

Chapter 3

Agriculture, Fisheries and Forestry portfolio

Department of Agriculture, Fisheries and Forestry

3.1 The committee heard evidence from the department on Wednesday 23 May and Thursday 24 May 2007. The hearings were conducted in the following order:

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

Management Services and Corporate Policy

3.2 The committee held a brief discussion with officers of the Management Services and Corporate Policy divisions on the following matters:

- the process of calculating forward estimates and preparing Portfolio Budget Statements (PBS) (*Estimates Hansard*, 23 May 2007, pp 4-6);
- expenditure on advertising campaigns (pp 6-9); and
- explanations for the movement of administered funds between years in the PBS (pp 11-14).

International

3.3 The committee pursued the following issues with officers of the International division:

- funding allocated to animal welfare in live trade (*Estimates Hansard*, 23 May 2007, pp 15-16);
- negotiation of Memoranda of Understanding (MOUs) with Middle Eastern Countries and related expenditure (pp 16-17 and 21-22);
- departmental contributions to the United Nations Food and Agriculture Organisation (pp 17-18);
- the budget for, and administration of, the International Agricultural Cooperation program (pp 18-19);
- the role of the veterinary counsellor (pp 20-21);
- state of arrangements with Egypt since the suspension of cattle trade in February 2006 (pp 22-24); and
- methods for monitoring compliance with MOUs and funding provided for this function (pp 24-27).

Wheat Export Authority

3.4 The Australian Wheat Board's (AWB) hedging policy was discussed at some length. The Wheat Export Authority (WEA) informed the committee that,

There have been a number of years in which they [AWB(I)] have earned quite a bit of money for the pool through their hedging policies...the essence of the situation is not that AWB mismanaged the hedging of the pool; the issues are more the world situation and the size of the Australian crop were changed...¹

3.5 The committee asked what action the WEA had taken when it became aware of AWB International's (AWB(I)) hedging losses. The WEA outlined the steps they had taken, but further noted that they report on pools retrospectively, so they will not be in a position to comment on alleged hedging losses, or the degree of those losses, until the 2005-06 and 2007-08 pools have closed.²

3.6 The committee expressed concern that the above statement (see paragraph 3.4) regarding AWB(I)'s management of hedge trading, appears to be contrary to WEA's explanation that they cannot make a final assessment of the situation until the pool is closed.³

1 *Estimates Hansard*, 23 May 2007, pp 29-32 and 34-49.

2 *Estimates Hansard*, 23 May 2007, pp 29-49.

3 *Estimates Hansard*, 23 May 2007, pp 38-39.

3.7 The WEA sought to clarify their earlier statement as follows:

We must report on a pool-by-pool basis. We therefore report on all aspects of that pool, including hedging. We do not know how that will be until the pool is closed. We were trying to give growers a view of the world as it stood at the time we wrote this. That was a view we honestly came to, and therefore we reported it.⁴

3.8 The WEA explained their examination of the development of the 2004 services agreement which provides for the break-fee, and told the committee that the WEA have sought advice and have been told that the agreement is valid. The WEA also noted that negotiation of the new services agreement has been put on hold, pending the government's decision on future wheat marketing arrangements.⁵

3.9 The WEA reaffirmed their support for the recommendation by Commissioner Cole that a thorough review is required of the role and obligations of the body responsible for the oversight of a monopoly exporter.⁶

3.10 The committee also heard evidence on:

- WEA's examination of the Tigris arrangement (*Estimates Hansard*, 23 May 2007, pp 32-33 and 54-55);
- the current *Wheat Marketing Act 1989* and WEA's role under this legislation (pp 49-50 and 53 -54);
- issues arising from the decision to cede full control of marketing of the 2007-08 crop to AWB (pp 50-51);
- wheat pricing (pp 51-52);
- WEA's examination of the possible inflation of the Free on Board (FOB) price of wheat (pp 56-58);
- assessment of applications for bulk wheat export permits, and the conditions of the permits issued (pp 58-59 and 60-64);
- sales through the Geneva desk (pp 59-60);
- proposed separation of AWB(I) and AWB Limited (pp 64-66);
- the impact on growers of being locked out of the Iraq wheat market and analysis of the export market to India (pp 67-68);
- WEA's inability to audit AWB's wheat inventory (pp 68-69); and
- the potential for AWB's credit rating to impact on the pool (pp 69-70).

4 *Estimates Hansard*, 23 May 2007, p. 39.

5 *Estimates Hansard*, 23 May 2007, p. 33.

6 *Estimates Hansard*, 23 May 2007, p. 34.

Grains Research and Development Corporation

3.11 The committee held a brief discussion with officers of the Grains Research and Development Corporation regarding:

- research undertaken into water-efficient crop management, particularly into drought tolerant wheat, and the investment in these projects (*Estimates Hansard*, 23 May 2007, pp 70-73); and
- levy appropriations and matching funds to be paid by the Commonwealth (pp 73-75).

Food and Agriculture

3.12 The committee pursued the following issues with officers of the Food and Agriculture division:

- the effect of the drought on the wine industry and the proposal to establish a Wine Innovation Cluster (*Estimates Hansard*, 23 May 2007, pp 76-79);
- funding and administration of the Tobacco Growers Adjustment Assistance Package 2006 (pp 79-82);
- concerns surrounding a payment made by AWB to an Iranian transport company in breach of United States sanctions (pp 84-85);
- implementation and funding of the Horticulture code of conduct, and concerns about the existence of backdated contracts (pp 85-89);
- funding to extend initiatives under the National Food Industry Strategy as a result of an evaluation by KPMG (pp 89-92);
- the relationship between the Australian Wine and Brandy Corporation and the Geographical Indications Committee (GIC) and the operation of the GIC (pp 93-94);
- funding for the Food Innovation Grants and the Food Processing in Regional Australia programs (pp 95-97); and
- administration of, and funding for, the Australian HomeGrown campaign (pp 97-100).

Australian Bureau of Agriculture and Resource Economics

3.13 The committee questioned officers of the Australian Bureau of Agriculture and Resource Economics on the following matters:

- the outlook for various commodity groups (*Estimates Hansard*, 23 May 2007, pp 101-103);
- research undertaken on biofuels (pp 103-104);
- work undertaken on the effects of the drought (pp 104-105);

- research and modelling on the Australian economy and climate change (pp 105-111);
- projections on oil prices and the incorporation of the cost of carbon (pp 111-113);
- cost and development of the Global Trade and Environment Model (GTEM) (pp 113-115); and
- effects of the drought on the Australian wine industry (pp 115-116).

Bureau of Rural Sciences

3.14 The committee raised the following issues with officers from the Bureau of Rural Sciences (BRS):

- work undertaken in relation to the drought, climate change and El Nino (*Estimates Hansard*, 23 May 2007, pp 116-118);
- the role of the BRS in reinterpreting data, as opposed to conducting new research (p. 119); and
- the classification of fish stocks (p. 120).

Rural Policy and Innovation

3.15 The committee asked about the administration, funding and applications for the following programs, as well as any related expenditure on advertising:⁷

- FarmHelp (*Estimates Hansard*, 24 May 2007, pp 2-5);
- Advancing Agricultural Industries (pp 5-12);
- Country Women's Association (pp 12-13);
- Drought Assistance Professional Advice (pp 13-16);
- Exceptional Circumstances (pp 20-22) ; and
- Regional Assistance (p. 24).

3.16 Other matters raised included:

- the cost and administration of the Rural Financial Counselling Service and mental health issues encountered in the provision of this service (*Estimates Hansard*, 23 May 2007, pp 121-123);
- new funds appropriated to enable the delivery of FarmBis as a national program (pp 123-125); and
- clarification of the fluctuations in the amount of funding provided for FarmHelp in consecutive budgets (*Estimates Hansard*, 24 May 2007, pp 2-5).

⁷ *Estimates Hansard*, 24 May 2007, pp 17-20 and 22-23.

Land and Water Australia

3.17 The committee called Land and Water Australia (LWA) to appear at budget estimates 2007-08 to discuss Dr Richard Evans' report *the Impact of Groundwater Use on Australia's Rivers*. The committee asked a series of questions regarding:

- the process of selecting the project for funding;
- the amount of funding allocated; and
- the drafting and review process, which included internal and external review, peer review and international review.⁸

3.18 The committee inquired about:

- research projects funded by LWA (*Estimates Hansard*, 24 May 2007, p. 31); and
- LWA's internal budget and staffing (pp 31-32).

Natural Resource Management

3.19 The committee pursued the following matters with the Natural Resource Management division:

- the allocation of funding for, and the administration of, Natural Heritage Trust Round 3 (NHT3) (*Estimates Hansard*, 24 May 2007, pp 34-37)
- the combination of various programs into NHT3, including the National Action Plan for Salinity and Water Quality. The National Landcare program however, has remained separate (pp 34-37);
- funding for weeds programs (pp 38-40); and
- funding and administration of the National Action Plan for Salinity and Water Quality (pp 40-41).

Fisheries and Forestry

3.20 The committee showed considerable interest in the issue of illegal fishing in Australian waters. Senators sought information on:

- the reduction in the number of sightings of illegal vessels, and progress on work by the CSIRO to remove the effect of double counting from these figures (*Estimates Hansard*, 24 May 2007, pp 43-44);
- consideration given to licensing Indonesian fishing vessels to access the traditional MOU box area, to enable monitoring of the sustainability of fish stocks (p. 46);

8 *Estimates Hansard*, 24 May 2007, pp 24-31.

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- research undertaken into the impact of illegal fishing on shark stocks (pp 47-48); and
 - enforcement of the zero tolerance of illegal fishing policy in the Australian Fishing Zone (pp 69-71).

3.21 The committee asked about the department's involvement in developing legislation regarding revised plantation tax arrangements, which will require forestry Managed Investment Schemes (MISs) to direct at least 70 per cent of invested funds towards direct forestry expenditure, and their involvement in the development of the related secondary market model which will apply to forestry MISs. The department confirmed that it had been involved throughout the process, and answered the committee's questions about the intended operation of these measures.⁹

3.22 Other matters raised by the committee included:

- the compliance budget for domestic fisheries (*Estimates Hansard*, 24 May 2007, pp 49-50);
- work of the Western and Central Pacific Fishing Commission (pp 51-53);
- funding, administration and performance of the Australian Fisheries Management Authority's domestic compliance program (pp 54-60);
- conservation plans and recovery strategies for threatened species, particularly relating to orange roughy (pp 60-63);
- potential impact of the Smartraveller campaign, featuring the 'dodgy prawn', on the Australian seafood industry (pp 64-66);
- the efforts of the Australian prawn farming industry to establish a marketing promotions levy, and progress achieved to date (pp 66-67);
- operation of the Seafood Services Australia Hotline (p. 68);
- liquidation of the Australian Seafood Industry Council and the likelihood of re-establishing the body (pp 71-72);
- funding for, and operation of, the fisheries structural adjustment package (pp 72-77);
- the department's strategy of setting total allowable catches to mitigate against, and eventually end, overfishing (pp 73-74);
- funding and administration of the Recreational Fishing Community Grants program (pp 78-80); and
- the basis for developing regional forest agreements (pp 92-96).

9 *Estimates Hansard*, 24 May 2007, pp 84-88.

Product Integrity, Animal and Plant Health

3.23 The committee questioned officers from the Product Integrity, Animal and Plant Health division on a variety of issues, including:

- the operation of the National Livestock Identification Scheme (*Estimates Hansard*, 24 May 2007, pp 97-98);
- the potential impact of bee die-off on the Australian agricultural and bee industries, and the import conditions for queen bees (pp 98-104);
- an incident in the United States in which melamine-tainted products imported from China and used in pet foods caused a number of animal fatalities (pp 104-106);
- progress on the Citrus Canker Eradication program to date (pp 106-108); and
- progress on the eradication of the red imported fire ant (p. 108).

Australian Quarantine and Inspection Service

3.24 The committee held a brief discussion with officers of the Australian Quarantine and Inspection Service on the following matters:

- expenditure on, and administration of, advertising campaigns (*Estimates Hansard*, 24 May 2007, pp 109-111);
- live animal exports to the Middle East (pp 111-112);
- import protocols for the importation of bee and honey products (pp 113-116); and
- update on preparations for an influenza pandemic (p. 116).

Biosecurity Australia

3.25 The committee raised the following matters with Biosecurity Australia officers:

- the process of, and progress on, the Import Risk Analysis for prawns, and meetings held with Thai officials on the matter (*Estimates Hansard*, 24 May 2007, pp 117-121);
- applications to import grain (pp 121-122); and
- progress on the import protocol for bananas from the Philippines (p. 122).

**Senator the Hon Bill Heffernan
Chair**