



**Parliament of Australia**  
**Parliamentary Budget Office**

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**Parliamentary Budget Officer**

Senator Richard Di Natale  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Innovation in Agriculture* (letter of 27 June 2016).

The response to this request will be released on the PBO website ([www.pbo.gov.au](http://www.pbo.gov.au)).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

29 June 2016



## Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Innovation in Agriculture
Summary of proposal:	<p>The proposal would:</p> <ul style="list-style-type: none"><li>• provide a capped amount of \$75 million (including administration costs) over the forward estimates to agricultural research and development (R&amp;D)</li><li>• provide a capped amount of \$100 million (including administration costs) to establish a new Centre for Sustainable Agriculture</li><li>• establish a national network of 180 agricultural extension officers, who would be full-time equivalent Commonwealth employees, with remuneration and on-costs equivalent to an Australian Public Service Level 6 (APS 6) employee</li><li>• provide an additional \$722 million in capped funding for Landcare, with any administration costs to be in addition to the capped funding amount.</li></ul> <p>The national network of agricultural extension officers would commence in 2017-18, with an enrolment period in that year.</p> <p>For all other components of the proposal, the capped funding amounts would be spread evenly over the forward estimates period.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	19 May 2016 <a href="http://rachel-siewert.greensmps.org.au/content/media-releases/greens-launch-ag-package-would-help-innovate-agriculture-combat-climate-chang">http://rachel-siewert.greensmps.org.au/content/media-releases/greens-launch-ag-package-would-help-innovate-agriculture-combat-climate-chang</a>
Date costing request received:	27 June 2016
Date costing completed:	29 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

## Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$1,034.5 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of \$793.1 million and an increase in departmental expenses of \$241.3 million.

A breakdown of the financial implications by component for the period 2016-17 to 2019-20 is at [Attachment A](#).

This proposal would not be expected to have an impact beyond the 2016-17 Budget forward estimates period as funding for the proposal would terminate on 30 June 2020.

This costing is considered to be of medium reliability. While the capped expenditure estimates for the R&D grant component, the Centre for Sustainable Agriculture and additional funding to Landcare are as specified in the request, the associated departmental cost estimates (including for the 180 agricultural extension officers) are less certain.

**Table 1: Financial implications (outturn prices)<sup>(a)(b)</sup>**

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-241.9	-256.1	-268.2	-268.2	<b>-1,034.5</b>
Underlying cash balance	-241.9	-256.1	-268.2	-268.2	<b>-1,034.5</b>

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.

(b) Figures may not sum to totals due to rounding.

## Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions:

- For the R&D grant component, the administration costs would be equivalent to other like-sized programs.
- For the national network of agricultural extension officers, the officers would be progressively engaged across the 2016-17 financial year.
- For the additional funding to Landcare, the administration costs would be based on the proportion of administration costs of similar programs over the forward estimates.

## Methodology

For the additional funding for agricultural R&D, departmental expenditure estimates are accommodated within the capped funding amount as specified in the request. These estimates are based on other like programs and the estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices. Administered expenditure estimates are the remainder of the capped funding amounts after allowing for the estimated departmental expenditure.

The capped funding to establish a new Centre for Sustainable Agriculture would consist entirely of departmental expenditure, with the amount specified in the request.

Departmental expenditure estimates for establishing 180 agricultural extension officers are estimated by applying the average cost of an APS 6 level officer to the number of positions over 2017-18 to 2019-20, accounting for an engagement profile in 2017-18, along with a further allocation of \$2.0 million per annum to administer the program.

Departmental expenditure estimates for the additional funding to Landcare are based on the departmental expenditure of Landcare and other environmental conservation programs administered by the Department of the Environment.

## Data sources

- Department of Finance provided indexation and efficiency dividend parameters.

## Attachment A: Innovation in Agriculture — financial implications

**Table A1: Innovation in Agriculture—Financial implications (outturn prices)<sup>(a)(b)</sup>**

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
<b>Impact on fiscal and underlying cash balances</b>					
<b>Agricultural R&amp;D grants</b>					
Administered	-17.8	-17.8	-17.8	-17.8	<b>-71.1</b>
Departmental	-1.0	-1.0	-1.0	-1.0	<b>-3.9</b>
<b>Total - Agriculture R&amp;D grants</b>	<b>-18.8</b>	<b>-18.8</b>	<b>-18.8</b>	<b>-18.8</b>	<b>-75.0</b>
<b>Centre for Sustainable Agriculture</b>					
Departmental	-25.0	-25.0	-25.0	-25.0	<b>-100.0</b>
<b>National network of 180 agricultural extension officers</b>					
Departmental	-	-14.2	-26.3	-26.3	<b>-66.8</b>
<b>Additional funding to Landcare</b>					
Administered	-180.5	-180.5	-180.5	-180.5	<b>-722.0</b>
Departmental	-17.7	-17.7	-17.7	-17.7	<b>-70.7</b>
<b>Total – Additional funding to Landcare</b>	<b>-198.2</b>	<b>-198.2</b>	<b>-198.2</b>	<b>-198.2</b>	<b>-792.7</b>
<b>Total</b>	<b>-241.9</b>	<b>-256.1</b>	<b>-268.2</b>	<b>-268.2</b>	<b>-1,034.5</b>

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.