

Chapter 2

Agriculture, Fisheries and Forestry portfolio

Department of Agriculture, Fisheries and Forestry

2.1 The committee heard evidence from the department on Wednesday 14 February and Friday 16 February 2007. The hearing was conducted in the following order:

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

Management Services

2.2 The committee asked how the department had been affected by the amendments to the Administrative Arrangements Order, which removed responsibility for water policy from the Agriculture, Fisheries and Forestry portfolio. The department informed the committee that although arrangements were still being finalised, 34 staff had transferred to the Department of Environment and Water Resources (DEW). In addition, the department had identified a budget of around \$88.9 million of administered funding for water related programs and the reassignment of functions, and approximately \$3.7 million of departmental funding for this financial year, which would be transferred to DEW. The department explained that these

amounts had not been included in the Portfolio Additional Estimates Statements (PAES), because the changes had occurred too late to be incorporated.¹

2.3 The committee sought information on when the department had been informed of the government's intention to amend the Administrative Arrangements Orders, and when the work on the contents of the PAES had been completed prior to printing. The department undertook to provide the information on notice.²

2.4 The committee continued its line of inquiry from budget estimates regarding the appropriation of \$10 million of 'contingency' funds in the department's Portfolio Budget Statements, and noted that this specific appropriation did not seem to appear in the PAES. The department explained that the amount had been revised to \$40.9 million and that government had since announced a decision to allocate those funds for assistance to the tobacco industry.³

2.5 The committee also sought information on:

- the 2007 Agriculture Statement (*Estimates Hansard*, 14 February 2007, pp 3-4); and
- various items in the PAES (pp 5-7).

Corporate Policy

2.6 The committee discussed the following issues with officers from the Corporate Policy division:

- information held by the department, and research undertaken on non-forestry managed investment schemes (MIS), particularly the impact of these MIS's on the agriculture sector (*Estimates Hansard*, 14 February 2007, pp 7-17); and
- the claim of defective administration by Marnic Pty Ltd, and Mr Dalton's review of documents in the case (pp 17-18).

Wheat Export Authority

2.7 In his opening statement, the Chairman of the Wheat Export Authority (WEA), Mr Tim Besley, sought to clarify the WEA's role for the committee. Mr Besley stated that under the *Wheat Marketing Act 1989*, the WEA only has the power to control wheat exports by non-Australian Wheat Board (International) (AWB(I))exporters. Further, Mr Besley quoted the former Minister for Agriculture, Fisheries and Forestry, Mr Warren Truss, who stated

1 *Estimates Hansard*, 14 February 2007, p. 4.

2 *Estimates Hansard*, 14 February 2007, p. 4.

3 *Estimates Hansard*, 14 February 2007, pp 4-5.

...the authority does not have a mandate to monitor or oversee the activities of the parent company, AWB and its functions certainly do not extend to overseeing the financial and marketing operations of either AWB Ltd or AWBI...⁴

However, the WEA is 'required to monitor AWB(I)'s performance in relation to the export of wheat and to examine and report on the benefits to growers.'⁵

2.8 Consequently the committee asked whether WEA's investigation of claims about payments to trucking companies in the Middle East was within the mandate of the WEA. Mr Besley reaffirmed that the WEA did not investigate AWB's operations in Iraq, or their marketing, but merely looked at the terms of the contract of sale to ascertain whether it contained anything that would affect the pool and the growers.⁶

2.9 Mr Besley also commented on some of the findings of the Cole Commission, and indicated to the committee that the WEA supports the recommendation by Commissioner Cole that there be a review of the powers, functions and obligations of the body responsible for monitoring and controlling an Australian monopoly wheat exporter.⁷

2.10 The committee noted its concern that until 2006 the WEA had been unaware of the new service agreement between AWB Ltd and AWB(I) negotiated in 2004. The WEA informed the committee that they believed the WEA had been misled on that particular issue. The committee remained concerned that WEA had not monitored the relationship between AWB Ltd and AWB(I) more closely.⁸

2.11 The WEA was questioned extensively about the operation of the 2004 services agreement, particularly the implications of the break-fee provision. The WEA informed the committee that due to the termination provisions in the current services agreement, AWB(I) and consequently, pool participants, could be liable to AWB for significant exit costs, which are both uncapped and unspecified. WEA noted their disapproval of the document.⁹

2.12 The committee was advised that the 2004 services agreement expires on 30 September 2007, therefore a new services agreement is due to be negotiated.¹⁰

4 *Estimates Hansard*, 14 February 2007, p. 19.

5 *Estimates Hansard*, 14 February 2007, p. 19.

6 *Estimates Hansard*, 14 February 2007, pp 21-22.

7 *Estimates Hansard*, 14 February 2007, p. 19.

8 *Estimates Hansard*, 14 February 2007, pp 22-23.

9 *Estimates Hansard*, 14 February 2007, pp 42-46

10 *Estimates Hansard*, 14 February 2007, p. 44.

2.13 The committee also questioned officers from the WEA about the following issues raised in the *2006 Growers Report*:

- support for recommendations of the 2004 Wheat Marketing Review and conduct of the review (*Estimates Hansard*, 14 February 2007, pp 28-30);
- applications by exporters other than AWB for permits to export bulk wheat (pp 30-32);
- the Tigris arrangement and how the over-deliveries occurred (pp 25-26 and 32-32);
- AWB's contract to supply wheat to India (pp 33-36);
- the operation of national pool trusts (pp 36-37);
- storage and handling costs (p. 37);
- the impact of the drought on the pool, including changes to the Out Performance Incentive cap, and the Wheat Industry Benchmark out-performance hurdle, as well as the impact of the drought on the operation of AWB (pp 37-41 and 46);
- concerns about AWB Ltd chartering fees (pp 41-42);
- assessment of AWB's Shaping the Future strategy (p. 46); and
- concerns that non-AWB(I) exporters are getting better prices in some markets than AWB(I) (pp 46-48).

2.14 Other matters pursued by the committee included:

- the impact of the Geneva desk on the pool (*Estimates Hansard*, 14 February 2007, p. 20);
- Mr Besley's reappointment as interim Chairman and the selection process for the position of Chief Executive Officer (CEO) which led to the appointment of an interim CEO (pp 20-21 and 23-24);
- the WEA's examination of the break-free payment negotiations between AWB Ltd and AWB(I) (pp 26-27);
- WEA's funding (pp 24-25); and
- whether the committee could be supplied with a copy of the Performance Measurement and Review report (pp 27-28).

Food and Agriculture

2.15 The committee pursued the following matters with officers from the Food and Agriculture division:

- the KPMG review of the National Food Strategy (*Estimates Hansard*, 14 February 2007, p. 48);
- access to Q-fever vaccine (pp 48-49);

- the liquidation of Australian HomeGrown Ltd and the commencement of the Australian Grown initiative (pp 49-52);
- details of the review to look at possibilities for streamlining food regulation (p. 50);
- round 3 of the sugar industry, regional and community grants and the use of remaining funds (pp 52-53);
- total expenditure on the sugar industry restructure package and accessibility of the program (pp 53-54);
- the price of sugar (p. 54); and
- Australian beef in the Japanese market (pp 54-55).

Product Integrity and Animal and Plant Health

2.16 The committee questioned officers extensively about the terms of Australia's live trade with Egypt due to recent reports that these animals are being obtained by the public for home slaughter. The department assured the committee that an agreement on procedures for the handling and slaughter of live Australian animals exists between the two countries and that they are working with the Egyptian authorities to improve animal welfare. The department informed the committee that the majority of animals are slaughtered in abattoirs in accordance with the agreement; however the main issue is the removal of the animals from the official system through private sales.¹¹

2.17 The department went on to brief the committee on the status of memorandums of understanding on live trade with other Middle Eastern countries.¹²

2.18 The committee sought information on the current avian influenza precautionary regime. The department updated the committee on its activities in this area, including: the development of a national surveillance plan for wild birds; creating awareness of the issue and increasing communication; negotiating modified conditions to allow access to specific pathogen free eggs; and the development of an occupational health and safety policy document for poultry workers.¹³

2.19 The committee also raised concerns about the issue of an export permit to export a consignment of Tasmanian Devils to Denmark from an area in which Devil Facial Tumour Disease has since been detected, and asked when the state department became aware of the presence of the disease. The department undertook to provide that information on notice.¹⁴

11 *Estimates Hansard*, 14 February 2007, pp 56-57 and 59-60.

12 *Estimates Hansard*, 14 February 2007, pp 57-59.

13 *Estimates Hansard*, 14 February 2007, pp 60-62.

14 *Estimates Hansard*, 14 February 2007, pp 62-64.

Australian Pesticides and Veterinary Medicines Authority

2.20 The committee had a brief discussion with officers from the Australian Pesticides and Veterinary Medicines Authority about the following matters:

- suspension of, and permits for, the use of three high volatile ester forms of 2,4-D (*Estimates Hansard*, 14 February 2007, pp 64-65);
- the risks surrounding the continued use of the chemical Diazinon (pp 66-68); and
- the process for registering new products and repacks of registered products (pp 68-70).

Australian Quarantine and Inspection Service

2.21 The committee raised the following issues with officers from the Australian Quarantine and Inspection Service:

- concerns that the current Import Risk Analysis (IRA) for apples will not adequately protect against the possible spread of fire blight (*Estimates Hansard*, 14 February 2007, pp 70-75);
- the process being undertaken in relation to the appeals lodged against the IRA on apples (pp 75-76);
- progress on the development of an IRA on bananas (pp 76-77);
- the operation of the eminent scientists group (pp 76-79);
- progress and implementation of the pandemic influenza preparedness program (pp 79-81); and
- applications from foreign countries to import grains into Australia (pp 81-82).

Biosecurity Australia

2.22 The committee questioned officers at length about the draft report on the IRA for prawns, and raised the following matters:

- concerns about the continued importation of prawns affected by the white-spot virus and the risks associated with this;
- progress on the IRA for prawns and the process involved;
- testing undertaken by the department to detect both white-spot virus and taura syndrome virus in the wild; and
- the possible implications of a tighter import regime for prawns, particularly how this may affect the price of prawns.¹⁵

15 *Estimates Hansard*, 14 February 2007, pp 82-93.

2.23 The committee also sought updates on the progress of IRA's for chicken meat, grains and bee semen.¹⁶

International

2.24 The committee pursued the following issues with officers from the International division:

- Official Development Assistance (*Estimates Hansard*, 14 February 2007, pp 95-96);
- expenditure on contributions to the United Nations Food and Agriculture Organisation (p. 96); and
- the implications of signing up to the World Wine Trade Group's agreement on wine labelling for the Australian wine industry (pp 96-97).

Australian Bureau of Agriculture and Resource Economics

2.25 The committee held a varied discussion with officers from the Australian Bureau of Agriculture and Resource Economics (ABARE) covering matters such as:

- the outlook for oil prices (*Estimates Hansard*, 14 February 2007, pp 97-100);
- the possibility of modelling prices for carbon and carbon taxes (pp 98-102);
- ABARE's internal budget (pp 102-103);
- the outlook for various commodity groups (pp 103-108);
- research on the future prospects of the ethanol industry (pp 108-110);
- Australia's grain stocks and its ability to meet feed-grain requirements (pp 110-111);
- issues arising out of the *GM grains in Australia: identity preservation* report, particularly regarding the attribution of costs relating to the segregation of Genetically Modified grains (pp 112-116); and
- research and modelling on climate change (pp 116-118).

Bureau of Rural Sciences

2.26 The committee heard evidence on a number of issues from officers of the Bureau of Rural Sciences (BRS), including:

- research into climate change that might be applicable to possible future farming developments in Northern Australia (*Estimates Hansard*, 14 February 2007, pp 118-119);

16 *Estimates Hansard*, 14 February 2007, pp 93-95.

- the aims, and intended operation, of the Signposts for Australian Agriculture project (pp 119-120);
- contracts entered into by BRS (pp 120-121);
- progress on National Biotechnology Strategy projects (p. 121); and
- clarification of figures of overfished species in the fisheries status reports (pp 122-124).

Rural Policy and Innovation

2.27 The committee sought an update on the expenditure of drought relief funds through the following programs: FarmHelp, Country Women's Association drought relief, and exceptional circumstances assistance.¹⁷

2.28 Other matters pursued by the committee included:

- the approval process for exceptional circumstances applications (*Estimates Hansard*, 14 February 2007, pp 125-127);
- the Asia-Pacific Economic Cooperation (APEC) agricultural biotechnology forum (p. 127); and
- work being undertaken on drought preparedness (p. 128).

Fisheries and Forestry

2.29 The committee asked a series of questions about the domestic surveillance of vessels and methods of monitoring compliance. Information was sought on:

- the Australian Fisheries Management Authority's (AFMA) use of administrative penalties;
- possible methods of addressing the black market for illegally caught fish;
- the cost of compliance for both domestic and foreign fisheries;
- inspections of vessels and resultant detections of offences; and
- the budget for domestic compliance.¹⁸

2.30 The committee requested an update on the Recreational Fishing Community Grants program, and were briefed on the following matters:

- the expenditure of funds;
- the composition of the independent panel which is responsible for assessing applications; and

17 *Estimates Hansard*, 14 February 2007, pp 124-125.

18 *Estimates Hansard*, 16 February 2007, pp 9-16.

- the approval of applications by rounds and by location.¹⁹

2.31 The committee also heard evidence about:

- results from work on rezoning and spatial management in fisheries (*Estimates Hansard*, 14 February 2007, pp 128-130);
- fisheries status reports. The committee sought clarification of figures of overfished species and asked why there was an increase in overfished fisheries (*Estimates Hansard*, 16 February 2007, pp 1-3 and 20-21);
- the provision of funding for research into fisheries (pp 3-4);
- the impact of Commonwealth fisheries closures on employment (pp 4-9);
- the staffing of AFMA (pp 16-17);
- the ministerial directive on overfishing (pp 17-20 and 24);
- progress on the Offshore Constitutional Settlement (pp 21-22);
- the accreditation of fisheries under the *Environment Protection and Biodiversity Conservation Act 1999* and how overfished fisheries can be considered sustainable (pp 22-24);
- expenditure under the Securing Our Fishing Future program (pp 25-26);
- the Eden structural adjustment package (pp 26-27);
- the performance of the 1800 Australian Seafood Hotline (pp 27-28);
- the cost of, and funding for, the transport of pine logs to Scottsdale (pp 33-38);
- the operation and purpose of the National Indigenous Forest Strategy (pp 38-39);
- expenditure under the Planting for a Sustainable Future plan (pp 39-40);
- action taken by the department to promote careers in forestry (pp 40-41);
- the upgrade to Wesley Vale Mill (p. 41);
- discussions the department has held with other countries concerning illegal logging, and work by the department to prevent the importation of illegally logged timber (pp 41-42);
- the replacement of the Forest and Wood Products Research and Development Corporation with a new body, Forest and Wood Products Australia, and the reasons driving the change (pp 42-43);
- certification of timber under the Australian Forestry Standard, and the recognition of this standard by foreign export markets (pp 44-45); and

¹⁹ *Estimates Hansard*, 16 February 2007, pp 28-32.

- the Federal Court Wielangta decision and possible implications (pp 45-46).

Natural Resource Management

2.32 The committee pursued the following matters with Natural Resource Management officers:

- the budget for the National Landcare Program, and the expenditure of relevant funds (*Estimates Hansard*, 16 February 2007, pp 46-47); and
- how findings from the Salinity Investment Framework 3 project, regarding investment principles, are being applied in relation to Natural Heritage Trust round 3 projects (pp 48-49).