

Chapter 2

Agriculture, Fisheries and Forestry portfolio

Department of Agriculture, Fisheries and Forestry

2.1 This chapter contains the key issues discussed during the 2012-2013 budget estimates hearings for the Agriculture, Fisheries and Forestry portfolio. A complete list of all the topics discussed, and relevant page numbers, can be found at appendix 3.

2.2 The committee heard evidence from the department and agencies on Monday 21 and Tuesday 22 May 2012. The hearing was conducted in the following order:

- Finance and Business Support, Government, Information Services, and People and Service Delivery
- Interim Inspector-General of Biosecurity
- Biosecurity—Animal Division
- Biosecurity—Quarantine Division
- Biosecurity—Plant Division
- Biosecurity—Food Division
- Biosecurity—Policy Division
- Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)
- Australian Fisheries Management Authority (AFMA)
- Sustainable Resource Management (SRM)
- Climate Change
- Agricultural Productivity
- Forest and Wood Products Australia
- Australian Pork Limited
- Australian Egg Corporation Limited
- Meat and Livestock Australia
- Australian Livestock Export Corporation Limited (LiveCorp)
- Trade and Market Access
- Australian Pesticides and Veterinary Medicines Authority (APVMA)

Finance and Business Support, Government, Information Services, and People and Service Delivery

2.3 The committee began proceedings by asking the Secretary, Dr Conall O'Connell, to outline the department's key priorities for the 2012-13 financial year. Dr O'Connell explained that the department's key priorities are to deliver the government's policy agenda and the government's budget initiatives, and that the policy agenda outlined for 2012-13 includes delivering on biosecurity initiatives, including post-entry quarantine, as well as the new budget measure, Reforming Australia's Biosecurity System, which has been allocated \$144.3 million over four years.¹

2.4 Dr O'Connell outlined the key reforms in Biosecurity as the department's main priority. This includes the development of the new post-entry quarantine station, implementation of the risk return policy, upgrading of IT systems, and amending the *Quarantine Act 1908*. The quarantine station will be located in Victoria, and has been allocated \$375.9 million over seven years. The risk return policy involves assessing how to best approach matters of higher risk, versus other risk.²

2.5 Work on improving IT systems has been allocated \$19.8 million over three years, and is a measured step towards a recommendation in the Beale review regarding an upgrade on the current IT systems. Officers explained that currently, the department is one of the last paper-based operations systems within the Commonwealth Government. Officers listed several systems within the department that have moved to an electronic base, and the benefits that have arrived as a result of that move. The committee heard that improving the current system to allow for electronic dealings with exporters and importers will be one of the benefits of this work.³

2.6 Officers told the committee that the broader agency priorities include the National Food Plan, agvet chemicals reform, illegal logging legislation, reviews of fisheries policies, carbon programs to assist delivering on carbon farming initiatives, and the research and development review process.⁴

2.7 As discussed in previous estimates hearings, the committee sought further information on the efficiency dividend's impact on the department. Officers informed the committee that the department will have a total savings package of \$131.2 million over four years.⁵ This will be achieved by reductions in: consultancy services,

1 *Proof Estimates Hansard*, 21 May 2012, p. 4.

2 *Proof Estimates Hansard*, 21 May 2012, pp 4–5.

3 *Proof Estimates Hansard*, 21 May 2012, pp 4–5.

4 *Proof Estimates Hansard*, 21 May 2012, p. 8.

5 *Proof Estimates Hansard*, 21 May 2012, p. 10.

temporary and contract staff, travel, official hospitality, and media advertising.⁶ Officers noted that reductions in staff will also play a part, and tabled a document comparing the average staffing level and full-time equivalent staffing level for the 2011-12 and 2012-13 financial years.⁷ Officers explained that by centralising a number of functions, including finance reporting and cost recovery arrangements, the department was able to reduce duplication, and therefore staffing, in some areas.⁸

Interim Inspector-General of Biosecurity

2.8 The committee sought further information on the legislative status of the Interim Inspector-General of Biosecurity. Officers informed the committee that the formal position of Inspector-General of Biosecurity as a statutory role will be proposed within draft legislation, which is yet to be introduced to Parliament.

2.9 Dr Kevin Dunn, Interim Inspector-General of Biosecurity, informed the committee of three matters referred to the Interim Inspector-General of Biosecurity, by the Minister, for independent review:

- the importation of consignments of fertiliser from China;
- consignments of abalone exported to China and Hong Kong; and
- the importation of undeclared meat products from the Republic of Korea.

2.10 When asked if the position is a 'reflective or prospective' role, Dr Dunn told the committee that the role is more of a reflective position, as it does not play a part in the development of importation policy, and that the majority of the role is described as an audit and review of risk management systems currently in place. Dr Dunn also informed the committee that along with referrals from the Minister, the position has the capacity to self-refer matters, in its role as:

...an independent position that is able to look at and make strategic choices about areas for audit or review of the entirety of the DAFF Biosecurity management system⁹

6 *Proof Estimates Hansard*, 21 May 2012, p. 18; tabled document no. 5. This document can be accessed at:
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=rrat_ctte/estimates/index.htm

7 Document can be found at:
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=rrat_ctte/estimates/index.htm

8 *Proof Estimates Hansard*, 21 May 2012, pp 11–12 and 15.

9 *Proof Estimates Hansard*, 21 May 2012, p. 27.

Biosecurity—Animal Division

2.11 The committee discussed live animal exports regulations, in particular, the Exporter Supply Chain Assurance System (ESCAS). The Minister detailed the compliance system now in place, stating that:

Where a mistake, issue or problem arises there is—as we now have released—an investigation, an examination of that individual supply chain, and appropriate action taken against the individual supply chain...¹⁰

2.12 Officers explained to the committee that there are three avenues in monitoring performance information:

- third-party information;
- independent audit reports; and
- exporters reporting any non-compliances observed

2.13 The committee heard that exporters are obligated to report any instances of non-compliance within 5 days, and that there have been five instances of self-reported non-compliance to date.¹¹

2.14 The committee sought further information on audits of two specific exporters, where non-compliance was found, and how those instances are being managed. Officers told the committee that multiple breaches of ESCAS were found in both cases and that three regulatory actions were taking place as a result. These were:

- removing the two abattoirs where there were animal welfare breaches;
- placing additional conditions on the licence of the two exporters in relation to the use of a mark four box; and
- increasing the frequency of auditing of the two exporters in their other supply chains.¹²

2.15 The committee also sought an update on the number of cattle exported to Indonesia through ESCAS. Officers told the committee that from August to December 2011, 186 000 cattle were exported, and from January to 21 May 2012, 125 000 cattle had been exported.

Biosecurity—Quarantine Division

2.16 The committee discussed funding in the budget for the post-entry quarantine station in Victoria. Officers told the committee that it will involve a transition from five government operated facilities to one, and that the importation cost will be borne

10 *Proof Estimates Hansard*, 21 May 2012, p. 33.

11 *Proof Estimates Hansard*, 21 May 2012, p. 34.

12 *Proof Estimates Hansard*, 21 May 2012, p. 48.

by the importer. Officers also noted that there are privately run quarantine facilities that are approved and managed by the department and that the department remains open to the possibility of new applications to do so.¹³

2.17 In continuing its interest from previous estimates hearings, the committee sought an update on the investigations into deliberately misclassified imported food products from Korea. Officers told the committee that the recovery action involved staff attending approximately 300 premises, with approximately 100 tonnes of product recovered.¹⁴

2.18 Officers informed the committee that it is not possible to account for a 'minute by minute' cost to the department, but explained that it is largely a cost-recovery process, where the importer will be fined.¹⁵

Biosecurity—Plant Division

2.19 The committee asked officers to provide an update on the import risk assessment process for ginger from Fiji. Officers informed the committee that in April 2012 a draft risk assessment had been released for public comment, and that public comment to the draft closed on 15 June 2012. The department found three potential risks, and detailed the technical nature of each to the committee, as well as the mitigating measures proposed as a result.¹⁶ The department offered to provide a copy of the draft risk assessment, as well as a copy of the Fiji field visit report from 2007.¹⁷

Biosecurity—Food Division

2.20 The committee asked officers to provide an update on several biosecurity food product issues, including the importation of apples from the United States of America and China, the importation of pineapples from Malaysia, and stone fruit exports to Thailand.¹⁸

2.21 The committee also sought an update on the status of Asian honey bees. Officers told the committee that in the 2011-12 financial year, \$2 million was

13 *Proof Estimates Hansard*, 21 May 2012, p. 53.

14 *Proof Estimates Hansard*, 21 May 2012, p. 57.

15 *Proof Estimates Hansard*, 21 May 2012, pp 55 and 58.

16 *Proof Estimates Hansard*, 21 May 2012, pp 70–71.

17 Copies of these documents can be found at:

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=rrat_ctte/estimates/index.htm

18 *Proof Estimates Hansard*, 21 May 2012, pp 91, 93 and 96.

allocated over two years to Plant Health Australia to administer a suite of projects in Queensland. The Queensland Government also contributed \$600 000.¹⁹

Biosecurity—Policy Division

2.22 The committee asked officers to describe the role of the Biosecurity—Policy Division. Officers explained that the division has four branches, with three key responsibilities:

- To coordinate activities with states and territories under the Intergovernmental Agreement on Biosecurity and the National Environmental Biosecurity Response Agreement;
- To develop the draft legislation for biosecurity; and
- To focus on a range of biosecurity policy issues.²⁰

Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)

2.23 The committee asked officers if ABARES plays any role in live animal exports. Officers told the committee that ABARES has, through its farm survey, been able to provide information and figures on farm income performance of cattle producers in Northern Australia, and those who are dependent on the live export trade.²¹

2.24 The committee sought further information on several areas, including money allocated to the wine grape growers survey, projections in relation to the Tasmanian forests Intergovernmental Agreement, short-run effects of carbon pricing on agriculture, and the socioeconomic implications of commercial and charter fishing.²²

Australian Fisheries Management Authority (AFMA)

2.25 Following up issues raised in previous estimates hearings, the committee sought further information on AFMA's fees and charges. Officers told the committee that consultation with industry has not yet been completed.²³

2.26 The committee asked for an update on the number of concessions surrendered in the southern eastern scalefish and shark fishery in 2012. Officers told the committee that as at 3 May 2012, 19 concessions were surrendered. Officers informed the committee that AFMA does not specifically ask why the concessions are being

19 *Proof Estimates Hansard*, 21 May 2012, p. 95.

20 *Proof Estimates Hansard*, 21 May 2012, p. 96.

21 *Proof Estimates Hansard*, 21 May 2012, p. 109.

22 *Proof Estimates Hansard*, 22 May 2012, pp 107–109, 110–111 and 112–116.

23 *Proof Estimates Hansard*, 22 May 2012, pp 4–5.

surrendered, however, generally the reasons for surrendering a concession are choosing not to fish in a particular fishery anymore, a restructuring of the business, or the price of the levy for a particular sector.²⁴

2.27 Officers told the committee that AFMA is looking at amending the formula that applies to levy increases, noting that the current formula was developed in 2004-05, and that circumstances have changed since then. Officers explained further that:

At the moment, those costs are quite weighted towards what are known as boat strategy fishing rights. It is less so to quota statutory fishing rights. They are the two main types of fishing rights in the fishery. There has been an in-principle recommendation from the management advisory committee that we should be changing the weightings of some of those allocations of levy to better reflect where we are with the fishery now, which is largely a quota managed fishery. Historically, over the last decade or two, it has moved from being an input controlled fishery to an output controlled fishery—that is, under quota. That has meant that the nature of the rights in the fishery has changed. Therefore, it is appropriate that we look at a redistribution of costs reflecting those changes in the nature of the rights.²⁵

2.28 The committee sought clarification on the process that occurs after a concession has been surrendered, and whether or not parties are able to use the concessions if they decide rejoin the industry at a later date.²⁶ Dr James Findlay, Chief Executive Officer, explained that there are two components to entering a fishery in the south-east trawl: one is a boat statutory fishing right and the other is quota statutory fishing rights. He explained that:

People have been handing in their right to put a boat into the fishery. At the moment, the number of boats is not limiting. So if someone wanted to re-enter the fishery at a later stage with the existing or other quota, they would need to enter the market and lease or buy a boat statutory fishing right.²⁷

2.29 Dr Findlay also told the committee that it was important to note that a lot of the concessions surrendered in the southern eastern scalefish and shark fishery are for boat statutory fishing rights, for boats that have not been active in the fishery, and that only a small number were for quota.²⁸

2.30 The committee discussed the operation of observers on fishing boats, and sought further information on the numbers of observers, as well as the cost of having

24 *Proof Estimates Hansard*, 22 May 2012, pp 5 and 9.

25 *Proof Estimates Hansard*, 22 May 2012, p. 6.

26 *Proof Estimates Hansard*, 22 May 2012, p. 6.

27 *Proof Estimates Hansard*, 22 May 2012, pp 7 and 8.

28 *Proof Estimates Hansard*, 22 May 2012, p. 7.

them onboard. Officers told the committee that in the 2012-13 budget, approximately 25 per cent of levies charged is attributed to observers.²⁹

2.31 The committee discussed the closure of fisheries as a result of sea lion mortalities within a fishing season. Officers explained that there is a 'trigger level' of mortalities, and that if operators go into an area and catch sea lions, it triggers a closure. The area is then closed for approximately 18 months, which officers told the committee, is the breeding cycle of the Australian sea lion.³⁰

2.32 Officers also told the committee that AFMA is conducting a hook trial with industry, to try and avoid further catches and closures, and expects to have formal results from this trial in July 2012.³¹ Dr Findlay emphasised to the committee that in the last two years, 10 sea lions have been killed, when the scientific estimates said that 500 would be killed. He went on to say that:

We have done reasonably well. The industry has done very well. In combination with the management arrangements, it is performing very, very well. These additional closures really are getting the incentive in the right place...³²

Sustainable Resource Management (SRM)

2.33 The committee discussed the Caring for Our Country program, and asked officers to detail the breakdown of funding, particularly the division of funds between DAFF and the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC), and the Tasmanian component in the program.

2.34 Officers informed the committee that presently, the program has been allocated \$2.2 billion over five years, and that the funding can be divided into two streams, an environment stream, and a sustainable agriculture stream. Funding for the Tasmanian component was taken out prior to the \$2.2 billion announcement.³³

2.35 The committee sought further information on the funding available that has not yet been allocated to programs. Officers told the committee that \$444 million is expected to be spent on Caring for Our Country in the 2012-13 financial year, which leaves \$54 million currently uncontracted.

2.36 Of this \$54 million, officers told the committee that the department expects to spend \$5 million on community action grants and around \$24 million on the open

29 *Proof Estimates Hansard*, 22 May 2012, pp 14–15.

30 *Proof Estimates Hansard*, 22 May 2012, pp 17–18.

31 *Proof Estimates Hansard*, 22 May 2012, p. 18.

32 *Proof Estimates Hansard*, 22 May 2012, p. 19.

33 *Proof Estimates Hansard*, 22 May 2012, p. 27.

call', and that another large element is to be managed by SEWPaC for national reserves and Indigenous protected areas.³⁴

2.37 The committee discussed the review of Caring for Our Country, and sought further information on how the consultation processes will now occur, taking the results of that review into account. Officers told the committee that the review results are now public, and that a further discussion paper is expected to go out. Consultative meetings with national stakeholders are then expected take place, to seek feedback on the issues identified by the review. Some of these issues include:

- handling community skills, knowledge and engagement;
- engaging in Indigenous natural resource management;
- alignment of natural resource management planning and investment priorities from regional, state and national levels;
- investment priorities, including the better alignment of calling for priorities;
- better assessment of projects to ensure consistency in the prioritisation;
- efficient management of regional delivery; and
- encouragement of innovative projects.

2.38 Dr O'Connell emphasised that the consultation process still requires confirmation by the relevant Ministers, as it had been announced shortly before the estimates hearings.³⁵

Climate Change

2.39 The committee sought further information on the Carbon Farming Initiative, particularly the utilisation of land for carbon capture, compared to use for agriculture. Officers explained that ABARES has done a number of reports into this, noting that its most recent report looked at land use change as a result of the carbon price, and what kind of carbon price would be needed to result in significant changes in land use.³⁶

2.40 When discussing the material output of the Carbon Farming Initiative, Dr O'Connell reminded the committee that the initiative is not yet underway, and that there will be a register of carbon farming credits, maintained by the Clean Energy Regulator, which will provide a geographical spread of the impacts.³⁷

34 *Proof Estimates Hansard*, 22 May 2012, p. 28.

35 *Proof Estimates Hansard*, 22 May 2012, p. 29.

36 *Proof Estimates Hansard*, 22 May 2012, p. 55.

37 *Proof Estimates Hansard*, 22 May 2012, pp 56 and 57.

2.41 Officers further detailed the approved research methodologies and informed the committee that, while the measuring of soil carbon has been taking place for years, the department is looking at developing an inexpensive methodology for use by farmers.³⁸

2.42 The committee discussed the departmental costs of the live cattle suspension, particularly the processes involved in administering the income recovery subsidy program. Officers told the committee that the delivery costs are fixed costs set by the Department of Human Services. The committee heard that there is a standard process for setting up these programs including a standard set of costing arrangements agreed by the Department of Finance and Deregulation, and the Department of Human Services.³⁹

Agricultural Productivity

2.43 The committee sought further information on the cessation of the FarmReady program. Officers told the committee that FarmReady was allocated a total budget of \$34.3 million, over four years. The FarmReady Reimbursement Grants allowed farmers to receive training and have the costs reimbursed. The program, to date, has received 27 000 applications, noting that the repeat rate is approximately 6000 participants.⁴⁰

2.44 The committee discussed the National Food Plan and asked officers to describe the process to date. Officers informed the committee that the issues paper for the National Food Plan was released in late 2011, with a 10 week consultation period. The department has been working since then to formulate the green paper, which the government has announced will be released in mid-2012. After the green paper, there will be a further consultation period, and then a white paper will be released.⁴¹

2.45 Officers informed the committee that the total cost for the consultations that took place as part of the National Food Plan, at 23 April 2012, was \$471 586. This includes the cost of an external consultant that assisted in the process.⁴²

Forest and Wood Products Australia, Australian Pork Limited and Australian Egg Corporation Limited

2.46 The committee heard from five non-government, industry-owned companies which receive funds through statutory levies and/or Australian government funds for the purposes of research and development. The committee notes that Forest and

38 *Proof Estimates Hansard*, 22 May 2012, pp 58–59.

39 *Proof Estimates Hansard*, 22 May 2012, p. 68.

40 *Proof Estimates Hansard*, 22 May 2012, pp 77–78.

41 *Proof Estimates Hansard*, 22 May 2012, p. 81.

42 *Proof Estimates Hansard*, 22 May 2012, p. 82.

Wood Products Australia Ltd, Australian Pork Ltd, and Australian Egg Corp Ltd do not regularly appear before the committee for senate estimates.

2.47 The committee explored a range of issues, such as:

- the appointment process for new independent directors to Forest and Wood Products Australia Ltd;
- the move to ban sow stalls by 2015 in Australia; and
- Australian Egg Corporation's recent advocacy for a change to the definition of free-range eggs from stocking rates of 1500 to 20 000 hens per hectare.⁴³

Meat and Livestock Australia (MLA) and Australian Livestock Export Corporation Limited (LiveCorp)

2.48 Meat and Livestock Australia (MLA) and Australian Livestock Export Corporation Limited (LiveCorp) are also non-government, industry-owned companies, however, both have appeared at previous senate estimates hearings.

2.49 The committee discussed MLA's training of workers in approved abattoirs, its purchasing of domain names, and how it responds to criticisms of its Research and Development reports. Officers informed the committee that after consulting with industry groups, MLA is moving to a process where it will upload all final reports onto its website. Officers told the committee that this process will provide further transparency into where its research dollars are spent.⁴⁴

2.50 The committee discussed LiveCorp's animal welfare provisions, the qualifications of the members of its board, and sought further information on the proportion of funding allocated to animal welfare. Officers told the committee that approximately 57 per cent of financial resources will be devoted to program activities that directly relate to animal welfare.⁴⁵

Trade and Market Access

2.51 The committee sought further information on the Trade and Market Access Division's (TMAD) work with Austrade, and the differences between their roles. Officers explained to the committee that TMAD works directly on the shape of the market, such as looking at tariffs and quotas, and the technical framework under which goods are traded, describing it as a 'government to government role'. Whereas Austrade focuses on the business relationship with the country, which looks at opportunities for Australian exporters and facilitates their relationships with potential

43 *Proof Estimates Hansard*, 22 May 2012, pp 93, 94 and 97–99.

44 *Proof Estimates Hansard*, 22 May 2012, pp 102–103.

45 *Proof Estimates Hansard*, 22 May 2012, pp 104–106.

importers in the country. Austrade also looks at markets with a whole-of-economy approach, whereas TMAD focuses on agriculture, fisheries and forestry.⁴⁶

2.52 The committee sought further information on the processes behind free trade agreements. Officers detailed the arrangements that take place, stating that it is important to have an Australian based person in the high priority countries. Officers informed the committee that there are currently two counsellors in Beijing, and two counsellors in Tokyo, where two of the main free trade agreements are still under negotiation.⁴⁷

Australian Pesticides and Veterinary Medicines Authority (APVMA)

2.53 The committee sought further information on the cost recovery discussion paper and the status of a final cost recovery impact statement. Dr Eva Bennett-Jenkins, Chief Executive Officer, told the committee that after releasing its cost recovery discussion paper in late 2011, the APVMA met with industry stakeholders in April 2012 to provide feedback on the submissions received to that discussion paper.

2.54 Dr Bennett-Jenkins also informed the committee that a supplementary discussion paper relating to the manufacturing licensing scheme was released on Friday 18 May 2012. The supplementary paper discusses an alternative model which was developed in consultation with industry stakeholders.⁴⁸

2.55 The committee asked officers to provide details on an application to allow the use of dimethoate on tomatoes that are exported to New Zealand. Officers informed the committee that the application was refused, based on concerns about public health and residues, and that the applicant has sought a reconsideration of the decision to refuse it. The committee queried the legality of the use dimethoate on tomatoes that are not for consumption in Australia, where the chemical has been suspended for most uses, when the tomatoes are to be exported to a country where the use of it is not suspended. Dr Bennett-Jenkins told the committee that the APVMA, when looking at applications, is required by its legislation to look at the use of the product, and the safety of the use of that product, regardless of which country the product will go to.⁴⁹

46 *Proof Estimates Hansard*, 22 May 2012, pp 107–108.

47 *Proof Estimates Hansard*, 22 May 2012, pp 110–111.

48 *Proof Estimates Hansard*, 22 May 2012, pp 116–117.

49 *Proof Estimates Hansard*, 22 May 2012, pp 119.