



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Estimates

(Public)

THURSDAY, 27 MAY 2021

CANBERRA

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Thursday, 27 May 2021

Members in attendance: Senators Antic, Ciccone, Davey, McCarthy, McDonald, McKenzie, McMahon, Patrick, Rennick, Roberts, Sheldon, Sterle, Whish-Wilson [by video link].

AGRICULTURE, WATER AND THE ENVIRONMENT PORTFOLIO

In Attendance

Senator Ruston, Minister for Families and Social Services and Minister for Women's Safety

Department of Agriculture, Water and the Environment

Executive

Mr Andrew Metcalfe AO, Secretary

Mr Chris Locke, Deputy Secretary, Environment and Heritage Group

Mr James Tregurtha, Acting Deputy Secretary, Major Environment Reforms Group

Ms Cindy Briscoe, Deputy Secretary, Enabling Services Group

Ms Lyn O'Connell, Deputy Secretary, Water, Climate Adaptation, Natural Disaster and Antarctic Group

Mr David Hazlehurst, Deputy Secretary, Agricultural Trade Group

Ms Rosemary Deininger, Deputy Secretary, Agriculture Policy, Research, and Portfolio Strategy Group

Mr Andrew Tongue, Deputy Secretary, Biosecurity and Compliance Group

Ms Kate Lynch, Acting First Assistant Secretary

Mr Matthew Ryan, Assistant Secretary

Agricultural Policy Division

Ms Joanna Stanion, First Assistant Secretary

AGVET Chemicals, Fisheries, Forestry and Engagement Division

Ms Emma Campbell, First Assistant Secretary

Australian Bureau of Agricultural Resource Economics and Sciences

Dr Jared Greenville, Acting Executive Director

Mr David Galeano, Assistant Secretary, Natural Resources Branch

Biosecurity Animal Division

Dr Robyn Martin, First Assistant Secretary, Biosecurity Animal Division

Dr Narelle Clegg, Assistant Secretary, Animal Health Policy Branch

Biodiversity Conservation Division

Ms Cassandra Kennedy, First Assistant Secretary

Mr Steve Costello, Assistant Secretary, Program Delivery Branch

Biosecurity Operations Division

Mr Colin Hunter, First Assistant Secretary

Ms Barbara Cooper, Assistant Secretary, Pathway Policy Cargo and Conveyances

Biosecurity Plant Division (including Australian Chief Plant Protection Officer)

Dr Chris Parker, First Assistant Secretary, Biosecurity Plant Division

Dr Gabrielle Vivian-Smith, Chief Plant Protection Officer, Australian Chief Plant Protection Office

Dr David Dall, Acting Assistant Secretary, Plant Sciences and Risk Assessment Branch

Biosecurity Strategy and Reform Office

Ms Jo Laduzko, Assistant Secretary, Biosecurity Strategy and Reform Office

Compliance Division

Ms Peta Lane, First Assistant Secretary

Mr Peter Timson, First Assistant Secretary

Corporate and Business Services Division

Mr Lionel Riley, Acting First Assistant Secretary

Mr Troy Czabania, Assistant Secretary, Governance & Parliamentary Business Branch

Climate Adaptation and Resilience Division

Ms Maya Stuart-Fox, Acting First Assistant Secretary

Mr Anthony Bennie, Assistant Secretary, Natural Capital & Markets Branch

Ms Heather McGilvray, Acting Assistant Secretary, Climate and Adaptation Policy

Digital Trade Initiatives

Mr Nick Woodruff, Head of Digital Trade Strategy and Initiatives

Drought and Bushfire Response Division

Ms Kerren Crosthwaite, First Assistant Secretary

Mr Travis Bover, Assistant Secretary, Drought Preparedness and Policy Branch

Ms Courtney Bryant, Acting Assistant Secretary, Bushfire Response Branch

Mr Andrew O'Sullivan, Assistant Secretary, Financial Policy and Business Support Branch

Environmental Biosecurity Office

Dr Robyn Cleland, Chief Environmental Biosecurity Officer

Exports and Veterinary Services Division

Ms Nicola Hinder, First Assistant Secretary

Finance Division

Mr Paul Pak Poy, Acting Chief Finance Officer

Ms Rachel Short, Acting Assistant Secretary, Funding & Revenue

Ms Tanya Howitt, Assistant Secretary, Financial Management

Ms Sophia Farmakis, Acting Assistant Secretary, Financial Operations

Information Services Division

Mr Mark Sawade, Chief Information Officer

Legal Division

Ms Alice Linacre, Chief Counsel

People Division

Mr Neal Mason, First Assistant Secretary, Parks Policy Taskforce

Ms Jasna Blackwell, Acting First Assistant Secretary, People Division

Ms Kylie Barber, Assistant Secretary, Safety, Antarctic and Parks Branch

Ms Emma Connell, Acting Assistant Secretary, People and Policy Branch

Ms Jill Mand, Assistant Secretary, Integrity Branch

Plant and Live Animal Exports Division

Dr Melissa McEwen, First Assistant Secretary

Portfolio Strategy Division

Mr Nick Blong, First Assistant Secretary

Trade, Market Access and International Division

Mr Chris Tinning, First Assistant Secretary

Trade Reform Division

Mr Matthew Koval, First Assistant Secretary

Water Division

Ms Rachel Connell, First Assistant Secretary

Ms Kirsty Bunfield, Assistant Secretary, National Water Policy Branch

Portfolio Agencies

Australian Livestock Export Corporation

Mr Troy Setter, Chairman

Mr Sam Brown, Chief Executive Officer

Australian Meat Processor Corporation

Mr Chris Taylor, Executive General Manager [by video link]

Mr John Berry, Executive Manager, Communications [by video link]

Australian Pesticides and Veterinary Medicines Authority

Ms Lisa Croft, Chief Executive Office [by video link]

Dr Jason Lutze, Acting Deputy Chief Executive Officer [by video link]

Australian Wool Innovation

Mr Stuart McCullough, Chief Executive Officer

Mr Jim Story, Company Secretary

Mr Jock Laurie, Board Director

Mr John Roberts, Chief Operations Officer

Cotton Research and Development Corporation

Mr Richard Haire, Chair [by video link]

Dr Ian Taylor, Executive Director [by video link]

Mr Graeme Tolson, General Manager, Business and Finance [by video link]

Dairy Australia

Mr James Mann, Chair [by video link]

Dr David Nation, Managing Director [by video link]

Mr Charles McElhone, General Manager, Trade and Strategy [by video link]

Horticulture Innovation Australia

Ms Julie Bird, Chair [by video link]

Mr Matt Brand, Chief Executive Officer [by video link]

Dr Alison Anderson, General Manager, Research and Development [by video link]

Inspector-General for Biosecurity

Mr Rob Delane, Inspector General for Biosecurity [by video link]

Meat and Livestock Australia

Mr Jason Strong, Managing Director

Mr Andrew Ferguson, Chief Operating Officer

Ms Lucy Broad, General Manager, Communications

Dr Jane Weatherley, Chief Executive Officer, Integrity Systems Company

Regional Investment Corporation

Ms Karen Smith-Pomeroy, Chair [by video link]

Mr Bruce King, Chief Executive Officer

Mr Paul Dowler, Executive Director, Corporate Services

Wine Australia

Dr Michele Allan, Chair [by video link]

Mr Andreas Clark, Chief Executive Officer [by video link]

Committee met at 09:02

CHAIR (Senator McDonald): I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2021-22 and related documents for the Agriculture, Water and the Environment portfolio, excluding environment. All questions for environment go to the department's appearance before the Environment and Communications Legislation Committee. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has before it a program listing agencies relating to matters which senators have given notice of, and the proceedings today will begin with an examination of the Australian Livestock Export Corporation. The committee has fixed Friday 16 July 2021 as the date for the return of answers to questions taken on notice. Senators are encouraged to provide any written questions on notice to the committee secretariat by close of business on Friday 25 June 2021.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions in estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. I particularly draw the attention of witnesses to an order of the Senate from 13 May 2009 specifying the process by which a claim of public interest immunity should be raised.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order. Instead, witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

Senators, departments and agencies have been provided with advice on the arrangements in place to ensure the budget estimates 2021-22 hearings are conducted in a safe environment. This guidance is also available from the secretariat. The committee appreciates the cooperation of all attendees in adhering to these arrangements.

Australian Livestock Export Corporation Limited

[09:07]

CHAIR: I now welcome Senator the Hon Anne Ruston, Minister for Families and Social Services and Minister for Women's Safety; Mr Andrew Metcalfe AO, Secretary of the Department of Agriculture, Water and the Environment; and officers of LiveCorp. Minister Ruston, do you or other witnesses wish to make an opening statement?

Senator Ruston: I don't, and neither does the secretary. Mr Setter, did you wish to make an opening statement?

Mr Setter: I'll make an opening statement if that's okay. Thank you for asking Mr Brown, CEO of LiveCorp, and me to come down to Canberra today and for allowing me to make an opening statement. While it hasn't been long since our last appearance here, there's always been plenty on and plenty to report on. Just last week, we commenced a world-first practical connectivity trial on board of a live export vessel. Inter-vessel connectivity is a problem we have had to solve for the industry to take advantage of the growing number of automation and data collection solutions being developed in the animal health and welfare tech space. Even though, year on year, our mortality rates have continued to decline, we will not rest with our goal of improving animal welfare and reducing mortalities. The technology came to our attention via the Open Innovation program. The technology originates from Norway. The partner we've been working with developed this technology on remote oil rigs and we're quite excited to be trialling it within the live export industry. I must acknowledge the government's funding for this project, along with other grants we have received to explore data and digital transformation across the industry. The future of our industry is partially going to be led by digital and innovative solutions. This support and grants, combined with Open Innovation, facilitate further improvements in animal health and welfare, transparency and efficiency.

Taking a look at our core business, I'm pleased to report that we recently held our annual operating plan consultation with members here in Canberra, with over 90 per cent of the industry attending the meeting. The challenges I previously outlined to the committee remain top of mind for our exporters. They are COVID impacts on travel and client relationships; opening and closing of the operating markets in country, and we operate in a very globally competitive market; regulatory adjustments and costs; uncertainty over the sheep trade; the body of reviews before the industry, current and planned; some declining terms of trade due to the reduced supply of Australian livestock that have led to very high prices of Australian livestock; currency fluctuations and increase; and fuel price increases that are placing pressure on exporters and their importing country relationships and customers. Despite these challenges, the board of LiveCorp was really pleased to be able to bring exporters together and pleased with everyone's willingness to lift their focus from the day-to-day issues and challenges up to a high level to look at the best ways to invest our funds and resources where we'll have the greatest impact.

The other recent highlight of our calendar was attending Beef Australia 2021 in Rockhampton. I must congratulate the team at Beef Australia for putting on such an amazing event. For the live export industry, it was the first time we haven't had strong representation from our international customers and partners in person in Rockhampton. We certainly miss their direct involvement. However, some of them were able video in to some of the sessions and have reported back that it was a great break from the COVID challenges that they've been facing. However, Beef Australia was a great opportunity to engage with producers and supply chain participants and to continue to collaborate across all of the other RDCs that were present, as well as look at potential research and tech partners. We held a seminar in Rockhampton where we discussed what has been driving commercial performance in the world of shifting pressures. It was well attended, with valued and positive engagement towards industry from producers and other stakeholders.

Going forward, cost recovery is high on the industry's agenda and our participation in the regulatory roundtable with the federal government is a key pathway to LiveCorp supporting improvements in the regulatory framework.

Being able to see what the data from LIVEXCollect is telling us will also provide opportunities to support improvement on both sides, including potential refinement of animal welfare indicators now built into ASEL. Mr Brown and I look forward to questions this morning.

CHAIR: Thank you, Mr Setter. I was a director of Beef Australia prior to coming into this role, so I'll just say that I'm not unbiased in these views. Certainly, the work that Bryce Camm and the committee did to pull off Beef Australia when they didn't even know if they were going to be able to have it up until only a few months earlier I think is just extraordinary. It was such a terrific event and so well attended; great innovation showcased. And, of course, you got to see everybody that you knew who supported the beef industry from right across the country. So I think your comments are well made and I support them in congratulating Beef Australia on a 2021 year of excellence. Senator Sterle is going to start questions today.

Senator STERLE: Mr Setter, my question relates to the ongoing trade issues with China, who we do know is our biggest trading partner, but I'm sure there's a plan. On page 7 of your 2019-20 annual report it states, 'Cattle exports reached 1.3 million head, up 3.3% on the previous year. Total live cattle exports were valued at \$1.87 billion in 2019-20, up 14.1% on the previous year'. Then I'll go to another quote: 'Overall, cattle exports to China increased by 10.0% in the year 2019-20 to 166,000 head. The export of slaughter and breeder cattle increased 16.5% to 88,000 head and dairy cattle volumes increased 3.4%, year on year, to 78,000 head'—pretty impressive figures. Do you have data available for the 2021 financial year setting out total head of cattle exported to date?

Mr Setter: Thank you, Senator Sterle. Those figures are certainly correct and Mr Brown will get those figures for us. With the substantial decline in cattle and sheep—herd and flock—in Australia, we're not immune from that and our numbers are certainly down currently and will be year on year. I'll hand to Mr Brown for the exact forecast numbers.

Mr Brown: The quotes are correct out of our annual report. That period coming at the end of 2019 to 2021 was record highs. I think you referred to 1.3 million. Since then, we've seen a considerable downturn in our export volumes due to high prices and availability of livestock, so our forecast for 2021-22 is just over 700,000 head of cattle, around 550,000 head of sheep—

Senator STERLE: Sorry—550,000 for sheep?

Mr Brown: Yes. We're projecting around 88,000 head of dairy cattle and we're aiming for 9,000 goats.

Senator STERLE: Can you also give us a month-by-month breakdown of head of cattle exported?

Mr Brown: I don't have the month-to-month in front of me. They do vary depending on seasons, as well as build-up to peak periods in markets. Indonesia and Vietnam generally have been quite steady. We'd look at around 34,000 head of cattle a month.

Senator STERLE: Average?

Mr Brown: That's what we do.

Senator STERLE: That's to Indonesia and Vietnam?

Mr Brown: Into Vietnam. But that can vary. We've had months where we've seen that down to—as very few as several thousand.

Senator STERLE: And it varies not from demand but from supply? Is that the problem?

Mr Brown: There's supply—and trade fundamentals, which Mr Setter took you through at the start. Customers are absorbing the high prices, reassessing and looking for the cycle of livestock in Australia. As the wet season comes on, more livestock come available, so your customers hold off. Those are the sorts of variabilities that exporters deal with on a day-to-day basis.

Senator STERLE: I appreciate that and I will get you to take that on notice. You can come back to us with the actual breakdown to make it easier—so we can follow that trail. What's the total value of cattle exported to date?

Mr Brown: To date? I'll need to take that on notice. I'm happy to provide that. We do receive, in arrears a month—

Senator STERLE: Alright.

Mr Brown: But I'll take that on notice.

Senator STERLE: Do you have a figure from last month? If it's to date—if you're still waiting for it because it's a month behind—what's the latest figure you've got and when does that take us up to? That might make it easier, Mr Brown.

Mr Brown: Let me take a look and I'll come—

Senator STERLE: Yes, go and have a look—sure.

Mr Setter: While Mr Brown is doing that, if you look at the sheep market as an example of why volume has dropped, this time a year ago wethers—which is a castrated male—in Western Australia were \$75 to \$90 a head. Today they're \$200 a head, so it's been more than a doubling in cost of the input of livestock. In Darwin, live export trade to Indonesia—for some classes of cattle, we've seen a 50 per cent increase in price; for others, it's more of a 20 to 30 per cent increase. We compete in a global meat market, as you know, and the price just hasn't lifted to that level. India continues to produce cheap red meat—protein—and has certainly made some challenges for exporters and importers in those markets.

Senator STERLE: Yes, that's right.

Mr Brown: I have volume but not value, so—

Senator STERLE: Give us the volume. You can come back with the value estimate.

Mr Brown: It is 715,000 for cattle.

Senator STERLE: Alright, so what about total head of cattle exported to China? I'll say to date. I know that you're a month behind. I know you did say that it has dropped. Have you got a figure there for us?

Mr Brown: To China, in the 2019-20 year, we had 150,000 head of breeders and 15,500—

Senator STERLE: Sorry, 2019-20? You actually said in your report you had 166,000 head of cattle—that's what you've said for the 2019-20 year.

Mr Brown: The number you read out had the total, which was breeder and slaughter.

Senator STERLE: I'm quoting from your annual report of 2019-20, where it says, 'Overall cattle exports to China increased by 10.0% in 2019-20 to 166,000 head'. But you've now given me a figure of—what was the figure you just gave me?

Mr Setter: It was 150 for breeders and 115 for the slaughter.

Senator STERLE: Okay, so I wasn't asking for the breakup, but you've given me a breakup. So that includes dairy. That's what brings it up to 166,000.

Mr Brown: Within the breeders, there are beef breeders within that number as well.

Senator STERLE: Alright, so take this one on notice. Thanks for that, Mr Brown. I'll ask for a month-to-month breakdown if you can get back to us with that, too. The total value of cattle exported to China, with your latest figure—have you got a value there for us?

Mr Brown: No, I don't.

Senator STERLE: But you will have one?

Mr Brown: Yes, I will.

Senator STERLE: That's great. No worries. Is it possible to have that back to us today rather than have—I mean, is it as easy as an SMS back to the office?

Mr Brown: Sure.

Senator STERLE: If you could supply that and you're not mucking around—Mr Metcalfe could table it once you're gone, if that's possible. Thanks very much. Now, in 2019-20 you had a total income of \$6.15 million. That's correct, isn't it?

Mr Brown: That's correct.

Senator STERLE: I'm told that five per cent, or approximately \$307,500, came from grant funding. Is that correct?

Mr Brown: That's correct.

Senator STERLE: How much of this was grant funding from the federal government?

Mr Brown: The grant funding that you referred to is all federal government grant funding.

Senator STERLE: It's all? Right. And what was the purpose of these grants?

Mr Brown: The grant funding—there's a range of grants. I'll need to take it on notice to get you the precise number. But we had two activities going on around that time where we received funds to establish AniMark, which is a company to oversee the operation and implementation of LGAP. We've received funding to undertake that activity. Around that period we were also receiving funds for a dehumidification and—

Senator STERLE: And how much was that grant? Of the 307,000, how much is coming out for that?

Mr Brown: I don't have the splits in front of me because it's going back to the 2019-20 year. I'd need to clarify the actual allocations of those two grants. But I'm aware that they were occurring around that time.

Senator STERLE: Sorry, I cut you off earlier. We've got the AniMark. What was the other grant?

Mr Brown: The other activity we were undertaking was a dehumidification trial—dehumidification and connectivity, which Mr Setter referred to in his opening address.

Senator STERLE: Yes. Can you come back to us with that, thank you. Did you receive any funding to facilitate—there's the diversification—for market access? Is that what it was called?

Mr Brown: No.

Mr Setter: No.

Senator STERLE: Not for market access. Was there, to the best of your memory, any funding to run programs to provide support for primary producers in your sector who are experiencing losses as a result of the trade disruption to China?

Mr Brown: No.

Mr Setter: No.

Senator STERLE: Are you having any conversations around seeking grant funding to support the growers who have missed out because of the drop in export opportunities to China?

Mr Brown: No, we don't have any support packages of that—

Senator STERLE: I know you don't have any, but is there any—

Mr Brown: No plans.

Senator STERLE: No conversations?

Mr Brown: No.

Senator STERLE: Okay. I want to talk about some quarantine limitations and I also want to talk about worker shortages due to the ongoing border closures. It's been very topical in this committee over the last day, as you could appreciate. I don't think you guys would be exempt from it either, unfortunately. We know the borders have been closed since March 2020 because of the COVID pandemic. How is this impacting primary producers in your sector?

Mr Setter: The primary producers that supply our live export industry have been impacted by logistics challenges. It can be things like getting motorbike parts or getting—

Senator STERLE: This is importing from overseas?

Mr Setter: Yes, overseas, or actually there's a backlog of delay in moving products around Australia that is still coming—the supplies on shelves in rural and regional areas of equipment have been in decline. But, also, we have seen an increase in demand because there have been incentives for businesses to do development and to increase their capex spend; the offsets and tax write-offs have led to increasing demand for some machinery and that's impacted some of our suppliers.

Senator STERLE: So machinery, equipment—

Mr Setter: That's more been because there's been more stimulus, I suppose, of some of the rural and regional areas. We've got a good season, and there are good livestock prices and good crop prices, so farmers have been able to work through—not in all areas, but some areas—increased productivity. In terms of the direct impact to our industry, most of those issues have been solved now. The border crossing issues, and moving people across borders, have largely have been overcome with passes, permits and essential worker type permits. But we still are always on edge when there's talk of border closures and things like that—

Senator STERLE: You're not alone.

Mr Setter: that causes the movement of people, livestock, trucks and fodder and things to be slowed.

Senator STERLE: And credit is due to the states, who really have lifted their game. They've done a lot of the heavy lifting—particularly in the transport—in getting trade moving across the borders, which is good. I hear you say, 'because there's been more stimulus'. Obviously, because of the challenges, people now have opportunities to spend more time on repairs and maintenance and increasing that stuff. But we also know that international trade in components coming out of China, coincidentally, has slowed terribly at the moment. But you're saying that your industry is now not affected because of—is that what you're saying?

Mr Setter: Our industry of live animal exports hasn't been impacted by some of the challenges with container trade and container access into Australia, because we export a live animal. Some of the live ships have been

delayed—they've had extra quarantine periods; they've had extra cleaning requirements—so I wouldn't say that those ships have been totally immune. But we're not impacted directly by the container shortages. We also don't get any competitive advantage from those container shortages as well because the flock and the herd have declined in Australia and there's ample processing capacity.

Senator STERLE: Also in the international market, there was a—correct me if I'm wrong—there was starting to be a healthy boxed meat market to China and I remember—

Mr Setter: Absolutely.

Senator STERLE: MLA talking it up and it was good. But I'll leave that to them. You're saying that hasn't affected us? We're not exporting—

Mr Setter: Not at this stage. We certainly respect all markets and value all markets. We never take any market for granted.

Senator STERLE: That was unfair of me to put that to you—I will follow it up with the MLA. So, Mr Setter, is your sector reliant upon foreign workers to meet the demands?

Mr Setter: If you look at our industry, the workers that are on the ships day in, day out, are predominantly foreign workers and always have been. They're foreign-owned ships and they trade and work the world. There have been some challenges there just with port restrictions and repatriating workers on those ships. They don't work for the Australian companies; they work for the ship company owners. That has had some impacts and challenges. The stockmen and vets are the people that we, as Australian exporters, put on ships. They are, and predominantly always have been, Australian workers. There are not foreign workers doing that. What we have had is issues that we've worked through on fatigue management, because there are not the repatriation flights—or the return flights—for stockmen and vets. Many of them have had to travel back on the ship. They then get about 24 hours in port to have a shower and refresh and the ship sails again—

Senator STERLE: That's if they're allowed off.

Mr Setter: If they're allowed off. Before, they were getting five or six to 30 days to fly back, recover, do other sorts of work and see family and friends. Today they're back and forth on the ship, so—

Senator STERLE: Terrible. That's a terrible story.

Mr Setter: Absolutely. We've worked with the Navy. We've worked with mental health providers. We have support lines and things to ensure that those Australians that are working on those ships are getting as much care as we can and Mr Brown and his team are actively involved with that.

Senator STERLE: So I'm very clear, the only foreign workers through your chain, for the live export, from the paddock to the wharf—it's only the foreign seafarers? There's no reliance upon any other—

Mr Setter: Not directly but indirectly with truck drivers, workers on farms—on the supply to live export there have been impacts. There's—

Senator STERLE: Can I just—the truck drivers are domestic shortages? That's not because of foreign—

Mr Setter: There are quite a few New Zealand truck drivers in Australia.

Senator STERLE: I'm sorry. I forgot about the Kiwis. I just thought they were all in—

Mr Setter: It's been a challenge for some of the trucking companies to get our good friends from over the ditch to come over and drive our trucks.

Senator STERLE: Let's talk about that. Has there been any presentation to government to—and I do know about the shortage of truck drivers. I know it's in the mines and in agriculture; I know it's in freezer and general freight, heavy haulage and the whole lot. Have you gone to the government and through your minister, through Agriculture, to talk about the shortage of truck drivers?

Mr Setter: It's been challenging, but we haven't been directly impacted, and it's also a space that LiveCorp is not involved in. We're not in the lobbying space. So, for us, that would sit with Cattle Council or Sheepmeat Council or ALEC to present those issues.

Senator STERLE: With the live export, what you have said is you know there are shortages of drivers from across the ditch, but it hasn't stopped you getting the cattle, the sheep, the goats, whatever, to the feedlots and subsequently onto the ships, has it?

Mr Setter: No.

Senator STERLE: No effect; okay. I just want to talk about the vaccine rollout. I've got a couple of questions similar to the quarantine ones. Are there any conversations that your group is having about supporting a faster

vaccine rollout so that it would make it easier for the primary producers to attract more workforce that is currently not in the sector?

Mr Setter: Again, we are not in the lobbying space around that. What we have done as an industry—and ALEC did take some of the lead on this and LiveCorp supported it—was that frontline workers, who are the Australians going on and off ship, vets that are interacting doing biosecurity checks and those sorts of things, were put into that high-priority or first space—

Senator STERLE: They were done?

Mr Setter: for vaccines. They were allowed to be done. I don't have the statistics of who did and didn't get vaccinated. The ship stockmen have been done. I know anecdotally that the people who interact second from— with those people have either been done or are in the process of being done and lined up for the vaccine. In terms of primary producer rollout, I don't really have any statistics. I certainly work in that space and hear that there are different regions that are getting vaccinated at different times, but it's all anecdotal.

Senator STERLE: But it is interesting, because you would have a concern because your primary producers and you would be so reliant upon people wanting to safely access the vehicle. Then there are suppliers that are put on the vessels as—not the vehicle; the vessels, I should say.

Mr Setter: Early on, in COVID last year, LiveCorp did put together safety plans. With the small amount of knowledge that we had about how COVID worked, in March last year Mr Brown and his team did plenty of work around cleanliness, electronic documents rather than paper documents and less handling of paperwork. They worked closely with the department to do that and put those into infographics so that you didn't need to have English as your first language to see and understand and so that ships' crews could manage that.

Senator STERLE: Sure, and I know you're not the health officer so—I understand that there would be that panic. I have to say it as it is: there would be that panic. We know a lot of these seafarers, the poor buggers, are stuck on those ships for 14, 17 months. We've got some terrible statistics. But you did say, Mr Setter—and I'm not putting words in your mouth—that not every frontline worker has had the vaccine yet to the best of your knowledge?

Mr Setter: I don't know. I've only heard anecdotal of people who've said to me, 'Yes, I've been vaccinated' and others who've said, 'I'm about to get vaccinated'.

Senator STERLE: I've heard figures at the airport in Melbourne: out of 1,400 workers, 400 say they're not having it. This is the sort of scary stuff going on. I just wanted to try and clarify. I want to thank you very much for your time, Mr Setter and Mr Brown, and we'll look forward to those answers coming back. I'm just trying to save you work, having to go back through to the department, then it sits on the minister's desk for a few weeks and then we get it the Friday before estimates. That's no—what's the word?—aspersion. I'm not hanging it on you lot—that's all I'm saying. Thank you, Chair.

Senator McMAHON: Has LiveCorp done, or are you doing, any studies into stocking densities, particularly with respect to cattle on boats?

Mr Setter: We've done some work in this space. For the technical detail of that, I'll hand to Mr Brown.

Mr Brown: Yes, we are. We have a collaborative project underway at the moment with the University of New England and that's looking at not only stocking density; it's also looking at ammonia and bedding management practices. It's a long-term research project running over several years.

Senator McMAHON: When is that due to be completed?

Mr Brown: All of our R&D projects are in the back of our R&D magazine. It's due to be finished in January 2024.

Senator McMAHON: Are you able to give me any preliminary results from recent work on that?

Mr Brown: I'm not aware of any milestone reports that have come in as yet, but I'll look into that.

Senator McMAHON: Thank you. Turning to the cost recovery, recently the president of the Northern Territory Cattlemen's Association, Chris Nott, said at a conference in Alice Springs that that was going to add in the vicinity of \$100 per head to the costs. We've also had, very recently, the minister come out and say that, from Northern Australia to Indonesia, that would add no more than \$8 per head. Yesterday, I heard from the department that \$7.12 was their figure per head from Darwin to Indonesia, but then Mr Metcalfe refused to confirm that that would be the maximum that would be passed on to producers. Who's right—Chris Nott, the minister or the department?

Mr Setter: I'm going to answer this, but it's probably not our job to pick who's right.

Senator McMAHON: What's your understanding?

Mr Setter: My understanding is—to be brutal—current charges are sitting at about \$5.5 million and the current CRIS has estimated those charges will go from 2021 at \$5.5 million to \$24 million in 2023-24, but that's before any work's done and that's before any reductions have been done. It was pleasing to see the minister for agriculture talking \$4 to \$5 per head being the total charge for an animal to go to Indonesia—that was at the forum in Charters Towers recently and it was backed up by the media. Again, that's before we do any efficiency work. We're working closely with the department to bring back approved arrangements that will dramatically help with the reduction in costs. The congestion-busting work has started to put in an electronic and digital system for the export of livestock so that we're using standardised forms, standard processes, electronic front end and no double auditing. That has huge potential, I believe, to substantially reduce the cost of exporting.

I think the piece that is variable in all of the numbers is the number of livestock that we're talking about. If you look at the \$20 million to \$24 million and divide it by 1.3 or 1.4 million cattle—or you divide it by 750,000 cattle—you get very different numbers. If you put the animal welfare branch that does research for the department in or out or if you put the ag counsellors that work overseas to promote Australian agriculture and food products in or out, you end up with a variety of numbers. It's really important that we put a work program in place to have the most efficient and also animal welfare focused system and processes possible to get that cost as competitive but also that service as high quality as possible.

Senator McMAHON: I totally understand that the department is focused on reducing those costs and keeping the fee as low as possible. But, given that they won't confirm what the upper level of that per-head cost could be, do producers out there have concerns that it could be, in fact, closer to the \$100 a head quoted by the NTCA or are they extremely comfortable that there's no way in the world it's going to go over the \$8 per head quoted by the minister?

Mr Setter: I can only give you the feedback I've had from the producers I've spoken to. There was certainly concern in the room in Alice Springs. I was there when the chairman of the NTCA raised the \$100. There's absolutely concern there. However, producers I've spoken to post then—when the minister has said \$4 to \$5 per head for Indonesia and roughly \$7 to Vietnam per head—have actually said, 'We can manage that—that's not a huge impost on our business'. But they've all had a view that animal welfare is really important and traceability is important, but so is regulatory efficiency.

Senator McMAHON: Have you done any work on the modelling on those costs?

Mr Setter: No, we haven't. We haven't been requested to and we haven't got anything in this year's budget to do that type of work. I think it's something that, with the department, would not be hard to work out and be on the same page for the numbers.

Senator McMAHON: At this stage you haven't actually been consulted about developing those models?

Mr Setter: No.

Mr Brown: It's important to note that the discussion about cost recovery is occurring between ALEC and the department. It's an area that LiveCorp doesn't get involved in. We've been invited to briefings. But, as far as consultation that's occurred between ALEC and the department, we are undertaking some focused research on the types of regulatory costs on the exporter side and the business costs of generating compliance documentation so we can understand where those costs are and how we could make them more efficient on the export side, so that can be matched up with the efficiencies the department's aiming to achieve. We're looking over on the exporter side of the fence, but we haven't crossed over, and we don't, into the department's fees and charges base. That's a matter for ALEC.

Senator McMAHON: Thank you.

CHAIR: I've just got a couple of quick questions. You mentioned AniMark earlier in your presentation. How much responsibility does LiveCorp have for AniMark for me to ask questions of you on this?

Mr Brown: AniMark's an independent company of LiveCorp. We're a founding member, but as far as its day-to-day operations it's separate from LiveCorp. It's an independent business.

CHAIR: It's just been raised with me that they need to request additional funding to operate and there's some question around AniMark market acceptance. I'm wondering if you've got a view on that, although I suspect it would have been better to direct this at ALEC.

Mr Brown: They may be best directed to ALEC. We have been involved in conversations about market acceptance and supporting the rollout of LGAP. As the department and ALEC are all working together, we've

certainly been providing our input to those conversations. But, as far as solutioning those things, we're not at that table. We are supporting the discussions on its future funding and market acceptance.

CHAIR: Terrific. Alright, I'll stay away from that. I did just want to touch on the livestock transporters' challenges. We've been having hearings right across Australia on livestock transporters. Interestingly, despite being around the industry for a long time, there were issues that I wasn't aware of. I would just like to raise them with you to see if LiveCorp has any ability to do any more research in this space or potentially add your voice to lobbying local councils, state government and, if necessary, the federal government around some pretty simple things like more effluent stations, green reflectors on upcoming rest bays and more rest bays. Interestingly, the last one was on expanding the recent digital course for children that gives them understanding of how to operate safely around the road, on bikes and scooters and whatnot. But it was also talking about how trucks operate differently and need to be given more room. I know it's a peripheral issue to LiveCorp, but I think it's something that, as an industry, if we want to see more truck drivers staying in the industry and our transporters being successful, we need to turn our minds to more.

Mr Setter: Thank you, Chair. I know on Monday there's a meeting in Brisbane with the Queensland agriculture minister and his team. Trucking rest stops, effluent, curfews and access points are certainly on the agenda. I'm not attending. I was invited, but I'm sending someone else to attend who's well briefed on that. We've been working with some of the meat processors because there are common issues into places like Townsville and Brisbane and through rest areas like Mount Isa—

CHAIR: Kingaroy.

Mr Setter: Cloncurry and those sorts of areas. So we'll continue with that. And, where we can, with our members, we'll make sure that we're doing that. I know some of our Western Australia members work very closely with the Western Australian government around the transport of sheep and longer haul truck movements in Western Australia. There are certainly some challenges there.

CHAIR: I think it's interesting, when you look at some states—even if you look at the Territory, the Territory is well signed around truck stops and having amenities. You cross the border—I drove from Cloncurry to Georgetown to Townsville the other day. There are actually almost none. It's really shocking. If you're not in a truck, you just don't notice, but once you start looking—I was really horrified. It's no surprise—and there are certainly very few women going into the industry. Why do they have to go by the side of the road? That's really unacceptable in this day and age. I think as a livestock industry we should all care about this and be turning our minds to it. Senator Sterle has, of course, been a great advocate for this for a long time, but I'm just lending my voice to it.

Senator CICCONE: I just have a few questions from your opening statement, Mr Setter. I just wanted to ask around inter-vessel connectivity. In your statement you said you commenced a world-first trial. How did you come about the technology? It was through Norway. Have they developed this technology that they're using on their vessels? Can you maybe just elaborate a bit further?

Mr Setter: Mr Brown's leading that Open Innovation project, so I'll hand to Mr Brown for the detail.

Mr Brown: It's technology that came to our awareness through our project on dehumidification, where we ran an Open Innovation program to look for a worldwide tech scout. One of the things we were seeking to solve then was dehumidification work—

Senator CICCONE: What was that, sorry?

Mr Brown: Dehumidification. Part of that was to be able to address the issue of connectivity within a vessel so we can start to use sensor technology to provide real-time information to the bridge and to key people—vets and stockpeople—about conditions on various decks. Part of that—

Senator CICCONE: Is there no way of knowing or is this—

Mr Brown: It is a way of knowing. We wanted to make sure we could capture data—large volumes of data—about temperature, humidity, potentially gases and ammonia and things like that.

Senator CICCONE: Up on the bridge?

Mr Brown: From the bridge and on different decks so that we could look for adjustments in management plans. That technology came through that Open Innovation scout. We became aware of the work they'd been doing in Norway on oil and gas rigs for human safety. There's lots of steel involved in those gas rigs and oil rigs that can prevent the wi-fi communication or Bluetooth communication. They'd certainly solved it for their industry to support safety of riggers. We did a series of tests and desktop studies and got through to where we believe it was well worth testing in a practical trial, which, as Mr Sutter outlined, we commence this week.

Senator CICCONE: How did it come to your attention?

Mr Brown: Through the Open Innovation program, where we called for tech solutions globally on a specific problem description that we set on that platform.

Senator CICCONE: Are there other technologies you're going to look at as well that might be of interest?

Mr Brown: We're primarily focused on this connectivity issue. We're taking a staged approach. We want to address that connectivity in order to utilise a wide range of other technologies that are coming into the market.

Senator CICCONE: I know you mentioned developments in the animal health and welfare tech space. Do you also talk to any other organisations that have primary concern around animal welfare? Do you consult them about other technologies?

Mr Setter: Certainly for chickens, pigs and other intensive industries where there are large amounts of concrete and steel or confinement and where it's very time consuming for people to be moving around facilities. We talk to those industries quite a bit.

Senator CICCONE: What improvements are you expecting in animal health and welfare? What are the practical improvements?

Mr Brown: What we aim to achieve is—we have extremely high performance across the industry. What we want to be able to do is look at and analyse data, where we can look at automation of data. At the moment we collect a lot of information and it's done manually. That's distracting people from what we'd like to see them doing more of: walking decks and actually inspecting livestock. Currently it's a very manual process and it takes a lot of time to collect that data. Then, of course, it's got to be analysed. We are aware of the technology that's coming in to do automation on different sensory devices. We can collect that data and streamline it so it meets a regulatory compliance obligation as well as tell us a little bit more about how we might be—the conditions being experienced by the animals. So we can look at those and build welfare indicators—that is our goal.

Senator CICCONE: The people that would have done the job manually—is the expectation they would still be doing a job but a different job?

Mr Setter: They can spend more time with the livestock, where currently they're moving around recording temperatures or recording air movement or—

Senator CICCONE: It's not about reducing the workforce?

Mr Setter: It's spending more time with the animal. But it also gives us powerful data we can look back on and say, 'We had some pneumonia on this voyage and here was the data that matched that. Was it due to temperature? Was it due to cold temperature? Was it due to higher or lower levels of air movement?', and actually run that with a lot more objectivity.

Senator CICCONE: Will that data then be shared with others outside the vessel? Who would have access to that data?

Mr Brown: The exporter and their support staff, as well as—depending upon where we get to with the automation and collection of volumes of data to meet regulatory compliance—so the department—

Senator CICCONE: Would you have access to that data as well?

Mr Brown: We currently have access to a range of sets of data that have been coming in through LIVEXCollect. In the future, if we can get the tech solutions, some of the compliance and recording requirements could potentially be automated. Yes, they can come in to be analysed and provided back to exporters, vessel operators and, of course, the regulator.

Mr Setter: We already have a good culture, where there's positive improvements, of exporters sharing those amongst themselves. They know that, if there are ways of doing things better, the whole industry can improve. We look at performance of different vaccines or different techniques for bedding or washing the ship to improve welfare. That's shared quickly between the industry. We have a lot of young people in our industry that talk to each other regularly and they share that sort of improvement information.

Senator CICCONE: Do you think this technology might be able to help address some concerns that some of our trading partners may have flagged in the past—disrupting our trade, especially with beef? It might help alleviate some of their concerns?

Mr Setter: Quite possibly.

Senator CICCONE: You'd be aware that a couple of abattoirs in Victoria currently have got a few issues with some trading partners at the moment. Is there anything on that area—I guess a policy—that you might be able to provide us with or give an update in terms of animal welfare?

Mr Setter: For the longer haul voyages, we have a vet that's accredited through an accreditation system that's on the voyage. For the shorter haul voyages we have an accredited stockperson that's trained there: they report back daily to the department, they report back daily to the exporter and they do an end of voyage report. There's a lot of transparency and an oversight already there. We already do have a lot of things in place to ensure that we're being as proactive as possible.

Senator CICCONE: I think we heard yesterday from the department that mortality rates are on the way down, which is good.

Mr Setter: Year on year for 20 years.

Senator CICCONE: It's good to see. I think ag has a lot of potential in terms of tech space and no doubt the secretary would agree that this is an area we'd like to see Australia adopt more technology in—agriculture broadly. Thanks, Chair.

CHAIR: Thank you very much, Senator Ciccone, and, yes, I echo your thoughts. The technology space is wide open for agriculture.

Senator CICCONE: It'll add more efficiencies and hopefully a more productive sector—

CHAIR: Yes, and the connectivity work that they've been doing is really exciting. Thank you so much for your time today. Please go with the committee's thanks and we'll see you next estimates.

Mr Setter: Thank you

Meat & Livestock Australia

[09.55]

CHAIR: Good morning, Mr Strong. Do you wish to make an opening statement?

Mr Strong: Very briefly, thank you, Senator. Thank you for the opportunity to appear with the committee again. I appear with Andrew Ferguson, who's our Chief Operating Officer; Lucy Broad, who's our General Manager, Communications; and also Jane Weatherley, who's CEO of the Integrity Systems Company, which is a wholly owned subsidiary of MLA, and we'd had a request that we covered off on all of those things for today.

CHAIR: Well, that was brief. Thank you.

Senator STERLE: MLA's website notes that you have offices located in key international export markets, which we have heard before. Could you let the committee know where these offices are located and how many staff are on each site?

Mr Strong: Our total staff numbers are about 280—I think it's 282 FTEs at the moment; 46 or 47 of those are based overseas, including 10 expats. We have a number of what we call 'regional offices' and then we have a number of representatives in countries where we don't have a formal office. We have eight regional offices. They are in Singapore, which is our reforming international hub; Japan and Korea, which are our two North Asian key markets; and the Middle East, which is an office based in Dubai. We have an office in London—of course, the FTA activities there are very important. We actually have a registered office in Brussels as well, but we only have one representative in Europe at the moment, which is focused on market access. We have an office in Indonesia; we have an office in China; and we have one in the US.

Senator STERLE: The one in the US is where?

Mr Strong: Washington.

Senator STERLE: Have any internationally based staff been recalled as a consequence of the COVID-19 pandemic?

Mr Strong: None of the staff have actually been recalled. We've had a very detailed and intensive process of monitoring all our staff—health and wellbeing—across all of our offices since March last year. The country-by-country status is something we've monitored very closely. At a number of points in time we've made sure we've engaged quite extensively with our international staff to ensure that, one, they're getting all of the support they need in-market but also that they're comfortable where they're at. Just recently, in the last few months, we have made an offer to all of our expatriate staff for them to combine what previously would have been business trips and home visit trips into a single trip to come home in the middle of this year, given that they haven't had the opportunity to be back in Australia in the last 18 months. That, of course, would include quarantine period but then staying here for a period of time to work and going back.

Senator STERLE: You said there are about 10 expats, didn't you?

Mr Strong: But only one of those has taken up that offer. We made the offer to all of the others and for various reasons—whether that be schooling or—and some of it was just the logistics of being able to manage that

with families. But we do keep in very close contact with all of those offices and we're ensuring that they're safe and well.

Senator STERLE: That's good news. Have any internationally based staff been recalled as a consequence of changing global demands for meat and livestock or geopolitical considerations?

Mr Strong: They haven't been recalled, but we have made some tweaks to the total staffing and where they have been located, as our markets have continued to develop and mature. That is something we review on a pretty regular basis. The most recent of those over the last three years has been in centralising some of those services in Singapore. Singapore is an important high-value market, but it is also a good place to service the rest of the offices from. So getting alignment across all of the offices, as far as our programs are concerned, is important, as is having that central hub to support them in a more efficient way. As a result of that rework, we have less staff in the international markets; we used to have more than 50 and we now have less than 50. We haven't recalled anybody, but we haven't replaced some staff as they have left.

Senator STERLE: So, prior to the pandemic, you were over 50?

Mr Strong: It is not pandemic related; it is market-demand related.

Senator STERLE: So, because of those challenges—market, geopolitical and whatnot—we have probably lost half a dozen?

Mr Strong: No, I wouldn't say we have lost any staff because of those things. A good example would be the US office. When we first set up the office in Washington many years ago, we were negotiating a free trade agreement as an industry, and having support for the industry and for that exercise meant that we had a larger staff presence there. We now only have four staff in Washington, and they are all marketing focused.

Senator STERLE: But would that argument then be the reverse for the UK office?

Mr Strong: Over 2010, 2011 and 2012 when I was in the UK or Europe—I was based in Brussels—we had a significant increase in the sales into Europe because of access to the grain-fed quota and, as a result, we put on an additional technical staff member to support the regional manager. In the last three years, and particularly with the Brexit process, we have had a significant reduction in our exports to the UK and Europe. There is little we can do from a marketing or business-support set of activities in those markets, so our focus is on market access. We have a single employee focused on market access, and we use some in-market expertise to help us in that space. As we progress with FTAs with the UK and Europe and we see the opportunity for the industry to expand our presence in that market, we will review the staff and their functions in those markets.

Senator STERLE: They could be either expats or locals in that area.

Mr Strong: Correct; it could be either. More often than not in recent times we have employed more locally engaged staff. In China, for example, our whole office is locally engaged.

Senator STERLE: How many are in the China office?

Mr Strong: Five in total—three in Shanghai and two in Beijing.

Senator STERLE: Are they expats?

Mr Strong: No; they are all locally engaged.

Senator STERLE: How long have that five been in the China office?

Mr Strong: It varies.

Senator STERLE: How long have you had an office in China?

Mr Strong: We have had representation there for about 10 years. The staff have varied over that time; the most recent staff only a couple of years. But they are reasonably longer-term employees—

Senator STERLE: But there are no Australians employed there?

Mr Strong: No; they are all locals.

Senator STERLE: Your website lists a number of international trade shows that are scheduled for 2021. In what form will the MLA be participating in international trade shows for this calendar year?

Mr Strong: The last 18 months have created some real challenge in those markets. There has been a lot of face-to-face activity, historically. The majority of the industry sales staff haven't been able to travel and our local staff in those countries haven't been able to travel or get out and see customers, so we have had to work out how we can adjust to that. A good example would be the Gulfood trade show that was run in the Middle East earlier this year, in February. Historically, that would have had a large contingent of both local and Australian sales staff and company representatives. We still had a site to represent the industry. Some company staff from the sales or

purchasing companies were on the site. But we shifted from having a big event with multiple booths and people present at them to having a brand wall which presented Australian brands and products that are available in the market. It included information that people could then access from that and connect them back to the companies for sales.

Senator STERLE: We know that the borders are shut and are not going to be opened until late next year, so am I right to assume that there will be no Aussies or anyone from Australia attending any international shows this year representing MLA?

Mr Strong: Unless something changes significantly as far as the freedom to travel is concerned. There is no need for us to force any of that. We have locally engaged staff, and all of our officers internationally have adjusted well to finding other ways to support the industry and engage in those markets.

Senator STERLE: So how many international tradeshows this year will MLA have a physical presence at?

Mr Strong: There will be four or five large ones: Gulfood; Anuga in Germany, if it goes ahead; and CL China. Just recently I think Food and Hotel Asia was delayed because it's in Singapore. There will be one in Japan—I assume it will be going ahead—that we will have a presence at. If the US ones go ahead, there are a couple we would normally go to in the US. It would be between five and 10 that we would have a presence at, but they would be the ones we normally would attend. But we'll only have a presence at those if they operate in a way that allows our staff to attend them, and not just be safe but also appropriately represent the industry; so there still has to be the opportunity to engage.

Senator STERLE: Apart from those locally, there is no plan to send any Aussies offshore this year; is that right?

Mr Strong: We have no plan to change our way of operating as far as international travel is concerned until there is a shift in those broader policies.

Senator STERLE: Has your international marketing budget been reduced because of this?

Mr Strong: We will be underspent this year, and we have made adjustments next year in the budget to reflect the change in activity. We have done two things. If those activities have not been going ahead, we haven't just found other things to spend the money on. Also, in planning for next year the team has done a fantastic job in making sure that we are able to not only respond as things open up but also to find other ways to support the industry. For example, we increased our spend on co-marketing.

Senator STERLE: I am sure the money will get sucked in somewhere else.

Mr Strong: We will be underspent this year because of exactly this point where things have changed; they are completely out of our control. If we cannot find an appropriate alternative option—this year, there was quite a bit of scrambling to try to do that—unfortunately, some of that money will go unspent. But next year we have adjusted—we have a change in some of those programs and activities to respond to the different environment.

Senator STERLE: In terms of COVID restrictions and travel this year and last year, what has been MLA's monetary save?

Mr Ferguson: This year, MLA will probably see a saving of about \$3 million in total travel costs that we would have spent in any normal year. We probably saved a small portion of that last year also—maybe \$500,000 in the last couple of months of the last financial year too.

Senator STERLE: So you were still travelling earlier?

Mr Ferguson: Early in the previous financial year until March, and then we closed down travel, so between March and April up to the end of June. All of this financial year we had obviously budgeted that we might be getting back to some semblance of normality, but by and large that has not happened.

Senator STERLE: The Australia-Hong Kong Free Trade Agreement entered into force in January last year. Have red meat exports increased to Hong Kong since the agreement came into force?

Mr Strong: I do not have the Hong Kong export figures in front of me entirely, but we might be able to find them during the morning.

Senator STERLE: Sure.

Mr Strong: It is not one of our larger markets and we haven't got it listed in the key markets in the state of the industry report, which is just the major markets; but we can certainly find that out and provide it.

Senator STERLE: So you'll come back to us?

Mr Strong: Yes.

Senator STERLE: The same question goes for the Peru Free Trade Agreement.

Mr Strong: It's a very small opportunity for us but yes, no problems. So Hong Kong and Peru; we can definitely do that.

Senator STERLE: What is the estimated or, even better, actual dollar value, impact to exporters as a result of the trade disruption with China?

Mr Strong: It is difficult to measure when we look at our sales on an ongoing basis to China, because sales to the market grew so fast. China last year was our No. 3 market. For beef, it was 197,000 tonnes in the previous financial year. The financial year before that, it was our largest market and was well into 200,000 tonnes. For context, 10 years ago it was only about 5,000 tonnes. So it is a market that has grown very quickly.

Senator STERLE: I understand that; but as it grows, farmers stock up and farmers invest and then, when it comes off the boil, there are losses.

Mr Strong: Not necessarily.

Senator STERLE: You have found other markets?

Mr Strong: We have always had other markets. We have had a reduction in our exports to China, but we have also had a significant reduction in our available supply. This calendar year our projection is that we will be at 35-year lows, as far as cattle slaughter is concerned. So yes we have had a shift in the volumes going to China. Some of that has been people choosing to go to that market or other markets, but we have also had a significant reduction in the production, and a big chunk of that reduction is because we have less product.

Senator STERLE: You can tell me that, but why can't you tell me what has been the value of the drop?

Mr Strong: We can tell you what that is. What if we provide you with a 10-year graph of the volume and value? We can certainly do that, and that will be up until last financial year. Then we will provide you with the projections for this year.

Senator STERLE: That would be good. The only frustration I have is whether you can get that to us before we finish today. It gets lost in the system because, by the time it goes through the offices and then to the minister's office, it is a long, drawn-out process. That would be handy, thanks.

Mr Strong: We can do 10 years of volume and value before the end of the day.

Senator STERLE: That is great; thank you. Have you received any additional funding from government to run programs or provide support to the primary producers in your sector who are experiencing losses as a result of the trade dispute with China?

Mr Strong: Not additional funding, no.

Senator STERLE: Nothing extra?

Mr Strong: No.

Senator STERLE: Is there a conversation around MLA with the producers that there should be a fund?

Mr Strong: No, not with MLA, not at all.

Senator STERLE: I have a few questions around the border closures. We know that they have been around since March 2020. Have those border closures impacted the primary producers in your sector?

Mr Strong: They have, but mostly it has been disruption. There have been specific cases and points in time where there have been challenges, but it has more been disruption and particularly around the borders—

Senator STERLE: You mean movement of product?

Mr Strong: Movement of people; that is, if people have a property either side of a border, for example, and there are quite a number of those cases. More than anything, it has just been disruption until those things have been worked out. The broader community has worked out how to live with the varying and interesting approaches we have had, not just to border closures but also the different requirements state by state and otherwise. Largely it has just been disruption and largely our industry has managed that.

Senator STERLE: It was brought to my attention early in the piece some of the stupidity around those in border towns and that sort of stuff. Anyway, fortunately that got worked through.

Mr Strong: The transport industry did a very good job of staying on top of the requirements for 'cross-border'.

Senator MCKENZIE: No lockups.

CHAIR: That's right; we love transport here, Mr Strong.

Senator STERLE: The state transport association should be put on a pedestal; they have done a magnificent job.

Senator McKENZIE: They have.

Senator STERLE: Does your sector rely on foreign workers to meet your demands?

Mr Strong: Parts of the sector do.

Senator STERLE: Which parts are they?

Mr Strong: Processing would be the most impacted, of course.

Senator STERLE: Let's talk about that. How has that gone?

Mr Strong: Obviously, we're a supporter of that part of the sector, but there are others that are much better informed than we are to talk about that.

Senator STERLE: We'll have the AMPC here—

CHAIR: Yes, we'll talk to them next.

Mr Strong: Obviously, they'd be much better to handle that. I think, though, it does highlight the need not only for investment in training, which we do in conjunction with AMPC, but also for the investments that we make on an ongoing basis in things like automation and efficiencies in all parts of the sector, but particularly in processing, and of course AMPC is the largest—

Senator STERLE: They'd be best placed to share those with us.

Mr Strong: Yes, I think so.

Senator STERLE: You would have no doubt seen commentary around quarantine facilities and having a more diverse range of options for quarantine of foreigners arriving in Australia. Do you have any comment to make around that? Does MLA have any input around that?

Mr Strong: No, not for us. Just on the labour one, though, I would be remiss if I didn't mention the feedlot sector. That sector does have some foreign workers but not a lot, but they have a broader ongoing labour challenge where the sector has grown. One of the things that we're doing, in working with the Lot Feeders' Association to respond to that, is building this hub called Feedlot TECH, which is going to be a training and employment support hub. That's one of the research projects that we have running with the Lot Feeders' Association now—

Senator STERLE: Okay, in conjunction with them.

Mr Strong: not only around skilling staff but also with how they attract staff to that sector.

Senator STERLE: How long has this conversation been going on?

Mr Strong: The conversation has been going for quite a few years. The project is quite new. It's a consolidation of a range of investments that we have made over time in training and education, and it's pulling it together in a single place that the industry can then access and utilise.

Senator STERLE: Has that stepped up the chain and gone further up the line towards government and bureaucracy to advance support for that?

Mr Strong: No, not yet. It's pretty new, as I say. It's just where we're starting to invest with the industry in responding to those challenges.

Senator STERLE: I'll just move on now to the vaccine rollout, if I can, and get your thoughts around some of the questions there. Are your members having a conversation about upping the vaccine rollout? Is there a lot of concern out there in MLA land and primary producer land?

Mr Strong: No more than might be seen in the more industrial parts of the sector; so, again, processing particularly. Many of our members or stakeholders are in reasonably isolated environments where they're able to manage that as well. There's very little conversation happening in our direct stakeholder group around any need to change that. We appreciate that other parts of the industry are quite different, and I think they're doing a good job of putting their case forward. The processes getting into the 1B category, I think, represented everybody's appreciation of the need to keep those sectors moving.

Senator STERLE: I want to talk about a report that was in a newsletter of February this year, where you, Mr Strong, said:

The reality is our industry is leading the way in the challenge to lower emissions and improve productivity, ensuring a steadfast commitment to intergenerational sustainability while producing some of the highest quality and in demand red meat in the world.

You go on to say:

And regardless of any national policy debate—the red meat industry's willingness to seize the initiative is something that Australians can proudly point to as a progressive and sensible pathway forward.

Am I right in saying that this decision was made four years ago, back in 2017?

Mr Strong: Yes. That's the carbon neutral 2030.

Senator STERLE: This target has been maintained since that point; is that correct?

Mr Strong: Yes, it has.

Senator STERLE: What has been the reaction of the meat and livestock producers to that?

Mr Strong: I think there has been a range of reactions and, overall, very positive. Of course, they represent the broader society as well, so there's certainly some concern and concern about how we might do that. That's a big part of what we've been investing in in saying that. The basis of that decision came off a CSIRO report that said that we were at a position in 2018 where we had enough information that says, 'If we apply these sorts of things and invest in these sorts of things, having a target for the industry like carbon neutral is achievable'.

Senator STERLE: Sure.

Mr Strong: That was the basis it came from. Our investment has been and continues to be—it's being more focused now—in reducing emissions and also carbon capture but also in capacity building and awareness as well.

Senator STERLE: A few opportunities have arisen from it.

Mr Strong: Certainly, there have been. There have been some great opportunities and there has been some fantastic publicity of things like red asparagopsis, which is the—

Senator STERLE: About what, sorry?

Mr Strong: Red asparagopsis, which is a seaweed that can be used as a supplement, particularly for feedlot cattle. It significantly reduces the production of methane, but it also has a positive impact on performance. There are other products that are very similar to that.

Senator STERLE: Seaweed.

Mr Strong: Yes, it's a seaweed.

Senator STERLE: Is it a local seaweed?

Mr Strong: Yes, it's grown in different parts of Australia. Some of it grows naturally in Tasmania, for example, so it's a natural product which grows here in Australia. But there are other products as well which do the same sort of thing, where we are also investing and co-investing in that technology. But probably more important is the progress that quite a number of our sector have made in focusing on increasing productivity and improving the natural capital, so improving the environment in which they operate, and having more productive operations, which are making the environment better at the same time. What I was saying, I think, in that newsletter was that the opportunity for us here is to be more profitable and more productive and to have intergenerational sustainability so that we can continue to feed the world and we can leave the environment in better shape.

Senator STERLE: We can't argue with that. I just have an additional couple of quick questions, Chair, and then I'll wrap up so that others can have a go. In February this year, a market news article on the MLA website identifies 'the growing presence of alternative proteins is also a notable challenge on the horizon, with a number of meat substitutes becoming more embedded in the mainstream marketplace, and these alternatives will continue to compete for market share with sheep meat and other proteins'. In terms of the global outlook, has there been a decline in sheep meat consumption in Australia because of that?

Mr Strong: Not because of that, no. The decline in sheep meat is related to price and available supply. Sheep meat is still enjoyed regularly by more than 70 per cent of Australian households, but the challenge to the amount that we eat per person is more related to availability. We're at record lows, as far as our flocks are concerned; we've got some very strong export markets, like China and the US; and also there is the availability of that product. So it's availability and price of the product. We have very high-quality sheep meat that's in demand globally and—

Senator STERLE: And a couple of new markets.

Mr Strong: A couple of new markets and markets that are very keen for our product.

CHAIR: Senator Roberts.

Senator ROBERTS: My questions are to do with the PFAS contamination of our food chain. Your Meat and Livestock Australia function is to foster the long-term prosperity of the Australian red meat industry; is that correct?

Mr Strong: Correct.

Senator ROBERTS: One of the significant challenges to this industry is the increasing presence of PFAS in the red meat supply chain. Does Meat and Livestock Australia have an advisory on PFAS contamination of cattle?

Mr Strong: With respect, I think it's a very limited threat, and I think the publicity and push of that issue from a very small number of producers doesn't accurately represent the threat. I think our industry is incredibly conscious of not just our biosecurity reputation but our responsibility to ensure that we provide a safe and wholesome product to all of our customers globally, and that goes to our 100 markets globally. This issue has been extensively evaluated by the authorities responsible and, while we are aware of it, it's certainly an issue that is being monitored on an ongoing basis.

Senator ROBERTS: Which authorities are responsible?

Mr Strong: The responsibility for making decisions about potential contamination would sit with groups like SAFEMEAT, and FSANZ would actually set the requirements or the levels that would have to be triggered for it to be a challenge.

Senator ROBERTS: That's the food standards—

Mr Strong: Australian and New Zealand food standards; that's correct.

Senator ROBERTS: Okay; we'll come back to them. I would disagree with you because—I'm not talking about FSANZ—other authorities supposed to be overseeing this PFAS issue are not doing their job; that's quite clear from the questions that we've asked. My next question: are you aware that Food Standards Australia New Zealand has PFAS regulations under review and, later this year, there may be maximum PFAS levels specified that your breeders will need to act on? I think, at the moment, a timetable is due to come out in early September 2021; but, given that I think the earlier ones are behind, it would probably be later this year.

Mr Strong: No. That's something that's their responsibility and, if there's a need to support them in providing information or technical support for that, I'm sure that they'll contact us; but no.

Senator ROBERTS: I'm very concerned about the threats to our export industry. The Australian beef industry is worth \$28 billion a year, with the export portion being \$17.2 billion, which makes it one hell of a big industry. Are you aware that the European Union have now enacted a recommendation of six micrograms of PFAS per kilogram of body weight as a recommended maximum daily intake, a figure that mandates the effective elimination of PFAS from meat?

Mr Strong: No. The setting of MRLs is not something that comes under our responsibility.

Senator ROBERTS: You're not aware of it?

Mr Strong: No.

Senator ROBERTS: Does Meat and Livestock Australia consider that our \$28-billion-a-year meat industry might be headed for a substantial disruption caused by these new PFAS limits in Australia and in our major export markets?

Mr Strong: No, I don't. I think this is important for context: this can sound quite significant, but I think it's important to note that these are very, very isolated potential incidents. So the answer to your question is no.

Senator ROBERTS: Have you considered what a PFAS scare may do to our livestock industry; have you done any modelling or risk assessment at all?

Mr Strong: We're certainly aware of the potential of what those scares could do and, of course, as a result of that, we're conscious or aware of—I assume that you're talking about that—the specific issue which keeps coming up, regardless of the support that gets provided to that producer. So, yes, we are aware of what the potential of those scares can do. It is disappointing that an individual, regardless of the disproportionate support they get from many sectors of the industry, continues down this path.

Senator ROBERTS: I've got letters in front of me from the Charolais Society of Australia, the Australian Brahman Breeders Association and the Australian Registered Cattle Breeders Association. They've all called on the government to relocate the graziers from affected properties to remove PFAS from the food chain. They're worried about what will happen if that is detected in the food chain. The Australian Registered Cattle Breeders Association agrees and adds that 'failure to fix this problem can only lead to a disaster for the Australian meat industry'. Why has Meat and Livestock Australia ignored its own breeders' recommendations?

Mr Strong: With all due respect, I don't think those letters have come to us. The breeders' societies, whose primary responsibility is the record-keeping of purebred livestock, are not the people we should be relying on for information around chemical—

Senator ROBERTS: What about the other two?

Mr Strong: All three of them are. The Registered Cattle Breeders Association is the peak organisation for the breeders' societies.

Senator ROBERTS: I accept that. Aren't they concerned, though, about the future of their industry, your industry?

Mr Strong: I'm sure that they could be made concerned. If they receive the representations that we have received from the producer—I assume that we're still talking about the same one—I can imagine that they would be concerned, but they're not—

Senator ROBERTS: I'm aware of several producers.

Mr Strong: There's a main producer that has raised this a number of times and has said that it will take this further, but we're not—

Senator ROBERTS: I wouldn't dismiss it because—

Mr Strong: We're not.

Senator ROBERTS: You're counting one, but there are several. They're deeply concerned not only about their own livelihoods; they're concerned about the whole industry. It's palpable; you can see it in them.

Mr Strong: I'm sorry; I didn't mean to sound dismissive. We're not being dismissive at all. The point that, obviously, I'm not making well is that it's very important that we appreciate that, from a biosecurity and food safety point of view in our industry, we have incredibly good systems in place. Authorities like FSANZ and SAFEMEAT have responsibility for this, and we lean very heavily on their authority and expertise to manage this issue. If it becomes more of a policy issue then that's a representative organisation responsibility. We absolutely will support any of those, if there's more technical information required. Also, we do take on board these issues every time they are raised, but we all have a responsibility to rely on the authorities that have the expertise and the responsibility for this, which is what we're trying to do.

Senator ROBERTS: I've been on various types of diet in my years on the planet. In the last few years, I've become completely meat-eating—that's all I eat—so it's very important to me personally, to my family, and especially, more so, in my responsibilities as a senator representing constituents. I'm not just talking about people who have PFAS problems but people in the beef industry, because it's a very important industry to our whole state and our country. I'm deeply concerned about what would happen if this gets out of hand and we don't head it off. Has Meat and Livestock Australia considered that, of all the stakeholders in this industry, you are the best situated to lead a whole-of-industry response to the PFAS issue? That solution is to relocate farmers from land destroyed by PFAS pollution from defence bases and, in so doing, removing the source of PFAS contamination from our food chain and removing the risk to this core meat and food industry.

Mr Strong: None of those things are actually our responsibility; none of those things actually fit—

Senator ROBERTS: What is your role in it?

Mr Strong: Marketing and research and development; they are our responsibilities. If there are technical issues where we can support any of the participants in this, with respect to understanding what contributes to it or what can be done, that's absolutely the sort of thing that we should be considering. But relocation and compensation are absolutely not things that are our responsibility.

Senator ROBERTS: I'm not arguing that you should take responsibility for that; I'm arguing that your function, as we agreed in answer to the first question, is to foster the long-term prosperity of the Australian red meat industry, and you agreed with that. I'm saying that this is a serious threat.

Mr Strong: Our contribution, given that function, would be to ensure that, if technical information is required that can be developed through research and development to support these activities, absolutely we would be prepared to support that. But, as far as the examples you were using before around relocation and rectification—

Senator ROBERTS: No; I'm saying bring your pressure to bear.

Mr Strong: No, we absolutely could not do that, because that's absolutely not in our responsibility. We can't put pressure on—

Senator ROBERTS: So you're just watching this.

Mr Strong: No, that's not at all right. You're asking me whether we can bring pressure to bear on the people who are responsible for doing this; and, no, we can't take action like that. The representative organisations are the ones—

Senator ROBERTS: I'm terrified that Europe could get one contaminated sample and, given the way that the UN and the EU are now focusing on decreasing meat consumption, that one contaminated sample could destroy the imports of beef, which is a huge industry in our state and our country, into Europe. We've also got the Greens with the potential to use this issue to stop the meat industry altogether. Surely, there must be something that can be done to head this off. I love my lamb and beef.

Mr Strong: Which is excellent, and I'd love to give you as much confidence as possible. All I can say is that where the issue sits is a very long way away from what you have just described. If we can help in providing technical information to support that, we're certainly happy to do that.

Senator Ruston: Senator Roberts, one of the places that you might be able to prosecute this with more success might be next week in Health, because FSANZ are very much at the forefront of making sure that this issue is dealt with. That might be a good place to go.

Senator ROBERTS: Thank you.

CHAIR: Senator Davey has the call.

Senator DAVEY: Thank you for appearing this morning. Before I go to Integrity Systems, I know that Senator Roberts was asking about trade before, and I want to clarify something. We're in the process of discussing an Australia-UK FTA. If successful, and we get that across the line, what do you project will be the increases in red meat exports to the UK?

Mr Strong: Thank you for the question. The UK and European markets are very important to the industry. The increase in exports will absolutely depend on where the FTA result lands. If we go back a long way in history, the UK and Europe in the seventies were our largest, or one of our largest, markets. The best way to think about it is that, in recent years, as we were able to get more and better access to that market, the industry responded. The best example we have is access to the tariff—free grain—fed beef quota. Our industry responded very positively to that and more than doubled our beef exports to Europe and the UK in a very short period of time. For context, that was still only about 20,000 tonnes at its peak. I think it's a great opportunity because it's one of the highest value markets that we have and it consistently has been. We have a product which is in demand in that market, and we can fit in very well with their domestic production as well; we can be complementary to what they have.

Senator DAVEY: Again, I know it's all dependent on where we land in the agreement, but would you be undertaking any marketing in the UK to assist in growing our red meat exports?

Mr Strong: Once we get past the FTA agreement process, absolutely. But it would be in the context, particularly in the first instance, more of business development activity supporting the exporters and importers in that market, which has been and is one of the most effective ways of managing our product in international markets at this stage. We've got experience in doing that previously as an industry, and MLA is part of that, and we'd be able to pick that up very quickly.

Senator DAVEY: In this process, have you identified any non-trade barriers to trade; and, if you have, what are they?

Mr Strong: Australia has a long list of non-tariff trade barriers which challenge us across a whole range of markets, and that's one of the areas that we focus on. As far as R&D is concerned, when we look at investment in market access, it's things like the free trade agreement. The non-tariff trade barriers come to a sum of nearly \$4 billion, with respect to total non-tariff trade barriers across all of our 100 markets. There are areas where we can make progress. There's been some press in the last six months about the progress that the industry has made in the Middle East. We're in negotiations with the authorities in a number of the Middle East countries about being able to extend the shelf-life requirements for chilled beef and lamb, which allows people to then export with sea freight rather than airfreight, creating about a \$100 million benefit to the red meat sector. The non-tariff trade barriers across many of our markets are quite significant; and it's an area, as an industry, that we invest in.

Senator DAVEY: Do you get assistance from the department in addressing those non-tariff trade barriers?

Mr Strong: Absolutely. Those activities, depending on what they are, more often than not would involve organisations like MLA and AMPC, the representative organisations such as the producers or processors, and the department, in making sure that we're in lock-step, with respect to identifying where the opportunity is and how we approach that.

Mr Metcalfe: One of the main roles of our agricultural councils that are posted to a number of places overseas is on that precise point—to work with local authorities to ensure that, if there are non-tariff trade barriers, we can provide the relevant technical and other information. Indeed a key feature of the agriculture business trade expansion program announced by the government at the end of last year was to provide some additional technical and scientific staff so that we can absolutely ensure that the right information is provided; then we can overcome concerns that may arise in other markets.

Senator DAVEY: Turning now to the Integrity Systems, I asked a series of questions in October 2020, the last time you were before us, about the Integrity Systems Company and the development of eNVDs. Returning to that topic, we discussed at the time the development and that there was no duplication between what was happening in private enterprise and what the ISC was doing. Has ISC developed its own eNVD application software? The last time I looked on your website there were at least eight accredited companies who were also offering eNVD products.

Mr Strong: It's one of those challenging areas, as new technologies are developed, and particularly when we're trying to apply something across the whole sector. The adoption of eNVDs has certainly increased significantly in the last six months, to a point now where it's about 30 per cent of transactions, which has been a fantastic result. It took a while to get momentum, but it's certainly building that way now. The question you raise around the line between development of programs or solutions by the Integrity Systems Company versus a commercial organisation is an area where I think we're seeing some opportunities now. Our responsibility, as the industry service company, is to make sure that an eNVD solution is available to anybody. We want to do that in a way which then raises the tide so that the investments that people make over and above that broad industry service are incrementally beneficial. I'm referring to decision-making tools, ease of operation and an increase in efficiency—those sorts of things. There will be cross-overs where things are developed as part of a standard eNVD—rather than somebody using a book, they are now using an electronic version—in a system available for everybody in the industry and a solution that somebody might build which provides decision-making tools and additional information on brand and other things, for example, which also might form some of the functions of the standard system.

We have to be conscious that our responsibility is around market failure, making sure that everybody has the ability to access an eNVD, and there will be some cross-over with the commercial organisations. I think we're in a position now where the development of those tools is becoming more sophisticated, and it's great to see that they're becoming available. That's certainly influencing the way that we think about our ongoing investment. The better and faster those tools are developed and the more that they're available to everybody, the more we can focus on the base level of information, in making sure that we raise the tide to a level which makes it easier and better for others.

Senator DAVEY: Given that there are commercial products out there—I understand there's a good level of uptake of those commercial products—and they require accreditation through ISC, can you briefly explain the accreditation process to us? There have been several versions of the eNVD, so I'm particularly interested in how the commercial product stays up to date. Do they have to reapply every time there's a new version, or are they told to wait until the new version comes out, therefore creating a delay? How does the accreditation process work?

Mr Strong: The answer to the first piece is that you don't have to reapply. But, as for somebody making an application, we had an example earlier this year where a commercial product was being developed by an individual who saw a business opportunity after they'd left an organisation that had a product which they provided. They left and set up their own approach, and the timing of their asking or applying for accreditation coincided with a new version of the eNVD coming out. Rather than creating an API—the ability to access that data for the old version—that was held over and they were provided with an API for the new version. That situation, I'm sure, could be frustrating and it might seem as though we are delaying the process, which certainly isn't the intention. There's a lesson for us in that process about how we manage that switchover piece when we've got new applicants.

Senator DAVEY: What is the average time frame now for an applicant who wants accreditation to gain that accreditation? Just give a brief overview of the process.

Mr Strong: Jane Weatherley is the CEO of ISC. She might also answer some of these. Do you have an idea on the time frame?

Senator DAVEY: Thank you for attending. I thought you might have been on video. Thanks for making the journey.

Dr Weatherley: No problem, and thank you very much for the question. The process normally involves the need to get a licence to be connected into our API, which is the application program interface, to connect into our system, and there are a number of criteria in terms of a basic standard and capacity of the tool that they need to be able to demonstrate through that process. Usually it's very straightforward; it's a standard licence agreement. Once we go through all those checks, it could be two weeks or it could be a month, just depending on how complicated it might be.

Senator DAVEY: How many companies are currently accredited?

Dr Weatherley: Eight.

Senator DAVEY: I know that in 2019 you introduced an accelerated adoption initiative to try to encourage people onto eNVDs. My understanding is that the fees that you paid for either eNVD access or your LPA eNVD books were cost recovery only and you waived those fees to encourage accelerated adoption. How was that funded? Was that funded just out of the revenue that you get from levy payers?

Mr Strong: It was. The funding for that then just came from levy funds. The intent of the accelerated adoption initiative was multifaceted. When that was applied we were in a terrible state from a drought and other environmental conditions and we were conscious that, regardless of the environmental conditions, largely our financial position didn't change but our stakeholders were being incredibly impacted; so we found it hard to see why we should keep charging people that had supported us for so long for things which we were delivering for them. So that was part of it. But if we were going to do that, we saw that as an opportunity to then help drive some practice change, and the member declarations were certainly a component of that. So during this period, the e-decs, which were one of the original electronic versions—

Senator DAVEY: The preceding ones, yes.

Mr Strong: have actually been completely cancelled, and the push on the eNVDs was obviously ramped up. It was unfortunate timing. A new version of the eNVD came out during that period as well; so we had a significant increase in the number of books going out because people had to also change over.

Senator DAVEY: Has that led to the delay? I've heard there's currently a delay.

Mr Strong: No.

CHAIR: Senator Davey, I'm conscious of time. Perhaps we could just narrow the discussion down; thank you.

Mr Strong: Has it been successful? Yes is the short answer. We're now 30 per cent eNVDs but that has ramped up in the last six months. The broader accelerated adoption initiative wasn't anywhere near as successful as we thought it might have been in practice change, because a lot of it was reliant on training and getting out in front of people, which we then couldn't do. Overall, it's still a good thing to do. The eNVD is off and running but we also know how we can progress that as well.

Senator DAVEY: I have just a few final questions, because I'm conscious of time as well, on the governance and structure of MLA and ISC. I understand ISC is a wholly owned subsidiary under MLA.

Mr Strong: Correct.

Senator DAVEY: Do they have different board members? What are the board structures of the two organisations?

Mr Strong: The ISC board is a subset of the MLA board, and the board members are those who have the strongest skillset connected to the requirements from Intelligent Systems.

Senator DAVEY: So there's no fresh non-MLA member on the ISC board?

Mr Strong: Not on the board but the ISC management and executive have a very strong connection to the industry taskforce, which is where the majority of the input and operational direction, particularly about change and development, comes from. Also, we are very conscious of and committed to making sure that it is representative and that we have that strong connection back to the broader stakeholders.

Senator DAVEY: How does this then also relate to the SAFEMEAT partners group?

Mr Strong: It's separate to the SAFEMEAT partners. The SAFEMEAT partners obviously were established well before Integrity Systems; so they're quite separate.

Senator McMAHON: Mr Strong, MLA receives a levy to help fund its activities. Can you advise what the breakdown of that levy is used for, that is, marketing versus research versus admin?

Mr Strong: Yes, we can certainly do that.

Mr Ferguson: As you know, the levies that we receive—grass-fed, grain-fed beef, lamb, sheep and goat levies—each have a 'R', research and development component, and a 'M', marketing component. We keep them very separate. The 'R' component is only used on research and development activities, and those eligible activities are then matched with the federal matching dollars that are made available to us. The 'M' dollars go towards the non-R&D stuff, the communications, marketing, market access and market intelligence types of activities. We have a level of corporate costs that sit in the business, and they total about \$30 million. The allocation and absorption, if you like, of the 'M' and the 'R' are proportionately applied across those administrative areas. By and large, they're kept completely separate, as we go through the costings and the activities of the business, until we come to the underlying level of corporate overhead, such as me or the rent of the building.

Senator McMAHON: Can you provide a percentage, say, that out of every dollar spent X per cent goes to R&D and X per cent goes to marketing? Are you able to provide that level of detail?

Mr Ferguson: Yes. Of the grass-fed levy, 73 per cent goes to marketing and 18½ per cent, or 18 per cent, goes to R&D. As for the \$5 of the levy, we don't receive all of it. Animal Health Australia and the national residue receive some of it. So in terms of our dollar, it's about 85 per cent to 15 per cent on the grass-fed side; on the grain fed side, it's about 65:35 'M' and 'R'. On the lamb side of the levy, it's also about 65:35. The sheep levy, the mutton levy, which is 20c, is more equal—it's probably about 45 per cent to 40 per cent—and the goat levy is about 30 per cent to the 'M' side, with the balance going to the 'R' side.

Senator McMAHON: Looking purely at the marketing component, can you give me a breakdown of how much of that goes on overseas versus domestic?

Mr Ferguson: Certainly. Our overseas market budget is about \$35 million and the balance would be—

Mr Strong: The total marketing spend for this year, including administration, was budgeted at \$121 million, and the international markets in total, including the overhead from this side here, was \$44 million; so that's one-third, two thirds—one-third export and two-thirds domestic.

Senator McMAHON: Can you give me the same sort of breakdown in cattle between live export and boxed beef?

Mr Strong: As far as our spend goes?

Senator McMAHON: Proportion of spend.

Mr Strong: Our spend on live exports is pretty limited because LiveCorp manages the majority of that. Our spend on live export relates to our contribution to the live export program, which is a reasonably limited contribution, but it also allows LiveCorp to access the matching government dollar-for-dollar R&D funds. Then we provide some in-market support from our international offices, but largely that's managed by LiveCorp.

CHAIR: Can I just expand on that? The levies that LiveCorp are receiving, the funds that LiveCorp are receiving, are supposed to cover off on marketing as well?

Mr Strong: Of the actual live export cattle, yes.

CHAIR: Is that right?

Mr Strong: Yes. We have a marketing responsibility for those cattle up to that point, and then LiveCorp directly takes the lead with the exported cattle. We provide support for them because our industry, the production sector, sees the benefit of that market. Obviously the producers who own those cattle, until they go to a live export yard, get the benefit from that market. So we partner with LiveCorp but LiveCorp takes the lead on those activities.

CHAIR: I'm not sure that that's a broad understanding in the industry. I look forward to next estimates. We can have a longer conversation about that one.

Mr Strong: Okay.

Senator McMAHON: As you've just explained, LiveCorp does the bulk of the marketing for live export?

Mr Strong: They do, and they have responsibility for that. But we're aware that we have a lot more resources than someone like LiveCorp. We certainly partner with them. We have a presence in a number of those markets because of the size of the boxed beef trade; so we're able to support their activities.

Senator McMAHON: Amongst the states and territories, whose producers pay the levy—I'm pretty sure that it would be just about all of them—and is the marketing budget shared equally?

Mr Strong: No, the marketing budget is not allocated in that way. We don't receive it on a state basis and it's not allocated on a state basis. We look at it as being more about populations of consumers and communities. So where the need or the end user is, that is the focus of the marketing activities.

Senator McMAHON: So there could be an inequity. If one state or territory pays a huge bulk of the levy they may not necessarily be getting their share, so to speak, of that marketing budget?

Mr Strong: I don't think that's a fair assessment of those states because you've got states, for example, that have little or no processing capacity; so it's about their ability to have an end-point customer. The Territory is a good example where, apart from breeding and trading, the end-point markets are actually outside the Territory. The live export demand comes from overseas and the meat demand for sales and processing comes from outside the state as well; so it wouldn't be fair to try to apportion it on a state basis.

Senator McMAHON: Taking the Territory as an example: you wouldn't be spending money to market within the Territory, but does the Territory get a fair share of the marketing budget elsewhere?

Mr Strong: A fair share of the benefit market? Yes, I think, would have to be the answer because it's applied across all cattle types. There would be money spent where programs at retail, for example, relate to independent retailers or supermarkets. They would make it into the consumer activities in the Territory, definitely.

Senator McMAHON: Do you currently have any plans to review the levy?

Mr Strong: We don't. That's not our responsibility. We don't.

Senator McMAHON: Have you had any discussion at any level about merging with or taking over RMAC?

Mr Strong: We have not, no.

Senator McMAHON: Finally, would you be able to supply a list of any MLA events or projects which are currently funded in the Northern Territory?

Mr Strong: We certainly could. Yes, we can do that.

Senator McMAHON: Can you tell me now or do you need to—

Mr Strong: No. We'd have to get that out of the system but we could get it.

Senator McMAHON: Will you take that on notice?

Mr Strong: Yes, events or projects in the Territory. We can certainly do that, yes; no problem.

Proceedings suspended from 10:59 to 11:16

CHAIR: What an excellent return to Senate estimates after morning tea to hear an exchange of recipes between these gentlemen. It just shows how the world has changed.

Mr Metcalfe: I've got my Beef Week hat with me as well.

CHAIR: Excellent; that is terrific.

Mr Metcalfe: You should note that the federal government contributed \$4 million to Beef Week also, Chair.

CHAIR: Long may it prosper. I hope that the federal government will consider CPI and all those other increases in costs to ensure that Beef Week in three years time is equally successful. Is that on the record? Terrific. Senator McKenzie, would you like to kick off?

Senator McKENZIE: Thank you, Madam Chair. I assume that questions got asked about the EU-UK free trade agreement?

CHAIR: Not in as much depth as you would have done, Senator McKenzie.

Senator McKENZIE: How excited is the red meat industry, specifically beef, Mr Strong, about the opportunities presented by a free trade agreement with the UK?

Mr Strong: We're very excited about it. It's been a long-term, very important market for us. Even when our volumes have been reasonably low for red meat into the EU and the UK, the value of that market on a per kilo per tonne basis has been very high, so it's a very exciting market. I think the industry has been very committed to the process of working with the government, the department, to get us to the best result.

Senator McKENZIE: There has been some commentary, obviously, in Britain and more broadly in Europe. We had senators in here even yesterday commentating, if you will, about the lack of animal welfare standards in our beef industry, our poor practices and our lack of commitment to being sustainable land managers et cetera, and I could go on and on. For a full reference, see Senator Faruqi's commentary yesterday. How much of this is part of UK and EU farmers and their representatives playing hard ball during negotiations, and how much is actually based on fact?

Mr Strong: I want to say all of it, to start with, but knowing that there's probably a skerrick of something in there; but certainly most of it. I think the secretary's statement yesterday about the OIE assessment of Australia's animal welfare standards is the appropriate objective view. We export to 100 markets, and we have to jump

through the hoops for everybody in the world who has any standard around the quality, safety and security of our supply. This is what we do: Australia is an export country, and the Australian red meat sector is an export industry; this is what we do, and this is what we do incredibly well. So there'll be posturing and there'll be statements, and I think our industry is doing an incredibly good job of being very disciplined and not entering into some of those arguments which appropriately are left to DFAT negotiators. What we can do is keep talking about how positive our global reputation is and the commitment we have to supplying the highest quality beef, lamb and goat meat to anybody around the world.

Senator McKENZIE: Non-tariff trade barriers take a range of forms. Is this sort of the 21st century's version of non-tariff trade barriers?

Mr Strong: I think it's part of it. I think those things which are outside of what can be seen or established as a standard approach to a trade agreement do fall into that category. We did actually talk a little about non-tariff trade barriers earlier and, just to reiterate, the industry challenge and commitment to that. There's an industry report which gets updated every few years: the total value of non-tariff trade barriers in value forgone is nearly \$4 billion. That's a significant challenge for our industry, but the industry is very committed to getting in front of that across the board. So it's not just the production sector; it's the processing sector and the department. As the secretary pointed out, it's a commitment that's been made by the department, the government and the ag councils, with the additional skills attached to those, and it's how we all work together to improve them. The progress that we've made in the Middle East around shelf life, I think, adding \$100 million a year to the value of the red meat sector, is a good example of what we can achieve by working together on those things.

Senator McKENZIE: I think there's been a lot of commentary about the geostrategic issues in our region and how long they will be going on for and concerns that agriculture wouldn't be able to diversify markets quickly enough. Can you give us some understanding about how the beef industry has been able to diversify and where you see that next tranche of opportunities?

Mr Strong: Yes. The good thing about the red meat sector, and very much the beef sector, is that we have had a diversified approach to our global markets for a long time, and we've had to respond to shifts in individual markets for a whole range of reasons. We've had challenges in the US before, we've had challenges in Japan before and we've had challenges in Russia. I think we forget that not that many years ago Russia was a 50,000 tonne beef market for us. But, when it stopped being that, we were able to shift very quickly. There was definitely some disruption, because we had Russia-eligible products, but largely we had minimal impact because we have this diversified approach across nearly 100 markets; the industry is very good at that. When an opportunity like getting additional access to the UK or EU comes along, which are high-value markets, we then very sensibly respond to it. The local concern in those markets about the amount we produce, the volume that we have and the potential impact is certainly unfounded, because there's no evidence of us doing anything like that anywhere in the world, and we have the types of relationships that we want to build with them already established in those other markets. So we will approach it in a very sensible, structured and collaborative way, as we have every other time.

Senator McKENZIE: I'm thinking of other commodities that sort of rushed to China, seeing an opportunity there. As you say, the beef industry, being very mature as an export industry, has always understood the risk of overcentralising your product in one market. Do you see that as a maturity issue? Are there ways that the beef industry approaches the export task that other commodities could learn from?

Mr Strong: I think 'the maturity of our approach to export markets' is a good description. We've been at this for a long time, and we've been highly reliant on export markets for a long time, so we've had to have a diversified strategic approach to those markets. I think what volatility in individual markets has reminded us of is the benefit and reason why we've had the approach that we have for however many decades, and that's probably strengthened our resolve to keep at it.

Senator McKENZIE: Thank you, and thanks for an awesome Beef Week.

Mr Strong: Thank you; and thank you for the government's support for that event. It's one of the best things that the industry has ever done as far as engagement more broadly. That was a fantastic—

Senator McKENZIE: It was amazing. There were a lot of happy faces and rain makes a big difference.

CHAIR: I welcome Assistant Minister Duniam.

Senator CICCONE: Mr Strong, you may not be able to address some of the issues around labour force supply, but I thought I might just run through some; if you need to take them on notice, please do. Do you know what proportion of workers in the red meat industry in Australia are on a temporary visa?

Mr Strong: For the production sector, it's quite a small proportion. For the processing sector, it would be much higher. The AMPC, who will be coming up after us, will have a much better handle on the processing sector.

Senator CICCONE: I might ask them then.

Mr Strong: Yes.

Senator CICCONE: Just let me know if I should refer any of these questions to the AMPC later on. Have you done any research to understand how significant the labour force concerns are for producers?

Mr Strong: Each year, we have a very comprehensive consultation process, which includes a grassroots-up mechanism for an annual call for projects, and labour force is not something that comes to the top in those processes. Things like skills and capacity building absolutely do, but the overall labour force doesn't. The exception is the one that I mentioned earlier about the lot feeding sector, and they've been very proactive in encouraging us and our working with them in investing in ways that we can upskill and help attract people into that sector.

Senator CICCONE: Would you have an estimate on what the labour force gap is?

Mr Strong: As it relates to potential international labour, no, and I'm not sure that it would be material in the production sector. I think the issue in the lot feeding sector, in particular, is more around attracting skills in growing businesses in regional areas, where they increase the requirement for the number of staff and how you fill that with the appropriately skilled people.

Senator CICCONE: I don't know whether you know of any measures by which we could try to encourage locals to work in the meat processing industry. It seems that quite a number of the processors I've spoken to are struggling to find a domestic workforce.

Mr Strong: I think it's a common challenge in the areas where those facilities are located; but, again, the processors would be much better to comment on that than we would be.

Senator CICCONE: I just want to touch on a few other questions with respect to levies. What proportion of your operations for the 2021-22 financial year will be funded by levies?

Mr Strong: We'll just go off the budget, because we haven't got to the final piece yet. Total levies, out of a \$265 million budget, was 94, which is a bit more than a third. The other funding, of course, comes from matched government R&D dollars, commercial funds that are going into matching research and development and other projects that we manage that have alternative funding sources.

Senator CICCONE: Do you undertake any assessment of self-satisfaction amongst levy payers?

Mr Strong: We do. We have a range of assessment mechanisms, including independent reviews for the department. Obviously, being an unlisted public company, we have independent audit, but we also conduct levy-payer surveys each year around stakeholder satisfaction and we try to cover all of the components of our stakeholders in that: cattle and sheep producers, grass- and grain-fed producers, larger corporate pastorals, being providers to the industry, for example.

Senator CICCONE: Do you have any internal performance benchmarks going to levy-payer satisfaction?

Mr Strong: We do. Those reports are reported back to the board and assessed against previous performance, and the targets for improvement in those are included in our operational KPIs.

Senator CICCONE: Lastly, I note that MLA is forecasting lower slaughter rates for the rest of this year and into 2022.

Mr Strong: Yes.

Senator CICCONE: Is this of concern to you?

Mr Strong: It's a concern to the industry from the perspective of supply and continuity of supply into our high-value customers. From an MLA point of view, it's in no way a risk. Part of our responsibility is that we manage what we have. We are reliant on government-matching funds, the levy funds and any external revenue, which I think we do very well; we manage our position, regardless of the ups and downs in the overall levy revenue.

However, regarding those projections, even though we're projecting a 35-year low in slaughter numbers this year, one of the benefits of that is a faster rate of herd rebuild. In addition to adjusting the slaughter numbers down this year, we've then increased the rate of the herd rebuild. For example, by 2023, we'll get back to a 28-million-head cattle herd, which puts us at the 2018 levels, which is faster than previously expected.

CHAIR: That growth is extraordinary.

Mr Strong: There's an extra five per cent growth this year than what we were expecting.

CHAIR: That brings us to the end of your presentation today. We could talk red meat all day, but we don't get time to. Please go with the committee's thanks, and we'll see you at the next estimates.

Mr Strong: Thank you. We'll leave you with a copy of *Red Meat, Green Facts*, which we launched at Beef Australia; we're happy for that to be spread far and wide.

Australian Meat Processor Corporation Limited

[11:32]

CHAIR: Now, via videoconference, we have representatives of the Australian Meat Processor Corporation. Welcome, Mr Berry and Mr Taylor. Do you have an opening statement to make today?

Mr Taylor: We have no formal statement, other than to thank the committee for the opportunity to present today and for giving us leave to appear via videoconference, and accommodating us in that regard; thank you.

CHAIR: Given what has happened in Victoria today, you seem to have made a very wise decision to stay at home. Senator Ciccone will commence the questioning.

Senator CICCONE: I have a couple of questions that relate to the ongoing trade issues with China. Can you begin by enlightening the committee on what kind of feedback you are getting from primary producers in your sector in relation to the ongoing trade disruption?

Mr Berry: Just to clarify, AMPC is the meat processing research and development body for the sector. In terms of engagement with the producer sector, I note that there were questions asked of Mr Strong. With respect to questions around our contact with producers, I think we should be responding around—

Senator CICCONE: All right. Whatever feedback you could provide me with would be great.

Mr Berry: Sure. The fact is that there are a number of processing establishments that are eligible to export to China and there are those that are not. Regarding those plants that have been suspended or de-listed, we're working with the federal government hopefully to have that addressed.

Senator CICCONE: Is there an estimated dollar-value impact to exporters as a result of this disruption?

Mr Berry: I note there was a question asked of Mr Strong about that. Also, the Australian Meat Industry Council, which is the representative body of the processing sector, along with government, perhaps could give indications of those figures. The fact is that China offers a margin on product that most countries don't offer, so the impact on those who are suspended from sending product to China would be significant.

Mr Metcalfe: Chair, perhaps I could interrupt very briefly. We should be absolutely clear about the roles and responsibilities of the various organisations here. Obviously, my department has a significant role not only as a regulator of exports but also in terms of trade and market access. The Australian Meat Processor Corporation, of which Mr Berry is chair, is the research and development corporation, effectively around research and innovation in the sector. The Australian Meat Industry Council is a representative body that includes some, but not all, of the major processors. There are other bodies as well. Mr Berry is Chair of the AMPC, but I think it should be noted that he is a senior officer of a major meat exporting company as well, so that everyone is clear about roles and responsibilities here. Evidence from the AMPC today should be around the issue of research and innovation in the sector; that's what they're funded to do.

Senator CICCONE: Thanks, Mr Metcalfe. Prior to COVID—the industry has talked about the processes; it's been very actively engaged here—there had been the commencement of a boxed meat market to China. Your members—I understand that you are the R&D—would have to be affected if trade to China has been pegged back. I don't think that's an unfair request for us to get Mr Berry to—

Mr Metcalfe: I'm not in any way seeking to suggest what questions you want to ask. I want to make sure that everyone is clear as to what role everyone has, particularly given that Mr Berry is associated with a major meat processing company and is also Chair of the AMPC, which is the body that brings together all of the meat processors.

Senator CICCONE: I'm keen to hear from Mr Berry on that.

Mr Berry: Thanks, Secretary, for making sure that we understand the governance framework here. Yes, we are the R&D provider and we also do work with MLA. We are a provider of resources. My comments to you around China would be that MLA covered the issues fairly fully in the presentation that I saw, and any further questions would probably be better handled by the Australian Meat Industry Council or the department.

Senator CICCONE: Are you able to provide the committee with any updates around the JBS Brooklyn abattoir and what's going on there with China?

Mr Berry: I think it's clear that I'm here as the Chairman of AMPC and not as a representative of JBS.

Senator CICCONE: I'm sorry; I didn't hear all of that.

CHAIR: Mr Berry was making the point that he's here in his role as Chairman of AMPC and not in his role as—

Senator CICCONE: Can I ask some questions about worker shortages?

Mr Berry: Yes.

Senator CICCONE: How are the ongoing border closures—we have one today, too—as a result of the pandemic impacting your members, and what can you share about that with us today?

Mr Berry: As the R&D provider—I'll pass to Chris Taylor in a moment—it's been a very exciting 12 months in terms of the uptake of innovation and research and development. Certainly, it has been well reported that many sectors of industry here in Australia are facing a labour shortage, but I'd like us to focus today on the R&D perspective. Labour issues are probably better referred to the Australian Meat Industry Council. Chris, could you talk about the innovation updates?

Mr Taylor: We have a couple of R&D projects happening in this space at the moment. We are doing some research into the attraction and retention of labour, specific to the processing component of our supply chain. As Mr Berry alluded to, we don't have any statistics around the specific impacts of border closures on our industry at the moment, but they may be revealed in future research that we undertake.

Senator CICCONE: I appreciate that. Do you know how many workers in the red meat industry are on a temporary visa?

Mr Berry: We wouldn't have that statistic, because we are an R&D provider. That question is probably best put to the Australian Meat Industry Council or the department of immigration.

Senator CICCONE: I did ask MLA earlier, and they said it was probably best to ask you guys. We seem to be handballing this around, but it's not your fault.

CHAIR: The department of immigration would be a good one to ask, regarding what mechanisms they're putting in place to facilitate the faster approval of work arrangements for meat processors. We've just heard about the herd increasing rapidly, and we want to make sure that our processors have the capacity to process those animals.

Mr Metcalfe: That's a question for the Department of Home Affairs, and the Australian Border Force should have that sort of information as well.

Senator CICCONE: I'm also interested to know whether AMPC has done any research or have any stats that they might be able to share with us, not just Home Affairs. I'm trying to understand what other research you have done with respect to this issue.

Mr Berry: Chris Taylor was stating that a lot of resources, in conjunction with the Australian Meat Industry Council, are being put together around labour shortages and how we can address both attraction and retention.

Senator CICCONE: So there's been no research by your organisation on this issue. It's a significant issue. A lot of processors I've spoken to are saying that they're struggling to find a domestic workforce. I thought you might have stats about temporary migrants. Are you telling me that your organisation hasn't done any research on the significance of this issue?

Mr Taylor: We haven't done any research on the specifics of what sort of percentage splits there are, because it is a seasonal trend as well; so we haven't actually done that piece of work. We have conducted some research, though, into how the visa arrangements that are in place for the processing workforce might be streamlined into the future. We've made a submission to the temporary migration committee around that. I'd be happy to take you through some of those points, if you'd like to go to that level of detail.

Mr Berry: Just to give clarity, as the secretary did in his comments, we provide resources to put policy together on behalf of the Australian meat processing sector for the Australian Meat Industry Council to be the advocate. AMPC is not advocating on behalf of the industry; it is providing resources to develop policy with the Australian Meat Industry Council. Again, I think the question around the visas is better put to the Australian Meat Industry Council.

Senator CICCONE: My question wasn't about the visas themselves but more about the shortage that you're experiencing with labour. Have you done any other research on the issue of COVID? What research have you done to date that you've provided to government over the last six months?

Mr Taylor: We have conducted a couple of projects around COVID. None that I'm aware of have actually been handed to government, but we have conducted some research into the high-level impact of COVID on the processing sector. That report, which was prepared by BIS Oxford Economics, indicates that there's been about a 3.1 per cent decrease in revenue, if you isolate out the COVID impact. Other projects that we've undertaken recently include providing assistance to our stakeholders in the processing sector, providing them with COVID plans, undertaking some pressure tests at plants and providing resources. We've also upped our training capability. We've invested this year in building business continuity training within the training framework, to assist our businesses in ensuring that they're well prepared in the next event.

Senator CICCONE: We might follow up with the others that you referred to earlier; thank you.

CHAIR: I want to ask a question of you. When I was at Beef Week in Rockhampton a couple of weeks ago, I was really impressed with the display that you had there, particularly around the new technology that you're investing in for processing. It has always been my understanding that that technology works well with sheep, being a smaller carcass. Do you think the sort of technology that you're producing is going to be able to make a significant change in processing requirements for labour with respect to beef cattle?

Mr Berry: That's a good question. Thanks for the compliment. There's a lot of investment, a lot of very good people on our presentation at Beef Australia. I think we need to start with the understanding that Australian meat processing, as Mr Strong stated, is a highly focused, highly export-oriented sector. We're competing against other major countries—the US, Brazil—and we need to be competitive in that space. So anything we can do to assist in our processing facilities around robotics technology has got to benefit our industry and for us to become more competitive.

But the important part of this is that the industry is a very labour-intensive industry, as we know, and we still need technology which supports the person doing the job. In my view, we're not going to see plants in Australia become totally robotic driven. There will be applications of technology, and I think Chris can talk about some of the successful applications we've worked on in recent times.

Mr Metcalfe: Chair, can I just briefly interrupt again to place on the record the fact that prior to my appointment as secretary to the department you're aware that I was a partner in a major global professional services firm. At one point a few years ago I undertook some work for the Australian Meat Processors Corporation and we produced a report about certain technologies that were being proposed to be considered for use in the industry, particularly the use of x-ray technology to help determine the contents of carcasses in meat and cattle. That's a published report. It's all on the record but I just wanted to make sure you're aware of that.

CHAIR: Thank you, Mr Metcalfe. You're most diligent in providing those sorts of updates. Mr Taylor, do you want to provide any more detail on that technology?

Mr Taylor: I will. Thanks for the opportunity to talk about some of those initiatives that we're working on. Perhaps I'll stay away from the X-ray because I think that's been given a fair bit of air time over the last few years. What is really exciting from my perspective around the R&D that we're undertaking is some of what we're calling hands-off processing activities, using other types of technologies to make the workplace that little bit safer or a lot more safer in some cases for everyone that's involved in the work.

Those that were at Beef Week would have seen a series of exoskeletons that we're using which are basically an external skeleton device you can attach that will hold your arms up in an elevated position so that if you're doing boning or something like that it will take the pressure out of your shoulders. Likewise, we are looking at things like shadow robots where you can actually operate a robotic arm to do a cut or a lift or a grab or something without actually having the knife in your hand at the time. So there are a lot of really exciting things that are happening in the industry with that safety focus, definitely.

CHAIR: And, of course, the band saws with their automatic cut-offs—I think that's a significant change in the industry; I know it's been around for a little while now—but it still always amazes me how effective they are. Senator Ciccone, do you have more questions?

Senator CICCONE: Just a few more I forgot to ask earlier. Just in regard to levies, what proportion of your operations for the financial year will be funded by levies that you receive?

Mr Taylor: All of it, with the exception that I think this financial year around \$6½million we've factored in from our members to make co-contributions to levy-funded projects.

Senator CICCONE: How has this changed over recent years then?

Mr Taylor: It's a fairly big step-up for us. It is historically a 100 per cent levy funded.

Senator CICCONE: Do you undertake any work to assess the satisfaction amongst your levy payers with your work as an RDC?

Mr Taylor: It's very similar to Mr Strong's response from MLA. We undertake the triennial performance review of AMPC. We seek ongoing feedback in a kind of live and dynamic factor. We actually have some staff that are based around the country as relationships managers so that we get that direct feedback from members. And we also run a sentiment report each June. So there'll be one coming out very shortly.

Senator CICCONE: I suspect you'll have internal performance benchmarks to meet as well?

Mr Taylor: We definitely do, yes.

Senator CICCONE: Is it publicised or shared with the board on a regular basis?

Mr Taylor: Yes, it definitely is. We use metrics around delivering of services to our members: turnaround times on contracting, number of interactions, the number of resources and capability-building within each of our plants that we're servicing et cetera. They're the key benchmarks that we track.

Senator CICCONE: How do you quantify the return that levy payers receive on their levies from your organisation?

Mr Taylor: We undertake a sample and review each year. I think this year we're undertaking a review of 15 of our investments which sort of are representative of the breadth of activities we work on. And that's generally through a benefit-to-cost ratio process. That's the standard approach. We also undertake considerations around social and environmental impacts in addition to that.

Senator CICCONE: Have any of your members said to you, 'We'd like you to do some research into X, Y and Z issues'? I would have thought labour though, just to go back to that issue, would be a hot topic right now, not just for your members but also across the board in agriculture. I'm just surprised that you wouldn't have done any, I guess, research on that front.

CHAIR: Can I just clarify, what sort of research are you thinking? I think this is the hot topic and everybody's—

Senator CICCONE: Innovation, it's research and development, trying to be innovative in how you attract people to the industry, how you make the industry more attractive to people, skills, upskilling the workforce. Is it fair to say that the industry has been a bit over-reliant on a migrant task force and that maybe we need to look at a stronger domestic workforce in light of COVID?

Mr McCullough: I wouldn't say that but Chris as CEO can talk about the good things that we're doing in engaging with the industry around what works in terms of models around attraction, retention, filling. There's some very exciting work being done with the Australian Meat Industry Council, and that's good.

Mr Taylor: To your question about the push-pull from the member requests or desire to undertake particular pieces of research, two-thirds of our R&D portfolio involved what we call plant-initiated projects. So we actually work directly with members to effectively co-collaborate or co-ideate projects within their plants. It's very much focused on their immediate and future needs at a bespoke kind of level. So we're not so much interested in doing whole-of-industry things that may not ever get traction. We have a very focused R&D program that works directly with members to satisfy the requirements.

CHAIR: Thank you both very much, Mr Berry and Mr Taylor. Please go with our thanks and we look forward to see you at the next estimates hearings.

Mr Taylor: Thank you very much.

CHAIR: Thank you. I now call representatives from the Australian Wool Innovation.

Mr Metcalfe: Chair, just while AWI are coming to the table I can provide an update from ALEC if that would assist. I think that LiveCorp were asked by Senator Sterle to provide figures on the live cattle trade with China. ALEC have advised me to pass on to the committee that live cattle exports to China in the year April 2020 to March 2021 inclusive were 144,015 head valued at \$340,696,157. And they advise that that information was sourced from the Australian Bureau of Statistics.

Senator STERLE: Thank you very much, Mr Metcalfe, and thank you to the officials from ALEC.

Australian Wool Innovation Limited

[11:53]

CHAIR: Welcome to representatives from Australian Wool Innovation. Are we having anybody online or is everybody in person?

Mr McCullough: Our chair sends her apologies.

CHAIR: She had notified us.

Mr McCullough: She had a prior commitment with a board meeting in Brisbane today. We have Jock Laurie who is a senior independent director of AWI, longstanding, attending.

Senator McKENZIE: Was the committee informed of the apology?

CHAIR: Yes, we were. Mr Laurie, Mr McCullough, Mr Story and Mr Roberts are in the room?

Mr McCullough: Yes.

CHAIR: Do you wish to make an opening statement?

Mr McCullough: Just briefly. I won't take long. I just wanted to touch on the conditions in Australia and some of the things that are happening in the country and the company. Firstly, the conditions all over Australia look pretty good at the moment. They have certainly improved from the last couple of years. In fact, Western Australia and South Australia continued to get a good amount of rain in the last couple of weeks and got their break.

Production of wool is going up again. It got as low as 285 million kilograms. It's forecast next year to be 305 million kilograms. That's good. Wool prices have held up rather well. They got as low as \$8.50 in the middle of COVID. They're back at \$13 a kilogram right now, and they seem to want to bounce in that \$13 space, well supported by China buying activity, which is about 90 per cent of the Australian wool clip right now.

The revenue at the company has dropped dramatically. Just to compare the 2018-19 year versus the 2021-22 year, in 2018-19 we had \$100 million in revenue. In 2021-2022 we're forecasting \$53 million in revenue. So it has basically halved the company, which is a function of the levy being reduced, which is a function of the volume coming down and a function of the price coming down as well. So those three things are playing out.

Staff numbers for that same period have gone from 200 to about 139 at the moment; so we've reduced staff numbers dramatically. All leases of all our offices around the world are being renegotiated or sublet completely, including Sydney right now.

Our marketing activities were dramatically reduced in the middle of COVID simply because they weren't going to yield. There's no point deploying marketing dollars in a market where you can't go and buy a garment because the store is not open. So we've reduced our marketing budget dramatically over the last 12 months.

We are starting to see markets emerge. In particular, we're quite confident about the US and the UK because of their vaccination regimes and the opening up of those markets. We expect there will be a celebration, that there will be purchasing power after the opening up of those markets.

With regard to research, research has largely continued unhindered, both on-farm research and post-farm research. One of the big projects in the on-farm research area is the merino lifetime productivity project. There is a promising fly strike vaccine that we're working on with CSIRO and Melbourne University, which is showing real promise.

There are a couple of threats in the market, of course. Our dependence on China is a threat. As I said before, 90 per cent of the buying power is going into that market. Our emerging market strategy was highlighted at the last Senate estimates. We have been pursuing emerging markets for the last 10 years. But the bottom line is that there is no other China. China has the perfect climate, the perfect population and the perfect affluence to consume our product. Processing has grown there over the last 50 years, not the last five. But there are some promising markets like Vietnam where we've been working for nearly 10 years.

The other threat that I'll highlight is EU labelling laws. At the moment they are moving down the path of branding polyesters, man-made petroleum and man-made cellulosic fibres with a better rating than natural fibres. And it's something we're very conscious of and working very hard to demonstrate that that's not the case. That happens by way of a couple of things. They don't take into account the mining of the materials for man-made, petroleum based products, they don't take into account micro plastics and they don't take into account biodegradability after the garment has been disposed of. So that's a real concern for us and something we're fighting very hard to address and make right.

Chair, I think I'll leave it there. That is just a brief update on some of the things that are going on.

CHAIR: Thank you. Yesterday at the clothes-recycling presentation that Ministers Ley and Evans organised, David Farley was in Parliament House. He is recycling woollen blankets and materials. I thought that was great. I hadn't heard of such a business, but it seems to be going well. Senator Sterle.

Senator STERLE: Thanks, Mr McCullough—and, Mr Story, long time no see, and Mr Laurie. Good to see you back again. I'm going to go back to previous estimates, when you were both sitting there in the same positions and I had put to you, Mr McCullough, how Mr Olsson had asked permission to do a number of people on the one form. You replied to the Senate committee, 'I'll have to check what was written to Mr Olsson, but certainly the advice back from our legal counsel was no.' Remember that, Mr Story?

Mr McCullough: Mr Story wasn't at Senate estimates last time.

Senator STERLE: Were you on the hook-up?

Mr McCullough: No, he wasn't on the hook-up. He was on annual leave.

Mr Story: I was away at that time.

Senator STERLE: Who was with you, then?

Mr McCullough: John Roberts.

Senator STERLE: My apologies. We have written to you and requested a few things. We wanted you to provide the information and legal advice referred to in your 23 July 2019 text to Mr Olsson allowing a joint ticket and the later legal advice disallowing a joint ticket. We also asked for the description of your account of events. We asked for details of historical records that are kept regarding nomination forms and the full list of signatures submitted by Mr Olsson. You've come back and you can speak to them; there's no problem. But what has come back clearly from your letter—and I'll let you chip in if you need to—is that there was no written legal advice in relation to allowing a joint ticket or later disallowing it. So, Mr McCullough, what made you put the statement here in Senate estimates on the *Hansard*, without quantifying whether it was written or verbal, that your legal counsel said that, no, Mr Olsson couldn't have that joint ticket?

Mr McCullough: I am largely kept out of this process; it is left to the company secretary, rightfully. The board is kept away from this process, as well. I was aware that there was a note back to Mr Olsson after he had requested this. I certainly didn't say 'written legal advice'.

Senator STERLE: No, you didn't.

Mr McCullough: I said, 'legal counsel', if I remember. Jim is legal counsel, but Jim sought external legal advice by way of a phone call—

Senator STERLE: When did you find this out?

Mr McCullough: After I returned from Senate estimates.

Senator STERLE: So you had no idea that it was verbal? I want you to explain yourself because from where I am sitting it looked a little tricky. There are opportunities to have oversight. We see these wide-ranging statements all the time through Senate estimates inquiries. You could put a truck through that. It would have been very helpful that time if you had said, if you did know, that you had verbal advice. I suppose you could say you probably didn't expect us to write to you.

Mr McCullough: I didn't know that it was verbal or written at that point.

Senator STERLE: But you knew—

Mr McCullough: I knew that Jim had contacted our external lawyer.

Senator STERLE: So you knew that there had been a phone call between Mr Story and—

Mr McCullough: I didn't know that it was a phone call or whether it was written, but certainly we can demonstrate the phone call because we have been billed for that phone call.

Senator STERLE: You don't need to because you've come out—you wouldn't dare lie in estimates or on the *Hansard*; we know that—and clearly said that there was no written legal advice in relation to allowing a joint ticket or later disallowing it. I am just a little perplexed as to why we didn't have that explanation straightaway, even though you did say that you did know that Mr Story had had contact—whether verbal or written, you weren't sure.

Mr McCullough: Yes, I wasn't sure.

Senator STERLE: So I give you the opportunity now so that you can correct the record.

Mr McCullough: I wasn't sure.

Senator STERLE: I know you weren't sure, but your letter has come back. I don't know who penned this letter to me as the chair on 21 May, the AWI letter.

Mr Story: That's me, Senator.

Senator STERLE: That's you, Mr Story?

Mr Story: It was my version of events.

Senator STERLE: That's great. So you can clarify to the Senate that there was no written legal advice—

Mr Story: Correct. I am happy to do that.

Senator STERLE: which you have done. So I'll go back to saying that it is alarming. Sometimes in these committees people give us answers and sometimes people don't know the full story. I understand that; all of us understand that. But it is a little alarming that the clarity was not there. I don't know where you were at the time, Mr Story—you can defend yourself—but this is not a little issue. You knew there was a bit of heat around this issue. If I were sitting in your chair, Mr McCullough, I would be looking for someone's bottom to give a little poke to with my boot to think that I had not been told the full story of what has been going on. Senators have this habit of wanting to dig a little deeper and ask a few more questions.

Mr McCullough: Point taken. I should have taken it on notice.

Senator STERLE: I thank you for this letter. I admit that I have only just read this letter this morning, because we have been stuck in this wonderful place talking about lots of things in the last few days. What changed between the text going to Mr Olsson saying that he could run on a joint ticket to the verbal legal advice that he couldn't, through to you?

Mr Story: Different facts emerged. What happened here was that Mr Olsson asserted that he had been permitted to have a multi-candidate nomination situation back at the relevant time. It perturbed me a bit to hear that because it creates a not level playing field between candidates if that is the case. On looking into it, I came up with nothing initially to either substantiate or negative that assertion. In that context I rang our lawyers about things. They confirmed that the rules and procedures document was at that time silent on the point. The rules simply didn't envisage someone going down this course. There was, though, a provision in the rules allowing the company to deal with procedural irregularities should they arise. My policy in dealing with candidates is always to try and assist them where we possibly can. We just think that is the right thing to do.

Senator STERLE: Yes.

Mr Story: I wanted to write to him to clarify things as quickly as I could for him so he could just get on with matters. That's the context in which I wrote that note to him. The advice I referred to was my own, somewhat buttressed, I suppose, by a verbal conversation with our lawyers. It was a verbal conversation only because I didn't need further advice from them. They were telling me what I already knew to be the case, anyway, about what the rules and procedures say. So there was no need for me to seek more fulsome advice from them. That is why nothing else has been produced to you by way of legal advice about that. That is what occurred. I want to clarify. So as at the 23rd, when I wrote to him—

Senator STERLE: Via SMS?

Mr Story: Yes. The position was that he had asserted that this had been able to occur and there was no other evidence for or against the assertion. My view of that, irrespective of what I thought about whether this was fair or not, was that in good faith we will need to honour the apparent precedent. We can look at it later to see if the rules need to be clarified at this point but as at that time and for this election if the precedent is there then we will probably need to honour it. That is the context in which I wrote that note to him.

Senator STERLE: Right; then that changed once you had made the phone call?

Mr Story: Yes, it did. That was the end of it right there, but a few weeks later I spoke to a previous company secretary who was here at that time. He was adamant. I put the situation to him, and he said, "No, it didn't happen" and further, that if he had gotten wind of someone attempting a multi-person nomination form, then he would have put a stop to it right there.

CHAIR: Can I clarify. I want to understand, coming out of another membership levy paying part of the industry, how many people are registered as voters in the wool industry.

Mr Story: There are a few things there. That is a good point to raise and clarify with you for future purposes. There are about 70,000 woolgrowers on our shared register. It has a very long tail. From about number 40,000 down they are of such a level of wool growing that they don't even have voting rights. So in broadbrush figures—back of the envelope—about 40,000 persons, or just over that, you could say are growers with a voting right.

Senator STERLE: But you have to opt in? You have to request that, do you?

Mr McCullough: Of those 40,000, a certain number have elected to be shareholders. They are the ones that voted a contested election.

CHAIR: How many of those 40,000?

Mr Story: About half. About 20,000.

CHAIR: So you mail out voting slips to them?

Mr Story: In an annual general meeting situation, yes. It goes to that 20,000.

CHAIR: How many responses would you get?

Mr Story: It depends. In the last director election I think it was a bit over 2,500.

CHAIR: Right. I have missed a step. So, to become eligible to be voted on as a director, how do you go about that process? This is the 100 names?

Mr McCullough: Yes.

Mr Story: Yes, it is.

CHAIR: Right. How do you go about collecting the 100 names? Is there a standard form?

Mr McCullough: There's a form.

Mr Story: Yes, there is. It's pretty much like a standard form.

Senator STERLE: To help the Chair out, because we have been tied up here, it has come out today for the first time. We have had that provided to us as part of the response that came from AWI.

CHAIR: So there is a standard form that allows you to put down that you want to nominate only one candidate per form. You have to physically go around and get 100 people to sign it.

Mr Laurie: Each candidate has to get their 100 signatures.

Mr Story: Per candidate?

Mr Laurie: Yes.

Mr Story: Not 'candidates', not multiperson.

CHAIR: But this is a geographically diverse industry. That's your rule, but it seems a little impractical.

Mr Story: 'More than 99' is the term in the rule, but let's say 100 for the sake of this argument. It is a fairly common thing that permeates a lot of corporate law. For example, if members want to bring a resolution to a general meeting, they have to get 100 supporting signatures to it. It is a common enough thing. The 100 signatures group is there to protect the company from all of that.

CHAIR: I have no problem. The signatories are probably all based around major cities they are not on dusty roads right across the country. That's the difference, isn't it? I don't expect you to answer that; it's just a statement. Senator McKenzie, what were you going to add?

Senator McKENZIE: What if the 100 signatures collected for one candidate were also the same 100 signatures who wanted the second candidate?

Mr Story: That is permissible, Senator.

Senator McKENZIE: Okay.

Mr Laurie: That's possible. So, if one person was out there and had two forms, one with a candidate's name and another with another candidate's name—

Senator McKENZIE: Why can't you just have the two candidates, if that's what they decide to do?

Mr Laurie: On the one form?

Senator McKENZIE: Yes, because everyone who is signing that form knows which two candidates they are signing for.

Senator STERLE: Can I help out, Senator McKenzie. The rule has subsequently been changed.

Senator McKENZIE: Thank you.

Senator STERLE: Mr Story, I'll give you the opportunity. Is it common, through AWI, which goes through elections regularly—is it every three or four years?

Mr Story: Every two years.

Senator STERLE: Every second year. Is it common practice that if there are queries from candidates or sitting board members around elections when they raise them with AWI that it's a verbal transaction between yourself and the lawyers for clarification? Is that how it normally happens, only because you're surrounded by people who wouldn't dare have verbals without anything being put in writing?

Mr Story: It depends on the issue, I suppose. With this particular one, I didn't feel the need to get full and written advice from our lawyers about this. It costs to talk to them.

Senator STERLE: You're a lawyer, Mr Story.

Mr Story: I felt competent; I've been a lawyer for many years.

Senator STERLE: Mr Story, you're a lawyer.

Mr Story: Yes, of some 40 years now.

Senator STERLE: You know darn well your first line of questioning is: where is the proof? Is it in writing? I'm not trying to cut you down. Where the hell is hindsight when you need it? I'm one of those that's lived 61 years with that theory but, seriously—I'll just pass this to you, Mr Laurie and the board—if I was in an organisation that was conducting elections there would be a very strict and clear rule coming that nothing is verbal when there are queries, questions or advice sought or supplied around elections.

Mr Laurie: I can do that. We can do that quite happily from a board point of view.

Senator STERLE: Sure.

Mr Laurie: One thing, from a board point of view, is that we will keep completely separate from this. Through the process, the company secretary will deal with the issues. What we obviously need to do coming out of hearings like this is turn around and sharpen the pencil and tidy some of this stuff up. That quite clearly needs to be done. If it needs to be done, it needs to be done.

Senator STERLE: Thanks, Mr Laurie.

Mr McCullough: Can I add one more thing?

Senator STERLE: Of course you can.

Mr McCullough: Once this process was completed, the board wanted to see that the process that Mr Story went through with Mr Olsson was fair. Mr Story prepared a 164-page report for the board, every email, every text, every piece of correspondence with Mr Olsson and also Link Market Services. Should you wish that to be tabled, I'm quite happy to table it here today.

Senator STERLE: You can table whatever you think that we need to see, Mr McCullough. There is no problem there. You're very clear in the responses now. I just want to move on. Of course, there is an important question for me now, whether it be Mr Olsson or not, but I'm using Mr Olsson because this is the case that was brought up. I thank you for providing the breakup of which votes were valid. There were 137 nominations that Mr Olsson sought and got, which you broke up, who were valid shareholders and who wasn't. We don't need to see names and addresses and all that sort of stuff, and that's fine—not the committee. Of those 97, should Mr Olsson put his hand up this year? Is it this year that there's another election?

Mr McCullough: Yes.

Senator STERLE: Can he use those 97 that he got that were eligible? You don't have to put your hand up, Mr Story; you can just yell at me. Go for it.

Mr Story: The short answer is: no, he can't. But there is nothing to stop him from going back to those persons and asking them to put themselves forward again.

Senator STERLE: I understand that, Mr Story; of course he can. You're not going to stop him unless he's gone bankrupt or he's in jail or something. This is a genuine question: is this a normal rule where, if you ran before, you can't use the same nominations even though those shareholders are valid and entitled to—

Mr Story: No. Those nominations were as at that particular time. It's like a general election. People might vote one way in one election and then change their mind in the next one. It's the same principle. It's there in the rules and procedures anyway that you can't do that.

Senator STERLE: It's in the rules?

Mr Story: It's in the rules and procedures.

Senator McKENZIE: The problem was it wasn't in the rules that you couldn't have two people on the same form.

Mr Story: No, that's a different point.

Senator McKENZIE: No, but it wasn't in the rules. You didn't allow it, but it wasn't disallowed at the time.

Mr Story: Respectfully—

Senator McKENZIE: A bit like Christine Holgate.

Mr Story: We're talking about different things here. I'll just go through it again for you.

Senator McKENZIE: I'm sorry to interrupt.

Senator STERLE: I'm going to go to you now because I've got the answer that I want.

CHAIR: Do you want to clarify this?

Senator STERLE: Please explain it.

CHAIR: I can see that you'd like to finish making that point. Then we'll go to Senator McKenzie.

Mr Story: Yes. As to the point about whether people can use persons that they had as nominators at a previous election again next time, no, they can't. That is there in the rules and procedures document and has been at all times. As to the point about whether someone can have a multi-person nomination form, the rules had been silent about that at all times, as far as I'm aware, simply because it hadn't ever been thought of. The matter having come up at the last election, we thought at the time, 'We'll clarify this for future purposes'. Subsequent to the 2019 election, in early 2020 a paper went to the board and the board resolved to clarify in the rules and procedures that, no, people cannot have a multi-person nomination form.

Mr Laurie: So the board approved it in January quite clearly to make sure there was absolute clarity there. We need to make sure that there's consistency with all people who want to stand. We encourage everybody to stand. We wanted to make sure that for all people who want to stand, there's consistency in the process. To cut out any ambiguity that was sitting there, it was tidied up by the board. As I said before, if there are other areas that we need to look at then obviously we're very keen to make sure that that process is clean.

Senator STERLE: I have read that, Mr Laurie. I did say that I know the rules have subsequently been changed, so we know what the rules are, the playing field.

Mr Laurie: Yes.

Senator McKENZIE: I'm going to return to some questioning we went through last Senate estimates and the now infamous emerging markets strategy. You should be laughing, Jock, because, you know, to be purporting to export to North Korea as an emerging market, I mean seriously. But, anyway, we traversed that last time. Following our exchange at last estimates, Mr McCullough, I then headed off to the Department of Foreign Affairs and Trade and asked them whether, as the entity working on behalf of growers—tens of thousands of growers across the country—you had consulted the trade division of the Department of Foreign Affairs in developing your emerging markets strategy. I think you already know the answer to the question. They said you hadn't and nor had you sought the advice of the sanctions department. If you had looked it up online, because it's available online, they would have been very happy to tell you that you can't export to North Korea. In response to my questioning they told me that they were clearly going to follow up with you because that was quite concerning.

Mr McCullough: I've written a letter back to them.

Senator McKENZIE: My question to you is: have they contacted you and what was the outcome of your discussions? I want an update.

Mr McCullough: We got a letter from the Department of Foreign Affairs, the sanctions department, and I've written back to them.

Senator McKENZIE: What did they say?

Mr McCullough: They simply said what you said; that you can't export there. But nowhere in that document do we proposition the fact of exporting greasy wool to North Korea. We know that not to be a fact; we know that to be impossible.

Senator McKENZIE: No, you didn't know. All right.

Mr McCullough: That document is a study of processing around the world and emerging markets with processing capacity. It doesn't talk about greasy export. Firstly, no greasy wool goes from here to North Korea.

Senator McKENZIE: Mr McCullough, I really don't think your standing is served to continue to prosecute the fact that North Korea is a market anyone in Australia or, indeed, the Western world, should be propositioning as an emerging market for any product, greasy wool or otherwise. I really would counsel you to go to what DFAT said and what your response was rather than continue to prosecute as if it's somehow justified.

Mr McCullough: Senator McKenzie, you don't highlight the fact that in that document we clearly stated that wasn't an option. It just looked at the machinery, the wool processing machinery, that is based in North Korea. There is machinery based there. It wasn't about greasy wool.

Senator McKENZIE: I would counsel you to re-examine the tape of this questioning last time where—

Mr McCullough: I think I said that.

Senator McKENZIE: you weren't aware that there were sanctions against North Korea.

Mr McCullough: I wasn't.

Senator McKENZIE: Anyway, let's move on.

Mr Laurie: You make the point. We've had a discussion around the document. We understand the sensitivities.

Senator McKENZIE: Correct.

Mr Laurie: It's very clear that we don't do anything. The work that's been done by the company has been very important, but at the same time we understand the sensitivities.

Senator McKENZIE: Thank you. So DFAT's written to you saying you can't do that?

Mr McCullough: Yes.

Senator McKENZIE: You've written back?

Mr McCullough: Yes.

Senator McKENZIE: Yes? So have you engaged with them more broadly to update the strategy?

Mr McCullough: We've gone back to the strategy. We've removed North Korea from that document. That's an internal document, by the way, that was leaked out of the company.

Mr Laurie: It gets out.

Mr McCullough: Anyway.

Senator McKENZIE: That's not our first rodeo on that, Mr McCullough.

Mr McCullough: No.

Senator McKENZIE: It's being updated as we speak?

Mr McCullough: It's done.

Senator McKENZIE: It's done? So when will that be—

Mr McCullough: Leaked?

Senator McKENZIE: No; discussed. Have you discussed it internally?

Mr McCullough: Yes, absolutely.

Senator McKENZIE: Okay. And everybody's happy and we're all going to sanction-free markets. That's excellent. Who's in the top five? If we've moved North Korea, who's in?

Mr McCullough: Vietnam is certainly there.

Senator McKENZIE: Yes.

Mr McCullough: Cambodia. Myanmar is probably not likely at the moment. Laos, Bangladesh—they'd be all in the top. The clubhouse leader at this point is Vietnam—

Senator McKENZIE: Yes.

Mr McCullough: followed by probably Bangladesh. They've got a lot of cotton knit processing, so it's an easy target for us to get wool onto those systems—that's how we did Vietnam—when we can get travelling and engage agents et cetera.

Senator McKENZIE: Absolutely.

Mr McCullough: We have a representative in Vietnam.

Senator McKENZIE: Great. Senator Davey just wants me to ask a very good question. We're talking about wool processing. We know that the government has an advanced manufacturing strategy. The Nationals are very keen to see fibre as part of that. What representations have you made to the federal government to actually include wool processing, particularly advanced—which is probably not the traditional way we treat greasy—manufacturing processing here at home?

Mr McCullough: We're aware of a number of regions of Australia and individuals that are doing feasibility studies in this space to see whether it's possible to process at a profitable level here in Australia. They will be going after some of those funds from the government.

Senator McKENZIE: When will those feasibility studies be completed?

Mr McCullough: There's a big one out of Adelaide that's in the early stages. From a support point of view, from our point of view as an R&D company and marketing company, we would probably look at supporting some of those feasibility studies to get it to a certain point. In terms of lobbying the government, I don't think that's our—

Senator McKENZIE: That's not in your remit, but you've got lots of friends who can help you in that.

Mr McCullough: Correct.

Senator McKENZIE: I would look forward to seeing those when they're completed. Just on the emerging markets strategy, are you able to provide that today?

Mr McCullough: The new one?

Senator McKENZIE: The updated one.

Mr McCullough: I haven't got it here, but we'll table it.

Senator McKENZIE: Thank you. Then it's public. Great. I just wanted to follow up on my question on notice No. 9, if you've got it in your packs. I asked some questions about changes to the board charter. The response I got was there were changes made to it in July 2020, and I'm specifically going to the changes around the chairman's tenure et cetera. There's been a big debate over a long period of time. The changes were made in July 2020. When I downloaded the board charter, at the time I was concerned that it actually wasn't in the charter, as I read it, and this is the one I spoke to. There's no reference to it. In response to my questions on notice, you attached a charter which says that the changes were made in July 2020 after your discussions; for easy reference, these appear at clauses 5.13 to 5.15—there they are, all beautiful. This says this was reviewed in October 2020 with the next review date being October 2021, version 5. The one I hold up, which does not have the clauses, you said was down to not being updated.

Mr McCullough: I think so.

Senator McKENZIE: Yes, this is my problem. It actually says exactly the same thing—review date October 2020, next review date October 2021, version 5. Also, with respect to the one I was talking to at last estimates, it seems you've revised the version control at the front of the charter about when certain clauses were added and when they weren't, but it's not reflected in the charter that I'm holding.

Mr McCullough: I'll have to look into the timing of that.

Senator McKENZIE: Mr Story, can you help me?

Mr Story: Hopefully, Senator. The relevant changes were adopted by the board at that July meeting. Shortly after that, a document with those advice changes should have been up on the website. I do not know right now, while I'm sitting here, whether that is the one. With respect to the references to October each year for review, that is normal for the major charters. They leverage off the ASX corporate governance principles. We look at them on no less than an annual basis to see whether there's anything there that we need to consider further changes to.

These changes in July, though, didn't relate to anything coming out of the ASX corporate governance principles; they arose out of the discussions with the WICP about the chairman. I don't have an answer for you about the difference between July 2020 and October 2020, regarding when some document found its way onto the website or not. But that is the sequence. I can try and look back, but that's what occurred.

Senator McKENZIE: I'm happy to table both documents, because it does seem that—

Mr Laurie: You've found a problem there, Senator; it will get fixed up. I don't understand what the problem is—

Senator McKENZIE: I think you've got the right document up now; it's reflective of the changes et cetera. It's disappointing that your chair couldn't be here; I hope that, in the future, AWI chairmen understand that they are accountable to the Australian public—not just growers, the Australian public—and it is this body that provides that accountability, not just to AWI but to Dairy Australia, MLA—you name it. My concern is that there was an issue of misleading the Senate. I might discuss this and the changes to charter with RRAT, at a private meeting at a later date. I am flagging with you that that's an issue.

Mr Laurie: That's fair.

Senator McKENZIE: My next series of questions—no-one will be surprised—is on WoolQ. With respect to my question on notice No. 8, we've got the target of two per cent of growers actually selling through WoolQ, and including a review of the top 30 per cent of growers who, combined, were responsible for 80 per cent of the clip. I want to understand who these growers are and what relationship they have with AWI. What proportion are current or former board members?

Mr McCullough: I'm aware, certainly, of some former board members and some board members trading their wool on that platform. There's no doubt about that.

Senator McKENZIE: But in the top 30 per cent?

Mr McCullough: I'm not sure.

Senator McKENZIE: Could you take that on notice?

Mr McCullough: Sure.

Mr Laurie: Where does the top 30 per cent cut out of—

Senator McKENZIE: Yes, it's 80 per cent of the clip.

Mr Laurie: Eighty and 30.

Senator McKENZIE: The clip—it's 30 per cent of the growers.

Mr Laurie: That's right, but in numbers of bales.

Senator McKENZIE: I want to know—

Mr Laurie: Going to your question—

Senator McKENZIE: It's your answer.

Mr Laurie: Yes, there will be directors who are using it. There will be past directors who are using it, who see the value in it. I'll be selling my wool on it, and I know other directors have also done so.

Senator McKENZIE: Are you in the top 30 per cent, Mr Laurie, of growers?

Mr Laurie: I'm wondering where it is. I grow a couple of hundred bales, so I suppose I'm up around there somewhere. I don't know.

Senator McKENZIE: Could I have an understanding, please, of the proportion and association with AWI? You then go on to talk about the level of consultation that you've had around WoolQ with producers, stakeholders et cetera. Can you identify who you've consulted with, and how, around the take-up of WoolQ and the importance of it?

Mr McCullough: This started back in 2014. We've been consulting with the industry. It started by way of the wool-selling system review chaired by Graeme Samuel back then. That's when we started consulting with the wool—

Senator McKENZIE: Give me the information for the last 12 months. We've traversed this a lot. It's not working. What are you going to do to change it?

Mr McCullough: It's been a little difficult with COVID in the last 12 months. I'm not blaming that.

Senator McKENZIE: Everyone's got Zoom now, Mr McCullough.

Mr McCullough: Yes, I understand that, but our consultation has largely been with brokers, with woolgrowers directly, with exporters. That's about it.

Senator McKENZIE: How often would you meet with them to talk about—

Mr McCullough: Regularly.

Mr Roberts: Certainly, in terms of—

Senator McKENZIE: Are these formal consultations or conversations?

Mr Roberts: In terms of woolgrowers, a number of field officers visit growers, normally via brokers. Growers who have an interest will sometimes contact us directly; at other times we consult with brokers specifically who have an interest. We'll then go and talk to their growers, as they request.

Mr Laurie: There are conversations going on all the time with growers. I know directors are, through the WICP. There are discussions at many levels in regard to—

Senator McKENZIE: So formal and informal discussions about the importance of everyone getting on board with WoolQ?

Mr Laurie: Yes.

Mr McCullough: Senator, the selling of—

Senator McKENZIE: I'm just trying to help. How are you going to get to the two per cent?

Mr McCullough: I understand that. Certainly, with the support by way of consultation, we felt that, in the early stages of launching this platform, the trading of bales on it would be a more successful rollout than it has been; there is no doubt about that. You should remember that it was only in April last year, by way of COVID

lockdown, when the auction system was threatened, that we turned this thing on—the selling platform. It's one small part of WoolQ.

The WoolQ platform is built to serve woolgrowers because back in 2014 we couldn't work out why you couldn't sell wool any other way than by open-cry auction. You can buy everything else digitally. So we developed this platform. With the Northern Hemisphere consumers—and the EU labelling laws speak to this—they want to know where the product's come from, how it was processed through the supply chain and where it's going after it's finished.

This platform has an adjunct blockchain technology to track wool all the way through the selling system. It also has modules being built to declare what the wool is and how it's left the farm. Supply chain integrity these days is a very important thing. There are lots of different supply chain integrity models for the wool industry. To be able to hold their wool in one system and to have digital information to move out of the shearing shed all the way up the supply chains into the hands of the consumers is a very important part of this platform. Selling wool is one component.

Senator McKENZIE: Yes. Things always go awry when we don't include the SFOs in our conversations.

Mr Laurie: Well, they are included.

Senator McKENZIE: It would seem that the Pastoralists and Graziers Association is very concerned that an RDC that is providing research and development and market promotion services is providing commercial services. They've written to me that they shouldn't be providing wool trading services in any shape or form. There's no market failure that should prompt AWI to experiment in this area, and they are very concerned. Have you had that feedback from the PGA?

Mr McCullough: The PGA sit on a group called WICP, the Wool Industry Consultative Panel. I am not aware of them saying that. They sit there, and that group meets every few months. I'm not aware—

Senator McKENZIE: They haven't given you that feedback directly?

Mr McCullough: I'll check the minutes of those meetings, but I'm not aware of that.

Mr Laurie: The SFOs sit there through wool producers and through all of the other member bodies sitting around the WICP. It's really important that we use that avenue to get information to and from. It's critical that PGA can come back to us and discuss those issues at that level, as you've got that letter back to us, and for us to provide all of the information to them. All of the SFOs get connected at that level. There have been plenty of discussions to try and make sure that they then filter it down through their networks.

Senator McKENZIE: If they've got a fundamental problem with the RDC running a commercial service—

Mr McCullough: One piece of the WoolQ is a commercial service.

Senator McKENZIE: That's like saying, 'I robbed a bank, but I actually gave it to all of these poor people, so I'm justified in breaking the law.'

Mr McCullough: There is no doubt that, in my time with the company, with the research and development that we've done, we aim to get it into the commercial arena as quickly as we can and test it in the commercial arena. There is good reason that we haven't moved this into the commercial arena. We sought advice on that from Port Jackson Partners as to the path forward by way of ownership and by way of operations. We don't think it's the right time to put it in the hands of a commercial partner.

Senator McKENZIE: Why is that? What was the advice?

Mr McCullough: One was liquidity. One was that we were still building modules for this—the blockchain module and the supply chain integrity model. We think it's better to get them completed. There is no doubt that, with ownership of this in the future, the shareholders—because they paid for it—should own at least 51 per cent, but the commercial world should own the rest, potentially, or operate it. I think that's a very real proposition.

Mr Laurie: That's where it will go.

Senator McKENZIE: You don't believe that it is operating as a commercial service at the moment?

Mr McCullough: No. We had a wool auction a few weeks ago that sold 342 bales or something like that.

Senator McKENZIE: Good; that was my next question.

Mr McCullough: That was the first sale where we actually charged for the service.

Mr Laurie: Yes, correct.

Senator McKENZIE: So 342 bales; how many growers have been sought out? You said in an answer that you were wanting a longer term assessment of the success of WoolQ and that you would be seeking out growers to register. How many have you sought out since we last spoke?

Mr McCullough: I'm not sure of that number.

Mr Roberts: There's a total of 3,470 registered users, 792 of which are woolgrowers. The others are exporters, brokers and logistics providers.

Senator McKENZIE: On notice, I'd like to know that by year, just to see the growth.

Mr Roberts: Sure.

Senator McKENZIE: Thank you. You said, 'We've got brokers, we've got transporters.'

Mr Roberts: Yes, that's correct.

Senator McKENZIE: If I could have that breakdown, that would be great.

Mr Roberts: Sure.

Senator McKENZIE: Finally, on the Prada yacht, thank you for answering the question—a very cheap event. I want to know who your caterer was.

Mr McCullough: If you're referring to the one—

Senator McKENZIE: I only sail a 28-footer. It's a club boat on Lake Hume on a Saturday. We're very humble out at the Albury-Wodonga Yacht Club. To actually attend the America's Cup final event race in Sydney, on 12 March, we had seven AWI staff, 21 media and industry guests, and it only cost seven grand. The other hospitality event was the Luna Rossa partnership—I apologise to my Italian friends for my bad pronunciation—and the announcement dinner in June 2018 in Florence, Italy. Ten guests from AWI attended, along with 22 media and representatives from said company. The total spend was \$4½ thousand.

Mr McCullough: Correct.

Senator McKENZIE: How did you get to Italy?

Mr McCullough: Me, personally?

Senator McKENZIE: No, we had 10 guests from AWI.

Mr McCullough: Yes.

Senator McKENZIE: How did they get to Italy?

Mr McCullough: We have an office in Milan. We have an office in London.

Senator McKENZIE: So these were your Milan—

Mr McCullough: There were three attendees from Australia: John and I and Anna McLeod, who's the acting head of marketing for the company who was undertaking the project. John and I were there for a number of reasons. We were in Europe and the UK for a number of reasons. Firstly, the launch event, which is a regular event that we attend. We have a stand presence there. I also attended the ITMA Conference, which is the International Textile Machinery Conference in Barcelona, which is a one-in-four-year event, the biggest textile machinery manufacturing conference in the world. I also retrenched the general manager of the western hemisphere who was operating out of London.

Senator McKENZIE: So you had a few things on?

Mr McCullough: I had a raft of things.

Senator McKENZIE: You had a full suite of—

Mr McCullough: Yes. This event—if the suggestion is I flew there for a dinner, that's not right.

Senator McKENZIE: No, I'm not suggesting anything, Mr McCullough, other than 4½ grand is pretty cheap.

Mr McCullough: Yes, it's cheap.

Senator McKENZIE: Where did Peter Ackroyd fly in from?

Mr McCullough: London.

Senator McKENZIE: Who paid for the flights then?

Mr McCullough: To—

Senator McKENZIE: You're saying—

Mr McCullough: AWI would have paid for them.

Senator McKENZIE: Does the 4½ grand include the flights?

Mr McCullough: No. That's the dinner.

Senator McKENZIE: And the seven grand for the Sydney event for the America's Cup, is that just for the dinner or the accommodation?

Mr McCullough: It was a lunch.

Senator McKENZIE: But doesn't include flights et cetera?

Mr McCullough: It was a local event.

Senator McKENZIE: But I'm assuming that, given it's AWI, not everyone lives in Sydney.

Mr McCullough: I don't know of anyone that flew in for that event. I'll check that with the marketing team. There might have been some media that flew in from Melbourne.

Senator McKENZIE: Thank you for clarifying that, Mr McCullough. Could you actually give me a little more detail than you have on the total spends? I think it's been a bit loose there. As for the return on investment, you've given me some quite detailed notes.

Mr McCullough: Yes, there is a report by AC Nielsen with regard to your question last time regarding the size of the logo on the sail of the boat.

Senator McKENZIE: Yes, it was hard to see. Senator McDonald was your flown-in guest.

Mr McCullough: I think you referred to Prada's symbol being a bit bigger and Pirelli's symbol being a bit bigger.

Senator McKENZIE: No, what I was referring to was a lot of growers' money was spent on that and you would have to be sailing the boat to know that.

Mr McCullough: I think in answer to the questions on notice we responded by way of how we're going to measure that and the proportionality of that. That's going to be done by AC Nielsen. We will provide that to the Senate.

Senator McKENZIE: How much is that costing?

Mr McCullough: The?

Senator McKENZIE: The AC Nielsen assessment?

Mr McCullough: I will check that.

Senator McKENZIE: I would like that on notice too.

Mr McCullough: Yes.

Senator McKENZIE: And the dates.

Mr McCullough: We regularly use them to measure our marketing projects.

Senator McKENZIE: I know but they're so expensive.

CHAIR: I think there's a final question from Senator Sterle.

Senator STERLE: I will be quick. I'll go back to the valid shareholders who are eligible to vote. I'll tell you where I'm coming from. You've got so many thousand, 60,000, woolgrowers or something and if anyone wants to nominate for the board or any position they have to go out and seek a hundred. We all know that. Are they given a list of who is eligible to vote or is it just hit and miss and wait till you get back?

Mr Laurie: When I did mine, no. I went out there. I had to get 160 signatures to get 100 eligible ones. There are a lot of people out there that thought that they were eligible and in actual fact they weren't.

Senator STERLE: A lot of energy, isn't it?

Mr Laurie: Yes.

Senator STERLE: Mr Story, you don't have to put your hand up; just jump in.

Mr Story: This is where we endeavour to provide assistance to them along the way. When they get their progressive totals, as you can see from the documents you've got there, it's clear where they're not eligible.

Senator STERLE: It's clear to you that they're not eligible.

Mr Story: No, the reasons why are specified—

Senator STERLE: Sorry, Mr Story, I'm conscious of time. They're clear to you once you check them against the list of who's eligible.

Mr Story: Correct.

Senator STERLE: Seriously, would it not be in the best interests of trying to encourage people to actually seek office—and we all love democracy—if you just say, 'Here are the eligible people'?

Mr McCullough: I think privacy would logically be the issue there. To expose our database of shareholders to a potential candidate, that would be prohibitive, I think.

Senator STERLE: I've got Mr Olsson's, because that's what you gave me. With regard to the 97 that were valid with Mr Olsson, does he know who those 97 are?

Mr McCullough: Yes.

Senator STERLE: So he knows, of the 137, the 40 not to go back to?

Mr Story: I'm not sure about that.

Senator STERLE: I think it's important—

Mr Story: He gets the totals. We don't necessarily give that to candidates because the circumstance of someone not getting to the hundred is very rare and what happens is normally they keep going, they get to a hundred, they stop, they get certified. In this particular instance, no, I think he's just got that document. But if he is of a mind to leverage off persons that last time there were those 97, I can work with him on that. There are privacy considerations more generally, as Stuart is saying, but I can work with him on that.

Senator STERLE: I'll see what 'work with him' on that does. On the surface, that's good. What I'm trying to say, Mr Story, is that to get these signatures, it's not a case of a couple of minutes and it's all done. There's a lot of work for all of you. And I would have thought that you're all busy trying to run your businesses and look after everything else that is going on. Without stepping on that land mine of the Privacy Act, there must be a better way, surely, that existing members who want to run again or new ones who want to put their hand up can do that. You've already said you've got 60,000 growers, 20,000 eligible—

Mr Story: 20,000 shareholders.

Senator STERLE: Shareholders, I should say, but there are 60,000 growers out there aren't there? So it's one in three?

Mr Laurie: I think through the last review of performance there were some changes made to the way people go. They've still got to get their hundred signatures but you've got some skills-specific people being identified. So changes have been made to the process historically.

Senator STERLE: Sorry, Mr Laurie, but I can't quite wrap it up, even if I want to. You're not going to give out your database. I get that. But if a candidate went to all the trouble—and even a sitting member who wants to run again and says that these were his signatures last time—what is the danger of having that information, for those who aren't eligible or those who are eligible, on the desk where it doesn't leave the AWI offices and saying, 'Don't waste your time ringing that 30 or 40 or 10?' What's the danger there?

Mr Story: As I explained, we never really thought of it that way. They keep going, they get to a hundred, they're certified, that's done. It's very rare for someone not to get to the hundred who's a genuine candidate. It doesn't happen.

Senator STERLE: I understand that.

Mr Story: But in this particular instance that we're talking about with Mr Olsson, I don't see any reason why I couldn't work with him about that to assist him. Our policy is to try and assist people—not the other way around.

Senator STERLE: There's a challenge and I'd like to see how that goes. Mr Laurie, I put it to you that you had 166.

Mr Laurie: Did I? Something like that.

Senator STERLE: Isn't that what you said?

Mr Laurie: Yes, it was about 160, I think.

Senator STERLE: What do you I mean, 'Did I?' You told me that when you—

Mr Laurie: Before it got to 100.

Senator STERLE: But I'm saying the same goes for you too, Mr Laurie. Because there are 66—

Mr Laurie: There's no doubt about it; there's an amount of work involved in it. There are a hell of a lot of people that aren't sure whether they're eligible or not. They sign the thing, you think you're right, you've all of a sudden got a massive shortage. So I don't disagree with you. I think the continual evolution around the system obviously will be a good thing. It will be—

Senator STERLE: It will save a lot of people's time and it'll save a lot of Mr Story's time possibly and save current directors a lot of time and it will save candidates a lot of time.

Senator McKENZIE: And senators.

Senator STERLE: Of course, senators too. I forgot about us. I'll leave it. The committee, if you do come to a resolution, if you could just let us know how that goes.

Mr McCullough: Certainly.

Senator STERLE: Thank you very much everyone.

CHAIR: Thank you very much to representatives from AWI. Please go with the committee's thanks. We look forward to seeing you at the next estimates hearings and, of course, it would be appreciated if your chair's schedule could be cleared.

Mr Laurie: As I say, she had a booking 11 months prior; so she sends her apologies.

CHAIR: Fair enough. We'll get our dates out earlier.

Senator McKENZIE: Good call, Chair.

Mr Laurie: Very good. Thank you.

Regional Investment Corporation

[12:56]

CHAIR: Welcome to the Regional Innovation Corporation. Do you wish to make an opening statement?

Mr King: Just before I do say anything further, if I can just put in an apology for our chair. She had some other commitments and, given the time has been moved forward, hasn't been able to attend today. She is available from 2 pm to 5 pm.

CHAIR: That seems entirely reasonable but our schedule has moved forward. We thank you for letting us know about that. Senator Sterle, have you got questions for the RIC?

Senator STERLE: Just bear with me. I want to go through a bit of background, if you will indulge me. It's in regard to the answer to question on notice number 165. Have you got that in front of you, Mr King?

Mr King: I do not have that specifically in front of me, but if you can refresh my memory.

Senator STERLE: What about you, Mr Dowler, have you got it in front of you?

Mr Dowler: 165, yes, we do.

Senator STERLE: I'll refresh you. Answer 1 is:

The RIC is required to comply with the Regional Investment Corporation operating mandate direction 2018 which requires the RIC to make guidelines for each program of farm business loans.

Correct?

Mr King: That's correct.

Senator STERLE: It continues:

For the purpose of its farm business loan guidelines and in consultation with the AGS—

that is, the Australian Government Solicitor—

stakeholders and the Department of Agriculture, Water and Environment, the RIC determined the definition of a farm business as being involved within the agriculture, horticultural, pastoral, apicultural or aquacultural industries and must undertake all primary production aspects of the business wholly within Australia.

Correct?

Mr King: That's correct.

Senator STERLE: So the principle behind the decision was that primary production for the purpose of a farm business having access to concessional loans was to be limited to food and fibre, which includes the production of grains, fresh fruits and vegetables, meat and meat products, milk, sugarcane, wine grapes and natural fibres. Correct?

Mr King: That's correct.

Senator STERLE: The RIC made the decision to limit primary production to food and fibre. I'm correct?

Mr King: That's correct.

Senator STERLE: Mr King, firstly, thank you for providing the answer. But 165 makes it very clear that it excludes the thoroughbred breeding industry from access to RIC loans. Remember we had a conversation about this last time?

Mr King: Yes.

Senator STERLE: I'll follow up. Firstly, in relation to the definition of primary producer, you advised you consulted the Australian Government Solicitor; you said that. Did the Australian Government Solicitor provide you with the definition of primary producer you are applying to RIC loans?

Mr King: I will have to take that on notice and check. We did certainly engage with the Australian Government Solicitor to confirm that our definition was appropriate. I would have to check whether they actually provided a definition or otherwise. If I might take a moment, as well I'm advised that our chair will be able to dial in and should be available to dial in within the next five to 10 minutes or so.

CHAIR: That is very flexible of her; thank you.

Senator STERLE: We'll plug along anyway. How long will it take you to get back to me or to the committee with that advice, Mr King? I'll tell you what happens—it all falls into this time tunnel. The department, these officials, have always been very efficient and thorough. I'm not blowing wind up your kilt, Mr Metcalfe. In all the years I have been around, this committee has been very efficient in getting answers back on notice. So how long would you need? I don't want to lose you in that vortex. I am seriously interested in the thoroughbred industry.

Mr King: We will endeavour to get back before the committee closes, otherwise obviously within the required time frames. We can commit to meeting those requirements.

Senator STERLE: Thank you. Take this on notice too. If the AGS did not provide you with that advice, I would like to know what they did provide you with, with the interpretation? You also said you consulted with stakeholders. Who were those stakeholders?

Mr King: Again, I don't have all the details in front of me of exactly which stakeholders we consulted with, but we liaise and work closely with the department to ensure that the products deliver on the government's policy agenda. On reflection, from the comments to this committee at our last appearance, we are taking another look at the definition of 'primary producer'. We will take on board any feedback to that consultation.

Senator STERLE: Mr King, that could give me a warm, fuzzy feeling if I were still brand new, but it doesn't give me a warm, fuzzy feeling because we spent a bit of time on this last time. For the purposes of thinking, 'What the hell were they onto me about?' and, 'What would they want to follow up?', we just don't go away. I am pretty disappointed that you are sitting in front of us here today, at budget estimates, and have not armed yourself with some follow-up answers to questions that I put to you in October last year. This is really disappointing. I am trying to keep my cool, but it is wearing thin. You people think: 'We'll come along and tickle the senators for a while. We'll promise them the world. We'll blow rainbows and unicorns at them and hopefully they will forget about it.'

Mr King: That is not our intention. We take very seriously the definitions we put forward through our guidelines. As you would be aware, we are committed through the Regional Investment Corporation to providing that policy support, particularly as it relates to providing support for building resilience to drought for farmers. This consideration as it relates to the thoroughbred breeding industry will form part of that further consideration. We are looking into that.

Senator STERLE: Six months ago or longer I asked these questions of you, and you still want to blow kisses across the table to me because you love the industry and you were going to come back with something. Do I wait another six months and receive the same answers—that you have to take it on notice, that you don't know?

Mr King: Apologies. But, for the record, I believe this question was put to us at our last appearance in March.

Senator STERLE: I'm sorry—three months. Time flies in this building!

Mr King: The end of March, 23 March.

Senator STERLE: You're right.

Mr King: We are working diligently to resolve any concerns about that definition. We will continue to work and consult with our stakeholders, as we have so spoken.

Senator STERLE: My apologies. You are right; it is three months. It still doesn't make me feel any better. Can I have another go at it? It feels like I have been sitting in this building, here in this room, talking to you people for the last two months, but anyway.

Senator Ruston: I think it is the last two years.

Senator STERLE: It doesn't make it any better. You still turn up to estimates with no answer. You still tell me you have to take it on notice. Six months, two months, three months—I don't give a damn, because it gets insulting.

Mr King: Thank you for that feedback, Senator.

Senator STERLE: There will be more to come. How long will I have to wait? You said you consulted the department, and you don't have the full list in front of you. Can you at least pretend that there were other people whom you consulted?

Mr King: Absolutely.

Senator STERLE: Good. Let's have a crack at that, Mr King. Tell me who you consulted. Who were the stakeholders?

Mr King: In setting our guidelines, we consulted with a number of industry bodies through that process.

Senator STERLE: Tell me who they are.

Mr King: For example, the National Farmers Federation, the NFF. We also consulted with most of the major agricultural commercial lenders around their definitions.

Senator STERLE: Who are they?

Mr King: Again, without having the full record in front of me I would put forward: Rabobank, Commonwealth Bank, National Australia Bank, ANZ, Suncorp and Westpac.

Senator STERLE: Mr King, I might make it a little easier for you. Mr Dowler, have you got a mobile phone?

Mr Dowler: Yes.

Senator STERLE: Can you SMS?

Mr Dowler: Yes.

Senator STERLE: Can you help out? Who can Mr Dowler SMS while you are talking to provide the info for us, even if we have to come back after lunch and get it?

Mr King: Our team are listening in and I can see that they are already working to address the full list of stakeholders that were consulted.

Senator STERLE: All right. Let us move on then; I have made my point there. Did anyone oppose your preferred definition, Mr King?

Mr King: Not that I am aware of.

Senator STERLE: Who in the department of agriculture did you consult?

Mr King: Most of this consultation took part prior to me joining the Regional Investment Corporation. So this consultation period took place during the establishment phase of the Regional Investment Corporation, which was in the period from March 2018 through to when I joined, in December 2018.

Senator STERLE: Okay; you did say that to us last time. No doubt the team will be busily digging away so we can have those answers today. Chair, I was hoping to wrap this up by lunchtime, but I would like to keep the RIC in the room at the back while we are waiting for this info and we can progress to hort or dairy or whatever, with the opportunity to pull them back should we need to. Is that all right?

CHAIR: That makes sense.

Senator STERLE: Mr King, let us keep going here. The corporation operates according to the terms of the Regional Investment Corporation Act, which we are well clear of. I go to part 2, division 2 of the act. Point 11 refers to the operating mandate and provides for the minister to give a direction forming part of the operating mandate in relation to the following: part 6, 'eligibility criteria for loans or financial assistance' and part (e), 'any other appropriate matters'. Sounds great. Can you tell the committee how that works?

Mr King: I believe that if the minister would so desire he is able to make a direction through formally writing to the corporation to provide that direction.

Senator STERLE: Tremendous. Are these general powers, to the best of your knowledge?

Mr King: I understand so. I am not a lawyer, though.

Senator STERLE: All right. Can the minister only make broad changes, or can she or he make specific changes?

Mr King: I am not sure, but I can take that on notice and check whether there is the ability to make those specific changes.

Senator STERLE: That's fine. Let's go to point 12: can the minister only change the broad framework by way of a direction, or can the minister change the rules relating to a specific class of loan?

Mr King: I am sorry; I don't have the act in front of me.

Senator STERLE: That is all right. Don't apologise, because you're going to find out and then you're going to come back and let us know. So no stress. I'm not losing you in that vortex, which is called QONs. While we are at it, where does the RIC board sit in all of this? It is hardly independent if the minister has veto power.

Mr King: The Regional Investment Corporation is a corporate Commonwealth entity and the board is independent.

Senator STERLE: But how is it independent if the minister has veto power?

Mr King: The board still remains independent. The veto power, or the power to provide that broader direction from the minister, is through the legislation. That doesn't necessarily impact on the independence of the board.

Senator STERLE: So we haven't had any luck with the thoroughbred industry.

Mr Metcalfe: Senator Sterle, if I could just assist, the RIC Act itself contains details at section 11 and section 12 about the direction powers of ministers and then separately it indicates how the corporation must comply with those directions and then it talks further, at part 3 of the act, about the board and its functions. So the legislative scheme is quite clear about some of those powers.

Senator STERLE: This excites me; thanks, Mr Metcalfe. So if the minister wanted to make the decision that the thoroughbred industry should be included for the purposes of accessing loans through the RIC, the minister could just give you a direction; correct?

Mr King: Again, I would have to refer directly to the legislation on that. Obviously, that is a question for the government, if they wish to make such a direction.

Senator STERLE: No, it is a question from me to the RIC. We have just gone through 11 and 12. We have clearly stated that the minister has veto power. I don't think it has to be a decision of government. I am putting it to you and Mr Metcalfe and his people here to prove me wrong. If the minister said he wanted the thoroughbred industry in, they would be in. Anyway, you are going to come back to me on that one, too?

Mr King: Yes.

Senator STERLE: Okay. I refer you to the second reading speech of the then minister, I don't know who it was—when the enabling legislation was before the parliament. I do know who it was—it was Mr Joyce. That was before your time, Mr King, but let's have a go anyway. Mr Joyce said to the parliament: 'We are establishing the corporation because we recognise the contribution that regional and rural communities make to the nation'. Mr King, do you agree with that sentiment?

Mr King: I wasn't around at the establishment of the RIC, but I believe that the Regional Investment Corporation is a reflection of stronger regional communities.

Senator STERLE: Thank you. And is that the view of all the board?

Mr King: I might pass this question to the chair.

Ms Smith-Pomeroy: Yes, I would agree with that.

Senator STERLE: Thank you. Mr King, I come back to you. As you would be aware, the thoroughbred breeding industry operates in rural and regional communities across this country. Are you aware that there are around 6,800 thoroughbred breeders?

Mr King: I don't have the exact number to hand.

Senator STERLE: Take it from me that that is challengeable. Mr Metcalfe, are you aware there are 6,800 thoroughbred breeders?

Mr Metcalfe: Not personally, but I can check on that.

Senator STERLE: Sure. So direct and indirect, I am told that the employment sustained by this industry is around 72,000 full-time employees. It generates just under \$1 billion a year. Ms Smith-Pomeroy, the industry is worth just under \$100 million a year to the rural and regional Queensland communities, I am told. Are you aware of that?

Ms Smith-Pomeroy: I am not aware of the exact number, but I do know the industry is considered to be quite a significant industry in Queensland.

Senator STERLE: Sure, and that is before we get down to New South Wales and Victoria and other states. I will come back to you, Mr King. It seems to me, and I think most of the members of the committee, that

thoroughbred breeders are primary producers. The industry is making a significant contribution to regional Australia. Is this something the RIC will make a decision on and revisit?

Mr King: I can certainly reflect on my earlier comments that we are currently consulting with the government and we'll expand, if required, to other stakeholders to enable us to make that decision and direction.

Senator STERLE: All right. I'll go to you, Minister, as a champion for the bush. Is it something the government would consider?

Senator Ruston: I'll have to take that on notice and speak to the minister. Unless the secretary wishes to—

Mr Metcalfe: No, that's a matter for the government, but we can alert the minister to your very strong interest in the matter.

Senator STERLE: Right.

Mr Metcalfe: AgriFutures, the Rural Industry Research and Development Corporation, published a measurement of the economic impact of the Australian thoroughbred industry back in December 2019. It will provide confirmation of some of the information you have provided here, including that the industry is worth just under \$1 billion.

Senator STERLE: Just under \$1 billion?

Mr Metcalfe: Just under. I quickly saw a figure of \$934 million, but I'll double-check that. That report appears to be a recent and comprehensive assessment of the value of the industry.

Senator STERLE: Thank you for that, Mr Metcalfe. As I say, 6,800 of them—they fit the primary producer to a T. I shouldn't have to come back and keep having to argue this. Hopefully, with my fingers crossed, at the next round of estimates, part of the opening statement, Mr King, will be that the sun has shone on the thoroughbred breeders and they can be included as primary producers in the definition of this act. Let's hope, hey?

CHAIR: Senator Sterle, as always, you've raised a new and interesting element to the discussion, and I'm sure that everybody will be going away to look at that.

Mr Metcalfe: Chair, I can simply provide a little bit more detail. I can confirm that the AgriFutures report from a couple of years ago indicates that the thoroughbred breeding industry generates more than \$934 million in expenditure. However, the industry generates more than \$1.16 billion in value-added impacts to the economy. More than 65 per cent of that occurs in New South Wales.

The economic activity created by the industry is responsible for sustaining nearly 8,000 full-time equivalent jobs. The direct impact on employment generated specifically by the activities of the breeding industry sustains 3,289 FTEs as well. In total, almost 18,000 individuals participate in the breeding industry as a participant, employee or volunteer. That report sets out a lot of economic detail that might be of use to the committee, and it's obviously something that the government's aware of as well.

Senator STERLE: If the committee could have that?

CHAIR: Very good. We're scheduled to have a lunch break at this point. We will have a few more questions for the RIC after lunch, and we'll return to Senator Ciccone at that point. I might just let the Cotton Research and Development Corporation know: you should be alert—not alarmed, of course—to be called soon after lunch as well. We have an apology from the Chair of the Cotton Research and Development Corporation, but possibly he will be available given that we're going to the corporation so much earlier in the day. I appreciate that the chair of the RIC has been so flexible in changing your time this afternoon, so thank you.

Mr Metcalfe: Chair, the chair of Wine Australia, Dr Allen, has advised me that she's also keeping a close eye on proceedings. She's interviewing others for a senior role through the course of the afternoon, but she can step out and will keep an eye on the committee to make herself available as well. We'll just need a couple of minutes notice when we get to that.

CHAIR: I appreciate that, Mr Secretary. Thank you.

Proceedings suspended from 13:18 to 14:19

CHAIR: We will commence. I will just let everybody know that we have some media in the room. We are continuing with the Regional Investment Corporation. Senator Ciccone, please continue.

Senator CICCONE: The Regional Investment Corporation received \$0.8 million in 2021-22 to administer \$37.5 million for plantation development concession loans to encourage new plantation developments and the replanting of bushfire damaged plantations. The measure description says it is an existing loan funding for that financial year. Does that mean that there's an amount that was unallocated previously which can be utilised for new loans?

Mr King: This is looking into next financial year, so 2021-22. That \$37½ million will be made available out of our existing profile of funding.

Senator CICCONE: So the \$0.8 million is to help administer that \$37.5 million?

Mr King: That's correct.

Senator CICCONE: So it's not interfering with any existing loan commitments?

Mr King: In terms of operational funding, no, I don't believe so.

Senator CICCONE: In your release on the funding, Mr King, I think you noted that the new plantation loans would not only encourage new development but also support bushfire recovery. How does this announcement support bushfire recovery?

Mr King: We're currently working through the policy objectives for the plantation loans. The policy objectives should really be referred to the forestry division in the department that we're working with on that. But, certainly, encouraging investment in a number of plantations that have been damaged by bushfires, I believe, would meet that requirement.

Senator CICCONE: I don't know whether that was an answer to the question. Your media release said that you would be supporting bushfire recovery. How?

Mr Metcalfe: I would be happy to take it on notice and give a longer explanation about it. Mr King is probably right in saying that of course some of the impacts of the Black Summer bushfires were in many areas of plantation forestry, but very noticeably around the Batlow-Tumbarumba area, for example. That could be part of the policy intention, but I'm not exactly sure. We can check on that with the forestry division.

Senator CICCONE: I appreciate that. It's just that the media release has Mr King's name on the bottom.

Mr Metcalfe: Again, the corporation has been asked to administer the loan. We're now developing the guidelines and whatever, so it's an issue that sort of sits between the department and the corporation.

Senator CICCONE: I understand that. If you are putting a media release under your name you need to be able to answer some of these basic questions, I would have thought.

Mr Metcalfe: I had the right people here yesterday, but not today.

Senator CICCONE: Again, that was a media release that was issued by RIC. Mr King, what's your expected take-up of the new plantation loan scheme?

Mr King: As I think I mentioned, Senator, we are working through the consultation and the policy development of that loan with the department. Once we have that information available, we will be looking to understand what the take-up of that loan is. At this stage, \$37½ million has been made available for that product next financial year.

Senator CICCONE: Do you have any plans on how you'll measure its success?

Mr King: It is at somewhat early stages. We're working in consultation with the department on setting up the enabling legislation. Once we have that and have developed the guidelines, we will, of course, as part of that process, develop the appropriate measures of success for the product.

Senator CICCONE: You also note that you are 'well placed' to deliver the new plantation loan with all new loan applications received in 2020-21 currently within the RIC's 35 loan-handling date target. What gives you this confidence?

Mr King: Senator, as you point out in your question—and just a slight correction—for all of the cohort of loans we've received since January 2021, all of those loans are being handled within the RIC's stated performance target of 80 per cent of the loans being handled within 65 RIC-handling days. We are currently meeting that target for the cohort of loans received since January 2021.

Senator CICCONE: Will extra staff be employed?

Mr King: It's likely that we will have some extra staff to assist us with it.

Mr Dowler: There are three ASL included in that funding.

Senator CICCONE: I note also on your website that you state that the plantation loan will support the forest industry's goal to increase domestic wood supply by planting a billion new plantation trees over the next decade. Where do you anticipate these loan applications will come from?

Mr King: Certainly from regions that are looking to contribute to plantation growth. In terms of adding growth, that would be where we would be expecting it. In terms of the final details, or the finalisation of details around the specific guidelines, as I said, we are working through that process with the department currently.

Senator CICCONE: If there's any modelling or any analysis you can share with the committee, that would be great as well. Is priority going to be given to applications from bushfire affected areas?

Mr King: Again, we are working through that process, or the design process, currently. Once we have some appropriate information, we will of course share that.

Senator CICCONE: What types of plantations would be eligible for loan funding?

Mr King: Again, at this stage we are working with the department on the formulation of the guidelines and the policy for that.

Senator CICCONE: How long will it take you to establish the scheme?

Mr King: I think first and foremost we need to, obviously, establish the legislation. If I can pass that question to my colleagues over at the department?

Senator CICCONE: Secretary?

Mr Metcalfe: I don't have any information with me at the moment, but I'm happy to take that on notice.

Senator CICCONE: Thank you. When do you anticipate those loans will be made?

Mr Metcalfe: Again, it is probably a little bit hard to speculate on that because it depends on a number of matters being put in place. If there's any more information we can provide in response to that, we will.

Senator CICCONE: Okay. Is there any particular quarter that you would expect? I'm not after a fixed date.

Mr Metcalfe: I really don't want to provide a definitive answer, just in case for some reason I'm misadvised. I think it's better that I check and, if we can provide you with the detail, we will.

Senator CICCONE: Thank you, Secretary. You may have to take this on notice too, but do you have any idea of the size of the loans that you might be prepared to offer?

Mr King: Again, we are working through that process currently.

Senator CICCONE: Given that I probably won't get answers to these—who will be eligible, how will the eligibility be determined and what are the terms of the loan—if you could take those on notice too. Thank you. When will the guidelines for the plantation loans be issued?

Mr King: As I've already said, we are still waiting for the legislation to be formulated. Once we have done that, we will be able to provide some guidelines.

Senator CICCONE: I expect that whoever signs off on these guidelines will be outlined in the legislation, or will that be the minister?

Mr King: I would expect that that would be outlined in the legislation.

Senator CICCONE: Who will be the final decision-maker for each of these loans?

Mr King: Again, until the legislation is finalised and formulated, I'm not in a position to answer that.

Senator CICCONE: Can you confirm that you are able to continue with the provision of loans in an effective manner, and will there be any pressure to deliver as a result of the reduced resourcing in your organisation?

Mr King: As my colleague Mr Dowler has outlined, there are three additional ASL being made available to assist with the delivery of the loans, along with the additional operational funding that's been provided.

Senator CICCONE: I say that because I note that the briefing from government is expected to drop over the forwards from 32.4 million in 2021-22 to 22.3 million in 2024-25.

Mr King: That's correct. Our operational funding does drop over that period. That relates to the large volume of loans that we received as part of the drought loan announcement from the government in November 2019.

Senator CICCONE: Is it going to pose any issues for RIC in delivering on its mandate to provide loans?

Mr King: I'm confident that we will continue to be able to provide loans to our intended recipients.

Senator CICCONE: I'll look forward to answers to those questions on notice. I know Senator Sterle had quite a few as well. Hopefully, you can come back to us today, but, if not, I guess the next round of estimates too.

Mr King: Thanks, Senator. Senator Sterle, just in advance, I'm able to provide a response to the questions that we took on notice prior to the lunch break.

Senator STERLE: Great.

Mr King: The first was regarding the minister's capacity to provide a direction, or the ability to give a direction. It is in the legislation that our responsible ministers, both of those ministers together, are able to provide a direction, but they must have regard to advice from the RIC board in providing that advice.

The second question I believe that we took on notice related to consultation that the RIC undertook prior to determining the definition. I'm able to provide that we consulted with 47 different entities or groups through that set-up period. I did misspeak when I said that we spoke to a number of the banks. Whilst we spoke to Rabobank and Westpac, NAB, CBA and Suncorp were not consulted individually. However, we did consult with the Australian Bankers Association as well as the ABA members through that period.

I'm also able to confirm that we met with not just the National Farmers Federation but also New South Wales Farmers, AgForce, NTCA, VFF, the Pastoralists and Graziers Association of WA and Primary Producers of South Australia through that period, along with a number of other entities.

Senator STERLE: That's good. You can table them for us, Mr King. You said two ministers. One is Minister Littleproud; who is the other minister?

Mr King: The Minister for Finance.

Senator STERLE: Who's that now?

Senator Ruston: Senator Birmingham.

Senator STERLE: The thoroughbred industry would seek support from the RIC board to include the thoroughbred industry as a primary producer under the act; correct?

Mr King: That's correct.

Senator STERLE: If that is the case then you would pass it on to the relevant ministers?

Mr King: That's correct.

Senator STERLE: Would this be a topic at your next meeting—to talk about getting the thoroughbred industry recognised as a primary producer under your act?

Mr King: I can't confirm that it will be at our next meeting. It is likely to come up, but in terms of our research, I can't confirm that that would occur at our next board meeting.

Senator STERLE: In terms of your research—what research?

Mr King: We will undertake some further research. I understand that a representation has been made to the minister's office, and that's currently with the minister. It is, of course, at the minister's discretion, if he wishes to request advice from the board.

Senator STERLE: Which minister are we talking about here? Which one? Both of them?

Mr King: Minister Littleproud.

Senator STERLE: How often does the board meet?

Mr King: We meet on a monthly basis for an operational update and on a bimonthly basis for more strategic engagement.

Senator STERLE: Now it's over to the thoroughbred industry to come knocking on your door; is that correct?

Mr King: Certainly, Senator. There was a third one as well, which related to whether we had consulted with the Australian Government Solicitor directly regarding the definition. I'm happy to confirm that we consulted with the Australian Government Solicitor, not specifically regarding the definition, but whether our guidelines met the requirements as outlined in the legislation.

Senator STERLE: Can you table that response that you got from the Australian Solicitor General for the committee?

Mr King: I will have to take on notice what we can table, and I can certainly do that.

Senator DAVEY: Thank you for attending today. I have a few questions following on from the questions I asked last time regarding performance targets and how we're tracking towards those. The biggest complaint that I've had about the RIC was the delay in approvals. Can you advise what your average for approvals time line currently is, from application to approval?

Mr King: Certainly. Obviously, as we outlined, one of our key requirements was to meet the 80 per cent within 65 days. I'm able to provide information to the committee that currently, for all of our loans received beyond January 2021, we are in line to meet that performance target.

Senator DAVEY: When you say 'all', does that mean 100 per cent are going to meet 65—

Mr King: No, 80 per cent of our loans to be provided within 65 RIC handling days. There is an important clarification. Obviously, we are dealing with applicants that are at a particular stage of their business and have

experienced some level of distress and present perhaps a higher risk. Certainly, those more complex applications do take a longer period of time to assess.

I'm also pleased to confirm that we have continued to ramp up our capabilities within the RIC. As a leading indicator, the number of documents that we've dispatched continues to increase month on month, with the average over the last four months at 141 sets of documents dispatched to customers and banks, and with the average over the last two months being 186. You can see that we are continuing to ramp up our delivery, and we are committed to making the number of decisions required that we need to meet regarding our backlog of loan applications.

Senator DAVEY: When the RIC was first set up, what was the assumption regarding how many applications you might have to deal with in a month?

Mr King: Certainly. It's an excellent question, as it does provide some indication of the volume that we've dealt with. The estimate was between 350 and 550 loan applications in any one financial year. To date—if I look through some of our demand—we have received far in excess of that number. There was a period of time in September 2020 when we received 1,300 applications for the month.

Senator DAVEY: In one month?

Mr King: In one month.

Senator DAVEY: You were set up guessing that you'd be dealing with 350 a year—

Mr King: 350 to 550 in 12 months.

Senator DAVEY: And you're doing over a thousand a month?

Mr King: In that particular month there were 1,295 applications received.

Senator DAVEY: Finally, when we brought in the zero per cent, what number of applications did you receive then? Was there a significant jump in applications?

Mr King: Certainly, there was a significant increase. The peak prior to that large number in September last year was around 315 loans. Certainly, we had been averaging over 200 loans through that period as a result of the announcement of that interest-free period.

Senator DAVEY: Have you had to increase resources to match the demand?

Mr King: We have. We've been fortunate enough, through this current financial year, to secure some additional financial support and some additional ASL from the government to enable us to deliver those loans and make sure that we're providing the additional loan funding, a little over \$2 billion worth of loan funding, that we received, to our customers and applicants.

Senator DAVEY: Are all of your staff based in Orange?

Mr King: Not all of our staff are based in Orange. A little over 85 per cent of our staff are based in regional Australia, and just a touch over 55 per cent are based in Orange and the Central West region.

Senator DAVEY: Good news.

CHAIR: Mr King, can you tell me what 'ASL' stands for?

Mr King: Average staffing level.

CHAIR: I should have guessed that. Senator McMahan has arrived at the eleventh hour and will ask a couple of quick questions.

Senator McMAHON: Mr King, can you advise me how many low-interest loans that you offer have been taken up in the Northern Territory?

Mr King: Certainly, I know that we have provided a number of loans across the northern region of Australia. We took the opportunity quite recently to attend the NTCA conference in Alice Springs, and have been a supporter through that process of loans into the region. Twenty applications have been received for that zone.

Senator McMAHON: Have those all been taken up?

Mr King: I don't believe they have all been approved. We are currently working through that process.

Mr Dowler: The amount approved for the Northern Territory has been \$18.6 million to date.

Mr King: A figure of \$18.6 million worth of loans approved.

Senator McMAHON: Can you advise the average processing time for these loans?

Mr King: As we were talking through with Senator Davey, in terms of loan processing time frames, we received a significant number of applications in the latter part of the last calendar year, and we are working really hard to process those loans as quickly as we can. As a result the average time frame is a little bit meaningless.

What I can say is that, with respect to our loans received from 1 January of this calendar year, 80 per cent of those are met within our target of 65 RIC handling days.

Senator McMAHON: They're all processed within 65 days?

Mr King: The loans that have been received from 1 January are on track to be processed within 65 RIC handling days. It's also important to understand that, with our loan application process, there is a requirement for customers and banks to be involved in the process at varying stages. That can contribute to the amount of time that it takes for us to process a loan, particularly as it relates to times when we're not in control of the handling of those documents.

Senator McMAHON: Feel free to take this on notice, if you need to: can you give me an actual time, in days, weeks or months, from an application being received to being finalised?

Mr King: I am happy to take that one on notice.

Senator McMAHON: Thank you. Can you tell me how many of these loans from the Northern Territory are currently being considered?

Mr King: As we just referred to, there were 20 applications received—

Mr Dowler: Twenty applications received and \$18 million awarded. I don't have the number of approved ones.

Senator McMAHON: How many do you currently have? How many have you currently got on your books that you're considering?

Mr Dowler: Outstanding?

Mr King: We will take that on notice.

Senator McMAHON: That's fine; I'm happy for you to do that. Has the demand for these loans over the last 12 months increased, decreased or stayed the same?

Mr King: We had a significant period of interest in the loans through to the end of the zero interest loan period, which came to a close on 30 September in the last calendar year. Since then the loan volume has been significantly lower and more in line with our originally predicted throughput.

CHAIR: That brings us to the end of the Regional Investment Corporation evidence. Thank you both very much for your time today. Please go with the committee's thanks. We look forward to seeing you at the next estimates.

Mr King: Thanks very much.

Mr Metcalfe: While we change witnesses, I can provide a little bit of context to some of the questions that Senator Ciccone was asking about plantation loans. Senator, we will come back to you in detail, but I can advise that Australia's almost two million hectares of plantation forest estate has not grown in size for more than a decade, yet demand for wood and fibre is growing rapidly, both domestically and internationally.

The forest industries estimate that 400,000 hectares of new plantations are needed over the next decade to meet Australia's future demand for wood and fibre. Of course, the Black Summer bushfires significantly impacted on a number of plantation forests. The Tumbarumba and Batlow areas in New South Wales are one example. While that timber wasn't necessarily lost, because even though it was burnt it could be processed in some way, that was obviously another dimension to the issue. We'll come back in more detail on those matters that we discussed.

Senator CICCONE: Thank you, Secretary.

Cotton Research and Development Corporation

[14:42]

CHAIR: We now welcome the witnesses from the Cotton Research and Development Corporation, by videoconference. I welcome Dr Ian Taylor and Mr Graeme Tolson.

Dr Taylor: Thank you very much.

CHAIR: We have just received an apology from Mr Haire. That is very disappointing, because we're all very interested in the development of cotton and how you're going. Pass on our deep disappointment that he couldn't be with us this afternoon, please.

Dr Taylor: Yes, we will do so. He did apologise. He has an alternative board meeting that he has to attend today. He did try and change those arrangements; unfortunately, with little notice, he was unable to change his attendance at the alternative board meeting.

CHAIR: It couldn't be nearly as interesting or important as Senate estimates, I'm sure.

Dr Taylor: We'll pass that on; thank you.

Mr Metcalfe: Clearly, a number of chairs occupy very senior roles and they have a number of roles. We're very conscious of the accountability requirements to the Senate. We'd be very happy to try and work with the committee to see whether it is possible to get a better understanding of when the committee days for particular agencies might be, so that people can block off diaries long in advance. I imagine that many of the chairs have had board meetings put in place at the beginning of the financial year, almost, and find them very difficult to move if there are many others involved in those meetings. It's something that, frankly, the department and the committee secretariat might try to work towards, to see whether we can help to improve attendance.

CHAIR: Whilst that is a point well made, the dates for estimates are published at the beginning of the year. I appreciate that not everybody works their lives around what happens in Canberra. I certainly wouldn't, if my job wasn't here, but given that these are statutory bodies and others, it's not unreasonable for these dates to go on every one of these calendars with a hold for the week. It's very predictable.

Mr Metcalfe: I might suggest, if the minister is willing, that our ministers may well want to write to the chairs reminding them of that. They shouldn't have to. Also the department will work on that as soon as the dates are known. I know the dates for this will depend upon the date of the budget, for example.

Senator Ruston: Which never changes, I might add.

Mr Metcalfe: Which never changes—second Tuesday in May, apart from last October.

CHAIR: It rarely changes.

Mr Metcalfe: We will do what we can to work with the agencies and the committee secretariat to ensure that we get better attendance.

CHAIR: We did make this point at the last estimates—we make it again at this estimates—that it is the expectation of this committee that the chairs, the CEOs and executive of these groups that are funded by the government be available for questions at estimates. We will continue to make that point.

Mr Metcalfe: Certainly some chairs are doing that. Dr Allen obviously is available. We have had other chairs. It's an important point. I just want to say we will do everything we can to help.

Senator Ruston: They shouldn't be a chair if they don't want to attend estimates.

CHAIR: A point well made, minister. Before I hand over to Senator McCarthy to ask questions of Cotton Research and Development Corporation, do you have an opening statement to make?

Dr Taylor: No, thank you. We are very happy to be here and answer questions as they arise.

Senator McCARTHY: My questions firstly relate to China. I've got quite a number of questions to go through with you. Firstly, can you begin by telling me what kind of feedback you're getting from primary producers in your sector in relation to the ongoing trade disruption by China?

Dr Taylor: Rather than primary producers per se, most of our feedback actually comes from the merchants and the gins who are responsible for onselling cotton to those particular marketplaces. Previously China accounted for around 65 to 70 per cent of our marketplace. Given the smaller cotton crop this year China still accounts for 27 per cent of our cotton crop but our merchants and our marketers have been able to substantially change our market positions with other countries. For example, Thailand is our major export market with 31 per cent; China, as I mentioned, is 27 per cent; and behind them we have Indonesia, Bangladesh and Vietnam.

Senator McCARTHY: What's the estimated or actual dollar value impact to exporters as a result of the trade slowdown, if you like, with China, Dr Taylor?

Dr Taylor: Currently there hasn't been a decrease in the dollar value. The price and demand for Australian cotton is still very high and so we haven't seen any reduction. As we move toward a larger crop expectation for next year then we may see some implications of that price remit. Currently the forward price is still holding very high.

Senator McCARTHY: Could you tell us what that is, the current price?

Dr Taylor: Currently we are looking at between \$550 and \$565 a bale.

Senator McCARTHY: Have you received any additional funding from government to run programs or to provide support to primary producers in your sector who are experiencing losses as a result of any impact with China?

Dr Taylor: No, we haven't. But what we are doing is working with Cotton Australia and the Australian Cotton Shippers Association in relation to the myBMP program to look at how we can actually better position and market

Australian cotton in alternative markets. So we haven't received any feedback on that application but CRDC is supporting that application.

Senator McCARTHY: When do you expect to get feedback on that?

Dr Taylor: We checked with them and the next one is in two weeks.

Senator McCARTHY: Could I ask you questions around quarantine and work shortages: the borders have been closed since March 2020 as a result of the COVID-19 pandemic. How is this impacting primary producers in your sector?

Dr Taylor: It's having a greater impact actually on the processors of cotton than producers themselves. Producers typically have a reasonable, permanent workforce of labour workers on their farm and have relied on backpackers and other casual labour sources for harvesting and so on and are still able to harvest their crop. I was talking to Shayne McGregor over the last couple of days in terms of the impact on the processing sector. Technically the processing sector would have 150,000 backpackers available for them to choose or select labour from. This current year they have 28,000, and they are competing for that labour source with mining, with the inland rail et cetera and are finding it very challenging, particularly in the more remotely located areas. You have gins based at Mungindi and other really remote regions being able to attract and offer competitive salaries and expectations around services to those casual line workers.

Senator McCARTHY: I was just going to say: 150,000 down to 28,000? What are you doing to fill those vacancies or what kind of support are you getting to be able to get people there to support you?

Dr Taylor: Cotton Australia, the representative organisation, supports the labour requirements of the cotton industry and is working directly with the processing sector to try and help identify labour availability. As well, the large processors themselves are looking at what are the packages that they need to be able to offer.

Interestingly, a couple of things that are really important to backpackers are: what are the services in the particular regions? How is internet connectivity? That influences, obviously, people being able to talk to home and actually have other facilities available. Internet connectivity is really important to them. And as we know, in many rural areas connectivity is not particularly great.

Senator McCARTHY: What areas are you talking about, Dr Taylor?

Dr Taylor: When you're looking to central west, far north-west New South Wales and also in central Queensland.

Senator McCARTHY: I might come back to you about that connectivity. I'll just go on a little here though. Are you doing any research or have you done any research on this issue to assess the extent of the problem in relation to the shortage of workers?

Dr Taylor: I guess this is probably an extended answer. Back in 2013-14 we had similar competition impacts from mining. When we were actually at the peak of the mining boom, being able to attract labour into the cotton industry was a challenge. So we worked with Professor Ruth Nettle from the University of Melbourne and we actually developed a cotton industry workforce strategy. And that is for on farm and also working with the industry sector. We actually have a strategy that looks across four key areas which are: does the industry actually have effective business and management skills? Do we understand our workforce needs and do we actually have effective plans in place? Are cotton businesses able to build and benefit from a more capable workforce? And are cotton farms and are the cotton industry desirable places to work? We are really thinking about what are the initiatives that need to be put in place.

Senator McCARTHY: Dr Taylor, can I just go back to the name of the researcher back in 2013-14?

Dr Taylor: Professor Ruth Nettle.

Senator McCARTHY: And it was Professor Nettle's strategy that you were reading, was it, when you went through the four points, or was that yours?

Dr Taylor: No, that informed that strategy. And the strategy was written in conjunction with Cotton Australia and CRDC.

Senator McCARTHY: Is that strategy public or is that something that you can provide to the committee so that we can have a look at that?

Dr Taylor: We can provide that to the committee, yes.

Senator McCARTHY: We'll take that on notice, the document, if we can have that tabled—the strategy. In terms of that strategy then do you see it assisting your current situation, given those figures of 150,000 down to 28,000? Do you find that assists?

Dr Taylor: It does help in some respects but, as I mentioned before, competition for labour is significant in the industry and a lot of it relates to what is the remuneration package and the additional components of remuneration that the industry can offer.

One of the points that were raised by Shane was the difference between seasonal workers, which is what a lot of gin workers were classified as, versus casual. And the difference to a gin worker was around \$130 a week. Because gins work for an extended period typically their labour force is classified as seasonal. Since then they are actually moving more toward casual and paying casual wages which are at a higher level so that they can be competitive.

Senator McCARTHY: What level of payment would that be, Dr Taylor?

Dr Taylor: I don't have the actual labour payment figure. I can go back to the gins and ask that. But usually that would be different, depending on each of the gins and the organisations running those.

Senator McCARTHY: If you could provide the committee with just the comparison now if you're moving to casual work or categorising it in the casual work domain. Could I ask, Dr Taylor, what kind of support or incentives is the federal government assisting with in terms of the process of cotton production?

Dr Taylor: I'm not quite sure I understand the question, sorry.

Senator McCARTHY: For example, you're saying that you need workers in the field. Yesterday we were able to speak to the department—and I know Mr Metcalfe's here—and ask about the opportunities for domestic workers to be able to work not just in the cotton industry, obviously, but the mango picking and all the other areas of labour that we need. What kinds of incentive programs or funding is coming from the Commonwealth that is assisting? We explored that more broadly with the department yesterday. So I'm just asking you: is the cotton industry or anyone in the area that you work with aware of financial support for domestic workers to come and be out in the cotton industry?

Mr Metcalfe: Chair, can I, with respect, again make the point that the role of the research and development corporations is exactly what their name implies: research and development. And while of course Dr Taylor and his colleagues will be very well versed in matters generally affecting the cotton industry, they aren't the cotton industry representative body; they are not Cotton Australia.

So I'm sure that Dr Taylor will provide full advice to the committee but really research and development is what their job is under the statute. That's why they are here, because of the levy payments and the taxpayer funding that goes into research and development.

CHAIR: Thank you, Mr Metcalfe. It's a point well made because if they were acting in those other activities we would be at this committee chastising them for going outside their lane.

Mr Metcalfe: They cannot get involved in politics or any of those matters.

Senator McCARTHY: Chair, I'd like to disagree with Mr Metcalfe in the sense that Dr Taylor has already provided evidence around workers in the field, largely because of the networks and the contacts that he does have. Dr Taylor, you have provided that. You've also provided information around the fact that the workers are going from \$130 a week and are now moving towards casual. So the fact that you've already entered that domain shows me that you've got research and networks which are providing that information. However, taking the Chair's point, if there are questions here that you find difficult to answer I'm sure you'll be able to ask to take the questions on notice—I'm sure you're very capable of doing that, Dr Taylor—and let's see how we go.

CHAIR: I think Dr Taylor will be experienced in his industry, but, to be true to his role and responsibilities here, he should keep to the laneways. Dr Taylor, continue.

Dr Taylor: I would have to take that question on notice. It is a conversation I would need to have with Cotton Australia. Currently I do not have that information in front of me.

Senator McCARTHY: Thank you, Dr Taylor. I am sure you would have been able to answer that yourself without everyone else having to jump in for you. How many foreign workers does this sector usually rely on to provide an adequate workforce for producers to meet market demand, according to your research?

Dr Taylor: In the discussions I had with Shane McGregor he could not give me an exact number of visa recipients. I can only state that the pool of talent they usually access is the 150,000 backpackers. I could not give you any further qualification or quantification of those numbers.

Senator McCARTHY: What kinds of losses are producers experiencing as a result of the ongoing border closures as per your research?

Dr Taylor: In terms of lost income stream there have been none to date. Our ability to harvest and market cotton has not been adversely impacted.

Senator McCARTHY: You would have seen commentary around quarantine facilities and having a more diverse range of options for the quarantine of foreigners arriving in Australia. If more facilities were fit for purpose, like Howard Springs in the Northern Territory, could they provide places for foreign workers to arrive in Australia and would that be beneficial in reaching some of those targets for workers?

Dr Taylor: I am not sure it is appropriate for me to comment on that; I would be extending my remit.

Senator McCARTHY: Would the vaccine rollout make it a step easier for primary producers and those in the area you deal with to attract a workforce that is currently absent?

Dr Taylor: Again, I am not sure that I am qualified to answer that question. It would be nice to have a greater pool. But, in terms of the vaccine rollout and its efficacy in terms of the workforce, I would be guessing, so I would prefer not to comment.

Senator McCARTHY: Are you able to provide any update on any research and development that has gone on in the Northern Territory for cotton-growing?

Dr Taylor: Yes. The Cotton Research and Development Corporation has been researching cotton in the Territory for around 20 years. We have active programs up there currently looking at the farming system; how that fits in with the environment; what insect, weed, and disease pressures we are likely to have; what is an appropriate farming system; where it fits in in terms of planting dates; and how that influences farming system development. Cotton in the Northern Territory is primarily a dryland crop—so planted into the wet season and receiving rainfall for a predominance of its growing season.

Last week there was the Food Futures Conference in Darwin. That was a great event. We worked with the Grains Research and Development Corporation, MLA, Hort Innovation and AgriFutures looking at farming system development and at how can we ensure that the farming system that does develop is sustainable going forward.

Senator McCARTHY: You mentioned that quite a few areas of the Northern Territory are looking at cotton-growing. Where are they?

Dr Taylor: Areas include Douglas Daly and Katherine; they are the predominant areas at this point. About 4,200 hectares are in production currently in the Northern Territory.

Senator McCARTHY: What about plans for a cotton gin in the Northern Territory?

Dr Taylor: Based on information we received at the Food Futures Conference, the old Tarwoo gin is being reconstructed just north of Katherine. The expected date for that to be operational is 2022.

Senator McCARTHY: What kind of research and development has to be done before a cotton gin can be established?

Dr Taylor: The gin itself does not require research and development. It is really around what area of cotton is required to sustain a gin. As I am sure you are aware, currently the gin being built at Katherine is likely to have cotton coming from the Kununurra region or the Ord region into the Territory for processing.

Senator McCARTHY: So the research and development then is largely for the actual production of cotton you are doing there?

Dr Taylor: That is correct, yes.

Senator McCARTHY: What has your research found?

Dr Taylor: We know that cotton is a sustainable crop in that region; it has good potential. The question we are asking now is: what is the farming system? We are looking at it from a systems point of view. Whilst cotton is an important crop, our profitability and productivity will rely heavily on having good rotation crops in conjunction with cotton. There is also extensive potential for the use of cottonseed to support intensification of beef production in the north. Some of the growers we were talking to last week were valuing the cottonseed higher than the lint. Primarily our market is around lint, but they were looking at it as a high protein source of cattle feed. That is where they were articulating they saw the greater value.

Senator McCARTHY: What sort of communication is done with residents around cotton processing, production and even a cotton gin?

Dr Taylor: Communications at this point are being conducted through the Northern Territory Farmers Association. The CEO, Paul Burke, has been advocating in terms of the cotton industry in northern Australia.

Senator McCARTHY: Dr Taylor, in terms of learning from negative experiences around cotton in the south—I have had lots of questions around experiences people have had down south with the growing of cotton—what kind of evidence do you provide to the general community in the Northern Territory, in the north in general, about protecting the environment against some of those concerns?

Dr Taylor: We have an extensive cotton info extension team. We also work with cottonseed distributors, who have an extension and delivery team. We have a joint venture partnership with Cotton Australia, CRDC, and CSD so we can ensure that research outcomes are delivered broadly across the whole of Australia—what those research outcomes are, what their implications are and how we can provide that material.

We produce two primary documents and update them annually: the Australian Cotton Production Manual and the Cotton Pest Management Guide. They talk about the best practices in cotton production and how we can best manage pest issues pertaining to cotton. They are extensive guides on resistance management plans, the use of herbicides and pesticides in those environments, and how to ensure we minimise environmental impacts associated with those. Currently cotton is 99.9 per cent GM. The use of that technology has resulted in a 97 per cent reduction in pesticide application and insecticide applications. In some areas in the south growers are not using any insecticide applications for cotton production. We recognise that the north has a different pest pressure. We are monitoring that closely in terms of the utility of the technology for the insect species specifically in northern Australia.

Senator McCARTHY: Dr Taylor, what do you consider the most likely scenario for the future growth of cotton production in the Northern Territory? Will it be a dryland system with supplementary irrigation, or will it require irrigation to grow at scale?

Dr Taylor: No. Our expectation is that 80 per cent of the crop at least will be rain fed—dryland production relying on rain. There will be potential for supplementary irrigation of that. Obviously, that is seasonally dependent. But the majority of production will be rain-fed production.

Senator McCARTHY: What research has the corporation done on the required yields for an economically viable industry in the north, such as on supply chains?

Dr Taylor: We have worked with CSIRO looking at the economics of cotton production in northern Australia.

Senator McCARTHY: Can a dryland crop sustain the associated industries and supplies?

Dr Taylor: When we think about a dryland crop in northern Australia it is synonymous with either partially irrigated or irrigated cotton production in the south. We know there are some yield differences. Currently, fully irrigated cotton in the major cotton regions averages at around 10 to 11 bales a hectare. Rain-grown cotton in northern Australia will be slightly less than that. As an example, some of the dryland cotton yields we had in southern Australia this year were around eight to 10 bales a hectare and in northern Australia around five bales a hectare.

Senator McCARTHY: We were just talking about the proposed new cotton gin north of Katherine, Tarwoona Station. The industry says that the new cotton-processing facility can be viable at 20,000 bales.

Dr Taylor: Yes.

Senator McCARTHY: What is the sort of throughput that a cotton gin generally needs to be viable?

Dr Taylor: Again, it will vary. I would probably need to give you specifics after talking to the ginning industry. Our gins in the southern area put through between 50 and 80 bales an hour, to give you some idea. Our expectation, and from discussion with growers in the north, is that they are currently looking to around 4,200 hectares. If you think about that, and production of five to six bales a hectare, then you are looking at around 25,000 bales over the next year or two.

Senator McCARTHY: So 25,000 bales?

Dr Taylor: Yes, that's correct. The projected growth of the industry in the north is around 30,000 hectares by 2030. That is my understanding of what the growth projection is for cotton in the Northern Territory.

Senator McCARTHY: Okay, so can you provide an estimate of how much water or land would be required to produce that many bales a year in the Northern Territory?

Dr Taylor: Based on those yields, and this is just a quick mathematical equation in my head, if you've got 30,000 bales at five to six, you're looking at between 50,000 and 60,000 hectares.

CHAIR: Is that right? It's 30,000 bales divided by five bales to the hectare. That would be 6,000 hectares.

Dr Taylor: Sorry. Thank you, Senator.

CHAIR: I'm very excited about cotton. I don't want it to be in any way overcooked.

Mr Metcalfe: We'll send Dr Taylor a new calculator.

Senator McCARTHY: That's the hectares, so how much water would be required for that?

Dr Taylor: Again from a rain-fed point of view we're probably looking at four to five megalitres per hectare, and I would have to get into more specific detail from the researchers in terms of the gross production water use efficiency index that they would be aiming for.

Senator McCARTHY: Alright, four to five megalitres per hectare. Just bear with me, Dr Taylor, let's have this all written down. In terms of water users and surrounding communities in places like the Flinders and Gilbert rivers in Queensland and the Daly and Roper rivers in the NT, what research and analysis, if any, has the corporation done on cotton development impacts on water in those areas?

Dr Taylor: The CSIRO conducted a large study in terms of impact. That study is publicly available.

CHAIR: In 2012 the CSIRO did that study, Senator McCarthy. It's interesting reading.

Senator McCARTHY: 2012? There's a lot of rain that's happened since 2012 in the Top End.

CHAIR: I think they used the last hundred years of data.

Senator McCARTHY: Thank you, Chair. In terms of community engagement per se, you said that that was the Northern Territory Farmers who were doing that, Dr Taylor?

Dr Taylor: Yes.

Senator McCARTHY: Alright. Thank you very much for your update, and I'll certainly be looking forward to getting a further briefing from NT Farmers when I get back home to the Northern Territory. So I appreciate your time this afternoon.

Dr Taylor: Thank you, Senator.

CHAIR: Thanks very much, Senator McCarthy. I would ask all the same questions as Senator McCarthy but for the Gilbert and Flinders river systems, but I won't put everybody through that. I just want to ask: what engagement or involvement have you had in the PVW study into the five possible locations of cotton gins in Queensland?

Dr Taylor: We haven't had any engagement in relation to that, sorry.

CHAIR: Could I suggest that as the experts in this field you ask them if they would need your expertise? I think that would be invaluable. I thought I was just throwing you a high ball there.

Senator PATRICK: I thank the CDRC for the extensive answers you've provided me in relation to question no. 12. That's very helpful. But I'm going to ask to burden you with just a little bit more data, and I accept this will have to be taken on notice. You've given totals in terms of hectares and bales. I'm just wondering if you could break all of the figures up into dry land and irrigated. That might take you a little while, but it is very useful.

Dr Taylor: Senator, we'll have a look at the datasets and see if we can do that for you.

Senator PATRICK: Is there a definition for dry land? Is there any greyness between dry land and irrigated?

Dr Taylor: Typically, no. The exception that I would suggest to that is on the Darling Downs you may have a dry land crop that may receive supplementary irrigation, so it may receive one or two irrigations in a year if there is water available.

Senator PATRICK: I'm just wondering because statistics normally have very narrow or at least specific definitions. Maybe even on notice just take what the definition might be and perhaps where the Darling Downs might fit into those definitions. For the same figures, could you break them into dry land and irrigated, but also is it possible, using the same valleys and regions that you've selected, to look at the direct full-time equivalent jobs employed in producing and processing, the number of farms and the cotton exports in Australian dollars and bales? I'd be grateful if you could do that. I'll just come to a couple of questions I've got where I'm hoping I'll get some answers instantly. Are you agreeable to taking those other questions on notice?

Dr Taylor: Yes, thanks.

Senator PATRICK: Thank you, that's very helpful. What's the typical break-even rate of cotton bales per hectare in the current market?

Dr Taylor: For fully irrigated it's around eight to nine bales a hectare.

Senator PATRICK: Eight to nine bales, okay. Is that the same for dry land or not?

Dr Taylor: No, dry land costs are much less, and dry land is grown usually in the rotation of, say, one to five years as opposed to consistently grown.

Senator PATRICK: Okay, so when I look at your data that you've provided, again, going back to a question on notice no. 12, if I look at, say, North Queensland, they have, based on just averaging across the last four years of data, three bales per hectare, Northern Territory was 5.3 and the Gwydir was 7.5. I'm just wondering: is that because of a mix of dry land or irrigated?

Dr Taylor: Yes, Senator. The area that you identified initially, so North Queensland, is mostly dry land production. Sorry, the second area that you identified?

Senator PATRICK: Northern Territory. Obviously I think that's dry.

Dr Taylor: Northern Territory is dry land.

Senator PATRICK: And what about the Gwydir? I imagine that's irrigated.

Dr Taylor: The Gwydir does have some dry land but some irrigated. It depends on the time frame that you are looking at those averages.

Senator PATRICK: That was based on 2020-21, so it was only over one year. Let me just go to the next question I was going to ask. In 2018-19 the yields for the Gwydir were 2.7 bales per hectare. That seems really low.

Dr Taylor: That would have to be dry land, Senator, but I can go back and actually re-check.

Senator PATRICK: Okay. One of the points I had was that it might have been the fact that that year was the top of the drought, because that was all the Menindee kills, which then leads to my question. You're in a drought. You've got people downstream struggling with water. Where my question goes to is: it's clear from the data that some people were using water and losing money, and I wonder what mechanisms are in place to look forward and say, 'You know what? Let the water flow past, because you're not going to make money this year.'

Dr Taylor: Senator, I would have to look at that data in more detail to provide you with a more comprehensive response.

Senator PATRICK: Yes, alright. You understand what I'm trying to say. I'm not being critical. I'm sure even an irrigator would say, 'If I'm not making money, why would I take the valuable resource that I have?' It might be that people have started off with the best of intentions but have ended up in a situation where they themselves lose out, and everyone loses out in those circumstances. My hope is that as a research organisation you guys would be interested in avoiding that situation as well.

Dr Taylor: We would, and again that's why the actual composition of that yield and water used is really important in actually understanding that dataset.

Senator PATRICK: You now understand why I want to break it up a little bit further, because I couldn't get to the bottom of that. Just in terms of where you've come up with the estimate for 2020-21, I note also that again the Gwydir on your numbers is 7.5 bales per hectare, which is below the break-even price. Where do you get all of this data from? Where do you get the estimates from?

Dr Taylor: We work with Cotton Australia and industry to get that information.

Senator PATRICK: Cotton Australia used to publish this but don't anymore, do they?

Dr Taylor: Cotton Australia publish their yield data, and the price is available publicly.

Senator PATRICK: But I'm talking about estimates looking forward. Does Cotton Australia publish those?

Dr Taylor: You mean forward yield estimates?

Senator PATRICK: Yes.

Dr Taylor: We do have forward yield estimates that are identified for coming seasons.

Senator PATRICK: Sorry, what is the source of that data?

Dr Taylor: That is based on industry understanding of water availability, likely conditions and working with cotton seed distributors who actually provide planting seed to industry.

Senator PATRICK: Okay. That's all I really had, but thank you again. I will re-look at this when you provide the additional data I've requested, but I thank you very much for it.

CHAIR: Thank you very much, Dr Taylor, and once again I've been up to Mount Garnet in Queensland, out to Julia Creek and to Georgetown looking at either new crops or potential sites for new crops. We're really excited because of the new people and commitment that it would bring to those regions, the cotton seed for cattle. So I look forward to your greater involvement in what's happening in Queensland and once again ask that you insert yourself into some of the discussions that are being had there. That is all the questions that we have for you today, so please go with this committee's thanks and we look forward to seeing you at the next estimates.

Dr Taylor: Thanks very much, Senator.

Wine Australia

[15:26]

CHAIR: We now call representatives from Wine Australia, who are coming via videoconference. We should have Dr Allen? There you are. Thank you.

Dr Allen: You do.

CHAIR: Excellent, we can hear you, Dr Allen. And Mr Clark, are you online?

Mr Clark: I am. Sorry, I am just having problems with my video.

Dr Allen: Senator, I'm in Melbourne in lockdown.

CHAIR: We're grateful that we still get to see you. This is the benefit of modern technology, isn't it?

Dr Allen: It is.

CHAIR: Enjoy your time at home. I hope you're well stocked up on all the necessities. I won't go through the list of what you shouldn't be overstocked on.

Senator Ruston: I'm sure she's got plenty of gin.

Dr Allen: Only wine.

CHAIR: What was that, Senator Ruston? I didn't hear that quip.

Senator Ruston: I didn't say anything about gin, not a word about gin.

Senator PATRICK: We're talking about cotton gins, I think.

Senator Ruston: Cotton gins, that's it, yes.

CHAIR: Terrific. Do you wish to make an opening statement today?

Dr Allen: No, we'd just like to thank you for asking us to Senate estimates. I'd like to put on the table that I've left an interview for the incoming CEO of Wine Australia, and so this will probably be Mr Clark's last Senate estimates.

CHAIR: Oh dear. Let's make it memorable for him, then.

Dr Allen: Ask him some hard ones.

Senator McCARTHY: I think I can do that, Dr Allen, if you'd like. No, not that bad.

CHAIR: Senator Patrick has to go to another committee shortly, so you wouldn't mind if he starts?

Senator McCARTHY: You may, Senator Patrick.

CHAIR: Then we'll hand to Senator McCarthy.

Senator PATRICK: Senator McCarthy's always very nice to me.

CHAIR: She is.

Senator PATRICK: Okay. Sorry, I am just sending a text to the other committee saying I will be there on time now. Thank you for the answers you provided to me at the last estimates. Just to summarise, what I took away as the headline items is that throughout COVID wine's domestic consumption increased. We have had increases in the US and the UK markets, but then we have had this very steep decline in relation to China because of the tariffs that are being imposed. Is that a reasonable summary of your answer?

Mr Clark: Yes, Senator.

Senator PATRICK: Okay, thank you. So I'm wondering: do you expect the UK numbers to be longer term? Is that the thought in your minds, or is it an aberration?

Mr Clark: The growth that we have enjoyed over the last 12 months is in the order of 30 per cent plus. I think it will be difficult to maintain that level of growth. However, I am optimistic around ongoing growth into the UK market. We are strong in that market. We have been number one in the retail trade for over 20 years there, and so we are well placed. Obviously the prospect of a free trade agreement and any outcomes that flow from that will also hopefully provide some benefits to our ongoing growth into that market.

Senator PATRICK: What about the US? Are you expecting continued growth there? You have had a jump and I accept that you can't maintain that, but are you expecting similar levels or more for this year?

Mr Clark: Again the growth in the US has been at a much more subdued level in the order of the four to five per cent range compared to what we have had in the UK. I do remain optimistic around future growth into the US at around those levels. There are many exporters who are very interested in the US market. We've got a market

entry program, for example, and we have over 50 participants as part of that. That's all about helping them connect with importers and distributors to help support their commercial activities in the markets, so I am optimistic about future growth.

Senator PATRICK: And can you just give me a summary of the Chinese market? So we have had tariffs, I thought it was a really massive drop in the numbers from China. What is the process the Australian government is going through in respect of dealing with those tariffs, just to help me out with understanding? We have taken that to The Hague, is that right?

Mr Clark: The Chinese government landed with a final decision in terms of the anti-dumping and countervailing duties investigations made last year and put in place tariffs as a result for a duration of five years, so they are now in place. Obviously then it falls to the government to consider what further action that they would like to take, including potential WTO action, but the department is best placed to talk on that.

Senator PATRICK: I don't want to cross the boundaries and wear the wrath of Mr Metcalfe, but to your knowledge you are not expecting or you are expecting or you just simply don't know where the government sits on that, just in the context that you might signal to your own members?

Mr Clark: I think the government has principally been talking with Australian Grape and Wine, who are our peak representative body, because they are the voice of industry in terms of taking the pulse of the sector as to the appetite and whether they would like the government to go down that pathway. So I would defer to the department, and they can talk about their discussions with AGW as to what they wish to do in that regard.

Senator PATRICK: Is it appropriate to ask, Mr Metcalfe, where we're at with our response to the Chinese tariffs?

Mr Metcalfe: Senator, I spoke at some length yesterday about agricultural trade matters, and my colleagues who are the experts in that field aren't here today.

Senator PATRICK: So it's on the *Hansard*, you are saying?

Mr Metcalfe: It is, but just to add to what I said, we obviously recognise that there are significant issues associated with some agricultural commodities because of actions taken by China. In relation to barley, for example, the government has now initiated a WTO dispute mechanism.

Senator PATRICK: So they have?

Mr Metcalfe: In relation to barley. There are lead times associated with those mechanisms, and I think wine has yet to get to those deadlines. I can check on that. But realistically this has just thrown up the fact that while of course many exporters were focusing on the China market because of the premium prices that it offered, the diversification of trade is an important aspect as well, and so the Agri-Business Expansion Initiative announced by the government at the end of last year is an important part of that. It gives significant additional resources to Austrade to work with major exporters to assist them in accessing markets generally, and my department has been given some additional resources to assist with that as well.

Senator PATRICK: So I might ask Wine Australia: do you have mechanisms for tracking the effect of that money that the Commonwealth is investing in the diversification of markets in your sector? Is that something where, when you see data rising or falling, you've got mechanisms to attribute that to particular causes?

Mr Clark: A couple of comments in response: one is we are working closely with the department and Austrade regarding the design and implementation of that package as it relates to wine, so those conversations are ongoing at the moment. As part of that and I guess also to answer your question more directly, we have a rich dataset from Wine Australia because all exports need to come through us for export approval, so we know who is exporting, where that product is going and at what price points to every country around the world. So that is very useful, the dataset, (a) to inform what the opportunities are out there that we need to target and then (b) to also track results and performance off the back of this additional investment. So we'll be working hand in glove with both of those agencies to support that endeavour.

Dr Allen: And to answer your question, Senator, we at Wine Australia actually report frequently on export data. Those reports are publicly available, are they not, Andreas?

Mr Clark: Indeed, every quarter we put out the report.

Senator PATRICK: Just finally there were some questions I asked about the impact of climate change on the wine industry, and you have answered them quite comprehensively. But you did say—let me just find the answer—that you were using a climate atlas. Do you use any other models other than that climate atlas?

Mr Clark: That climate atlas is a bespoke tool for the wine sector, and it's built off the various modelling that is out there in terms of projections of what is going to happen potentially with temperature increases. So using

those models then what we have done is develop a climate atlas for wine regions so they can understand where a particular region may get to in the year 2100 in terms of how it's going to look, and then it helps those growers to make investment decisions around plantings and future opportunities in their region.

CHAIR: Senator Ciccone, you have questions for Wine Australia?

Senator CICCONE: Not wine. I mean, I like wine, but I haven't got questions.

Senator McCARTHY: I just have a couple of questions in relation to this sector and staffing, and we have been asking this of many of the different sectors that have come before us: as a result of the closure of the borders, have you found in your sector that the closure of the borders has been impacting you, and has there been any research done in relation to what you're trying to do to assist the producers?

Mr Clark: So earlier in the year we partnered with Australian Grape and Wine to do a labour force survey to understand impacts that they were experiencing. The sector relies on overseas seasonal labour, particularly around harvest time and some regions more than others, both in the vineyard and in the winery. That survey did reveal in some regions across the country, and it wasn't uniform, that it was causing an impact and meant that, for example, not as much hand-picking could take place and there had to be more machine harvesting taking place instead. That work was garnered just to help ascertain the lay of the land and to inform Australian Grape and Wine discussions around policy setting. So that has been done. Forgive me, the other part of your question, Senator?

Senator McCARTHY: You talked about the survey. I might just go to that first before I go to the second part of my question. Is that survey just an internal survey for you or is it a public survey?

Mr Clark: I would have to take that on notice, but I'm confident we could share much of the information with you.

Senator McCARTHY: If you feel you can table that document and provide it for us or provide further information around that survey, that would be good, thank you. I guess that was part of my second question: what are you doing in relation to the action of any research or in this case your survey?

Mr Clark: Principally we have garnered the information, and it is just to assist Australian Grape and Wine to understand the situation on the ground and therefore in terms of their advocacy agenda at all levels of government just to help make the case, where needed, in terms of the impact of any seizures around borders et cetera, how it would impact on the sector. So that it is really how that information has been used by our peak representative body.

Senator McCARTHY: Just before you we were talking about cotton and some of the numbers of cotton pickers that are used in terms of the process of cotton. What are the numbers that you usually have in the wine industry to assist with the process pre COVID, and what is the situation now? Are you able to provide those numbers?

Mr Clark: I think it would probably be best if I cover that all when I take it on notice.

Senator McCARTHY: If you could, thank you very much. Dr Allen, were you trying to say something there?

Dr Allen: No, I was just saying no, we wouldn't be able to tell you.

Senator McCARTHY: Okay, no worries.

Dr Allen: I was just shaking my head. You were watching me shake my head, going 'no'.

Senator McCARTHY: Is that what it was? So how many foreign workers does this sector usually rely on to provide an adequate workforce for producers?

Mr Clark: I think in the same vein, Senator, I'll take that on notice.

Senator McCARTHY: I have quite a few here that you might want to take on notice then, if that is okay.

Mr Clark: Sure, that's fine.

Senator McCARTHY: And they are pretty much in the same vein as those questions, so I could possibly table those ones, Chair, if that is the case.

CHAIR: Okay, sure.

Senator McCARTHY: And can I lastly just ask you: are you getting any kinds of feedback from your sector specifically in relation to the situation around trade disagreements with China?

Mr Clark: It has been a significant disruption for trade and exports into that market. China was a \$1.2 billion market, and the tariffs are at such a level that it makes it very hard for us to continue to compete in that market. I guess the overwhelming feedback is one of obviously deep disappointment as to where things stand. But ultimately the sector is one which is very resilient and understands the need to get on and to explore new

opportunities. We've just completed this year's [inaudible], looking exceptional across the country, so there are a lot of outstanding wines that will be in bottles shortly and over the coming year. They are looking forward to targeting new opportunities in a range of established markets, so the UK, US and Canada, or exploring new opportunities and markets like Vietnam, Singapore and Malaysia, to name a few, and we are working hand in glove with those exporters to tap into those opportunities.

Senator McCARTHY: Alright, thank you very much, Mr Clark. I do have further questions there, but I will put those on notice because they are around the actual dollar value impact, unless you have that figure with you. Okay, I can see you shaking your head there.

Mr Clark: It's probably easier to take it on notice this time.

Senator McCARTHY: Okay, no worries. It's pretty much some of those questions just around dollar values.

CHAIR: Terrific. That concludes your presentation here this afternoon. Best wishes, Mr Clark, for your next adventure, and of course, Dr Allen, you know that wine goes with our support. Thank you for your attendance today.

Dr Allen: Thanks, Senator.

Hort Innovation

[15:45]

CHAIR: Alright, we are now going to have Horticulture Innovation Australia. We have Mr Brand online, and Ms Bird I can see is online. Yes, terrific. Dr Anderson is hopefully just trying to connect.

Mr Brand: Good afternoon.

CHAIR: Terrific, that is both of you together. Good afternoon and welcome. Do you wish to make an opening statement?

Mr Brand: No, Chair, we are just happy to proceed with the agenda.

CHAIR: That is terrific.

Senator CICCONE: I note that the ABARES agricultural commodity report for the March 2021 quarter reported a reduction of horticultural output by one per cent, which is worth around \$12.8 billion. I just wanted to see your initial reactions to that. Has this decline been universally seen across Australia, or is it geographically specific?

Mr Brand: For the export industries we have seen a reduction of around three per cent, but it's coming off a previous year that was a bumper year. In terms of that data I'm more than happy to provide a lot more information across the 37 industries that we represent.

Senator CICCONE: You are able to provide more data, you said?

Mr Brand: Yes, I will take it on notice and I will provide you with more data.

Senator CICCONE: You will take it on notice. I wasn't sure if you were about to say something else, sorry. How have labour force matters contributed to this decline? Have you got any research on that.

Mr Brand: Yes. As you know, Senator, we had commissioned a report with EY, and we have just got the final report, the phase 2, of that EY study. We will be working through that data with industry and more than happy to supply a report following that consultation with our levy-payers. What we were trying to do with that study was quantify labour supply gap across Australia state by state.

Senator CICCONE: Okay, good to know about this second report. Is it the second report, or is it the report, and the first report from last year was an initial report?

Mr Brand: It's phase 2 of the report that we tabled last time. We went into COVID and we were in the middle of COVID, and there was an estimation of a shortfall of about 26,000 seasonal workers. What this phase 2 is doing is actually quantifying what actually was the gap across commodities and across states, so we are more than happy to provide that to the committee. But as I said, we have only just got the report. We want to work with the industries, the levy-payers, to work through that data, and then we're more than happy to provide you with the report.

Senator CICCONE: I don't want to be repeating myself, but what is the point of the phase 2 report? Phase 1 was about now and COVID; what is phase 2 about?

Mr Brand: Phase 2 is about really quantifying the true gap and then then also looking at scenarios going forward. The issue for our industry is that as COVID continues, it is going to be future years that impact our industries. So what we have done with phase 2 is look at different scenarios around what happens before it opens

up, what happens if we reduce the quarantine levels across different states and territories, because as you know we have different scenarios set up. What we are doing is quantifying the gap across some different scenario plans so that we can then work with industries and the relevant agencies to ensure we can make informed decisions about where the gaps are.

Senator CICCONE: When you say the true gap, does that mean the 26,000 figure that was used was in the phase 1 report was not an accurate figure?

Mr Brand: No, Senator. Sorry, it is probably poor language. I will turn my phone off, because people are texting me saying that I am on, and I know I am on, because I can see myself. What we are saying is that last time we met we made an estimation based off the information we had at the time. What we are doing now is quantifying that information, particularly for future seasons ahead, because obviously for us, our industries, it's very difficult to just turn off a tree or reduce plantings when you have got crops that are not only annual but also perennial.

Senator CICCONE: Can I put this question to you: to the best of your knowledge what is the gap that is facing horticulture right now?

Mr Brand: The tram track will be anywhere between 11,000 and 24,000 workers, obviously during the peak of different harvests, particularly in the fruit industry.

Senator CICCONE: Is that just throughout horticulture generally, or is that fruit?

Mr Brand: No, across all industries.

Senator CICCONE: And when do you expect the peak to be?

Mr Brand: During different harvests, but obviously summer is a key peak.

Senator CICCONE: In phase 1 if I am not mistaken you expected the peak to be around March, or that is what the industry thought. But March I think was when the 26,000 figure would hit. Did we get to 26,000?

Mr Brand: I'll take that on notice because I don't want to get into a position where I can be accused of being agripolitical. Our role is to provide the data and information, and from our perspective we have done a deep dive for industry. What we'll do is come back to you with a full report.

Senator CICCONE: I mean, with all respect, I don't think my question was political; I am just asking a factual question: was the peak 26,000? Did we get to 26,000?

Mr Brand: I'll have to take that on notice.

Senator CICCONE: So you don't know?

Mr Brand: Look, I don't have that information with me, Senator. I can find it. I can get you the information while we're talking.

Senator CICCONE: If you could, that would be great. I said this at the last round of two estimates now. Labour obviously is a very big issue not just in horticulture but across the board in ag. If you could come back to me with a figure before you head off, that would be great. So the true gap is what will be contained in phase 2 of your report, is that correct?

Mr Brand: That is correct, Senator.

Senator CICCONE: Alright. I will wait for you to come back to me.

Mr Brand: Senator, to be clear, we looked at four scenarios in the model, and yes we talked about a peak, but really that peak sits between December and April. That is really the peak. What we are looking at is a market supply gap of up to 24,000. But as I said, the report has only just landed. That is the worst case. We believe it's somewhere between 11,000 and 24,000, but we want to work with the industries to really quantify that, commodity by commodity, but also state by state and territory.

Senator CICCONE: Look, I appreciate that. I'm not trying to put words in your mouth here too, and I look forward to having a read of that report. I guess what I'm just trying to work out is: did we really get to that 26,000 figure? Now it sounds like it has been revised down. Or are we expecting that peak next year or the next season?

Mr Brand: As I said, the feedback we are getting is that this issue, depending on how long the pandemic lasts, particularly with international border closures, will continue to have a knock-on effect. But as I said, I'll be more than happy to share that final report once we have shared it with the levy-payers and worked through the scenario-modelling.

Senator CICCONE: Alright. Take this one on notice: I think I've already asked if you are able to determine what shortfall there might be between required and expected labour force numbers and when you envisage

Australian horticulture returning to growth and surpassing pre-decline levels. I don't know if that is in phase 2 or not?

Mr Brand: I'll come back to you on that.

Senator CICCONE: And how you will work to achieve that. Alright. What initiatives is Hort Innovation putting in place to support the growth of the industry, and how do you measure their success?

Mr Brand: The growth of the whole sector?

Senator CICCONE: Yes, the growth of the industry, of horticulture.

Mr Brand: Okay. I guess multiple initiatives are driven through getting advice from our 37 levied industries, so from an R&D perspective that can be from genetics through to usage-and-attitude studies, accessing new markets, working with government agencies on market access protocol developments. It's quite a broad question. There is science that we are dealing with in the here and now around pest diseases, but there is a lot of research that is a future focus, so in the protective cropping space, for example, or through intensification where miniature trees now would be grown and be a productive tree but being a lot smaller, as an example. So there are a multitude of projects that we do. In fact 600 projects this year is what we are looking at for those 37 levied industries.

Dr Anderson: There are specific things that we've got to grow the industry, but across all our investments, across all our industries, we have key themes. We have initiatives that are contributing to productivity and preparedness, initiatives to do with demand. They could be marketing initiatives as well as breeding and other productivity improvements. There is all the data, such as the labour force study, that help our industries make better decisions and us make better investment decisions and then of course the important outcome in crops in terms of growth. So they are our four.

Senator CICCONE: Sorry, can I just ask you to move a bit closer to the microphone? For some reason we can't hear you very clearly. Thank you. Hopefully if you're a bit closer to the mic, that might be better.

Dr Anderson: Sorry, Senator. Would you like me to repeat all of what I just said?

Senator CICCONE: Just probably just the last 30 seconds, if you could, yes.

Dr Anderson: Okay. As I said, there were just four broad categories of investment areas to build the growth of our industry. Those are around productivity and preparedness, demand creation, business insights and then of course the important area around adoption and building that knowledge awareness and finally adoption of our research initiatives to drive that growth in industry.

Senator CICCONE: You mentioned initiatives. I don't know if you're able to provide us what those initiatives are, if there's a list of initiatives or you can provide us with a document with all of the initiatives.

Mr Brand: Senator, we have a number of outcome areas, and what sits under those outcome areas are key projects and initiatives. We're more than happy to share that information.

Senator CICCONE: That would be good, if you could do that. That would be great.

Mr Brand: All 37 industries?

Senator CICCONE: Yes, everything.

Mr Brand: Okay.

Senator CICCONE: Thank you. And how do you measure their success? Do you go back to the industries? Do you get externals to come in and judge how successful or not they are being?

Dr Anderson: We have a range of evaluation methods. We do have a monitoring and evaluation framework for all of our Hort Innovation investments, but overall we have a mixture of project reference groups, which are grower led. The growers on our reference groups provide input for projects to proceed. We make independent evaluations. We actually have independent evaluators assessing them, our investments, and then we have the impact assessment, which does the economic impact assessment. So we do a random sample across all our investments to get a benefit-cost assessment each year.

Senator CICCONE: Okay. I am assuming that's then reported to the board or your governance?

Dr Anderson: Correct, and we compile that with other research and development corporations as well, but benefit-cost we can provide you with the reports. We do a random sample across all of our investments, but we also do samples within individual industries. So we can provide reports. They're also available on our website for all our levy-payers and stakeholders to read.

Senator CICCONE: Okay. Speaking of stakeholders, what initiatives do you currently have in place to gauge the level of satisfaction amongst your levy-payers with the organisation's performance?

Mr Brand: We've got a stakeholder engagement survey that we do. That's roughly every two years. Obviously with COVID last year we did delay it, but the report has just been finished and we haven't analysed that yet. We also have a number of ways of engaging with the peak industry bodies, either one-on-one meetings or we also have PIB forums, where we meet regularly, at least two to three times a year, with the peak industry bodies as a forum. Then we also send out communication roughly every six weeks to the PIBs giving them an update on what's happening across the industries. We also have, across the levied industries, advisory panels which are made up of representatives of levy-payers, peak industry bodies and supply chain. That's the mechanism where we get advice on investment themes or initiatives, and we do that on a regular basis as well.

Senator CICCONE: Alright. I don't know whether you are able to provide the results of some of these initiatives to the committee or not. You can take that on notice.

Mr Brand: Sure, we can provide you with the results of the stakeholder engagement survey. We're more than happy to table that.

Senator CICCONE: What measures do you have in place to deliver greater value for money for levy-payers?

Dr Anderson: Currently we're reviewing or refreshing all of our industry strategic investment plans. They're currently on our website for feedback from industry. Through the implementation of those strategic investment plans and refreshing them we ensure that we're investing in the highest priority areas and getting that consultation and feedback from industry about the priority areas for investments. So those documents will be valid for the next five years and will guide our investment for those five years.

Senator CICCONE: Okay. And I'm assuming the consultations you have are those direct one-on-ones, as you mentioned earlier, with all those relevant stakeholders?

Mr Brand: Yes, Senator. The other mechanism we have is when there's a gathering of an industry, so only two weeks ago there was the banana congress. We have relevant staff attend the congress, which is a gathering of the banana growers. We've got Hort connections coming up in less than two weeks time in Brisbane, again an opportunity to be in the agenda and present updates on projects but also importantly an opportunity to interact with levy-payers. And we also do events with our extension team. We've got six of them around Australia. We interact with employer groups and industry meetings as well.

Senator CICCONE: Okay. I've got questions that relate to the Good Mood Food campaign of last year. I think in previous rounds of estimates there were a number of questions that were put to you on this topic, many of which I think you've taken on notice previously. With reference to the evaluation of the campaign's effectiveness, your answer to question 34 on 21 October of last year that was taken on notice states that ACIL Allen Consulting had been engaged to among other things undertake an assessment of the campaign and its effectiveness. With their final report due in early 2021, has that report now been completed?

Mr Brand: Senator, the actual report has only just been completed. What we've seen in terms of the measures that we were looking for with this category campaign was that purchase intent increased. We also saw an increased awareness of health, particularly mental health benefits, and also potential increases in purchase intent and health outcomes, particularly around the fact that eating fresh fruit, vegetables and nuts will improve your mental health. The other benefit that we found from the campaign is that it's a real opportunity to build upon for the future, so it's a campaign that we can actually look at. It continues at the moment through visual and website, but in the future we believe it could be an opportunity to continue driving an all-of-horticulture message.

Senator CICCONE: Is it possible to table a copy of that report?

Mr Brand: Certainly, Senator, when we've got the final final. We've got a final presented. We have still got a couple of elements that were delayed within the program because of COVID. That means that the final final will be in June. So once we get that, we'll be more than happy to provide a copy.

Senator CICCONE: What about just the final? I can wait for the final final later.

Mr Brand: Okay, final, sure. Sorry, bad language: final.

Senator CICCONE: It's alright, I'm being cheeky too. What kind of work has the consulting undertaken to properly evaluate the relevance, the effectiveness and the impact of that campaign?

Mr Brand: They've looked at data that we've got through our tracking, so consumer tracking, media tracking. They've also spoken to stakeholders, so a number of PIBs. Again that will be in that report.

Senator CICCONE: Alright, I look forward to the final version of that.

Mr Brand: It's a great read.

Senator CICCONE: I've got a lot of bedtime reading, I can tell you, after this week. Sorry, Minister?

Senator Ruston: You asked for it.

Senator CICCONE: I do ask for it, I know. Have growers themselves been engaged to provide their feedback?

Mr Brand: As part of the assessment my understanding is that ACIL Allen did talk to a group of growers, so again it will be in that final report.

Senator CICCONE: Okay. And I suspect my next question you may have already answered, but what metrics did Hort Innovation have internally to measure the success or otherwise of the campaign?

Mr Brand: The measures we had were around purchase intent, around cut-through in terms of better awareness of what the key messages were. Particularly with COVID the intent was to really try and help with behaviour change that was happening. What we didn't want to see was people switching out on fruit, vegetables and nuts and just bingeing on junk food, and that was one of the things that we looked at. The key piece was an enduring platform to help drive a health nutrition message with a different twist. As I said last time, never waste a crisis, and I think COVID provided us with that opportunity to try and create an all-of-industry position that has longevity.

Senator CICCONE: Just out of interest, did you consult growers before the campaign commenced?

Mr Brand: As I said last time, we didn't consult with growers in terms of going out and saying, 'Look, this is what we're looking at doing.' At the time we felt that there was so much concern and uncertainty in the marketplace that we decided that we wanted to create a bold, disruptive, unmistakably Australian campaign, and that's what we did. So we did take a risk, but I believe that it was the right thing to do at the time to try and help our industry, with consumer consumption wavering and being quite erratic. That's why we did it.

Senator CICCONE: Is it quite normal to not consult with growers before such campaigns?

Mr Brand: Normally we would use an advisory panel, because we do individual campaigns. This was a whole-of-horticulture campaign, and I think I said last time, with 23 marketing levied industries, for us to get something up relatively quickly, to do that consultation, I don't believe we would have got the program moving as quickly as we were able to.

Senator CICCONE: Just turning to a few other matters: is Hort Innovation planning to have an AGM this year?

Mr Brand: Yes.

Senator CICCONE: And that'd be the 2021 AGM? Obviously last year with COVID, I'm not sure. Sometimes people have delayed their 2020 AGMs for 2021.

Mr Brand: We had a virtual Zoom AGM last year. We're hoping this year it'll be face to face.

Senator CICCONE: Alright. And are there any current board members whose terms conclude this year?

Mr Brand: Yes. What I might do, Senator, is ask our chair, Julie Bird, to comment and talk through the AGM process, particularly around the board.

Senator CICCONE: I'm not worried about the process. My question was: are there any current board members whose terms will conclude this year?

Ms Bird: I can speak to that. There are three board members whose terms conclude this year.

Senator CICCONE: And who are they?

Ms Bird: Sue Finger.

Mr Brand: Stephen Lynch and Julie Bird.

Ms Bird: Myself.

Senator CICCONE: Did you have to be reminded about that, Julie? It wasn't meant to be a trick question; it was a genuine question. It's my understanding you can't just simply nominate to be elected to the board; you've got to go through a process. I think there's a selection panel. Is that correct?

Ms Bird: That is correct. In our constitution we have a requirement for a director nomination committee to be formed. That committee exclusively oversees the nomination process of directors. I can talk you through the composition of that committee, if that's something you're interested in.

Senator CICCONE: Yes, that's my next question. Who makes up that selection panel, and how are they appointed or elected?

Ms Bird: Sure. It's a four-person panel. The chair of the company is one member, unless up for re-election, which obviously in this case I am. Another director is appointed by the remaining directors to chair the director nomination committee. The secretary of the department, or their nominee, is also a member of the director nomination committee.

Senator CICCONE: Lucky you, Mr Metcalfe. He has got a big grin on his face too, by the way.

Ms Bird: There is also a levy-payer member on the committee, and that again is a nomination of the secretary of the department. And then there's an independent eminent person that's appointed by the board for a maximum of a three-year term, so at least every three years that person is rotated.

Senator CICCONE: Very good. And what criteria does the selection panel apply to assess applications?

Ms Bird: The director nomination committee works from a board skills matrix that is approved or recommended by the board itself, as well as assessing the specific skills and qualifications of the applicants through the process and then the composition of the board as a collective, which obviously is as important as the individual skills.

Senator CICCONE: And is that made publicly available, or is it given to people before they apply if they have expressed an interest?

Ms Bird: The board's skills matrix, is that what you're referring to?

Senator CICCONE: Yes.

Ms Bird: I believe that's available on our website, but that definitely is available to applicants when they're applying. They actually rate themselves against the criteria specified in the matrix.

Senator CICCONE: Are there any other requirements that one needs to meet in order to be considered?

Ms Bird: The only other requirement I guess is there are some conditions around eligibility to hold a position. Off the top of my head I probably can't be specific about those. I know they're to do with the current terms they may be holding in industry bodies, for instance, that might make them ineligible, but they also have an ability to step down from that position and apply. Is that the direction you were looking for with that question?

Senator CICCONE: Are members of agripolitical bodies able to be considered for election to the board?

Ms Bird: Members of agripolitical bodies? I believe so. I might need to take it on notice. I believe if they are office-bearers they may not be eligible, but I may need somebody to check if that's correct.

Senator CICCONE: I was just reading your constitution. I note it prohibits organisation from engaging in 'agripolitical activity', and that's why I asked whether members of agripolitical bodies are able to be considered for election to the board.

Ms Bird: I guess the majority of our levy-payers are members of industry bodies as opposed to office-bearers. By being a member of an industry body they're still eligible to be a director but not necessarily if they're a current officer-bearer of an industry body.

Senator CICCONE: Okay. I wasn't sure if you were seeking clarification from the CEO.

Mr Brand: Senator, if you are on the board of a peak industry body, you will need to step down in order to be considered to be a director of Hort Innovation.

Senator CICCONE: Alright. I note that one of your board directors—

CHAIR: Sorry, to interrupt. We were supposed to be going for an afternoon tea break at 4.15.

Senator CICCONE: Do we want to do that?

CHAIR: Do you have much more time to go?

Senator CICCONE: I've got a few more questions, yes, I do. Go for a break? Let's do that.

CHAIR: Have a break and come back to horticulture?

Senator CICCONE: Alright. I've got more questions.

CHAIR: You do have more questions?

Senator CICCONE: I do have more questions.

CHAIR: Okay, terrific. We're going for a break.

Senator Ruston: Put them on notice.

Senator CICCONE: I've got more questions, Minister.

Senator Ruston: Just put them on notice. Then you get comprehensive answers.

Senator STERLE: They're not respecting your authority, Chair.

CHAIR: No, it's really disappointing and frustrating. Go to a break. We'll be back in 15 minutes.

Proceedings suspended from 16:17 to 16:38

CHAIR: The hearing will now resume, with Senator Ciccone continuing his insightful questions with Horticultural Innovation Australia.

Senator CICCONE: Thank you, Chair. I want to follow on from my other line of questioning before. Given the ACCC's recent review of power imbalances in agriculture supply chains, what measures has Horticultural Innovation Australia put in place to manage any real or perceived conflicts of interest?

Mr Brand: Regarding the board?

Senator CICCONE: Yes.

Ms Bird: I guess we follow fairly standard practice in terms of declaring any real or perceived conflicts. And the eligibility criteria in the constitution are designed to minimise the risk of those conflicts being compromising to someone's position.

Senator CICCONE: So there are policies in place to deal with—

Ms Bird: Yes, there are. At every meeting we revisit the standing interests that are declared by directors, with specific reference also to any matters that have been discussed, and the real or perceived conflicts are addressed on a case-by-case basis.

Senator CICCONE: When you say 'case-by-case', does that mean it is addressed by the entire board?

Ms Bird: In terms of specific matters that are being addressed by the board, yes. When they are declared conflicts they are discussed by the board, with a view to managing those conflicts. If there was a view that somebody needed to be excluded from a discussion or a decision, that actively takes place regularly at board meetings.

Senator CICCONE: So who makes a determination about what is deemed to be 'agri-political'?

Ms Bird: Agri-political activity is defined in our constitution. It is also defined, I believe, in our funding deed. So there is quite specific activity that is not within our remit under both our constitutional expectations and our funding requirements.

Senator CICCONE: You believe there is a definition or you know there is a definition in the funding—

Ms Bird: My understanding is that there is.

Senator CICCONE: What is that definition under the funding agreement?

Mr Metcalfe: The department has statutory funding agreements with each of the research and development corporations. They are on our website. In the general requirements, we define agri-political activity. I won't read the definition here, but it is available. I can give you a copy if you'd like.

Senator CICCONE: That'd be great.

Mr Metcalfe: It's really just ensuring that the funds provided by levy payers and by the taxpayer to the research and development corporations are used for the purposes of research and development, not to lobby or engage in political activity.

Senator CICCONE: Okay. I thank everyone and I look forward to being sent a copy of that EY phase 2 report. I just want to confirm that your estimate of the shortfall in terms of the labour workforce is 11,000 to 24,000.

Mr Brand: In the break, I got some more information. The 26,000 that we talked about at the last estimates was really an estimation or an early indicator. We provided that to the PIBs to help them deal with the situation and what they could constructively do with government. With the next piece of work we did, rather than going backwards the industry wanted us to look forwards and plan ahead—and that's an 18-month projection. We've looked at a modelling scenario. It's basically a planning tool to pick up the gaps in peak periods and also to model the shortages with those peak periods and also different scenarios. One example would be that the industry goes back to normal and COVID disappears. Another example would be that COVID gets worse. We've tried to do a planning tool to pick up the gaps at peak periods and then model those shortages. That's where we've come up with that figure of between 11,000 and 24,000. As I said, once we've digested that report with the relevant levy payers and the peak industry bodies, we'll be more than happy to table that report for you.

Senator CICCONE: At the lowest point it could be 11,000 but at the highest point it could be 24,000?

Mr Brand: Correct.

Senator CICCONE: Alright. I'll await your answers to my questions. Thank you.

CHAIR: Thank you very much to Horticultural Innovation Australia for your time this afternoon. We look forward to seeing you at the next estimates.

Australian Pesticides and Veterinary Medicines Authority

[16:44]

CHAIR: Welcome. Do you wish to make an opening statement?

Ms Croft: Yes, I do. Thank you, Chair. I would like to start by acknowledging that Australian farmers are experiencing challenging conditions at present, particularly in relation to the mouse plague that is currently impacting many regional communities, including those in the New England region in New South Wales, my own region. In response to the mouse plague, the APVMA has prioritised the processing of emergency permits. We have issued five of them so far. We continue to work with industry to support the regional communities affected by this outbreak and we are currently considering a further three emergency permit applications. Two of those permits are from the New South Wales Department of Primary Industries. Those permits seek approval to use a chemical known as bromadiolone, which is proposed to be mixed with farmer supplied grain at New South Wales Local Land Services sites.

The APVMA is aware of some misinformation in the media and on social media stating that the APVMA has already approved these permits. To be clear, the permits remain under assessment. All permits must meet the statutory safety, efficacy and trade criteria, and an assessment to determine that the APVMA is satisfied in this regard is always carried out prior to a permit being issued. This includes an environmental safety assessment to ensure the safety of potential non-target impact species.

One of the best ways the APVMA can assist farmers and producers is through the timely assessment of applications. Across the first three quarters of this year we have processed 95 per cent of all applications within the statutory time frame. We recognise that our success depends on us continuously improving the way we regulate and being adaptable to changing circumstances. We take very seriously our role of protecting people, animals, the environment and Australia's trade while being responsive to the needs of our stakeholders. Thank you, Chair.

CHAIR: Thank you very much, Ms Croft. I should have let everybody who is watching know that APVMA has come on before Dairy Australia and that Dairy Australia will be on next. Senator Sterle.

Senator STERLE: I just want to follow on from questions yesterday. Thanks for that, Ms Croft. The acoustics—I had a little bit of trouble; sometimes you dropped out on the odd word. You probably got the heads up anyway on where I was heading with the department yesterday, who clearly told me that the best person to speak to would be your good self. Would you please run us through the process around the approval of bromadiolone.

Ms Croft: Essentially, the New South Wales Department of Primary Industries submitted an emergency permit application. That emergency permit application is currently under assessment. As I mentioned, there are three key statutory criteria that we consider as part of assessing that application, and they go to the issues of safety, efficacy and trade. If satisfied against those statutory criteria and that it meets the needs of an emergency permit, we can then approve the permit, which will enable it to be used in that way in the marketplace.

Senator STERLE: Did New South Wales make an emergency application to you?

Ms Croft: On 13 May we received two applications from the New South Wales Department Of Primary Industries for emergency permits for bromadiolone.

Senator STERLE: This stuff was okay before, wasn't it? It's not new. It's been used in New South Wales before this. Let's just call it 'agent B' or something; it makes it easier. Is that alright?

Ms Croft: We certainly have products registered for use that contain bromadiolone. The difference in this instance is that they're seeking to use that product in a different way for a different purpose.

Senator STERLE: How long will this take? There is a lot of drama out there and a lot of loss and hurt. What do you have to do? I know you have to make sure it doesn't kill native animals and all sorts of other things, but what's left to do before you get it through?

Ms Croft: On 20 May we issued a formal notice to the New South Wales DPI requiring some additional information—specifically in relation to environmental and chemistry information—that was necessary for us to

determine if it meets the statutory criteria. The applicant has 28 days to provide that information for us. There isn't a statutory time frame associated with the approval of emergency permits. We do assess them as a matter of priority when we have them with us. But the processing time frame for the application is really subject to the applicant providing the information that will allow us to be satisfied that the applicant meets the statutory criteria.

Senator STERLE: Sure. That was only—how many days ago?

Ms Croft: On 20th May, so seven days ago.

Senator STERLE: I've got 13th May as the first date you received two emergency applications, and then on 20th May, so a week later, APVMA went back requiring more info from the New South Wales department, and that was only a couple of days ago.

Ms Croft: Yes, seven days ago.

Senator STERLE: And the department hasn't come back with anything yet.

Ms Croft: Not that I'm aware of, not a full response to the additional information sought.

Senator STERLE: Sure. I understand the fine work that APVMA does. I get all that, but they've got 28 days. I know you don't know this, but we could be another three weeks away before that information returns. What do you have to do after that? Do you look at it and say, 'Hang on, there's still not enough information.' This could be quite possible. I'm being straight up-front here: one would think the state department would extract a digit and get moving. This plague is not new; it's been around for about six months now, hasn't it? So what will happen? What's the process?

Ms Croft: We then need to assess the information provided to us and complete our assessments in line with the statutory criteria and then issue the permit, if it meets the statutory criteria.

Senator STERLE: Let's hope that they get moving. So with this agent B, what known nasties does it have to other species when it's to be used in the application to kill off—without the Pied Piper present—these mice?

Ms Croft: I think the key concern around the use of bromadiolone is, in this instance, in relation to the effect on non-target species. That would essentially be animals who might either directly access the bait or may, in fact, consume the carcasses of rodents who have died as a result of consuming the bait.

Senator STERLE: Sure. We know it was used in broadacre farming, and this is a completely different application. So what do we know the dangers of it—

Ms Croft: Perhaps—sorry to cut you off.

Senator STERLE: Have I told you I hate this technology? I've told everyone else 10 times!

Ms Croft: I would much prefer to be in the room in Canberra. Perhaps next time we'll do this face to face. In relation to bromadiolone, there is an important distinction to make there: it's not currently approved for use in broadacre crops or in any type of cropping situation; it's currently only approved for use in and around buildings whether they be residential or commercial buildings, so this would be a new use in terms of it being used in crops.

Senator STERLE: I apologise. Thank you for that, Ms Croft. I didn't realise. My information was that it has been used, but it hasn't been used in broadacre farming?

Ms Croft: The products currently registered for bromadiolone are not approved for use in crops.

Mr Metcalfe: I must just say there are other chemicals that are being used as baits which have received approval by the APVMA. That may be where that little confusion has arisen. Certainly Miss Croft will be happy to talk with you about zinc phosphide and other chemicals that are being used as part of the baiting process.

Senator STERLE: That's where I'm going to get to. I absolutely have no knowledge of this. Is this agent B stronger the way they want to do it with mice? Has the other stuff been mixed up with other stuff? I really want to get a whole picture, and it's good that we can have these conversations, but I think, if we went out to your part of the world and sat in someone's field where they'd lost all their crop and tried to have this conversation, we'd probably get pitchforked.

Ms Croft: Perhaps it might be helpful if I identify there are two broad categories of rodenticides which are essentially used for the control of rodents. One are the anticoagulant rodenticides, of which bromadiolone is one. Anticoagulant rodenticides essentially work by preventing the blood from clotting and it results in internal bleeding, which is what kills the rodent. The other type is zinc phosphide. So emergency use permits that we have approved over recent weeks have been in relation to zinc phosphide. Zinc phosphide works differently. It works by breaking down in the stomach acid and producing a gas called phosphine, and it is essentially that gas that is responsible for the death of the rodent. So they work by different mechanisms. We've approved five emergency use permits for zinc phosphide. Current zinc phosphide registered products can be used in cropping situations and

are already available on the market; however bromadiolone, which is the anticoagulant, is not approved currently for use in crops.

Senator STERLE: That could be miles away, but this zinc phosphide is out there.

Ms Croft: Yes.

Senator STERLE: Help me out here. As Mr Metcalfe clearly said to us yesterday—I think it was Mr Metcalfe; you'll pull me up if it wasn't—the problem that we're having with the supply of zinc phosphide is that it comes from China.

Mr Metcalfe: India.

Senator STERLE: Sorry, it comes from India, and with shipping challenges and other challenges at the moment around India with COVID and that, the supply has been held up—is that correct?

Ms Croft: I might defer to Dr Lutze, but I think there have been some supply issues in the past. However, generally speaking, there is sufficient supply available at a broad level, although individual companies or manufacturers may have had difficulty sourcing the active ingredient depending on what their supply chains have been.

Senator STERLE: Let's go to the good doc, who's dying to give me a good lecture in big words! You can tell me anything, Doc, and I will nod my head and believe you.

Dr Lutze: Thank you, Senator. As Lisa said, we went to registrants and holders a couple of weeks ago to get an idea about what the supply issues might be like for zinc phosphide—and I'll try not to use too many big words! We understand that there have been some transient shortages of zinc phosphide active constituent, but there hasn't been a significant shortage across the industry or a significant issue with getting supply of zinc phosphide across the industry at this point in time.

Senator STERLE: So why has the plague been around for six months? Why is it getting worse? Why is so much crop being lost? Why are farmers and communities going through so much pain? Why are we reading—and we are reading—that it's going to be heading for Sydney? What's happening? I'm trying to work out what's happening. I know the New South Wales government's come good and has chucked in \$50 million to help out. I've also read in the papers that some farmers are saying it's cost them between \$20,000 and \$150,000 for bait. Why is it not getting any better?

Ms Croft: Perhaps I will start. What has happened, obviously, is there has been an increase in population. It goes without saying that. The emergency permit applications allow us to take what is a standard use and either increase the rate of application or increase the concentration of the bait. For example, for previous baits, when there are not a lot of mice around, 25 grams per kilogram of the active ingredient might be completely appropriate. However, when there is a much larger population, under an emergency permit we might say, 'Okay, instead of using 25 grams per kilo of bait, you can now use 50 per kilo of bait.' So we can increase the concentration. We can also increase the rate at which it's applied. Perhaps, rather than a kilogram per hectare in a paddock, it could be applied at a rate of three kilograms per hectare or five kilograms per hectare. So, in broad terms, what's occurring now under the emergency use permits is an increased rate of application or an increased concentration of the bait itself.

Senator STERLE: That all sounds great, and Senator Davey is giving us a big nod over there that things are looking a lot better. When do we expect to have this all rolling out and bringing this plague under control?

Ms Croft: I think the APVMA is one part of that equation. We essentially assess applications if they are brought to us. It tends to be that state and territory governments, for example, the New South Wales Department of Primary Industries, will bring in an application for an emergency use permit and, as I said earlier, we'll assess them as quickly as we can once we receive them. We can answer with the component that deals with the approval of applications and making product available in the marketplace. Those other broader questions might be best for others.

Senator STERLE: No. What I mean by that is that we spent a fair bit of time on this yesterday. Mr Metcalfe made it very, very clear that this is the remit of the state governments; the Commonwealth is not in this space. I'd ask if the Commonwealth is going to offer any assistance of which Mr Metcalfe made very clear is the states responsibility, and they need to get on with it. Is that what you said?

Mr Metcalfe: I think they are getting on with it. Mice arrived with the First Fleet, and we've had mice plagues every four years since the 1870s, so it's not a new phenomenon, and, while what is happening is awful, it is something that does occur. The APVMA is obviously doing what it can to make stronger chemicals available

more quickly, providing it's done in a safe and efficacious manner, and that's exactly what the assessment processes are about.

Senator STERLE: You did say that it's not new, but we're hearing this is the worst one that's ever been around. This is what I'm reading. Farmer Ben Storer said that they had a bad one in the eighties once and had outbreaks of them here and there, but nothing this bad. When you hear about how many rolls of hay and how many sorghum crops are gone, I don't think this is an ordinary one.

Mr Metcalfe: Yes. There was a very bad one in 1993 as well, I understand. But, of course, at a local level, if you bring it right down to the farm or household, it could well be that people are experiencing something that is much worse than they've had before. Aggregated across the country, this is obviously a very major infestation, but we've had them before, I'm sorry to say.

Senator STERLE: Can I say, for those listening out there, that as far as the APVMA goes, there's still a bit of work to do; the New South Wales government's been a bit late coming to the party to apply for the applications, and there's still a fair bit of work to do. You can only deal with what you've got in front of you, and I get all that. But there is zinc phosphide. It's there. There's plenty of it. There are no dramas with it coming into the country. You've got it all; this stuff will be real beaut. It doesn't have an effect on other species. Is that correct?

Ms Croft: When we assess it or where it's been approved, either on a registered product or an emergency permit, we consider that it is safe to use according to label instructions or according to the conditions that are on that permit.

Senator STERLE: I'm just trying to break that down to easy speak. There are weapons out there to attack this mice plague. It's there. It's available. Anyone can get it now. Is that correct?

Ms Croft: Yes.

Mr Metcalfe: Again, just to be absolutely clear—I don't want to be pedantic—we're certainly aware that there have been some localised delays in supplies reaching supermarket shelves or hardware shelves or depot shelves. I gave evidence yesterday that the international freight assistance mechanism is being used to bring in more supplies more quickly. Clearly, as the infestation continues, there is a very strong demand for the chemical zinc phosphide. But the advice that we have is that, nationally, there is availability, but there may be particular problems in particular regions, because people are rushing to get the chemicals to use them appropriately.

Senator STERLE: Mr Metcalfe, you've just reiterated the evidence you gave yesterday. Dr Lutze, you have the microphone if I misrepresent you. Was there a supply there? There are no issues with it being held up. I'm just trying to think of the poor devils listening outside, looking for the miracle.

Dr Lutze: I think my evidence is completely consistent with Mr Metcalfe's evidence in that I said that there were transient supply issues being noted, but there were no absolute widespread problems in shortage of supply with zinc phosphide.

Senator STERLE: There are no widespread shortages of supply. Is that what you said?

Dr Lutze: That may well be due to the broader responses of government that Mr Metcalfe has mentioned.

Senator STERLE: So what does that mean for the people out there listening that are doing their bulbing because they've lost their livelihood? What do we tell them: 'Everything's under control; just bear it. It's only been six months now, but we'll be right soon'? If I were sitting out there, I'd be thinking, 'Listen to this drivel going on.'

Mr Metcalfe: I can understand the frustration that you and many people have, Senator. I'd simply reiterate: the APVMA is responsible for the licensing of chemicals, pesticides et cetera, and they have been moving with alacrity. But they obviously need the right information from the proponent to be able to make a proper scientific regulatory decision. We had advice from Ms Croft that we are now waiting for further information from the New South Wales DPI about the use of a new chemical, which is a very powerful and dangerous chemical, and clearly its use needs to be very carefully considered.

Senator STERLE: This is zinc?

Mr Metcalfe: No, bromadiolone. These are all dangerous chemicals if they're used in the wrong hands, and I'm sure that Dr Lutze or Ms Croft could tell us about the properties of the strength of these chemicals if they're spread out in grain around the fields, which is one of the proposals here. But, for people impacted by that, the New South Wales government, as one example, has announced a major package of initiatives—\$50 million—and clearly that's in response to the impact. We also know that there's been impact in southern Queensland, in Victoria, and in South Australia at the moment, largely because the conditions for the mice to breed up have largely come since the break in the drought, the wet weather, the availability of feed et cetera. This is something that, sadly, occurs across the Australian landscape on a fairly regular basis.

Senator STERLE: Okay. But we do know that this one is an extraordinarily large one in certain areas?

Mr Metcalfe: Certainly, from all the accounts we're hearing, a lot of people are being impacted across a very big area.

Senator STERLE: Of course. Right, wrong or indifferent, when the media says it's going to take over your home in Potts Point, no wonder all the Sydneysiders are starting to panic. Anyway, we'll see where that goes. Coming back to agent B, we know how deadly it is to other species, and it's never been trialled—only around buildings?

Mr Metcalfe: APVMA can give you the right advice, rather than paraphrasing, Senator.

Senator STERLE: Okay. Please, if anyone wants to jump in and help me out, feel free. We've got this agent B that's really deadly stuff, and by the sounds of it—I do not want to put words in APVMA's mouth—for those listening, we're nowhere near, tomorrow, the day after or the day after that, ready to tick off that it's going to be all good to go, because there's a lot more work to go if you want to use it for mouse plagues. Would that be a fair statement?

Ms Croft: Until we receive the information from the New South Wales government that we're seeking, I think it is too early to say exactly when we will be able to approve. What I would say, though, just to clarify something that's been said earlier, is that bromadiolone is a registered product. So we already have a degree of information within the agency about it. For example, in order to register it, we have already done an environmental assessment; we have already done a health and safety assessment. What we need to do for this emergency permit is consider it in this new use, in this new context. I wouldn't want to also imply that we might be months and months and months away from making a decision. We do have a significant amount of information about bromadiolone within the agency. We just need some additional information from the New South Wales government in order to—

Senator STERLE: I understand that. You said its previous use has been around buildings—

Ms Croft: Yes, it's approved for use currently.

Senator STERLE: But what Mr Metcalfe has clearly said, which I had no idea of before, is that the hope here is that it could be chucked out in the fields, correct?

Mr Metcalfe: I wouldn't put it that colourfully, Senator. But Ms Croft might be able to describe what we've been told is the intended method of application.

Ms Croft: The intention is that the bait would be applied around crop perimeters, both directly and within bait stations.

Senator STERLE: Okay. Does APVMA know—I did ask you, but I still can't remember the answer—and are we well aware of the danger it poses to other species in the way that we hope that it's going to be used in the near future?

Ms Croft: That would be part of our environmental assessment considerations, as well as our broader health and safety assessments. So we will consider that. As it is a registered product, we already know certain things. So there are some things that we can already draw on, but we would need to do further assessments.

Senator STERLE: Okay, so share that with us. What does it mean to native species and pets? What have you got that you can share with us? I'm sorry; I'm just sitting here thinking it sounds like, for the uneducated around this stuff like myself, this is going to kill everything—this'll even split the moon! But it doesn't sound that cut and dried that it's just about ready to roll off the shelves and get out there. And bear in mind we've got the zinc phosphide supply problems. I've got to tell you: if I went home, lifted a bucket and 40,000 mice came at me, you'd hear me screaming from Perth! So I can't imagine how those poor devils are doing it.

Ms Croft: I might defer to Dr Lutze in terms of describing bromadiolone. I will say that, because it is a registered product, if it is used according to its current use, it is safe in terms of environmental concerns.

Senator STERLE: It's safe if it's used just around buildings, in the mixture that it is now?

Ms Croft: Yes. If we were to approve it under permit, we would need to be sure that it could be safely used, including the impact on non-target species as part of the permanent application. We would have to satisfy ourselves of that statutory criteria for the new use.

Senator STERLE: So what's the difference between the way it's used now, around buildings, and what is proposed, the top fix, when you sprinkle it out around the crops? What's the difference? Is it 10 times stronger? I don't understand.

Dr Lutze: I think the issue that we need to address here is looking at the likely exposure to non-target organisms in the use that's being proposed around crops. The scale of the use is much larger, and that is really the subject of the environmental assessment we're conducting. We would be looking at having applications surrounding whole cropping fields, whole pastures, and having that done over a very large area. The access that non-target animals and birds might have to that is much greater than what you might have around a shed. The access to rodents, to mice that have been killed by the baits, is also different. They're the major subjects of our assessment.

Senator STERLE: In terms of trying to fix this disaster that's going on out there, how many megatonnes of this stuff do we need? Is it one truckload? Is it 5,000 road train loads? Do we know what we're talking about between the zinc—which we can't get hold of—and agent B?

Ms Croft: We would assess the permit application as it comes to us in terms of its use. It wouldn't be within the information that's before us, necessarily, to talk about what that might aggregate to across the whole of the country and across the multiple products that might be covered either by registered products or permit applications.

Senator STERLE: No, I understand. That was an unfair question of you. Mr Metcalfe, has the department got any idea?

Mr Metcalfe: Nothing further.

Senator McKENZIE: I'm just wanting to understand how long it takes the APVMA to turn around a permit approving the manufacture of autogenous vaccines in Australia.

Ms Croft: There are no statutory time frames related to permit applications as such. In terms of autogenous vaccines—

Senator McKENZIE: I don't think we should necessarily be working to statutory time frames. How long does the process take to get it? Surely you've got some data there.

Ms Croft: About average time taken to approve permit applications overall? I'm not sure that I do, but I'm hoping that a colleague might be watching that can provide us with that information.

Senator McKENZIE: So permits for the production of autogenous vaccines.

Ms Croft: Autogenous vaccines are one aspect of overall permit applications. We tend to publish permit application details in the aggregate. That might be research permits, emergency permits—as we have just been talking about in the mouse plague—or minor use permits. I just don't have to hand a number in terms of the average number of days it takes to approve an autogenous vaccine application.

Senator McKENZIE: Is it days, weeks, months, years?

Ms Croft: I would imagine it would be more in the months category.

Dr Lutze: It would be months. It would depend upon the degree of assessment that was needed for a particular vaccine product. In essence, that would relate to how similar it was to something we had seen before.

Senator McKENZIE: My understanding is that our farmers have had to wait up to eight months for permits from the APVMA compared to countries we compete against. In most cases it is taking 12 months for these permits to be issued, which puts practical and commercial imposts on our producers, particularly when they are trying to compete globally. Do you have any comments to make?

Ms Croft: We need to be careful here about whether we are talking about registered products versus permits. Overall, we approve 99 per cent of veterinary medicine applications on time. In that space, I would argue, there is not a significant delay. In the permit space, our statistics are certainly a bit lower than that. We tend to prioritise emergency permits over routine permits. Overall, 98 to 99 per cent of veterinary medicine applications are being processed within the statutory time frame.

Senator McKENZIE: This is the manufacture of the product itself, not the import?

Ms Croft: Yes. That is true for vet medicine applications overall.

Senator McKENZIE: Let's compare how long our system takes—and I have direct feedback from applicants that it's in excess of eight months—and what our international competitors are doing. How long does it take to get these types of permits approved in, say, New Zealand?

Ms Croft: I don't have the New Zealand statutory time frame to hand, but Dr Lutze might be able to give you a bit more context.

Dr Lutze: I don't have the information for New Zealand, but I do know that we've been working quite closely with industry in the recent past to reduce the time frames associated with the approval of autogenous vaccines.

We recently published some guidance that was co-produced with industry, and we'll be looking to see how this is implemented and what it does to reduce these time frames. We are keen to continue to work with industry to make sure this is an efficient process.

Senator McKENZIE: My understanding is that our export competitors can obtain permits in four weeks and, therefore, procure vaccines within six to eight weeks of that permit getting through. That means they can suppress disease outbreaks and don't have horrendous financial losses and animal welfare issues as a result. I take it you don't have international comparison data at hand—and it's not that you're not interested in how we fare against our competitors in this space. Is that something you would be able to get for me on notice?

Ms Croft: Yes, in terms of the question you have asked. By way of comparison, but without knowing the details, the 28 days that you are talking about would largely be consistent with our emergency permits. We have approved 80 emergency permit applications this year. Overall, 82 per cent of those have been finalised within 28 days. So I think it would be roughly similar if we're talking about emergency permits.

Senator McKENZIE: Can I have some more detail on notice. With Telstra landlines, it is always the tail; it is always the six per cent who don't ever get their landline fixed. So I'm interested in the 12 per cent of emergency permit applications and the long tail of the six per cent that are outside of statutory time frames for other permits.

Ms Croft: I have been given some information that goes to the question you asked earlier, so perhaps I could answer it now rather than take it on notice. In relation to permits, we essentially have six categories of permits. The categories range from five months to 9.4 months. In regard to the eight-month mark that you were talking about, it depends on the categories. For permits under category 19 and category 20, for example, the average duration is five months.

Senator McKENZIE: How does that range compare internationally for non-emergency permits? We are essentially putting a nontariff trade barrier on ourselves if we can't compete with this sort of stuff.

Ms Croft: I do think it's important. The standard time frame for a permit is three to 5.5 months. The extended time frame—which is used where, for example, we need to seek additional information—is five to 9.4 months. So I think what we could take from that overall is that, in a standard situation, the maximum time frame would be 5.5 months, which is shorter than the eight months you were referring to earlier. Obviously, under an extended time frame, it might go out to 9.4 months. But it would seem that the usual standard assessment would be three to 5.5 months.

Senator McKENZIE: In that answer on notice could you please provide me some detail on what you are doing to reduce those time frames.

Dr Lutze: Certainly.

Senator McKENZIE: Thank you.

CHAIR: I have some questions on sodium fluoroacetate. In particular, I want to talk about its use in the Wet Tropics. The Wet Tropics Management Authority has been using it as a pest control for feral pigs for the last 12 years. Sixty per cent of the control is through the use of this bait. However, they have come to me concerned that APVMA is considering making changes to the baits—possibly because of changes to the Queensland department's requirements. There are two issues that I want to address. One issue is the use of bait boxes. They had a three-year trial in that region that found them not to be more effective. We are only talking about the Wet Tropics here, not Queensland more broadly. The second issue is that there is potentially some talk of a change to stop using fruit baits. In the Wet Tropics, grain would be more available to birds and other animals than fruit. Because there is a great deal of alternative fruit in the region, they feel that that one is more effective and more suitable. Again, this is the group that has been actively managing feral pigs in this region for a long time. They are very scientific and sophisticated, so I am really keen that we take on their experience and advice in this regard. Can you help me with that? Is APVMA looking at making any changes to the use of 1080?

Dr Lutze: Outside of a chemical review or chemical reconsideration scenario, we will only make changes to uses if the applicant approaches us to modify conditions of approval. We have before us one application from the Queensland government—it may be two; I will confirm that later—for the approval of 1080 in that region for pig control. We are currently considering the use that has been put before us by the Queensland government.

CHAIR: But it's already in use, so is there a change of use that they're applying for?

Dr Lutze: My understanding is that this will be the first time this has formally been approved by the APVMA. The use is currently approved under Queensland state legislation—they've had powers to do so. They're currently bringing that into the national scheme and we're considering its use at the moment.

CHAIR: So it's currently approved by the Queensland scheme. What impact will your decision have? If you were not to accept this permit, would they have to stop using it? Just explain what the process is from here.

Dr Lutze: Sorry, Senator, I'm not certain about what the Queensland government is proposing to do with its actual approval. We'll consider the uses being put forward to us, and we're open to discussing the outcomes of any assessment decision that we make with the Queensland government. That's to make sure we approve a use that's as useful for the control of wild pigs as possible while still meeting our statutory criteria. I can't comment on the comments surrounding the use of bait boxes and the like; I'm not that familiar with the application or the assessment.

CHAIR: Will you consult with the Wet Tropics Management Authority, given that this is the region that the Queensland government is discussing with you about the approval for the use of these baits?

Dr Lutze: Normally, such discussion would occur through the Queensland government. I would suggest that if the management of the authority has concerns with what the Queensland government has applied for then they might like to discuss that with the Queensland government.

CHAIR: This seems a little circuitous, doesn't it? The APVMA is considering an application that's been made by the Queensland government, and yet the group that has had hands on the ground, has written scientific papers and has a really well-managed and monitored process is not being consulted. Potentially, you could approve something that's not practical on the ground in the Wet Tropics, which is a very different ecosystem to other parts of Queensland and Australia.

Mr Metcalfe: Chair, I think the officer and the APVMA are being proper in terms of administrative law, in that they clearly have an application from the Queensland government and therefore they have to deal with the applicant—the Queensland government. Our colleague is suggesting that if there are particular issues then that's really a matter for the applicant to proceed those. Ms Croft will tell me if I'm wrong, because I'm freelancing here a little bit, about whether the receipt of an application requires a notice to be given to all affected persons to provide comments which can then be taken into account. Ms Croft or the doctor might like to describe a little of the process of how they go about considering these matters—certainly, ensuring that the actual on-the-ground local application of the chemicals in question do occur in an efficacious manner.

CHAIR: Thank you. Ms Croft?

Ms Croft: I might actually defer to Dr Lutze, apart from to say, as Mr Metcalfe just said, that we have certain confidentiality requirements imposed upon us in terms of assessing applications. For certain things we're able to consult more broadly—for example, if there are likely to be trade impacts we publish trade advice notices and we publish application summaries on our website as we receive applications. So there's a range of mechanisms. But in relation to this specific example I might ask Dr Lutze to finish off there.

Dr Lutze: Thanks, Ms Croft. In relation to this issue, we'd be quite happy to discuss the concerns of the management authority in conjunction with the Queensland government—as party to discussions with the Queensland government.

CHAIR: Thank you, I appreciate that. As I said, it's a distinct ecosystem and region. They're very experienced at this point; this is not a new application or a new process. I think that their feedback and advice would be useful to you, as well as to the Queensland government. So I appreciate that commitment, thank you very much.

Do we have any further questions of APVMA? Senator Ciccone.

Senator CICCONE: I'd like to follow up on an answer that was provided by APVMA to a question on notice in October 2020 at last year's estimates. The answer provided a list of what was considered public goods and services under the standard definition that is used by government. There was a website link that was provided in that answer. In following the link, one arrives at the page where you can download the CRIS, and public good is mentioned in that document; however, no funds are listed, even though that was sort of the question. I did some digging around and looked under information activities. It does on to say that the cost of these activities is recovered as overheads attributed to the various programs of the APVMA, but again no costs or specific dollar amounts are listed. I'm curious as to why that was the case. It was a question that Senator Sterle asked. I don't know whether you're able to enlighten me or Senator Sterle.

Ms Croft: I do actually remember the question from Senator Sterle. I think it was right at the end of our most recent estimates.

Senator CICCONE: It was.

Ms Croft: I was present. My understanding is Senator Sterle asked me specifically for a list of what are considered public goods and services under the standard definition used by government. That's my recollection of

what was asked for. The answer to that particular question is that the Australian Cost Recovery Guidelines exclude public good; there is no standard definition used by government. You're welcome to check that with the Department of Finance, but the Cost Recovery Guidelines exclude public good from the development of policy rationale, so there isn't a definition. There is a footnote in the Cost Recovery Guidelines that basically says, due to the difficulty in identifying pure public goods, this is not considered to be a criteria in determining whether or not cost recovery is appropriate. So our Cost Recovery Guidelines do not require this to be considered as part of agencies doing their cost recovery work.

Senator CICCONE: Alright. But are you able to provide a dollar amount?

Ms Croft: No, because we don't take it into consideration in finalising the CRIS. So it has not been calculated because the Cost Recovery Guidelines don't recognise the term 'public good' and don't require government agencies to account against that particular category.

Senator CICCONE: There were categories on the website for corporate public publications, presentations, seminars and informing policy. Is there no way of you providing us with funds or costs or a specific dollar amount?

Ms Croft: No. I think there may have been some much earlier guidance going back quite a long way now where those concepts were broadly used, but they certainly do not form part of the Cost Recovery Guidelines, and we certainly haven't attributed costs in that way. The costing model that we provided in quite some detail to industry as part of developing the CRIS didn't categorise the funding in that way or the costs in that way.

Senator CICCONE: From another angle: you can't provide a specific amount for annual costs associated with the activities of the agency that qualify as public goods and services in line with the Department of Finances guidelines.

Ms Croft: No, not in relation to public good. There is a lot of detailed costing work that was provided as part of the cost recovery arrangements that did break down the costs to the agency both direct and indirect and those sorts of things, but it didn't go to that specific issue, because there is no Department of Finance definition as we understand it. I understand officers from the APVMA did discuss this with the Department of Finance in preparing the answer to that question to assure ourselves that we had a whole-of-government understanding.

Senator CICCONE: Could you tell the committee the costs associated with the core purpose of the agency—that being the assessment and registration of chemical and animal medicine products? And I'd appreciate a breakdown of (a) what makes up these costs and (b) the costs of animal medicine product registrations.

Ms Croft: I don't believe that we have necessarily split out animal medicine in that way. Certainly when we did the cost model in consulting with industry for the CRIS we provided them with an overarching summary, and I can provide that to you now. Essentially the costs to the agency fall into three regulatory categories. The first is our risk assessment and capability area, and the expenditure in that area is roughly \$10½ million, or about 30 per cent. The cost of our registration management function is approximately \$19 million, or around 53 per cent. And then there is the cost of our postmarket function, which would include things such as our manufacturing quality and licensing and our compliance chemical review, some of which the industry may consider to be more in the public-good category. Our expenditure in that area was approximately \$6 million, or about 17 per cent.

Senator CICCONE: Sorry—did you say the cost of animal medicine product registrations?

Ms Croft: I can't give you that exactly, but we did provide to industry, as part of the cost model, that our registration—which is our veterinary medicine team specifically—is about \$4½ million. However, that is just the team that does the risk assessment. It wouldn't necessarily include all the work that's done by other areas of the agency that contribute to those risk assessments prepared by the veterinary industry. So, I don't believe that anywhere in our costing model or our CRIS we've split out the pesticide from the vet component in the way in which I think you're asking for it.

Senator CICCONE: And I'm assuming also the costs of agricultural chemical products.

Ms Croft: We essentially regulate two things: pesticides and veterinary medicines. But the cost model does not split it out in that way. That is consistent with the activity based costing methodology that's been approved by the Department of Finance.

Senator CICCONE: In your most recent annual report an amount of \$17.735 million is set aside for relocation to Armidale.

Ms Croft: No, not for relocation. That was actually appropriation at No. 5, which was to ensure the ongoing viability of the APVMA in the event of a severe economic impact as a result of COVID. It was essentially

contingency money, and only to be received by us if our revenue fell as a result of a decline in levy income or application or annual renewal fees. So it's been appropriated to us but not drawn down.

Senator CICCONE: Yes, and that was going to be my next question: it hasn't been drawn down, has it?

Ms Croft: No, it has not been drawn down, and we do not expect to need to draw it down.

Senator CICCONE: Have any further costs been incurred as a part of the relocation?

Ms Croft: We had an overall appropriation of \$25.6 million. It goes out until June 2022. So there's about \$3½ million yet to be spent as a result of that, which we will fully spend between now and 30 June next year.

Senator CICCONE: I'm assuming it's to do with IT or other equipment.

Ms Croft: What is left is mostly in relation to application development, yes.

Senator CICCONE: I don't know whether you're able to provide this, given the various additional funding received for the relocation and other technological upgrades. Is it possible to provide a split of the depreciation costs?

Ms Croft: Are you talking about depreciation costs as we've reported them, for example, in the financial statements? Or are you talking about something currently?

Senator CICCONE: I mean both the current and the projected future amounts between those assets that have been funded through the additional special funding, and then those that are standard operating assets. If you need to take it on notice, please do.

Ms Croft: I was going to say, that's a slightly different question. I think I should take that on notice.

Senator CICCONE: That's fine. I think it's noted that depreciation expense in the last financial report is more than double the original budget, yet asset purchases are below budget. So I'm trying to get a clearer picture of why that is the case.

Ms Croft: We certainly know there was an increase of about \$1.7 million in our depreciation, and it relates to two things. One is an accelerated depreciation of our portal asset—that is, essentially, the portal that maintains all the applications and the IT system that underpins that. As you may well know, we're doing a new applications development process currently, and that's due to finish toward the middle of next year. So we need to depreciate the current asset. So that explains part of that. The other reason there was such an increase is that there was a change to the accounting standard around property leases. That change in the accounting standards meant we needed to account for them in a different way, and that explains the other part of the increase above what was projected in relation to depreciation.

Senator CICCONE: Does your agency have any specific efficiency targets?

Ms Croft: We're not subject to an efficiency dividend because we're 100 per cent cost recovered with the exception of the appropriation funding we received for relocation and for enabling technology.

Senator CICCONE: I'm aware of that, but I wasn't sure, maybe as part of good financial management, you were trying to reduce costs and reinvest those savings into the organisation or other programs, hence my question.

Ms Croft: I'm not sure if 'target' is quite the right word, but I certainly know that, when we were working with industry in relation to the CRIS, we identified a number of particular efficiencies that we were working toward. They mostly go to the efficiency with which we can process applications, but one is the total elapsed time. So, on average, back in 2014-15, it used to take us about 7.8 months to process an application. It's now around that 5.6-month mark. Equally our performance statistics used to be around 57 per cent in time frame, and they're now at 95 per cent. So it's those sorts of efficiencies. We've also, though, on a more financial level reduced expenditure on external scientific reviewers. We've almost halved that over recent years. So we've got those types of efficiencies but not necessarily a target.

Senator CICCONE: Don't call it a target, but, for whatever it is, what's that figure for the upcoming financial year and the one beforehand?

Ms Croft: I'm not sure that we have quantified in that way. We have projected costs and we have projected revenue, and that forms the basis of our CRIS. That is in that document that was linked to that question on notice, but there isn't a specific amount identified as an efficiency, as you might get, for example, an efficiency dividend in other agencies.

Senator CICCONE: These are my last couple of questions. On current estimates, how much revenue through fees and levies are you expecting to take this financial year?

Ms Croft: I believe it's about \$35.6 million this year and about \$36.7 million next year.

Senator CICCONE: Is that an increase from the previous year?

Ms Croft: It is a slight increase as a result of the revised CRIS that was agreed on 1 July 2020. That approved a slight increase to our annual renewal fee and some increases to the cost of application fees.

Senator CICCONE: How much was that an increase by, did you say?

Ms Croft: The application renewal fees, I think, increased from \$430 per renewal to \$550 this year. They will be \$600 per year starting from 1 July next year.

Senator CICCONE: Overall, what's that for from one financial year to the other in terms of your overall bottom line?

Ms Croft: Overall, it's an increase of \$2 million, I think, for this financial year and closer to \$3 million by year 2 of the implementation of the CRIS.

Senator CICCONE: Can you provide a breakdown of this year's revenue between fees and levies against the different product categories?

Ms Croft: I certainly can.

Senator CICCONE: Thank you. That will be my last question, Chair.

Ms Croft: The PPS estimate for 2020-21 is that we will receive \$18.5 million from levies, \$7.1 million from annual renewal fees, \$7.6 million from product application fees and \$2.5 million in other industry contributions, like our manufacturing and licensing program. That takes us then to the total of around \$35.7 million.

Senator CICCONE: Thank you.

CHAIR: Senator Sterle.

Senator STERLE: Ms Croft and Dr Lutze, it's amazing who listens in to this. I've been contacted by a farming organisation, which has sent to me an article from *The Land*. It was dated 4 August 2017, and the reporter was one Daniel Pedersen. Before I get to that, earlier, when I was asking you questions, you said that bromadiolone has never been approved for broadscale field use. Did I get that right?

Ms Croft: Not never, but it's not currently a registered product. There's no registered product that is currently in use.

Senator STERLE: Okay, but let's get this clear, because I asked if it had been used in broadacre farming before and you said no.

Ms Croft: What I was saying was that we don't currently have any registered products that allow bromadiolone to be used.

Senator STERLE: I understand that. Yes, Ms Croft, you've made that very clear. But I asked if it had been used before in broadscale field use or broadacre farming, to which you said no. Sorry, Doctor, do you want to add something?

Ms Croft: Sorry if I misunderstood. I'll refer to Dr Lutze. I assume you are saying that perhaps there may have been previous emergency use permits.

Senator STERLE: Sorry, I can't hear that well.

Dr Lutze: For clarity, a use very similar to that that's been proposed now was previously approved under permit. That permit expired a number of years ago. We are now in the place where we need to do a contemporary risk assessment associated with that use, now that it's been proposed to be reintroduced.

Senator STERLE: I've just got to get this on the record. This article in *The Land* says:

The Australian Pesticide and Veterinary Medicines Authority no longer permits the use of either pesticide once used to treat grain.

Hence the APVMA rejected Local Land Services' permit renewal applications for both pesticides.

The application for Bromadiolone was rejected because of its "non-target species effects", meaning it can kill animals other than mice.

That media report is correct, isn't it?

Ms Croft: If it's referring to a previously approved permit that is no longer active and has not been for some time, then that is correct.

Dr Lutze: I think it's quite difficult, having heard that verbally, to give absolute assurance that it is correct in every word.

Senator STERLE: Okay, you'll need to check that out. That's why I've told you it was from *The Land*, on 4 August. The reporter said that it was rejected because of its non-target species effects. Is that true?

Ms Croft: We have not rejected a current application.

Senator STERLE: No, Ms Croft, please don't play with me.

Dr Lutze: I think, Senator, we'll—

Senator STERLE: It's too late. I know you have it now. I'm going back to when Local Land Services had the permit. In 2017 the APVMA rejected that permit because of its effect on non-targeted species.

Dr Lutze: My understanding is that it lapsed. However, we will take that question on notice.

Senator STERLE: It didn't lapse; you stopped it—APVMA.

Ms Croft: Nobody—

Dr Lutze: Those **permits** only have a fixed life span.

Senator STERLE: Alright, well, you didn't renew it.

Dr Lutze: They're issued for a fixed period of time. I'd like to take that on notice to confirm with you the exact scenario of the ceasing of that permit some years ago.

Senator STERLE: You can take it on notice, but it's not going to dilute the fact that it's not come back. You've already spent a half hour on this, telling us that you've got to have all these new applications because of the dangers of the ways in which they want to use it. I'm saying that report is correct. What I'm also trying to say is that, if we expect a different outcome from what it was in 2017, are we not giving false hope to the poor devils out there who are looking for a miracle? You can take that one on notice too.

Ms Croft: We process each application on the information before us at the time.

Senator STERLE: Yes, I know that. So why wasn't it renewed last time?

Ms Croft: I don't have details about the 2017 permit and whether it lapsed.

Senator STERLE: I do.

Ms Croft: Perhaps from a media report. Dr Lutze has offered to take it on notice so that we can provide you with what occurred in relation to that permit cease.

Senator STERLE: Okay, sure. What I'm clearly saying is: talk about giving false hope, if we think something is going to change! I hope I'm wrong. I really hope I'm wrong. But thank you for those that sent that to me out there listening. There you go!

CHAIR: It's concerning, isn't it?

Senator STERLE: Yes, it's very concerning. And that's from a farming organisation. It's not from one of my staff or anything like that.

Mr Metcalfe: I have seen the media report from *The Land*. I've sent it through to Ms Croft. I'm absolutely sure that the officers were talking about the circumstances of the current emergency-use permit, and, no doubt, assessing whether the particular use that the New South Wales DPI is seeking relates to earlier uses that may have occurred. In that media article, it does appear that it was used in certain ways in the past, but those licences lapsed. I'm sure that the officers, once they've reviewed the *Hansard*, will be able to clarify their evidence if need be and ensure that the record is accurate. They can provide any further information on notice.

Senator STERLE: Alright. Let's hope I get proven wrong. Thank you.

CHAIR: Alright. I just want to clarify something. When I was asking questions earlier about 1080, I referred to the Wet Tropics Management Authority, which has provided the code of use. But it's the Herbert River Catchment Landcare Group that I would hope you would be consulting with. I'll write to you to ensure that you have all those details.

That brings us to the end of the APVMA's presentation this evening. There will be other questions on notice. I thank you most sincerely for your time and for your presentation. Please go with the committee's thanks.

Senator STERLE: Chair, can I just make a statement to share with the committee—and I'm going to put to it the minister, if I may. I'm a firm believer in the institution that is parliament, but as late as today, about an hour ago, our diligent hardworking secretary has received comms from the Department of Infrastructure, Transport, Regional Development and Communications. It is the fourth day of estimates. I, for one, would never blame the diligent hardworking officials. I want to put this on the record to you minister. I'm going to lay the blame at the feet of the worst transport minister ever, Minister McCormack. He has insulted this institution by sitting on these answers that we've been waiting for—in particular, to question on notice No 78, which goes to regional and rural

connects. This is a further \$5.5 billion for those who live in the regions—for good things like culverts, bridges, fencing, viaducts and level crossing removals. I asked, 'What does the \$5.5 billion do?' The smart-arse answer I got was, 'Please refer to committee question 79.' I've got 78, and there's another 30 still outstanding.

CHAIR: Is this a question that was asked on Monday or Tuesday?

Senator STERLE: It was asked at Senate estimates in March. I think this is absolutely disgraceful. What comes around goes around, but I'd like to think we wouldn't stoop so low that we think it's smart to provide it on the fourth day of estimates. It belittles what we in this building stand for. The sad part is that I know how hard the officials in the agencies work to get all this stuff back.

CHAIR: Mr Secretary, do you have a—

Mr Metcalfe: Chair, I can provide further information to a matter that was dealt with by MLA this morning, if that would assist the committee. I think Senator Sterle asked questions to the MLA regarding China and Hong Kong export volumes and values. I've got a series of tables here that I can table, and we'll send those through electronically to the committee. Senator Sterle, I think you also asked about Peru. I'm advised by the MLA's market information team that they've reported no volume of meat being exported to Peru. I'll provide to the committee the tables for China and Hong Kong.

Dairy Australia

[17:55]

CHAIR: We now welcome representatives from Dairy Australia. Would you like to provide an opening statement?

Mr Mann: Yes, please, Chair. Thank you to the committee members for this opportunity to update you today, remotely. I'm the chairman of Dairy Australia, a dairy farmer and the owner-operator of Donovans Dairy, located in the far south of South Australia. I'm sitting in quarantine until I get my COVID test back. Thank you for moving things around so I could get that done. My colleagues are in Melbourne, about to start lockdown: Dr David Nation is our managing director, and Charlie McElhone is our general manager of trade and strategy.

I'm pleased to report that, after a number of very challenging years, we're seeing more positivity in the dairy industry, validated by Dairy Australia's extensive annual National Dairy Farmer Survey. This data shows that there has been a significant and widespread improvement in farmer sentiment about the dairy industry and farm profitability, on the back of improved farmgate milk prices and more favourable seasonal conditions. Positivity from dairy farmers about the future of the industry has now improved to 64 per cent, well up from the low of 34 per cent in 2019. Business outlook has also improved significantly: 80 per cent of farmers are positive about their own business, and 88 per cent of farmers are expecting to turn a profit this season. I can certainly see that reflected in my own business.

While the outlook continues to be positive, the data also shows that access to labour remains a significant constraint for many dairy businesses. This will be a significant focus for DA over the coming period. Our data shows that 29 per cent of dairy farmers are hoping to recruit staff in the next 12 months. They're finding this process increasingly difficult in light of COVID.

I'm pleased to report that since we last addressed the Senate we've completed our independent performance review. This report presents the findings and recommendations of the four-yearly independent performance review which Dairy Australia's required to undertake under its statutory funding contract with the Commonwealth. The overall finding of this independent review is very positive. It finds that Dairy Australia is an effective, outcomes focused organisation with a culture of strong service to the Australian dairy industry. The report finds DA is managed by professional people who care about what they do, underpinned by strong and appropriate governance, a healthy focus on continuous improvement, and structured systems and processes.

In addition, Dairy Australia is pleased to announce that we've recently launched our new five-year strategic plan, along with a new climate change strategy. We'll be happy to table these plans for the Senate committee if desired.

Finally, I would like to highlight that Dairy Australia is committed to working with the Department of Agriculture, Water and the Environment on the recommendations from the Rural and Regional Affairs Committee's recent inquiry that impact Dairy Australia. We will explore how we can improve data accuracy and attract additional funding from processes to support DA activities, and we will deliver additional research for farmers in tropical and subtropical areas. We're very happy to take any questions about this or any other matter that you may wish to raise.

CHAIR: Thank you very much, Mr Mann. I'm delighted that you have read the report so closely; tropical grasses will be delighted by your words. I'm going to turn to Senator McKenzie, with the first batch of questions. We note that your representatives are in Melbourne, and we're very sorry to see that you've all had to mask up. These are trying times.

Senator McKENZIE: G'day everyone, especially those regional Victorians who are masked up. Can I just get the reports that you were happy to table? It was the climate change strategy—

Mr Mann: And our five-year strategic plan.

Senator McKENZIE: I'm interested in some work that you have been doing around the productivity of the dairy industry across the country, and some assessments that suggest that productivity has been weak over the last two decades. When we understand profitability, we've got the price effect, inputs costs going through the roof, outputs remaining quite stagnant, and then we've got the productivity effect, which is adoption of technology and, really, the work you guys do, which is the R&D piece. Given we're talking about a productivity weakness over two decades, not the price effect, I'm interested in understanding how the research and development that Dairy Australia has been doing has actually contributed or hasn't contributed to increasing productivity on farm.

Mr Mann: Thank you Senator, I might ask David to address that, if that's okay.

Dr Nation: It's a really important question. This is brand new research. We've just done a series of workshops with over 300 farmers in the past month. This is the first time we've really unpacked [inaudible] ABARES's process by reporting that there's been low levels of productivity increase in the dairy industry. The agricultural [inaudible] is another—

Senator McKENZIE: The quality of the sound is not great, chair.

CHAIR: You've just moved your microphone, I think. Try that.

Dr Nation: Senator McKenzie, what you're referring to is brand new work that we're just finalising now. ABARES shows quite clearly that the dairy industry has not had a large productivity increase in the last ten years and we wanted to investigate that further. We've just done a comprehensive body of work. As we explained, we're trying to work out the difference between terms-of-trade effect and real productivity drivers. What we're seeing is that dairy farmers are very technically efficient—as they are now. Increasing productivity further is quite a significant challenge for an industry that is already very technically efficient. What we are seeing, underneath that, is that we're making great strides in animal productivity. The cows of today are very different to the cows of ten years ago—amazingly different. We are seeing some amazing increase in productivity in water, water use and use of water technology. There's some really good research happening in that space. What we're particularly looking forward to—because we do understand that so much of the dairy industry's productivity is based on grass and grass based products—is a big productivity improvement coming from 15 years of R&D into improving grass. We see it happening in the coming decade. We're very much looking forward to improving productivity on the basis of growing more grass, high-quality grass, for dairy cows as a consequence of our R&D.

Senator McKENZIE: Is increasing productivity of dairy farming one of the KPIs you assess the research and development projects you invest in on behalf of levy payers?

Dr Nation: Obviously our aim as an organisation is to increase the productivity of dairy farmers. What we do is look at individual projects within that. In the analysis that we've just been doing, total factor productivity is very different to looking at an individual project and asking what the project would cost and what the project would deliver in value to farmers. They are two different—if we have a portfolio of projects that are all going to deliver value to farmers because that technology is going to pay off for farmers, we would expect that to lift productivity. But we know that total factor productivity separately is a pure economic study of the industry, as opposed to individual projects and their pay off.

Senator McKENZIE: I don't think that actually answers my question about when projects come before Dairy Australia to be funded or not funded. Just remind me how much dairy farmers themselves—the levy payers—put into Dairy Australia.

Dr Nation: In our last annual report, for the year ended 30 June 2020, dairy farmers paid \$31,643,000.

Senator McKENZIE: Beautiful, thank you. And that's aside from the taxpayer contribution. It's \$31 million and you invest in a range of projects and programs that the government expects to lift the productivity. You can't do a lot about inputs—that's the other side of the equation. When you assess those, I assume that you run them through a matrix or something. Does that include productivity gains on farm?

Dr Nation: We look at it as a straight-out value proposition. It's about making productivity gains; it's about value to farmers in terms of value creation on farm. We look at it on a financial basis. Will we be able to deliver

more value from that project than the cost of that project? Productivity is how much output over how much input, so they're slightly different. Our expectation is that when we deliver value from each of those projects it will lift productivity on farm.

Senator McKENZIE: Okay. On notice, could you supply the committee with the assessment framework?

Dr Nation: Yes.

Senator McKENZIE: Thank you. In your annual report for 2019-20, you identified project spend in manufacturing, innovation and sustainability. What's the dollar figure investment in this strategic program? I think it's on page 19 of that annual report.

Dr Nation: Where?

Senator McKENZIE: It shows program investment, but you've shown it as a percentage rather than a dollar figure. It's under five per cent. Manufacturing, innovation and sustainability looks to me like it's less than one per cent and I'd like to understand what that dollar figure is.

Mr McElhone: I can answer that. The manufacturing sustainability program is now a cost-neutral program within Dairy Australia. It's largely co-funded by residual income from the old Dairy Innovation Australia Ltd funding program as well as by some additional co-funding from organisations including Food Innovations [inaudible] and some other project funding that we see doing work in sustainability through packaging and waste post manufacturing.

At the moment, it's largely cost-neutral. We only pay for a small part of [inaudible] FTE.

Senator McKENZIE: Okay. On notice, a dollar figure, please. Charlie, does that program deliver research and development outcomes only for the post-farm-gate processing sector—the manufacturing sector?

Mr McElhone: That's correct.

Senator McKENZIE: And is that sector the sector that actually contributes funding to this program, not the levy payers?

Mr McElhone: It's the processors who are involved in that program. They pay a membership fee to be part of that program, in conjunction with some of those external farming opportunities that we've tapped into. But—

Senator McKENZIE: How much is the membership fee?

Mr McElhone: In total it comes to about \$40,000. Plus, with the webinars, you can pay for a webinar subscription [inaudible]

Senator McKENZIE: Is it that each processor pays 40 grand?

Mr McElhone: [inaudible] in total. I don't have the total cost for the program in its entirety on me now, but it's roughly \$150,000 to \$200,000. As I said, that is cost-neutral in terms of the project end, based on the internal [inaudible] achieved. It focuses on those areas of sustainability for the processors which, if they're unable to get on top of a waste issue or [inaudible] into those processes. There are things like waste management up in northern Victoria, for instance, where they are working on salinity issues. If we can't get on top of those issues, there would be more competition [inaudible] So that's what that program really focuses on. It's not about manufacturing profitability per se; it's more about [inaudible]

Senator McKENZIE: I think, when you get sent the *Hansard*, you might have to fix up a few gaps with the tech, but I think I understand what you're saying! So you would argue this investment benefits levy-paying farmers by ensuring their processes are sustainable in waste management?

Mr McElhone: Correct. That's the basis upon which we invest. In saying that, just to reinforce: it has moved from being project mutual in terms of the costing behind that [inaudible]

Senator McKENZIE: Does the post farmgate sector contribute funds towards marketing?

Dr Nation: Yes, it does.

Senator McKENZIE: How much?

Dr Nation: For this latest campaign, they're providing in the order of \$250,000 in our marketing partnership.

Senator McKENZIE: How much is the overall campaign going to cost?

Dr Nation: I don't have that specific campaign. But I can say our total marketing budget for this last financial year is \$7.8 million.

Senator McKENZIE: So they're contributing under five per cent?

Dr Nation: That's correct.

Senator McKENZIE: In terms of the profits made in the dairy industry, would we say that the processors get around five per cent and dairy farmers get 95 per cent?

Dr Nation: These arrangements aren't based on relative profitability.

Senator McKENZIE: No, clearly not! That's a pretty good return on investment for processors—a quarter of a million in a \$7.8 million marketing budget. We'll look at that another time. On R&D, with the retraction by state governments out of engagement programs on farm, what are the challenges you've identified for uptake of R&D on farm?

Dr Nation: That's a process that's been happening over a number of years. We've invested in eight regional development programs. They cover the eight dairy regions of the country. In our own right we've increased our headcount in each of those eight regional offices. We've expanded our offerings to make sure that R&D is effectively communicated to farmers for each of those eight RDPs.

Senator McKENZIE: Do you assess that it's been effectively communicated by the uptake of that R&D on farm? How do you know it's been effectively communicated? Newsletters?

Dr Nation: Every session we do, we evaluate. For all our major activities, we set targets for the level of activity in each region. We look at attendance and at satisfaction of attendance. We look at the efficacy, where farmers self-assess, after being involved in those programs, their satisfaction of that event and the likelihood they will make changes on farm as a consequence of being involved in that activity.

Senator McKENZIE: With your Climate Change Strategy, it sets out the outcome that, by 2025, dairy businesses will successfully be adapting and evolving to meet future climate challenges. You outline the measures of success on page 15, I think, which are a range of measures. How are you supporting farmers to adopt R&D that will help achieve these outcomes?

Dr Nation: Again, our real focus is on delivering extension and information services through each of our regional development programs. We were very deliberate in creating a climate change strategy to focus our attention on climate. We were very deliberate in setting those outcome targets. And for each of our regional programs, that's now cascaded through into work programs across Australia and across eight regional programs, and we are now looking to resource and increase resourcing of our regional activities to ensure that we can effectively communicate with farmers and meet these outcomes.

Senator McKENZIE: I'm just reading the success indicators, and the dairy farmers I know—if this is actually going to add to their productivity and profitability on top of the other issues. I know Dairy Australia are very keen on this. Obviously you've consulted with SFOs and the NFF and the like. Is there broad industry support on the ground amongst dairy men and women for these initiatives as outlined on I think page 15 of the strategy?

Dr Nation: This strategy was over 12 months in the making, with significant consultation. If you look at all the high-level ambitions of this strategy, I think it's where farmers would want to be. It speaks to being able to thrive in a warmer and more unpredictable climate. I think that directly references the way farmers see the climate. It's warmer and more unpredictable, and they need to be able to succeed in a climate of that nature. We believe we are already elite on a global scale for our methane emissions, our carbon emissions. We want to stay in the elite category; we want to remain in the top 10 globally, so the climate change strategy speaks to preserving our elite status globally. The sustainability framework is a real strength to the industry, and it really speaks to the way the industry considers sustainability and the importance of making sure we're seen as a strong global player in sustainability. And it speaks to investing and demonstrating to the market that the industry is committed and working constructively towards targets. I think this lines up, particularly portraying priorities in that order, with the way farmers do see climate change as an issue.

Senator McKENZIE: No, I'm not saying climate change isn't an issue for our primary producers. We all know that. Being able to make a profit in that sort of environment and play our part is something they're working towards. My question is: have these success indicators on page 15 been welcomed by primary producers? And you can tell me how you've actually consulted with actual farmers and the breadth of support you have across the industry, because my understanding is that you don't. But I'm happy to be corrected.

Finally, the Dairy Farm Monitor Project collects data from 75 farms across three regions in Victoria. I'm told that farmers who are selected to participate are generally the higher-performing farmers and therefore not necessarily representative of the broader industry. How are the farmers who provide data to the Dairy Farm Monitor Project identified and selected?

Dr Nation: I think it happens a little bit in reverse, where we ask farmers to participate. The challenge with this project is that we have farmers involved who self-identify, who show interest. So, it's not a statistical sample. It is a—

Senator McKENZIE: It's not meant to be a representative sample?

Dr Nation: It's never claimed to be and not meant to be a representative sample. It's meant to be putting out an expression of interest to farmers to participate. In reality we get farmers of a wide range of business performance, and it's a fantastic monitor project for looking at what is happening in the industry with farmers who choose to participate.

Senator McKENZIE: Therefore you've got to I guess view the outcomes of this project in light of that. Someone who has a fantastic on-farm system and is happy to share it and happy to shout about it is really not indicative of what's actually going on in the dairy industry, is it?

Dr Nation: In fairness to the farmers participating, there's a range of farmers that are really using it to improve their business as well as farmers that are already in a position of being successful in their business and wanting to benchmark their business. The thing that's of interest is that ABARES has run a statistically representative sample side by side with this when they run [inaudible] office. The reality is that our farm monitor project isn't that different to a statistical sampling of ABARES, which says to me that, if there is any bias, the bias can only be small.

Senator McKENZIE: That's a good answer. Thank you, gentlemen.

CHAIR: Senator Whish-Wilson?

Senator WHISH-WILSON: In relation to a news article in the—

Senator STERLE: We've lost you mate. Anyway, catch you tomorrow!

Senator McKENZIE: I like him like that!

Senator STERLE: At least he's not angry!

CHAIR: Senator Whish-Wilson, I'm really sorry. Your connection is not allowing any voice to come through at all. I think we'll go to Senator Ciccone and keep trying you, because we're getting nothing now.

Senator CICCONE: I note in April 2021 Dairy Australia released a joint communique along with Australian Dairy Farmers and the Australian Dairy Products Federation, announcing the abandonment of the collective commitment to implement the Australian Dairy Plan's recommendation to establish a single, whole-of-industry national dairy organisation. My question is: when was the decision made to abandon this element of the Dairy Plan?

Senator WHISH-WILSON: Can you hear me now?

Senator CICCONE: My question was for Dairy Australia, not Senator Whish-Wilson. Dairy Australia, do you want to answer that?

Mr Mann: The decision was made to call an end to that piece of work sometime in March.

Senator CICCONE: Have you got a date?

Mr Mann: Late March. No, I can't recall the exact date; I'm sorry. David might be able to help me, but I would suggest late March.

Senator CICCONE: Okay. David?

Mr Mann: David might be able to help; I'm not certain.

Dr Nation: There was a steering committee decision made at the very end of March.

Senator CICCONE: Okay. But is there no specific date, David?

Senator STERLE: Just make one up, David, for God's sake!

Senator CICCONE: Bloody hell.

Dr Nation: Actually—you'll like this—it was on April Fool's Day, 1 April.

Senator CICCONE: Alright—that's why we couldn't get the date! I note the reasoning which you provided for the decision related to regulatory issues with research and development corporations, which we've spoken about today, engaging in advocacy. Was this informed by legal advice which you obtained?

Dr Nation: We have always understood what our statutory funding agreement is with the Commonwealth, and we've always sought to abide by that agreement. So what the work involved was seeking to do was to always remain in alignment with the statutory funding agreement. We didn't seek specific legal advice. We did understand as management what we were allowed to do, in terms of the agreement clearly defining our role as Dairy Australia, and what we were not allowed to do.

Senator CICCONE: So no legal advice was sought.

Dr Nation: No.

Senator CICCONE: Was any other advice sought?

Dr Nation: There's been professional advice the whole way through about what is possible. We have engaged management consultants to support the process, but we haven't asked for a legal review of our statutory funding agreement.

Senator CICCONE: So you got non-legal advice to advise you about your status as an RDC.

Dr Nation: We've had legal advice at different times about our role and our position. We've always understood what our position is. The way the contact is set up is that, if in doubt, we seek advice from the Commonwealth, not seek advice from the lawyers.

Senator CICCONE: So you sought advice from the Commonwealth.

Dr Nation: We haven't sought to clarify our role because we believe it to be clear.

Senator CICCONE: But have you sought advice about abandoning this element of the Dairy Plan?

Dr Nation: No, we didn't seek advice from the Commonwealth about abandoning it. At different times we have kept the department informed about the discussions taking place, but we've never sought advice.

Senator CICCONE: You did seek non-legal advice not from the Commonwealth but from another party.

Dr Nation: This was professional consulting advice, yes; not legal.

Senator CICCONE: Who provided that advice?

Dr Nation: We engaged EY to work with us for a period of I think nine months to investigate the feasibility of the model that was recommended by the Joint Transition Team.

Senator CICCONE: How much did that cost?

Dr Nation: That entire phase of looking at reform and looking at that opportunity cost \$700,000. That includes the cost of the Joint Transition Team and the cost of EY and other consultants for advice.

Senator CICCONE: If you always knew it wasn't allowed, then why did you say you'd do it?

Dr Nation: I don't think we ever didn't know. I think what happened was that we put together a joint transition team that contemplated what an ideal structure for the industry is. Then we looked comprehensively at the feasibility of achieving that model. We spent significant time and effort looking at different feasibility issues. All partners that you referred to in that release were involved in genuinely looking at the feasibility of the model that was presented by the joint transition team.

Senator CICCONE: But, if you weren't confident that you could do this, why commit dollars towards it?

Dr Nation: We went into this with a perspective that it would be possible. We went into it with a perspective that we should seek professional advice and we went into it with a perspective that it could be possible, not that it wasn't. As we worked through the detailed feasibility of this, it became more and more apparent that a simple model was not going to be possible.

Senator CICCONE: Following on, is it the case that you then didn't always know about, I guess, the stand-in of the RDC obligations with the Commonwealth? You either knew or you didn't. And, if you did know, then why go down this path and spend money on something you knew wouldn't actually work and something you couldn't achieve?

Dr Nation: We do understand what our contractual arrangements are with the Commonwealth. We did enter this process in good faith with industry. This was a clear preference from industry through consultation for us to investigate, in good faith, if there was a way of structuring industry differently. We always went into this understanding our contract. We always went into this understanding our restrictions. We went into this in good faith to see if an alternate model was possible. We went through that process in good faith and we came to the decision that it isn't feasible.

Senator CICCONE: So why did it take you so long to come to this viewpoint?

Dr Nation: I think that demonstrates how hard we tried. I think that demonstrates how many iterations that we tried to see if we could come up with a feasible model and that we gave the working groups a chance to look at very challenging issues to see if we could find a workable model. The time elapsed demonstrates how serious we were at looking for a feasible option.

Senator CICCONE: Had the organisation previously received any feedback through consultation with industry regarding the plan that such a measure might be legally fraught?

Dr Nation: We understood that it was always going to be challenging to come up with a feasible option that met the requirements of a clear separation of agri-political activities. We always understood that going into the process. But we went in, in good faith, intending for that to be a superior model. We went in, in good faith, with a sense that industry working group and professional support would thoroughly test the feasibility.

Senator CICCONE: I guess my question was specifically around consultation with industry. It sounds like, from your answer, that industry probably did advise you that maybe this might be a risky path.

Dr Nation: When you say industry, I don't know you mean by industry advised us?

Senator CICCONE: My question was about feedback that you received in consultation with industry.

Dr Nation: The discussions were held with ourselves, Dairy Australia; and with Australian Dairy Farmers, which is the peak industry group for farmers; and with Australian Dairy Products Federation, which is the peak group for processors and marketers. So that represents an industry position from those organisations and a willingness to engage from Dairy Australia.

Senator CICCONE: So you consulted yourselves, Dairy Australia. At any stage was no feedback given to you that said, 'Hey, I think you're probably going down the wrong path here, guys'?

Mr Mann: Could I just perhaps help, Senator?

Senator CICCONE: Sure.

Mr Mann: Initial consultation was through the Australian Dairy Plan, where we consulted with about 1,500 people within industry over 30 meetings across the country, of which about half, or slightly under half, were farmers. And they expressed a desire for us to explore this pathway, which we did and we arrived at the conclusion after a period of time that it wasn't possible to do. Whenever it was in April, we got to that conclusion. But the initial consultation was with farmer-growers and industry representatives and people that were involved heavily in the dairy industry commercially.

Senator CICCONE: When was that consultation?

Mr Mann: It started with the Australian Dairy Plan. I suspect it was probably this time three years ago. That was the initial consultation.

Senator CICCONE: Okay. So how much did all of this cost?

Mr Mann: David, you would have to answer that, sorry.

Dr Nation: When you say 'all of this'—I just described to you what it cost for the reform activities. The dairy plan consultation and the preparation of a five-year industry plan cost \$1.4 million.

Senator CICCONE: Does that include the EY bill or the cost of EY?

Dr Nation: No. We've always described this process as the creation and execution of a plan for the industry. That's \$1.4 million. We've always described the activities under what we call commitment one to investigate the feasibility of reform as \$700,000.

Senator CICCONE: Okay, so it's \$700,000 for EY?

Dr Nation: It's \$700,000 for EY and the cost of the joint transition team that met before EY that came up with three possible recommended models for industry.

Senator CICCONE: So we've spent \$2.1 million and what have we got for it?

Dr Nation: What industry has for that money is a five-year industry plan. What we got with that money is a very broad-based consultation with industry, a really clear plan for industry with really consistent messages from around the country about what matters most for farmers that then becomes a dairy plan that we're committing to for the next five years. And we report on it regularly. What that got was an industry plan that provided a very high level of consultation for Dairy Australia to then create its next strategic plan—something we're obliged to do. So in all of that effort, that provides a high level of consultation for Dairy Australia to produce its next strategic plan. The other project partners are also using that consultation and that plan to inform their own strategic plans.

What the industry got with that investment was a deep sense of all of the key industry organisations working together and an agreed set of priorities. Remember what Mr Mann said in the opening statement, Senator: at that time confidence in the industry was at 34 per cent. What we got from that process was a demonstration to industry that we've listened to them, a demonstration to industry that we can prioritise the most important things to farmers and the whole supply chain. What we have now is a strategic plan that, from a Dairy Australia perspective, we now operate to that, which we believe we've heavily consulted for. What we have is regular accountability and reporting back to or achieving the commitments under the Dairy Plan.

Senator CICCONE: That's great. If you're a dairy farmer watching this tonight, you'd be thinking, 'What was the point of the Australian Dairy Plan, then?' Apart from a couple of strategic plans—

Dr Nation: That sets our direction, Senator. That is absolutely making sure that we're focused and what we do, as Dairy Australia, and what all the other lead industry organisations that are working together on this plan are doing, is focused on the things that matter most to them as dairy farmers. All of our plans afterwards are outcomes focused. All of our reporting twice a year is outcomes focused. If there's a dairy farmer watching tonight, what they should see from this is we get what's most important to them and we're delivering again.

Senator CICCONE: You could probably understand that there are some out there—granted, not everyone, but quite a large number of levy payers in the community—who feel like Dairy Australia doesn't treat their money with the respect that it deserves. And there's a frustration, I guess, in the dairy community—especially when they see things and are probably watching tonight—that we've spent \$2.1 million on a plan that they were promised, and then, at the end of it, the organisation turns around and says, 'No, we're not going to proceed with the plan anymore.'

Dr Nation: I think that would be an unfortunate interpretation. We still are committed—all five commitments in the Dairy Plan are still live. We want to make sure that we deliver all five activities for dairy farmers. The Dairy Plan is well alive. Investment by an organisation like Dairy Australia that invests over \$50 million a year for dairy farmers.

Across five years, we will invest over \$250 million on behalf of dairy farmers. We've made a contribution of \$1.4 million towards an industry plan, and that money has largely been used to go and consult with farmers. So before we embark on five years of activity, farmers will hopefully have seen the effort we've gone to in order to listen to them and consult with them. When it comes to the particular model that was announced in April, we're still committed to industry having a louder and more successful voice. We are committed to supporting that, as Dairy Australia. One of our roles and functions is strategic policy development, and we remain committed to improving our effort on that front.

Senator CICCONE: What do you say to those farmers who feel they're not getting a fair farmgate price for their milk?

CHAIR: Senator Ciccone, is that for the RDC, or is that a peak-industry-body question?

Senator CICCONE: That's my question.

CHAIR: Alright.

Mr Mann: I think milk price is something we don't actually have any direct control over. As a dairy farmer, I have a relationship between my processor and me. That's where I talk about milk price. I use Dairy Australia's information around markets—what's happening globally, what's happening domestically. There's a milk price portal—which the Australian Dairy Products Federation, ADPF, has put together—which shows where I can get fair value, what my fair value for milk should be. But Dairy Australia doesn't have an interaction between me and the processor directly.

Senator CICCONE: I am aware of that. But you've got all of these plans, strategies and other documents, which feed into the overall strategy of where the future of dairy will end up. I'm not asking about the price, but, rather, the \$2.1 million that's been paid for and funded. In the communique, farmers were told that the proposal to create a single, whole-of-industry body was always going to be considered but, unfortunately, it was too ambitious. What do you say to those farmers who are thinking, 'How do I get a fairer price at the farm gate for my milk?' I'm not saying that you need to provide us with an answer about what that price is, but how do we go about addressing those issues and concerns that some farmers have been raising for some time now?

Mr Mann: Again, it's not part of our remit as an RDC. I'd say there is a code of conduct which has been in force—this is the second year—which is a more open and transparent marketplace, for want of a better descriptor. That is not part of the RDC remit, though.

Senator CICCONE: Those working groups you consulted—who were they? Who did you consult?

Mr Mann: In the initial plan?

Senator CICCONE: The initial plan and, maybe, other plans. There was a reference before to working groups. I'm just interested to know who was consulted.

Mr Mann: In the initial Australian Dairy Plan, there were 30 meetings across the country, as I said before, with about 1,500 participants, of which slightly under half were dairy farmers. That was the initial consultation.

Senator CICCONE: Are you happy to provide, on notice, a list of who those people or organisations were?

Mr McElhone: Yes, we'll happily provide that to you. The appendices of the Dairy Plan have a complete list of who was consulted.

CHAIR: The Dairy Plan document is quite extensive.

Senator CICCONE: Yes, it is.

CHAIR: I'd suggest you delve into that.

Senator CICCONE: I will. I was also interested in how those people were picked. Was anyone able to participate, or did they have to go through a process?

CHAIR: This is a terrific discussion and a very important one. I suspect we just don't have enough time this evening to do it justice.

Senator CICCONE: I've only got two questions left, Chair.

CHAIR: Excellent. We did have the dairy inquiry just recently. I know you were part of it—

Senator CICCONE: Sure. I'm allowed to ask questions.

CHAIR: No, I'm not discouraging you from asking questions, but there are some that are perhaps bigger than an estimates process. Please continue. I don't mean to discourage you—just put it in context.

Senator CICCONE: I don't know if Dairy Australia was able to answer that or not, but could they take on notice who was participating, how they were selected—was anyone able to rock up to these meetings or did you have to put in an expression of interest?

Dr Nation: We can answer that comprehensively. There's an appendix in the Dairy Plan report that sets out all who were consulted, all the meetings and their locations. There were over 30 meetings all around the country, they were openly promoted and there was open access to attend. We wanted to make sure we got the voice of the whole supply chain, so the consultants involved also spoke to processors and retailers. I think they also spoke to the manufacturing union at the time as well. It was as comprehensive an engagement as possible to get the view of the entire dairy industry.

Senator CICCONE: How can dairy farmers have faith in the future of their industry, given that the Australian Dairy Plan has now effectively been thrown in the bin?

Dr Nation: I think, Senator, I just answered you; it hasn't been thrown in the bin. It is very much a live document. We report on it twice a year. There are five commitments that we remain committed to. If there are any dairy farmers listening to this, I would implore them—the Dairy Plan is far from dead, it is still a fundamentally important plan for the industry, it drives who we are and what we do and we're going to be very effective in delivering the Dairy Plan.

Senator CICCONE: Thank you.

CHAIR: Senator Whish-Wilson, please go ahead.

Senator WHISH-WILSON: I'll start by asking about a research program that Dairy Australia has to reduce nitrates. On their website dated 13 December last year, I found that there was a \$6.5 million grant for research into reducing nitrates. What's the motivation behind that research grant? I'm particularly interested in whether it's targeted more as a cost-saving measure for farmers or whether it's around potential pollution, especially of waterways and areas around dairy farms.

Dr Nation: Maybe I can answer that first. We have recently announced a substantial new investment in the Tasmanian Institute of Agriculture. That is one of the flagship projects in the new five-year arrangement with that institute. We are very interested in rates of nitrogen fertiliser for both the reasons you describe. We see nitrogen fertiliser as being a significant expense for dairy farms, but we also understand that we need to get the right balance between nitrogen use from a productivity perspective and nitrogen use from a good environmental steward perspective. One of the substantial acts that's going on in that project is for the institute to build a brand new dairy and four farmlets in Elliott and study small herds of cows across three years with different nitrogen application treatments, to look holistically at what different minifarms look like under different nitrogen protocols.

Senator WHISH-WILSON: I watched a *Foreign Correspondent* program recently called 'Troubled waters', and the issue in New Zealand around Canterbury in the South Island with the pollution of waterways. Is there any evidence that this is a problem or a growing problem in Australia?

Dr Nation: Nutrient application is a fascinating topic. As the dairy industry, we've been very proactive. We've mapped soils all across the country and we've mapped nutrient use all across the country. We've looked at where the most sensitive landscapes are and where the most sensitive nutrient uses are.

We are very fortunate in this country that. Inasmuch as we always talk about the New Zealand dairy industry and how lucky they are, one of the things that challenges New Zealanders is quite often they have more sensitive land forms. For example, that country in the Canterbury Plains in New Zealand is a more sensitive environment than the environments that are farmed on in Australia. But that doesn't mean that we shouldn't also be proactive and understand our own sensitivities. And this is all part of the industry being proactive and working out where the limits are or where the ideal application space is, as I said earlier, for nutrient use for more productive grass versus nutrient application and its environmental stewardship. We just see this as continuing to be proactive and reducing the amount of nitrogen use, where possible.

Senator WHISH-WILSON: That's excellent to hear. You may well be right about that comparison to New Zealand. But where I'm from in Tasmania, we have, I think, the country's biggest and most iconic dairy at Woolnorth in north west Tasmania and there's been some quite disturbing exposes of raw effluent going into waterways in what is actually a very sensitive and very biodiverse area. In fact, that area runs into Boullanger Passage and Robbins Passage, which is an internationally recognised wetland. I think there are some examples where this is a problem we've got to deal with. Are you familiar with that issue in north west Tasmania, just more broadly around the recent newspaper articles and stories around Van Dairy?

Dr Nation: I am, broadly. I would like to separate out the research that's going on that we talked about previously is about the application of fertiliser through the year on paddocks. Now you're talking about VDL which, as you say, is an iconic dairy business—it's the third-largest dairy farm in Australia—and, as you described, they have an issue about effluent management.

Senator WHISH-WILSON: Could I ask you—I went onto your website and I know you have courses around effluent design and construction and you have a list of service providers in that area. Does Dairy Australia have any comments to make in relation to those articles about the catastrophic failure of the effluent systems at Van Dairy?

Dr Nation: Our statement relates to our provision of services, as you described. We're very interested in providing quality advice about effluent management. We have been in direct contact with that farm and we have made sure that our capability in effluent management, the education material and the personnel with experience and expertise in effluent management have been made available to that dairy farming business.

Senator WHISH-WILSON: Could I drill down on that a little? When did you get in touch with them? Was it after the article in the *Sydney Morning Herald* on 9 April?

Dr Nation: I believe it was before then. We work proactively with the milk-processing companies and with regulators in each state, so when issues are identified—and those organisations like milk processors and regulators understand our expertise in these services—we do often get called in to support.

Senator WHISH-WILSON: I understand the allegations—actually, it was in the leaked report in that article—are that the TDIA audited that farm and released its report in December last year. Can you tell me when exactly you did get in touch with Van Dairy?

Dr Nation: I don't know that date myself. I would have to take that question on notice.

Senator WHISH-WILSON: Yes, if you could take it on notice. Was it Fonterra who you were working with or who put you in touch with the farm?

Dr Nation: I do know that the farm has been actively working with both Fonterra and TDIA, but I'm not aware of the chronology and the sequence of events, and when Dairy Australia was called in. But I do know that all parties have taken a proactive attitude to this and when they believed it was the right time, they called us in.

Senator WHISH-WILSON: I'm glad to hear that they're taking a proactive attitude to this, but are you aware that these issues have been recurring and ongoing now for many, many years? Would that be a fair statement?

Dr Nation: I don't know the details about this issue. I only know that we have been called in to provide support.

Senator WHISH-WILSON: It's a matter of public record that the board and the managing director of the company walked out two years ago claiming they had no confidence in the systems in place, including the effluent systems. Does it surprise you that it's taken this long for this issue to be taken seriously? Does it surprise you that it took so long for action on the ground, including with the regulator?

Dr Nation: I'm not aware of any of the substantive detail of managers leaving or the situation at hand. So I'm not really best placed to give an opinion about that situation.

Senator WHISH-WILSON: You said you have provided some other help to the company. I understand that Wolfie Wagner, an agricultural consultant, is doing some work for Van Dairy. Did Dairy Australia introduce Mr Wagner to the company or have any part in his being hired by Van Dairy?

Dr Nation: We did recommend Mr Wagner to the Van Group as someone who had direct experience in these matters.

Senator WHISH-WILSON: I understand that Mr Wagner worked for Dairy Tasmania for a couple of years, which is essentially your Tasmanian subsidiary. Is that correct?

Dr Nation: I don't believe so. He did actively manage a commercial dairy farm in Tasmania, but that's different from our regional [inaudible].

Senator WHISH-WILSON: I found that on his LinkedIn profile. Maybe you could check that for me. It says he worked on the regional development program for Tas Dairy, which is a Dairy Australia program and subsidiary.

Dr Nation: I would have to check. Each of these eight regional development programs has its own association with its own board. I would need to check whether he has been a director of that association in the past. I don't believe he has been.

Senator WHISH-WILSON: I have one more question but I will put some other questions to you on notice. I understand you have done some survey work—for example, your animal husbandry survey. The last one was released in 2019. You included some samples of Tasmanian farms. Could you confirm that that is a telephone based survey. You phone the farm managers, is that right? You randomly select farm managers from among your levy-paying members and ask them a series of questions—is that how the survey is conducted?

Dr Nation: That's correct. We have a levy register. We select a statistic sample of farmers to call and we contact the levy payer.

Senator WHISH-WILSON: You mention in your report that a small number of farms in Tasmania were identified through the survey as continuing with poor animal welfare practices. Obviously, if you're speaking to the manager, they're going to self-declare that. Is that just because, across the criteria you were assessing them on, they weren't aware of the most up-to-date practices? Did it surprise you that they declared that kind of information?

Dr Nation: The survey is based on asking very specific questions about farm practices, and then afterwards there's been some analysis and interpretation, rather than direct questioning, of their status in animal welfare.

Senator WHISH-WILSON: Do you have any kind of advocacy role? In terms of what you might identify in your farm surveys, does Dairy Australia have an advocacy role in terms of changing cultural practices and that kind of thing?

Dr Nation: When you say 'advocacy'—there are state and national advocacy bodies that represent dairy farmers, but as an industry services body we do take a proactive stance. For example, if industry sets a target—and we have targets such as in the sustainability framework, or in welfare; industry also makes policy decisions about welfare—when we understand the desire of industry, we do take a role in providing extension and education to support—

CHAIR: Senator Whish-Wilson, I'm going to have to call time. Was that the end of your questions?

Senator WHISH-WILSON: I just had one more, just more broadly on effluent. Perhaps I could ask that, and then I'll put the rest on notice.

CHAIR: That would be good.

Senator WHISH-WILSON: Getting back to waterways, you distinguished obviously what I mentioned about New Zealand, with the use of nitrates and nitrification of waterways. Do you do any work at all around effluent making its way into waterways as well—any kind of research or quantification of that issue in different areas?

Dr Nation: I understand that in the past we have commissioned surveys and research. I'm not sure when the last survey was commissioned. We have historically looked substantially at waterways where dairy farms are located, looked at water quality, looked at effluent management and looked at riparian zones, and then looked at risk of effluent contamination. So we have comprehensive data and regular surveys to look at the environmental stewardship of the dairy industry.

Senator WHISH-WILSON: Fantastic. I look forward to getting in touch with you on that directly. Thank you.

CHAIR: That concludes today's proceedings. The committee is due to recommence its examination of the budget estimates on Friday 28 May. I thank Minister Ruston, officers of the Department of Agriculture, Water and the Environment and all witnesses who have given evidence to the committee today. Thank you also to Hansard, Broadcasting and the secretariat. I look forward to seeing you again tomorrow morning.

Committee adjourned at 19:03