

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2011–12

Melbourne — 19 May 2011

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

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Witnesses

Mr P. Walsh, Minister for Agriculture and Food Security,

Mr R. Bolt, Secretary,

Mr C. O'Farrell, Chief Financial Officer, and

Professor G. Spangenberg, Executive Director, Biosciences Research Division, Department of Primary Industries.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2011–12 budget estimates for the portfolios of agriculture and food security and water. On behalf of the committee I welcome the Honourable Peter Walsh, MP, Minister for Agriculture and Food Security and Minister for Water; Mr Richard Bolt, Secretary of the Department of Primary Industries; Mr Chris O’Farrell, chief financial officer, Department of Primary Industries; as well as Ms Alice McDonald, departmental liaison officer, Department of Primary Industries, who will be operating the presentation only. Members of Parliament, 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 that they cannot participate in any way in the committee’s proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his or her chief of staff, can approach the table during the hearing to provide information to the minister by leave of myself, as Chair. Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are also requested to observe the guidelines for filming or recording proceedings of the Legislative Council committee room, and no more than two TV cameras are allowed at any one time in the allocated spaces. I remind TV camera operators to remain focused only on the person speaking and that panning of the public gallery, committee members and witnesses is strictly prohibited.

I am also pleased to announce that this series of budget estimates hearings is being audiocast live on the Parliament’s website. A note on that: you should always assume that the microphones are live until you were told otherwise — and then assume that it is still live as well.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearings are not protected by parliamentary privilege. This committee had determined that there is no need for evidence to be sworn; however, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false and misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. Unverified transcripts and PowerPoint presentations will be placed on the committee’s website immediately following receipt, to be replaced by verified transcripts within 48 hours after the hearing.

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 now ask that all mobile telephones be switched off or at least turned to silent.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of agriculture and food security. Welcome, Minister.

Overheads shown.

Mr WALSH — Thank you very much, Chair, for the opportunity to present on behalf of the Department of Primary Industries. DPI is one of the largest regional employers in Victoria. There is something like 2600 staff at 70 locations across Victoria. Its priorities are: boosting agricultural productivity, profitability and export opportunities; developing new technologies and gaining adoption of research and development; improving biosecurity and enhancing market access; and preparing, planning and managing emergencies efficiently and effectively.

The food and fibre sector of the Victorian economy is worth \$6.47 billion at the farm gate, and there is obviously substantial value-adding to that in the food manufacturing sector. Victoria produces 24.3 per cent of Australia’s agricultural output by value from only 3 per cent of the country’s arable land. Agriculture is a significant employer across Victoria; there are something like 33 000 businesses engaged in the production of food and fibre and 77 500 people employed in the sector. There is a major flow-on employment in the food processing sector and in country towns. Food and fibre production is big business, and it is vital to regional and rural Victoria. It produces something like 2.1 per cent of Victoria’s total gross state product.

In relation to outcomes, food and fibre exports from Victoria were worth \$6.7 billion in 2009–10, and this is 27 per cent of Australia's total. That output underpins a major food processing sector here in this state. The challenges for agriculture in the future will be ensuring the supply and integrity of food and increasing productivity to meet demand both nationally and internationally. If you think about some of the challenges that are there, they include issues around climate variability, declining investment in research and development, the age profile of farmers and, in recent times, because of the drought, the increasing indebtedness of farmers.

The opportunities out of those challenges are the increasing global demand for high-quality food, freedom in Australia from many significant diseases, more efficient use of our natural resources, and new technologies and farm innovation — and there is a history of continual innovation and adoption of new technologies. There is high confidence in Australia's food safety systems, and we do in general have competitive primary industries internationally, even with the challenges of the high Australian dollar at the moment.

I suppose the next challenge for DPI is the legacy of declining funding. DPI has made savings in recent years. During this time it has had to face some challenging emergencies, such as: the bushfire recovery; in more recent times the issues of the floods, particularly in northern and western Victoria, and the recovery from that; a significant number of fruit fly outbreaks, principally because of the climatic conditions; and the major locust outbreak last year. Significant efficiencies have been found, and there has been reallocation to higher priorities. In terms of the Baillieu government's investment, there has been an 8 per cent increase in the 2011–12 budget in the agriculture portfolio.

Some major responses to those challenges are: the investment in new technology facilities in regional Victoria to better enable DPI to deliver in regional Victoria; an announcement of \$33 million to bring services and information direct to the farm gate through field-based mobile computing technology; and the major investment of \$73 million to establish a new biosecurity centre of excellence at DPI's facility at Attwood.

Some of the challenges in Victoria's role in food security are that in 2010, for example, each Australian farmer fed, on average, 155 people, and that is up from 19 people in 1950. The global population is currently at 6.8 billion. In 2050 the global population is projected to rise to 9.3 billion, and to feed this population agricultural production will need to rise by 70 per cent from the same land and water resources. There are some challenges there that I believe we will need to work to achieve.

The responses to those are in research and development. Victoria is a key part of the national primary industries research, development and extension framework. Victoria is the national leader in dairy, and the centre of excellence is at Ellinbank in Gippsland. There are joint leadership roles, including lamb, climate change, water use efficiency, animal welfare and plant biosecurity. AgriBio at Bundoora will be one of Australia's premier bioscience facilities, focusing on cutting-edge agricultural research.

There are also the climate conditions issues that the department has had to deal with in recent times. In emergency support there is the \$11.9 million package for farmers and small businesses arising out of the floods and \$21 million in support for irrigators. Out of the bushfire response, there is \$4 million to undertake research to address the issue of smoke taint from bushfires in wine production.

In relation to attracting more young people into food and fibre production, there is some support for young farmers in the budget this year. There is \$1.2 million to extend the first farm grant. There is \$1 million over four years to help reinvigorate the Victorian Young Farmers organisation to support young people in country areas. In the Treasurer's area there is the exemption from stamp duty for first-time farm purchases. Yesterday the Premier announced an increase in the money that is to be set aside for the Rural Finance Corporation for the young farmers interest rate subsidy program. So there are some important initiatives to attract younger people into agriculture.

In relation to domestic animal welfare issues, to have stronger and more effective controls there is \$4 million in the budget in funding for the RSPCA; there are some more powers to the RSPCA inspectors to enforce the codes of practice for breeding establishments; and there is \$531 000 to continue the We Are Family responsible pet ownership program, which is very much based around reducing the risk of dog attack to children under four years of age.

In relation to weeds, pests and disease, for weeds and pest animals there is \$21.2 million to strengthen regional Victoria's capacity to control, prevent and eradicate high-risk weeds and pest animals; there is \$4 million for a

wild dog and fox bounty program; and there is \$255 000 in additional assistance for the bee industry to fight the possible incursion of varroa mite. If you look at the statistics, invasive plants and animals cost the Victorian community something like \$1 billion annually.

To support fishing and regional communities, there is increased funding for recreational fishing of \$16.2 million to enhance fishing opportunities by boosting stocking and improving infrastructure and \$1.9 million to increase the production of recreational species such as Murray cod, golden perch and trout. There is something like 721 000 Victorians who engage in recreational angling; it is a major industry, particularly in regional Victoria.

The last item I want to cover is securing the forestry industry for the longer term. We want to make sure that the native forest resources are available, that threatened species management is carried out appropriately and that the complexity of the regulatory environment, for VicForests in particular, is simplified. We increase long-term resource security for the industry, we improve surveys of the threatened species and we simplify the industry's interface with government.

I am happy to leave it there and take questions, Chair.

The CHAIR — Thank you, Minister, for being so succinct in your presentation — more succinct than some ministers who have given presentations earlier in the hearings. It was all good and useful information. I advise that we have about 1 hour and 50 minutes for questions on the agriculture and food security portfolio, if that is in fact required.

I have a question which will be no surprise to anybody who has observed these proceedings previously, because it is the first question I have asked of every minister. It is particularly relevant in the agriculture and food security portfolio, because we know that forecasts of population growth globally are that there will not be a plateau in population growth probably for at least another four decades, that Australia has a growing population and that we have significant pressures on our land base in terms of expansion of urban environments. Therefore, Minister, in relation to the agriculture and food security portfolio, how have predictions concerning population growth shaped the budget for 2011–12 and out years?

Mr WALSH — As you will no doubt have been told by other ministers that have been here, the population of Victoria is expected to increase from a bit over 5 million people to nearly 7.5 million people by 2036. As you have said in the question, DPI is an important part of that process, as the population expands, in the work that they will be doing to make sure there is an increased food supply — not only to feed Victorians but also to export to the world. It is our very firm view that Victoria has a responsibility not only to feed the nation but also to help feed the world, and in doing that we will create significant wealth and job opportunities, particularly for regional Victoria.

The research work that DPI is undertaking at a number of facilities around Victoria is pivotal to that. If you go around some of those institutes, there is some very good work going on. As I said, there is an increase of 8 per cent in the budget for DPI's funding. It is a commitment from the Baillieu government to increase funding to DPI. If you look at some of the projects that are doing that, and in the presentation I touched on Ellinbank, Victoria is the leader in dairy research in this state, and the dairy industry is the single biggest industry for food and fibre production. So there is some very exciting work being done at Ellinbank, not only on increasing production but also on how you can actually change the make-up of milk through selective breeding or through the way you feed dairy cows so that you can increase the health benefits of milk. There is some exciting work being done at Ellinbank about changing the feed mix for cows so that you can produce milk that will help to lower cholesterol. Those sorts of things are being done to assist.

If you go to the west of the state, there is work being done at both Hamilton and Horsham around the issues of climate change and what impact that may have on the production of grains in this state and the fact that with CO₂ levels rising there may actually be an increase in the production of grain as long as there is not a decline in rainfall as part of that increase in CO₂ levels.

The list goes on. There is a lot of work being done by the department, and it is very focused on how we increase the productivity of farmers to make sure we can meet the challenges of supplying food to the population as it increases in both Victoria and the rest of the world.

Mr PAKULA — Minister, budget paper 3, page 137, has primary industries' output initiatives. That outlines, under 'Election commitment savings' and 'Measures to offset the GST reduction', some \$51.5 million worth of savings and cuts to your department over the forward estimates period. It was reported in today's *Age* that the Treasurer is somewhat struggling to outline exactly how those savings are going to be found. With regard to your department I am wondering if you could take us to how those \$51.5 million of savings will be found over the forward estimates period.

Mr WALSH — You are talking about page 137 in budget paper 3?

Mr PAKULA — Yes. If you add up those savings there, they comes to 51.5.

Mr WALSH — Which line are you talking about?

Mr PAKULA — 'Election commitment savings' and then 'Measures to offset the GST reduction'. If you add up those two lines, by my admittedly rudimentary mathematics that comes to 51.5.

Mr WALSH — If you look at the DPI budget, I think you will find there are some reductions because the exceptional circumstances program, which is principally funded by the commonwealth, has ended, so there is a substantial reduction in the budget because that is no longer going. There was also a significant Treasurer's advance in the budget for the locust control program by the previous government, so they have both been taken out of the budget going forward. Savings will be achieved through productivity and efficiencies and focusing on the priorities to serve what is felt to be the best things for DPI to do. I will ask Chris to give more details.

Mr O'FARRELL — The savings required to be achieved in 11–12 as a result of previous budgets are about \$12 million. About a bit over half of that, as you pointed out, Deputy Chair, is from the new government's savings policies. A lot of that relates to the better financial management policy of the government that was announced during the election campaign, and that has in it a range of input costs categories, if you like — things like legal fees, consultants and travel, accommodation and other supplies and services. The department is in the process of making the decision about where those will be allocated across the department. It is looking hard at all those categories to find those savings. Accommodation is probably a key one for us going forward.

Mr WALSH — Can I ask the secretary to also make a comment?

Mr BOLT — If I can add to that, we have been required to find savings and efficiencies as an annual exercise for quite a period of time, and we do it with a careful look at the highest value services. We attempt to manage these things strategically with a long-term view, and we have a pretty established way of doing that that does not have a profound impact on the quality and quantity of the services we offer. There is no single or simple answer to how we make savings. It is a broad department with many different functions, and we plan it very carefully. There is no single story we tell as to how that will fall.

Mr PAKULA — I would like to follow up, Chair. Minister, I refer to the DPI questionnaire that was submitted two days ago. If you turn to page 8 of that questionnaire — and I am mindful of the answer that was given about contractors and travel and the like — can you explain why it is that the answer to the questionnaire on page 8 suggests that over the next financial year there will be no reduction in overseas travel expenses, no reduction in entertainment expenses and no reduction in the use of contractors but a \$5 million cut in grants to NGOs, which I imagine would include the RSPCA?

Mr WALSH — Mr Pakula, if you actually look at the budget, you will find that funding to the RSPCA is continuing funding, the same as the previous government had. That is a line item in the budget and is covered. I think you will find that in that chart you have quoted some specific areas, but if you look at the issue of legal expenses and consultants, there is a substantial reduction in that area —

Mr PAKULA — 300 000 and 600 000.

Mr WALSH — which is something that the government has been very keen to pursue — to reduce our reliance on consultants and outside people.

Ms HENNESSY — But nothing for your overseas trips.

Mr O'BRIEN — Nearly \$1 million.

Ms HENNESSY — Nothing for the overseas trips.

Mr O'BRIEN — You did not take him to it though, did you?

Ms HENNESSY — Come fly with me!

Mr MORRIS — Minister, I refer you to budget paper 5, page 31, which is in fact note 12 relating to the estimated financial statements for 2011–12. That note, 'Total expenses by government purpose and by department', identifies that DPI has an estimated budget of 645.2 million in 11–12 and 657.3 million in 12–13. Can you indicate for the committee how this reflects the government's election commitment to restore the role of DPI?

Mr WALSH — The funding for DPI, as I said in my presentation, has been increased by 8 per cent for the agricultural part of the portfolio. There are a number of lapsing programs from the previous government that this government is now picking up, and it is funding new initiatives to achieve the outcomes that we promised in the election. As I think you said in your question, we made a commitment to increase funding to DPI and increase the status of DPI within the Victorian government framework, because we believe it is so important for the issues that I covered in relation to the Chair's question about providing food and fibre not only for Victoria but for the world.

I actually think we have fulfilled our election commitments. There are some very good initiatives in there, and I have also touched on them in my presentation. I think our commitment to assist younger people getting involved in the industry is a very important initiative. We have the program there through the Treasurer for stamp duty exemption for first land buyers. This is something that I think gives a very important signal to younger people that we want them to get involved in the industry. There is money in the budget in the forward estimates for assisting farmers to set up marketing cooperatives. I think one of the areas where farmers have been at a disadvantage at times has been as individuals, whether that be in dealing with supermarkets in Australia or with export markets; they need to be able to band together to have better marketing power. So there is an allocation in the forward estimates to assist with the establishment of marketing cooperatives and advice from the Department of Primary Industries in how that might be done.

There is some money there for the Victorian Young Farmers organisation. If you look back at community leaders across country Victoria, a lot of those people came through the Victorian Young Farmers organisation. It has gone into decline in recent years, and that is partly because there has not been any base funding for a secretariat. Young people have the challenges of education, work and getting involved in life, without having to go to the issue of also running that organisation. So we have provided base funding for that organisation, and I think that will help develop and train the next generation of leaders across country Victoria. So there are some important initiatives there.

Mr SCOTT — Minister, could I refer you to 3, page 139, where reference is made to the allocation of money to combat roadside weeds and pests.

Mr WALSH — Page 139, budget paper 3?

Mr SCOTT — Budget paper 3, yes. I would be grateful for some clarification about responsibilities in this area. Is this area the sole responsibility of the state government, or is it a shared responsibility with farmers and local government? If you could just unpack the responsibilities in that area.

Mr WALSH — Thank you very much for the question. As you are probably very well aware, the issue of who is responsible for control of pest weeds and animals on roadsides is a vexed issue, and it was a vexed issue for the previous government. Previously it was believed that the CALP act prescribed those responsibilities to the adjoining land-holder, but with implementation of the Road Management Act 2004 that responsibility became blurred. It is an issue that has not been resolved as yet, but the previous government set up a working group, including farmers, councils and government, to work through those issues to get some clarity around that. That working group is still continuing its work. As I understand it, that group is in the process of writing their report at the moment, and I await that report to see what they have come up with. So it is something that has spanned the transition of government from the previous government to this government, and we have continued that work.

Mr SCOTT — Just for clarification, when is the working group report expected to be handed down?

Mr WALSH — My understanding is, from talking to one of the committee members recently in a different forum, that they are currently writing that report and they expect it to be with the minister some time in the not too distant future. I have no definitive date as to when that report will be available, but as I said, I know from talking to one of the committee members that they are currently writing the report.

Mr ANGUS — Minister, you mentioned in your presentation that one of the challenges facing the Department of Primary Industries was ensuring the supply and integrity of food. How is your department intending to contribute to food security?

Mr WALSH — I think I have covered some of those issues already in my presentation, but one of the things I would like to touch on in talking about that in responding to this question is the commitment that we have made to the bee industry. A lot of people think of the bee industry as an industry that produces honey that we buy at a roadside stall or a farmers market or from a supermarket shelf, but the most important role that the bee industry has in Victoria is the pollination services that it provides to a whole range of industries. Probably in excess of half of the food output in Victoria relies on bees to provide a pollination service, so we have made some significant commitments to the bee industry. It is the first time in decades that the bee industry has been acknowledged in the way that it has been, in what we have done. Recently I had the pleasure of going out to Footscray to launch the Bee Force program, where DPI is providing beehives to beekeepers in the metropolitan area. Ten additional beehives have been placed around the port of Melbourne, in addition to the sentinel hives that are on the port. They are there, and they have a tray underneath them to collect droppings from the beehives for early detection in case there is an incursion of varroa mite.

In the budget we have put in money for additional sentinel hives across country Victoria, and again that is to make sure that we have that line of defence in place in case there is an incursion of varroa mite. You will also find in the budget there is money to restore hive sites to beekeepers on public land. Over the last 15 years several hundred bee sites have been taken off beekeepers on public land. It is important that those bee sites are returned. The beekeepers use that access to public land to overwinter their bees, to let them rest, let them recuperate and get them in training, for want of a better term — to talk in a sporting analogy — to go to work to provide the pollination services they do in the spring and early summer. The almond industry in northern Victoria, for example, needs in excess of 100 000 hives to be taken into that area to pollinate the almonds. It is very hard work for the bees, and they need the opportunity to be overwintered somewhere so that they can be in peak condition to go and provide the pollination services that they do. So you have the almond industry, you have the stone fruit industry and then you have quite a few field crops where bees are essential. We have a large canola industry in Victoria that relies on bees for pollination, and quite a few of our pasture seed industries, whether that be the white clover industry, the lucerne industry or whatever. Bees have to go in to provide those pollination services. It is one of the little things in the budget, but I think it is something that is underestimated in terms of the service that the bee industry provides in pollination across the state, and we have made a commitment to help protect that industry.

Ms HENNESSY — Minister, I want to ask a question about the outputs in your portfolio responsibilities contained in the budget. Obviously the state government is a supporter of genetically modified food, and we also have a strong element of organic food in the state. I understand it has been your previous position in respect of GM canola seeds when they are blown onto a neighbouring person's property that that should be a matter that the neighbours kind of fight out in court. I was just wondering if you could explain why there is no budget output measure in respect of this issue.

The CHAIR — I am struggling with it going to the estimates, because if there is not something in the estimates, then it is difficult for the minister to frame a reply.

Ms HENNESSY — And I am asking where — —

The CHAIR — But nevertheless, Ms Hennessy, I am just flagging that it is an issue, the way you have constructed your question. If you would like to rephrase it, I am sure that the minister would like to respond to it.

Ms HENNESSY — Minister, is there anything in the estimates in respect of the resolution of disputes where you have GM canola seeds blown onto neighbouring properties?

The CHAIR — Minister, you may answer the question.

Mr WALSH — Thank you, Chair. I think it would be useful to recap on the issue of GM research and development in Australia. For the member's information, the use of GM crops in Australia is regulated by the commonwealth gene technology regulator. Crops that are being used are particularly canola, as the member mentioned in her question. The gene technology regulator did the research and viewed that GM canola was not injurious to human health at all and was also not injurious to the environment.

There was a moratorium here in Victoria on GM crops for a period of time by the previous government. That moratorium was based on: was there a perception of market risk because of the growing of the crop in Victoria? That moratorium lapsed under the previous government, so there is now the ability to grow GM crops here in Victoria.

There is extensive work done within the industry around coexistence and how that is managed. I believe it is most appropriate that it is actually managed by the industry for the industry and it is not an issue for government to be involved in.

Mr O'BRIEN — Minister, just following on from your answer to Mr Angus's question about the importance of the bee industry, I note that in budget paper 3 at page 137 the first line item there is 'Improved surveillance and preparedness for the exotic varroa mite pest of bees'. I also understand that there has been recent concern about the reduction of the national commitment to control Asian honey bees in Queensland, which have been likened to the new cane toad or aerial cane toad. I was wondering how this will impact on the government's investment to protect the bee industry against varroa mite.

Mr WALSH — As the member mentioned in his question, there has been an incursion of Asian honey bee in Cairns. So far there have been something like 376 bee colonies detected in that particular area. It is something that fits under the national emergency response. There was a concern held by the people who sit on that national response committee that the opportunity of eradication was slipping away. So at ministerial council several weeks ago there was an ask of Queensland to come back with a better plan as to how they were going to manage that particular incursion, because we do not want to see it spread any further than it is at the moment.

The other part of any incursion like the Asian honey bee is that the funding issues also need to be managed so that a cost-sharing agreement is worked out between federal government, state governments and the industry. In this particular case the bee industry had not made their contribution to the share of that. I have had discussions with the bee industry here in Victoria. They are now doing work to make the bee industry actually finds their share of the contribution that is necessary to manage this particular incursion. So we are awaiting a new plan or a better plan from Queensland as to how they will manage this incursion and the money coming from the industry.

As I touched on in my previous answer to Mr Angus, the bee industry is not just about the hives and the bees; it is about the pollination services that are provided as well. There has been a request of some of those industries that receive the pollination services to make a contribution as well. So I would be hopeful that we would get a response from Queensland as to how it will be managed better in the future and a contribution from the bee industry to help funding.

Mr PAKULA — Minister, in your presentation you went to the issue of a stamp duty exemption for young farmers. I understand the taxation bill which deals with all of the taxation measures in the budget is now before the Assembly. Can you clarify for the committee whether a young farmer who has any fee simple interest in land, whether it is directly or via a super fund or a trust, would be eligible for that exemption?

The CHAIR — Thank you. It is a very good question. It is a question you may ask in committee in the Legislative Council, but I do not think it is an estimates committee — —

Mr PAKULA — Absolutely.

The CHAIR — I do not think it is an estimates committee — —

Mr SCOTT — It is a revenue measure in the budget.

The CHAIR — This is a matter that is clearly within the purview of the Treasurer, not the minister for agriculture.

Mr PAKULA — On a point of order, Chair.

The CHAIR — The first point of order.

Mr PAKULA — The minister has talked about the stamp duty exemption for young farmers, and I am trying to find out from him who is eligible for it.

The CHAIR — Thank you. Minister, would you like to give a succinct but restrained response, because on the point that is raised by the Deputy Chair, the bill in the Legislative Assembly is a matter for the Treasurer, not the Minister for Agriculture and Food Security?

Mr PAKULA — Can I rephrase the question?

The CHAIR — You may. Thank you for that.

Mr PAKULA — Minister, could you clarify for the committee which types of young farmers are eligible for that stamp duty exemption?

Mr WALSH — Can I seek some clarity as to how you would view ‘types of young farmers’? I would have thought all young farmers are young farmers.

Mr PAKULA — Do they have to have no interest in land? If their super fund has an interest in land, do they qualify or not?

Mr WALSH — As the Chair said, this is an issue for the Treasurer. I touched on it in my presentation because I feel it is a very good initiative by the Baillieu government to assist young people to enter the industry. So the detail is something that the Treasurer will announce and that will be discussed in the bill as it goes through both houses of Parliament.

Ms HENNESSY — So we do not know who is going to get it.

Mr PAKULA — I think it is extraordinary that you do not know who is eligible for that measure. You are skiting about it, and you do not know who is eligible for it.

The CHAIR — Deputy, you know better than that.

Mr ANGUS — It is a taxation relief measure.

Ms HENNESSY — How confusing for young farmers.

Mr O’BRIEN — We could be here for another two weeks if you asked every minister everything about everyone else’s portfolio.

Ms HENNESSY — You cannot even tell them if they are in or they are out, and you are the agriculture minister.

Mr ANGUS — The minister just touched on it in his presentation.

Mr PAKULA — I am asking him about a measure that he has referred to in his presentation.

Mr SCOTT — That is fair enough.

Mr ANGUS — And he has answered it.

The CHAIR — Thank you, Minister. I would like to go to the issue of floods and the Victorian government’s response to floods in Victoria. I refer to BP3, page 94, and the details of the whole-of-Victorian government’s flood response package which has been provided to assist flood-affected people and communities

and businesses to recover from the 2010–2011 floods. Minister, can I ask you to describe what your department is doing to help Victoria's primary producers to recover from floods?

Mr WALSH — Thank you very much, Chair. I think everyone would be well aware of the impact that floods have had across country Victoria and for that matter in the city as well in the last six months. We went through 10 years of drought, and then all of a sudden the heavens opened and we have had substantial rain. I suppose for those who remember their school days and remember the poem from Dorothea Mackellar, we have probably had it all in the last six months, and there have been some very significant challenges for everyone involved. Can I commend, particularly in my case, the Department of Primary Industries for the work they have actually done helping manage the flood situation and for what they have done particularly with farmers through that time. There has been substantial effort go into it, and that is on top of the issues the department has also been managing around the fruit fly outbreaks in northern Victoria and eastern Victoria, and the chestnut blight outbreak in north-east Victoria as well. So some significant stress has been put on the resources of the department to do that.

As most people would be aware, there were significant financial losses. Probably the largest financial loss by a local government area would be the Shire of Mildura, followed by the Shire of Loddon after that — so some major changes. DPI has actually done one-on-one contact with in excess of 2000 farmers through that time, not only to talk to them to understand the impact the flood had on them but also to make a point of contact to assist with their both physical and emotional recovery from the floods. A significant number of sheep were killed — something like 11 000 sheep died through the floods — and a number of dairy cows and beef cows, and unfortunately one large poultry establishment in northern Victoria, a chicken meat establishment, was actually flooded and something like 330 000 birds died in that situation. Quite a deal of on-farm infrastructure was damaged as well. A significant number of haysheds, woolsheds and machinery sheds and quite a few dairies were flooded, and as people would know, a significant number of farmhouses were flooded, and some of those farmhouses were inundated for anything up to six weeks. Those people are in a very unfortunate situation where their houses have effectively been destroyed through the floods.

Something like 78 000 hectares of field crops were destroyed, 127 000 hectares of pasture was drowned, 8000 tonnes of stored grain was damaged and 120 000 tonnes of hay and silage was damaged. Quite a few people had grain stored both in grain sheds and in large bunkers on their farms where they thought a flood would never ever go, and unfortunately they were flooded and it has cost quite a substantial amount of money. For those who never believed that large square bales of hay would float, or large round bales of hay would float, they have floated a long way in this flood and turned up in some very strange places.

I suppose the other part of the flood and the extreme rain of this last summer was the impact particularly on some of the horticultural industries. If you take the wine grape industry in particular, it had been under significant pressure because of oversupply in the industry and reduced prices. The wine grape industry had significantly increased costs in fungicide applications to control fungal outbreaks, and they have now had the situation where a lot of people have had in excess of a 50 per cent reduction in yield because of the unseasonally wet summer, and for some people their crops were unharvestable. It is going to put major pressure on that particular industry because people are already in significant debt because of the problems of the drought — having to buy expensive temporary water and having low commodity prices prior to the particular floods.

So there were some major initiatives from the Baillieu government that DPI administered to assist with the flood. There were the \$25 000 grants for clean-up and restoration, something that was welcomed by the sector at the time. There have also been, as part of that category C program of natural disaster funding which is shared with the commonwealth, low-interest loans of up to \$200 000 to assist with those who need to borrow more money. There was an apprentice retention program put in place to assist people who employed apprentices, both in small business and in agriculture, to help keep their apprentices on. The Sustainable Farm Families program was extended, with health and wellbeing workshops to be run throughout the flood-affected areas. For those who do not know, the Sustainable Farm Families program is run by the Hamilton health service and delivers workshops across country Victoria to work with farm families about their health and wellbeing, a program that has been in existence now for a number of years. It was initially funded by the previous government, so there is additional money there to keep that going.

The department has also put in place regional coordination officers to assist local government with managing the floods. There has been substantial pressure put on local government staffing resources to not only manage

their day-to-day business but assist with the flood recovery. So there has been money put in the budget to assist with that by having flood recovery officers. The Rural Financial Counselling Service is something that has been in place in country Victoria for quite a few years. The funding round from Victoria's point of view was lapsing this year on 30 June, and the commonwealth funding round was also lapsing on 30 June. The Baillieu government came out early, pre-budget, and made our commitment, the Victorian government's commitment, to its share of the Rural Financial Counselling Service to keep that in place to give certainty not only to the clients of the service but also to the employees of the service. There was some nervousness in the service with funding potentially lapsing on 30 June. Some of the very good counsellors that we have in that service were starting to look around for other employment in case their jobs disappeared on 30 June, so the Baillieu government made an early commitment to the Victorian share and the commonwealth eventually made their commitment to the service as well. So that service is there to provide what is needed in the future to assist people through the floods.

The last program I would like to touch on, which I think is also a very good one, is the catchment management flood employment program. Through the floods you saw significant damage to environmental infrastructure. There had been very good work done across country Victoria in fencing streams, stream repair and revegetation projects and the like, and this money for the CMAs will enable them to employ local people to re-establish some of that work. You will find that quite a few of the farmers that were severely impacted by the flood have employees that they do not actually have the money or the ability to employ for a period of time until they get back to full recovery, and this gives an opportunity for employment in those country communities where people can stay in their community and have a job until their current employers actually get back on their feet and can offer them their job back.

Mr SCOTT — Minister, I refer you to budget paper 3, page 294, where there is a listing of key strategic priorities for the department, and the second dot point, 'Securing investment and jobs in forestry — by providing long-term security for the forest industry, maximising the value of Victoria's timber resources'. In a way my question follows on in part from the previous question because it is about the impact of a natural disaster. With almost half of our forests being burnt by bushfires in the last decade, could you outline your plans to free up more timber to meet existing contracts if such plans exist?

Mr WALSH — You are referring to page 294, budget paper 3?

Mr SCOTT — And the second dot point under 'Key strategic priorities'. I am essentially asking you about how you are meeting that priority.

Mr WALSH — Thank you very much for the question. Our government is committed to maintaining a native forest industry here in Victoria. I think it is a very worthwhile industry to be in. It provides significant employment in country Victoria and deserves more support than sometimes it has had in previous times. There is a view from some people in society that we should not have a native timber industry here in Victoria. It is not a view that this government shares. It is an industry that we want to work with to further develop in the future. As you said in your question, Mr Scott, there have been some challenges for the industry because of the bushfires and some issues around a loss of resource there. VicForests had a major salvage operation post-bushfires to harvest as much burnt timber as they could before it became worthless from an industry point of view. You will also understand the issues around threatened species and the impact that is having on potential resource for the timber industry. One of the things that is in the outputs for the department is to do more work around threatened species so that we can actually clarify the issues and hopefully out of that free up some resource for the timber industry to harvest in the future in a sustainable way.

Mr MORRIS — Minister, if I could go back to the issue of the floods, in your response to the Chairman you referred to the department organising a series of workshops and I think other meetings to assist farmers across the state to recover from the floods. Can you indicate for the committee's benefit how widespread the meetings were, the extent of the coverage, and also to what extent DPI engaged with other agencies in the process?

Mr WALSH — DPI held 34 different meetings across the flood-affected areas. There were something like 260 farm families involved in those particular meetings. So, again, as I think I covered in response to the Chair's question, the floods had a traumatising impact on the families that were affected — obviously substantial damage to their properties, to their farms, for those who lost livestock, the crops that were lost, thousands of kilometres of fencing were lost, and particularly for those families who had their houses flooded, it

was a very traumatising event. Coming from that particular geographic area myself, the flood went to places that people had never seen floodwater go in living memory, and a substantial number of houses that people thought were well above the flood level got flooded.

As I said in the previous answer as well, DPI made personal contact with in excess of 2000 farm families to understand what their immediate needs were and assist them with their immediate needs, and quite a bit of that was about the provision of emergency fodder, so there was quite a substantial amount of money spent by DPI in assisting with the transportation of emergency fodder. The livestock industry is one that comes under immediate pressure in an emergency like this particular situation, so a lot of work went into the assistance with emergency fodder and then more ongoing assistance with how people manage the welfare of their animals post the flood and also how they re-establish pastures. Quite a large area of northern Victoria that was flooded was based on dryland lucerne grazing, so most of that dryland lucerne was killed because of the floods, so DPI has been working with individual farmers and at these workshops that you mentioned as to how people will re-establish their pastures in the future.

Ms HENNESSY — Minister, if I could just refer you to budget paper 3, page 73. As you would be aware, in western Victoria the wine industry is often adversely affected by DSE's back-burning efforts, and I note that you have allocated \$1 million per year in the budget across the forward estimates to tackle smoke taint in wine. In the forward estimates the amount of funding year to year does not increase but the targets for DSE back-burning do, so why did you not increase the funding to better reflect the increased back-burning efforts and the impacts that they will inevitably have on the wine industry?

Mr MORRIS — She means fuel reduction.

The CHAIR — I think Ms Hennessy is referring to fuel reduction rather than back-burning.

Mr WALSH — I do not accept the premise of the question, in effect that controlled burns necessarily have an impact on the wine industry and that increased controlled burns will have an increased effect on the wine industry. The principal reason for the smoke taint in wine research and the funding commitment the Baillieu government has given to that is the impact that the 2006 bushfires had on the wine industry. If you look at the King Valley as an example, the 2006 bushfires cost that industry something like \$100 million in lost value or production because of the smoke-tainted wine out of the 2006 bushfires, which is one of the reasons — and it is an issue for Peter Ryan, the Minister for Bushfire Response — that the government has accepted the royal commission findings that there needs to be an increase in controlled burns.

The work that will be done at the DPI research institute at Irymple around smoke taint is about identifying what varieties are more susceptible to smoke taint compared to others. There is a belief that different varieties will have different uptake of smoke into the plant and also at what stage of the maturity of the vine it is most susceptible to smoke taint. Although the research is being done at Irymple, because that is where the expertise and the laboratories to do the work are, they will be working closely with the wine industry right across Victoria, whether it be in the King Valley, the Yarra Valley or in the Pyrenees, and they will be collecting samples at various stages of plant growth and doing the analysis at Irymple at northern Victoria.

I think that will help in the decision making with DSE as to when you may have burns and for the industry as to what varieties may be more susceptible than other varieties. What you might find for those that grow grapes in bushfire-prone areas — because the real threat is bushfires, not controlled burns from DSE — is they may make a change to the varietal mix they have on their property based on the research that will come out of this particular program.

Ms HENNESSY — So, Minister, you are saying that grape growers and those in the wine industry have nothing to fear by increased fuel reduction controlled burns?

Mr WALSH — What I am saying is that DPI is doing research out of the initiative that you identified in the budget to assist with how smoke taint is identified and how it is managed with the industry. I think the threat to the wine industry is to have no controlled burns and have the megafires of 2002–03 or 2006 and find they are severely impacted and potentially burnt out rather than managing the whole issue of fire better in the environment.

Mr ANGUS — Minister, I refer you to page 73 of budget paper 3 and the primary industries output initiative line ‘Improving recreational fishing opportunities in regional Victoria’, providing \$16.2 million over the four years, and I ask: what is the government planning to do to support the growth of recreational fishing in Victoria and specifically in terms of recruiting specialist officers from Victoria’s culturally and linguistically diverse communities to improve engagement with Victoria’s large multicultural community?

Mr WALSH — As I think I have covered in the presentation or in one of the previous answers, there are in excess of 720 000 people in Victoria who participate in recreational fishing, so it is a great outdoor activity for those who are involved in it and something that the whole family can share together. It is also something that provides quite substantial economic development and job creation, particularly in country areas, whether they be coastal country areas or freshwater areas in inland Victoria. I think there are something like 5500 jobs created by the recreational industry in Victoria. In the budget there is \$16.2 million for additional investment in infrastructure, fishing facilities and restocking programs across Victoria. That is something that has been welcomed by the recreational fishing industry. VRFish, which is the peak body representing the recreational fishing industry, were quite complimentary in their press release following the budget about how the government had not only met their expectations but exceeded their expectations as to what they expected in the budget for recreational fishing.

You touched on the issue in your question about the recruitment of the multicultural liaison team within the fisheries officers and the recruitment of culturally and linguistically diverse fisheries officers. The challenges that fisheries officers have is that some of the issues around taking of fish stock in excess of the bag limits or poaching in some particular cases is done by some particular ethnic groups that have come to Australia. This puts in place some fisheries officers from those particular cultures who speak those particular languages who can work with those communities in a proactive way. The great role that fisheries officers fulfil more so than going out and catching people doing the wrong thing is the education role that they have. If those culturally diverse fisheries officers can go and work within those communities and explain to them the rules around fishing and the fact that recreational fishing is a great pastime but you need to stick to the rules because you have an impact on the ability of other people to catch those fish and you could over time have a significant impact on the fish stock in the future, I think it will be something where the department is being proactive, and it is about prevention rather than cure. The key role that they will have is an educational role working in those communities more so than rather than a punitive one trying to catch people who are poaching.

Mr PAKULA — In budget paper 3, page 73, there is an allocation towards controlling wild foxes, and in particular a \$10 bounty per fox killed. Minister, what are you going to be able to do to ensure that people do not stockpile dead wild foxes between now and the introduction of the scheme in order to obtain a larger financial advantage than they are entitled to?

Mr WALSH — It is a very good question, and I welcome it. The mind boggles to think of a huge pile of dead foxes being stored for six months. It would be rather a smelly problem for whoever did it, but it is a valid question. I constantly get asked: ‘Minister, which part of the fox’s anatomy are you going to pay the bounty out on?’, and I clearly say, ‘I am not going to say. That is something that will be announced at the time that the bounty is actually implemented in October’. We are continuing to run the FoxStop program that was set up by the previous government until October, and that is when the \$10 a head bounty will come in. So deliberately I am not saying what part of the anatomy will be paid out on because we do not want to see people stockpiling. This is a program to assist in the control of foxes, not to give someone a financial windfall because they stockpile.

The CHAIR — As somebody experienced with dead foxes as well as live ones, I can say they are the most odorous dead animals going, and I would not want to come anywhere near a stockpile of dead foxes.

Ms HENNESSY — Now, Phil, we don’t want to hear about internal Liberal Party matters!

Mr WALSH — I suppose if the member wanted to make his freezer available — —

Mr PAKULA — It is not that big a freezer.

The CHAIR — Mr Pakula, you don’t have a follow up, do you?

Mr PAKULA — How odorous are they if they are stored in a freezer?

Mr WALSH — As someone who, when I was younger, used to do a bit of fox hunting, a fox does have a very strong odour to it as an animal, which only intensifies once it is dead.

Mr O'BRIEN — I will leave the foxes now and turn to the flies and fruit flies in particular. I wish to ask you a question arising from the budget estimates questionnaire, and in particular section 12 under 'Environmental challenges'. In your response to the question:

What are the key environmental issues that are predicted to have an impact on services delivered by the department's portfolios ...

You have identified flood and locust emergencies. Further on you say:

Given the department's key role in managing emergencies, most notably for biosecurity incursions, it is expected that the department will experience similar impacts should further emergencies arise ...

I therefore ask you, Minister: given that fruit fly outbreaks seem to be on the rise, what is your department doing in response to the fruit fly outbreak across the state, and particularly why is DPI proposing to suspend the pest-free area status for the Sunraysia?

Mr WALSH — Thank you very much for the question. As I think I touched on in my presentation, there has been a substantial increase in the number of fruit fly outbreaks, particularly in northern and eastern Victoria. I think we are now in excess of nearly 100 fruit fly outbreaks across the area, which is a major increase on what has previously been the case— you have to go back to the early '70s to have a similar number of outbreaks in Victoria. Principally, the problem is around the climatic conditions we have had in recent times. Obviously Queensland fruit fly is a native of Queensland and likes warm, moist conditions, and what we have had in northern Victoria with the unseasonal summer rainfall is warm, moist conditions, and the survival rate of flies has been much higher.

The fruit fly is not a very robust fly, and historically, with the hot, dry conditions in northern Victoria, it does not survive. I commend the DPI staff for the significant work they have put into the fruit fly control program, but when a fruit fly outbreak is identified for a particular area, there is a 15-kilometre incursion zone put around that area and an intensive baiting and management program established within the first 1.5 kilometres of that outbreak, and then a lesser baiting program in the wider area.

To try and stop the overwintering of fruit fly into next season the department has extended that 1.6-kilometre area, and it has gone in and is stripping fruit off any trees or any of the fruit that is a host to fruit fly and destroying it so we can try to eliminate the overwintering of fruit fly. It has done additional baiting and spraying as part of that as well.

In terms of the fruit fly-free status that you talk about for that area, for a number of years now the citrus industry has enjoyed access overseas because of our fruit fly-free status, but taking that status off at the moment means that that industry will have to undertake additional treatment to send fruit overseas because there will be overwintering of fruit fly.

Mr SCOTT — Minister, in your presentation I believe you talked about weeds, pests and diseases and the cost of them to the Victorian economy of about \$1 billion a year. In opposition you had strong views about efforts to control fruit bats. I'd be grateful if you could enlighten me as to where there are provisions in this budget to tackle this invasive species.

Mr WALSH — There isn't anything in the budget for the control of fruit bats. It is a very vexed issue, particularly for people in the Yarra Valley as fruit bats have been relocated out of the Royal Botanic Gardens here in Melbourne and some other metropolitan areas to the Yarra Valley. I know it is something they are very concerned about out there.

The CHAIR — I think we will go to a question from myself, which is a rare privilege. This is a subject about which I am quite passionate, and I refer to the demographic — the ageing of the farming community. Over the last century or so every generation of farmers has seen a consolidation, about a halving, of the number of commercial farm enterprises, and with that consolidation and reduction in the number of enterprises, so the average age of farmers is increasing. As somebody who came into agriculture through good luck and opportunity, I know the challenges of getting started in farming. Minister, in your presentation you referred to

the challenges facing your department in respect to the ageing profile of Victoria's farmers. Can I ask you to advise the committee how your department is planning to attract young people to consider a future in farming?

Mr WALSH — I suppose the first thing that we can do to attract young people into any sector — and in this particular case you are talking about farming — is focus on the positives of the sector and talk up the opportunities that young people have for a career. In my view it is not just about having a job in the sector; it is about a career. In my presentation, and in your first question about the population increase, I touched on the fact that there is going to be a need for increased food production in Victoria, and I think there are some exciting opportunities within that food and fibre sector, both at the farmer level and in the food processing sector. The first thing we need to do is to get the positive message out there that this is an industry that there is a bright future for and that there are opportunities for people to have some exciting careers as part of that.

As I think I have already said in answer to some of the other questions, there is money in the Treasurer's area — and the Treasurer will clarify the details around that — but there is money in the Treasurer's area for stamp duty reduction for a young farmer who buys their first block of land. I think that sends a very important signal to people who will potentially want to take a financial stake in the industry that this government is serious about helping them to do that. As I also said before in answer to one of the other questions, the Premier announced yesterday an increase in money out of Rural Finance for interest rate assistance for young farmers who purchase land. So there is some additional money there to help young farmers buy land.

As I think I also touched on in one of my previous answers, there is money in the forward estimates to assist farmers in setting up marketing cooperatives, and again I think I have already covered this, but quite often individual farmers are at a competitive disadvantage in their negotiations with supermarkets or food processors or export markets overseas. This is the opportunity for people to band together, and I think you will find that young farmers are the ones that will have the innovation, the passion and drive to want to get into those sorts of new areas where they may set up a cooperative amongst themselves to develop an export market into Hong Kong or Taiwan or whatever.

I have also touched previously on the issue around the young farmers organisation. That was an organisation that provided invaluable support and learning for a lot of people who are now in leadership positions, and obviously you yourself, as a member of the young farmers organisation — —

Mr PAKULA — He escaped to the Liberal Party, though.

Mr WALSH — Far be it from me to comment too much, but obviously it was a great success for you and you have risen to the positions you have because of what you learnt in the young farmers organisation.

The CHAIR — Absolutely, entirely.

Mr WALSH — It has obviously delivered a good outcome, and we look forward —

Ms HENNESSY — Stockpiling dead foxes.

Mr WALSH — to assisting with the development of future leaders in country Victoria.

Ms HENNESSY — Minister, I was interested that in the course of your presentation you talked about the strong Aussie dollar and the obvious consternation that is causing amongst the agricultural sector. What does the strong dollar mean for Victorian food trade with China?

Mr WALSH — I am not a foreign currency expert, but I suppose if you look historically there has always been concern in a lot of our agricultural export industries that as the dollar gets higher it impacts on our competitiveness in overseas markets. One of the things I think is actually noteworthy at the moment is that the dairy sector, which, as I think I have already said, is probably our biggest single industry here in Victoria and our biggest single agricultural export industry here in Victoria, is the largest user of the Melbourne container port. If you look at the dairy industry, and if you look back in time to when you might have said that the dairy industry would be enjoying good prices with the dollar above parity with the US dollar, you would have been surprised to hear that. But fortunately for the dairy industry and a number of our other sectors, even with the high dollar we are still competitive internationally at the moment. World prices for dairy products are at a near record high, and even with the high dollar the dairy prices are still quite good.

If you look at the grain sector as well, the world price for grain at the moment is also relatively high compared to other times. So even with the high dollar the grain industry is also competitive at the moment.

I suppose the one that has the more significant challenge at the moment would be the horticultural industry and their exports overseas. But obviously the high dollar is something that the minister for agriculture in Victoria has no absolutely no control over. All we can do is work with the industry the best we can to make sure they have the research done and the extension done so they can be as efficient as possible to compete in those overseas markets.

Mr MORRIS — Minister, if I could come back to the fox and wild dog control program but particularly in the context of dog control as supposed to the anatomy of foxes. I note some of the commentary in budget paper 3, page 75, indicates that the approach forms part of an integrated strategy for control, which includes aerial baiting. Can you indicate for the committee's benefit how the \$4 million bounty program relates to the integrated wild dog control strategy?

Mr WALSH — Thank you for the question. The fox and wild dog bounty is a fox and wild dog bounty. Hunting is part an overall strategy, whether it be for foxes or for wild dogs. Your question was around the control of wild dogs, and our very firm view is that the control of wild dogs very much needs to be an integrated process with what the department does with their dogger program, with what the department does with ground baiting, with what they do with trapping, how that actually works in with private land-holders and what they do on their own property with baiting and trapping and hunting, which is where the bounty comes in. There is also the use of electric fences in appropriate places to keep out wild dogs. I think it is very well documented the damage that wild dogs do to domestic animals, particularly to sheep in north-eastern Victoria and Gippsland.

I think the thing that is not necessarily as well documented is the damage that wild dogs do to native fauna. If you look at a lot of our small marsupials, they are preyed on by wild dogs, and wild dogs have a major impact on their existence. The issue of wild dog control is not only about how we actually protect farmland and farm animals; I think it is also how we actively manage it from the impact on native fauna. I think both are equally important.

The aerial baiting program will be done out of existing resources within the department to compliment the current programs that are done. There is very good research work out of New South Wales about the issue of aerial baiting. It is something that the previous government did one trial on. Unfortunately that trial was not effective because the dose rate of chemical in the meat was not at the appropriate level to kill anything. It was a trial that was inconclusive. But there is good research out of New South Wales that says if you aerial bait at the appropriate spacings of the drops, you will have very little impact on the native fauna, particularly quolls, but you will have a very positive impact from the point of view that you control wild dogs and they will not be there to eat the quolls.

We believe very firmly that wild dog control is an integrated program between the department and the private land-holder, working together with all the arsenal that they have available to them: hunting, trapping, ground baiting and now with our announcement of aerial baiting. It is something that has been welcomed by the farmers of north-eastern Victoria and Gippsland. It is something that they have been asking for for quite a period of time. The department will now work with the wild dog committees and also the local implementation committees to work out where that will be done, how that will be done and the best way for it to be done to complement the other control programs.

Mr PAKULA — Minister, I just want to go back to some of the comments you have made, particularly about the dairy sector. Like you, I have had a longstanding interest and involvement with the sector, mine at a secondary rather than primary production level. You made comment about the power of the retailers and the concerns that has elicited from the dairy sector. I raised this issue in the Parliament not that long ago about what appears to be anticompetitive behaviour by the large retailers, in particular Coles, and the potential impact that will have on dairy production at the farm gate but also for the large Coles, Murray Goulburn, Fonterra and the like.

You made some reference a moment ago about young farmers, but is there anything in the budget specifically to assist the dairy sector in terms of its battle, as I would describe it, with the large retailers in this matter of their anticompetitive behaviour and the potential impact of that on milk prices?

The CHAIR — Thank you for your question, Deputy Chair. I would be more comfortable if questions related to what is in the budget rather than what is not in it.

Mr PAKULA — I do not know if it is in the budget. I am asking the minister if there is anything in the budget.

The CHAIR — I will invite the minister to respond.

Mr WALSH — The issue of the imbalance in market power between individual farmers and large processors, export markets or supermarkets is something that we are very conscious of, which is why there is money in the budget for assisting farmers to establish marketing cooperatives. One of the things that you will have seen, if you have studied the history of agricultural marketing, is there were substantial marketing cooperatives over the years for agriculture — some statutory marketing authorities. Most of those, one way or another, have gone. What we have put in the forward estimates is money for DPI to work with groups of farmers to set up marketing cooperatives. There is money there for grants for those groups to get legal advice about how they put in place their cooperative structure and set it up. I think it is a good initiative to assist in addressing that issue of the imbalance of market power that you have talked about.

I suppose if you look at the dairy industry in particular, which your question was about, the majority of milk that is produced in Victoria is exported. I think there is something like only 9 per cent of our milk in Victoria that goes into the domestic market. The major price setter for milk in Victoria is the international price. I think I have already covered that issue in an answer to Ms Hennessy. It is something that we are aware of and something that we have focused on in assisting farmers to get some better outcomes as far as their negotiating strength.

Mr PAKULA — Those marketing cooperatives, Minister, as I understand the structure of the industry, might assist the dairy farmers in their negotiations with the secondary producers, but would they play any role in the relationship between the sector and the retail industry?

Mr WALSH — If you look at the dairy sector, because of the way milk is handled and the fact that it all needs to be processed before it is retailed — it obviously has to go through a processing plant — there are some examples of individual farmers or groups of farmers who have developed their own small processing plants and have gone to market directly. There are also examples of dairy farmers and groups of dairy farmers who have developed their own cheese manufacturing and some of the value-added products. So there is the opportunity there, out of this initiative, for a group of dairy farmers, who may want to band together to set up their marketing and processing facilities, to do that. If you look at the history of the Murray Goulburn Co-operative, which is the biggest player in the dairy sector here in Victoria, that is an amalgam of literally — —

Mr PAKULA — A bunch of co-ops.

Mr WALSH — a bunch of co-ops that have all come together to form a great big coop. That also leaves opportunities at the local level for smaller ones to be established as well.

Mr PAKULA — Good luck dealing with Coles.

Mr ANGUS — Minister, I refer you to budget paper 3, page 73, and revisit the matter that was raised before regarding the centre of expertise on smoke taint in wine that the budget provides funds to establish. Given our earlier discussions and given that smoke taint does constitute a serious risk to the wine industry, what is the department specifically doing to reduce that concern?

Mr SCOTT — When the question has been asked, you don't ask the Dorothy.

The CHAIR — Let the member complete his question without interruption. Could you go back and repeat that? I did not get the last point you made.

Mr ANGUS — Certainly. I just want to get the minister to outline to the committee what these budget initiatives will do to reduce the concern regarding the smoke taint issue, which is an issue in the broader community. As I said, they are outlined on page 73, and then over on page 74 there are some more specific matters that the minister might want to touch on as well.

Mr WALSH — Thank you for the question. As has been touched on, the wine industry suffered a significant impact particularly from the 2006 bushfires. Something like \$100 million worth of value was wiped off the wine industry in the King Valley because of the bushfires in 2006. It is one of the issues that the wine industry came to see me about as the shadow minister, and they wanted more research done on how smoke was actually taken up by the grapes, what varieties were more susceptible to smoke than others, at what time of maturity the grapes were most susceptible to smoke uptake and how that impacted on the taste of wine.

For those who have never had the pleasure of actually tasting smoke-tainted wine, can I suggest to you that you do not. It is absolutely horrible and totally worthless.. I resisted drinking any until I had a sip recently when I was in Irymple, and it leaves a taste with you for quite a while afterwards.

There was already some research being done, and the department has been liaising particularly with Western Australia around this issue and to a lesser extent with South Australia, but this gives a substantial investment and gives surety over the forward estimates that there is money each year for four years so that they can plan how they do this research and know with surety that they will actually have the funds to do it. The research will be based at Irymple, just out of Mildura, where there is obviously a lot of wine grape research done now. They will be liaising very closely with the wine industry right across Victoria, particularly in those areas that are susceptible to smoke: north-eastern Victoria; the King Valley; the Yarra Valley, which was impacted significantly in the Black Saturday bushfires of 2009; and the Pyrenees, which is another area where grapes are located, interspersed in large areas of native vegetation.

The work will be done up there. Samples will be collected from those areas at various stages of plant maturity and issues around smoke. Also one of the things I did not touch on in my previous answer is what sorts of smoke actually have the most impact on wine. What fuel stock is that particular smoke produced from? There is a belief that whether it be from softwood or hardwood or whatever there will be a different characteristic to the smoke that is actually taken up by the wine. The facility at Irymple can track all the different tannins and all the make-up of that particular smoke as it is absorbed by the grapes. It is quite fascinating work, actually, and the people up there are going to do a great job.

Mr SCOTT — We have had discussion of a bounty for wild foxes and the issue of feral dogs. I would be interested in dealing with the issue of feral cats. Could you enlighten me whether there are any specific programs with expenditures within this budget to deal with this issue?

Mr WALSH — I find the questioning intriguing, that people are focusing on what is not in the budget instead of the good things that are in budget.

Mr SCOTT — I did not say that.

Mr WALSH — I think everyone well recognises the issue around feral cats, the fact that they also have a major impact on our small marsupials and also on some of our smaller birdlife, and the predation they have and what they do to those native animals. I suppose the issue of feral cats comes back to one of the issues that is around responsible pet ownership and making sure that people are actually responsible for the pets that they have, because ultimately the feral cats once were pets somewhere and have escaped or got away and have bred. It is a vexed issue. I suppose at the moment the budget focuses on the issue of wild dogs in particular, which are larger predators and do more substantial damage, and wild cats are something that will be addressed sometime in the future.

Mr SCOTT — You just stated that it is a vexed issue that will be addressed sometime in the future. Will that be addressed during budgets over the future estimates period?

Mr WALSH — I cannot sit here as a minister and say what may or may not be in the budget in the future, because that is an issue — as you would well know from when the Labor Party was in government — that goes through a very detailed government process and a budget review committee process. I must admit that sitting here I struggle as to how feral cats could potentially be controlled, given they are endemic throughout the landscape.

Mr O'BRIEN — I would like to return to the dairy industry and to something that is in the budget papers, being the performance measure for the genetic improvement of dairy cows, on page 301 of budget paper 3. It is the performance measure 'Genetic improvement of dairy cows achieved through breeding contributing to

increased milk production and dairy productivity'. I think you touched on this briefly in your presentation, but I ask: could you outline to the committee the research activities of your department in dairy?

Mr WALSH — The question was around the genetic improvement of cows. In my presentation I touched on the bioscience centre out at Bundoora that is under construction. Obviously there is a facility currently there with some world-leading technology on genomics, and they are doing a lot of work on mapping the genomics of dairy cows and particularly what different characteristics of dairy cows produce different types of milk.

There is a particular project — I might ask German to come up and talk about some of the work he is doing out there in a moment, but there is some particular work out there that was explained to me when I visited there recently about a characteristic of milk that they are producing that actually increases the muscle development in the human body. That is very relevant for motor accident victims or those who have had significant surgery. It actually assists in their rehabilitation with muscle development. Can I hand over to German?

The CHAIR — Before doing so could you introduce your officer to the committee, as he was not introduced at the start of the hearing?

Mr WALSH — I introduce German Spangenberg, who is the director of the bioscience centre at Bundoora.

Prof. SPANGENBERG — I can outline to the panel the activities in dairy biosciences associated with genetic improvement from the animal side as well as the feed base. I lead a significant research program also associated with the Dairy Futures CRC, the department provides overarching leadership. As the minister indicated, one of the key developments has been the invention of genomic selection that is based on deploying thousands of molecular markers across the genome.

The key targets are threefold. On the one side is being able to increase the accuracy of the genetic merit determinations. This is enabled by exploiting genomics. The second point is a significant program of work that was referred to as the 10 000 cow genomes project that is based on the sequencing of the host and grading in Australia, and based on that being able to not only increase the accuracy but also the coverage of molecular markers across the genome.

One of the major highlights in recent times has been for the first time the delivery of genomic breeding via the astute Australian industry that was delivered by the Australian dairy head improvement scheme working together with scientists within the department. All this happened in April this year, and I think it has been a great milestone in the delivery of unprecedented opportunities for the determination of genetic merit addressing 41 different trades for the dairy industry.

The third aspect that is relevant in the context of genetic improvements for dairy are activities associated with dissecting more complex traits such as feed conversion efficiency, fertility and longevity of cows in the herd. Genetic improvement activities delivered by our sciences cover a wide range of aspects — in a sense being able to develop better animals and an understanding also of traits that would be critical into the future.

If I may, I will provide an outline of activities that we undertake in the context of genetic improvement for the feed base. Again, a bulk of those take place within the Dairy Futures CRC, which is a cooperative research centre that receives \$28 million in support from the federal government. These address primarily species that we deploy today and that support the feed base for the dairy industry in this state and nationwide. These are temperate grasses such as perennial rye grass as well as white clover. The first part is current technologies in current species. The second component of the activity it undertakes is preparing for scenarios of the impact of changes on the feed base associated with matters of climate change by developing technologies that will provide better genetics, in a sense future-proofing the feed base for the Australian dairy industry. These target both tall fescue, which is more heat-stress tolerant than perennial rye grass, and warm season grasses. The third component is looking also — analogous to the counterpart of novel traits or more complex traits on the animal side — equivalent activities in forages associated with increasing appreciation of value and the bloat safety for the legume component of the pasture. The feed base is deploying both GM as well as non-GM approaches.

Mr WALSH — And that was the short version!

Ms HENNESSY — Minister, I was interested in your presentation when you were talking about what some of the challenges are, particularly for the agricultural sector in Victoria. I was just wondering if in the budget

outputs for your portfolio responsibilities you could point to any specific structural adjustment output measure for climate change.

Mr WALSH — I would have thought, Chair, that the issue of climate change was an issue for the Minister for Environment and Climate Change, who is yet to appear before this committee.

The CHAIR — I am wrestling with a series of questions that are fishing about what might be in the budget papers. That is fine, but the questions should somehow directly relate to the minister's portfolio and output measures and initiatives that are contained in the budget papers. I am quite happy to take that question, but would you like to slightly rephrase it, Ms Hennessy?

Ms HENNESSY — Minister, is there any specific structural adjustment output measure contained within your portfolio responsibilities that relate to climate change impacts on the Victorian agricultural sector?

Mr WALSH — I suppose there is substantial work being done within the department around the issues of climate change. I think we have touched on some of that with the answers around the dairy industry about the substantial work being done within the dairy industry whereby if you change the feed mix of dairy cows, you can actually reduce the amount of methane that dairy cows produce. There is some significant work being done in that area, including some of the work that German talked about at Bundoora but also substantial work being done at Allansford around the issue of how you reduce the methane output from dairy cows in that case. There is also work being done around the methane output of sheep. There is an issue as to how that reduces methane output. There is a partnership between the Department of Primary Industries and Melbourne University — a commitment of \$5 million a year over the next four or five years and matched by Melbourne University to do work on climate change there. The focus from the department's point of view has been in the research and development and extension area to assist the industry with these particular issues. That I believe is the best way to make an investment to assist the industry to deal with the issues around climate variability or climate change.

Ms HENNESSY — Just to follow up, Minister, I take it you believe in human-generated climate change?

Mr O'BRIEN — Chair, a point of order.

Ms HENNESSY — It is easy to answer; give him a go.

Mr ANGUS — What does that have to do with anything?

Mr O'BRIEN — It is absolutely not arising. It is another example of what you are trying to do.

Mr ANGUS — It is just a spurious question.

Members interjecting.

Mr O'BRIEN — I have no problems with the minister trying to answer it in normal question time or in discussion down at the hotel or at a National Party state conference, but before the estimates committee this is not a relevant question.

Ms HENNESSY — Thank God we are not at the National Party state conference. I am merely seeking to establish whether or not the minister believes in human-generated climate change.

The CHAIR — Mr O'Brien has taken a point of order. I think we know what the point of order is, and I have to say I would have difficulty ruling against this point of order, because effectively Mr O'Brien is indicating that the follow-up question was about the minister expressing an opinion. I am not inclined to acknowledge that that is an appropriate follow-up question.

Mr ANGUS — It has nothing to do with it.

Ms HENNESSY — Very interesting! Another climate change sceptic.

The CHAIR — Minister, in relation to BP3, page 137, I note that \$21.2 million has been provided over four years in relation to the program to strengthen priority weed and pest animal control. Can you advise the committee in relation to DPI's action to eradicate chestnut blight, from north-eastern Victoria particularly, and

can you explain what is being done to compensate chestnut growers who have had their groves destroyed and why it is that the department needed to destroy 12 oak trees in Coronation Avenue, Bright?

Mr WALSH — Thank you very much for the question. I have touched on this before, but I think with these sorts of pest incursions and in this particular one we have actually had what appears to be a very good outcome. At this stage it would appear that that outbreak of chestnut blight has been able to be eradicated. Obviously there will need to be monitoring over the forward years, but at this stage DPI has done a very good job and has actually eradicated chestnut blight out of that particular area.

The program was funded out of the national program, where the cost is shared between Victoria and the commonwealth. There were nine particular growers in that area who were affected by chestnut blight. It is something that if it had escaped into the wider part of Australia, it would have had a significant impact not only on the chestnut industry but on other industries as well, and as you touched on in your question, oak trees are susceptible to it as well. There were a number of oak trees destroyed because they were in close proximity to the chestnut blight outbreak, and because they are a carrier it was felt that to eradicate it those trees had to be destroyed.

That particular program had a component to it where there was reimbursement for those people who had productive trees destroyed, although there is no compensation for those who had an unproductive chestnut orchard or had trees that were in poor health or whatever. There is a reimbursement there based on the age of the tree and the potential productive life of that tree. There were a couple of growers who believe that the compensation was not satisfactory, and there is an appeals process that they are currently going through.

Mr PAKULA — Thank you, Chair. I refer to your presentation where you talked about the competitiveness of the agricultural sector.

Mr WALSH — Would you like the slide brought back up?

Mr PAKULA — No. It was ‘Competitiveness of primary industries internationally’. You have already talked about the fact that the dairy sector is the largest user of the port. I am not going to take you to the page because it is a DOT output, but I can just tell you that there are a couple of DOT outputs about road freight. The primary industry sector is, as you know, particularly up in your part of Victoria, keenly interested in rail freight. I am wondering whether the Department of Primary Industries is proposing to create in the budget any output measures for themselves about increasing the use of rail freight, particularly as it affects the primary agricultural sector, whether it is actually agriculture or the minerals sands industry, and what initiative you might be taking with your colleagues in government about increasing the use of rail freight.

The CHAIR — We are having a very lateral hearing today. Minister?

Mr WALSH — Thank you, Chair. As the member has already pointed out, it is an issue for the minister for transport, and I think the minister for transport has already appeared before this committee. My answers will be responding to questions that the department has influence over, not what another department has influence over.

Mr PAKULA — The department is not playing a role across government in that regard?

Mr BOLT — The department is interested in participating in planning work relating to the freight requirements of various primary industry commodities, as you were indicating. I have not had the opportunity, because this is work that is now evolving, to brief the minister on the project that is under way, so I apologise to him for that, but that brief is almost with him, and we are certainly vitally interested in enabling products to get to port.

As regards targets, that is a question, of course, to discuss with the minister, but we would generally take the view that the choice of which particular freight mode to use for any commodity is going to be a matter for the industry concerned and the operators within it. I do not think we have any advice to provide to the minister that we ought to adopt a particular quantitative target in that regard. It is more a question of inputting to the planning of the transport department, as I was saying, in relation to the evolution of the freight network in the state.

Mr MORRIS — Minister, I move to the subject of illegal puppy farms. At BP3, page 73, there is \$1.7 million over four years for the closure of illegal puppy farms. Can you indicate to the committee what DPI is doing to act on community concerns about illegal and cruel puppy farming?

Mr WALSH — Thank you for the question. One of the things that sits in the responsibility of DPI is the issue of companion animals and animal welfare, and it is something that this government takes very seriously, which is why this issue about puppy farms has got funding in the budget. People would well remember the campaign about Oscar's law and the issue about how some puppy farms do not act appropriately when it comes to the breeding stock that they have in their particular establishments.

The government is going to change the rules around puppy farms and reduce the number of breeding animals that are in an establishment before they have to be registered from 10 back to 3. We will also be giving the RSPCA inspectors the power to inspect puppy farms, the same as the department inspectors have now, and local governments.

One of the key areas of responsibility over the issue of companion animals and puppy farms is local government. By giving the RSPCA inspectors powers to do those same roles as the local government by-laws officers it will increase the number of people out there. It is something that was sought by the RSPCA, the opportunity to have those particular powers, and at some stage in the future we will be introducing changes to the fines system so that for those people who do not do the appropriate thing with puppy farms there will be some quite substantial fines in place and potentially loss of property if they do not pay those fines.

The CHAIR — Thank you, Minister. We are a little before our scheduled time, but the members of the committee have indicated they have no further questions for this portfolio. I thank Mr Bolt, Mr O'Farrell and Ms McDonald for their attendance.

Witnesses withdrew.