

**CHAPTER 10: DEPARTMENT OF PRIMARY
INDUSTRIES**

Transcript of Evidence

10.1 Agriculture portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne — 16 May 2008

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
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Witnesses

Mr J. Helper, Minister for Agriculture,
Mr R. Bolt, Secretary,
Mr D. Seymour, Deputy Secretary, Energy Resources and Major Projects,
Dr B. Kefford, Deputy Secretary, Agriculture and Fisheries,
Mr C. O'Farrell, Chief Financial Officer,
Mr P. Bailey, Executive Director, Biosecurity Victoria,
Mr R. Harris, Executive Director, Farm Services Victoria, and
Professor G. Spangenberg, Executive Director, Bioscience Research, Department of Primary Industries.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2008–09 budget estimates for the portfolios of agriculture and small business. On behalf of the committee I welcome Mr Joe Helper, Minister for Agriculture; Mr Richard Bolt, secretary; Mr Dale Seymour, deputy secretary, energy resources and major projects, Dr Bruce Kefford, deputy secretary, agriculture and fisheries, and Mr Chris O’Farrell, chief financial officer, Department of Primary Industries. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings I remind members of the public they cannot participate in the committee’s proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers can approach the table if requested by the minister or his chief of staff. Members of the media are also requested to observe the guidelines for filming and recording proceedings in this particular room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript, and the committee requests that verifications be forwarded to the committee within three working days of receiving the proof version. In accordance with past practice, the transcripts and PowerPoint presentations and any other documents tabled will then be placed on the committee’s website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off. I invite the minister to make a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of agriculture.

Mr HELPER — Thank you, Chair. Good morning, and thanks for the opportunity to present to PAEC for 2008–09. What I want to do in this presentation is to give an overview of the agriculture portfolio. I will give a summary of the sector’s performance, and indeed some of the challenges that are ahead for farming, and the government’s response being primarily through the Future Farming statement and a suite of initiatives.

Overheads shown.

Mr HELPER — An overview of the agricultural sector shows us that agriculture, despite its challenges, is indeed a success story. A table was released on 8 May 2008 from the 2005–06 ABS agricultural census on the value of agricultural commodities produced. Victoria’s agricultural production was the highest of any state or territory and worth \$9.2 billion or 23.9 per cent of Australia’s total. As I stressed at last year’s PAEC we need to keep in mind that comes from just 3 per cent of the land mass of Australia. To provide an overview, in 2007 Victoria’s food and fibre exports were valued at \$6.3 billion, or more than one quarter of Australia’s total. Dairy and meat continue to dominate Victoria’s food and fibre exports. Dairy exports were valued at \$2.1 billion, and indeed Victoria accounts for more than 10 per cent of the world’s trade in manufactured dairy products. Meat exports were valued at \$1.3 billion.

Turning to key achievements, I would like to focus on one major achievement that DPI played a leading role in, and congratulate my departmental staff who are here for the fantastic effort in terms of containing the spread of horse flu and keeping horse flu out of Victoria. As we all know the Spring Racing Carnival was able to go ahead with minimal disruption. Key measures included border control, vaccinations, other quarantine measures, and indeed, very importantly, a public awareness campaign. The department’s response, led by chief veterinary officer Hugh Miller, with many others of course working in support, was indeed excellent, and every time I think about the effort that people put in it brings a lump to my throat — the enormous work they put into our success story. I think it should be noted that when the 12-month period expires from the start of the outbreak Victoria — and indeed Australia — can claim to be the first jurisdiction in the world that has ever succeeded in eradicating EI. We should all be very proud of that. If we go on with key achievements, one of the key pressures on agriculture, and indeed on the department was, and is, the ongoing drought. I have to point out that more than \$400 million has been provided by Victoria since 2002, of course in addition to measures available through the commonwealth government. Increasingly the focus of the agriculture sector and the department is on managing the risk associated with dry conditions. Although the weather has been cooler and we have had some rain I do not think anybody is jumping with joy at the way the season is shaping up at the moment either. The map on the slide shows Victoria’s rainfall

for April which is traditionally the time for the season to actually break. The majority of the state received less than 40 per cent of the average rainfall. If we go on with key achievements, the Victorian government has allowed the moratorium on two GM canola varieties to lapse. As members of the committee would be aware, the commonwealth Office of the Gene Technology Regulator gave these two varieties environmental and health approval sometime ago — —

The CHAIR — Can we keep moving on to the estimates, Minister.

Mr HELPER — The challenges ahead: if we look ahead it is clear that Victoria's farmers are facing unprecedented pressures, be they a strong dollar, international competition, water scarcity or labour skills shortages. In that framework we are seeing an enormous amount of pressure on the agricultural sector. There has been strong growth in agricultural production and a long-term reduction in the number of individual farms, so there is a consolidation of the farms. If you look at the graph I think it highlights it very clearly with the agricultural establishments going down and the value of agricultural production overall going up. How is the government moving to address the challenges and indeed the opportunities that agriculture has? We are doing that through the Future Farming statement. Some businesses must of course, as always, boost productivity, become more innovative and sustainable, and gain access to highly competitive international markets.

What we did with the development of the Future Farming statement is think about what the farm of the future will look like. It will be a farm that is more capable of managing the risks that are inherent in agriculture; it will be a farm that constantly strives to increase productivity. As members would be aware, the government released the \$205 million Future Farming strategy when the Premier and I visited a farm near Horsham last month. Future Farming provides \$77 million over four years for research and development, and practice change works delivered by DPI; \$8 million over four years to modernise DPI service delivery to farmers, including the establishment of Farm Services Victoria; \$2.3 million over two years to help farmers make modern changes to capture benefits of irrigation infrastructure modernisation; \$4.8 million to provide and market high accuracy GPS systems to enable more precision farming; 8.75 million over four years to increase productivity in the dairy industry; and \$2.7 million over five years to engage with stakeholders, establish the Future Farming stakeholder reference group, and undertake project monitoring and implementation.

If we go on, Future Farming also provides \$5.2 million over four years to give farm businesses better access to information and research about climate change; and \$6.22 million over four years to provide lamb, grains and horticulture farmers with new technologies and strategies to adapt their farming systems. Victoria will also work with other governments — we do not have the control of every lever — to develop an efficient and effective national emissions trading scheme. And of course we will work with governments and major farming bodies to re-examine the national approach to drought relief. We will also develop a Victorian government climate change green paper — we will play our role in that.

The CHAIR — Okay, Minister.

Mr HELPER — With Future Farming, to continue, 20 million over four years to better manage weeds and pests; \$3.79 million over four years to establish a regional strategic planning expert group — all of which goes to strengthening land and water management. Helping farm families is an important part of our strategy: \$3.74 million over four years for the Rural Futures initiative; \$2.18 million over four years to extend the Sustainable Farm Families program; \$3.46 million over four years to pilot targeted case management services for farmers undergoing adjustment and change — that adjustment and that change being the driver that is inevitable to underpin this Future Farming strategy; and \$2.4 million over four years to create a National Centre for Farmer Health in Hamilton to examine the causes and consequences of poor health in the farming communities.

If we go on, the Future Farming statement initiatives never cease, and I enjoy the opportunity to talk about them. There is \$2.93 million over four years to improve the understanding of and response to market and value change challenges; \$1.08 million over three years to assist Victoria's organic sector; and \$4.05 million over four years to improve the productivity and ability of the aquaculture sector to manage the impacts of climate change; and \$3 million over four years for phylloxera exclusion zone development.

The CHAIR — Okay. Still going?

Mr HELPER — Still going. Another important area in the Future Farming strategy, funded through other portfolios, is transporting products to market — a \$43 million investment in country rail freight to deliver future

crops to market. Forestry is an important part of my portfolio of course, and we have the development of a timber industry strategy, to be distributed for consultation later this year. In conclusion — —

Dr SYKES — That is a good one, Minister — a blank page. That is your conclusion, is it?

Mr HELPER — I know I can express it eloquently, Bill. I hope members of the committee have found the presentation interesting. I look forward to the discussion that will ensue about the estimates of the Department of Primary Industries as they relate to agriculture.

The CHAIR — Thank you, Minister. We have about an hour and 55 minutes allocated to questions. Thank you for your presentation. As a former Australian representative of a food and agriculture organisation I welcome the money on weed control. It is always a forgotten area.

Mr DALLA-RIVA — Where is that in the forward estimates?

The CHAIR — It is 24 million on weeds actually, Richard. We have got your questionnaire but it is only the preliminary response. Do we have the final response to your questionnaire coming through?

Mr HELPER — Yes, that is coming through. Has somebody got that? It is being delivered to you.

The CHAIR — That is being delivered, is it?

Mr HELPER — Yes.

Mr BOLT — It was sent yesterday.

Mr WELLS — It is in the mail, Chair.

The CHAIR — It is in the mail. It would have been helpful to have it here today but anyway we have the preliminary one.

Mr WELLS — Have we got it somewhere?

Mr BOLT — It was emailed yesterday.

The CHAIR — One of the areas where you said you had to wait until the budget estimates were finalised was on the issue regarding revenue forgone, subsidies and concessions contained in the budget and the forward estimates, either explicit or implicit subsidies as well. Minister, can you advise the committee of specific subsidies or implicit subsidies, concessions, revenue forgone within your portfolio and whether there are any changes to these in this year's budget? I am sure there are lots of subsidies to our rural farmers, et cetera.

Mr HELPER — Chair, that is where you are mistaken. I think Victorian agriculture, and indeed Australian agriculture, proudly operate in a space that is not perverted by subsidies, as many other jurisdictions internationally are in terms of agricultural production. The answer that we provided in the preliminary draft budget estimates questionnaire was that there are no subsidies or concessions for 2008–09. I guess it depends just a little bit on how we want to define things. I do not want to be cute about it at all, so I am happy to discuss it in more detail. For example, with fishing licences, if you are a senior or under 18, you do not need to have a fishing licence. You could on the one hand argue that that is a concession but that would technically be an incorrect interpretation because you actually do not need the licence. It is not a concessional licence, it is just a lack of requirement to hold one. I make that point to be transparent.

I guess under drought there are a number of drought response initiatives — for example, the municipal rate subsidy. That is clearly a subsidy, but we do not bring that to budget for 2008–09, because our process of evaluating the response to drought is one that we do not bring to budget. We do that as the season unfolds, as the conditions of the season unfold. In that sense that is not recorded in budget papers and therefore I think the response we have provided in the preliminary, which is consistent with the response we are providing in the final estimates questionnaire, is that we do not actually have subsidies or concessions, and there is no estimated cost attached to them.

The CHAIR — Does Rural Finance Corporation come within your portfolio where there is just 2.9 per cent interest rates for loans?

Mr HELPER — That interest rate subsidy is attached to drought relief, and again I draw your attention to the response that I gave, that we do not bring drought relief into the forward estimates. We address drought relief on the interest rate subsidy where our 10 per cent participant with the commonwealth on the interest rate subsidy would bring that together as the season unfolds and as we evaluate the most appropriate and best targeted measures to respond to it. The interest rate subsidies that are currently in place for EC declared areas are undergoing review. The commonwealth puts in place, in terms of those EC areas, that they maintain their status as EC declared.

Mr WELLS — Minister, we have found the answers to those questions, the ones that were in the mail yesterday?

Mr HELPER — That is good.

Mr WELLS — No, we are just saying — have we found them?

Mr HELPER — Sorry, have we?

Mr WELLS — Have we?

Mr HELPER — I thought you were informing me joyfully that you have found them because my understanding is that we emailed them yesterday. I am happy to ask one of my staff.

Mr WELLS — I would not be saying that. I just wanted to know. Has anyone got them? Can we ask around?

Mr HELPER — Can somebody get them sent across to us? Yes, during the discussions we will get them sent across.

The CHAIR — Thanks very much.

Mr WELLS — Minister, I note in your handout you are talking about the challenge of change and you talk about drought, water scarcity, and labour shortages increasing overseas competition. I refer you to page 262, budget paper 4, which shows the historical information of general government 'expense by purpose', and it shows that agriculture, fisheries and forestry in actual terms has fallen from \$503 million in 98–99 to an estimated \$361 million in 08–09, or to work that around in 98–99 figures: agriculture, fisheries and forestry expenditure has fallen from 2.6 per cent of total government outlays to less than 1 per cent. Given the concerns that you have outlined in your handout and the concern about food scarcity, how does the government justify such a massive cut in this spending?

Mr HELPER — Thank you for the question because it allows me to firstly respond to your question but it allows me to also put on the record what I saw as a media release, I think, by the Leader of The Nationals, drawing attention to those figures as well. Let me just say that, to be transparent about quoting historical budget figures, one needs to also be honest about the machinery of government changes that are associated with it. If we look at the then Department of Agriculture — or then it was part of DSE — and if you look at what was actually incorporated in that 99 figure, there were a whole lot of functions that now, through a number of machinery of government changes, are no longer a function of the Department of Primary Industries. They are functions that have remained with the Department of Sustainability and Environment. So what you in your question infer and what the Leader of The Nationals inferred in his press release is indeed trying to compare oranges with pumpkins.

Mr WELLS — Oranges with what?

Mr HELPER — With pumpkins. Did you avoid eating pumpkin soup when you were a child?

Mr WELLS — We could not afford it.

Mr HELPER — Quite frankly, the preface of your question is misleading, and I am happy to go through the general time line and expenditure by this government, a record of which we are very proud, by referring to Chris O'Farrell, our chief financial officer, after having made that general point.

Mr WELLS — Can I? You have said that my question is misleading. Is that the claim?

Mr HELPER — No, I am saying that your question does not understand the full context and ignores a big chunk of the context.

Mr WELLS — Okay, let me just point out that whenever there is a change in the machinery of government, there is normally a footnote to explain that. Can you show me where the footnote is that explains that?

Mr HELPER — The machinery of government changes that I am referring to occurred in — I would not want to stick my reputation on the line for the exact date but they were certainly a number of years ago. They are not machinery of government changes that would be brought and drawn attention to in the budget papers for this financial year. I understand those changes occurred in 2003.

Mr WELLS — Okay, on page 264 there is no reference to that. So how is the reader supposed to know that?

Mr O'FARRELL — They could look in prior budget papers.

Mr WELLS — But you would still have them.

Ms MUNT — Why would you still have them?

Mr WELLS — There is a reference to 74–75. I know you Labor people get very excited when you are trying to cover up what the minister is trying to explain.

The CHAIR — Can we just continue without the commentary, please?

Mr WELLS — It is a fair point. We want to know where the footnote is when they refer to a 74–75 reference but they are not going to refer to 2003.

Mr HELPER — I would strongly suggest to you that the footnote is likely to be found in the 2003–2004 budget papers and possibly referred to, although this was prior to me being minister, and I have not got a great memory for the footnotes in budget papers, probably referred to in the 2004–2005 budget papers again. But the fact that it is not referred to in the 2008–09 budget paper is a consequence of the change having taken place some six years ago.

The CHAIR — Do we have any further explanation? I can see, looking at the bottom, the sources are the ABS catalogue for 2002–07 and the Department of Treasury and Finance, and there are obviously definitional issues here which are not clearly apparent in such a tabular form.

Mr WELLS — Rather than get bogged down in detail, can you then explain the reason why there is a reduction from 361 to 324 in the forward estimates? Is there a change in machinery of government over the next four years?

Mr HELPER — In answer to that question I will give an overarching answer and invite Chris O'Farrell again to provide any details that the committee may wish to hear. The overall answer is that we need to be aware of the fact that the Department of Primary Industries covers both the agriculture and the energy and minerals portfolios and as a consequence some of the changes in outlays for the department do indeed refer to minerals and energy. That is the first point to make.

The second point to make is that some of the issues associated with drought funding clearly reflect themselves in the budget papers, and as I indicated in my response to the Chair's earlier question the responses to the drought are brought to bear as we assess the seasonal outcome and the seasonal necessity for response to drought. They are not reflected in budget papers. However, the expenditure for drought in the past would be. With those overarching comments, if I can invite Chris to provide any more details if that is possible?

Mr WELLS — So is Chris going to explain the reduction from 361 to 324?

Mr HELPER — I thought in part my response actually did that. That is why I am inviting — —

Mr WELLS — That is fine. The assumption is that the drought is going to break?

Mr HELPER — What I am inviting Chris to do is to provide more detail.

Mr WELLS — Just to clarify the minister's point, the assumption is the drought will break over the next four years?

The CHAIR — I do not think he said that.

Mr HELPER — No, I did not say that at all.

Mr WELLS — You referred to drought payments.

Dr SYKES — I can clarify on page 34 of budget paper 2 it says:

It is expected that a return to more normal climatic conditions will contribute to further recovery in the agricultural sector in 2008–09.

So the budget is going on the assumption that the drought — —

Mr DALLA-RIVA — The drought is going to break.

Mr HELPER — And as that — —

The CHAIR — We had that discussion with the Minister for Education.

Mr HELPER — We have actually — —

The CHAIR — Can we come back to the main point here. If Mr O'Farrell can clarify.

Mr WELLS — Chair, if I may ask — —

The CHAIR — The statistical basis is what we are looking at — the statistical changes.

Mr O'FARRELL — I think the drop from the 478 to 361 largely reflects the decrease in the payment from the commonwealth to the state for exceptional circumstances drought assistance. There is currently \$40 million in the 08–09 budget for exceptional circumstances related to interest rate subsidies. That is not in the 09–10 estimates yet as decisions have not been made about whether that funding will continue. There need to be further reviews of exceptional circumstances declarations in drought-affected areas and then the drought task force will make decisions about allocations of funding during 2008.

The CHAIR — You already have a notional figure of \$40 million in subsidies in the next year's budget.

Mr HELPER — That is because they carry over into the next financial year.

Mr WELLS — So the difference is primarily drought payments?

Mr HELPER — Yes. Chair, if I may just about the suggestion that was made before, we have had this exact debate I think at last year's estimates where Victoria's response to drought is one that is determined as we bring to hand the circumstances of the drought, the needs of the affected communities and the needs of the affected farm enterprises. The fact that the budget is prepared prior to critical dates in terms of the breaking of the season would make it silly for us to put a drought allocation into the budget. We have not done so in the 2002–03 drought response. We have not done so in the 2006–07 response, and nevertheless — —

Dr SYKES — That is why, Minister, your drought response actions are after the event. Farmers, if they operate that way, would be — —

The CHAIR — All right. Minister please.

Mr HELPER — Nevertheless a \$400 million drought response as I said since 2002–03 far exceeds the paltry drought response that was furnished under the previous government during climatic difficult times when they occurred during its reign.

The CHAIR — Thank you, Minister. We will move on. I think you have had a fair go.

Mr WELLS — Yes, I know, but I have been bandied all over the place. I just want to clarify one very small point.

The CHAIR — It will have to be extremely short because you have had a fair go, quite frankly.

Mr WELLS — It is because I think the information that has been given to us was not as accurate as it may have been. I am just clarifying one point.

The CHAIR — I do not think that is correct but anyway keep going.

Mr WELLS — On the issue of the \$40 million drought relief payment then the assumption is over the next four years there will be no increase in agricultural, forestry and fishery if we are talking around about the \$40 million mark; is that correct?

Mr HELPER — No, there is no assumption of that kind made.

Mr WELLS — I am just saying it goes from 361. Mr O'Farrell talked about a \$40 million carryover. Are we happy with that?

The CHAIR — Drought years reflect current decisions not future decisions

Mr WELLS — And then goes 321, 326, 324, so the amount is about the same.

The CHAIR — They reflect current decisions not future decisions.

Mr HELPER — Exactly.

Mr WELLS — Okay, I am just asking the question.

Mr HELPER — I am sorry, drought is a contingency.

Mr WELLS — He spoke about \$40 million. There is a \$40 million difference for the year.

The CHAIR — Quickly, Minister. We need to get onto the next question.

Mr HELPER — I am sorry. I am not going to stand by and have the government's drought response leaned upon. Let me explain it again. Drought is a contingency that occurs. You could have made exactly the same as occurs after seasonal conditions for a given season come to a point of being drought circumstances. You could make exactly the same point about contingencies such as bushfires; you could make exactly the same point about contingencies for floods as you could make for contingencies of drought. We bring those contingencies to measure when they are appropriate to bring to measure. It is a bit difficult to predict seasonal conditions in the process of preparation of the budget as it is difficult to bring contingencies such as bushfire response, flood response and any other natural disaster response to bring them to budget because they are contingency risk.

Dr SYKES — So why do you — —

The CHAIR — No, you have had your chance.

Ms MUNT — Minister, I am aware that there are a number of challenges in farming at the moment, but I think there are also some opportunities. I was interested to read budget paper 3, page 299, Future Farming strategy, which goes through a number of areas that have been addressed by the Future Farming strategy. I was particularly interested in building skills and attracting young people to farming. In my last parliamentary committee we actually travelled around the rural and regional areas to the tertiary institutions and looked at the range of courses that they are offering to skill up the next generation of young farmers. I was wondering if you could expand on the Future Farming strategy for me and just explain a little bit more of what it means and what it does.

Mr HELPER — Thank you, Janice, I genuinely welcome the opportunity to respond to your question. The Future Farming statement has dominated my presentation, and the thinking behind the Future Farming statement dominates our agricultural policies. To summarise it in a handful of words, the philosophy behind the Future Farming strategy is that to build resilience is far preferable than to put in place rescues after something goes pear-shaped. If we look at the challenges facing agriculture that I outlined in my presentation, including others, be

they drought-climate change, be they competition for resources and therefore the prices for resources going up, be they biosecurity threats indeed under a regime of climate change and increasing global mobility, all of these things are the challenges. But there are enormous opportunities as well. If we look at the demand for protein across the globe, the demand for food, we certainly see some very significant developments and we see some relatively healthy prices are being achieved for the commodities that our farmers grow, so there is an opportunity. If we look at the opportunities that are inherent in improving productivity to research development and through science, the abilities to improve productivity, they are tremendous opportunities. All of those are encompassed in the Future Farming statement to meet the challenges and of course to exploit the opportunities.

One of the challenges you mentioned is that of skills and the labour force in the agricultural sectors. The budget brought to bear, not through my department but through other departments, considerable investment in improving the ability to build the skills base for agriculture and for regional and rural communities through capital initiatives and through program initiatives, something I enormously welcome and something that the Future Farming statement foreshadowed. An important part in terms of any industry be it agriculture, manufacturing, whatever the sector may be, in terms of attracting sufficient labour and sufficient skills is the public perception of a particular industry. The perception that many people in agriculture have about themselves and about their own sector is one that is going to be increasingly echoed by this government and is indeed echoed through Future Farming, which is that it is an exciting, innovative, forward-looking and forward-moving, highly skilled industry as we look to the future. If we paint that picture and if we project the industry in that light we make it attractive for young people to move to.

If I can paint the contrast with the manufacturing sector, whilst the perception existed — I hope it is past tense — that manufacturing is about rusty sheds and smoke stacks, why would a young person wants to move to a career in manufacturing? The picture is totally different. Manufacturing, like agriculture, is exciting: it is forward looking; it is a great place to build a career. Certainly in terms of the challenge that you highlighted in your question, the perception of agriculture is an important part of ensuring that agriculture actually has access to the skills and the labour it needs into the future, as well as the practical measures that were outlined in the budget from other portfolios foreshadowed in Future Farming. Thank you for your question.

Dr SYKES — I would like to commence by congratulating the department, particularly the animal health section of the department, for its role in working with all of the horse industry to keep equine influenza out of Victoria. Let's hope that is the way it stays. I would like to continue and contribute to the discussion so far on drought before asking my question. First of all there is the principle that underpins the budget where it assumes, on page 34 of budget paper 2 that we will be returning to normal climatic conditions during this year, and yet as you have indicated in your presentation the April rainfall is appallingly low. I did a budget in January and assumed that we were returning to normal conditions and bought 100 head of stock. Two months later I had to fork out another \$100 per head for feed. In other words, things change pretty quickly. My comment and the interjection was that a criticism of government is its slowness to respond to the changes. I suggest that the approach to this budget process is fundamentally flawed because you have taken an optimistic approach to the drought rather than a realistic approach, given that we are into our 11th year of below-average rainfall and it is our 20th year since we had a decent autumn break. In relation to the issues you mentioned in relation to expenditure and how well the government has contributed to the drought — —

The CHAIR — The question, please.

Dr SYKES — This is important to clarify.

The CHAIR — I know, but it is too long.

Dr SYKES — You said that the government made a substantial commitment, but the Auditor-General's report on government commitments to 2005–06 revealed that whilst there were announcements of \$238 million of drought assistance, actual expenditure was only 140. I now move on to my question in line with the request of the Chair: given that the government says it recognises the severity of the impact of the drought — and I think you would agree that it has been across nearly all of Victoria with nearly all of Victoria being declared to be under exceptional circumstances — and given that farm debt often exceeds \$700 000, with farmers having little ability to pay, and that applies to shires such as Mansfield and Murrindindi as well as up in the north-west, why has the government restricted its assistance measures such as on-farm productivity grants and the full funding of full-time drought coordinators to only the 20 most severely affected local government areas?

The CHAIR — I assume this is with regard to the future in terms of the estimates, rather than an outcomes matter that we can deal with in another context.

Mr HELPER — It does not, but nevertheless, Chair, with your indulgence I would welcome the opportunity to respond to Bill's question.

The CHAIR — Briefly, in that case.

Mr HELPER — Firstly, our decision to declare 20 municipalities as opposed to the whole state for eligibility to certain components of our drought response last season — I think the figure is 12 per cent, but I will have somebody check that — 12 per cent of the drought package that was announced relates to that restricted geographic area. The rest — that is, 88 per cent of the expenditure on those measures — relates to all areas that are EC declared, which is all regional and rural areas, as the member would be aware. So the impact of the targeting needs to be kept in check. Why did we target? For very good reasons, because like any response, be it a response to bushfire, be it a response to a flood or be it indeed the response here to drought, we need to target the community resources that we apply to that response as effectively and as efficiently as is possible. Therefore the government and I have the opinion that certain measures can be made more meaningful and the impact provide greater benefit to individual farmers by geographically targeting them. You need to keep in mind that if some measures — as I say, 12 per cent of them — are targeted to some area, we can make them more meaningful.

Dr SYKES — If it is so small, Minister — I can assure you that in terms of the government expenditure and cost blow-outs and other things it is relatively small — why do you stop Murrindindi shire, for example, getting it? If you came and spoke to the people up there, you would realise they are hurting, independent of the added insult of the north-south pipeline.

The CHAIR — All right. Minister.

Mr HELPER — I sense the impatience of the Chair to move on. I will restrict my answer to being a very brief one.

The CHAIR — We are trying to deal with the estimates is my point. If you wish to follow them up —

Mr HELPER — And that is a fair point, Chair. But my response is that \$400 million since 2002-03 is a substantial contribution to support of our drought-affected farmers and communities. In terms of the people in the shire of Murrindindi, 88 per cent of the initiatives, on top of which comes the commonwealth initiatives that flow through exceptional circumstances, are available to people in the shire of Murrindindi, just the same as those of the 59 shires that are drought declared to whom the special targeting did not occur.

The CHAIR — Thank you, Minister. If you wish to pursue it any more, you can pursue it in questions on notice or in the house.

Mr SCOTT — My question relates to weeds and pests. Minister, on page 299 of budget paper 3 there is a detailing of actions arising from the Future Farming strategy. By way of background, my staff member used to be involved in agriculture, in pest management — as an aside. Can you tell us how the management of weeds and pests will be improved by the extra funding from the Future Farming strategy and how this will assist with roadside weeds?

Mr HELPER — Sure. I will come back to specifically discussing the issue of roadside weeds after I run through the initiatives that underpin the \$20 million commitment in Future Farming to responding to weeds and pests. Firstly, it will support local government in the management of weeds and pests on roadsides — and, as I say, I will come back to that. It will assist in developing incursion and treatment plans for regionally prohibited weeds; improving early response capability — this is the thinking that goes behind the support that we wish to bring to local government — for new and emerging pests; increasing voluntary compliance for regionally controlled weeds; more effectively controlling weeds and pests on public land by expanding the government's Good Neighbour program; improving the use of biocontrols for management of widespread weeds; reviewing options to enhance our efforts in wild dog management; and increasing community involvement in our targeted program for integrated fox management. They are the drivers that will be supported through this particular initiative.

If I can come back to the point that you stressed in your question — that is, roadside weeds — the government is of the view, as is provided for in legislation, that the state is responsible for roadside weeds as they adjoin state roads, and local government is responsible for roadside weeds on local roads. That has caused some concern in the community, so I would welcome the opportunity to just talk about the policy in support of that. Firstly, roadside weeds and roadside corridors are indeed the corridors through which a great deal of the spreading of weeds occurs. You have 79 councils responsible for local roads as opposed to — I will take a guess — 200 000 or 300 000 landowners across the entire state being responsible for roadside weeds, which is the policy alternative. Somebody is going to have to pay for the control of roadside weeds, so the policy debate should be about who is most efficiently placed to exercise the responsibility.

I would argue that — and certainly what clearly underpins the legislation — local government, as indeed state government with its roads, is in the most efficient position to respond to roadside weeds. There is a further policy nuance which argues that if local government is responsible and through the action that you referred to in the Future Farming statement, if we are going to support local government in its efforts to control roadside weeds on its roadsides, we should do that on a flat per-kilometre rate. I just draw the attention of the committee to the fact that Collins Street is actually a local government road. The City of Melbourne is responsible for Collins Street. I have not seen too many outbreaks of serrated tussock. I have not seen too many rabbits.

Dr SYKES — You want to have another look. There are a few in Spring Street!

The CHAIR — There are foxes here now.

Mr HELPER — There may be a number in front of, what is it, 104 Exhibition Street. I am not 100 per cent sure of that.

The CHAIR — I think we would should concentrate on the estimates, Minister.

Mr HELPER — Nevertheless that point starkly demonstrates that a flat out, one-size-fits-all, X-dollars-per-kilometre support to local government for roadside weed control is a silly policy proposition. What I can say to the committee is that DPI and I will continue to engage with local government to ensure that the package of support for local government to meet its responsibility for roadside weeds will be one that is particularly well developed through consultation.

Dr SYKES — Minister, can you just clarify how much of the package, the 24 million — —

The CHAIR — Is this your next question?

Dr SYKES — It is just a clarification of the question. How much is actually going direct to local government as distinct from DPI? How much of the 24 million is going direct to local government?

Mr HELPER — I could provide that answer when those discussions and that consultation and that engagement with local government is concluded.

Mr DALLA-RIVA — Budget paper 3, service delivery, on pages 221, 222 and 223, relates to regulation and compliance. I understand DPI now has responsibility for the enforcement of weed control on public lands, and it is referenced at footnote (e) in respect of ‘Number of state prohibited weed infestations treated’. What is your anticipation of the budget allocation moving forward for the enforcement of weed control on public land. I know you have discussed that primarily in terms of the council and roadside weeds. What about the control of weeds and the number of prosecutions you expect to initiate against managers of public land — owners — where they are now held by DSE? You may like to compare this allocation activity with the proposed enforcement of the weed control on private land as well.

Mr HELPER — If I can make an overarching comment— and the detail I am happy to take on notice — it is that the greatest part of weed and pest management, as I am sure Dr Sykes would agree, is driven by cooperation and by collaboration of land-holders in a given area that we are trying to address a weed or pest problem in. Enforcement is really something that falls as a last resort or a further down-the-chain resort because the important thing, first and foremost, is to build up the collaboration between land-holders, whether that be across land tenure or on one form of land tenure, so that the expenditure of resources can be optimised through cooperation.

The transfer of responsibility of weeds and pests to the Department of Primary Industries provides, I think, a great opportunity to build that collaboration not only with land-holders on private land tenure but across all land tenures as we move forward. Implicit in your question — and I am not being critical of it being implicit in your question — is how much are we going to throw our weight around in terms of enforcement of public land? Let me just say that through the cooperation and through the collaboration we are able to do a darn site more than throwing the stick around. I make that general comment. In particular, the Future Farming statement talks about the efforts that are going into the Good Neighbour program, and that is about weed and pest management on public land tenure where it adjoins private land tenure. I look forward to developing further the relationships that exist between the managers predominantly of public land — DSE — DPI and those who control private land. It is because, as we build that collaboration, that is when we get good outcomes. The stick is not really that much of a preferred weapon. Nevertheless it needs to be there.

Mr DALLA-RIVA — I was just referring to the budget paper — and I hear what you say — and it says here on page 221 ‘behaviours through a proactive approach to self-regulation’. It talks about education and inspection but then also says ‘enforcement services’ in relation to disease, pest and other things. There is a budget allocation in the forward estimates, \$86.8 million. I am just curious, while I understand your issue of ensuring some collaboration processes, it would be like saying to people, ‘Don’t speed’ and assuming there is no enforcement provision. It is along the same lines. I guess I am trying to get a clarification in the forward estimates, now it is under your portfolio, what you expect are the number of compliance officers, if that is what you call them, and what you expect in terms of a budget expenditure in terms of compliance? That is where I am at.

Mr HELPER — Maybe an important way to get into the bottom of the information that you seek would be if I were to invite Ron Harris, the executive director of Farm Services Victoria to talk about the type of programs that we have in place and to talk about the approach we have to weed and pest management.

Mr DALLA-RIVA — And the financial commentary.

Mr HELPER — That will certainly put the question in context.

Mr O’FARRELL — If I could just clarify, Minister. Firstly — a point you made — the 86 million you refer to is for the whole output, so that is not just weeds and pests. It is fisheries, it is energy — it is everything.

Mr DALLA-RIVA — I understand that. Given that it is now under your department what proportion of that expenditure are you allocating to the enforcement, given that it has not been under your effective control before?

Mr HELPER — I am happy for two things to occur: firstly, for Ron to run over the broad parameters of how we respond to weeds and pests; and the second part of the response: I am happy to take that on notice and provide further information on that.

The CHAIR — Do we want a presentation on this, or can it be done privately?

Mr HARRIS — Certainly it is about achieving compliance. In all our interventions we get above 90 per cent compliance through voluntary means, and there is a small percentage, which may be 5 per cent or less, where we are involved in court actions. With the amendment to the CALP act undertaken in the last two years, we have decreased the amount of time required for undertaking those compliance activities, and we have been issuing more fines. But, as you suggested, whether it be speeding or whether it be weeds, we are trying to get the community to comply. What we are concentrating on very strongly is weeds which will have the propensity to spread, and that is where we are concentrating our major effort. But I can assure you that in terms of using education and various means to achieve that compliance, we are trying to use the whole spread of techniques to achieve it.

Mr DALLA-RIVA — Thank you.

The CHAIR — We can take on notice your giving a fuller picture of what you are proposing to do in terms of particularly on the enforcement side. But I certainly personally welcome the emphasis on the weeds, which is very important area.

Mr DALLA-RIVA — That is in the budget paper.

Mr NOONAN — Minister, just back on the drought response, you did move through a fair bit of your presentation — particularly towards the end — rather quickly. I note on page 293 of budget paper 3 there is a description of drought response and the additional response that the government is providing and where it might go. There are a couple of parts to it: drought-proofing works, boosting future farm productivity, the additional mental health services, and sporting grounds. These areas might be slightly outside of your portfolio, but I wonder whether you can come back to some of those areas that perhaps have not been given as much attention?

Mr HELPER — Thank you for the opportunity to respond on that. I guess an important thing that goes through the thinking of how we respond to drought and how we respond to the challenge of water scarcity, drought, climate change and all of those areas in agriculture is encompassed in — and I used the word before — preparedness. It is far better than to provide an emergency response when we come to it. If you look at the \$400 million since 2002–03 that this government has committed to drought response, a large part of the policy thinking behind that is indeed heading in that direction. It is interesting. There were those that in the last season actually called for relief measures, such as a fodder subsidy. We have spent, I think, since 2002–03, as I said, \$400 million. The fodder subsidy — if you multiply it out across every farm enterprise in Victoria — would have come to something like \$600 million for it to be a meaningful amount to each farm enterprise. That would have provided a mere \$20 000 for each individual farm enterprise. Again, it is not something that would make a huge material difference, except for where it is applied to fodder, except to increase the price of fodder. That is what underpins the thinking of preparedness and resilience as opposed to a response.

I should stress that this government will always be compassionate to the circumstances that face people who are in drought, but nevertheless our thinking has got to be along the lines of that preparedness for circumstances that we are already seeing are very prevalent. We talk about a 1-in-25 year drought being an exceptional circumstance. As Dr Sykes has indicated, we have had 10 of them, so what is the go here? What is exceptional and what may indeed be circumstances that we have to adapt to in the longer run? I notice again in the media that there was some discussion of, I think, the deliberations in a report by this particular committee into the government's drought response. The reports that I saw — and when I then subsequently looked back on this committee's response to them — have taken this committee's deliberations and recommendations somewhat out of context.

Coming back to those comments, there was a claim, I think by the Deputy Leader of The Nationals, that the government's drought response was somehow haphazard and somehow as if it were a crime, that it actually arched across 30 individual measures and five different government departments. Well, I have got news for the member for Swan Hill: not all the capacity for response that is necessary for a drought resides within my own department. The health response, the regional development response and the roads response that are necessary to put together the comprehensive package that this government put together do not all reside in my department, so we make no apology that we do not have a singular mind track to a single response to drought. We use the whole of government to respond to the challenges that drought brings to communities and individuals, and we make no apologies whatsoever that we target that response through a number of different projects, be they that they number 30. So the interpretation that was made by Mr Walsh of the deliberations of this committee was somewhat off the mark.

The CHAIR — Try and keep to the estimates.

Dr SYKES — Minister, I encourage you to read the report again, because I think it is quite damning of the government's response.

Mr HELPER — I would disagree with you.

Dr SYKES — You're looking at it through rose-coloured glasses.

Mr HELPER — I am always one that shares the optimism for the future that agriculture has.

Further, the question that Mr Noonan asked allows me to again indicate that the government's response to drought is one that is driven out of Treasurer's advances, and one that we develop as we become familiar with the seasonal conditions as they unfold. It is overseen by no less than a cabinet committee that was established in 2006. It identifies the priority areas, takes a whole-of-government approach to it, and then receives feedback and evaluation from the whole of government in terms of the effectiveness of the measures, the appropriateness of the measures with the circumstances that face us into the future so that we can indeed improve the targeting of our drought response into the future.

Mr BARBER — Turning to budget paper 3, page 222, and its compliance with relevant industry standards for animal welfare, it is comforting that it is greater than 95 per cent, but that number does not really tell me much. I have a few questions, given that I am probably only going to get one go, Chair, this round.

The CHAIR — Try and keep it to the estimates, please.

Mr BARBER — It is absolutely related to the estimates, or at least this estimate of greater than 95 per cent. In terms of the 95 per cent of inspections found to be compliant, is that inspections carried out by DPI inspectors under section 18 of the Cruelty to Animals Act, because there are a large number of other people who are able to be inspectors? What proportion of the output cost of \$86 million is devoted to those inspections? And for the non-compliances, how many prosecutions did that involve? And I would suggest if you could provide some further information on notice about the number of those prosecutions that have occurred in past years, it would act as a guide to what the activity will be this year. How many animals did those prosecutions relate to, because one prosecution could be a chook in someone's backyard or it could be an entire saleyard of stock? Were these only DPI inspectors? How many animals were involved? What section and subsection of the act did the breaches get prosecuted under? And were those prosecutions successful?

Mr DALLA-RIVA — And the nature of the animals!

Mr HELPER — And the exact nature of the offences committed. As indicated at the outset of your question there is an enormous amount of detail inherent in your question. If I could ask Peter Bailey, the executive director of Biosecurity Victoria, which has responsibility over animal welfare matters in my department, to provide as much of the detail as possible; and if we could take the remaining detail on notice, I would welcome that as a response.

The CHAIR — Yes, because you have the local government as well as the RSPCA playing a role in this.

Mr BAILEY — Yes. That is quite correct. There are four categories of inspectors under the general section of the Prevention of Cruelty to Animals Act, part 2, and I assume that is the area we are focusing on. There are the Department of Agriculture inspectors, police, local government inspectors and the RSPCA; so given the detail of the question, we will need to take that on notice and pursue that. But I can certainly indicate that there has been an increase in action over the last year or so, particularly relating to the drought.

There have been a number of fairly difficult cases which our officers and RSPCA officers had to deal with regarding sheep, cattle and horses. In terms of the way we handle the responsibilities under the act, we have a memorandum of understanding with the RSPCA that companion animals tend to be their area of primary responsibility, and farm animals tend to be our area of primary responsibility. Under the MOU, those cases can be exchanged. There is a formal process for doing that. Cats, dogs and horses tend to be the responsibility of the RSPCA, and cattle and sheep tend to be the responsibility of departmental inspectors. There were a number of difficult cases over the last year or so particularly relating to horses, and we have worked very closely with the RSPCA and assisted them to use some of the provisions of the legislation to actually seize animals because this is a particular concern to the RSPCA in terms of the cost of maintaining animals and so forth, so we have been working quite closely with them over this period and they have been very supportive of our assistance in that regard.

The remainder of your question regarding details, prosecutions and so forth — we will need to come back to you on that, but we do have a high level of success with our prosecutions, so it is quite pleasing that when we have a significant case and we take it to court, we are usually successfully, and it would be fair to say that there is increasing concern on the part of magistrates around this issue, and some of the penalties have increased in recent years compared with earlier years.

Mr BARBER — I might pass over my suggestion for a breakdown of some of the information.

The CHAIR — And the minister voluntarily added one as well. I notice the RSPCA is only one of two groups of inspectors which are non-governmental inspectors in Victoria; I think the other group is the fares inspectors.

Mr RICH-PHILLIPS — Minister, can I ask you about the Future Farming strategy? You indicated the amount of \$77 million over four years, and the budget paper refers to that money being appropriated through three

of the outputs — two of them in DPI and one of them in DSE. Firstly, do you have responsibility for the DSE one — the land and admin and property information, the funding that is going into that?

Mr HELPER — Are you — —

Mr RICH-PHILLIPS — Page 299 of BP 3 under — —

Mr HELPER — Could you be referring to the Future Farming statement and improving rural land use planning, which was \$3.75 million over four years? Is that what you were referring to?

Mr RICH-PHILLIPS — It could be. The reference on page 299 says that the Future Farming strategy is delivered through three outputs, including applied scientific research, sustainable practice change in DPI and land, administration and property information in DSE, which may be — —

Mr HELPER — I think you are referring to the GPS initiative. There are a number of components to it. There is a component which will be driven out of the Regional Infrastructure Development Fund, and there is a component of it that will be driven out of DSE and DPI, which is about establishing the market for effectively GPS technology. What GPS technology is about is precision farming. Those who are close to agriculture would realise that it has enormous potential to increase the productivity, particularly in the grain sector, for example, through applying fertilisers, seeds, pesticides et cetera very precisely so you do not have to fertilise the whole paddock, you fertilise the narrow seed bed of the crop that you are putting in. That is what the whole GPS technology is about, building (a) the physical capacity — and that is the part which is supported through RIDF — and (b) it is about increasing the awareness of and the adoption of the new technology as it becomes more accurate throughout the state. They are the two drivers behind the project.

Mr RICH-PHILLIPS — The component in DSE, is that the responsibility of the Minister for Agriculture?

Mr HELPER — I understand that is DSE's responsibility.

Mr RICH-PHILLIPS — So far as the components within DPI, the split between strategic and applied scientific research and the sustainable practice outputs, can you give a breakdown of the \$77 million funding you spoke about over four years, how that is divided between those two outputs, and what the phasing is over the four years going forward, whether it is an even spread across the four years or whether it is weighted towards the front of the four-year period in the estimates?

Mr HELPER — Sure. I would be happy for Chris to give a bit of a response on that. In terms of GPS you are talking about a very, very small component of the \$77 million project. Basically what the \$77 million is about is utilising the capacity that has been built within DPI through programs such as Our Rural Landscape, for example, which are clearly responsive to the needs and the priorities of government. As we adopt the capacity, as we utilise the capacity within the department to deliver scientific and practice change outputs, that is what the \$77 million is about. It is effectively saying that that capacity built through project funding — specific project funding — is a capacity we do not want to lose, and that we can put to very, very good use. That is why it is added to the department's outputs in the long run over the forward estimates so we can utilise that capacity and apply it to the priorities of government and agriculture.

Mr RICH-PHILLIPS — Has there been any reduction in existing program funding in order to introduce that \$77 million program funding?

Mr HELPER — No. The Our Rural Landscape project was effectively a program that was committed to over four years. There was an extension to it in last year's budget. What we are saying now is that the capacity which is built up through is a normalised function as opposed to — —

Mr RICH-PHILLIPS — As a successor.

Mr HELPER — Yes.

Mr RICH-PHILLIPS — And on the timing if you could take it on notice.

The CHAIR — Thanks very much. Just following up on that regarding the use of global positioning technology and mapping, I am sure my former colleagues in the department of geography at Monash would be interested in this. I remember that at the FAO we used to have maps showing Africa on a monthly basis and the impact of the change of rainfall in terms of production. I am just following up on the farming strategy which Mr Rich-Phillips just referred to in his question. You mentioned global positioning. How is it going to help farmers, because I know this can be quite powerful technology? What are your expectations out of this?

Mr HELPER — Thank you for the opportunity to elaborate on that. I was blown away when I had the opportunity to observe some of the trials that are occurring on precision agriculture when I visited field days held by Southern Farming Systems down in the south-west. The ability to sow, to fertilise —

The CHAIR — Okay, so it is right down to that sort of level.

Mr HELPER — Yes. Satellite technology is roughly good enough for 10 to 20-metre accuracy. We are talking about accuracy that comes down to 2 centimetres. It is done through enhancing the satellite technology as well as the interpretation of it, as well as having ground-based infrastructure.

The CHAIR — It will ruin all those ploughing contests, won't it?

Mr HELPER — Yes, it will certainly make them very interesting. The opportunities for agriculture as we drive productivity — and let us define productivity: it is doing more with less inputs. For example, if you do not have to fertilise a broad area of soil for the same outcome, if you can narrow it down to put it in the root zone of the crop that you are planting, you can make significant savings. There are environmental benefits with nutrient run-off, et cetera. There are obviously cost benefits to the specific farmer, and through that productivity improvements for agriculture. I reckon it is an absolutely exciting technology and a fantastic way forward.

The uptake is, I guess, at the hub of a part of what we are doing. On the one hand we need to provide the infrastructure that makes this precision agriculture possible more broadly, and secondly, of course we need to encourage the uptake of the technology. We are expecting that 560-odd farmers will take up this capability within three years, or 10 per cent of the 5600 farmers for whom the network, if you want to call it that, will be available. Uptake of new technology and practice change in agriculture takes an exponential curve. The first farmer to adopt is the very courageous one. The second one is still courageous, but then it comes to a point of being commonly and quite quickly adopted right across the sector. That is clearly what is intended with this particular technology and the government's support through the Future Farming statement and the commitment of resources to it.

The CHAIR — Have you done some modelling on the expected benefits?

Mr HELPER — I do not have those at hand. Yes, I do actually have it at hand: a gross economic benefit of \$36 million annually for precision farming in Victoria's cropping district alone. That is a significant productivity boost that comes out of this technology.

The CHAIR — Thanks, Minister, that is very interesting.

Dr SYKES — My question relates to Future Farming and in particular the \$12 million for securing the future and adjusting to change for farmers and small rural communities. I want to relate it to the food bowl modernisation project, which I think you would appreciate is based largely on reconfiguration of the water distribution network and shifting of the public-private interface to the main channels. This will disadvantage small irrigators who are currently serviced by the small channels, in that they will pay more per megalitre of water and they will have to pay for more megalitres of water because they will wear the losses in those channels. It has also been estimated that, in association with the food bowl modernisation project, we will have 800 dairy farmers — which is about 40 per cent of dairy farmers — 200 or 300 mixed farmers and 3000 small, family irrigated farmers exiting from irrigated agriculture. How much of this \$12 million is allocated to helping those people to adjust, and minimising the impact of the food bowl reconfiguration on the families and communities affected by it?

Mr HELPER — A couple of things, if I may, in response. Firstly, I do not know where those adjustment figures that you quoted are from —

Dr SYKES — They are in the report prepared by John Corboy and co in relation to the project submission.

Mr HELPER — So I will not comment on them. Secondly, you could apply the question also to one of the programs that is listed under action 1, 'Boosting productivity through technology and changes in farming practices', that being changing irrigation practices, \$2.3 million over two years, as well. The benefits to be captured from the food bowl modernisation are enormous on the scheme-wide basis, but they are also enormous on the fund scale basis. The number of farmers I have spoken with indicate that the delivery of water currently is not necessarily when they want it and not necessarily at the speed that they would like it to optimise the application of the irrigation water on to their land. DPI's role is very much about that practice change and that dialogue and discussion ultimately leading to improvements in irrigation practices that only become possible through the food bowl modernisation scheme. If you did not improve the delivery flexibility and the delivery capacity of the system, you could not capture those on-farm productivity improvements. DPI's involvement in the food bowl modernisation is indeed an exciting one, and one that we think and we know will drive productivity improvement vis-a-vis the use and application of irrigation water, which I am sure everybody around the room would agree becomes increasingly scarce — —

Dr SYKES — No-one disagrees with that. The issue is the impact on these 4000 small irrigators who are currently serviced by the small channels and are going to cop an increased charge per megalitre and are going to have to pay for more megalitres of water. How are they being helped?

Mr HELPER — In an overarching sense, be it adjustment pressures associated with irrigation reconfiguration or be it adjustment pressures that are driven by a variety of other factors, be they commodity price factors or a whole range of factors, we are in the business of ensuring that farmers have the information which allows them to best make decisions, best make adaptations, best apply practice change to take advantage of the opportunities that are there also. If I can also indicate that the overall project responsibility rests with the Minister for Water. However, I indicate that in terms of how the reconfiguration will apply to agriculture and the need for and the opportunity for on-farm changes, we will work with agriculture and with farmers very intensely and to great benefit, I have no doubt.

Ms MUNT — Minister, I would just like to point out by way of comment that as well as Collins Street being a local road that has not got meats or rabbits, my electorate of Mordialloc has 100 farmers.

Mr HELPER — Hear, hear! And my department is acutely aware of them.

The CHAIR — There you are. These are beekeepers?

Ms MUNT — No, they are farmers. I am a teetotaler, but I know that a lot of people like drinking their wine, so I was interested on page 222 of budget paper 3 to see there is a line item 'Plant pest, disease and residue control programs maintained to assist industry to access markets'. I know that our wine industry is a large exporter, so I was wondering if you could expand on that particular line item. Does that include the Victorian grape vine industries, and what is included in that program?

Mr HELPER — There may not be a consensus around this committee table on too many issues but our respective love for the wine industry, I think, may indeed be one of those rare issues of consensus.

Ms MUNT — Yes, especially on a Friday.

Mr HELPER — Yes. The project that you referred to is indeed an exciting one. It is \$3 million over a four-year period, and that is to deliver a comprehensive statewide program to manage phylloxera. Phylloxera is a mite that probably came to Victoria back in a root in the 1880s.

The CHAIR — It devastated Victoria 120 years ago.

Mr HELPER — Yes, I think, if my memory serves me right; not that I was around then. But it resulted in the industry being wiped out in large parts of Victoria. On the spread of it, members may be aware of an outbreak that occurred or the detection of an outbreak that occurred in the Yarra Valley some little time ago and also at Whitebridge near the Macedon Ranges.

The way we handle phylloxera in this state is to have very strict protocols of how grape vine material can be transported between an infected area to areas that are free of phylloxera, such as my part of the state or the part of the state that my electorate sits in; the Pyrenees and Grampians area is phylloxera-free, so this is all good. As you

would appreciate, the protocols for shifting material between those two areas is a cost. It is a regulatory burden that requires extensive cleaning of machinery, it requires certification of materials that is transported et cetera. It is indeed a significant burden on the industry. The process of arriving at a phylloxera-free status for a given region is testing over a long period of time, I think it is a three-year period of testing, and the testing regime has to identify all locations of vine material. Sorry, I am advised it is a two-year period. I apologise, please correct the record.

Then it has to provide a constant negative result of no detection of phylloxera across a particular region. It costs a bucketload of money but provides enormous energy and vibrancy to the industry and great future potential to the industry. DPI spends approximately \$700 000 annually on grape vine phylloxera management through delivery of compliance awareness and phylloxera rezoning projects. It is a fairly sizeable gig. Obviously if we can make as many areas phylloxera-free and test as many areas as possible for free status right across Victoria, then the benefit for the industry is quite considerable.

Dr SYKES — Just a very quick question: in relation to weed and pest control, I think you mentioned in your previous discussion the word ‘foxes’, so obviously that leads on to the question of fox bounties, which I am sure you have some notes on.

Mr HELPER — No, I can do it without notes.

Dr SYKES — You can do it off the top of your head? Can you indicate if there is any allocation or intention in the \$24 million allocation to continue a fox and wild dog bounty as part of an integrated approach to fox and wild dog control, and in answering that question you may care to comment on the effectiveness of your short or your brief fox and wild dog bounty program, which I think involved \$1 million, of which about 600 000 was actually spent on bounties?

Mr HELPER — Thanks for the question. Firstly, there is a contradiction in the question. You asked whether there is any intention of continuing a fox bounty — —

Dr SYKES — Reactivating.

Mr HELPER — Then you referred to the short bounty that we had. The bounty that was brought in for wild dogs and foxes was in response to the fire season that we had two seasons ago — three seasons ago, sorry, I think it was — no, two seasons ago.

Dr SYKES — 2006–07.

Mr HELPER — Yes, I think you are right: 06–07. The government took the view that there are enormous pressures obviously on land-holders in affected areas, and that any measures we could take to reduce — albeit possibly reduce only for a temporary period of time — the pressure that is on those land-holders was considered a worthwhile initiative. On that basis we put in place the wild dog and fox bounty. The habitat disturbance that occurred as a consequence of the fires accentuated, as many farmers indicated to me, the problem that they were experiencing as a consequence of wild dog attacks as well and that is the basis on which we put the measure in place. You are right when you say the best approach to dog and indeed fox management is to have an integrated approach — shooting — and we can have a discussion about what is the most effective way of encouraging that. I guess that is what goes to the base of a question about the bounty. In the case of foxes, warren destruction, fumigation, the whole lot. I think we should introduce the fashion again for people to put fox tails on aerials.

Dr SYKES — I have a few.

Mr HELPER — Let the record show that what Dr Sykes was planning to do was to cash in on the fox tails but we outfoxed him. We actually put the bounty on a different part of the skin of the fox.

Dr SYKES — I will hold you accountable for that for the rest of your days.

Mr HELPER — You end up with a freezer-full of bloody tails.

The CHAIR — It might be a good opportunity for us to have a few minutes break, and I will consult with Dr Sykes on how to deal with the foxes in my street.

Mr HELPER — Chair, with your indulgence, can I indicate that in terms of the questionnaire our understanding was that we were to provide it yesterday. We did that, but for the committee's benefit, here is a copy of the response to the questionnaire.

The CHAIR — I was advised about that during the break. The system seems to have broken down and we did not get a copy of it. I appreciate the fact that you have made a copy available to us now.

Mr SCOTT — In the budget papers and in the presentations you have given in the hearing today you have communicated to us what is in the budget about agriculture. How during the estimates period are you communicating that more broadly to the agricultural farming community?

Mr HELPER — Thank you, Robin, for the question. Let me start by saying that clearly the initiatives of the government relating to agriculture that are contained in the budget were a part of the Future Farming strategy and are effectively contained in the Future Farming strategy. Its launch, its subsequent publicity and the briefings we attached to the circulation of the Future Farming strategy has been an excellent effort by my department. I certainly tried my hardest to play a positive role in that. I did a number of tours basically catching up with local media to talk about the Future Farming strategy to ensure that as many people as I could reach had a closer understanding of the strategy than they would otherwise have had through the normal circulation of media releases et cetera.

During the break it was drawn to my attention that the Leader of The Nationals would probably be arguing for the inclusion in the forward estimates in the budget papers of an output relating to the number of press releases we put out. The criticism that he tries to flay us with is that we did not produce enough press releases arising out of the budget. Members of the committee will draw their own conclusions, but the conclusion that I draw is that supporting the direction of agriculture into the future, of developing a vision and a response to the challenges and opportunities is much more about doing the hard work than it is about putting press releases out there. I would be very keen for the Nationals members of the committee to advise their leader that this government, for one, and this minister, for one, is much more about substance than it is about the number of press releases that are out there.

The CHAIR — Thank you, Minister, It is good to see you getting out there.

Dr SYKES — I will come back to that commentary a bit later. An element of the Future Farming strategy is investment in new generations of wheat, barley and horticultural crops that are resistant to drought, cold and salt. Many of these varieties will no doubt be based on GM technology. What does the government propose to do to address the anxiety in some sections of the community regarding GM technology which in part was stimulated by the government's moratorium on GM crops? I would add that whilst it may not be in your patch, one of the issues being drawn to my attention is the issue of appropriate food labelling so that consumers can make an informed choice. You may have other commentary in relation to your portfolio.

Mr HELPER — Firstly, what I would like to do, Chair, with your indulgence, is answer in an overarching way. Then I might ask Professor Spangenberg, the executive director of biosciences research in the DPI, who has just joined us, to discuss some of the research that is going on in the biosciences area as it relates to GM, and their advance and ability to be applied to relatively conventional ways of plant breeding. I might ask German to do that in a moment.

But at the outset, to answer your question relating to how we are selling the government's decision on allowing the moratorium on the production of two varieties of GM canola to sunset, it is based on choice. I have the simple proposition to put to the community. Assuming, and as is the case with both varieties of GM canola, that there are no environmental disbenefits, difficulties or dangers associated with a particular GM crop variety, and as long as there are no human health impacts of a particular genetically modified crop — both of which have been determined by the national regulator, the Office of the Gene Technology Regulator, in the case of the two varieties that the moratorium applied to — as long as that is an all-clear, and it has been since 2003 and was reconfirmed during our panel assessment of the trade impacts of the production of these two varieties of GM canola, that farmers should have a choice, consumers should have a choice and people should exercise that choice freely.

Farmers will base their choice on issues such as the cost effectiveness of GM crops and environmental considerations of planting a GM crop. Certainly I am not here to run an advertisement for the two varieties of GM canola. As I say, that is a matter for people to make their choice about. However, it is a fact that they use less tillage — i.e., less energy applied to tillage; the second benefit being that of less soil disturbance, less wind erosion

and less erosion, full stop; less moisture loss; and they use significantly less herbicide to control weeds during the growing of those canola crops. That is what farmers will base their choices on.

Consumers will base their choices on a range of issues, as consumers will base their decisions about any product on a range of decisions. Certainly insofar as your question relates to labelling, under the national labelling code, the FSANZ code, we have strict labelling requirements for any foodstuff that has more than the threshold of 0.9 per cent of GM material in it. There is clearly a standard that requires labelling. That standard does not, however, apply to foodstuffs which may have been derived from genetically modified crops but which have no intrinsic — sorry, that figure I should have said was 1 per cent rather than 0.9 per cent. If there is no inherent genetic material left in a processed food that may have come from a genetically modified crop, such as canola oil, then labelling becomes somewhat problematic. How do you enforce it, how do you actually detect it and what are you actually labelling for? Those issues are ones that play themselves out through a range of considerations, mostly at the federal level. But it is not true to say that consumers do not have a choice by virtue of an absence of labelling, because there is a labelling standard that is currently required. Whether or not that labelling standard changes in the future is something that we will all bring our respective responsibilities some views to. Nevertheless, it is incorrect to say at the moment that there is no labelling standard for genetically modified crops.

Dr SYKES — It is very rare that there is no labelling standard.

The CHAIR — Dr Sykes, if you wish to follow up the labelling standards, you can follow that up with the Minister for Health. Professor Spangenberg, very quickly, have you anything to add?

Prof. SPANGENBERG — With the moratorium allowed to expire, Victoria has now created significant opportunities for both, research and development on the application of gene technology in crops and pastures. These will address key constraints and targets, both for productivity and environmental as well as health outcomes. When we look at the first generation of GM canola and we reflect also on the adoption of GM crops globally, it is clear that we are creating a path of choice for farmers. We are seeing very rapid adoption rates when you consider that the first commercial adoption of GM crops on a global basis was in 1996. In 2006, a decade later, we had over 10 million farmers planting GM crops in over 100 million hectares. We have had an enormous adoption rate, a 60-fold increase over that period of time — one of the highest adoption rates of crop technologies in the recent history of agriculture.

What we are seeing now is the opportunity for developing GM products such as a GM wheat that is drought tolerant and a GM white clover with alfalfa mosaic virus resistance. Just to give you an indication of the activities in the department, in that area, on genetically modified white clover with resistance to alfalfa mosaic virus, which is a virus that causes major productivity losses. Approximately 60 per cent of dry matter production is AMV infection in white clover. Our departmental research, in collaboration also with CSIRO Plant Industry, has led to the development of the world's first AMV resistant GM white clover. This GM white clover has been field-evaluated under the regulatory umbrella of the Office of the Gene Technology Regulator for the last few years. We will see now a path of taking this material further towards the marketplace.

Another example is the application of gene technology for health outcomes and also productivity and environmental outcomes in pasture grasses, specifically with the development of genetically modified perennial rye-grass and tall fescue. Perennial rye-grass is a major grass species that forms the foundation of the feed base for dairy cows in this state. Gm pasture grasses with enhanced herbage quality through modification of lignin biosynthesis, will lead to productivity gains by increasing animal production but also, importantly, opportunities to reduce greenhouse gas emissions from lesser production of methane per unit of animal produced.

Another aspect of departmental work is associated with the production of GM rye-grass with a down-regulation of the two main pollen allergens of perennial rye-grass. These are two pollen proteins that are called Lol p1 and Lol p2. Basically 98 per cent of the people that suffer from hay fever and seasonal allergic asthma due to grass pollen are afflicted due to these two pollen proteins. Research undertaken by the Department has allowed us to produce GM perennial rye-grass with a down-regulation of these two pollen proteins.

The CHAIR — Thank you very much. That was a very good, interesting answer.

Mr NOONAN — Minister, I want to ask about the abalone virus. You touch on a key achievement in terms of the horse flu and the success of keeping Victoria horse flu free. Can you give the committee some

information about whether some of the measures to achieve that last year will be used in the 08–09 period to combat the abalone virus?

Mr HELPER — Thank you for the question. I think at the outset we need to identify what is different about our ability to come to a fantastic outcome in terms of EI — touch wood, we have a couple of months to go until August to have our 12-month period of non-detection of the disease — versus the abalone virus. One important difference is the engagement and the way the industry is engaged in the case of EI. If we look at the amount of bacon that the horse industry had in the game in terms of controlling EI, they put a lot of money in it. Certainly the organised racing sector did. They put a lot of effort into it, together and in collaboration with the recreational sector, which was not as organised in that sense for biosecurity purposes as the racing sector was. Nevertheless, all played a fantastic role.

Of course there is the physical difference. With the abalone virus you are talking about a virus that moves in water. It is a bit more difficult to control than is a terrestrial-based disease or animals that are afflicted by disease. That is clearly a physical difference. There was a relative lack of knowledge that existed prior to the outbreak in Victoria. We have contributed, and a lot of the DPI's work has been about gene sequencing the abalone virus so that we could identify that it was a unique and new strain, and through that, being able to address issues of where it may have come from. That was an enormous amount of work. Whilst we continue to have the abalone virus, and its impact on the fishery is a negative one, nevertheless the efforts the state has made in terms of the biosecurity measures that apply to it have been overlooked by national committees and international scrutiny, and they have all stacked up to be best practice in terms of a response by a jurisdiction to this particular biosecurity difficulty.

One of the issues associated with it — and I have referred to it before — is that the racing industry makes a big contribution in co-payments to the biosecurity effort that was put in place for EI, and maybe the absence of that is a factor that changes the ability to respond to the abalone virus. Suffice to say that despite the absence of an industry financial contribution to control, certainly the government is keen to work with the industry.

I know that a little while back the abalone divers or the abalone industry came to me and said, 'We want to fish out a 10-kilometre break', so hopefully there would be no biomass in that 10-kilometre corridor, and if the virus got to it, it would have nowhere to progress to, which was indeed the theory to it. I was happy to facilitate that, and my department through Fisheries Victoria facilitated that and a whole lot of issues associated with it in terms of how you could fish beyond the licence that individual fishers had et cetera. I am somewhat disappointed — to cut a long story short, keeping an eye on the time — that effectively there were only three days fishing done. This was a voluntary effort by the industry — I applauded that — to actually fish out and strip a 10-kilometre zone of all abalone on it, irrespective of age group et cetera. Their suggestion was a laudable direction to want to go in, but I was somewhat disappointed that only three days of fishing occurred. Part of it is indeed was a consequence of climatic conditions — you can only dive on certain good days — but from November through to January–February was the period available, and only three days were able to be utilised.

There is some evidence that some participants actually had, as the driver of their fishing effort, the saleability of the abalone that they so harvested. Unlike the member for South-West Coast who argued that we should burn them all, it was thought more sensible of course for the industry to be able to bring the abalone harvested for biosecurity purposes to market. There is some suggestion — considerable suggestion — that certainly for some participants the commercial driver was a greater driver than the laudable biosecurity aim of fishing off 10 kilometres of coastline.

Suffice to say that that exercise seems to have gone by the wayside. The virus has actually spread into it, if not beyond it, which in that sense is a bit of a pity. But if I can conclude by saying that the government will continue its efforts in terms of gaining a greater understanding of the virus and its dynamics. We continue to be open to collaborative efforts in terms of meeting the biosecurity challenge of the abalone virus. Our ability to do so is so evident when one looks at our response in collaboration with the community, be it the racing sector or the non-commercial horse sector, to the EI outbreak. That indeed was done nationally and strongly in this state, and we met with success. The door is always open for collaboration on the abalone virus, of course.

Dr SYKES — A quick clarification before I ask my question, Minister. Your budget estimates questionnaire, which has been made available today — —

Mr HELPER — Yesterday, actually.

Dr SYKES — In the answer to question 1.1 you are assuming a CPI of 2.5 per cent, whereas in budget paper 2 at page 23 the rest of the state budget seems to be worked on the basis of 3.25. I guess that asks questions about whether we have got two economies in Victoria: a rural peasant economy and a state one.

The CHAIR — A question, please, Dr Sykes.

Dr SYKES — My question relates to the Future Farming strategy. As I understand it, Lake Eildon and Goulburn Valley have been excluded from the national water agreement, so the Goulburn Valley will not be eligible for federal government money for savings which will be shared under that scheme on a fifty-fifty basis between irrigators and environment, whereas the state-based food bowl modernisation project involves savings being shared one-third Melbourne, one-third irrigators and one-third environment. What strategies are in place and what funding is available to ensure the ongoing survival of Goulburn Valley food bowl farmers in the face of pressures on desperate farmers to sell their rights to the federal government in a desperate bid to stay on the farm and in some cases put food on the family table, given that I cannot see any money coming back into the Goulburn Valley? There will be water going out, but there will be no benefits coming back into the Goulburn Valley as a result of the federal money. What strategies are in place, and can you clarify whether my understanding is correct or not?

Mr HELPER — Your understanding is to some extent based on the wrong preface. Let us look at the food bowl modernisation project, stage 1. I know this is a point that opponents to that particular project do not wish to acknowledge, but nevertheless it is a black-and-white factor that there is a sharing of the water that is saved through the modernisation project — water that is currently not utilised productively — and that sharing, as of course the member for Benalla would be aware but may not publicly acknowledge, is a sharing of 75 gigalitres to the environment, 75 gigalitres for use by Melbourne urban water users, keeping in mind that they are contributing an enormous amount of funding to the project, and 75 gigalitres indeed for expanding the available water for irrigation throughout the system. In that sense, the portrayal of the food bowl modernisation scheme as a net loss of water from the region is incorrect, because — —

Dr SYKES — I have a separate view on that, but my question related to Goulburn Valley farmers taking up the federal government's water-buying policies but not appearing to be able to get money back into the Goulburn Valley because it is excluded from the agreement — from the federal government.

The CHAIR — As it relates to the estimates.

Dr SYKES — My question is: what strategies have you got in place?

The CHAIR — We need to finish this section, and it would probably be better to direct it to the Minister for Water when he appears next week.

Dr SYKES — It is an agricultural issue, because we have a food bowl — —

The CHAIR — I understand that.

Dr SYKES — The minister has crowed from the rooftops about the productivity of Victorian agriculture. I am asking what strategy is in place.

The CHAIR — You have asked your question. Can we have the answer, Minister?

Mr HELPER — In response, we do not structure our response to agriculture on a regional basis, so you will see that the Future Farming strategy does not have a map — 'X dollars there for farmers to meet their challenges and their opportunities, and Y dollars here for farmers to meet their challenges and opportunities'. What the strategy does is look at what the drivers and trip-wires are for agriculture into the future and apply resources to enable agriculture and farmers to best take advantage of opportunities and meet challenges. That applies to Goulburn Valley growers and agriculture, as it does to agriculture in the north-west, north-east, south-west and central — wherever you look in the state. That is the primary driver behind this particular statement.

The ability for farmers and for irrigators to take advantage of the water market is an opportunity that, in the absence of the water market, they do not actually have. In terms of the decision-making that people can bring to bear on their agricultural enterprise, the opportunity of water trading is indeed greater than in the absence of water trading. How people respond to the commonwealth proposal to purchase water is a whole separate issue. I do not

necessarily want to go there, but the ability for them to have that choice is a choice that did not exist in the absence of a water market. How they exercise that choice, I think we have a collective responsibility to, and indeed the Future Farming, in terms of its support for practice change and for decision-making by individual farm enterprises, is something that the individual will have to come to. Our best and most productive role is to enable people to make those decisions based on the information that is available to them and to make that decision to the greatest advantage of their own farm enterprise and their own circumstances.

The CHAIR — Thank you, Minister. We would like you to clarify your response in the questionnaire from the department's response to the question of 1.1 and provide us with clarification in writing as far as it relates to the general government assumptions, the projections of which have been set out on page 23 of budget paper no. 2, so if you could do that — —

Mr HELPER — Who actually asked that? We can knock it off now, if you like.

The CHAIR — I want to get on to small business, quite frankly, so if it can be done in writing.

Mr WELLS — It is just that you said the figure and your EBA figures are different.

The CHAIR — And the EBA figures, too. Could you give us a response to that one very quickly, please. Thank you very much to the departmental officials.

Witnesses withdrew.

Transcript of Evidence

10.2 Energy and Resources portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.