role is to take a consistent and strategic approach to international work across the department. This includes working with other divisions of the department, industry and trading partners to open new markets, maintain existing ones, reduce trade distortions and develop international trade standards. The overseas counsellor network, which plays a vital role in achieving departmental market access and maintenance objectives, is managed by TMAD.

The role of the Biosecurity Services Group (BSG)—which includes AQIS—is primarily to manage the risk of exotic pests and diseases entering the country. It also provides science based quarantine assessments and policy advice, along with import and export inspection and certification, to help retain Australia's highly favourable animal, plant and human health status and enhance Australia's access to international animal and plant related export markets. BSG also manages the impact of pest and disease incursions through post-border control arrangements.

2. TMAD's success is measured by factors such as:
  - the maintenance of existing markets and improvement of access to other markets through bilateral, regional and multilateral trade negotiations;
  - the key issues identified by portfolio industries being given a high priority in negotiating positions;
  - the success of ministerial visits in progressing market access outcomes and building bilateral relationships;
  - technical assistance projects completed in a timely manner; and

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- Australian Government agreed strategic objectives achieved in the development of international standards.
3. A significant number of new markets were gained in the last six years. These are referenced to in the department's Annual Reports 2003-04 to 2008-09.

Annual Report References

2008-09 on pages 70-72  
2007-08 on pages 103-104  
2006-07 on page 108  
2005-06 on pages 124-127  
2004-05 on page 72  
2003-04 on page 110-112

These can be accessed on the Department's website  
<http://www.daff.gov.au/about/annualreport>

4. BSG is responsible for developing import risk analyses (IRA).

TMAD assists BSG in communicating IRA outcomes to trading partners. TMAD also facilitates consultation with the Department of Foreign Affairs and Trade and Attorney-General's Department in relation to the legal analysis of the IRA with respect to the WTO Sanitary and Phytosanitary (SPS) Agreement. In the very few cases where WTO dispute action is initiated in relation to an IRA, TMAD takes the lead for the Department of Agriculture, Fisheries and Forestry on the response.

5. Refer to the response to Question 1 at CSD 02 for staffing figures.
6. Yes. Refer to the response to Question 1 at CSD 02 for staffing figures.

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**Question:** TMA 08

**Division/Agency:** Trade and Market Access Division

**Topic:** India Free Trade Agreement

**Hansard Page:** Written

**Senator Back asked:**

1. It has been reported that the Minister for Foreign Affairs, Stephen Smith is pushing for a free trade agreement with India.
2. Has any analysis been undertaken and what are the likely advantages or disadvantages for Australia's agricultural industry?

**Answer:**

A joint study into the feasibility of a comprehensive free trade agreement between Australia and India was announced in August 2007 by the former Trade Minister. The Joint Study Group began work in March 2008 and has met four times.

The joint feasibility study on the merits of an FTA between the two countries is very close to finalisation and is expected to be completed by the end of 2009.

The draft feasibility study discusses existing agricultural trade between Australia and India, as well as tariffs and other measures affecting agricultural trade between the two countries. The draft study also looks at opportunities and complementarities in agriculture between Australia and India.

Economic modelling has been carried out and will be presented to governments with the feasibility study.

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**Question:** TMA 09

**Division/Agency:** Trade and Market Access Division

**Topic:** Impact of exchange rates

**Hansard Page:** Written

**Senator Back asked:**

The high Australian dollar is causing considerable concern amongst the industry about the impact this sustained strength could have on our export industry.

1. Has Trade and Market Access considered the implications of this?
2. What analysis has been undertaken and what are the forecasts for agriculture and in which markets?
3. Are you aware of claims that international trading partners are attempting to get out of contracts?
4. Can you provide details on those that you are aware of?

**Answer:**

1. Exchange rate risk is one of many factors primary producers manage as part of their normal business planning. Some importers are forward buying to take advantage of currency fluctuations. The department continues to work with industry to develop and maintain export opportunities, including during periods of high or volatile exchange rates.
2. The Australian Bureau of Agriculture and Resource Economics (ABARE) monitors the impact of exchange rate fluctuations on primary producers. The information is publicly available in the *'Australian Commodities'* publication and the attached extract provides an outline of the broad impact of exchange rate fluctuations on primary producers. Export earnings are expected to be lower in 2009-10 and one of the contributing factors will be the higher average value of the exchange rate. The department also participates in, and contributes to, OECD work which analyses contemporary developments in the agriculture sector.

**[http://www.abareconomics.com/publications\\_html/ac/ac\\_09/ac\\_09.html](http://www.abareconomics.com/publications_html/ac/ac_09/ac_09.html)**

3. Yes.
4. Details of transactions are considered commercial-in-confidence, but some general examples can be provided.

While the department is aware of reports that some overseas buyers have, or have attempted to, withdraw from contracts, a range of factors—only one of which is the high Australian dollar—may have been the reason for this. For example, in Russia, meat traders appear to have been significantly affected by the global financial crisis, which reduced available funds and credit.

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Australian beef exports to Russia have decreased by 80 per cent for the calendar year to date (as at September 2009) compared with the same period in 2008.

## Economic prospects in Australia

After contracting in late 2008, economic activity in Australia strengthened during the first half of 2009. In seasonally adjusted terms, real gross domestic product rose by 0.6 per cent in the June quarter 2009, after growing by 0.4 per cent in the March quarter.

Supported by significant fiscal and monetary stimulus, growth in consumer spending remains strong. In seasonally adjusted terms, the volume of retail turnover increased quarter on quarter by 2 per cent in the June quarter 2009, following growth of 1 per cent in the March quarter. While falling year on year by 0.9 per cent, total private business investment rose quarter on quarter by 1.9 per cent in the June quarter 2009.

Economic growth in Australia is assumed to average around 0.5 per cent in 2009-10. This compares with growth of 1 per cent in 2008-09.

### *Inflation*

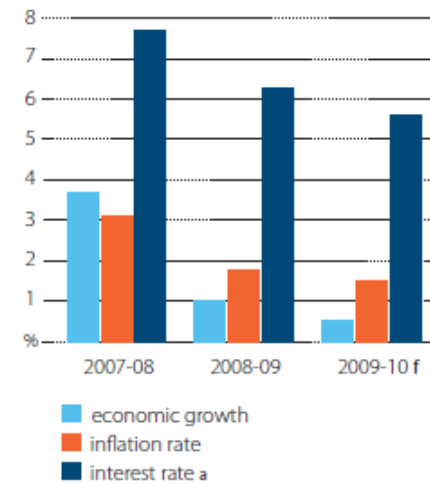
Inflationary pressures in Australia moderated in the first half of 2009. The consumer price index rose year on year by 1.5 per cent in the June quarter 2009, compared with an increase of 2.5 per cent in the March quarter. Contributing most to the slower inflation rate in the June quarter were deposit and loan facilities (-4.3 per cent), vegetables (-6.9 per cent), fruit (-7.6 per cent), and

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**Australian economic indicators**



a Large business weighted average variable rate on credit outstanding.

overseas holiday travel and accommodation (-3.4 per cent).

Looking forward, inflationary pressures in Australia are likely to remain low in the near term. For 2009-10 as a whole, Australia's inflation rate is assumed to average around 1.75 per cent, following an average of 3.1 per cent in 2008-09.

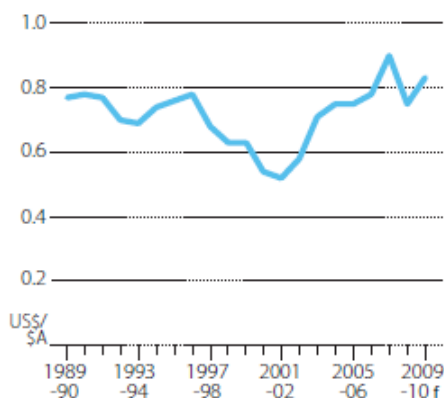
**Exchange rate**

After depreciating significantly in the second half of 2008, the Australian dollar has appreciated markedly since March 2009, both against the US dollar and on a trade weighted basis. The Australian dollar was trading around US86c and TWI 67 in mid-September 2009. This compares with a low of US63c and TWI 54 in early March 2009. In the first three months of 2009-10, the Australian dollar is estimated to average around US82c and TWI 65.

The recent appreciation of the Australian dollar appears to reflect an improvement in financial market sentiment toward the prospects for world economic recovery, the likely effect of stronger world economic recovery on commodity demand and prices, and the implications of the above developments for Australia's terms of trade and export performance.

Another factor which has affected recent movements in the Australian exchange rate is a weakening of the US dollar against most major international currencies. The US dollar was trading around €0.68, £0.60 and ¥91 in mid-September 2009, compared with €0.80, £0.71 and ¥99 in early March 2009.

**US-Australian exchange rate**



Judging by its historical movements, the Australian dollar has a tendency to appreciate strongly in the beginning phase of world economic recovery. Therefore, there is a distinct possibility the Australian dollar could remain at its current level or even appreciate further against the US dollar in the short term. This would especially be the case if economic indicators continue pointing to a stronger than expected world economic recovery.

In preparing this set of commodity forecasts, the Australian dollar is assumed to average around US83c and TWI 66 in 2009-10. This compares with an average of US75c and TWI 60 in 2008-09.

There is considerable uncertainty surrounding the short-term outlook for the Australian dollar. This is because movements in the Australian exchange rate can be significantly influenced by

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changes in financial market sentiment, leading to strong volatility in the Australian exchange rate. For example, over the past 15 months the Australian dollar has fluctuated from a high of US98c and TWI 74 in mid-July 2008 to a low of US60c and TWI 51 in late October 2008. Therefore, it remains important for primary producers and exporters to manage the risks associated with fluctuations in the Australian exchange rate.

## Outlook for Australia's commodity sector

### *Commodity export prices*

The index of unit export returns for Australian commodities, in aggregate, is forecast to fall by 23.6 per cent in 2009-10, following an estimated rise of 28.8 per cent in 2008-09. The main contributing factors to this forecast are sharply lower contract prices for bulk commodities, such as coal and iron ore, and the assumed higher average value of the Australian dollar.

For farm commodities, the index of unit export returns is forecast to decline by 3.4 per cent in 2009-10, after remaining largely unchanged in 2008-09. Forecast lower world indicator prices for wheat, barley, beef and dairy products are expected to more than offset forecast higher wool, cotton and sugar prices on world markets.

Unit export returns for Australian mineral resources are forecast to fall by 27.1 per cent in 2009-10, following an estimated rise of 35 per cent in 2008-09. This largely reflects the effects of lower negotiated prices for coking coal, thermal coal and iron ore, offsetting higher world prices for gold and many metals.

Unit returns for energy exports are forecast to decline by 38 per cent in 2009-10, compared with an increase of 68.5 per cent in 2008-09. Unit export returns for metals and other minerals are forecast to decrease by 16.5 per cent in 2009-10, after rising by 12.4 per cent in 2008-09.

### *Commodity export earnings*

The value of Australian commodity exports is forecast to be around \$158.3 billion in 2009-10, which is a fall of 19.6 per cent from an estimated \$197 billion in 2008-09.

Under the assumptions of less favourable spring seasonal conditions and the higher average value of the Australian exchange rate, export earnings for farm commodities are forecast to be around \$31.1 billion in 2009-10, which is a decline of 2.5 per cent from an estimated \$31.9 billion in 2008-09. Farm commodities for which export earnings are forecast to be higher in 2009-10 include barley, chickpeas, lupins, peas, rice, raw cotton and sugar. For forest and fisheries products, export earnings are forecast to be around \$3.7 billion in 2009-10, which is a decline of 3.4 per cent from their estimated value in 2008-09.

Export earnings for Australian mineral and energy commodities are forecast to be around \$123.5 billion in 2009-10, compared with an estimated \$161.2 billion in 2008-09. Mineral resources for which export earnings are forecast to rise in 2009-10 include uranium, copper, gold, nickel, silver, tin and titanium. The value of energy exports is forecast to fall by 36.2 per cent to \$49.6 billion in 2009-10. For metals and other minerals, export earnings are forecast to decline by 11.6 per cent to \$73.8 billion in 2009-10.

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**Question:** TMA 10

**Division/Agency:** Trade and Market Access Division

**Topic:** AANZFTA

**Hansard Page:** Written

**Senator Back asked:**

1. What impact will the ASEAN Free Trade Agreement have on Australia's balance-of-trade deficit?
2. What amount of additional overseas borrowing will be required to fund increased imports in 2009-10 and in forward estimates?
3. Will there be an increase in imported fresh and processed foods as a result of the ASEAN Free Trade Agreement and if so, which products?
4. Were cost/benefit analyses conducted on the impacts on agriculture, horticulture, the food processing sector and regional communities?
5. What impact will increased imports of food, both fresh and processed have on producers and food processors in Australia?
6. What are the potential biosecurity risks for Australia and Australian growers?
7. What is the biosecurity risk for apple and pear growers in the south west of Western Australia?
8. Will imported fresh and processed foods have to meet the same production and processing standards and compliance as those imposed in Australia?

**Answer:**

1. The Department of Agriculture, Fisheries and Forestry has not undertaken any assessment of the impact of the ASEAN Free Trade Agreement on Australia's trade flows.
2. The Department of Agriculture, Fisheries and Forestry has not undertaken an assessment of any overseas borrowings that may be required to fund imports in 2009-10.
3. The AANZFTA creates a framework for a more liberalised trading environment between the parties to the agreement. Product sourcing decisions are the responsibility of the commercial parties importing and exporting the products, and are difficult to forecast. The Department of Agriculture, Fisheries and Forestry has not undertaken an analysis of potential changes to trade patterns, and is not able to forecast future import levels (or product types) resulting from the agreement.
4. The Centre for International Economics prepared analyses of the impact of an ASEAN Free Trade Area (AFTA) – Australia New Zealand Closer Economic Relations Trade Agreement (CER), including expected impacts on agriculture, in 2000.

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This report is available at:

[http://www.thecie.com.au/content/publications/CIE-AFTA-CER\\_2000\\_report.pdf](http://www.thecie.com.au/content/publications/CIE-AFTA-CER_2000_report.pdf)

The Regulatory Impact Statement (RIS) relating to the ASEAN – Australia – New Zealand Free Trade Agreement also analyses the expected impacts on agriculture. This report is available at:

[http://www.aph.gov.au/house/committee/jsct/16march2009/treaties/aanzfta\\_ris.pdf](http://www.aph.gov.au/house/committee/jsct/16march2009/treaties/aanzfta_ris.pdf)

5. The Department of Agriculture, Fisheries and Forestry has not undertaken an analysis of this issue. In general terms, increased imports of fresh and processed foods could have varied impacts on producers and food processors in Australia including, but not limited to, whether the product is produced in Australia, whether Australian production is complementary or counter seasonal to other AANZFTA parties, the potential for increased Australian demand for products, the capacity of Australian producers to respond to increased consumer demand, exchange rate fluctuations, and whether the imported product is an input used by food processors in Australia. Additionally, products from AANZFTA parties, like all others, are only permitted entry to Australia if they meet Australia's strict biosecurity requirements, as determined by Biosecurity Australia and our public health and safety requirements.
6. Any products imported as a result of the AANZFTA, like all imported products, will have to meet Australia's strict biosecurity requirements. Australia has made no commitments under the AANZFTA that will compromise its ability to make assessments on biosecurity risks.
7. Any products imported as a result of the AANZFTA, like all imported products, will have to meet Australia's strict biosecurity requirements. Australia has made no commitments under the AANZFTA that will compromise its ability to make assessments on biosecurity risks.

The AANZFTA will not alter the biosecurity risk for apple and pear growers in the south west of Western Australia. Products from AANZFTA parties will only be permitted entry to Australia if they meet the strict biosecurity requirements, as determined by Biosecurity Australia.

8. All fresh and processed foods imported into Australia must meet the requirements of the Imported Food Inspection Scheme. The Scheme requires that fresh and processed food imports must meet Australian requirements for public health and safety, and comply with Australian food standards as detailed in the Australia New Zealand Food Standards Code.

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**Question:** TMA 11

**Division/Agency:** Trade and Market Access Division

**Topic:** Dairy export refunds

**Hansard Page:** Written

**Senator Back asked:**

1. Has the Minister achieved a reduction in the increased dairy tariffs imposed by the United States and EU?
2. What is the additional cost of such tariffs to Australian dairy farmers?
3. What else has the Minister done to protect Australian dairy farmers from the impacts of the increased tariffs?

**Answer:**

1. The United States (US) and the European Union (EU) have not imposed dairy tariffs. To clarify, both the US and the EU made a decision to provide export refunds (as opposed to tariffs) for their dairy exports into some markets in 2009.

On 24 January 2009 Minister Burke wrote (jointly with Minister Crean) to the European Commissioner for Agriculture and Rural Development, Mariann Fischer Boel and the European Commissioner for Trade, Catherine Ashton, urging the Commissioners to end the use of export refunds by tender. Ministers Burke and Crean also wrote to US Secretary of Agriculture, Tom Vilsack, on 19 April 2009, noting the European Commission's (EC) reintroduction of export refunds and strongly urging the US not to reactivate the Dairy Export Incentive Program (DEIP).

Minister Burke reiterated Australia's strong desire to see the cessation of export refunds during his meeting with Commissioner Mariann Fischer Boel in April 2009. Similarly he urged Secretary Tom Vilsack and US Trade Representative Ron Kirk to cease export subsidies under the reactivated DEIP during a visit to Washington DC in July 2009.

Following recent improvements in world dairy prices the EC Committee responsible for determining export refunds set by tender has rejected all bids submitted and no export refunds have been paid. Similarly, the US has not issued any new applications for support under the DEIP since 29 October 2009.

2. The global dairy market is dynamic and it would be difficult to precisely quantify the cost of any one measure such as the US DEIP or EU measures in any given market. Nevertheless, such measures place downwards pressure on world dairy prices and increase uncertainty for producers seeking to supply markets in which the above-mentioned programs are active.

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3. In addition to the representations outlined in 1. above, representations have continued at the highest levels seeking the cessation of US DEIP and EU export refunds by tender. Regarding the US DEIP, officers of the Department of Agriculture, Fisheries & Forestry have worked with the US Department of Agriculture (USDA) to encourage the USDA to keep its commitment to trading partners that don't subsidise their exports to minimise the impact of DEIP on those partner's key markets. Following the recent cessation of EU dairy subsidies Ministers Burke and Crean jointly called on the US to put an end to its dairy subsidies.

The Australian Government works with industry services bodies, such as Dairy Australia Limited, to conduct research, development and extension work for the benefit of industry and the broader Australian public.

At the request of industry, the government has provided practical, short-term support to farmers aimed at building their confidence in their financial viability. Government assistance includes funding events such as DairyLive, held in June 2009. DairyLive provided information to all participants on the latest analysis of international and domestic markets. The material generated through DairyLive is also available to all farmers through Dairy Australia's website at <http://www.dairyaustralia.com.au/Our-Dairy-Industry/Industry-Forums.aspx>.

The government also supports the dairy industry through programs such as Australia's Farming Future, investments in the sustainability of the Murray Darling Basin and through Exceptional Circumstances (EC) assistance. EC assistance has been the government's primary mechanism for supporting drought-affected farmers through the worst drought on record.

Consistent with government policy of resisting trade protectionism, the Minister has been seeking to improve market access for Australian dairy products overseas. These efforts have, for example, resulted in the Indian market being reopened for Australian dairy products after six years.

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**Question:** TMA 12

**Division/Agency:** Trade and Market Access Division

**Topic:** Overseas agricultural attaches

**Hansard Page:** Written

**Senator Nash asked:**

1. Are any of the positions to be scrapped Agricultural Attaches attached to Australian Embassies?
2. In which Embassies are Agricultural Attaches attached?
3. Have any been removed in the past twelve months?
4. If so why where were they located?
5. How will the work previously done by the Agricultural Attaches be undertaken and by whom?

**Answer:**

1. The three overseas agricultural officer positions that were withdrawn were all attached to Australian Embassies – in Paris (OECD), Brussels and Washington DC.
2. The Australian Embassies or Consulates to which overseas agricultural officers are currently attached are as follows.
  - **Tokyo**, Australian Embassy, Japan (two officers)
  - **Seoul**, Australian Embassy, Republic of Korea
  - **Rome**, Australian Embassy, Italy
  - **Brussels**, Australian Embassy, Belgium
  - **Washington DC**, Australian Embassy, United States of America
  - **Dubai**, Australian Consul-General, United Arab Emirates (Austrade Managed)
  - **Bangkok**, Australian Embassy, Thailand
  - **New Delhi**, Australian High Commission, India
  - **Beijing**, Australian Embassy, People's Republic of China (two officers)
  - **Jakarta**, Australian Embassy, Indonesia
3. There have been three overseas agricultural officer positions removed in the past 12 months – one from each of Paris (OECD), Brussels and Washington DC.

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4. The removed positions were identified to meet budget requirements while maintaining the overall geographical coverage of the overseas post network. The number of overseas agricultural officer positions was reduced from two positions to one position in each of Washington DC and Brussels, and the Paris (OECD) position was removed from the Paris OECD mission. The previous work of the Paris OECD position is now covered through an upgrading of the position in Rome to a Minister-Counsellor position (previously Counsellor) who will also be responsible for OECD portfolio-related matters. A locally engaged staff position at an upgraded level will also be maintained in Paris (OECD).
  
5. The work of the previous positions will be covered by the officers responsible for each of the relevant Posts as well as attached locally engaged staff, as relevant, as outlined in the response to question 4 above. Technical market access issues in Brussels and Washington that require action will be assessed case-by-case. They will initially be dealt with by the Minister-Counsellor (Agriculture) in consultation with Canberra-based officers. If an issue progresses to a stage where additional technical resources are required, the department will consider making available staff from Canberra, or from other overseas posts, to provide the necessary back-up.



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**Question:** TMA 13

**Division/Agency:** Trade and Market Access Division

**Topic:** Russian meat quota

**Hansard Page:** Written

**Senator Colbeck asked:**

1. What discussions have taken place with Russian authorities with respect to meat quota arrangements? Who was involved in these discussions?
2. What propositions have been put to the Australian Government by Russian authorities? When have they been raised?
3. What has been the response of the Australian Government to these propositions?
4. What analysis has the Government done of these propositions?

**Answer:**

1. A wide range of discussions have taken place, including meetings in Moscow and Geneva, supported by written representations. The Minister for Agriculture, Fisheries and Forestry and the Minister for Trade, along with officials from their respective departments, have been involved in ongoing representations to Russian officials and ministers.
2. Over recent months, Russian authorities have raised possible changes to Australia's market access arrangements for beef as part of the Russian re-alignment of market arrangements in the lead up to possible World Trade Organisation accession. It would not be in Australia's interest to release details of these discussions at this sensitive stage.
3. & 4. The Australian Government has discussed its approach with the meat industry and undertaken analysis of relevant trade statistics in conjunction with industry. Industry has been consulted on the positions that Australian Government ministers and officials are continuing to discuss with Russia. Releasing details at this sensitive stage in discussions would not be in Australia's interest.

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**Question:** TMA 14

**Division/Agency:** Trade and Market Access Division

**Topic:** Market access requests for the export of Australian products to various markets.

**Hansard Page:** Written

**Senator Nash asked:**

What Australian agricultural/fisheries/forestry products are currently seeking permission from the Chinese, Russian, Indian, Indonesian, Philippine, Brazil, Chile, Argentina, Uruguay and South African Government to import products into China, Russia, India, Indonesia, Philippine, Brazil, Chile, Argentina, Uruguay and South Africa?

**Answer:**

**China**

The department notes the same Question on Notice was put and answered following the May 2009 Additional Budget Estimates. The department's response includes updated information.

The department is pursuing the following Australian agricultural industry priorities for new market access to China:

- table grapes
- summer fruit (apricots, peaches, nectarines, plums)
- cherries
- apples (mainland)
- kangaroo meat.

The department is seeking the restoration of market access for the following products to China:

- meat from non-integrated establishments
- tripe
- pork
- poultry meat.

In addition, on 12 June 2009, the department negotiated improved market access arrangements for Australian citrus, mango and live cattle exports to China.

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**Question:** TMA 14 (continued)

**South Africa**

There are currently no requests for market access to South Africa.

**India**

The department is pursuing the following Australian agricultural industry priorities for new market access to India:

- Eucalyptus logs
- Lupins

The department is seeking the restoration of market access for the following products to India:

- kiwifruit

**Indonesia**

The department is seeking the restoration of market access for the following products to Indonesia:

- offal (lungs, tripe, tendons and spleen)

**Philippines**

The department is pursuing the following Australian agricultural industry priorities for new market access to the Philippines:

- kangaroo meat

**Latin America (Brazil, Chile, Argentina, Uruguay)**

Australia is currently seeking new market access into Chile for pomegranate seeds and grapevine budwood.

**Russia**

The department is pursuing the removal of market access restrictions on:

- kangaroo meat
- red meat and meat products
- livestock, including sheep and goats
- novel agricultural commodities, such as edible tallow.

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**Question:** TMA 15

**Division/Agency:** Trade and Market Access Division

**Topic:** Industry funding to access various markets

**Hansard Page:** Written

**Senator Nash asked:**

1. How much funding is being made available to industry to help under take all aspects of accessing the Chinese, Russian, Indian, Indonesian, Philippine, Brazil, Chile, Argentina, Uruguay and South African markets?
2. Please provide a breakdown of which industries/commodities are receiving funding and how much funding they are receiving?

**Answer:**

**China (1 + 2)**

The department notes the same Question on Notice (relating to China only) was put and answered following the October 2008 and February 2009 Additional Budget Estimates. The department's response includes updated information.

Six Australia–China Agricultural Cooperation Agreement (ACACA) delegations of four people will travel from Australia to China in 2009-10. The department funds business class airfares, single-entry visas, gifts and incidentals at an average value of \$30 000 per delegation. China's Ministry of Agriculture will fund the remaining expenses for the delegations when in China.

Successful ACACA applicants in 2009-2010 are from the following industries:

- olives
- seed
- sheep meat
- wheat
- cherry
- forestry

Although not solely for the purpose of improving market access, the department also administers the Australia–China Agricultural Technical Cooperation (ATC) Program, which funds capacity building projects with a longer-term view of maintaining and improving market access for Australian agricultural exports. Capacity building projects have been in areas such as supply chain and quarantine management. The ATC Program is a four-year (2006-2010), \$5 million initiative.

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**Question:** TMA 15 (continued)

Approved projects for the 2008-2009 funding round are in the areas of food safety and standards setting, seafood and horticulture supply chains, and natural fibre processing.

**South Africa**

1. Nil
2. N/A

**India**

1. Nil
2. N/A

**Indonesia**

1. Nil
2. N/A

**Philippines**

1. Nil
2. N/A

**Russia**

1. Nil
2. N/A

**Latin America (Brazil, Chile, Argentina, Uruguay)**

1. Nil
2. N/A

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**Question:** TMA 16

**Division/Agency:** Trade and Market Access Division

**Topic:** Cost Recovery from Industry for Market Access and Maintenance

**Hansard Page:** Written

**Senator Nash asked:**

1. Is the Department currently or seeking to charge industry via cost recovery mechanisms for market access or maintenance?
2. Provide a complete breakdown of the costs associated with market access.

**Answer:**

1. No.
2. Not applicable.

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**Question:** TMA 17

**Division/Agency:** Trade and Market Access Division

**Topic:** Actions on kangaroo

**Hansard Page:** Written

**Senator Nash asked:**

What work is the Government undertaking to combat the spurious claims of animal activists, such as the NSW executive director of Animal Liberation, Mark Pearson who are using data collected illegally and under highly dubious circumstances to disrupt and discredit the kangaroo industry in Europe and China?

**Answer:**

The Australian Government continues to provide our overseas posts with facts, figures and analysis on the sustainability and animal welfare practices of the Australian kangaroo meat industry. This is drawn upon by posts, as needed, in meetings and responding to enquiries on Australia's kangaroo meat industry from overseas national authorities and interest groups.