Australian Government

Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT MANTRA ON MURRAY HOTEL, PERTH
ON TUESDAY, 16 AUGUST 2016 AT 9.02 AM

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MR LINDWALL: Good morning everyone. Welcome to the public hearings of the Productivity Commission Inquiry into regulation of agriculture. My name is Paul Lindwall. I am the presiding Commissioner on the inquiry and my fellow Commissioner here is Ken Baxter.

The inquiry started with a reference from the Australian Government late last year and covers the regulations that have a material impact on the competitiveness and productivity of Australian agriculture. It is examined regulations at all levels of government - federal, state and territory and local governments. We've released an issues paper in December last year and have talked to a range of organisations and individuals with an interest in the issues. We released a draft report on the 21st of July after the election campaign and have received over a hundred submissions and more than a thousand personal responses and views since the release of the issues paper. We're grateful to all of the organisations and individuals who have taken the time to meet with us, prepare submissions and appear at these hearings.

The purpose of the hearings is to provide an opportunity for interested parties to provide comments and feedback on the draft report. Today's the first hearing for the inquiry. We'll be conducting hearings in Melbourne tomorrow, Wagga on Thursday, Sydney on Friday, Canberra next Monday, Toowoomba on Tuesday 23 August, Brisbane on 24 August and Townsville on 25 August. Formal submissions to the draft report are invited, particularly by the end of August. We'll be then working towards completing a final report to be provided to the Australian Government on 15 November. Participants and those who have registered their interest in the inquiry will automatically be advised of the finals reports released by the government which may be up to 25 parliamentary sitting days after completion.

We like to conduct all hearings in a reasonably informal manner but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken but at the end of the day's proceedings I'll provide an opportunity for anyone who wishes to do so to make a brief presentation.

Participants are not required to take an oath but are required under the *Productivity Commission Act 1998* to be truthful in their remarks. They're also welcome to comment on the issues throughout raised in other submissions. The transcript will be made available to participants and will be available from the Commission's website following the hearings. Commissions are also available on the website. For any media representatives that are attending today some general rules apply. Please see one of our staff for a handout which explains the rules.

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To comply with the requirements of the Commonwealth Occupational Health and Safety Legislation you're advised that in the unlikely event of an emergency, you should just follow the exit signs and use common sense, I suppose, and any floor warden's instructions. If you believe that you are unable to walk - I don't think there are stairs here anyway, no - it is important to advise the wardens. You are invited to make opening remarks, preferably not more than five minutes but if you are, we're fairly flexible about that. And keep the opening remarks brief will allow us the opportunity to discuss matters in greater detail.

Now I'd like to welcome Chris Tallentire. Welcome Chris.

MR TALLENTIRE: Thank you, Commissioners. I'm Chris Tallentire and I'm Shadow Minister for Environment and Climate Change here in Western Australia and I do have an agricultural background. In the '90s I studied at URESC Institute of Agriculture, then part of Curtin University, and took a second-class honours in Agribusiness and I think it's from that background that I have developed a passionate interest in the maintenance of native vegetation in a productive agricultural landscape and that's why I am concerned on my viewing of the draft report that there's a view that regulation around the protection of native vegetation is a hindrance to productive, profitable agriculture.

I would put it to the Commissioners that it's actually the other way around. That a good, healthy ecosystem is what underpins a productive agricultural landscape. That we need to make sure we maintain good biodiversity levels, good soils and do all we can to avoid the massive land degradation that we've already seen in Western Australia and I only have to ask Commissioners to look out the plane as you fly in from the east and look down at our 18 million hectares, or the bit that you would see - the transect that you would see of our 18 million hectares, and look at how little there is left in the way of native vegetation - until you reach the Darling Scarp area. Now that means that we've got a massive problem.

For a long time we were able to get away with producing big quantities of grain without problems and indeed, I think this year we may be headed towards another 13/14 million tonne harvest. That's fantastic. But there's a sleeping giant of a problem that has, in many ways, slipped out of public consciousness. It's the issue of salinity. Of a rising ground water table that's pushing up salts to the surface and, for a large part of the 90s and the early 2000s, government was intent on responding to this issue with a regulatory framework around land clearing and with various structures to encourage people to rehabilitate the landscape and we had a State Salinity Council and then that morphed into a Natural Resource

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Management Council to encourage people to do the rehabilitation work. But unfortunately other issues have moved on and it has slipped out of the public's mind, in many ways, the issue of salinity.

Yet the reports, and I would hope that the Department of Agriculture and Food is presenting to you. If not, I'm deeply disappointed but that's a reflection on the priorities of the government of the day. Because the Department of Agriculture, they, in 2013, they gave an update on the state of our sustainable natural resources in a report card on Sustainable Natural Resource Use In Agriculture 2013.

They say that WA farmers already forego $344M every year from land loss to salinity with up to 4.5 million hectares of productive agricultural land currently under threat. We know that from studies done in the early 2000s, the late 90s, that there were projections that of the 18 million hectares of the wheat belt that we could lose as much as a third to salinity. So this gets us to the core issue. How do we actually encourage people, incentivise people, to treat bushland areas on their properties as assets?

Now, one of the facts is that if you do have a property adjacent to bushland, the chances are it's going to be having a positive impact in terms of livestock growth rates. It's going to act as a shelter belt in some ways. It probably will mean that the water quality in your dams is better. The amount of soil erosion that you incur will be reduced. So, there are those benefits that are sometimes difficult to quantify but nevertheless recognised and I think there's a lot more that could be done in the way of study to appreciate that.

But how do we share the benefit of that? How do we share what may be perceived as the cost of those bushland areas across a whole range of farmers - property owners, in a particular catchment? That is one of the challenges that I'd love to see the Productivity Commission address. And perhaps there are mechanisms around that can be used to properly incentivise people to do their best as treat a bit of bushland on a property as an asset for their particular property but also for the community and to feel that their satisfactory recompense.

Now, if we are in a situation where we can't - we haven't got the economic creativity, the ability to find that incentive mechanism, I don't think the answer is to say, "Well, this is a regulatory burden, this native vegetation protection law, that we should be getting rid of." It's the contrary. Just because we can't find the right mechanism is not the reason to say let's get rid of the regulation.

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Now, I'll start and conclude and then hand over to you. I have given Commissioners a copy of land clearance statistics in Western Australia since 2008 when the Barnett Government, my political opponents, came to power. This is only the tip of the iceberg, Commissioners. It shows 133,715 hectares of permitted clearing in Western Australia across the state. It's only the tip of the iceberg though because that's the amount of land that permits were issued for.

In addition to that you have areas of illegal land clearing - there's no clear figure on that. But perhaps most frighteningly of all is the area of land, native vegetation that's destroyed as a result of some form of exemption from the permitting system. During the time of the current state government we've seen a lifting of an exemption threshold. If somebody's clearing in certain areas, they can destroy five hectares per year per property without any assessment at all. Without any help, really, in terms of what the consequences might be and I think that's a great tragedy.

Also we've changed the rules in terms of the clearing of regrowth vegetation so that if someone can claim that the bushland on their property is as old as 19 years and 364 days old then they can say that's regrowth, I don't need to get a permit. We could be talking about hundreds of hectares of land that's in this category. That regrowth vegetation probably has a very valuable hydrological function in terms of controlling salinity problems.

So, this issue is as pressing as ever and our best solution at the moment is a satisfactory regulatory framework. I realise that the report is far broader than native vegetation but I was concerned to see that so far, you'd not received much in the way of submission from those who are normally seen as being defenders of native vegetation, advocates for native vegetation. And, therefore, I thought it was important that the West Australian Labour Party made a presentation to you and to make it clear what our position is on this very important matter.

MR BAXTER: Thank you. Do you mind if I call you Chris?

MR TALLENTIRE: Please do.

MR LINDWALL: And Paul, of course. Well, Chris, thank you very much and we certainly appreciate your presentation.

I just wanted to clarify a few things about our report into native vegetation. Broadly speaking, and Ken can correct me on this, but we didn't say that we should eliminate the regulation it was more that we're

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trying to get a balance between the public good and the private benefit and the public and private costs and clearly you're right that there is an externality, as we put it in economic terms, of a positive externality from native vegetation to the community in general.

One of the options we put there is that, in certain cases the government might wish to purchase improved native vegetation outcomes in a particular property. We also, I think, looked at whether there could be a better balance between arbitrary small farms which are requiring a level of offset, or not - depending which state you're in, over a broader area, as long as the overall native vegetation outcome was of similar import.

But, we also looked at what you'd call "incentive effects" and I think there were some incentive effects where farmers might be discouraged from doing something that benefits environmental outcomes because of regulatory imposts and that's something that's important to bear in mind so, whether we've gone too far in one direction, that's what the whole point of the draft report is and I appreciate that. But what do you think about the idea of governments purchasing environmental outcomes from farmers?

MR TALLENTIRE: It's a great idea but the reality is governments are not going to have the money to do it. We have approximately eight per cent of the land mass of Western Australia that is in some form of conservation reserve. The reality is that biodiversity exists on private land. We are never going to be able to acquire enough. So that's where we do get to this issue of, just from a biodiversity perspective - and we can come to land degradation as well, having to make sure that private landholders are a part of protecting our natural resource base.

MR LINDWALL: Yes. Apart from native vegetation and vegetation in general, are there any other solutions you could think of that could improve water salinity or salinity on the farm or reduce salinity?

MR TALLENTIRE: We've certainly seen usage of deep drainage, for example. Now, there is an issue there that you tend to shift the problem and create water with a very low pH level, very acidic water that then eventually finds its way into the public waterway and so we find degradation of rivers. That is a concern.

But I think the best way to solve the problem of rising ground water table salinity is deep rooted perennial vegetation. Sometimes people will come up with solutions that aren't necessarily using native vegetation but the ideal scenario would be that yes, we undertake large scale revegetation and sometimes that will be to productive crops and people have looked at

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things like oil mallees. In some areas pine trees work very well. There are various options available - unfortunately they've not happened at the scale that we require - anywhere near the scale. It would be a very interesting exercise to know how much public money has already gone in to the revegetation of the wheat belt. I've certainly been aware of many, many millions of dollars through expenditure of public monies go into this state and it's been fantastic in terms of awareness-raising, community building but when you actually look to see the benefit - ask how many catchments have had their salinity problem reversed - it's very hard to find. There's only a couple in the state, if that. It's a serious problem.

MR BAXTER: Chris, a couple of questions. The figures on land clearing permits - does that cover the whole of the state and therefore include any land that may well be cleared for mining purposes?

MR TALLENTIRE: Yes, it does, yes.

MR BAXTER: If you broke out the figures for mining versus agriculture, does it follow a similar pattern or - what's the difference?

MR TALLENTIRE: This is an area where it's difficult because the current government doesn't provide these figures with any clarity and so as a Shadow Minister with the limited resources that I've got, I've compiled these statistics based on questions on notice that I've put to the Parliament. So, I can't give an exact break down of how much of that is mining versus how much is agriculture.

MR BAXTER: As a Shadow Minister and obviously taking an interest in these matters, what would be your guess if you were to divide these figures up between the mining clearing and agricultural clearing? Is it 50/50, is it 40/60? Where does it sit, roughly?

MR TALLENTIRE: It's probably more like 75/25. But as I say - - -

MR BAXTER: 75 to mining and 25 to - - -

MR TALLENTIRE: That's right. But the real point is, this is just the tip of the iceberg. The government does not report on these figures. We haven't had a State of the Environment Report in WA since 2007. There's no audit of native vegetation but what we've seen is a weakening of their current regulatory framework. So, the amount of illegal clearing that's going on, the amount of clearing through some form of exemption – no-one can tell me how much of that's going on and that's the real problem that we've got because that could be quite massive.

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MR BAXTER: Chris, the second question that I've got flows from a discussion we had with the Department of Lands here in the early stages of the report in which he had indicated that they were having a substantial revision of the land legislation in the state in a hope of simplifying it - making it more understandable and comprehensible in its application.

One of the things that came out of that was it seemed to be that, certainly from my point of view that what was happening was, instead of getting all the principles necessarily right, then the focus was actually on the regulatory regimes themselves and our observation from other states is that quite often there's a regulatory regime applied which makes it very difficult for various classes of landholders to adjust to the new requirements under the Commonwealth/states legislation. What's your view of the changes in the land use legislation in this state and its implications for things like native vegetation?

MR TALLENTIRE: Yes, sure. So we've got to be careful not to talk cross purposes here. The amendments that I think you'll be referring to are proposed for the Land Administration Act and they will primarily be about the pastoral leases. You've got about 500 pastoral leases in WA and they cover, I think it's about 33 per cent of the surface area of the state.

MR BAXTER: So a reasonably significant area?

MR TALLENTIRE: Yes, indeed. But we've said that pastoralism, so grazing and one of the key issues that these reforms are focussed on is the fact that you're only allowed - if you hold a pastoral lease you're supposed to graze either cattle or sheep on that lease. I'm certainly in favour of allowing diversification because there are many of those 500 pastoral leases that are actually not ideal for grazing and some other activity would be a far better use of that land. Perhaps not all of that - if we're talking about 250,000 hectare pastoral lease there might just be a small area that's ideal for irrigated horticulture. There might be a tourism option. There's all sorts of opportunities. It might be that the pastoral lease is just held for conservation purposes. There's a whole range of uses that could come if we were able to amend the Land Administration Act to allow for that diversity.

But pastoralism, in itself, in theory, does not degrade the native vegetation on the property. The reality is, it does and we've seen many, many cases of severe over-grazing but in theory the grazing of livestock is done in a way that the native vegetation, along with introduced grasses like buffel grass, is allowed to come back. So we don't actually count pastoralism when we're looking at any of these sorts of permit statistics.

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Only in cases where a pastoral leaseholder is given a permit - there is a mechanism at the moment under the current act that allows for some degree of diversification and say someone did want to clear 500 hectares for a horticultural exercise - it would be quite a big one - that then that would, I think, show up in these statistics but we haven't had that many of those operations come through.

MR BAXTER: I've heard, well, that the government is actively moving to convert some of the pastoral leases into freehold which allows some diversification, I presume. Is that true?

MR TALLENTIRE: I think that's a more controversial issue. I mean people have acquired pastoral leases as leases to somehow roll them into being freehold - suddenly give someone 250,000 hectares - I think we'd have to be very concerned about what the public interest was there.

Now sometimes, I think there's a case for a negotiated position where perhaps 50 per cent of the pastoral lease might be added to the conservation estate in exchange for perhaps a modest 10,000 hectare homestead block becoming freehold and then the remaining area being allowed as a lease. There could be arrangements like that. That's all part of a discussion that has to be had while we consider these reforms that are being talked about. That I believe are to come before the parliament in the next few months.

MR LINDWALL: In our report, on pastoral lease conversions we did say that the holder of the lease should pay a premium price to reflect the new property rights of acquiring. Now, Ken and I visited New Zealand recently and I was struck that some of the pastoral leases being converted were allowed to be converted to freehold as long as a large amount of the land became conservation estate. Is that being thought of here in Western Australia?

MR TALLENTIRE: I think those negotiations could be considered. But there - there is an issue that suddenly the Department of Parks and Wildlife, which has incredibly limited capability at the moment in terms of actual staff, would have an additional area of land to manage. Maybe it is - I'm quite open to the idea that the current pastoral leaseholder is probably the best person to continue to manage that land but I don't want that pastoral leaseholder to feel that they're compelled to run stock at a rate that is actually degrading the landscape when perhaps we could encourage them to be land managers rather than just grazers of a livestock that is damaging to them.

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MR LINDWALL: Because if you take the normal thinking on, say, freehold land, you would imagine that that has a value and that the farmer or the owner would operate it in such a way that it wouldn't degrade its value. So you would expect that they should manage - so the salinity doesn't rise because that does degrade the value. Why do you think that doesn't happen or is it because most of the degradation is in pastoral leases and in mining or is that not true?

MR TALLENTIRE: Look, I think we've got to come back to the agricultural region. The 18 million hectares there, that's where we've got various projections saying something between 4.5 million hectares to six million hectares could go saline. So there we've got privately held freehold land and we still have a massive problem.

I think the reality is when you're dealing with the natural environment you can have one property higher up in a catchment where you can clear every bit of, say the 10,000 hectares of the farm and have no negative consequences on that farm but the person down lower in the catchment, they're going to cop all the salinity consequences.

So, the challenge is, yes it's all a nice theory that private owners will do the best for their private property but we're in a - we have to think on a catchment scale and what happens in one part of the catchment will impact somewhere else in the catchment.

MR LINDWALL: Sort of like a form of pollution that the person who's operating the pollution should pay for the - - -

MR TALLENTIRE: That's right, yes, there are parallels to pollution laws and how we would use those.

MR BAXTER: One could argue that, yes.

MR LINDWALL: Sorry Ken, I was about to interrupt you.

MR BAXTER: No I've got no further questions.

MR LINDWALL: What about the fact that there is no audit being conducted. Do you know why that isn't - is it considered as too costly? Because the gathering of information is usually a public good.

MR TALLENTIRE: Indeed. In Western Australia we've had a good history of having State of the Environment Reports. And I think it's just essential through remote sensing technology as well. We could have an annual report on the state of native vegetation in Western Australia which

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would then show, for example, going back to the mining cases, where there's revegetation work that's been successful and how much we gain.

What the net gain has been - not just where the loss has been. Unfortunately, that work has not been done and I think that's a great shame. I'm sure the government would say that it's just not a priority expenditure but I think it's more than that. I think actually that the current government doesn't want to tell the public the truth about the trajectory of a whole lot of environmental indicators and that's why we've not had a State of the Environment Report since 2007.

MR LINDWALL: Certainly the gathering of information which can enable you to target interventions in a more precise way is something that would normally be encouraged in public policy.

MR TALLENTIRE: Absolutely essential. Yes, it gives everyone - it gives the public a degree of awareness and it helps decision makers, policy makers work out what the task is that we've got to tackle.

MR LINDWALL: Are you generally in favour though, I think you've said that it should be managed in a catchment area so if hypothetically you've got 20 farms in a catchment and one's a very small farm and it's got a lot of native vegetation and one's a large farm and it's got little native vegetation, would you foresee a system that allows farmer A, who happens to be in the small property of lots of native vegetation, do some clearing provided it gets offset in some other farm in the same catchment area?

MR TALLENTIRE: Look that can be looked at and you have to be looking at particular ecosystem types and things that we're offsetting, like for like. And that's where offset mechanisms do get very complicated. Sometimes an offset is a revegetation project.

We need to look at the costs though that are associated. I know that Alcoa have talked about the cost of revegetating in the Darling Range and in the Scarp Area on Jarrah-Marri Forest and they look at something like $20,000 per hectare for their revegetation work. So we need to look at the cost of - the value of things that we're destroying and what is the return, the annual return per hectare of some of the land where we're destroying native vegetation. It's not that high. So that's some of the thinking that needs to be put in to these decisions.

MR LINDWALL: You didn't have anything further?

MR BAXTER: No, I've got no - - -

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MR LINDWALL: Did you have anything else you'd like to say Chris about anything else on the report? I think we understand fully where you're coming from in this area.

MR TALLENTIRE: Look I was just very concerned that we make sure that the other side of things is properly heard.

MR BAXTER: Yes, the one question which goes to the relationship between the Commonwealth and the state. In relation to native vegetation and biodiversity regulations or acts which are now going through various state parliaments. Are you satisfied, as a potential minister, if there was a change of government, about the arrangements between the Commonwealth and the states in terms of native vegetation and biodiversity legislation?

MR TALLENTIRE: Well, it seems that it's going to delegate everything to Western Australia and - or down to a state level and so we have the one-stop-shop type arrangement. I think there's - I can see an advantage in that for proponents. I can also see that it's going to mean additional workload if we're going to do the job properly at the state level - and I'm concerned about that. I think there are mechanisms, though, in the Commonwealth arrangement, especially the way the Commonwealth legislation works with those - the various triggers - that trigger a Commonwealth assessment. I think there would still be a need to retain elements of that because there are some things that are plainly the jurisdiction of the Commonwealth and there will still be times when a proper Commonwealth assessment is justified.

MR BAXTER: And presumably you would expect Commonwealth funding to travel with it?

MR TALLENTIRE: If the workload is being shifted to the state then I think so, indeed.

MR LINDWALL: Well, thank you very much for coming then, Chris and have a good day.

MR TALLENTIRE: Thank you very much. Thank you.

MR LINDWALL: Now I believe we've got - let's see - Mike Jones is available? Hello Mike. Mike, if you wouldn't mind saying your name and occupation and what you wish to talk about please.

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MR JONES: Yes. Thanks for the opportunity to talk to you. My name is Michael Jones. I'm a Professor of Agricultural Biotechnology at Murdoch University. My background is I have a degree in Natural Sciences - Biochemistry from Cambridge University and a PhD in Plant Biochemistry from Cambridge University. I have worked in the field of science - I'm a researcher - that's in the field of genetic manipulation of plants since 1979.

So I've watched the science develop. I've seen the potential for commercialisation. I've seen commercialisation turning into reality until the present day where 10 per cent of the total world crop are, what is classified as GMOs. And so there is a 20-year history of safe usage and major benefits from their growth.

So yes, the comments - the brief I'd like to make is about the unreasonable regulatory hurdles in Australia for developing GM crops. In particular, the state moratorium because we have a ridiculous system where, for example, there's a growth of GM canola in Victoria and Western Australia but not in South Australia, and, as far as I'm aware, seed from Victoria has to go up via truck through Kununurra and come back down.

I mean, these are just ridiculous situation for a major industry in this country. And of course we have perfectly good Commonwealth regulators in the Office of Gene Technology Regulation and in FSANZ and there's really no need to have state-based moratoria based mainly on politics and votes and not on any scientific basis. So my - I would certainly encourage the state government here to repeal the GMO Free Areas Crops Act as soon as possible.

Another comment I'd like to make in relation to this is that, well, that, in fact, all the food that we eat are GMOs. All food that we produce. They're all genetically modified. And so, all wheat that's grown in Western Australia or in Australia or in the US has large chunks of rye chromosomes transferred by cytogenetic means to confer resistance to stem rust and other rust properties.

So that's a GMO for a start. All food that we eat is - conventional breeding involves making new combinations of genetic material. That's genetic manipulation in anybody's language. Mutation breeding where either using gamma radiation or chemical mutagenesis induces breaks in DNA and modifications - completely unknown mostly - at random - of which a few are beneficial. There's no – they're completely accepted as being known GM and being accepted.

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The organic industry - and you can buy seedless oranges or red grapefruit which are products of mutagenesis which is really atomic gardening. It's a real - if you want to have a frankfurter like this one and that is sold quite happily - there's no fuss, there's no regulation in the EU so this is not a level playing field.

Also, for example, you can fuse two complete cells together of species that you cannot cross and make semantic hybrids and again, not classified as GMOs. So the problem is - what is it and it comes down to - we'll come to that. For example, there are also natural GMOs present. There was a beautiful publication in the proceedings of National Academy of Science last year in Belgium where they looked at, I think, it's 291 varieties of sweet potato and they found every single one of those had active genes from agrobacterium tumefaciens in it.

MR LINDWALL: Sorry, could you repeat that?

MR JONES: Agrobacterium tumefaciens. So that's crown gall bacterium. All other wild types that they looked at had no genes. So this is a natural GM product and they estimate that this transfer of genes - from agrobacterium, took place in about 8,000 years ago and it is the result of the expression of those genes from agrobacterium which encode plant hormone expression that have made sweet potato potentially a commercial crop. So those point to some of the inconsistencies. So - and I'll come back to that.

But another thing is the regulation at the moment for GMOs is not on the product, but it's on the process. So as you can see, you can have 50 shades of GMOs of different sorts of GMOs but only those which are defined by the OGTR as being a GMO are actually regulated in that way.

And so this is a hiding to nothing because as new technologies just like genome editing come along, the regulators are falling behind the science, and you cannot regulate the process, you must regulate the end product, and it should be a level playing field whether it's produced by conventional breeding or any other method.

They should all be dealt with in the same manner, the same health and safety issues. Because if you don't do that all the benefits, including things, for example, like solving problems with salinity and growing crops on saline land, because we've heard there are field experiments in Western Australia ironically from - of work from South Australia because they can't do the work - field test there - going on on salinity tolerant cereals at the moment. So that's one example of the result of the current regulatory system.

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So what we have here is a scientific paradox, that the less we know about something and the less we know, the more precise the technique of genetic manipulation, the less it's regulated. And the more we know, with good science about a gene's underlying trait, and we know, we've looked every which way, from a safety, from what they do, for over expressed, if they're knocked out in salt, then it's highly regulated.

So to be honest, from a scientific point of view, it doesn't make any sense and it should be exactly the other way around. Where you know less about something you should take more care and when you know more about something, in fact you don't need to be quite so specific.

So what this means is that there needs to be a review of the definition of what a GMO is because it's now outdated by 20 or 30 years and, as I said, there's a complete spectrum of greyness of some things which are defined as GMO and of what is not defined as GMO but is clearly genetically modified.

Perhaps, just as an aside, I mean in the human genome there are more genes of viral origin than there are of vertebrate origin which just shows you that genetic - transfer of genetic material between organisms is a quite normal event and, as I said also from that sweet potato example.

So, we need a review of the definition of GMOs to make it a level playing field and to make any decisions based on science and not on other aspects. My view also is that science and technology can, and is able to deliver food sustainably for 10 billion people from 2050 and beyond so the science and the technology, not only GMOs but a whole range of different technologies coming in like vertical farming, like urban farming, drones, Sundrop Farms in South Australia - beautiful example of how food production in Australia and any arid areas can be hugely increased. So, it's not going to be the science and technology that will prevent sustainable food production, it's going to be politicians and regulators. If decisions are not made on the best science, that will prevent these technologies and a food supply for future generations.

I would add that I see GM crops, in particular, as being very good for the environment because we must increase food production and currently crop lands and if you don't do that then where do you move? You move into the more marginal lands where biodiversity resides.

A comment on organic. In general, there is a very thorough review of every crop and every state in the US, just recently come out, in which it was quite clear that organic products produced 20 to 50 per cent less on

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the same land area. So that's actually a threat to biodiversity and actually it's environmentally very unfriendly, let alone the fact that if you look at food safety issues, the safest food quite clearly are what's classified now as GMOs, followed by conventional, followed by organic. And there are various reasons for that.

The issue here is about what is defined as a GMO when all food that we eat are GMOs and that's a natural process and at the moment it's subject to politics, to not - and our regulation is not based on science, it's based on all sorts of other things.

MR LINDWALL: Thank you very much, Mike. Now, there are a lot of people who express concerns about GM in a number of areas. If you take it from some people have challenged the science. Some people have challenged the marketing benefits or a price premium for non-GM food. To the extent that though you're talking about the science and we have had people who've challenged the science or said that the science isn't right or that it's been done or funded by a company like Monsanto. What could the government do to better explain or to alleviate community concerns about GM foods and GM products?

MR JONES: Well, one of the issues - and this is debated of course, it is not about the science, it's about perception, it's about politics, it's about feelings but it's not actually about science. You go to debate, mostly people - if you are discussing this, people you are talking to actually don't understand the science. It's quite difficult to do that.

Now, groups like OFTR have information about this and it should take, also, scientists to go out and talk more. Normally they're very busy people who do not - and also if you are a researcher, you have to talk about facts. You have to talk and you can say what the facts are but if you are anti-GM, from my experience, facts don't matter. You can say what you like and get away with it.

For example, you mentioned about Monsanto, but of course there have been anti-GM groups that have funded publications purporting to show dangers from feeding, say, round-up herbicide tolerant maize, funded by anti-GM groups. None of those have been now published in peer review publications.

Some of them have been completely rejected. They will show pictures of rats with tumours - Sprague Dawley rats which actually have been developed for the medical profession to study tumours and by two years old they all get tumours. To argue against pictures which are

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completely false of things like that is extremely difficult because that's emotion it's not logic.

So those are some of the issues that we have to deal with and I think we just have to keep looking at the benefits and there have been major benefits world-wide. As you have a submission from Crop Life Australia which quantifies the benefits both from 1996 to 2000 world-wide which is absolutely massive benefits to growers and to the public and also in Australia which I can't remember the figures exactly I think it's about US$135M for GM cotton and canola. I think we have to, as a scientist, all we can do is to give the facts and present those and make logical arguments because in terms of emotions and perceptions well, that's difficult.

MR LINDWALL: The OGTR we spoke to, and I think they're appearing at a hearing in Canberra, said that they specifically do not have a role in public advocacy, one could argue, but explaining about the benefits of the science. Do you think that they should or should another agency have that type of role?

MR JONES: Well I think it's important for them to be seen to be independent because I think actually the regulatory system, as far as world-wide is concerned, is quite thorough here and should be seen to be independent and scientifically-based though. There was, for example, Biotechnology Australia was an independent organisation, a government organisation, but that lost funding - I can't remember maybe seven or eight years ago and their job was to follow public opinion but also to present the facts on GMOs and risks and benefits in a non-emotional, logical and clear manner. So I mean I think there is a place for that.

MR LINDWALL: Does the Office of the Chief Scientist get involved in this type of issue?

MR JONES: The Office of the Chief Scientist, yes. Our current chief scientist, Dr Finkel I believe.

MR LINDWALL: Yes, that's right.

MR JONES: Is a proponent for and supports GMO technology and I have heard him talk. He is concerned that science, like CRISPR Cas9, genome editing, he said, well, the regulators and the politicians are not, I haven't seen any talk of that so it means that the people who are making the regulations and politicians are again behind the science and the understanding and the problem with politicians, of course, is they're looking for votes and not concerned with often, at least with reality

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certainly in science and certainly in this subject. So I think there is a position - place for an independent organisation.

MR LINDWALL: Thank you.

MR BAXTER: I'm still pondering as to why the scientific or the science evidence doesn't get the prominence, so I took to reading a case which has my name attached to it but which I have no connection with called *Marsh v Baxter* which occurred in Western Australia and while I've had some legal training it took me a great deal of midnight oil burning to read His Honour's judgment which ran for 200 odd pages.

I reached the end of that and reached a similar conclusion to you that there was no credible evidence which would justify the position. Now, to my knowledge, that judgment has received very little publicity. The judge seemed to be, as many judges are, totally neutral and without any particular point of view.

On an issue which is so important to Australia, why is it that there's this non-linkage between credible science and the politicians, aside from the votes, I mean when you look at the two states that have totally mandated GMO which is South Australia and Tasmania are anti-GMO. They're the two smaller states, the two smallest in terms of agricultural production. I'm just pondering why the positive argument doesn't get more publicity.

MR JONES: As one who has been involved in this field in Western Australia for a long time I can tell you that the press and the media have a lot to answer for because they're not interested in the science, in presenting a balanced view. They're interested in what makes good copy and a good argument, like a good ding dong and so even if the science is like that, one side and the other's like that, you will get equal play for and time and they like to create issues because that sells more papers.

For example, our experience of the editor of the letters to Western Australian is that they seem to be biased towards anti-GM groups and if you respond and write, the chances of getting something published are very small.

So there is an issue with the press and the media because they like a good beat up and also, quite often, they may send junior reporters who don't understand the science and so they can't really give a balanced view. I've seen that many times as well. That's one issue and that's quite right that when the final judgment came out, since it didn't go the way for those

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advocating supporting *Marsh v Baxter* then it suddenly disappeared, but the judgment was right.

The problem there was that it was really the Organic Certification Body which was - had made a judgment that was wrong but it wasn't a simple case, this was an internationally-backed case to - artificially brought it to bring this issue out and the people there - and so the anti-GM side - it wasn't simply *Marsh v Baxter*, it was an international case - - -

MR LINDWALL: Like a test case.

MR JONES: Yes, that was tried - an anti-GM case. And so there were a lot of other things involved apart from just the case as one might look at it.

MR LINDWALL: Okay. Did you have any - - -

MR BAXTER: No.

MR LINDWALL: One final question, and I'd ask more but we're limited in time about, you said, it would be a good idea to have a review of the definition of GM. Do you have any evidence you could present to us or point to us where you'd say the type of definition that might be more apposite?

MR JONES: Well I can't at this moment, but I would say that it should be product-based and not methods-based because that's - as I say, all the food we eat is GM, all the wheats, so it's got to be something which says - which relates to the actual product itself, any health and safety issues and not to how it was produced because that's a minefield. And I say with genome editing, we can change, have entirely mutagenesis - you can change sequences without introducing any genetic material and therefore, in the US that's regarded as being non GMO. Unless the definition of what a GMO is, is changed, yes that's going to be a challenge for the regulator in Australia as well so they've got to address this issue.

MR LINDWALL: Well thank you Mark. If you do have time, as I encourage all participants to put a submission in, that would be most welcome.

MR JONES: I actually did put one in on Sunday.

MR LINDWALL: Sorry, I haven't seen it yet then but I will look forward to reading it then. Thank you.

MR JONES: Thank you.

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MR LINDWALL: Well, I think we're now moving to Ian Randles, if I'm not mistaken, from the Pastoralists and Graziers Association of WA. Good morning Ian.

MR RANDLES: Good morning, Commissioners.

MR LINDWALL: Would you like to make a bit of a statement?

MR RANDLES: Yes, I'll make a very brief statement. My name's Ian Randles. I work for the Pastoralists and Graziers Association as a Policy Officer. Unlike Mr Jones, I'm - rather Mike Jones, I'm not a scientist so I'd beg your indulgence there on scientific questions.

My portfolios are livestock, grains and climate change. Our submission, which I'm sure you're familiar with, is really a summary of the issues that I've come across in my six years working with the PGA. I guess you could call it a "log of claims". It does cross over into portfolio areas that I am not familiar with, as such, such as vegetation clearing and I heard Mr Tallentire speak about that this morning.

I did have carriage of the pastoral portfolio when I initially joined the PGA and again, Mr Tallentire touched on that. I haven't been involved in pastoral issues recently. Mr Baxter expressed some interest in the *Marsh v Baxter* case. I attended court almost every day. I did go to the appeal in the Supreme Court and then I went again to the hearing of the Appeal to the High Court of Australia. Mike Baxter is a member of the Pastoralists and Graziers Association so I'm duty-bound to support him in his endeavours. I was happy when that whole process was finished but it shows the limits that people will go to, to press an ideological point. When they're prepared to go to the Supreme Court of Western Australia, then make an appeal to the Supreme Court of Western Australia and then appeal to the High Court of Australia over basically what boils down to growing plants.

I guess the point I make Mr Baxter and Mr Lindwall, you said, "what can people do? Why don't people speak out? Why don't they say more?" There's a fabulous clip of me on the internet - the world wide web - apparently agreeing with labelling of GMO foods. That was taken without my permission and it's been selectively edited to make me appear that I agree with labelling GMO foods. I don't agree with labelling GMO foods because there's no intrinsic difference between GMO foods and conventionally grown foods. What I do agree with is that if people believe, who sell foods, that labelling will give them a competitive market

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advantage then that's their choice to do so but I do not believe that GMO foods should be differentiated by regulation on labelling.

MR LINDWALL: You don't favour mandatory labelling?

MR RANDLES: I do not favour mandatory labelling but if a seller of produce believes that they can gain a market advantage then so be it and hence the rise of what we see as being organic foods. I make no complaint about that and I'll conclude my statement with that Commissioners and happy to take questions.

MR BAXTER: I actually wanted to branch off into a totally area.

MR RANDLES: Please do.

MR BAXTER: And was in your submission on water.

MR RANDLES: Yes.

MR BAXTER: Which seems to me to be one of the most fundamental issues facing agriculture over the next 20 to 30 or beyond years. In view of what's going on in terms of the Western Australian Legislation and the new Water Resources Management Bill, what's the PGA's view on that bill and the control that's likely to be exercised, particularly over spring waters, water in wetlands and water in drains? Bringing it back to the very mundane sort of level in this.

MR RANDLES: Now, Mr Baxter, I'd have to apologise because water is one of the portfolios that I don't carry and I apologise. That part of the submission was written by one of our members, Sue Walker, who couldn't be here today. We were hoping she could come. I can only give you some general comments if you wish to listen to them. I'm not familiar with those aspects of the bill that you've alluded to.

MR BAXTER: One of the reasons that I asked, and it comes back to the issues with the amendments to the land legislation is the right carrying water rights issue and it seems to me, in the light of what might be being planned, that those riparian rights might be being diminished. And yet, to a freehold title landholder, the riparian rights would seem to me to be a fundamental element of it.

MR RANDLES: We'd agree with that view, Mr Baxter, as far as I'm aware.

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MR BAXTER: Right. Look, perhaps I give a question on notice, perhaps if I could speak to Sue at some stage. I'd just like to get a clarification of that.

MR RANDLES: Sure, absolutely.

MR LINDWALL: Do you have any other questions?

MR BAXTER: No.

MR LINDWALL: Now, in our report we asked a number of information requests, for example, measures that could help improve the resolution of conflicts between agriculture and residential land uses. Is that something you'd like to comment on?

MR RANDLES: Again, Mr Lindwall, I must apologise. That's not my bailiwick, so to speak.

MR LINDWALL: So maybe we should talk about - - -

MR RANDLES: At least you're very good at asking me all the things don't know about.

MR LINDWALL: You're being too modest here, I believe. Talking about livestock and grains and climate change. What areas, in particular, would you like to talk about on those?

MR RANDLES: Look, I'd prefer to answer questions rather than talk, to be quite honest.

MR LINDWALL: Fair enough.

MR RANDLES: I did make my opening statement because I was prompted by some of the things that you had said and Mr Jones. I'd be very happy to answer any questions, but I'd rather not, you know, make any leading statements, so to speak.

MR LINDWALL: Well, what about the conversion of pastoral leases to freehold?

MR RANDLES: Yes, I am very happy to speak to that. I don't believe that that is a realistic proposition.

MR LINDWALL: Okay.

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MR RANDLES: I noted Mr Tallentire's comments and I noted your comments about increasing property rights should lead to increasing value. I agree with that. But we inherently have to see what are the activities that we are doing on it.

Now, I can see a perverse outcome where someone could potentially get a freeholded property and it becomes more expensive because people will have to go through a native title process and the government in this state has made it quite clear that they won't underwrite the costs of such a process. The costs can be indeterminate, and the time taken can be indeterminate as well.

So having done that - and let's say I have a freehold property and I continue to do - to continue a traditional grazing activity, a business person's going to say, "Well, I think I'll just buy the lease, because that's cheaper, and I can get the same business outcome."

So unless there's some really sound thinking about how this is going to look like into the future, I think there's a real risk that people could go through, incur those costs, and not be able to potentially realise them in the value of the business. Because business people are smart. They will always seek to find the cheapest way to enter a business and gain control of an asset, and potentially pitting, in my view, bits of lease against freehold land.

Now, other activities, I spoke about grazing activities, and Mr Tallentire mentioned things like tourism and carbon farming and et cetera et cetera, and there is an old saying in the tourism industry that the first person goes out of business, the second person who buys a tourism business just breaks even, and it's the third person who realises the value of the asset.

So you know, tourism in pastoral lands, I think it's a great idea, but we have got to consider that is actually the reality of tourism. Carbon rights, unless there is some changes at the government level, the government actually owns carbon right on a pastoral lease. They have made no indication that they are going to transfer that over to a leaseholder.

I find debates about carbon farming on pastoral leases quite academic, personally. I am sure there is some value in it when and if it can be realised.

MR LINDWALL: And in more limited circumstances, I suppose.

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MR RANDLES: I think we have got to recognise that the traditional owners of the land will have something to say about carbon rights. They do - you know, their native title rights are over the land and the water as well. And I mean, effectively what you can do on a pastoral lease with carbon rights is about the land.

MR LINDWALL: Yes.

MR RANDLES: So I can see a debate going on there that will need to be resolved.

MR LINDWALL: On native vegetation clearing, the position - and it's in submission - but the ability to transfer or to offset with different properties is something that's generally supported by your organisation, obviously.

MR RANDLES: Generally it is, but I'm glad you brought that up, Commissioner, because it does lead to perverse outcomes. I have been going to a series of workshops about the upgrade of the Great Northern Highway from Muchea to Wubin, and part of that involves bypassing various communities, small towns that have a highway running through the middle of them. At the moment there are heavy vehicles rattling through there at all hours of the night and day. New Norcia, for instance, is getting a bypass.

Lower down, there's a bypass at a town called Bindoon. Now, the Bindoon residents have been pushing back hard against the routes of the bypass. The bypass is critical to getting over what we call Bindoon Hill and Little Bindoon Hill. The gradients of those hills prevent heavy vehicles from actually using them, because their speeds are reduced to, you know, ten and fifteen kilometres per hour, and the state - the Main Roads Department quite rightly so don't believe that that is appropriate.

The point about that is, is that one of the routes that was being looked at couldn't be pursued because previously Main Roads had bought the land there as an environmental offset. Now, it makes - they freely admitted, it makes no sense to buy an offset for other road building then to build a road through it later.

MR LINDWALL: Yes, well, that would seem a bit odd, but anyway, yes.

MR RANDLES: Now, the point about that is, is that regulation is singularly unable to predict the future. I think Mr Jones said that - you know, we're playing catch-up now with GM regulation. I actually don't

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think regulation can ever be up to date. It's always playing catch-up. And I reiterate, it just cannot predict what is going to happen in the future.

And that is the point about science and technology. It is bringing us advancement all the time, improvements, and regulation needs to be able to recognise that and allow it to happen and not stifle it.

MR BAXTER: At the risk of getting into another area that is in your submission but may not be in your bailiwick, when we came to Perth some time ago we met the representatives of Wellards, who are I presume a member of yours, one of the largest livestock exporters and slaughtered meat exporters in the state, if not the country.

Two issues that arise in my questioning. One, the Western Australian government has chosen not to be a member of or support the National Heavy Vehicle Regulator. Is that a position that the PGA agrees with? And secondly that there were questions raised about the efficacy of the regulation in relation to particular farmers in Western Australia where they were being prosecuted for, for example, taking a header or a piece of harvesting equipment or big agricultural equipment across a road from one side of the paddock to the other, and if it was to meet the regulations it was to have flashing lights, sounding bells - I mean, I am exaggerating it, but every manner of thing to illustrate that it was crossing the road. What is the view on those regulatory regimes in the transport sector in this state?

MR RANDLES: Look, I am endorsing comments, Mr Baxter. I mean, I had a case reported to me where one of our members had to move a large auger, grain auger, portable. I'm sure you can imagine what they look like. It was clearly too big. He was stopped by a police officer who said he should put a hinge in it if it was too big.

MR BAXTER: A hinge?

MR RANDLES: A hinge in it, to make it comply with the traffic regulation.

MR BAXTER: And on the National Heavy Vehicle Regulator?

MR RANDLES: You raise an interesting conundrum. I am often confronted with national harmonisation is a good thing. Why? Because it is standardised. Why is that? Because we are all the same. Which I don't believe. I've been grappling with this for 20-odd years, I might add. I don't believe we should harmonise or standardise just for the sake of being in harmony and standardising. It has to deliver some benefits.

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My understanding is that generally the WA government is in harmony with the National Heavy Vehicle Regulator. There are some things it didn't agree to. In others, it, you know - for instance the definition of a vehicle for the chain of responsibility is - goes down to a light vehicle, whereas on a national basis it stops at 4.5 tonnes.

My understanding is that the chain of responsibility, you know, there was some push back from industry, but the WA government is committed to it, and that was one of the major parts of the recent harmonisation, so to speak.

MR BAXTER: The other area that follows closely on that, you will have seen from our report, our draft report, that we have recommended that there should be an independent oversight to animal welfare in this country, which I have no doubt is a fairly sensitive issue in this state as one of the largest exporters of livestock. What is the PGA's view on that proposition?

MR RANDLES: Look, our view is that we don't support an independent office of animal welfare, and for the simple reason that the last approach we believe was an act of parliament introduced last year that you are aware of. The Senate committee rejected that. PGA's not alone. The Senate committee responsible for that type of legislation agreed with our position.

We believe an independent office of animal welfare wouldn't really be independent, because of its gestation. It's clearly a political act. It's interesting that legislation was introduced in the last parliament and the previous parliament. In the previous parliament it was introduced by the Greens only. In the last parliament it was supported by the ALP. Now, that suggests to me that it's not really independent, it's a mechanism for getting votes, because if the ALP agrees with the Greens then they can perhaps get some Green preferences by looking like they are supportive of one another.

MR BAXTER: That's a very cynical view.

MR RANDLES: It's a very cynical view, commissioners. I apologise.

MR BAXTER: No. You've seen presumably some of the publicity in the eastern states, particularly in my home state of New South Wales, over things like greyhound racing, and you've also probably seen the public reactions to the ABC's, and not only the ABC's but others, vision of what's happened to exported livestock in other countries. What's the PGA's view about dealing with some of those - well, both the public

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perceptions in the first case, but also running down the New Zealand route of making sure that if exports do take place then there are proper protocols surrounding them?

Let me perhaps put a reverse question. Do you have confidence that the current exporting companies are capable of managing what happens with exported livestock? That's the ESCAS arrangements.

MR RANDLES: I believe they do, but let's be fair here. The reason we have an ESCAS system is because the Australian Government has no sovereignty in foreign countries. We're talking about how animals are treated in foreign countries, not how they are treated in Australia. I am not familiar with the regulatory laws in other countries. To get around that we have ESCAS.

It is a contractual obligation. If you have extra-contractual activities, and when I say extra-contractual I mean criminal, they are inherently outside the law. They are inherently outside an agreement. And I don't think you can blame exporters or ESCAS for failures of the system when people are engaging in specific conduct designed to defeat ESCAS and designed to pull the wool over the eyes of those exporters operating in those overseas markets.

I would just make a point about all of this. I noticed that - I'll be - we're going into the animal welfare - the field, and you asked if I wanted to make any statements, and I said no, but I will now.

MR BAXTER: Okay, yes.

MR RANDLES: There is some emphasis on regulation and independent oversight. Quite frankly, I see no real problems with that, but what I believe is that other people will see real problems with it, and I'd point out an organisation called the Barristers Animal Welfare Panel, who I am sure you are familiar with, and they made some comments about the standards and guidelines process that's referred to in the Commission's report, and they say things like, "Animal protection statutes are largely unenforced."

The point of them doing that is they disparage any animal welfare regulation, any animal welfare regulation, and they therefore undermine it as inadequate. And there's a difference here between animal welfare regulation based on science and ethics and the politicisation of the debate by people who oppose the use of animals for human purposes.

Now, if you are going to use standards and guidelines to draw a line in the sand, so to speak, it is ultimately going to fail, because the people

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who oppose animal production will never be satisfied. It is like negotiating with terrorists. It doesn't matter how stringent you do, it doesn't matter how high you set the bar, in reality it will never satisfy them.

Barristers Animal Welfare Panel just don't accept the standards and guidelines already. They have made that perfectly clear. It makes it difficult for us to engage in a process when we know it is going to be attacked and undermined, by eminent people, I might add. The Barristers Animal Welfare Panel is not a bunch of, you know, rabid activists. It's a hundred barristers from all state bars, including 25 Senior and Queen's Counsels.

I notice Mr Tallentire said this morning that he was only a shadow minister with limited resources. I'll have to admit even I'm outgunned by 25 Senior and Queen's Counsels.

I think I am trying to draw to the Commissioner's attention, you know, we are reticent to make statements because they are never enough. They will never satisfy the opponents of animal production industries. And as much as I would like them to go away, they are not, they are there.

MR LINDWALL: Those - - -

MR RANDLES: That is why I prefer not to talk about the science and the ethics, because that isn't going to convince anti-GM activists, as Mike Jones said.

MR LINDWALL: I guess you don't think that the Barristers Animal Welfare Panel is representative of overall community views, though?

MR RANDLES: They represent someone's views - - -

MR LINDWALL: Yes.

MR RANDLES: - - - undoubtedly. I mean, how representative they are, I couldn't tell you.

MR LINDWALL: So the argument you just placed, Mr Randles, is effectively that you don't like the idea of having an independent animal welfare body, even if it was truly independent, because there'll be some sections of the community who will never be satisfied, no matter what happens, but couldn't I have a counter-argument that in the case that Mr Baxter just mentioned in respect of greyhound racing, that if the industry in New South Wales had had some reasonable practices they may not have

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actually been banned, so that having good practices in the first place and being able to demonstrate might afford you some level of community support which might otherwise be absent?

MR RANDLES: I think I'd probably answer that question by saying that the reason that - I'm not familiar - I'm not entirely familiar with the ban of greyhound racing in New South Wales. It's not germane to what we do in Western Australia. I don't want to join what I do with what they do there. I make that point now.

But the reason - that ban was imposed by the New South Wales government.

MR LINDWALL: You're correct.

MR RANDLES: Now, governments make the rules. They make and take the decisions. When I talk about animal welfare standards and guidelines they will only have some value if our government uses them to support the industry.

MR BAXTER: Can I be the devil's advocate in this for a moment?

MR RANDLES: Please.

MR BAXTER: And declare a conflict of interest in that I am a New South Welshman, and that needs to be said because part of the ban on greyhound racing, and this can go on the record, was because of the huge amount of cash that changed hands at greyhound racing meetings, but there was also the animal welfare issue.

But isn't there a possibility that by having, as the New Zealanders have, and they are fortunate in not having the state side to deal with, is that if you have a single set of principles which are accepted by the industry, it is easier and far more effective to turn around and deal with what I would call the fringe dwellers on either side of the debate, whether it is GMO, animal welfare or anything else, so that you can turn around and say to the Wellards and the others of this world, yes, you are meeting the standards and yes, we are ticking off you exporting livestock, whether it's to Indonesia, Vietnam or Saudi - well, it doesn't go to Saudi, but to the Emirates?

MR RANDLES: Look, I would agree with you. I would agree with you. I certainly would.

MR BAXTER: I mean, it seems to me that - and it was, I think,

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strengthened by the argument that Mike Jones put up, that for a long time there has been these propositions about the GMO which on the basis of what he thought are not scientifically substantiated, and yet you have got two states which have placed moratoria on GMO crops which means that in some cases people like Wellards for example, if they bring fodder from New South Wales or Victoria, it has got to circumvent the State of South Australia to get to Western Australia where they are exporting livestock from, which seems to me to be patently ridiculous.

Now, it seems to me that you need to anticipate that sort of problem arising rather than wait until it arises and be caught sort of wrongly footed, if I may put it that way.

MR RANDLES: Look, I totally agree. But I will turn that back around to *Marsh v Baxter*. Who would have thought that a man growing a lawful genetically modified crop under an exemption would have been taken to the Supreme Court of Western Australia, and how can you prepare for that?

And I mean, if I was to look at the - I looked through the judgement myself, and - - -

MR LINDWALL: And you sat through the proceedings?

MR RANDLES: The justice said that there was no - this wasn't a question of contamination at all. This was a question of a man who lost his organic standards decided to take it out on somebody else. I mean, he really should have been suing the association that withdrew his certification status and testing them.

MR BAXTER: Look, I don't disagree with that, but again - - -

MR RANDLES: Hard to predict - - -

MR BAXTER: Very hard to predict.

MR RANDLES: Very hard to predict.

MR BAXTER: And in the society we are living in at the moment you would have to take the view, I would think, that you are heading down a track of more attempts to regulate and control these things than you are to set a series of standards that are capable of being implemented and meet what a reasonable human being might consider as appropriate, whether it is for GMO, for livestock, for the, you know, the movement of heavy vehicles, whatever.

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MR RANDLES: What I will say to the Commissioners is I have changed my mind on that just about every day. I come into work one day and go, "Well, if we don't do this ourselves someone will do it for us." The next day I will come into work and say, "Well, what we do is currently in line with the law, why the heck should we have to change?" So then I get all staunch about it, Commissioners.

MR BAXTER: All right.

MR RANDLES: The next day I come in and I go, "Strewth, I saw that in the paper, I saw that on TV, I think we had better do something even more so that when they come calling we can say, 'Nothing to see here.'" I can't tell you what the - I really can't tell you what the right approach - I wish you could tell me, because then I would be able to sleep better at night, or wouldn't be so confused.

MR LINDWALL: Well, I'm not sure. We will express something in a final report, but whether it's right or wrong will be for others to decide.

MR RANDLES: I'm sure like most things in life it's a bit of both.

MR LINDWALL: Probably. Finally, unless you have anything - - -

MR BAXTER: No, I don't have anything.

MR LINDWALL: On the issue of - on ag vet chemicals - now, we've spoken about GM as a form of technology - - -

MR RANDLES: Yes.

MR LINDWALL: Have you got some anecdotes or some information you could provide the Commission on where the regulatory regime for ag vet chemicals through the APVMA has caused harm?

MR RANDLES: Look, I've - I'm not - I don't think it would be fair to say it's caused harm. I mean, the APVMA seems to have changed its mind depending on which government is in power. It's interesting, after I made our submission to the Productivity Commission, I was asked to make a submission to the review of duplication between ag vet chemicals and work health and safety regulation.

And while I'm not prepared to say that that's the cause of harm, you probably know they want to replace the comprehensive system of labelling that APVMA has had for many, many years with the globally

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harmonised system.

MR LINDWALL: That's right, yes.

MR RANDLES: This brings us back to harmonisation. If something's harmonised it must be good. Now, the globally harmonised system is designed for people who - countries effectively that have no regulatory environment at all, and that's a series of pictograms.

Now, I think because I was well educated and can read and write, I actually can't understand the pictograms. I saw them, and I just thought, "I don't know what that means." But the point about this is that APVMA labels are about risk at point of use.

Now, that is going to be replaced by a generic system of pictograms. I can't see how that's of any value at all, because the most risk when you use chemicals is at the point of use. Not in transport. It's not necessarily in the manufacture, either. Certainly when you get them out at the other end and start decanting them and spraying them around, an APVMA label is specifically designed to reduce that risk, unlike this GHS system.

So I can't support the GHS system. I wonder why - you know, I wonder why it's - I can only assume because it's, again, the holy grail of harmony that it's been pursued by our government.

MR LINDWALL: One shouldn't harmonise just for the sake of it, yes.

MR RANDLES: I don't think so.

MR LINDWALL: But I was asking specifically about in the ag vet chemicals about whether your members have sought to use a particular chemical which has been proven efficacious overseas but is being denied them through either timeframe or because it's of limited use or something like that?

MR RANDLES: Not to my knowledge. Not to my knowledge.

MR LINDWALL: Okay.

MR RANDLES: I would represent typically, you know, broadacre farmers.

MR LINDWALL: Yes, yes.

MR RANDLES: And they're not - they're not so much off-label uses as

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such where it can be a little bit problematical.

MR LINDWALL: Yes, all right. Well, did you have anything finally to - - -

MR RANDLES: No.

MR LINDWALL: Mr Randles, thank you very much for appearing.

MR RANDLES: Thank you very much. I think I've said enough.

MR LINDWALL: That's all right. Now, could we take five minutes and then we'll have the Australian Industrial Hemp Alliance. They'll be back? Anyway, ten thirty.

ADJOURNED **[10.24 am]**

RESUMED **[10.32 am]**

MR STEDDY: Colin Steddy, representing the hemp industry. Just want to talk about the process that we can get hemp moving in this country. More from an agricultural broad-acre farming side of it. And Glenn Orley, the president of the Hemp Association in Western Australia is the man to start off first.

MR OSSY-ORLEY: Hello.

MR LINDWALL: Hi Glenn.

MR OSSY-ORLEY: Hi Ken, Hi Paul, my name is Glenn Ossy-Orley, and I'm currently the Chairman of the iHemp Association in Western Australia, known as iHemp. I have a few things that I would like to bring to the Commission.

One is the licensing regime that we currently have, and it is a three-year licence. I am currently a hemp grower myself, and I am in my third year. So it means this year is the last year of my licence, so I'll have to apply for another one and I'm sure I'll have no problems in getting another licence.

But I'd like to see the three year licence go to a five year licence. There is no way a person will invest money, large sums of money, with

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only a three year licence. A five year licence would be better. I would like to see personally that the whole world of cannabis be decriminalised, because then we wouldn't have to cross borders and fight with the four different organisations that I see in front of us. One we are calling hemp for industrial, the second one we are calling food, and the third one we are calling recreational, and the fourth one is - - -

MR LINDWALL: Medicinal.

MR OSSY-ORLEY: - - - whatever we have got to call it. So there is four, when in actual fact there is only one plant. I am growing plants that under the current law is 0.35 per cent and on my second year of growing my seeds happened to grow to 0.32 per cent so I am only a small fraction under, which according to the way the graph's going, that this year's growth will be put me over the legal limit.

MR LINDWALL: What is the legal limit?

MR OSSY-ORLEY: The legal limit is 0.35.

MR LINDWALL: 0.35.

MR BAXTER: In Western Australia?

MR OSSY-ORLEY: In Western Australia.

MR LINDWALL: Okay.

MR OSSY-ORLEY: One of the other points is I'd like to bring across that it should be across Australia, your broadened percentage point. I would like to see it go to one, but if you were to follow my example where we could decriminalise, well, we wouldn't have to worry about anything.

MR BAXTER: What's - sorry to interrupt you, what's the limits in the other states? Are they the same?

MR OSSY-ORLEY: 0.5.

MR BAXTER: 0.5 in the other states?

MR LINDWALL: What, all of the other states?

MR OSSY-ORLEY: Not all. I think some are like us. South Australia - well, I don't know about - - -

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MR STEDDY: No, South Australia can't do it yet, but they're going through the process to get it happening, and Northern Territory.

MR OSSY-ORLEY: Yes, that's right.

MR LINDWALL: Sorry, we shouldn't interrupt. Please.

MR OSSY-ORLEY: No, that's all right, interrupt whenever you want to question.

MR LINDWALL: We will have plenty of opportunity for that.

MR OSSY-ORLEY: If there was no limit, the farmer could then grow specifically to what he wants. Because we know that if he wanted to grow the cannabis plant for the finest quality that you can get, i.e. silk, the plant has to be in balance.

What we're told that we can only create is the rough form, and that is to grow a rougher form of material for clothing or for canvas, and canvas being cannabis and lacquer. So the canvas plant, you know, so we as a farmer need to be able to have that choice of where we are going to grow and what we are going to grow in the plant. If we were to say the same thing to a sheep farmer, you can't grow super fine wool, we wouldn't have a bloody wool industry.

It's the same within the plant industry that we are trying to grow, is that we need that flexibility where we can grow higher yields - and we're not talking about recreational, because recreational is a totally different thing. We are talking about growing the plant for fibre, for its hurd, for the building industry, and for the food industry.

Unfortunately, looking at the food industry, we are only allowed to - well, we will be allowed, hopefully, to consume only the seed and the oil. Now, we're only using 2 per cent of the plant. What about the other 90 per cent of the plant for the farmer?

If we look overseas where they are using all the plant, they are producing teas, bath bombs and all sorts of other products. We can't do that here in Australia just yet. I am sure down in the future when they realise what the plant is, the leniency will be dropped, and I'm mainly happy that we're going forward at this stage, and going forward means a lot of things to a lot of farmers, but if we are going to be restrictive, a lot of farmers will fall out of this industry.

We need a processing plant. Without a processing plant we don't

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have an industry. I can't emphasise how important the processing of the plant is, because it just won't happen if we don't have it.

We are talking about two types of farms, one being a bit of a boutique industry where you are growing under a hectare, and those hectare farmers will be farmers possibly growing for seed, possibly for the food industry. They need smaller acreage.

If you are growing for the hurd industry, you will be talking about broad acre farming, in which Colin Steddy, my friend here, will have a talk about. Because broad acre is different to smaller acres.

I know that through communication with the - through the industries in the south west with the board, they need about two tonne an hour to create the industry. They will only look at us if we can create two tonne an hour. But we can't create two tonne an hour if we don't have a processing plant. So it all goes back to the same thing, processing, processing, processing. Without processing we really have nothing.

We would like to see that the level of THC rises to about one per cent, as I have already said, rather than from 0.3 to 1. We would like to see clarity on what parts of the plants we can use, if not the whole plant, because we should be able to use the whole plant. It seems a bit silly that we can only use only 2 per cent of it.

MR LINDWALL: Okay. Would you like us to ask some questions now, or did you have some more to add?

MR OSSY-ORLEY: If you don't mind.

MR LINDWALL: Please, all right. Could I clarify a few things just for the record?

MR OSSY-ORLEY: Yes.

MR LINDWALL: Firstly, if a THC level was one per cent, what type of effect would it have on someone consuming it?

MR OSSY-ORLEY: My belief, none.

MR LINDWALL: None, okay.

MR OSSY-ORLEY: Okay? If I give a rough span, many years ago, most probably when I was in my 20s, the cannabis plant in Australia was running around about 5 per cent, 5 per cent THC and 5 per cent CBDs.

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Today, everyone's gone the opposite way. They have raised the THC to 20, 25per cent and the CBDs are zero, pretty well. The plant's not in balance, and we're finding that people aren't doing so well on the higher THC as what we thought.

If it was brought back to original, it would be different again. I know the police have a concern. The police are concerned about their saliva testing. But they are using the Drager system at the moment, which is banned everywhere else in the world except for Australia.

MR LINDWALL: Banned, is it?

MR OSSY-ORLEY: Yes, because it doesn't give a true reading.

MR STEDDY: They've thrown it out because - even New Zealand has thrown it out because it gives too many false positives. I had a friend that works in the mining industry that hasn't smoked cannabis for 25 years, he had three positive tests on the same day. So we went for a blood test, no cannabis in his system, but the saliva test said he had cannabis in his system.

MR OSSY-ORLEY: I'm not suggesting, by all means, that people should be driving while intoxicated. I am sure there are methods that can be found or used, and I am not one of those people, but I believe that there is other methods. They should be using the European method or the American method or someone else's method, but this Drager system that we are currently using is out of date.

MR BAXTER: But they apply it - doesn't it - - -

MR LINDWALL: Beg your pardon?

MR BAXTER: There's a bit of hypocrisy in all this that - - -

MR OSSY-ORLEY: There is.

MR BAXTER: - - - more people are likely to get themselves drunk by drinking a whole lot of wine and cause far more harm in driving a motor vehicle than they are in consuming the products of a hemp plant.

MR STEDDY: Yes.

MR OSSY-ORLEY: And if I may say so, Ken, you know, we - when we monitor alcohol we have a system where we say 0.3 puts you over the limit, but we have no system with the cannabis.

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MR LINDWALL: Either you have it or you don't.

MR OSSY-ORLEY: Or you don't. And that ain't fair either.

MR STEDDY: And the strange thing about it all is we've just all had a cup of tea, we've put sugar in it, sugar is more addictive than marijuana and does more problems to our body, but this is the rules - - -

MR LINDWALL: Don't worry, there's no sugar in my tea.

MR STEDDY: Oh, good on you.

MR OSSY-ORLEY: And nor in mine as well.

MR STEDDY: But I would just like to talk on the broad acre side. Now, as Glenn mentioned, board. Now, this is board that is pure hemp board. Now, this is category - the first sample that we've done in Australia is as category one flooring. The guy that made it says it's easier to work with than woodchip. Now, we can produce as much fibre, or sorry, hurd, off one hectare of hemp as we can off a twenty five year old forest.

And now, when you have got Laminex that are down the south west that make board, Glenn took some samples to them, they were interested, but they said, "We need a hundred thousand tonnes. We're using chipboard at the moment - using chips from trees at the moment, it is running out." Because the mills are shutting down, they've got a lack of supply.

Here is an industry that we could put up and create an agricultural industry in the south west. We have got Wellington Water that is sitting there not being used. We have got a dairy industry that is collapsing. If we can get this right, we can make all of our particle board which makes our tables, our buildings and everything, out of a product that is grown in less than five months.

And when you talk on the broad acre, the biggest issue that we have in this country at the moment for the hemp industry going forward is (1) the processing mill to be put up. I'm trying to work. There is one in New South Wales. There is - actually, there is another one, I'm not sure if it's in Queensland or New South Wales that aren't operating yet. They're not doing a good enough job.

There is another one that's in Victoria that doesn't do a good enough job. We've got to get something. Then the next issue that we have is seed

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supply. Now, I'm glad that the legislation has been changed back so we can import seeds from overseas, because at the moment if I wanted to put in two hundred hectares of industrial hemp I need ten tonne of hemp seed.

I think I might have found it in Australia. It's going to cost us an arm and a leg, but there ain't much more seed for any other grower. Now, I have had orders from Europe that want to buy the top third of the hemp plant to use as tea within Europe.

Now that market - so this is my first order for twenty tonne. I said, well, if this works and we give what you want, which is less than one per cent THC and at least one per cent to 1.5 per cent CBDs, he said, well, we want a continual order, and it could be that every month.

We have had orders from people from another country in Europe - or not actually - actually, I'll mention it's Korea, that want two hundred tonne of hemp seed a month. Have another talking to people in China that want us to grow three thousand hectares of fibre for their market to make clothing.

And then you've got biodegradable plastics. Now, biodegradable plastics are made from the fibre. Anything that is made from the petroleum industry can be made from hemp. You get a plastic bottle, throw it out the window, which some bloody people do, within three to four months that's just about completely broken down. When we use plastic bottles, they don't break down. Using hemp, they do.

So what we are proposing is what we need is - to breed better seeds, we need to be able to import some seeds so that we can specifically breed for our environmental conditions, because you have got the parallels that run across Australia, different varieties grow in different areas better.

We have got possibly one of the best products in Australia for the fibre industry, but that plant is too long a season, because when you plant it in the north the seasonal conditions can have a problem. We need to be able to breed that, and also once upon a time there was a variety of hemp that was salt-tolerant. We need to be able to breed that, so there is a lot of area in this state and other states - - -

MR LINDWALL: As we've heard earlier, yes.

MR STEDDY: - - - that has salinity problems. Now, I have a couple of breeders that reckon with three to four years we could possibly start to breed the hemp plant with a bit of salt tolerance.

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MR LINDWALL: Using GM technology, perhaps?

MR STEDDY: No.

MR LINDWALL: No?

MR STEDDY: Not using GM, using natural selection. I am not in favour of GM technology. I have heard that about five or six years ago our government gave $50 million to Monsanto to breed genetically omega-3 into canola. If they had have given me $1 million I could feed this nation in omega-3, -6 and -9 within two years, for $1 million, through - and legalising hemp foods.

Now, the Canadians are ringing at the moment saying, "We have hemp foods, when you legalise hemp foods we will export to your country." I'm going, "Well, why? We can produce it here. We don't have to import it, and we can keep an eye on quality control because it's not being imported."

There is a huge market out there sitting for Australian farmers. When you grow for fibre compared to cotton you are using a third less water. And it is improving your soil, and no chemicals, so as an environmental crop, it is the best environmental crop that we can grow in this world. It - I got into it - I'm a broad acre farmer, I've farmed at Darkan and farmed at the wheat belt cropping nine thousand acres. I got into hemp purely on how it can improve my soil.

MR LINDWALL: Now could - - -

MR STEDDY: Yes?

MR LINDWALL: So in terms of the processing plant, is there any regulatory restriction about creating a new one - - -

MR STEDDY: No.

MR LINDWALL: - - - or is it just financing?

MR STEDDY: It's just the finance to be able to get that.

MR LINDWALL: And part of it - so it's a bit of a chicken and egg situation. Whilst the THC levels are very low, you can't really do broad acre farming, is that what you're basically saying?

MR STEDDY: Well, it's to do with the breeding. Now, when we talk

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about the licensing only three years, I go - we've got a business plan, we go to the investors, and they've said, "You've only got a licence for three years. We want more continuity to be able to invest."

And they go, "Well, why hasn't the hemp industry gone forward? It's been around for years." The unfortunate thing within the hemp industry, there is some players that have been in the market that are wanting it all for themselves. I'm a broad acre farmer. I want to keep farmers out on the land. I want to make seed available to them. But these people have kept it all for themselves and done deals and cut the industry off at the knees because they won't collaborative work.

I am now collaborative working with Queensland, New South Wales and Victoria. We are in discussions with South Australia about getting their legislation industry up, and also the Northern Territory. Because we - for me, we need this for the farmers. Just keep our farmers on the land to improve our soil so when we produce a food we produce a better quality food with vitamins and nutrients and minerals in it.

MR LINDWALL: Okay. Could I ask about the licensing regime? How does it work? It's three years obviously.

MR OSSY-ORLEY: It's three years, you've got to be a clean - - -

MR STEDDY: In Western Australia.

MR OSSY-ORLEY: You've got be a clean slate, and if you are and you meet that criteria they'll give you a licence. A licence is not hard to get. Three years, 300 bucks, $300-odd, not hard, but it's the three year period that's restrictive.

MR LINDWALL: Don't you think - I mean, I can understand, I mean, perfectly clear in terms of economics that if you have a short period it's harder to lend against, but I'm not clear that five years would make much difference to that, though.

MR OSSY-ORLEY: We're only choosing straws because three is too small. We'd go to five. And it's a just a bit like the commission - we're here talking for the first time.

MR LINDWALL: Yes, yes.

MR OSSY-ORLEY: We couldn't do that two years ago. We wouldn't be entertained at even speaking about it.

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MR BAXTER: What was the justification for setting three years in the first place? Was it a number that just entered their head, or - - -

MR OSSY-ORLEY: Look, I can't answer that.

MR STEDDY: The justification for the three years was, "Shit, we don't know what to do with it."

MR BAXTER: Right.

MR STEDDY: It's real. And a lot of the legislation that's been passed is, "Shit, we don't know how to handle that." And it's the stigma of everyone's been taught about marijuana over the last 100 years about how bad it is, but 90 per cent of that is all lies and bullshit, to be straight to the point. And it is how to regulate - they don't know how to regulate the industry, because they won't sit down as a big group like Australia-wide and say, "Right, we need to put in regulations across this country, and now this is how it's going to work."

But when one state does it and another state does it, they're all, "Well, who's going to make the decision?" They're scared to make a decision and just in case it's marijuana. And that is the stigma that goes behind it. There's a lot of people that I talk to, doctors included, that want to legalise the medical marijuana because they can see the benefits to people.

With medical marijuana, one of the biggest killers in this country is suicide. One of the biggest killers of our soldiers is suicide. It's a proven fact that when these soldiers and these people with depression go on CBDs it fixes their problem.

MR BAXTER: Can I just go back a step, to get some sense of comparison and talking to you as a broad acre farmer, if you were planting, let's say, five hundred hectares of hemp, and comparing that to, let's say, 500 hectares of wheat, what would be your inputs in terms of fertiliser and water? I mean, how does it stand up as a crop? Let's let leave the - - -

MR LINDWALL: THC values.

MR BAXTER: - - - THC issue for a moment, but if you were saying to your bank, "Look, I want to plan 500 hectares of hemp versus 500 hectares of weed, and I need X amount of money and I need to buy so much fertiliser, et cetera, what would be the rough figures.

MR STEDDY: Well, if you are talking on the rough figures of putting in

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a crop, the hemp is virtually at this stage for the seeds that we can get is more of a summer crop.

MR BAXTER: Okay.

MR STEDDY: So you wouldn't plant until later in the season. And you would plant them on areas where there is good sub-soil moisture. Because hemp is not going to compete directly with wheat. It is a different crop. Now, at the moment people say, "Can we grow it broad acre?" and I'm saying, "No." At this stage, because we need to bulk up seed so that we have a ready supply - so I need two to five - - -

MR BAXTER: Let's assume you've got the seed. Let's assume.

MR OSSY-ORLEY: You don't need - the answer to that is you don't need fertilisers. It grows without it.

MR BAXTER: Okay.

MR OSSY-ORLEY: So it is no - - -

MR STEDDY: What I am going to say is your inputs are very similar. You do need fertiliser with it. They are a high user of fertiliser, but they don't take it out, so if you - the following crop will benefit. Any research that we have seen, after a hemp crop, any cereals, you're talking 15 to 20 per cent extra yield. It's like - it's better than a legume, as in a rotational crop, especially when you talk in the irrigation country, it's even better.

But we do believe that with this selective breeding, which will take two to five years, that we will be able to, in areas in WA, that we will be able to grow it broad acre on rainfall. Especially on the coast or down at Manjimup, through that area down the coast, down through to Esperance, we believe we can honestly do that.

MR LINDWALL: Son once you've grown the crop and it can be used for a variety of uses, as you say - - -

MR STEDDY: Yes.

MR LINDWALL: - - - when it's - - -

MR OSSY-ORLEY: 50,000 uses.

MR LINDWALL: Sorry?

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MR STEDDY: Yes.

MR OSSY-ORLEY: 50,000.

MR LINDWALL: 50,000.

MR OSSY-ORLEY: One plant, 50,000 uses.

MR LINDWALL: So you could make pasta or rice or whatever?

MR STEDDY: Well, you've got - we're just calling food as one of the uses.

MR LINDWALL: Yes.

MR OSSY-ORLEY: That's one use, but we've got 49,999 to go.

MR LINDWALL: Well, we don't have time for you to list out all 50,000.

MR OSSY-ORLEY: No.

MR STEDDY: And the hemp - you know, they talk about hemp foods. Hemp food is - you look at the data that comes in, nutrients come out of it. It is - they talk about super foods. It is the super food.

MR LINDWALL: Okay.

MR STEDDY: And it is illegal to consume in this country and New Zealand. So hopefully the legislation will pass later this year, because it is only the police that are knocking it. Now, if that - they pass that, all of a sudden there is a - the first year, if we had enough seed, or what's going to be imported into Australia, you'd be looking at $10 million straight away going to $100 million within two or three years, just on the hemp foods alone.

And then when we look at the building product, we build a house out of this, they will never build brick houses in Western Australia ever again in 10 years' because they will all built out of - now, one hectare of hemp will build one house. Approximately ten tonne of hurd goes into one house, and if you are building a house out of hemp you will save between 60 and 70 per cent of your energy uses for heating and cooling within your house.

MR LINDWALL: It does seem like a magic crop.

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MR OSSY-ORLEY: It does seem like a magic crop, and it is.

MR STEDDY: It is a magic crop. But the biggest stigma that has stopped it is that link, marijuana. And that is the issue that we have to get through.

MR LINDWALL: So the regulatory issue is purely one at the state government level, is that right? Is there anything at the federal government level that - - -

MR OSSY-ORLEY: Federally I think we passed it, but state-wise, we haven't.

MR STEDDY: Well, federally, we need to get all the states together to have the one legislation covering all states.

MR BAXTER: Can I just go back a step with this? The poppy industry in Tasmania is controlled by the Tasmanian government.

MR STEDDY: And now Victoria.

MR BAXTER: And Victoria

MR OSSY-ORLEY: And don't forget, they get $300 million a year, Monsanto - well, Bayer, I should say. Bayer gets $300 million, gives us $300 million, and they make $4.2 billion, and that is an American company, it is not even an Australian company, growing poppies in Australia. It should be an Australian company growing poppies in Australia.

MR BAXTER: Well, I was just going - the next question was going to be if two states' governments have approved the production of opium poppies, which is now a well commercialised industry - - -

MR OSSY-ORLEY: Yes.

MR BAXTER: - - - what are the real objections other than the police to proceeding with ticking off a hemp industry?

MR STEDDY: From the last two submissions that have been put in on hemp foods, it has been the police that are raising concerns and stopping us.

MR BAXTER: So it is nobody else?

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MR STEDDY: Nobody else.

MR BAXTER: Okay.

MR LINDWALL: Okay. And as for the production, you were talking about clothing, rougher form, rather than the silk type very fine form. What's the reason that you can't do that?

MR OSSY-ORLEY: The plant's got to be in balance. It's been put out of balance.

MR LINDWALL: Which means it has to have a slightly higher level of THC, but do you think that - well, your testimony is that up to - well, is half a per cent sufficient, or is it one per cent that you need?

MR OSSY-ORLEY: The plant's got to be in balance. Everything that I've read, you've got to have the plants in balance. When I spoke to the clothing manufacturers of Italy, and I told them quite confidently in my first year, "I've got no THC in it." Very proud, I was, because I just got my licence. They said, "Sorry, Glenn, it's just rubbish. We can only get canvas out of it." And I went, "Well" - - -

MR BAXTER: Can I just - again, just taking the earlier question the next step, if the police and the THC at the moment is the only obstacle, is there any other? Is that the only one that exists?

MR STEDDY: Well, the main obstacle is that with the less for hemp foods, or for foods, so that - once we get across that one, that opens up a huge window for the industry here. And the other one is being able to bring in seeds, which the legislation is just so we can bring them in from overseas to start breeding, to get varieties that actually suit our climate better.

MR BAXTER: Okay. Well, how's the Canadian industry got round this?

MR STEDDY: The Canadian industry have just done a lot of - they - originally what happened, I was over in Canada 10, 12 years ago, and they were growing hemp, and they wanted to put up a mill, and they had hemp bales everywhere. They couldn't - no one would come up with the money to put in mill or where to put it.

So they virtually burnt it all and went down the food side, because food was legal there, and then they were exporting that, and then it's a

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$100 billion industry into America at the moment. So that opened up huge windows to make it happen, and if we can get the legislation for hemp food, that will open a lot of windows that people, "Yes, now we want to put some money in to do this breeding and to move us forward."

But that is really the biggest issue that's stopping hemp going forward at the moment is the legalisation of the hemp foods. On a return basis per hectare, we are going to get the seeds - at the moment, once we have harvested them we can sell that seed for anywhere between $3 and $4.50 a kilo, and on irrigated we will be getting close to a tonne to the hectare. You take off the seed then you have got fibre.

If we get the right fibre, we can get around about $2,000 to $3,000 a tonne for that. So off a hectare you are going to get 3 tonne. I am working off low figures here, and then if you are building a house from the hurd, at the moment it's $1,000 a tonne, you will get 7 tonne to the hectare. When you are looking at $10,000 to $12,000 a hectare on irrigated hemp, nothing else competes with it. It is the stigma floats with - the legalisation of hemp foods will push that right forward.

MR LINDWALL: Glenn and Colin, did you have anything final to say because I think we need to move on to the next? Thank you very much.

MR OSSEY-ORLEY: Thank you very much for the opportunity in letting us speak before the commission. Thank you. Thank you, Paul. Thanks, Ken.

MR LINDWALL: Now we are moving onto Foodwatch WA. I think Shirley Collins; is that right? Do you mind if we call you Shirley? I am Paul.

MS COLLINS: Hi Paul, hi Ken.

MR LINDWALL: Would you mind giving your name and talk about your organisation and maybe a little opening statement if you wish?

MS COLLINS: My name is Shirley Collins. I am from a group called Foodwatch who is a consumer group. We are also interested in supporting the farmers who grow the foods that we want to eat. I come to this commission today because I am concerned about two main things in the report but there are overlaps with other sections of the report and that is, of course, the lifting of the proposal to lift the GMO moratoriums and to relax labelling. I also come from a background of implementing new technologies and I know the quality systems that should be in place when you are implementing new technology.

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I come from an IT background and we saw a classic case only last week of where, even with just the technology, things go wrong when you release it to the environment.

MR LINDWALL: Sorry, what happened last week?

MS COLLINS: I am talking about the census.

MR LINDWALL: Yes.

MS COLLINS: Lots of boxes were ticked as to the quality that went into that but there are lots to do with the actual implementation, design and implementation, of a system when you implement a technology. When it comes to GMOs, we are not just talking technology, we are talking a bio-technology, so it's the crossover from biology and technology and, of course, genetic engineering is another word that is used in there. In engineering we have got quality systems in place, IEEE to upscale from building something in your shed at home to building bridges and flying aeroplanes is a massive leap. Putting cars on the road, there are lots of rules and regulations that you need around that, but not only laws and regs, you also need to police it. What we are seeing with GMOs is almost none of that.

I think I will concentrate on Western Australia because that is my most closest experience.

MR LINDWALL: Fair enough.

MS COLLINS: We did have the state-wide moratorium in place up to 2008 when the government changed to the Liberal National government that we have got now. They proceeded to pass exemptions for canola, GM canola and GM cotton in Western Australia because they are the only two crops that the regulator has approved. There is nothing more coming down the line so I don't understand the push to repeal a moratorium when the farmers can - those that want to grow it, can grow it. One of the reasons for having a moratorium in place was to make sure that laws and regs were in place to allow coexistence.

I am hearing coexistence has been proven but, no, it hasn't. The *Marsh v Baxter* was millions of dollars of a farmer versus farmer case because of the failure of basically government putting in what it needed to put in. I liken it to myself at home. If your neighbour moves in next door to you and starts throwing his rubbish over onto your fence and you say, "Please don't do that" and he keeps doing it, where do you go from there.

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The only tool that was given to the farmers by the government was to talk over the fence to resolve issues. When that fails, what then?

So we are still in that situation. That has not been resolved. It was not resolved by the courts and what I am talking about the *Marsh v Baxter* case - I heard it mentioned by speakers earlier today about the health and safety. That actually was not within the scope of the court case. That was not part of that Steve Marsh - they were not the grounds that he went to court on. So to conclude anything from the court based on that - the other important point is that when it did go to appeal there was the principle of the Appeals Court - totally upheld Steve Marsh's case and it was not an issue of the organic certification. That was very clear.

ABC radio has been running some good programs lately, I don't know if you have managed to catch up with them, about science, especially during science week. It's very pertinent. There was one last night about how much bad science and bad research is costing us. It's costing billions potentially. Whenever you implement anything, build anything, it's always under constraints of resources, time, money, so corners do get cut. When it comes to pushing GMOs out - releasing GMOs into the environment, the testing that is done - our regulators only rely on data from industry, so the testing that is done is that that is in the commercial interest.

They should be looking at what goes wrong but, again, there are constraints on how much time you can spend on that before you want to push it out there to get your return on investment. When you do implement, you absolutely need traceability so that you can follow it through and have problem reporting systems in place and look at those problems. I don't know if you are addicted to watching the Air Crash Investigators and they keep pursuing if there is a problem with the plane they will keep pursuing it to the Nth degree and they can find that it's a little Rolls Royce part that they changed that brought down the whole plane.

ABC did a couple of programs on the CRISPR technology. It has been described earlier today as a simple cut and paste and needn't go through the regulator. Goodness me, I don't know, can you cut and paste on your phone or in a Word document without any mistakes, and it often needs another set of eyes. We have editorial review for a reason. The program on CRISPR was in two parts. The first described what it was and the second part raised questions about the pace at which - I mean, science and technology does move at a massive pace but can we keep up with it and can the regulations keep up with it? Can our bodies keep up with it?

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That program concluded with Professor Julian Savulescu from Oxford University Institute for Science and Ethics, and he concluded by saying, "The biggest threat that we face ahead of climate change, ahead of nuclear war, is the intentional or unintentional misuse of advances in biology." That conclusion followed on about him talking about the runaway - once we start mucking about with genetics - they have got a life of their own. Genetic pollution is worse than chemical pollution. Chemical pollution you can clean up and it eventually will dissipate. I mean, it's done lots of damage in the process, but genetic pollution itself propagates and so, absolutely, rather than lifting regulation, we actually need to improve the regulation that we have and really try and keep pace or put the brakes on the pace at which these things are coming out.

Another of the programs in the last week - it's actually in many parts, is on eugenics. That is what we are delving into here. Issues of cloning. There is a whole bunch of issues that industry needs to sort out before that is allowed to go forth, for example, your prize bull. Can a clone, a prize bull clone, win versus one that has been naturally bred. Many, many questions. Fundamentally for me, I am concerned about the future for my children and their children. I have been looking at what has been happening in the States because they grew their first GM crop in the middle of the 1990s, so we can see 10 or 20 years now of what has happened there.

They are now wall-to-wall roundup ready because they put the roundup ready gene in almost everything, so the corn, soy, cotton, canola, all has a roundup ready gene in. Our GM cotton here - just back-peddle a bit. There are only two types of GM crops that have been commercialised and that is the round-up ready and the BT. They put the round-up ready gene in the BT here as well, and the next line of GM crops that is coming out is the 24D resistant. I have watched applications to change the organic standard to allow contamination in organics. The industry, when it implemented GM crops in the first place, did it with - assuming contamination in 0.9 per cent. I don't know where that number came from. I guess it's something they thought they could manage to in agriculture, but was there any health testing to see really.

The other thing is that with the transgenic, they are using antibiotic resistant marker genes as well as viral promoters. Viruses are good at crossing species' barriers, so in the gene cassette they ride the gene in on the back of viruses. I have not seen any testing of that. I have not seen if our regulators have even been looking at that. In the States it's very obvious that kids are presenting with adult diseases at an earlier age. We are starting to see that here and it's a whole - people are talking about an epidemic of allergies, asthmas, cancers, diabetes, obesity, behavioural

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disorders, mental health problems, you name it.

An old adage is that food is thy medicine and medicine is they food. You fundamentally have got to look at what is happening with our food system. It's not just growing more. You have to ask, "What are you growing more of?" Here in Western Australia it is the Department of Agriculture and Food. I would like to turn it around the other way and talk about food and agriculture so that food comes first, our health comes first. We might start then to reign back in the health budget in WA which takes over a third of - one portfolio takes over a third of the state budget.

MR LINDWALL: Do you have any more comments you wanted to make or shall we ask some questions?

MS COLLINS: One comment is that there is almost nine days of recent debate in the Legislative Council of Western Australia on the repeal of the GM Crops Areas Act, so I would suggest that you have a look at that. It's really good debate, but of course there are many years prior to than in Hansard and there has, you know, been solid reasons all the way along as to why we need to go very, very cautiously with this, and why absolutely we need traceability, so that we know what we are eating and can look at what health problems might ensue.

MR LINDWALL: Okay. Thank you very much for that, Shirley. Now, I think we have to be clear, though, that in the Australian agreements between the state governments and the federal government, the federal government has responsibility for the safety of the GM crops and so forth. The state governments and their moratoria are purely about market access and price differentials, so - and you have spoken a lot about the science and the safety of it, so we'd better start there, I think, and then I think we should also talk a little bit about the market access and price differentials.

But I mean, Ken and I are not scientists, of course, but we have spoken to the Gene Technology Regulator. We have heard testimony this morning from an eminent professor on this topic, and they have said - and the OGTR is appearing at our Canberra hearings next week, and they have said that they apply the precautionary principle, and that the science is absolutely clear throughout the world that the World Health Organization, the US Food and Drug Administration and other organisations and scientist throughout the world, just like in climate change they have said that there is overwhelmingly strong evidence that it is safe.

What do you say about that? Why should we question the science?

MS COLLINS: Because the World Health Organization itself, the IARC

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agency within that, has - okay. You cannot separate GM from the glyphosate. In fact, I like to talk about glyphosate modified organisms, because that is - the GM canola that we are growing here in Western Australia is about spraying the thing with - the crop with glyphosate, and the plant absorbs the glyphosate, just like a weed, but it doesn't die. Weeds die, and the plant - and the canola lives.

MR LINDWALL: Yes, so - - -

MS COLLINS: So we are getting - - -

MR LINDWALL: It has been modified so glyphosate doesn't kill it, yes, yes.

MS COLLINS: So we are getting the glyphosate coming through into our food. The government - - -

MR LINDWALL: But FSANZ has tested this and said that it is - - -

MS COLLINS: We have watched - since the introduction of GM canola here in the state, we have watched the application go to FSANZ to up the MRLs, to up the residue levels in canola and wheat, but also to allow more concentrated spraying over a wider window, and to allow them to use glyphosate or Round Up as a desiccant just before harvest.

Now, that could be exacerbating the health problems in the US, because they have been using it as a desiccant for many years. I have been hearing - - -

MR LINDWALL: But the WHO doesn't suggest that. It says that there is no evidence that that is true. Just because there is evidence of increasing obesity and other health problems in the world does not show causality nor correlation, does it? Between the use of GM products - - -

MS COLLINS: It is obviously complex, and it is - we are working with leading edge science here. I acknowledge - in fact, gene technology is old terminology. We know more now, and it is a fluid genome. It just - there is more too. You just - like, you are striker in one soccer team and then you go over and join another soccer team, and you know, if the team doesn't get the ball down to you, well, you know, you are not going to be able to shine like you used to before.

Context matters significantly. People have started testing themselves, because our regulators are not. How anyone can say we have been eating a million meals and there is not a cough or a sniffle from a result of eating

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GM foods when there has been no labelling. I bet you don't know if you have eaten - you know, is there GM in those cookies over there or not? And if you have a reaction, what was it caused by?

And particularly if you are asked next week, you know, "What did you have today?" So it's tracing food, problems with food, is difficult.

MR LINDWALL: But you're basically saying that the GM, if it was - if those cookies did have GM, that it would be somehow harmful?

MS COLLINS: I'm not implying - the science is - - -

MR LINDWALL: I mean, I don't know whether it is or not.

MS COLLINS: Yes. There is conflicting science here.

MR LINDWALL: I don't think that - well, according to the Gene Technology Regulator there is no conflicting science. The science is very clear on it.

MS COLLINS: One of the - - -

MR LINDWALL: I mean, some people who say that climate change isn't occurring are also saying there is conflicting science, and yet there doesn't seem to be conflicting science there.

MS COLLINS: Yes, that was on Q&A last night.

MR LINDWALL: Yes.

MS COLLINS: We heard that. I know that one. We were talking - we talked - - -

MR LINDWALL: I shouldn't ask that question, sorry.

MS COLLINS: Brian Cox himself, actually, not last night, but he has spoken about commercial science versus independent science.

MR LINDWALL: Yes, of course.

MS COLLINS: And it is very important that we have independent science. Are regulators are not calling for independent science, and when it was been - - - -

MR BAXTER: Can I say, I don't think that proposition is correct. I

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think that proposition, if I may be fairly strong about it, is false.

MS COLLINS: With respect to GM, I'm talking about here.

MR BAXTER: No, no, with respect to GM and with respect to other possible areas of human harm, both the Commonwealth and the state governments take a very active interest in seeking independent scientific advice. And can I just say that I have had long association with particularly the dairy industry in this country, and in fact before that the wheat industry going back to about the early 1980s, and as long - and I headed for some time the Dairy Research and Development Corporation, which was funded by the dairy sector, and my assessment would be that about 40 per cent of the scientific work that was either funded or requested by the Commonwealth and the state governments was very independent research.

Because a number of the inherent diseases that were in cattle, for example, dairy cattle, were lethal, and they weren't caused by GM or anything else. They were inherent livestock diseases. And there was an insistence by the industry that there should be highly regarded independent scientific research undertaken. I don't think your proposition is right, with due respect.

MS COLLINS: The cases weren't mentioned by name this morning, but there has only been two cases, two studies done in the world, on looking at the human health impact of GM crops.

MR BAXTER: I don't think that proposition is right. Again, seriously, I - let me go back, and I think it is important to say this. I took the action of reading the whole of the initial court hearings and the subsequent Supreme Court and High Court hearings in the *Baxter v Marsh* case.

MS COLLINS: Yes.

MR BAXTER: I then took the action of seeking the references, both in this country and basically in the United States, Canada and Europe of the independent science that took place, and there is a very considerable body of credible independent science that doesn't support your propositions.

MS COLLINS: Yes, but what was the science doing? What was the design of that experiment, and what was the purpose of it? You'll find that a lot of them are production parameters for commercial interest. They are not - - -

MR BAXTER: No, this spread across - - -

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MS COLLINS: They are not toxicity testing. They are not long term. I haven't seen one on GM canola at all.

MR LINDWALL: But you don't trust the Gene Technology Regulator to give you reliable advice on the science, though?

MS COLLINS: I have been putting in submissions to the regulator over the last however many years, since 2008. And I have not been happy at all with the quality of their response. With the concerns that I have raised just as a member of the public, I have not been at all happy with the quality of their response.

MR LINDWALL: The scientists don't necessarily have good personal skills, I must admit on that.

MS COLLINS: The so-called discrediting of the two studies, the Seralini one and the Judy Carman one, which was partly funded by the Government of Western Australia, and quite frankly we would like some return on our investment - Judy Carman has done a response to FSANZ's criticism, and it is - if we were to - like, if my kids were to submit that as - FSANZ's work as an assignment at school, I reckon they would fail.

They have made comments that were about something that is not in Judy's report. I mean, the - - -

MR LINDWALL: But anyway - - -

MS COLLINS: You can look at - it's online, anyway.

MR LINDWALL: Shirley, could we - okay. I don't think we're going to get much resolution on talking about the science too much more, but Shirley, could we talk a bit about the role of the state government, which is the moratorium, if we're talking about it.

MS COLLINS: Sure.

MR LINDWALL: And about price and the ability for GM and non-GM to co-exist. I mean, the argument might be put, let me put it this way, that the non-GM product is being produced by Farmer X, and Farmer X is selling the product at a premium because some people believe that it is safer and that it is a nicer product or whatever, tastes better perhaps, I don't know, and Farmer Y wants to produce GM products and is being - where there is a moratorium, is being denied the right to do that, even though some people, scientists, would suggest that they could co-exist

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quite happily in the states.

I mean, GM does get produced in other states, so is not a state that has a moratorium denying itself an economic opportunity? And you could still have the labelling, so the non-GM producer can label the product as non-GM and hence if there is a genuine price premium, and I must say that in our draft report we didn't find much evidence to that, but nonetheless if there was a price premium, surely that would allow the market to devote resources to non-GM production because you can get a higher price?

MS COLLINS: Yes, absolutely, but of course it is - the game is stacked. It is not a level playing field. For starters, we have the Government of Western Australia and the GRDC, which is a federal government agency, you might correct me on this.

MR LINDWALL: Sorry, the GRDC?

MS COLLINS: GRDC, Grains Research and Development Corporation.

MR LINDWALL: Okay, yes.

MS COLLINS: So they are a big bucket of money which is compulsory farmer levies. That comes from organic farmers as well as non-conventional and as well as GM, and then that is match by some formula with taxpayer money. So it is totally public money, the GRDC, and we have got the Government of Western Australia, and they are in partnership with Monsanto in Intergrain.

That used to be a public plant breeding asset within the Department of Agriculture. The first - yes, so 2010 the share of that was sold to Monsanto. The government now is beholden to its shareholders, which is Monsanto, but the government is also beholden to governing for the people in the public interest. I don't know how you balance that.

MR LINDWALL: I don't think the government would - I don't think any Australian government would accept that its shareholders are Monsanto. I think that is a proposition that I couldn't possibly support. I mean, they would say that they are accountable to the people of their state or their Commonwealth, as the case may be. And the amount of money that comes from Monsanto is a tiny fraction of the tax money that is raised in Western Australia and Australia generally.

MS COLLINS: Well, in the *Marsh v Baxter*, Monsanto funded Baxter, Baxter's case, to - and that is still actually, as I understand it, trying to be

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repealed.

MR LINDWALL: But I mean, the judgement was reached, and the Court of Appeal agreed with that judgement, and the High Court dismissed the appeal. Are you suggesting that the judges were under the pay of Monsanto?

MS COLLINS: I'm making - - -

MR LINDWALL: I mean, it does seem - - -

MS COLLINS: I'm making no comment about, I just - - -

MR LINDWALL: I think the judges are independent, and they're paid by the taxpayer.

MS COLLINS: Just to let you know, I did sit through pretty much all the days of the hearing, and I went to Canberra and sat over there. Ian Randles, who you heard earlier in the day, he was here with a video link. I was over there and watched and listened, and listened, actually, to the rustling that they were doing back here.

Anyway, there is a problem. There is a problem with single sourcing. We saw in the Baxter case where a chap called Patrick Rudelsheim, I think his name was, and he was Belgian, flown over here. He is helping the industry get through the regulators around the world.

A lot of the media or the countering of, like, what I might write when I write something about my - you know, I am concerned for my children's health and the quality of the water with all the spraying and the people in the city here that have multiple chemical sensitivity and have to actually leave their homes when glyphosate and Round Up is sprayed on there by the council.

So we have got big problems from that point of view.

MR LINDWALL: Okay. Well, Ken, did you have any final question?

MR BAXTER: Not really. The only thing I'd comment is that, as you've probably noticed, I've got a very large scar on the right-hand side of my face at the moment which is a result of my parents applying baby oil, coconut oil to me in the late 1950s while I sat on the beach without a hat on.

Now, do I turn round and say Johnson & Johnson, who were the

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makers of that baby oil, were at fault for what I am now suffering? The answer is clearly no, I should be suing my dead parents for wrongly applying that has caused me harm 40 years later.

I just find some of this argument difficult to justify when credible science is not supporting it.

MS COLLINS: Can I - - -

MR BAXTER: And that is what we are testing at the moment, is trying to differentiate between credible science and scientific investigation as against stuff that, whether it is on the producer's side or it is on the side of the user, as to whether that can be substantiated.

MS COLLINS: Yes. One of things, I mean, particularly looking at the US again, is that the kids are at the front line. The kids and their parents are at the front line, and particularly mums. Their kids are presenting with these problems, and there's no genetic history, there's no history in their family before, and one of the ways they are alleviating symptoms is by changing to, what they say over there, a GM free diet.

That is a broad term, but a lot of it is to do with getting the glyphosate and the Round Up out of their system.

MR BAXTER: Yes, but can I also - sorry to interrupt you, but the other studies, if you look across the broader side, are because too many parents in the United States of America and elsewhere around the world are feeding their children with too much food.

MR LINDWALL: Well, that's true.

MR BAXTER: And obesity and other problems arise, if I could put it very bluntly, as a result of parental neglect with the wrong type of food, too much of it - - -

MR LINDWALL: And insufficient activity.

MR BAXTER: - - - and insufficient activity.

MS COLLINS: There's - - -

MR BAXTER: And they then go and seek some sort of claim, or some sort of avenue, which might in fact avoid any criticism of their own personal behaviour.

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MS COLLINS: It is complex. There is many factors at play here. But one of the things that the paediatricians who are at the front line dealing with these kids, the first thing that they are doing now is looking at their gut microbiome, and based on what is happening there with the imbalance in the gut ecosystem, if you want to think of it that way, you could liken it to the Great Barrier Reef. Once things get out of balance you've got a problem happening.

So - and there's - I mean, again, we're at the leading edge of what we know here, and we've got good scientists here in Australia looking at the gut microbiome and what's gone wrong, you know, what's making it cause - and some of - solutions are coming aplenty at the moment. One is to have a faecal - you know, faecal tablets.

MR LINDWALL: Yes, I saw that on TV. But I am going to have to interrupt you, Shirley, because unfortunately we have run out of time. It's four minutes - - -

MS COLLINS: Okay. Can I just - one point there?

MR LINDWALL: One very quick point, yes.

MS COLLINS: Yes, is that pesticides is part of what's going on there, and glyphosate is a chelator, so it is binding the micronutrients in the soil, in the plant, in the gut, and the GM is exacerbating those problems. We need more science, not less. We need careful regulation, not throw it away, and we need, absolutely need, traceability, so that we can know what it is that we are eating and be able to properly work out what's happening with our health and try and rescue our budget.

MR LINDWALL: All right. Well, thank you very much for appearing then, Shirley.

MR BAXTER: Okay, thanks, Shirley.

MS COLLINS: Thank you.

MR LINDWALL: I think we have got Meg Wilson appearing next, is that right?

MS WILSON: Yes, thank you. And I wish to say how very much I appreciate being squeezed in at the last moment.

MR LINDWALL: Look, no, not at all.

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MS WILSON: Much appreciated.

MR LINDWALL: Please if you could just - if you represent an organisation please say your name and organisation and then give us a little statement, if you like.

MS WILSON: Yes, well, I actually take a lot of interest in the work of many organisations who seek to protect the interests of our country in relation to food safety regulation and that sort of thing. So you know, in a very broad way I'm heavily involved.

MR LINDWALL: Yes, yes.

MS WILSON: Now, just an analogy was made - - -

MR LINDWALL: Sorry, sorry, please - - -

MADAM ASSOCIATE: Can I just get you to speak up a little, because we're having trouble hearing? They're not actually microphones. They're recording microphones, but they're not microphones. They're not amplifying the sound for us behind.

MS WILSON: I see, all right.

MR LINDWALL: So maybe you have to turn the microphone a little bit this way or something.

MS WILSON: Right.

MR LINDWALL: Is that better?

MS WILSON: Is that better? Yes, okay, sorry. Yes, just very briefly, an analogy was made to climate disruption or climate change saying, you know, there are people who claim it's not occurring. Just as a matter of interest, the United States military is already acting on the assumption that climate disruption is occurring and in fact there is certainly evidence of it in their country, in their own country. They are very concerned about it. They are acting on it. I think that is enough to say on that.

Secondly, the scope of this inquiry does not include consumers or the Australian people. Now, that is something - - -

MR LINDWALL: I think I should say that if you read the Productivity Commission Act it says our primary duty is to look after the wellbeing of the Australian people. That is our primary duty, and that is what I hope that has been reflected in our draft report.

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MS WILSON: I hope so, because it is of great concern that we are seeing the consumer very much sidelined in so many things that are happening lately. It is all very one-sided. Now - - -

MR LINDWALL: What, in the report? I should - - -

MS WILSON: Well, in the scope, it doesn't mention the consumer, interestingly enough.

MR LINDWALL: Well, the terms of reference of any inquiry say what the terms of reference say, but when we undertake an inquiry we're bound by our own act to look after the wellbeing of the Australian people irrespective of what the terms of reference say.

MS WILSON: The Australian people are key stakeholders. They are the beneficiaries of whatever decisions are made.

MR LINDWALL: Yes.

MS WILSON: And that is good or bad, and I am afraid in this case it would be bad. And I would point out that we are not just talking about consumers, which are now, by the way, downgraded to end users, which I find rather curious and insulting to the Australian people, consumers are in fact the clientele of the agricultural sector, and their supply chain.

Consumers are the clientele. They are the market drivers, and they are the sustainers of the industry, agricultural industry, at all levels. And this must be remembered. So I am saying that if any other business tried to set itself up as being reputable without any regard to the wants and needs of its clientele it would be laughed out of town. We need to remember that.

Now, I notice that you are wanting a review into the gluten content of foods. Now, I am wondering why has only that ingredient been focused on? Are you also, by the same token, going to consider the content of nuts in foods?

MR LINDWALL: Okay, yes. Could I mention that the reason gluten was raised in the draft report was because that was brought to our attention during our - by submissions and by meetings. If you wanted to raise now peanuts we can certainly talk about that too, but - - -

MS WILSON: Well, not just peanuts- all nuts.

MR LINDWALL: Yes.

MS WILSON: There are some people for whom even a slightest trace of nut is life-threatening, it's an emergency, it's a medical emergency, and I know of

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mothers in primary school who sit by their student, by their daughters or sons all day long and go on all outings and so forth with them to ensure their safety. Now, gluten free is equally a concern, because of any traces of gluten. You have to remember that all food is assimilated at a molecular level. All traces of gluten in food are life-threatening, ultimately, to people with coeliac disease.

MR LINDWALL: Are you literally saying one molecule of - - -

MS WILSON: Yes. We don't - one - - -

MR LINDWALL: Well, then, I - - -

MS WILSON: One crumb - one crumb of gluten may be enough to set off an inflammatory response, and I can give you documentation to support that, yes. I just happen to take an interest because we know - we have a number of friends with a coeliac condition, and I know when we visited overseas they were pointing out how difficult it was there to get gluten free food, so they seldom ate out, and there were many products that they simply rejected.

The simple answer to that is, if you're going to allow producers a certain level of gluten in food, that means that those producers are not dedicated, are not dedicated to providing a genuinely gluten free product, and they should be out of that business. That's the end of their business.

MR LINDWALL: Could I ask something on that in particular?

MS WILSON: Yes.

MR LINDWALL: I mean, what we mentioned in the report is that the - and I don't know what the levels are, but in the United States, as far as I understand, they have a particular level which is considered the maximum that should be present of gluten in a product to be labelled "gluten free".

MS WILSON: I believe it is the same in the UK.

MR LINDWALL: Yes. In Australia, we don't have that, and as equipment becomes more - technology becomes more advanced, you can measure the quantities of something to ever finer levels, and it means that ultimately that products that would be labelled gluten free in, say, the United States or the UK are not able to be labelled gluten free here, because once you can measure an amount - so if that is true, what you are saying, that any amount, in other words that even one molecule is enough, well, that is below the capacity to detect at the moment.

I mean, all of the instruments are getting more accurate and more precise, but no instrument, as far as I'm aware, is capable of detecting one

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molecule.

MS WILSON: That presents a risk.

MR LINDWALL: Unless you do an electron microscope - - -

MS WILSON: Yes, electron microscopy is a possible answer to that, yes.

MR LINDWALL: But that would be phenomenally expensive to scan every bit of food with an electron microscope.

MS WILSON: They now have high resolution electron microscopy. There have been big advances in that area, and I don't think that would be particularly difficult, and considering the liability issues. And also, when you think about it, why is it that we now have so many allergies, and particularly why do we have this gluten problem?

Now, it arises - if you trace back the history - it goes back to ancient times, around 10,000 years ago when eating wheat first arose. It takes thousands of years for people to adjust – as it did in the course of human migration to a tolerance of lactose, for example. So too, to a tolerance of gluten. But if you go back to the ancient grain, and I have already discussed this with other people, it was very low in gluten. The ancient grain is markedly different to the grains that are used today, for instance wheat, modern wheat. It is quite different.

Wheat is capable of polyploidy. The initial - this is just by way of interest - the early wheat had only something like 14 chromosomes, and from memory the modern industrialised wheat now has something like 42 chromosomes. And it is all the hybridising, even without GM modification or anything, that is believed to be responsible for this outbreak, you might say, this epidemic of people suffering coeliac disease and gluten intolerance and wheat-related disorders.

Now, that hasn't been looked at.

MR LINDWALL: So there wasn't an ancient coeliac in ancient Rome or something like that?

MS WILSON: No. Well, obviously I don't know whether they had a coeliac problem, but reading the history of it, it was 10,000 years ago that people were first introduced to an agrarian society.

MR LINDWALL: The Agricultural Revolution with those crops.

MS WILSON: Yes, and it has taken around 10,000 years for people to adjust. I think it was only in the late 1800s or 1900s that they began to

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experiment with the hybridisation, and you get a quite different outcome. You get modern industrialised wheat.

MR BAXTER: Although I'd have to add that if now the Chinese bureaucratic letter works are being translated into English, that in fact the Chinese were well ahead of where any European civilisation was, and you could perhaps go back, you know, thousands of years, and the Chinese have been doing it for a long, long time.

MR LINDWALL: Ken and I might have to disagree on that point.

MS WILSON: They used wheat? That's why they mostly use rice, don't they?

MR LINDWALL: But I mean, I will point out that I watched a program the other night, and it said that pasta was introduced from the Moors into Sicily, and that had high gluten content, because to make pasta one needs to have a high protein content.

MS WILSON: Yes, I was reading - - -

MR LINDWALL: And that - so the wheat that was brought by the Moors into Sicily at that time, about 600 years ago, if I'm not mistaken, was of very high gluten content, and that then fed its way through - sorry, that was a bad analogy. It then went through into the Italian diet, of course, with the pasta and so forth, but yes.

MS WILSON: Yes. That's a commercial convenience. Yes. Okay. So I'm conscious that I might be taking time from other people. I'm not quite sure - - -

MR LINDWALL: No, no, you've got - I'll tell you when we're running out of time, but - - -

MS WILSON: Okay. Now, just very quickly, because this is only a draft submission. I'm hoping to get it in by the 18th. Now, a great concern is arising about these plans to deregulate. That's the last thing we want. And we strenuously oppose this move, and we urge you to retain our existing high standards and regulations - - -

MR LINDWALL: Deregulate what, sorry?

MS WILSON: - - - in Australia which distinguish us - for which Australia has an enormously good image abroad. But also, just before I go onto that, when you were talking, you know, "UK does this or some other country does that," I would like to see Australia to be a leader in its own right and not to have an infantile dependency on the data coming from other countries, and

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that is one of the criticisms that we have of the current regulatory system, where OGTR depends heavily on the data supplied to it - biased data quite often, and low quality data. They admit that some low quality data is submitted by GM applicants, and this is something that we also need to keep in mind.

I am just pointing out too that this move further deepens the lack of trust in government at both state and federal levels, and I am hearing this a lot, even from people I hardly know, just coming up in conversation, a deep distrust, and this I think virtually cements that distrust. You need to do a lot of work in rebuilding that trust through connecting again with the community. Through bridging this enormous disconnect between those in government and the community.

So I am saying deregulation is a very bad idea. We need stronger regulation and not weaker in the best interests of Australia and its security, and this lowering of standards would be a terrible legacy for the government to leave. We are aware of the inordinate pressures placed on government by lobbyists acting for the giant biotech corporations - sorry, by paid lobbyists acting for the giant biotech corporations. Only a weak government bows down to these pressures, and we hope that our government will be strong in such matters.

All indications from our research on the subject are that deregulating would not achieve the goal suggested. Indeed, Australia would have a great deal to lose, not least our national regulatory sovereignty and our freedom.

There is honour in deciding not to deregulate and in strengthening our protective laws.

Yes, and there is ample reason to conclude, as many have, that the inordinate pressure on our government to allow the introduction of GMOs into Australia is to provide a level playing field for those countries like US and Canada which have suffered badly by taking the GM path, and I think they would be jumping up and down in glee if they knew that we were going to take that path as well, because that is good for them, bad for us, but good for them.

They are now stuck with it, and most Americans are rightly angry about it. It is blatantly obvious that the government is pandering to certain overseas interests. As key stakeholders, we as Australian citizens are outraged by this attempt to deregulate within the agriculture sector and its supply chains in ways that we believe would adversely affect Australia and its citizens and their future wellbeing. It shows a cold, calculated and callous disregard for the community and the country.

The Australian government seems detached and far removed from its

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people. I mentioned the process. The public are key interest groups, affected parties. They are key stakeholders. Yet by being excluded from the scope - I don't see a mention of them - they are not in the decision-making process, as far as we know. This recent erosion of democracy which characterises the current trend of elitism is disturbing and unacceptable.

If any burdens are borne, they are borne by the people of Australia and by its environment, and I have suggested that we also have an inquiry into the irregular burden that is increasingly placed on the consumers, the people of Australia.

There is a public perception that the push for deregulation is driven by lobbyists for foreign multinational corporations and their self-interested shareholders. These corporations are faceless. They appear to be a law unto themselves with no allegiance to any country with this.

We believe this push for deregulation is to pave the way for the unpopular and highly contentious Trans-Pacific Partnership, the TPP, which is all about deregulation, and that is quite - - -

MR LINDWALL: Oh, I don't think it is all about deregulation.

MS WILSON: I think it is.

MR LINDWALL: We wrote that in our trade and assistance review that the TPP and other preferential trade agreements are definitely not about deregulation.

MS WILSON: You would like us to think that, yes.

MR LINDWALL: They are probably about re-regulation, in some cases.

MS WILSON: Previous trade agreements were all about tariffs. For the first time it is about deregulating, and that is the very big concern about the TPP.

MR LINDWALL: I don't agree with that.

MS WILSON: Well, we're free to disagree.

MR LINDWALL: That's all right.

MS WILSON: Okay. Paul. Yes, my husband's Paul.

MR LINDWALL: It's a good name.

MS WILSON: Yes. So once this is grasped, we should all care, because

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deregulation is very likely to have an impact on the lives of all of us. This deregulation is designed to stimulate economic activity by tearing down regulatory barriers, ostensibly making farmers in the supply chain richer.

However, these regulatory barriers, far from being useless red tape, exist to protect both farmers and the public, on issues such as ongoing land clearing leading to drought and climate disruption, issues such as increasing toxification of our agricultural lands - of our soils and food supplies giving rise to human health and animal welfare problems, everlasting contamination of soils and poisoning of waterways - this is a draft submission, so it's not quite polished up yet - and loss of vital, absolutely vital, biodiversity. And we are astounding in Western Australia for our biodiversity hotspot, which we are very afraid of losing, especially with the exemptions being given to the ban on clearing so that farmers are now probably clearing, for all that we know, thousands of hectares of biodiversity-rich bushland in the southwest – possibly because of mismanagement. Because they are probably not managing their farms properly.

And there is also a great benefit from retaining biodiversity for biosecurity reasons.

So I am saying we are wrecking our chances of continuing the great agricultural successes we know and are so proud of. At present, Australia out-competes other countries with its high-quality high-value foods, despite some loss to its prized clean, green and GM-free image after allowing a GM foot in the door. I am saying that it is because we have a competitive edge because of our clean, green - or what was a GM free image, that they want a level playing field because they are being outdone.

There is no doubt in the minds of many that it is difficult to imagine why government, whichever government, could be so naive as to believe otherwise unless they are secretly behoven to the corporations in some way.

Deregulation favours industrialised farming, and there is a lot I could say about that. Industrial farms with absentee owners destroy our rural communities. It is totally exploitative, with no respect for the land, with no care for the irreversible harm done, no accountability. With more mechanisation there would be more unemployment in the rural sector. As the scope of this report reveals, increasingly we are seeing the focus being forced on transportability and short-term yields with ever less focus on nutrition and healthy foods for the people of Australia.

This benefits the multinational agri-chemical companies and food biotech companies.

So I have gone into who loses and who benefits.

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MR LINDWALL: But you'll put this in a submission to us on this?

MS WILSON: Yes, this is in a submission from us. I'm trying to make this talk short so that I don't take from other people. I am saying, is this push for deregulation designed to pave the way for a TPP through the back door? And we agree to disagree. I think it is.

The TPP focuses, as this does, on non-tariff barriers. Does this mean that the government is prepared to discard anything that gets in the way of trade and investment, including laws that protect us and our Australian environment? It appears so. This would be outrageous.

The TPP is widely regarded as highly suspect. A pending disaster. This is from another submission on the TPP. Benefits touted lack credibility. We need to know potential costs. We are already being given a bad taste by WA, the WA government, of what lies down a path of deregulation. And I have listed here the impacts that deregulation would have. It would have major impacts on every aspect of our lives. We would no longer have the social safety nets or health safety nets. It would further erode our regulatory sovereignty and our sovereignty generally, especially our food sovereignty.

The loss of our sovereignty already to foreign biotech food corporations is alarming. It would be - deregulation would be designing our rules to benefit foreign corporations at the expense of Australia. It would undermine accountability. Who would be accountable for what? It would be hard to hold anyone to account. It would pave the way for a TPP. Having got a TPP in through the back door this way, would we then have the ISDS, the investor-state dispute settlement, next, which allows for foreign US corporations investing in Australia to sue our government for loss - - -

MR LINDWALL: Excuse me, I must point out that the PC did say that we didn't favour ISDS, so I think we agree on that one.

MS WILSON: I am remembering it, and I'm just - well, that is good.

MR LINDWALL: And actually, I think we also agree that the TPP is probably not optimal for the country, but anyway - - -

MS WILSON: So that's good, and I hope that this will be another voice in that direction. It would undermine environmental protection, which would have adverse effects on human health. Now, that is absolutely critical at the moment. Environment is in dire straits at the moment. Land degradation is Australia's worst problem, and we have to address that, and that is being quietly kept to the side.

This is something you must address in discussing the agricultural sector. A great deal more needs to be done in protection of soils and land care, all

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those things that protect our environment. And also I am thinking about the drought in Queensland. This has been attributed to clearing, by the way. The extent of the drought, the length of the drought has been attributed to clearing, and that is quite shocking, actually, and we seem to be going down the same path here.

History is repeating itself. If you remember in the Middle East, the Middle East was once lush with forests, oaks, beeches, spruces and all that sort of thing - - -

MR LINDWALL: Go and see Petra, Jordan, yes.

MS WILSON: Yes, and the Sahara Desert was covered in vegetation, but through ignorance, I would say, in early times, and poor land management, that vegetation has been lost. We have the soul destroying images on television of seeing wars there as a result of over taxing the environment and its resources, and that is a terribly sad thing. Terribly sad. We don't want that to happen here. We don't want history to be repeating itself here so that we allow - you know, this is parliamentary deregulation, allowing more clearing. It is happening in our south west. We have seen the devastating effects in Queensland. We do not want to go down that path. Yes, yes.

MR LINDWALL: All right, thanks, Meg. I think we should wrap it up shortly.

MS WILSON: Okay. Thank you very, very much. And I'm - just one quick thing. Australians, like Americans, are waking up to the vast difference between public and private benefits. The TPP is viewed as a Trojan Horse in a global race to the bottom, giving multinational corporations and Wall Street banks a way to eliminate any and all laws and regulations that get in the way of their profits.

This includes laws and regulations that protect human health and the environment, and I thank you very much, both of you, for being here today and allowing us to speak.

MR LINDWALL: Thank you, Meg. Thank you, cheers, bye. All right, well, our thanks to Meg Wilson now, and now we will have - is it Jan Cooper and Torben Soerensen from the WA Pork Producers Association? Welcome. Would you like to say your name and organisation just for the microphone, and maybe a little introductory statement would be good?

MS COOPER: My name is Jan Cooper. I'm the Executive Officer for the WA Pork Producers Association. I might let Torben introduce himself, and then we'll - - -

MR SOERENSEN: Yes. So my name is Torben Soerensen, and I'm the

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Treasurer of the WA Pork Producers Association. I'm also a delegate member of Australian Pork Ltd. I've got a Masters degree in Agricultural Economics from Copenhagen University, and I'm the managing director and part owner of GD Pork, which is a local pork producer in Western Australia.

I think our plan today is to talk a bit more and elaborate on our submission and answer any questions you might have.

MR LINDWALL: Excellent, all right.

MR SOERENSEN: I might start just with a little bit of personal experience which has been fed into our submissions as well. So I'm actually, which I indicated before, originally from Denmark. And just a bit of background on that is - - -

MR LINDWALL: My wife's ancestry is Danish too.

MR SOERENSEN: Very good. There's not that many of us in Australia. And just on that, actually, Denmark, if you don't know, is a size smaller than Tasmania and produces 30 million pigs every year whereas in all of Australia we only produce 4.7 million pigs a year, so just a bit of context. So obviously we pride ourselves in Denmark on being good at pig farming and that is the idea behind our business, is to transfer some of that knowhow here to Australia.

Now going back to 2012, we bought our first farms here in 2007 but in 2012 we decided we wanted to expand quite rapidly, we wanted to double the size of production on two sites. And we started lodging applications with the various governments, levels of government, local government and state government. Now what should have been a 60 day process and a 90 day process respectively turned into a two and a half year process. And I think in our submission we touched on as many different pieces of legislation and regulation that governs it and that's part of the reason.

But a fundamental issue I found was not so much that there was anything wrong with the regulation, of course we should tidy up and just use the most recent ones and most scientific ones, but it's more to do with the actual approach from individual officers. Not knowing what to do and who put barriers in place rather than help facilitate. And that's the message I tried to get across because, to the West Australian Government as well, because I often get the question, "What shall we do to clean up red tape, tell us which regulations to remove?" And it's actually where to - we pinpointed a few that you can remove or you can tidy up but it's

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more to do with an attitude and the way they process rather than actual regulations.

MR BAXTER: Who actually has ultimate control of the regulatory regime in Western Australia, the Department of Agriculture or some other department?

MR SOERENSEN: No, and that is a massive flaw, I think, and correct me if I'm wrong here again, but the Department of Agriculture is actually a bit of a toothless tiger because they don't have the regulatory control, they're more a facilitator than anything. It's the Department of Environment Regulation that's obviously got the majority of control over the environmental side. And then we've got local government and with bigger projects that is the Planning Commission, which just falls under the state.

MR LINDWALL: Please continue, sorry.

MR SOERENSEN: Well I don't have much more to add to that.

MR LINDWALL: I see.

MR SOERENSEN: We wanted to touch on the environmental side of things and we wanted to touch on animal welfare.

And I don't know if you want to start with animal welfare, Jan?

MS COOPER: Yes, perhaps I will just add a little bit about the animal welfare. You asked the question of one of the people earlier about views on the independent body to have oversight of animal welfare. And I suppose on the face of it we think that probably is a good suggestion but the issue is in the implementation and whether it could be truly independent. And, you know, a lot would depend on who was selected to be on that body. And based on our experience with similar things in the past the independence can wax and wane depending on who is selected and what the balance is between that representation.

Because I think the emphasis on community attitudes and society's views could quite possibly overtake the science depending on the balance on that group. And we think that if something like that was to be agreed to it should start from the proposition that animal production is accepted as a fundamental, that there should, you know, never be any question of that, and so that should then inform who is selected to go on there. Because to have groups on there who fundamentally disagree with livestock production is going to be counterproductive.

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MR LINDWALL: But on that, Ken and I recently visited in Wellington New Zealand and we spoke to - and I can't remember the name of the organisation - that does have an independent body in New Zealand and that has a very broad representation and has a lot of credibility. But of course, as you say, there are individuals and groups who hold that no animal production is worthy at all, but they are not represented on that body in New Zealand.

MR BAXTER: No, that's right - - -

MR LINDWALL: Because their goals are fundamentally opposed to the objectives of that group.

MR BAXTER: It's the National Animal Welfare Committee.

MR LINDWALL: Yes.

MR BAXTER: And very effective. And very highly regarded.

MS COOPER: And I must confess, I don't know a great deal about it other than to say that I guess New Zealand does have a slightly different geography to us and perhaps a different - - -

MR LINDWALL: And government structure too?

MS COOPER: Yes.

MR LINDWALL: Yes.

MS COOPER: So they may not be completely comparable. And at the risk, I suppose, of being parochial, we in WA can sometimes feel a little bit marginalised on some of those groups. It's hard to get representation, it's difficult for us to travel to Canberra - - -

MR LINDWALL: Well it's cheaper to fly from Canberra to Wellington than from Canberra to Perth.

MS COOPER: Yes, exactly. And we see this often in other areas feeds into a disregard to the export orientation that we have here in Western Australia that isn't well understood in some of the other states and so if we're getting down to the economics and the cost of production kinds of issues, we don't want to see a situation where we're restricted to a greater extent than to the people we're competing with. Whilst fully recognising

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the need to be compliant with animal welfare science, we do have to have an eye on who we're competing with.

MR SOERENSEN: Yes, that's right. And in terms of speaking just about the pork industry and animal welfare, I would like to use the term stricter animal welfare regulations rather than higher animal welfare regulations because we actually already are quite significantly regulated and voluntarily regulated in the industry. And as Jan just touched on, especially in Western Australia we have quite a significant export of pork into Singapore and competing with European countries and North American countries, which also are regulated for animal welfare, but what we would not like to see is that we get imposed with stricter regulations than they are.

MR LINDWALL: Yes.

MR SOERENSEN: Of course if the science is behind it that's fine but it's not always the case that the science is behind it.

MR LINDWALL: I have a lot of sympathy with your point about attitude of officers enforcing laws. And I wonder if you've got any guidance for us because it seems to me you have two types of regimes, and one is a strict black letter law where the officers have no flexibility, they have to apply very rigorously, and then they encountered differential aspects here and they can be overly prescriptive to someone who might be marginally non-compliant rather than helping them get compliant.

So that regime, that black letter law, doesn't seem to work very well because it lacks flexibility. But then if you go to the other side and say well we have a more flexible regime, some officers are more accommodating and others are not. So it seems a dilemma that you either have the system which is less flexible or more flexible, and then of course if you have more flexibility then the quality of the officers and their training becomes very crucial. But how do you improve that, do you have any ideas?

MR SOERENSEN: I think in my experience, look, in the beginning of the process I dealt with some very junior officers and if I was in their shoes and didn't have more guidance than they had at that point in time I would probably also have a tendency to go like this, being afraid of making a wrong decision and - - -

MR LINDWALL: It's easier to say no than yes, isn't it?

MR SOERENSEN: Exactly.

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MR LINDWALL: And it's also risk aversion is very much in the public - - -

MR SOERENSEN: Rightly so. I suppose when we came further into the process and we elevated it higher up the food chain and we actually found out that what we wanted to do was in line with the government policies and we ticked all the boxes there was just a lack of communication from the senior officers to further down the chain of what they should agree to. And that also fed back to how did we approach an application, there was not enough guidance, I suppose, about how to submit an application and what is required for an application and therefore we were shooting very widely.

And I think we mentioned in our submission that we then get met with requests about can you please do another study more because we want a bit more about this, which is easy to say but that's another $30,000 to our consultant. And in fact I ended up on one particular site where we were in and are now investing $12 million, we spent half a million dollars in consultants and lawyers to get it over the line, which is ridiculous.

MR LINDWALL: Yes, it is, yes.

MR SOERENSEN: Yes, and it's probably pure stubbornness but he kept pushing it. So I'm not sure what the answer is, I manage staff myself and, you know, it's easy to say it's about managing staff and getting divisions clear for the staff but I have a feeling it's a part of the - - -

MR BAXTER: Can I just, if you take us through the sequence of your operations?

MR SOERENSEN: Yes.

MR BAXTER: And of course what you're saying is very similar to what Wellard said to us, that there are two main areas of regulatory control; one is actually on the livestock side itself; and yet the other one is mainly coming from local government and other agencies in with the processing and related facilities and effluent disposal and that sort of thing. Is the experience you've had the same for - well, have you experienced the same sort of regulators and is the experience you've had with both sets of regulators, or others, the same or does it vary a great deal?

MR SOERENSEN: Well in our case, so local government - and the two properties in question are in two different shires.

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MR BAXTER: Right.

MR SOERENSEN: So local government would have to give us planning permission to go ahead and put a piggery there in the first place. And they feel, local government feel, obliged to consider environmental issues in that process. However they don't have the expertise to do so. So they tend to send the questions off to the Department of Environment Regulation. But in our process that didn't seem to work, there was, I don't know, upheaval within the department. They didn't get the answers back anyway so they had to form their own opinion. One shire did, in my view, of course, the right thing, they gave us approval, planning approval, within the statutory timeframe of 90 days and there was no issues because we had a history with them of performing well. The other site was new, we were new owners of that site, and the shire took a very different approach and kept dragging us along.

The Department of Environment Regulation, that's where we then lodged for getting - because piggery, intensive piggeries are prescribed premises, we need a licence to operate. So that's where you lodge a licence - an application not only for a licence to operate but first of all a works approval to actually build the facilities. And the thing is as well then local government will in principle issue a planning approval but they want a works approval first. But we came into the situation there was a change of regulation in Western Australia where the Department of Environment said we will not issue works approval unless you have a planning approval.

So the first shire was pragmatic about it, they said well we'll just issue a planning permit subject to the fact that you later get a works approval, whereas the second shire said, no, we don't want to do anything. And then we had a stalemate we had to resolve as well. So who goes first? And I would say that at the end of the day - so I dealt with the Department of Environment Regulation, being a state body, I dealt with them, the same people, for the both sites so their approach was similar and the issues were similar for both sites, and a very frustrating process which, as I said, had to be elevated to higher up to be resolved.

And in terms of the shire, well at the end of the day, with the second site I did rely on some early advice from the shire staff to say that they felt confident that they would handle the process so there wouldn't be an issue. However, in hindsight I should have taken the opportunity I had to lodge that application with a higher body because it was a significant size project. And that's what we have ended up had to do, we had to fall away from the first application and we lodged it with what's called the WA

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Planning Commission which can make a decision because it's a bigger project, significant project.

MR BAXTER: And how long did all this take you, how many years?

MR SOERENSEN: So two and a half years.

MR BAXTER: Yes, as you said, that's amazing.

MR SOERENSEN: And so, look, and in the process I've come across a lot of people working in the Western Australian Government and also politicians and they all say they want to take notice of what happened to me and use that as a case to improve the system but that's little confidence once you've been through the ringer on some things, so.

MR LINDWALL: I can understand all that so I should ask another area, which is about what some of the questions we asked about of this animal welfare side were about trespass, so has that been an issue that you've been cognisant of?

MR SOERENSEN: Well it has been but not for us particularly, personally our farms, but it has been in Western Australia. And yes, me personally, I'm not speaking for the organisation, but if these people want to get in they'll get in. So the best think you can do is to have your house in order. But so really what concerns me the most is, as you have pointed out in your report, is about security issues that comes with that. And I think our national body has even tried to get into a dialogue and say can you please observe biosecurity rules when you do this and not go from one farm to the other within the same night.

MR LINDWALL: Yes. Yes.

MR SOERENSEN: But of course they're talking for deaf ears. They're not listening to that. But to me, and again, export is significant, income is significant, so bringing diseases around to different piggeries can devastate an industry. And we've had that discussion earlier today, look at the media and followers and be presented to look bad even though they might not actually be bad, so let's put that discussion aside. But just the fact that they can devastate an industry by biosecurity and breaking those rules is terrifying.

MS COOPER: And counterintuitive to the whole animal welfare message as well.

MR SOERENSEN: Yes.

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MR LINDWALL: Yes, quite. Although this is part of the reason that we put that recommendation for the independent body, we thought that that would create a bit of credibility, and I'm not sure it would or not, but this is what we argued, and that there would be less justification for - I mean, there's never any justification for trespass, obviously, but less justification for people to act in a manner such as a vigilante. So I take it when people - and we've heard about trespass, so there hasn't been any prosecution?

MR SOERENSEN: I don't think we have any prosecution yet in Western Australia. I think the first case we saw we were successful in getting the footage taken down from the Internet again in Western Australia, the first one we saw just last year.

MR LINDWALL: Can you talk about the conflicts between intensive agricultural production such as piggeries and areas - I'm not so sure is an issue so much here in Western Australia but it has been somewhat in New South Wales and Victoria, where residential areas start moving out and there gets to be a bit of a conflict, if you like?

MR SOERENSEN: It has been an issue here. So the first site I talked about we have, we bought that farm in 2007 and the previous owner had had a piggery there for probably 30-odd years. In all that history and up until 2012 when we lodged our planning approval there's never been a complaint about the piggery. The minute I lodged the planning approval application and it had to be advertised there started to be complaints about smell. And really we went into a process then with the Department of Environment Regulation trying to either substantiate or show that it wasn't a problem. And the same few residents had lodged probably 70 complaints within a few months' timeframe and none of them were substantiated.

The shire didn't take, or it didn't obstruct - it refused to obstruct the process in the sense that I said look you're in the right planning frame, you've done the right thing, you're ticking all the boxes, the complaints can't be substantiated so we're going to prove it. But the minute you sort of put yourself out there because you're being advertised, as you have to do in these applications, you are a target. A lot of them wouldn't have even known there was a piggery there before it was advertised.

On the second site well the shire actually made the problem worse because we mention in there there's some old WA guidelines from 2000 that are no longer being used in practical terms but they're still the documents are sitting out there, and they talk just an area about a five

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kilometre separation distance for piggeries, which is absolutely ridiculous once you have modern science you don't need that much. In fact at that particular site we only need a few hundred metres when you do the modelling.

Anyway they took that and therefore they sent a letter out to everybody within the five kilometre radius, 600 people. And the nearest one, mind you, being 1.2 kilometres from the site. And of course that's going to stir up emotion because by default people think well there must be something wrong because the shire has contacted me. And subsequently 60 submissions were made against it anyway. So it's certainly an issue here as well and we need a clear planning framework. So the first shire again said, look, you're in a rural area, it's a rural zone, we want to keep it that way, that's our policy, so you're doing the right thing. There is people moving in, buying a hundred acres, using it as a hobby farm, and they think differently but it's not what the planning is so they're attitude was buyer beware, which is great. But unfortunately that's not always the case from local government.

MR LINDWALL: How does it work in Denmark when you have 30 million pigs and it's a much smaller area, geographic area, and obviously some of those issues would manifest themselves over there too?

MR SOERENSEN: So, and I've thought a lot about that, and I think that part of it comes down to probably just history. Pig farming is not well known in Australia, it's not widely spread as it is over there, so people are not used to it. But new farms in Denmark would be approved with only 300 metres to nearest residence. So it's much less of an issue. Of course it's an issue when if you're right next door to one in Denmark and it's not managed properly then you might say there is an issue. But I suppose it's the history behind it that people are prepared to accept a lesser distance.

MR LINDWALL: But if the farm is managed properly obviously the animal welfare issues are much less acute, or the welfare of the animals is better.

MR SOERENSEN: Both environmentally, smell, and animal welfare, has to do with management. You can have an old run down piggery or you can have a brand new one, if you don't manage the brand new one correctly you will have odour and if you don't look after your pigs in your piggery you will have animal welfare issues.

MR LINDWALL: What are the types of things that a good farmer would do to ensure good practices in terms of animal - management of the property?

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MR SOERENSEN: In terms of avoiding a nuisance for sensitive receptors?

MR LINDWALL: Noise, smell and - - -

MR SOERENSEN: You are going to manage the manure, you are going to manage the effluent. It's not the actual pig that smells, it's what comes out the backside that smells. So the way we intensive piggeries handle the manure traditionally has been in pond systems, so you let the effluent, the liquid effluent, goes into a pond system and the bacteria breaks it down and it eventually the liquid evaporates and the solids can be taken away. That breakdown of the manure, that's where you release methane and that's where the smell comes from and so what we're doing now and what many other piggeries across Australia is doing is basically covering that first pond, or putting it into a tank because then you've basically got a - - -

MR LINDWALL: A bit like a septic tank or something, is it?

MR SOERENSEN: You've basically got a biogas reactor and you can use that methane for generating electricity, even just flaring it off has got a significant reduction in carbon footprint. So that's a really good example of new technology that's been widely accepted by the industry to the benefit of the environment. And I don't think many new piggeries will come up without that sort of technology implemented these days. And there's also going to be some perhaps sources from the actual buildings but it's the good old thing, keep it clean and tidy, don't let the manure build up in the corners, keep it clean.

MR LINDWALL: Yes, and the pigs will be happier too.

MR SOERENSEN: Yes.

MS COOPER: And of course access to well trained staff, which - - -

MR LINDWALL: Yes, could we talk about labour market issues? I mean, where do you source many of your staff, do you use working holiday makers or seasonal workers?

MR SOERENSEN: Yes, there is a little bit of reliance on working holiday makers, mainly because we can't find anything else because it's not seasonal, pig farming is the same all year round. So it doesn't lend itself to seasonal workers in that regard but we have used working holiday makers just to fill up gaps in the production. But we rely heavily on the 457 scheme and subsequently, because I think we touched on that, one of

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the skilled codes that we used originally in the 457 scheme was removed, we only had one option and that was to negotiate a labour agreement. And a few piggeries have now got an industry labour agreement, myself included.

But we couldn't survive without the access to overseas labour. It is a skill requirement, and for us to be able to bring them in of course we got to prove that we can't find local labour, but we're looking for people with a minimum three years' of experience and minimum level of Certificate III or equivalent in farming. A lot of the people we bring in have got a Bachelor Degree or equivalent in Animal Science. We also as an industry need to work on training locals but so far there hasn't been an availability of locals even to train. I suppose that's changing with the current economic environment.

MR BAXTER: Well the proposition has been put to us by a number of producers, and one in particular just outside Toowoomba who is not dissimilar to you, that he in fact was looking for local labour, he was aware that there was a list of so called available labour from the local CES, went to engage them, they worked for a few weeks and then just packed their bags and disappeared. And it meant they had to resort to the 457 visa labour in order to get reasonably skilled people to do the job.

MR SOERENSEN: Well I'm trying to be not - to put it in a nice way, but yes, we have had similar experiences, yes. And we also we need people that show up every day and are reliable.

MR BAXTER: Exactly, yes.

MR LINDWALL: The use of - sorry?

MS COOPER: No, I was just going to say and added to that the location of the piggeries also there is a small labour pool in most of those areas and trying to get people to move into them is difficult and also has an impact on the reliability of the labour.

MR SOERENSEN: So over the years the cost of 457 has gone up significantly, which is a cost we bear as employers so that's a significant burden on us.

MR LINDWALL: That's exactly right. Can we talk about other technologies because you've got productivity improvements, obviously?

MR SOERENSEN: Yes.

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MR LINDWALL: One of them would be chemicals, and that may be available overseas that are not necessarily available in Australia at the moment?

MR SOERENSEN: Yes. Well when you raise that there's two things I want to touch on. Ag vet chemicals, I made a note of the previous speaker here was talking about it. We actually had an experience back in 2010 where a virus called PCV2 - sorry, it was 2009, started spreading across Australian piggeries.

Now that's not a new virus, it's commonly known overseas as well. But if you don't vaccinate against it it can be quite devastating. And the vaccine, it took them 12 months to approve the vaccine and just one brand of vaccine, and we still only really have one brand of vaccine, I think, another one only just been approved now, even though extensive trial and testing has been done of the same brands overseas. So that was a 12 month period with significant losses in the industry because of that.

MR LINDWALL: So both brands are now approved?

MR SOERENSEN: There's two brands but there's more brands available overseas that we don't have in Australia.

MR LINDWALL: And what are the price differentials, or can you give advice on that because I would suspect if there's only one approval there would be a high price.

MR SOERENSEN: Exactly. My brother who farms back in Denmark he paid less than a third for the same brand that I did here. And in terms of the differences as well, and I'm getting into dangerous territory here because biosecurity is very important to the industry, fresh pork is not allowed to be imported because there's a number of diseases we don't have and we want to keep it that way because as it was touched on earlier the image of high quality and clean and green is important to us. But it also means that genetics is not available.

So if I can use personal experience, my brother back in Denmark he produces 33 to 34 pigs per sow per year, I do 26 and a half. The average in Australia is only 20. And the differences there are genetics. So we can only work with the genetics we've got available in Australia and therefore we're always going to be behind internationally. Now science develops all the time and personally I believe there probably is a case that we can bring in genetics without risking the status, the health status, but it's something that we have to work on, doing a risk assessment, et cetera, et cetera.

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Others will disagree but I suspect this also has to do with political issues because some of the decision makers within the industry are also pig breeders themselves, so. But, yes, from a productivity point of view that is a massive difference because of the lack of access to genetics.

MR LINDWALL: It was Kerry Packer who said that you should always back a horse named Self Interest. Could you describe the genetic technology that is used by your brother, brother-in-law, or brother did you say?

MR SOERENSEN: Brother, yes. Well it's not - we in the pork industry we're not employing any high level of science like gene modification it's simply breeding and setting up breeding targets. But pigs have a quite quick breeding cycle therefore you make quick genetic gains if you have access to a big genetic pool. So it's basically just having access to that genetic pool and keep improving on it. The breeding companies in Europe, in Denmark, are starting to look at gene mapping and selection based on that rather than just the physical traits of the pigs, so that is starting to gain traction and probably will be used more widely, yes.

MR LINDWALL: Anything else you - - -

MR BAXTER: No.

MR LINDWALL: I just wanted to ask on abattoirs. Any particular thing you would like to comment on, the use of pork and the abattoirs in Australia, and the industry itself?

MR SOERENSEN: Well we obviously in Western Australia we basically have only got one abattoir that kills 95 per cent of the pigs. There's a smaller one as well that does it here. But multi species abattoirs are a thing of the past because of halal accreditation, et cetera. So this one abattoir we do have is export accredited and we do have a big exporting to Singapore of fresh pork, it basically gets put on the plane and flown over there the next day. Singaporeans are prepared to pay a premium for that, which is why we have an export we are not internationally competitive on price.

But it's also a chicken and egg thing when it comes to abattoirs. We could be more efficient, I believe, and more cost efficient in the abattoir side of things if we had a bigger volume but how do we get to bigger volume, we need to be more competitive. Certainly I haven't done the study myself but to get a new abattoir off the ground is probably quite

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hard because of red tape and more than that. So for someone to come in and invest and put a new abattoir up and - - -

MR LINDWALL: Even more so than a new piggery, I guess?

MR SOERENSEN: Probably, yes. Yes.

I don't know if you want to add anything to that?

MS COOPER: No, I think you've tidied it up.

MR LINDWALL: So anything else you'd like to comment?

MR BAXTER: No, I haven't got any more questions.

MS COOPER: I suppose just to sort of bookend it to some extent, the industry in Western Australia is on the cusp of expansion but we're only going to be able to do that successfully if, you know; (A), we're competitive, and we can only be competitive if we get our costs down; and if we have got the regulatory environment that supports the growth.

So if we are going to expand we need to have a system that is outcomes focused, is risk - makes judgements based on a risk assessment, which we mentioned in our submission, rather than, you know, a sort of I guess an over application of the precautionary principle that, you know, something might happen, or it could happen and - - -

MR LINDWALL: Well you can't eliminate risk, that's true.

MS COOPER: No. And, you know, the tension between various industries, you know, industrial land use compared to rural land use, that tension exists as well.

MR LINDWALL: All right, Jan and Torben, thank you very much for appearing.

MS COOPER: Thank you for the opportunity.

MR LINDWALL: I think it's time for a short lunch break. We're proposing to resume at 1.15, which is in 45 minutes' time, with WA Farmers. Thank you.

ADJOURNED **[12.31 pm]**

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RESUMED **[1.12 pm]**

MR LINDWALL: We're right to go, aren't we? Yes.

MR YORK: Okay, so my name's Tony York. I'm the President of WA Farmers. I've had this position for about the last six months, so I'm still an apprentice, you might say, but I am a farmer. And this is Maddison McNeil, who's our executive officer. We've got a small staff, and three of them are dedicated to policy issues, you might say, spread across the different commodities that we work in.

So I'm actually a working sheep farmer out in the wheat belt, owner operator with a brother, and running a business fairly typical of our membership in the organisation. We claim to have about 3,500 members, and of that there's 1,200-odd business entities, and I really would describe them as the core - maybe the core market of your review and what you're looking at in terms of the administrative costs. They are predominantly small businesses, and they are predominantly owner-operators, so they run pretty lean and mean, and they do find the constant stream of remark to our organisations is the cost of compliance and red tape, so we really applauded this opportunity for you to be doing this review, and allow us to make some input. So - - -

MR BAXTER: Can I just ask a quick question? Where do you sit vis-a-vis the Pastoralists and Graziers Association?

MR YORK: So there's two major - what you might call major broad acre farm advocacy groups, WA Farmers and the Pastoralists and Graziers Association. There is a number of other smaller groups related to specific commodities or to culture and so on, but we're the two main players, and we'd argue that, you know, we tend to be more focused in the south west with broad acre agriculture, and they tend to be more focused in the pastoral region.

Okay, so, yes, we are pleased to make a response, and now we have got - Maddison is one of our three making submissions to your - so we're busily trying to get something in by the 18th, and my immediate feedback was it's a very substantial document you've made, and you're only giving us 30 days to respond.

MR LINDWALL: Well, we're going to do our final - we're fairly flexible. If it doesn't arrive on 18 August - sorry, I was going to say - - -

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MR YORK: As long as we keep feeding you - - -

MR LINDWALL: - - - we're not going to die. No.

MR YORK: Okay, right, that's good.

MR LINDWALL: We are very forgiving. But we'd prefer it not to arrive it on 14 November, since the report goes to government on 15 November.

MR YORK: No, no, no, no, no, we'll be - okay, we'll be onto it. So it's important to know that we have got a degree of flexibility. And so as I have mentioned earlier, our growers, our members, are quite constantly in all different levels of government and so on complaining about the cost of compliance and regulation. So it's a very big issue in terms of our membership, and we - broadly, many of your initial findings we are supportive of, and I don't know how much time we've got, but I'd like to kind of - - -

MR LINDWALL: About half an hour, so we've got until quarter to, so there you are - - -

MR YORK: So I - is it appropriate that we just go through and finalise the summaries - - -

MR LINDWALL: Yes, yes, absolutely.

MR YORK: - - - in summary as best we can? Is that all right?

MR LINDWALL: Yes.

MR YORK: Sorry, I'm just getting through a few things, and I had a few - there's a few remarks, and then go through to the draft recommendations, all right? So just confirming, yes, we are the small businesses. Most of our members would be under a 5 million turnover, and probably under a five personnel staff. So sometimes we're only one, up to about five would pretty well cover 95 per cent of our membership.

So in your overview you've made some remarks about the GM and non-GM and there not being any evidence of GM free marketing in the bulk trade. I'd make the point that in Western Australia we have non-GM canola and we are getting a substantial 10 per cent or thereabouts premium on non-GM. So there is a bulk market there for non-GM as a premium.

MR BAXTER: Just out of interest, is that on the local market, or on local

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values and exports?

MR YORK: No, it's an export premium. Most of it's going to Europe, actually.

MR BAXTER: Okay.

MR YORK: That's right, so in your overview you're talking about biosecurity, just to remark in that we certainly want to emphasise the fact that in some aspects Western Australia is quite distinct and discrete to the rest of Australia, and there are quite strong commercial interests for some of our industry to maintain some discrete biosecurity measures because we did perceive it as giving us a market value - market benefit.

I would make the point that most of the industries we are involved in are primarily export-focused, and there are definitely access to some markets, for example with Bovine Johne's Disease we can get into some markets that we couldn't if we were in the rest of Australia.

MR BAXTER: Is there no evidence of Johne's Disease in WA?

MR YORK: Pardon?

MR BAXTER: Is WA free of Johne's Disease?

MR YORK: It's a matter of dispute at the moment. We claim that we are, but the rest of Australia says no, you can't be, basically. So they've - we certainly claim that we are, and we certainly have got markets that are willing to accept that we are. We have to actually - because there's a national reform going on at the moment, we need to make - the industry is making a decision at this stage as to whether we can afford the cost of administering separate biosecurity measures for - - -

MR BAXTER: And sorry to persist with this, but who's doing that? Is that the state department doing the certification of being - - -

MR YORK: The industry - - -

MR BAXTER: The industry?

MR YORK: - - - and the state government through our BAM Act - is that correct?

MS McNEIL: Yes.

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MR YORK: - - - I think are trying to determine what the cost is, and then between the government, state and the industry we'll decide whether we can afford it, to impose - effectively what we're trying to do is continue the level of quarantine that was going on intrastate - - -

MR BAXTER: But that's a private certifier who's acting on behalf of the government to do the certification, or is it a government agency that's actually doing the certification

MR YORK: My understanding is that they commissioned some consultants to do an assessment of - a cost benefit analysis, and - - -

MR BAXTER: Well, look, we'll put the question on notice.

MS McNEIL: We can take that on notice.

MR BAXTER: Look - -

MR YORK: We'll take it on notice.

MR BAXTER: Yes. Because I mean, one of the things is quite often in these circumstances to have a private sector certifier acting on behalf of the government is more efficient and more cost effective than it is to have a government agency doing it, and a similar issue was raised with us when we met Wellards here in Fremantle earlier in the year, that part of the problem of having a national government certifier was impractical and didn't meet the time deadlines of shipments required.

And having had some experience and knowledge of the beef and cattle industry, Johne's Disease is one of those that I would have thought would have been certified quite easily by a private certifier.

MR YORK: Look, we'll take that on notice.

MR BAXTER: So could you? Would you mind taking that on notice?

MS McNEIL: Yes.

MR YORK: Yes, sure.

MR BAXTER: Could you just drop us a line in the course of your response?

MS McNEIL: Yes.

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MR YORK: In your overview you make reference to the regulatory impact assessment. Certainly we have already endorsed that as being a very useful tool wherever it can be applied. The problem, of course, is getting governments to actually accept what those impact assessments might mean.

So I think I'll just go through to the - - -

MR LINDWALL: Recommendations? Yes.

MR YORK: - - - recommendations if that's okay with you?

MR LINDWALL: Yes, certainly, and then we can ask some questions after that.

MR YORK: Sure. Sure. So land use regulation, I think in Western Australia you'd be aware that we've got quite a lot of leasehold - - -

MR LINDWALL: Pastoral leases, yes.

MR YORK: - - - tenure, pastoral leases as against freehold, and our only reference would be they, I think, need to be treated differently, and what is considered acceptable rights with the leasehold are different to what's considered acceptable rights to freehold titles. I make that distinction.

So for example, in your draft finding 2.2, presuming agriculture per se can prevent land from being put to the highest value use, I would point out that many of our members see the freehold title is freehold title, and that is rights - confers certain rights that the community are taking away from them, and really it should - it's the reverse way. It's not that the community are losing property benefits, it's that the property title holders, the freehold title holders are losing through benefits through the regulation and change of rights.

MR LINDWALL: If they bought it before the changes were made, obviously. If the changes were made before they bought it, maybe not.

MR YORK: Okay.

MR LINDWALL: Because they would have bought it then under the conditions - - -

MR YORK: With knowing what the conditions were, yes. I mean, the conditions have been slowly changing over 100 years.

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MR LINDWALL: Yes. Yes, exactly.

MR YORK: So we're aware of - yes. Yes. So recommendation 3.2, we've broadly endorsed the development of market based approaches. We are very interested in what's happening here in WA. They're trying to develop an offset matrix in terms of, as far as our members - it's giving some value to the constraints.

I mean, the bottom line is if the community sees some values in the native vegetation or biodiversity conservation, where our primary argument is that the community should be paying for it, in light of the fact that we're having difficulty getting them willing to pay for it, an offset matrix is a possibility where there might be some capacity to get some value, but there is an ongoing issue in terms of land clearing and permits. It's one of the issues that many of our members raises as being frustrated with many levels of oversight and regulation and application permits, et cetera, that need to be dealt with.

I haven't really got anything to add to the regulation of water. It's not a major issue with our membership.

MR LINDWALL: So can I - on that, so your reliance - presumably most of your members are probably wheat or grain growers of some kind or another, so it's basically rainfall that you're relying on for your crop and no great irrigation?

MR YORK: In Western Australia, there is no broad acre irrigation in Western Australia. There is a smaller amount of irrigation in the Ord River, and in some small dam catchments in the south west, but - - -

MS McNEIL: It's predominantly for horticultural and dairy sectors, not broad acre production.

MR LINDWALL: Okay.

MR YORK: I would say it's a relatively minor part of the agricultural sector in Western Australia. I mean, it might amount to $1 billion in gross value compared to the 7 or 8 billion that the state produces, so it is - all irrigation, I mean, would amount to that. And 50 per cent of that at least would be for domestic production.

MR LINDWALL: Yes.

MR YORK: And you might get other submissions and other presentations from people that are more focused in that horticultural

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sector, I can't say.

So we're onto the GM technology and agricultural veterinary chemicals and veterinary medicine. Okay. So I note on the animal welfare, you are recommending an overarching national body. In our organisation, we think there is plenty of oversight in terms of animal welfare, and we're at this stage not accepting that as a benefit, you might say, and you will be getting some more further comment on that through our submission.

MR LINDWALL: Yes, all right.

MR YORK: I mean, the overarching issue really is that we worry about who would be influencing a national body, and that we might be - more broader community interest might weaken the benefit of the livestock sector.

MR LINDWALL: Well, we can explore that in more detail - - -

MR BAXTER: Yes. Can I just quickly - New Zealand has an independent body, and clearly the same thing worried them, worried your equivalents. They've ended up with an organisation called the National Animal Welfare Committee, NAWAC, which has worked very effectively. It's been a truly independent body with a very good cross-section.

Can I separate out the idea of having an independent body and there's a separate issue being the appointees to it? So is the concept of having an independent body anathema to you, or is it the real concern is the membership of that organisation?

MR YORK: Look - - -

MR BAXTER: You needn't answer at the moment. Have a think about it - - -

MR YORK: All right.

MR BAXTER: - - - and we'd appreciate some sort of - - -

MR YORK: Feedback? Okay.

MR BAXTER: In your submission.

MR YORK: All right, we'll do that. So the GM - or access to

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technology and GM, certainly our industry is predicated on the benefits that science and research have given us over the last 50 or 100 years. Many of us would argue that most of that broad acre industry wouldn't exist.

So there's a genuine acceptance, if the science is advocating - trust in the science, you might say, by our membership, and if it's been proven that GM is not of any risk then we can't see any reason why we shouldn't have access to that as any other tool that might come up in terms of science and development, new technologies.

And similarly with the APVMA, we are very concerned about continuing access to new chemicals. Same basis, really. It's a pivotal part of our industry, and particularly frustrating for us is when things go off-patent and people aren't prepared to invest in the compliance, so hence we support your recommendations about using trusted comparable international structures and so on. I mean, that's common sense, and it's reduction of costs.

And funnily enough in Western Australia, you know, a minor use might be defined as a minor use of some herbicide or chemical elsewhere in Australia, but it's very significant for the south west, it's not a minor use as far as we're concerned.

How are we going, Maddison?

MS McNEIL: Good.

MR YORK: Sorry, I did mention a bit about biosecurity already, and certainly we'll be making substantive comments in our submission in response.

MS McNEIL: Some of our main comments about biosecurity are the significant amount of duplication that exists between the states, the federal government, as well as the local governments. A lot of farmers pay for biosecurity through their national levies, the state based levies, the shire levies. There is lots of duplication in that area because when you regulate biosecurity you regulate it as a biosecurity system for agriculture, but agriculture isn't actually what is produced. You produce your grain or you produce your livestock.

So from industry's point of view, it's quite difficult to comply with biosecurity - like - not - I take that back. It is easy to comply with biosecurity, but there is a lot of mis-clarity around what is actually happening and who is doing the work, as well as what are the outcomes of

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it.

So a lot of it is about transparency, and that will be coming up through our submission.

MR YORK: I'd also like to highlight there's, particularly in Western Australia at the moment, budget constraints at the state level. There's quite a bit of push in terms of pushing the costs of compliance in biosecurity back to the agricultural sector, and we certainly - our membership are pushing back on that, because many of the biosecurity issues are of national interest, and caused by other players in the market, often on Crown land, for example, can be a big source of some of the biosecurity issues.

MR LINDWALL: Weeds and so on, yes.

MR YORK: So the public should be meeting its proportionate share of the costs of compliance and managing biosecurity. So Western Australia, in terms of heavy vehicle regulations, we can concur with most of your recommendations about the last - access and the regulations of - the cost of regulation and compliance for roads.

I would make the point, and you may have already heard this, but Western Australia sees itself as quite a bit removed from the rest of Australia, and that we have - particularly in the road, for example, we have maintained our own heavy vehicle regulations and so on, and we support that, and see little reason in the benefits of being roped into the national operation in terms of roads.

MR BAXTER: Can I just ask, is one of the problems - or is it a problem in Western Australia where there's the increased use of bigger, heavy trucks for running cartage in particular, and B doubles, but the local government bridges in local government shires become a problem, which is a problem in the eastern states?

MR YORK: We are made aware that there is some frustration, the last mile, turning onto the local roads and the bridges. There is a very - right at the moment, there is a very slow assessment process that Main Roads have to go - or the local governments have to go through to determine that structural integrity of the roads. I think there's a push on at the moment to maybe turn that around and make those roads accessible without proof that they're a hazard.

MS McNEIL: There is some reforms going on within how Main Roads and local government work on the heavy vehicle routes in WA, and that's

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coming in soon, if not already in the process of being implemented.

MR YORK: So it's an issue, definitely, but there is possibly a solution coming up for us in WA. Well, not a solution, a way of making it more workable, would be a better way of looking at it. What have we got here? Abolition of the road safety remuneration system.

MR LINDWALL: You don't support that?

MR YORK: So ...indistinct... we support that. Yes, we'll go along with that. Just some little remarks on the draft finding 8.3, privatisation of major ports and infrastructure. We concur with your last paragraph about the sale price of ports by conferring monopoly rights on buyers is not in the public interest, so definitely.

We have been engaged with the state government - I mean, we have got a position where we are opposed to it unless there are clear benefits to the industry and to the public, and we have worked very hard with the current Treasurer at a state level to try and get assurances that port users are protected for access and pricing.

I mean, it is a constant issue. I mean, certainly you need to watch that.

MR BAXTER: Does that concern still exist now that Qube has taken over Aurizon and a merger of Aurizon and Asciano has gone together? CBH I think was in the middle of that brawl, wasn't it, at one stage?

MR YORK: Well, there was an issue, yes, of the railway, but Maddison can make some comments.

MS McNEIL: We have been very vocal about our opinion on the acquisitions, which they are all on our website if you want to have some reading. We didn't support any acquisition of those assets, predominantly for the fact of you can't protect vertical integration and monopoly infrastructure, and it's very difficult when one of the participants is a leaseholder, one of them is an operator of the port that has 70 per cent of the business of Fremantle. So from our point of view, there were lots of red flags, so we said we don't support. But now that it's gone through, we will wait and see what happens.

We are yet to be convinced that the provisions with the businesses will protect the monopoly infrastructure, because we've had experience with the rail network and how monopoly infrastructure has been used to extrapolate maximum price, which is the point of big business, but from a

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farmer's point of view, we're small business and we can only operate within what we have access to.

MR BAXTER: And all that's on your website?

MS McNEIL: Yes.

MR BAXTER: Okay. Thanks.

MS McNEIL: And that will be featured within our submission.

MR BAXTER: Okay.

MR YORK: Maddison, as I understand it, our concern was with the rail, Brookfield, has been ameliorated because they are not an active purchaser - not actively involved, or are they, in the Fremantle Port, as the port users? Are they part of actually - is it going to be - - -

MS McNEIL: That's part of - - -

MR LINDWALL: I think that's still being sorted out.

MS McNEIL: Yes, so there's - - -

MR YORK: Well, it's gotten very confusing.

MS McNEIL: There's eight consortium partners, from memory, so there's different - - -

MR LINDWALL: Yes.

MS McNEIL: Our concern was the fact we struggle to understand it, so how are we meant to understand the competition implications if you can't understand how the businesses are all cross-percentage shareholdings, and - it got very messy, and our concern was if you're making it so hard to try and get approval of competition, what's happening.

MR LINDWALL: Yes, good point.

MS McNEIL: Our main concern was avoid it if we can, which is what ACCC have said long-term, if you can avoid vertical integration monopoly infrastructure, do it.

MR YORK: Right. We'll just keep going through the last few pages. I guess we can't go past without making some comments about foreign

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investment. I see it's a yo-yo, it's a see-saw, it's a very political issue, and it's a very sensitive issue and emotional issue for our membership, and certainly we've been, as an organisation, supporting the recently introduced constraints down to the 15 million and the 55 million thresholds to go to application. It doesn't mean that it's rejected beyond that, to go to the Investment Review Board.

I make two comments. We have come out very much in support of a register of foreign investment, and I'm frustrated that it's taking so long for that to come out, and that we would still be arguing that it needs to be made public.

And also, as always, where we get the opportunity to seek clarification on what is meant by national interest, I'm sure everybody would like to know - I mean, I think as best as can it would be good if that was, you know, made more clear, national interest, but I think we have to - - -

MR LINDWALL: You have Buckley's chance on that one.

MR YORK: I think we have to accept that it's a sensitive issue and it's a political environment.

MR LINDWALL: National security is political, it's a national security issue somewhat, yes, yes. Security agencies and so forth, yes.

MR YORK: So at this point we're - I mean, you're recommending we go back out to the higher thresholds. We're quite happy with the current thresholds.

MR LINDWALL: That's right.

MR YORK: Our membership is at this stage. It's a compromise.

MR LINDWALL: I'm not sure - well, what about one of your members who wants to sell his or her farm?

MR YORK: Look, this is a middle road. Look, we've got parts of the membership that have got absolutely no problems whatsoever with foreign investment and ownership, and see that as a right, to have access to it, and we've got other members that are much more circumspect about who is going to own the land in future. So we're - we would see that the 15 and 55 million is a compromise, that's - - -

MR BAXTER: There would probably be a difference, I should imagine,

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between your views and those of the PGA.

MR YORK: They are much more openly in favour of - well, I can't speak for them, okay? But yes, there may be some differences.

MR BAXTER: I mean, your - just as a rough guide, a lot of your membership's properties in terms of sale value would be under the 5 million.

MR YORK: Under the 15 million, yes.

MR BAXTER: Under the 15 million, rather.

MR YORK: Yes, that would be correct.

MR BAXTER: Yes.

MR YORK: And it would be more of their membership.

MR BAXTER: It's up into the - - -

MR YORK: That would be correct.

MR LINDWALL: Did you have any - was that the last one, or - - -

MR YORK: No, I think that's it. So just the way forward, I guess, in summary. We just really seek the need for regulators to justify regulation, really, and it is very important, your recommendations regarding regulatory impact statements. I think that's the core to it. And that's all.

MR LINDWALL: Okay, no, thank you. On the issue of land clearing, we heard from Chris Tallentire this morning, the MLA. He was saying that there's a lot of salinity problems in Western Australia.

MR YORK: Yes.

MR LINDWALL: And he was basically objecting to our recommendations on - that we were allowing some sort of offsets. What would your response be to that, that the salinity problems are high and they're growing?

MR YORK: Okay, so I'm actually on a farm that's got about 20 per cent of its land's gone saline. There is pretty widely accepted recognition that after land clearing there's going to be a period of time before the water table re-establishes itself, so any land that's more than 80 years, 50 to

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70 years cleared, tends to have stabilised.

So the problem does occur after the land clearing, but after a period of time it stabilises, so I don't think it's endless in terms of the risk. We're not going to have the whole wheat belt go saline. It reaches a new stability. I think for us, it's an - amongst that saline land is the bits of land that are uncleared and remnants and they're highly degraded, some of them, but they are - there is capacity to invest in them maybe for, you know, land use purposes or environmental purposes, if there is the right structure.

If there was an offset structure perhaps that land can become an asset rather than a liability. But I would reject the argument that there's an endless threat to salinisation. Definitely we have got salinisation as an issue, but it's going to stabilise.

MR LINDWALL: Now, on animal welfare, and Ken touched on it about this new body that we proposed, if it were to come to pass, what type of issues would - in terms of the composition of a body, would you like to give some thoughts on - or guidance? I mean, you don't have to right now, but - - -

MR YORK: Well, I'd rather take notice on that, because we've got - I'm the General President, and we've got a livestock section who'll be taking much stronger interest in that.

MR LINDWALL: Fair enough, yes.

MR BAXTER: Can I seriously suggest you have a look at the New Zealand model, because it has worked?

MR YORK: Yes.

MR BAXTER: And it has also dealt very effectively with the recent problem that New Zealand dairy farmers have in particular with bobby calves.

MR YORK: Right.

MR BAXTER: Which is an issue that obviously some of your members would be facing, as are members in Victoria and New South Wales of your counterpart organisations. And I think it's fair to say, Paul, we were very much impressed with the way that New Zealand and NAWAC - - -

MR YORK: So you've been there?

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MR BAXTER: Yes, we went there the week before last - - -

MR LINDWALL: Yes, no, it was very impressive, and - - -

MR YORK: Okay.

MR BAXTER: We were impressed with two things - well, we were impressed with more than two things, but one was the national animal welfare organisation, and the second one was the approach that they had to dealing with conversion of leasehold property into freehold, far more simpler and straightforward processes than we appear to have in the Australian states.

MR LINDWALL: Now, could I get back to the original point I think you made, Tony, which was the non-GM canola commands a 10 per cent price premium to our export. Do you have something you could - documentation you could provide for that, or put that in the submissions?

MR YORK: We can substantiate that, yes, we take that on board, no problem.

MR LINDWALL: And does that mean - well, what are your thoughts about producing non-GM and GM in the same - separated, and then both selling as they will, one with a premium, one without a premium.

MR YORK: Right, so we've been operating with segregation for about, you know, eight or ten years or something now, and it doesn't seem to be a major problem.

MR LINDWALL: So you don't support a moratorium? Yes.

MR YORK: Some proponents that are anti-GM are very sensitive to the degree of separation and the management of it, but I think we've got around those issues mostly, and the market certainly accepts our process of segregation quite readily, and - - -

MR LINDWALL: Which is by definition with the price premium, one would argue.

MR YORK: Exactly, exactly. We've always - I don't know, a tenet, I suppose, of our organisation is the right to choice, essentially, so the farmer should have the right to grow whatever they like, which protects the non-GM grower as well as the GM grower.

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MR LINDWALL: Yes, yes.

MR YORK: It's two sided. I don't know whether you've got anything to add, Maddison?

MS McNEIL: No.

MR YORK: We can definitely give you our notes.

MS McNEIL: Definitely.

MR LINDWALL: I mean, hypothetically if you had, you know, one hectare of grass - of land and you were able to, with GM, produce something with a higher yield content more than the offset, the 10 per cent price premium, then it would be economic to do so, I suppose.

MR YORK: Correct, and it's still - I mean - - -

MR LINDWALL: So it's all about economics.

MR YORK: Absolutely.

MS McNEIL: Farmers do their own economics. Because not only is it yield, but there's also potential oil increases, as well as the benefit of the herbicide use, so the farmers weigh up their own benefits and choose to use whatever system suits them.

MR LINDWALL: Could you describe briefly about how separation is maintained in WA?

MS McNEIL: Yes. I'm not an expert on this. We can get some additional information from CBH if you'd like, but I can give you a general overview.

MR LINDWALL: Yes, please, yes.

MS McNEIL: I worked at a CBH sample hut, so I've got a vague understanding. Generally speaking, they don't accept GM and non-GM at the same site, so you'd have to go to a different location to be able to deliver one or the other. However, those that do have - they can offer both segregations. They avoid it, because it gets very, very challenging, but if they do then there are protocols within the sample hut for cleaning. You clean down the entire system before and after, and you make sure that the seed goes back into the truck that you collected it out of. But if you like I can take that on notice, yes.

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MR LINDWALL: That would be great, yes, please. We are running out of time here on this, but did you have any more questions?

MR BAXTER: No, no, I'm fine.

MR LINDWALL: I think that unless there's final points that you want to make, but - - -

MR YORK: No, we're good.

MR LINDWALL: Thank you very much, yes.

MR YORK: We'll come back and we'll - - -

MR LINDWALL: We look forward to the submission.

MR YORK: - - - try and get a submission as close to the 18th as possible.

MR LINDWALL: Thank you, Tony. Thank you, Maddison. And I think we're now moving on to Julie Newman, who is our last witness for the day, except if there's any offhand comments afterwards. We'll always allow that. Hello, Julie.

MS NEWMAN: Hi. Would you like a copy of my submission here?

MR LINDWALL: Yes, please.

MS NEWMAN: There's also some additional pieces. One of them's the GMO industry reference group report, and the other is - you were just talking about the CBH, and the other is the terms and conditions that the CBH have on delivering any grain, and of particular notice in that, which I've covered in my submission, is that they need a guarantee of zero tolerance in any produce delivered to CBH, zero tolerance of GM. And the non-GM farmer is to accept the liability for any economic loss caused by GM contamination, which could include demurrage or returning shipments that are rejected.

MR LINDWALL: And now - that's all right. Julie, I should get you to introduce yourself first, and maybe give us a little bit of an overview what you want to say.

MS NEWMAN: Okay. Julie Newman, the national spokesperson for the Network of Concerned Farmers, which a group of us started up in 2002,

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and my primary aim at that time was to expose misleading information that was being put around, and to ensure there was adequate risk management to prevent non-GM farmers being liable for economic loss for a crop we didn't need and didn't want. It just seemed grossly unfair. So I will be covering that a lot in what I have been doing, what I have submitted.

But I was politically - I was Vice President of WA Farmers Grains Council for a number of years, held a GRDC portfolio while I was there, and was on Grain Council of Australia policy council for a while, and on the GMO industry reference group. There is a number of political positions I've had.

Personally we have a 10,000 hectare mixed farm, one of the largest seed-grading factories in the state, and a very large contract crop spraying business when crop spraying first became popular.

MR LINDWALL: So maybe if you want to just give a bit of a brief précis of what your arguments are then we can ask some questions, if that's all right.

MS NEWMAN: Okay. Primarily the regulation at the moment is totally inadequate, particularly that they are trying to repeal the state act allowing moratoria, because that is the only act that protects economics. The OGTR, on a federal level, only assesses health and the environment - - -

MR LINDWALL: Science - - -

MS NEWMAN: - - - and I will explain why that is not working as it is, it is under industry self-management, meaning Monsanto really is allowed to do what they like. And that is what is happening in the economic case.

What disturbs me the most is the misleading statements that are coming out from government as well, but that could cause a major risk to our wheat industry, a $3 or $4 billion a year risk immediately on commercial release of GM crops - GM wheat, sorry.

So no market in the world grows GM wheat because no market in the world wants it. And unfortunately if any country releases it commercially the markets have made it very clear that they will not deal with that country, because it is - you cannot segregate to the zero tolerance required, and with GM wheat it doesn't escape labelling. It's for human consumption. So unlike the oil crops, which is most of - any GM canola is generally the reason it is going to EU is because it is used for bio-diesel or stock food, for the meal.

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And that is a major risk that we are putting up - we are allowing to happen, is the research sector, particularly the Ag Department, with their alliance with Monsanto through Intergrain, they are pushing for GM wheat, and they want West Australia to be the first country in the world to grow it commercially.

Now, that wouldn't be such a problem if there is a strict liability legislation in place to allow the GM industry to be liable for any economic loss they cause, but unfortunately under existing legislation, and it has been proven with this *Marsh v Baxter* case, there is no legal ability - common law does not address the unfair liability put on non-GM farmers.

So if this happens, who is going to be liable for the wheat industry? If the GM industry truly believed there was no risk they would accept liability for it. They cannot expect their opposition customers to pay for the economic loss their product causes. It is extremely anti-competitive, and under this law, unfortunately - like, if you look at the ABARE report, the government - I have done a degree in politics and legal studies to actually look at more of the international push on this issue, and it is quite extraordinary how America is really pushing that.

But when you actually look at the contracts that the GM farmer signs, you have an American company that, by forming an alliance with the plant breeders, they put a gene into every variety that is produced, and they own the crop, and they can control what products are used and who to sell it to, and it is based under American law, that contract.

So it is food security for America, which is totally understandable, but for Australia it is a risk in the future if this is permitted to progress without any risk-management. So if we look at the existing legislation, health, industry self-managed. Monsanto gave the report - actually, first of all, before that, I will actually explain what GM is, because a lot of scientists mislead it and say we have been modifying genetics for hundreds of years.

MR LINDWALL: Well, Professor Mike Jones said that this morning, and he is - - -

MS NEWMAN: Yes, well, it is not true. I mean, that is modifying genetics.

MR LINDWALL: Are you saying that he is not qualified?

MS NEWMAN: The technology of GM, it is only removing a gene and forcing it into - one gene at a time. Sometimes it is two or three in a

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variety, but usually it is only one, and they force it into the DNA of 30,000 genes of a plant. That is one gene in 30,000. So it is no miracle worker.

The most popular is Round Up Ready. So what they did is they took a gene out of the bacteria found in Monsanto's sludge factories, isolated that, and rammed it into the DNA of a plant. Now, that has been the most successful, after billions of dollars and 25 years since they have brought it in. All it is is about the patent, because our weeds are developing resistance to Round Up without us wanting them to, and it only took one year for enterprising drug barons to produce Round Up resistant drug crops. So you don't need GM, but it gives them a unique patent.

So instead of the plant breeder rights, it allows a corporate company, and Monsanto is the dominant company, to have a patent right over the crop. So it is their crop and they tell the farmer how to grow it and who to sell it to, so that is control of the supply chain, and it is by forming alliances that it gets put in.

Now, under legislation, we are the same as Brazil and Argentina, which has an end point royalty. So under the UPOV 91 international treaty - American hasn't signed that, so they need to sue the farmers if they get contamination, or if they grow GM, but in Australia if we follow Argentina and Brazil, it is Monsanto's right to - and I have seen the contract with CBH when I was on the parliamentary advisory committee, that all the canola gets tested. If there is any positive test, it can be as low as 0.01, they have the legal right to deduct their user fee.

Now, that is, in Brazil and Argentina, what is happening at the moment, is because they have - Monsanto has a very strong alliance with Cargill, you have got every farmer delivering to that, but has to prove there is a zero tolerance, a zero GM in their consignment, and if any is found, they get fined.

That is why the stats have shown so much more gets grown of the GM. It is not that they are growing it, it is because they are having to pay for the royalty. So it is an extraordinary misleading information that is being promoted, including from our government. If you look at the massive problem with GM wheat, ABARE came out with statistics saying it was going to be a big profit for us. All they did was say, "There could be a 10 per cent improvement in GM wheat," and they multiplied it by the amount that is grown.

They did not assess the market risk. No country in the world is growing it. It's been out for 15 years, and no one is growing it because of

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the massive economic risk. So really there needs to be a Senate inquiry to look at the government agreements on the Free Trade Agreement, and - - -

MR LINDWALL: Are you talking about investor-state dispute settlement?

MS NEWMAN: Sorry?

MR LINDWALL: Are you talking about investor-state dispute settlement?

MS NEWMAN: No, I'm not sure - - -

MR LINDWALL: That's where private companies can take the government - - -

MS NEWMAN: Yes, yes, which is totally in line with the statement here that you've got that process is disproportionately influenced by particular stakeholders, never more so with Monsanto. So we released the report, the cross-industry report, which is this one, which is an addendum to my submission, and it showed some serious risks on the release of GM canola and the unfair liability. This was chaired by Kim Chance, and we met monthly for over a year and prepared it, so it's cross-industry.

So it showed some problems, but when there was a change of government Terry Redman approved GM crops and, you know, $10.5 million was given to his portfolio from Monsanto to buy a portion of Intergrain. Now, he shouldn't - this is a government report that warns of the problems of unfair liability. It was not addressed.

But to remove the state - you imagine if that was on the GM wheat report, we were getting rid of the state legislation because states have authority over land use, you are getting rid of the ability to assess economics. You bring GM wheat in, a $3 to $4 billion a year loss to WA alone from the day it's commercially released is too big to ignore. You can't just get rid of that legislation.

MR LINDWALL: But our previous testimony was that there's a price premium for GM exports of canola, I think.

MS NEWMAN: Non-GM.

MR LINDWALL: Non-GM. Sorry, non-GM, I meant non-GM.

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MS NEWMAN: I've been following that and $10 to $60 a tonne has been what's the average between this.

MR LINDWALL: Yet at the same time, we're producing GM crops the same way and they're separated.

MS NEWMAN: Now that's interesting.

MR LINDWALL: Surely that proves the market works so that you're able to command a premium for something and to sell the other GM product as well.

MS NEWMAN: Yes, if you go to the section with the zero tolerance, so if you go to 6. We're misled to believe there's a tolerance level. In this report it's been thoroughly investigated about a zero tolerance, so page 4 is the start, section 6. If you look at 6.2, these are the quotes out of this report: "In 2001, the ACCC made it clear that a GM-free claim left no room for ambiguity under the Trade Practices Act." If you were to label, as you've suggested in your report, it's up to the non-GM farmer to label something non-GM, it's zero.

MR LINDWALL: What do you mean "zero"?

MS NEWMAN: Zero tolerance of any GM. Let's say a New Zealand sausage maker was successfully sued and presents as part of that government action for labelling his soy sausages as GM-free when they had 0.007 per cent GM in, it's false and misleading labelling?

MR LINDWALL: They are able to maintain the separation as it is.

MS NEWMAN: No, they're not. How they're managing, which is the addendum to that, how they're managing segregation is getting non-GM farmers to accept any liability associated with it. So they're not testing it when they're selling it, because they never guarantee that under the Terms and Conditions of CBH, every farmer that's delivered non-GM, has guaranteed there's no GM in it. That's how they're managing it. They will not be able to manage it with GM wheat because market perception, which is shown with the GM wheat trials, instant rejection from a country if there is any contamination of wheat found because there's a human need.

MR LINDWALL: So if you have GM wheat you can't sell it?

MS NEWMAN: It's not just that. The non-GM farmers would lose their markets.

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MR LINDWALL: Then why would someone produce something if you can't sell it?

MS NEWMAN: Why would a non-GM farmer want to lose the markets?

MR LINDWALL: No, but why would you produce a GM product you can't sell? There's no logic to that.

MS NEWMAN: It wouldn't take much just for somebody to proof. I mean you could have somebody like Bill Crabtree decides, "I'll just do it for a stir and give it a whirl and see how it goes". That's fine if he wants to take liability for it, but not a non-GM farmer, not somebody that is taking responsibility on trying to market their product. To lose your markets - AWB did the research and there's been reports out. I don't know why OGTR would want to mislead and not look at the markets.

MR LINDWALL: OGTR, who we spoke to and will be appearing at our hearing next week, says that the science is very clear. We heard the same with Mark Jones this morning, that the safety is absolutely clear and that the World Health Organization, and the US Food and Drug Administration and reputable scientists around the world have all been clear that over 30 years or more there has been no proven health risk with GM.

MS NEWMAN: Trying to get some consumers to eat GM is a bit like trying to get kids to eat Brussels sprouts; it's just not going to happen.

MR LINDWALL: That's a market issue, isn't it?

MS NEWMAN: You can't force product on to market. You cannot tell market what they want. If you look at the OGTR, it is inadequate, the testing at the moment. If you look at Roundup Ready canola, the testing, they allowed Monsanto to do their own testing. The only product that was - - -

MR LINDWALL: The OGTR told me last week that they have independent testing. They don't rely on industry testing.

MS NEWMAN: No, the testing is done.

MR LINDWALL: They said, and we'll ask them. I have it on the public record.

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MS NEWMAN: That would be very good because perhaps Monsanto has paid somebody independent, but if you look at their testing that was supplied to OGTR, it's to be analysed by FSANZ and they only did the feed testing on the meal which they crush it and get rid of the oil, and they found an increase in liver weight of 17 per cent in just a few weeks feeding. Now that indicates some sort of toxic reaction. FSANZ ignored that, not because they didn't consider it a problem; they ignored it because they had no authority over stock feed. They didn't do any testing on the oil. They just presumed there was no problem with it because there's no DNA in it, no protein in it. Now presumption is not good enough for consumers. They don't want to be unwilling guinea pigs.

Then you look at OGTR with the environmental. So they look at the health and environment risk. They had a condition of licence on Roundup Ready. In order to manage the increased resistance to the weeks to roundup, they imposed a condition of licence and Monsanto wrote what they were going to do. One of them was to ensure that every farmer that grew it did not have a resistance management problem on other weeds. Now with the media and the court case transcript, it showed that that's the main reason farmers grow it, but the condition of licence said those farmers aren't allow to grow it, because that's how they were going to manage it. There's no policing in it.

MR LINDWALL: The IP issue, that's an issue which we're covering in another inquiry the Productivity Commission is doing on intellectual property and there are certainly some issues with IP and the importation of it from the United States into Australia and we've made comment and PC on that before. I want to go back. You're still criticising the science and I guess my question is what if you were wrong? What if it is safe?

MS NEWMAN: Well, that's fine.

MR LINDWALL: What would it take to persuade you that you were wrong?

MS NEWMAN: That's fine if I'm wrong. What the industry is doing is saying, "We're right", but if I'm wrong I shouldn't be liable for it.

MR LINDWALL: It's not the industry, we're talking about reputable scientists around that world.

MS NEWMAN: That's fine, but if I'm wrong I shouldn't be liable for it. In this case, farmers are actually liable for the health and environmental risk because the GM farmers signed to accept liability on behalf of Monsanto for any legal liability.

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MR LINDWALL: Who signed on?

MS NEWMAN: That's the GM farmer. A part of their contract is to accept the liability for health and environment. Now really how do they know that it's adequate? Why should we be trusting people with a vested interest, in this case, the scientists and the GM industry to say, "She'll be right, mate", but they expect those of us that don't want anything to do that.

MR LINDWALL: Why do you say that the scientists have a vested interest? That's like saying everyone on the planet's got a vested interest.

MS NEWMAN: No, no. Well if you look at, say, Ian Edwards and Bill Crabtree. They wanted to start up a company because they bought the rights of Arctic hair grass and they wanted to start up a GM wheat company, and also the scientists want to encourage corporate investment into their business and that's when governments come in. That's when most of the submissions have been similar. Now really farmers do a lot of funding through the pre-breeding through GRDC with the majority funders but farmers don't own the intellectual property. So forming alliances with the corporate companies, they're taking the intellectual property farmers are paying for.

MR LINDWALL: They're willing doing that. I mean it's not like a gun's being pointed to their head. They have chosen to buy that seed from Monsanto and they think that that's in their economic interest.

MS NEWMAN: Yes, that's fine and that doesn't worry - - -

MR LINDWALL: Just like producers who are non-GM have decided to operate in the way they do, why can't both exist in cohabitation and each pursue their own economic ends?

MS NEWMAN: That's exactly right and that's what our report has a good look at, the plans that Monsanto did. Now who represented the non-GM farmer when they did the GRDC-funded crop management report? It was Monsanto, an ex Monsanto manager represented non-GM farmers there. "Yes, we'll have a rule for the non-GM to keep it out." Industry management should not be able to impose unfair liability on others; it's anti-competitive. That's fine if they say it's okay, no one cares, but when a non-GM farmer is liable for economic loss caused by the GM industry, why should that be allowed to happen? It's unfair liability allegation.

MR BAXTER: We need to look into the legalities of it.

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MR LINDWALL: Yes, I'm not sure about that. I mean are there any in-practice examples of where - - -

MS NEWMAN: Yes, definitely. That's what happens.

MR LINDWALL: Because it can happen the other way. One could argue that a non-GM farmer is affecting the GM farmer.

MS NEWMAN: But it's not affecting the markets, is it?

MR LINDWALL: That's a claim, isn't it?

MS NEWMAN: Yes, okay. Well say it's chemical drift but there's insurance against that. There's not a problem. You can't insure against the GM getting into your non-GM because it's an inevitability. Now that's what's so wrong with the GM industry allowing self-management, is their reason of saying there's a tolerance level. There's no such thing. The tolerance level was established because they knew the contamination was inevitable and that they couldn't have a coexistence plan without putting that misleading statement. The trouble is with GM canola it actually increases exponentially because it's the dominant gene, so you will gradually have more and more loads rejected. Canola has never been a major problem because it's for stock feed.

MR LINDWALL: I still can't understand the argument that if you've got a farm and let's say there was some cross-contamination and effectively some GM product starts growing on your farm, Monsanto can't force you to pay anything.

MS NEWMAN: Yes, they do. They can.

MR LINDWALL: How? On what basis?

MS NEWMAN: Would you like to see - - -

MR LINDWALL: Well you haven't bought anything, you haven't agreed to buy anything from them.

MS NEWMAN: I know and that's when the end point royalty - under the law - - -

MR LINDWALL: Do you think that's true?

MR BAXTER: I don't know.

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MS NEWMAN: I will show you if you like?

MR BAXTER: I've got some difficulty with this.

MS NEWMAN: I will give you the evidence of the CBH contract.

MR LINDWALL: Let Ken ask a few questions.

MR BAXTER: I've got some difficulties with some of this argument, I need to check the facts. I saw one of the original Monsanto contracts that was issued in New South Wales and that was not the conditions. Admittedly that was about four or five years ago.

The second one is that certainly in terms of canola oil, canola oil is certainly manufactured in New South Wales, Queensland and parts of Victoria and is sold for human consumption. I'll have to have a look on the back of my wife's canola bottle in the fridge but I don't recall seeing on it any warning that you may be at risk.

MS NEWMAN: No.

MR BAXTER: My view on this is that I'd like to read this document. I'd like to have a good look at the current Monsanto contracts and I'd like to seek further advice on it.

MR LINDWALL: Yes, that sounds good.

MR BAXTER: I think us trying to pursue this at this stage, with due respect.

MR LINDWALL: I can see what your argument - - -

MS NEWMAN: No, that's good. GM canola is actually not labelled so that's how it can escape. That's where GM wheat is very different.

MR BAXTER: Well, yes, it is.

MS NEWMAN: No, it's not labelled as GM. It doesn't need to be.

MR BAXTER: Yes, it is. It certainly is but again I'd prefer to go through and get my facts clear on this before I enter into the argument on this.

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MS NEWMAN: Would you like to forward me any references you would prefer because I can certainly back everything that I've said.

MR BAXTER: No, I'm happy to do that.

MR LINDWALL: You have left your contact details?

MS NEWMAN: Yes. There's a lot in here that's all referenced. Because I was on the committee, I put quite a bit in here and that his reference is there. Part of that preparation was where we got the contract for CBH with Monsanto, so I can call with that.

MR LINDWALL: All right, Julie. Thank you. Unless there's any final points you'd like to make?

MS NEWMAN: No. Well I've definitely covered it in here but it's certainly strict liability legislation that I've always thought, because it's grossly unfair to expect those that don't want to become involved to be forced to have an economic loss.

MR LINDWALL: Okay. Thank you very much.

MS NEWMAN: Thank you.

MR LINDWALL: This basically concludes - well, we always like to offer if anyone who hasn't actually participated to come up and give a very short presentation. We've got a few more minutes for that but not very many. So I invite anyone who would like to, please. Yes. All you have to do is say your name and if you represent an organisation, say that too and say what you want, but keep it to about five minutes at the most.

MR CHAMARETTE: Yes, will do. Thank you very much. I was under the impression that you had to submit a submission to talk to it.

MR LINDWALL: No, no.

MR CHAMARETTE: I've done a submission which I'll be putting in.

MR LINDWALL: Excellent.

MR CHAMARETTE: I feel that once - - -

MR LINDWALL: Could you say your name?

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MR CHAMARETTE: Yes, my name's Steve Chamarette. I'm a farmer from Trayning which is the north-east of the wheat belt. I'm a small farmer and I would just like to make a few comments which I feel needs to be heard because you may have had the wrong impression from what the Shadow Minister said this morning. The five hectares are very well controlled. I'll send you the fact sheet on that. It's five hectares per property. So despite the fact that I've got five titles, that's considered one property. When you read what is actually allowed for clearing those five hectares, it's very, very stringent.

My real concern is that - in your submission under the environmental clearing I commend every item that you put down. Where you said "may", I would put "indisputably" rather than "may" because costs are imposed when you have environmental native remnant vegetation. From my own experience, and this only came about a few years back, I actually put in an application to clear 23 hectares on the basis that I was trying to set up a legacy for my granddaughter who suffered a very serious illness and will continue to be plagued by these medical issues in later life.

My submission said that I had over 20 kilometres of contours on my place. I would put that down to … (inaudible) ... and sandalwood as a high-value product. I was then told that if I did that, that's considered an offset and you can't touch it. So in place of that, they offered to me to put in 72 hectares of revegetation on currently which is good arable land to clear the 23 hectares. Now on the 23 hectares, DER agreed that 75 per cent of it was totally degraded due to grazing and feral animal activity. The 25 per cent I know exists which is pretty good because I fenced it off due to box poison when we were grazing sheep. It's deadly to grazing sheep.

At the end of the day, what started off - and it took a 14-month process to go through and I followed the process as an indication. Maybe I was very, very naive. When it came to the appeals process, I found that the appeals convenor actually has a dotted line going straight to the CEO of DER and, in fact, the previous appeals convenor is now an executive officer at DER who actually dismissed my application. So as for it to be independent is totally wrong.

The whole bottom line is and I'll send this to you in my submission, is schedule 5 of the Environmental Act. There are 10 grounds of which you can be refused clearing. Of those 10 grounds, you've got to pass every one, down to the fact that some flora and fauna they said may exist. It wasn't endangered. It could be rare. But at my expense I had to prove then that it did not exist. It was a double jeopardy. If it did exist, my

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application would be dismissed. If it didn't exist, it gave no real grounds that I still might get the application cleared because of all the other things.

In addition to that, they said, "Your shire has less than 30 per cent of natural vegetation on it". Now, I'm sure there's very few shires in the whole of the central wheat belt that has more than 30 per cent natural or remnant vegetation on it. So any application for clearing is dead in the water and that should have been told up front, the day that I got my application. I was given seven days, 14 days, and 21 days to make any response; however, the whole process ended up going 14 months. Our perception is that DER is there to defer, deter and disappoint. Even though the final decision's with the Environment Minister, there's no way in the world that he is going to contradict the requirements found by his department or by the appeals convenor.

So I commend what you've done. I still feel that if there's remnant vegetation on a property it should be looked at and it should be examined independently and if it does prove - I believe that we do have a need to preserve biodiversity, but if it is proved, that's for the community benefit, not the individual, and there should be at least some form of fair compensation, similar to what the Commonwealth government has, which is I think section 5131, which says that if you're going to deny people private property rights, negotiate a fair settlement.

In summary, I think your idea of having 130 regions across Australia is good. I think biodiversity will only be protected by the fact that we have areas that are totally well controlled by Parks and Wildlife, or whoever's responsible. The fact that there's remnant vegetation on farms across the wheat belt in the long term is not sustainable because you will find that they are affected by grazing, feral animals and spray drift which will occur.

MR LINDWALL: Thanks very much, Steve, and I welcome your submission. Does anyone else want to have a final say? Again, another fairly quick one, please. Again, just your name, et cetera.

MR HALL: Doug Hall. I'm an industry development specialist. I've worked for a range of industry associations in the agricultural spaces and worked with many of them. Just some what I call high-level political economy comments. I think one of the problems we face is we need much more advocacy for the benefits of free market, in contrast to what you might call crony markets.

Also in that same space, there's not a whole area of public choice or non-market decision making. I just feel that there's not enough discussion

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and appreciation. There are so many regulations that are being developed in let's say an ad hoc way but driven by rent-seeking organisations. That's fine but there are costs that result from that rent seeking.

MR LINDWALL: Yes.

MR HALL: I think a greater conversation about non-market decision making, political decision making, how it comes about and what the costs are, obviously there's going to be benefits for the people who argue for it. In our pursuit of reducing regulatory red tape, there has to be some strategy to that. At the moment it seems to be relatively ad hoc. Now to be strategic you have to understand the landscape in which you're operating, so that when you deconstruct something, you do it in a way that is constructive, not ad hoc and collaterally destructive.

The benefits of moving those rent-seeking instruments obviously will be that there will be improved allocation of resources and much greater entrepreneurial and innovative activities which many rent-seeking driven regulatory mechanisms of course thwart, often for the interests of the rent seekers.

Today there's been some interesting discussions. Customer sovereignty and the problem with the rent-seeking driven regulatory systems or mechanisms is that they do facilitate the influence of third parties over what would otherwise be market decision making. So is the sovereignty of customers in driving the economy greater or lesser than the sovereignty of third parties, who arguably represent the public interest, but what is the evidence of that degree of public interest. Of course it's of great potential to distort the economy.

Markets versus regulatory mechanisms, we've got a regulatory framework that just keeps growing. It's unsustainable. I mean in my work with various organisations and I've worked very closely over the years with a range of government regulators, governments don't have the money. They don't have the capacity to service the regulatory framework that exists, let alone expanding it, and I think there has to be a lightbulb moment, if you like, where as a society we understand that this is an untenable framework and we need a serious alternative. Obviously, one of the serious alternatives is to actually move back towards market decision making, which is a form of voting. It is a form of a democratic process. In order to achieve that, of course, we need transfer of property rights from government on behalf of the people to individuals and businesses and community organisations. Those property rights need to be well defined and protected by the remaining regulatory system.

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We also need the development of governance frameworks that facilitate non-government ownership of those property rights and allow proper trading of those resources. For example, in water, an area that I work in, the opportunity to actually transfer significant property rights associated with water to catchment creeks, which was touched on today, which then allows sort of a Coasian solution to trading of somebody at the bottom of a watershed with the people at the top of the watershed, and you would arguably get a far better social, environmental and economic outcome as a possibility. So less reliance on regulatory mechanisms and more reliance on market mechanisms, which are founded on solid property rights and the correct governance models.

Personally I have adopted what I now call the lean law philosophy and this is where in order to get away from this unsustainable regulatory approach, we need to really consider what the minimum pillars of law are and then apply them to different situations, to the plethora of particular situations, which at the moment, unfortunately, we have a plethora of legislation and regulations and the growth of the administrative state because of this apparent necessity to have incredibly detailed prescriptive laws which, of course, is why we get this growth of the regulatory state. So a lean law approach is really the only way forward, as I see it.

Just on GMOs, I'm actually a plant biochemist and molecular biologist by training and I am involved in the OGTR framework at a research institution level. Personally I am very supportive of the framework. I mean no framework is absolutely perfect but there's a great deal of work that's gone into it. It's reviewed on a regular basis. It is risk based and it is evidence based.

I know Mike and I disagree partly with where he's coming from because politicians have to integrate a whole range of interests in society and different types of knowledge and scientific expertise is just one of those and so is the views that have been expressed in this room. Politicians have this unique challenge of making decisions where they've got lemons, oranges, and apples, and a lot of people don't appreciate that. It is a unique decision making situation they are in.

One of the major risks for the GMO technology and all the people that want to use it, use it now and want to use it into the future safely, is political risk. A large part of the OGTR framework is not scientific-based. It's actually about managing the political risk which is about groups in society that are expressing legitimate concerns and so forth. So yes, there's a component to do with science, risk and evidence, but there's also this political risk. From an IPC level, a major Western Australian

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institution, that's the way I see it. It's political risk and risk to brand is actually one of the major risks, not the scientific risk.

I also have strong faith and integrity of the Food Safety Australia and New Zealand and OGTR framework. There's one challenge in the future and that is that if we don't manage the costs associated with assessing new GMOs and I'm not jumping through. This is rigorous. Maintain the quality of the rigour. But there's a real danger that there's a whole range of minor crops which will never be able to gain the benefit of the technology because the potential gains out of those crops will never be able to afford the regulatory costs.

I just reiterate, it's not about lowering the bar in terms of the quality of the outcomes. It's just that the more we learn about these systems in a model risk managed framework, you can drop - there's a QA audit quite frequently and then you drop it away as you get the clear evidence of reducing risk. That's me.

MR LINDWALL: Thank you very much, Doug.

MR HALL: Thank you.

MR LINDWALL: Anyone else? In which case I adjourn the proceedings. We resume tomorrow in Melbourne, so thank you all for coming.

MATTER ADJOURNED AT 2.29 PM UNTIL WEDNESDAY, 17 AUGUST 2016 AT 9.00 AM

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Australian Government
Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT 530 COLLINS STREET, MELBOURNE
ON WEDNESDAY, 17 AUGUST 2016 AT 9.01 AM

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MR LINDWALL: I've got some introductory remarks, so may as well get started. So good morning, everyone. Welcome to the public hearings for the Productivity Commission Inquiry into the regulation of agriculture. My name is Paul Lindwall and I'm the presiding Commissioner for the inquiry, and my fellow Commissioner here is Ken Baxter.

The inquiry started with a reference from the Australian Government late last year and covers the regulations that have a material impact on the competitiveness and productivity of Australian agriculture. It has examined regulations at all levels of government. We released an Issues Paper in December last year and have talked to a range of organisations and individuals with an interest in the issues.

We then released a Draft Report on 21 July, just after the election campaign concluded and have received over 100 submissions and more than 1000 personal responses and views since the release of the Issues Paper. We are grateful to all of the organisations and individuals who have taken the time to meet with us, prepare submissions and appear at these hearings.

The purpose of these hearings is to provide an opportunity for interested parties to provide comments and feedback on the draft report. Today is the second hearing for the inquiry. We'll be continuing hearings in Wagga tomorrow, Sydney on Friday, Canberra next Monday, Toowoomba on Tuesday next week, Brisbane on Wednesday, and Townsville on Thursday. Ken and I were in Perth yesterday.

Formal submissions to the draft report are invited, particularly, preferably by the end of August. I should add to that by the way that the final report will be given to the government on 15 November. So the closer that you put it in to the November deadline, the more unlikely it can be used to help influence our decisions.

We'll then be working, as I say, towards completing a final report to be provided on 15 November. Participants and those who have registered their interest in the inquiry will automatically be advised of the final report's released by the government which may be up to 25 Parliamentary sitting days after provision of the report to the government.

We like to conduct all hearings in a reasonable informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken. But at the end of the day's proceedings, I will provide an opportunity for anyone who wishes to do so to make a brief presentation, and that might include commenting on previous comments.

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Participants are not required to take an oath, but are required under the Productivity Commission Act to be truthful in their remarks. They're welcome to comment on the issues raised in other submissions and by other hearing participants. The transcript will be made available to participants and be available from the website following the hearings. Our website is www.pc.gov.au. Submissions are also available on that website.

For any media representatives attending today, some general rules apply. Please see one of our staff for a handout which explains the rules. To comply with the requirements of this occupational health and safety legislation, you are advised that in the unlikely event of an emergency requiring the evacuation of this building, you should follow the exit signs to the nearest stairwell and don't use the lifts. Please follow the instructions of floor wardens at any times. If you believe you would be unable to walk down the stairs, it's important that you advise the wardens who will be able to make alternative arrangements.

Participants are invited to make some opening remarks, preferably of no more than about 5 minutes. Keeping opening remarks brief will allow us the opportunity to discuss matters in greater detail, and I think our first participant is now Charles Kovess from the Australian Industrial Hemp Alliance. So I welcome him to come up.

MR KOVESS: Mr Commissioner or Mr Lindwall?

MR LINDWALL: No, you can just - if you're happy to be informal, yes.

MR KOVESS: (Indistinct)

MR LINDWALL: Yes, and Charles, welcome.

MR KOVESS: Thank you.

MR LINDWALL: So if you could just say your name and the organisation and then, perhaps, give us a brief introduction?

MR KOVESS: Thank you. I'm Charles Kovess. I'm the committee member of the Australian Industrial Hemp Alliance. I'm also CEO and international marketing director of Textile and Composite Industries, manufacturers of the world's best hemp and bast fibre processing machinery.

The reason why I wanted to make a submission today representing the

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hemp industry is that TCI has been in existence for - as a company, the people behind it for 22 years. Founded by a man called Adrian Clarke, involved in agriculture all that time. He got involved in hemp from a deep philosophical base that is relevant to this hearing and the regulation of agriculture in this country.

It comes from a base that agriculture, the future of agriculture in Australia is crucial to human freedom. So one example of that, if agriculture doesn't work and everybody moved to the city, our view is that we're all in trouble. The public perception, and the Financial Review keeps driving this argument that only large corporate farming can succeed in Australia. From a TCI perspective, we say that's a lie, that vast monoculture, vast corporations is not the way for Australia's future.

So Adrian Clarke, in 1994 said, "What is the best crop for Australia and the planet?" He discovered it was hemp, industrial hemp, cannabis sativa. There's a lot of confusion around hemp and, fortunately, there's now good conversation around medicinal cannabis. The Victorian Premier has legalised it, New South Wales Premier has. But there's a lot of confusion and that confusion is deliberately created and we're concerned that State Governments, for example, Northern Territory Government, South Australian Government have still not legalised the growing of hemp.

Now, cannabis sativa can be marijuana, can be hemp. I think the best metaphor is in rugby or in football terms, that human beings play football. They're homo sapiens, the same species, but some people are 6 foot 8 and some people are 5 foot 2. That's the difference between hemp and marijuana. THC levels.

So 22 years ago, Adrian Clarke says "Why is hemp not being grown?" For 10,000 years hemp was proven to be a magnificent agricultural product. The answer was processing of the plant. So he said, "What's the problem with processing?" The word that I urge you Paul and Ken to bear in mind is this word called "retting". In Europe, in America, right around the world, hemp is processed by retting.

We have developed a machine, and the pictures are in our submission. We have developed a machine that overcomes retting. So in half an hour we do what used to take six weeks to six months. It's a massive productivity gain. That work has been the genesis of the industrial hemp industry in Australia. Now it is a cottage industry. It's a cottage industry because regulation has slowed it down.

In 1997, Jeff Kennett allowed hemp trials to happen in Victoria and

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then the law was changed in 1998. The regulations in Victoria - and other submissions have been made specifically on the regulations, but each State has ridiculous regulations that allegedly are to protect the public from cannabis and from people growing marijuana.

Please note you cannot confuse hemp from marijuana. Anyone who says anything to the contrary is talking nonsense. The problem is that DPI, Governments, like to listen to these ideas. Jeff Kennett was a visionary, legalised it. The Labor Party won the election in 1999 and then the regulations, the process of the regulations meant that no hemp was grown in Victoria until 2010.

I'm nearly done with my introductory statement. We see hemp as a magnificent opportunity. Why I wanted to make this submission was for you, as Commissioners, to understand this extraordinary opportunity. Now this is a global opportunity for Australia. It's a global opportunity for farmers. Adrian Clarke said "If farmers can make money" - and look at what's happening with the dairy industry now - "If farmers can make money, they will stay on their farms. Their families will stay in those communities. The lives that people live in those communities will be enhanced. Australia's health and productivity will be enhanced". That was the driver.

This has been so difficult, and I assure it's been difficult, that Adrian Clarke died last October aged 68, sadly. The stress - had cancer three times. The stress of the fight of the blockages have been very difficult. But I'm now playing the role of CEO. His younger brother is the executive chairman. We have helped to re-vitalise this industry for Australia.

The alliance is a group, an Australia-wide group, hoping to turn hemp from a - in fact, committed to converting hemp from a cottage industry to a mainstream industry. The regulations involved, the State regulations versus Federal regulations versus the opportunity to expand globally, to send seed globally, to send fibre globally, they are all issues that are going to help or hinder this industry.

One idea was up in Dubbo two years ago, Dubbo cotton growers. They say, "Can we grow hemp?" We say, "Yes". "What do we do with the hemp?" Our machine enables the most magnificent fibre to be produced. You can use that fibre to replace fibreglass. You could make fence posts from hemp fibre and resin, natural resins. All of the fence posts around Dubbo area could be made out of locally grown hemp.

The opportunities for Australia, the job creation opportunities, the

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economic growth opportunities for Australia and then globally, are simply extraordinary and hemp is the way to do it. There's 10,000 years of history. What we ask for is that Australian Government, State and Federal, stop looking for reasons why hemp should be blocked and look for reasons why it should be made easily able to be grown. Thank you.

MR LINDWALL: Thank you, Charles. I can see that hemp has a number of different uses. It can be used to make particle board, it can be used for rope and a whole lot of other uses.

MR KOVESS: This shirt can be made out of it. Everything you're wearing could be made out of hemp.

MR LINDWALL: Yes, indeed. Then, of course, there's medicinal cannabis and recreational cannabis.

MR KOVESS: Yes.

MR LINDWALL: Usually governments, of course, are concerned more about that end than the former end. Is there a way of growing hemp with lower THC levels so that it doesn't need to be regulated to the way that Governments wish to?

MR KOVESS: There is absolutely no difficulty in growing hemp with low THC. At the moment it's between 0.5 per cent and 0.3 per cent allowable. Marijuana, good marijuana, I am informed - I've never been able to smoke so I haven't even had the experience of pot, is between 15 and 25 per cent THC. It's a massive difference in THC levels between what's good marijuana and hemp. You could go up to five per cent THC. It's not worth smoking. It's a total waste of time.

Now the other issue with medicinal cannabis, medicinal cannabis can be high in THC or low in THC. It's still cannabis oil. That's one of the reasons why it becomes confusing.

MR LINDWALL: Okay, yes.

MR KOVESS: So we say that the Government should seriously look at not being so prescriptive about this because if you want to produce marijuana, you cannot produce hemp. We're talking about hemp and the industrial uses of this magnificent product. I know submissions have been made around hemp food.

MR LINDWALL: Yes.

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MR KOVESS: We point out again that Food Standards ANZ for 10 years has been recommending the legalisation of hemp foods in this country and COAG for 10 years has been listening to police saying that people on the street can't understand the difference between hemp food and marijuana. That is such a disgraceful comment that keeps being published. It makes our blood boil.

MR BAXTER: Can I just come to that point, is the genus of plant marijuana the same as hemp or is there - - -

MR KOVESS: Yes.

MR BAXTER: It is the same?

MR KOVESS: Cannabis. Yes.

MR BAXTER: They're the two same plants?

MR KOVESS: Yes, cannabis sativa, but they're 150 different seeds.

MR BAXTER: Right.

MR KOVESS: So that's very confusing. But cannabis sativa - that's why it's good to think of cannabis as like human beings: some have high THC, human beings have high height; or low THC, they're short.

MR BAXTER: If I can, if I may, my understanding is that in Tasmania, the Tasmanian Government agreed to the commercial cultivation of opium poppy and it's done under regulation set by that state. It's done in open fields, but with obviously fencing around it. I haven't looked at the regulatory regime that applies to the opiate in Tasmania, but I would presume that sets a precedent for the sort of arrangements that could be made as a starting point at least for the introduction of hemp production?

MR KOVESS: No hemp is being grown in every state except Northern Territory and South Australia.

MR BAXTER: Right.

MR KOVESS: So at the moment Victoria Government with which we're - I'll put these down because I'll got to get a better reception. Victoria Government says you can grow it, it just - not on a main road. So that's the only regulation.

MR BAXTER: Right.

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MR KOVESS: Secondly, you can't be convicted. So it's quite an inexpensive cost. "Just don't grow it on a main road because we don't want people thinking that you're growing marijuana". Once again the leaves are similar. A hemp crop looks like a bamboo crop. I have a beautiful picture on my submission of what that looks like.

MR LINDWALL: Yes, saw that.

MR KOVESS: Whereas a marijuana crop is a bushy plant. It's the buds and the flowers from which the THC is extracted.

MR BAXTER: Right.

MR KOVESS: So any policeman who says, "Oh, no, we need" - "We can't make the distinction", is just a nonsensical statement.

MR LINDWALL: What are the principal regulatory changes you would like to see that would unleash the potential that you're stating?

MR KOVESS: Well clearly around the legalisation of hemp food. There's a wonderful opportunity.

MR LINDWALL: Yes.

MR KOVESS: Secondly, the licensing regime to liberalise that - even to allow people who have got criminal convictions, it doesn't matter what it's for, because you cannot confuse hemp growing with marijuana. That's our position.

MR LINDWALL: Yes.

MR KOVESS: Whereas regulations are presently structured that we cannot let anybody involved in hemp - grow hemp who has had any criminal problems. You cannot get high on hemp.

MR LINDWALL: No, no, I can understand that.

MR KOVESS: So that's the regulations though.

MR LINDWALL: But I'm just saying, from a regulation point, are you talking about having a common THC level at which this - - -

MR KOVESS: No. The - - -

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MR LINDWALL: No?

MR KOVESS: Sorry. Well the submission that we would make is that anything less than 5 per cent - no one's interested in THC levels below 5 per cent of those who want to use it as a drug.

MR LINDWALL: So you would say that you would consider anything below 5 per cent is a reasonable crop?

MR KOVESS: Totally acceptable.

MR LINDWALL: And it should be totally deregulated there?

MR KOVESS: Absolutely. Totally deregulated. Secondly, the DPI, the State Agricultural Departments come out and they - you have to pay - the farmer has to be them to test - this ongoing testing of the crop to make sure that you're not seeking up on the THC levels, and "if you're over 0.3 per cent, we're going to destroy your crop".

MR LINDWALL: It varies by state, I understand.

MR KOVESS: Yes, I do too. I'm not across it for each State. "But we will destroy your crop if you're not so careful". So once again it's this heavy handed regulatory regime, allegedly, to protect the public.

Now have a look at what we're now seeing that, in fact, the health benefits of marijuana itself are extraordinary. So one starts to look at this, rethinking this whole question around regulation. Why are we doing this? That's what this whole question of regulation, the Government has said, "We've got too much regulation". This is a beautiful example of it.

The second is to enquire why South Australian and Northern Territory States haven't legalised it. It's nonsensical to farmers there who are struggling why they can't freely grow hemp.

MR LINDWALL: Have you been in touch with the governments of those states?

MR KOVESS: Yes, we have. Yes, the Northern Territory.

MR LINDWALL: What type of response do you get when you say, "This is nonsensical. Why don't you do something about it?"

MR KOVESS: Yes, we have made submissions to the Northern Territory inquiry on whether or not to establish hemp. What the Northern

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Territory Government is doing is saying "We'll do a trial crop on hemp to see if it will grow". Despite the evidence from all - - -

MR LINDWALL: I think people know it grows, yes.

MR KOVESS: You know, from a commercial perspective, the question that I put is whether public servants are wanting to slow this industry down through regulation to keep their jobs. That's the question that we put. What regulations particularly need to be in place? What we say is that listening to the police on this issue is a very dangerous - sorry, is a very inaccurate way of finding out what is useful for Australia's future productivity.

MR LINDWALL: Would you see a regulatory regime where's there's a common THC level above which is regulated in a more restricted way, as is in some States, and then below that level is pretty unrestricted?

MR KOVESS: Yes, that could work.

MR LINDWALL: Would that work? Yes.

MR KOVESS: That could work.

MR LINDWALL: You testify that's about 5 per cent. I think yesterday we had - it was about 1 per cent one person said.

MR KOVESS: Well what I've been told, and I'm not a marijuana - any marijuana users in the room? We don't know. But, you know, I've been told between 15 and 25 per cent. If you grow hemp next to marijuana, the hemp pollen will reduce the THC. Adrian Clarke - he would testify if he were alive - when he was in America, he was told he would be killed if he grew a hemp crop beside marijuana. The more hemp that's grown, the less marijuana will grow nearby.

MR LINDWALL: Okay. What about the processing of it? I think you mentioned the retting and you managed to get some new technology to do away with that.

MR KOVESS: Yes. We've built a machine that is now ready for selling around the world. It changes the economics of hemp. You see, because the other issue around productivity - I know we're talking about regulation.

MR LINDWALL: Yes.

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MR KOVESS: But this is about agriculture, and cotton destroys the environment, the pesticides, the herbicides. That's why hemp is the solution. But hemp was more expensive. Hemp fibre for textiles was six to 10 times more expensive than cotton. Our machine brings that price down to - close to parity. We don't want to sell hemp fibre at the same price as cotton fibre, but it can now compete. So globally - this is a useful number. This is the opportunity for Australian fibres that at the moment only 200,000 tons of hemp fibre is produced for textiles. The annual cotton production is 29 million tons. The annual fibre consumption for textiles is 89 million tons per annum.

MR LINDWALL: Yes.

MR KOVESS: So that means, hemp 200,000 tons out of 89 million tons. So our vision and for - Australia can be a leader in this, you know. The reputation that we want is that our regulation is such that people around the world go "Australia is the centre of hemp growing". The climate impact, the reduction of CO2s into the atmosphere from less pesticides, less herbicides, improved soils from hemp growing will have a big productivity impact on our agricultural land.

MR LINDWALL: I mean what we're talking about, of course, is what regulations would restrict that, then whether they're grown or not in terms of the size of the economy compared to other crops such as cotton, will depend upon the economics obviously. Would you like to say anything about, like the use of water and fertilisers and other efficiencies in terms of hemp production compared to equivalents?

MR KOVESS: Yes, absolutely. My favourite number that I have in my nice little book here which, I think what I will do is I will email this to you, this book that we've produced.

MR LINDWALL: Okay. Good.

MR KOVESS: This is cotton versus hemp. Cotton needs twice as much land as hemp. Cotton needs 9700 litres to grow one kilogram of fibre. Cotton pollutes water and leaves the land scorched. Cotton accounts for 25 per cent of all pesticide use worldwide. Hemp produces twice as much fibre per acre, only uses 2000 litres of water. So uses 80 per cent less water. It returns up to 60 per cent of the nutrients to the soil, so you can keep growing hemp without needing nutrients. It can be grown on the same land consecutively for 14 years. It's extraordinary how - the benefit to farmers of growing hemp versus cotton.

So if the regulations are eased, if the nonsensical regulations are eased

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and that also includes regulations for export purposes of both seed and fibre and food, then farmers are going to be much more open to saying, "Hey, hemp is viable opportunity". As the hemp alliance, we are trying to get - we are working on getting farmers more and more interested in this. The big gain, from an Australian perspective, is farmers say "We will grow, if the markets will buy". The problem is the markets say, "You're too small. We can't get serious until you're growing".

What the alliance is wanting to do and TCI as a company is wanting to do, is to make a market. So our strategy is to drive market demand rather than farmer push. That's the vision that we have, and educating companies that want to have less of a negative impact on the environment, they're the companies that we're talking to so that Australian farmers can successfully grow. They won't want to grow that if there's too much regulation.

MR LINDWALL: I've got one more thing, Ken, and that is that you've just spoken, of course, about the import side of production and costs being relatively efficient and so on. On the other side, the sale side, the product that you produce would it be, as a consumer, would I see a shirt being equivalent to a cotton shirt, or superior, or inferior in some way?

MR KOVESS: Paul, that's a beautiful question that you ask and I commend you to have a look at a movie called "The True Cost". A documentary, "The True Cost". It's horrific what we, as Australians, are doing to buy T-Shirts to buy $10 at Target.

So globally the concept of fast fashion is driving cotton production, cotton consumption, wage rates of people in Bangladesh and Cambodia and the slave labour conditions - two, three years ago the movie - the documentary talks about the 1000 people who died in Bangladesh from that collapsing building. Adidas quoted in this movie "Record profits last year" has then moved its production from China to Cambodia to save a miniscule amount of money.

So globally there's this pressure to make it cheaper, cheaper, cheaper, as if that's a good thing. I'm horrified by my friends who have teenage daughters who say, "I've worn that T-Shirt three times. I'm not going to wear it any more".

So this question of price, I suggest to you that this - making everything cheaper, cheaper, cheaper is not good for the planet, is not good on any thinking basis, and that hemp - comparing hemp to chemical cotton is like comparing a Lamborghini to a Holden. So we're not going to get caught up in that. However, we can produce, close to parity of

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cotton, but we're not going to sell this magnificent fibre for a cheap rotten price.

One other point that's really stuck in my mind when I first got involved in hemp four years ago, armies around the world would prefer hemp uniforms because if you get shot in a cotton uniform and the bullet goes through, if it doesn't kill you, you will suffer more from the infection of the cotton fibres in your body than the bullet.

Hemp is a natural antibacterial. Hemp you can wear your shirt, Paul, for 10 days. I've done it on numerous occasions. There will be no body odour after 10 days. Hemp is such a magnificent product for the planet. If the Commission understand why this is such an opportunity, then there's this desire to deregulate as much as possible. We say the fear of deregulation has been driving the attitude to anything cannabis and that's why I'm making this submission.

MR LINDWALL: Okay. Ken, did you - - -

MR BAXTER: No, I've got nothing further to add.

MR KOVESS: Thank you.

MR LINDWALL: Thank you then, Charles. Unless you - do you have any - - -

MR KOVESS: I can go for another hour, if you would like.

MR LINDWALL: I'm sure. You've got about three minutes if you want to say anything else that I've missed - that we might've missed, perhaps, because I have to keep everyone to pretty good time.

MR KOVESS: Absolutely. So globally, I reiterate that Australia, our attitude to regulation will decide whether or not significant investment funds come into Australia from right around the world. We're having conversations with 30 countries around the world.

The other thought that I put in to the Commission's head to really understand the big picture, which is what drives us. We're a globally focussed company, but it's what we do in this country. Only 30 per cent of the world's population today can afford to buy a cotton shirt. The 70 per cent that can't, including Africa, India, all of the vast amount of people who can't afford to buy that, we say that hemp is the solution to that. Australian businesses, if we get this hemp industry going, well we can then help African farmers do the same thing. We can help Indian

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farmers do the same thing. That's what excites us.

In India, I bring to your attention, that the constitution guarantees the right to grow cannabis, but every state - and I think there are got 27 states in India - every state puts in regulation like we do that mean Indian farmers can't grow hemp. So that's the power of regulation.

MR LINDWALL: Is hemp grown in New Zealand by any chance?

MR KOVESS: Hemp is grown in New Zealand. By the way you can go to your health food store and buy hemp seed oil and you can - there's a sign on it, "This is not for human consumption". But New Zealand is interested in hemp. We have an agent in New Zealand and we see New Zealand as being a wonderful hemp opportunity as well.

MR LINDWALL: You are basically foreseeing the hemp economy growing quite substantially, provided the regulatory constraints are pulled away to some extent.

MR KOVESS: I certainly do.

MR LINDWALL: Thank you very much, Charles.

MR KOVESS: Thank you, Ken. Thank you everybody. Thank you for listening.

MR LINDWALL: I think I was a bit misleading then because - sorry, we are finished Charles, but there is a bit of a gap, isn't there? The next one is actually at 10.30 so there is an opportunity - you could have gone on but no, no. Is there anyone here in the audience who is not registered to speak who would like to provide a hearing - thanks very much Charles.

MR BAXTER: Is there anybody here who has made a submission and would be speaking later in the day that we could perhaps bring forward?

MS KENDALL: I am due to speak at 11.15.

MR LINDWALL: What do you think, my team, is that okay? Yes, why not? You are Jan, is that right?

MS KENDALL: Yes.

MR LINDWALL: Hello, Jan.

MS KENDALL: I am expecting my husband.

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MR LINDWALL: Do you want to wait for that because you don't have to, you can go back at 11.15. We can all have a cup of tea. Which do you prefer?

MS KENDALL: I don't mind.

MR LINDWALL: You may as well wait for your husband to come. There is still a bit of time.

MS KENDALL: He is only moral support.

MR LINDWALL: I think that is important, isn't it?

MR BAXTER: I think why don't we proceed and if your moral support arrives he can then add to it.

MR LINDWALL: All right, that is fine. I should say before Jan sits down that we do always offer an opportunity for those who have not registered to speak, to comment, and since there is a bit of a gap now and the next one is at 10.30 and then we have something which will be at 11.15, then 11.30 and then 12 o'clock and then there is a lunch break and then 1.30 and then 2.15 and then 3 o'clock and then I think - we have got limited time after 3.30. We might have about half an hour at most, I would say, so take the opportunities when they are available is what I say.

Welcome, Jan, would you like to say your name and perhaps talk about what you would like to say to us today.

MS KENDALL: My name is Jan Kendall and I am here as an individual. I put a submission in and also a supplementary submission, so I thought it was an opportunity to speak and tell you why I am so interested in the subject. I strongly support draft recommendations 5.1 and 5.2 of the draft report and I will outline my knowledge and experience. I lived and worked for the first 18 years of my life on a dairy and beef farm in Northern Victoria and I visited often until I was 35 when the farm was sold.

The farm was small but provided a good living. It was not an intensive farming enterprise. The animals were well cared for and received veterinary attention when deemed necessary. I saw all sorts of farming practices first hand. As a teenager who wanted to be a vet, I travelled to surrounding farms with the local vet as an observer. I saw the distress of calves having their horn buds destroyed with hot iron cautery. I saw the de-horning of older cattle. I saw the castration of young animals

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by Burdizzo. That is a device with a clamp designed to break the blood vessels leading to the testicles.

All these procedures took place without pain relief. I saw five day-old bobby calves carried onto trucks to markets. They are young. Their new born wobbly legs could hardly hold them up. I saw cows searching for and bellowing for days after their new born calves were taken for slaughter. One very hot weekend I saw sheep in an abattoir holding pen, they were heat-stressed without any shade before the slaughter on Monday. I did report that to my local MP but I am not sure if that was followed up.

The foregoing are all normal agriculture procedures and activities and I saw that growing up as a young girl on the farm. Few codes of practice are mandatory and there is no way of knowing what happens on individual farms or behind the gates of intense farming businesses. I have two highlights briefly that I want to highlight, dairy calves and live export. First, dairy calves. My supplementary submission questions the science behind the time off food standard for the transport of calves. It's now legal for five day old baby calves to go without milk for up to 30 hours between leaving the farm and their slaughter.

I know from experience that new born calves should not go 30 hours without milk, let alone cope with being pushed around in markets and then trucked long distances to be unloaded at the abattoir and penned. My former husband was a Commonwealth government meat inspector in various Melbourne abattoirs. He said the worst aspect of his work was the baby calves awaiting slaughter, sucking his fingers because they were starving. It's easy to describe the standards as being science-based but the quality and impartiality of that research should be independent and beyond reproach.

I now advocate for animals in my own way. I make submissions, I write to newspapers, I donate money to animal advocate organisations. I know plenty of people from both rural areas and the city who share my views. They want to know where their food comes from and they want reassurance that farm animals are well treated. I can't give them that reassurance. When I talk to people about normal farming practices and so called wastage in animal industries, they register disbelief. The New South Wales Parliament is currently debating a bill to ban greyhound racing, one reason being wastage, the number of greyhounds killed every year.

In the dairy industry 700,000 unwanted male bobby calves are slaughtered annually - wastage, and in the poultry industry millions of

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unwanted male chicks are thrown alive into macerators or gassed. Again, wastage. If the community knew about this I think there would be a lot more vegans and vegetarians, that is for sure. I turn to live export which I want to see phased out. I am sad to say that dairy heifers from our farm were exported live in the 1970s and 80s for breeding purposes but they are eventually slaughtered of course when they have outlived their usefulness.

I am disappointed that your draft report gives credence to the argument that if Australia stopped live exporting, other lower welfare live exporters would step in. That is the industry line. That is the Department of Agriculture line. Live export is a business undertaken by lower welfare countries like India, Mexico, Somalia, Romania and Brazil. What is Australia even doing in this market? We are supposed to be innovative, first world. Australia is a first world country. It should be championing EU standards, or better still, those of New Zealand which stopped exporting any animals for slaughter on welfare grounds years ago.

The community has no trust in the live export industry. Why? One example, compliments of the Canberra parliamentary library's excellent live export chronology, exports to Vietnam started in 1999. ESCAS was applied in January 2013 and the sledgehammering exposed by Animals Australia, not by ESCAS or the industry, mind you, happened in 2016. Can anyone seriously believe that the industry didn't know about the traditional slaughter methods of sledgehammering in Vietnam back in 1999 when they first sent live animals there to be slaughtered? Unless it's picked up by animal welfare organisations it's just business as usual and let's hope they go away.

The live export chronology starts in 1830 and the live export industry hasn't progressed much from there in my opinion, welfare-wise or technology-wise. In fact it's worse because the cruelty is on a much larger scale. Live exporters whinge about their costs of regulation and compliance. What about the cost of live exports to the community, the taxpayers, the majority of whom oppose live export. Literally millions of dollars of precious taxpayer funds are spent administering and picking up after live exports debacles. Again, I go to the library chronology for an example. In September 2015 $30 million of taxpayer funds were budgeted for welfare counsellors in Vietnam, ironically, Malaysia, Thailand, China and the Middle East.

I would love them to send money to look after animal welfare in third world countries, but why do we have to send our animals there? It's the wrong example to be setting because by sending our animals we are saying it's okay, "You can treat them how you like and we will send a few counsellors". It's just not the way things should be done. Live export

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cannot possibly be paying its way for taxpayers when it has to be propped up so much, not forgetting the salaries and on-costs of the live export public servants in Canberra. There is a huge department there. I know I have written to most of the managers of it, and their on-costs and salaries must be a huge cost.

Another point is that I don't trust the proposed LGAP scheme devised by LiveCorp and the MLA. I see it as an attempt to self-regulate. I see LGAP as the industry's way of restarting exports to the notoriously unreliable importer, Saudi Arabia, which rejects ESCAS because of sovereignty concerns. Saudi Arabia appears twice in the library's chronology for rejecting export ships on spurious claims of scabby mouth, but who knows what reason, because the vets never find any evidence of it, and one of those was the notorious Cormo Express scandal which brought about - I think that is when some sort of regulation was introduced for how animals are treated on live export ships.

The industry and some politicians love to denigrate animal advocates like me, as extremists, activists, greenies, unemployed ratbags or over-emotional city slickers ignorant of farming life. I don't think I am very scary. This attitude was never more obvious to me than the malicious treatment metered out by the coalition senators to Lyn White from Animals Australia who was a committee witness at a hearing about live exports in July 2011. I watched it on video at home. In my 30 years as a Hansard reporter I have never seen a witness vilified like that, and it was all done under parliamentary privilege. Despite this, the animal welfare movement is growing. It's made up of ordinary members of the Australian community like me who want to ensure that all animals, including farm animals, are treated humanely. They will never give up and neither will I.

I am here today because I want those sentient creatures to have a voice. They are living, breathing, intelligent beings who, I can attest to from personal experience, feel every minute of their pain and fear. Thank you.

MR LINDWALL: Thank you very much, Jan. Can I just clarify that you are arguing for higher animal welfare standards, but you are not arguing that there shouldn't be animal production for food consumption.

MS KENDALL: I am realistic. My farming background - I wouldn't be here, I wouldn't have done well in my life, but there are ways of doing it where the animals are treated humanely and live export is an example of something - from the ships to what happens to them over the other side, it's just completely unacceptable. It's a third world industry, it's not

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something Australia should be doing. Yes. I choose not to eat products from animals. I live a sort of veganish existence because it's good for the planet, it's good for the animals, it's good for my health, but I am not hard line but I am a realist.

MR LINDWALL: No, no, that is all right. If we go back to the part about what our recommendations were and also about practices. I think you could divide animal welfare practices, if I'm not mistaken, into those that are actually in the interests of the farmer himself or herself directly, because they actually reduce the cost of production and produce a higher quality product, if one could argue if the cow is under less stress, for example, its meat will arguably be better quality. Then there are other types of practices which might arguably be slightly more expensive than the traditional practices. We take the first which actually should be in the interests of the farmer themselves. Why don't you think farmers would do that? Is it just because of misinformation? Is it because they have done it this way for many years and their father did it and their father's father did it and all the rest of it.

MS KENDALL: Yes, an element of that but it's cost. It's usually cost weighed up to, "It's only an animal. It's an object under the law". Farm animals are objects, they are not protected in the same way that dogs and cats are but there is no difference as far as sentience goes. They are just the same sentient beings.

MR BAXTER: Can I just ask, the Companion Animals Act or the equivalent legislation in most of the states is fairly stringent, although there would be some question mark about how often and how regularly it's applied, why do you think there is a far stronger attitude to the treatment of companion animals as against the treatment of what I might call animals for livelihood?

MS KENDALL: Simple. Because the animals are living in the home. They are sleeping in the beds. They say, "Fido has got such a lovely personality, he is just like a person", so that is the reason. It's understandable. The community is learning that farm animals do have personalities. I know this from feeding calves, having cows, pigs, all sorts of animals. Pigs are extremely intelligent and fun loving. I was reading an article recently about somebody who had adopted a pig and it was scampering around and diving in the bed and doing all sorts of things when it was a little pig. I don't know what will happen when it grows up but they were amazed because it was just like a dog. That is the reason.

MR BAXTER: Second question. Have you had an opportunity to look at the New Zealand regulations in relation to both within New Zealand,

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the animal livestock operations under NAWAC, and also their total ban on exports for slaughter although they still export for breeding purposes.

MS KENDALL: Yes.

MR BAXTER: And still export horses, obviously, for racing purposes. Have you had a chance to look at that and what is your view about the New Zealand structure?

MS KENDALL: I am not a professional animal advocate, and there is so much to read and cover, but I am aware that New Zealand has a much better attitude in general to those sorts of issues than we do. I did listen to the Prime Minister - it was after the Indonesian crisis with all those dreadful slaughtering methods - he was speaking to Geraldine Doogue, I think. It was a very good interview.

I think I have got a tape of it somewhere and I was just very impressed with the New Zealand attitude, and they just said because of all the welfare problems that keep coming up with live export of animals for slaughter, they just would not proceed with it, just like we shouldn't have proceeded with it back in 1985 when a Commonwealth committee examined it and said the animal welfare is - "It's too hard to deal with. We shouldn't proceed". But then we have - lobbying by the livestock industry.

MR LINDWALL: New Zealand has also introduced recently some new rules around the treatment of bobby calves. Have you seen that?

MS KENDALL: No, I am not au fait with that.

MR LINDWALL: If you have a chance to have a look it, you could provide some further comments in a submission if you wish to.

MS KENDALL: I will. Good. Yes.

MR LINDWALL: Yes, that would be most helpful, I think.

MS KENDALL: All right.

MR LINDWALL: In our draft report we posited to have a body which would be independent and it would have a role of building up the evidence, science based evidence and other evidence, on good welfare practices. It would have a role in informing farmers and the community in general about those welfare practices and it would also have a role about collecting in a validated way, community values about animal welfare

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which, as you know, change over time, and you support that - I think you indicated at the beginning of this.

MS KENDALL: Yes.

MR LINDWALL: Have you thought about how that body could be constituted? What type of representation it should have and so forth?

MS KENDALL: I have looked at various models through the submissions that have already appeared. I would like to think it could actually - I would like it to be independent. It's no use having it under a government department, as far as I am concerned, so maybe statutory. It should cover all sorts of animals. It should be able to make decisions, I think. Recommendations can be put to one side, not acted upon. I don't think the present government will take kindly with that. It's in Labor Party policy to have an independent office and the Greens, of course, advocated - put forward a couple of bills.

MR BAXTER: Can I just - knowing that this is a matter that travels across Commonwealth and State boundaries, what your view is as to what attitudes states' governments might take on this, knowing there is a mix of Labor and coalition governments around the country.

MS KENDALL: I think it's why it's better to have a national - I just wish we had national everything, for everything we do in Australia because the states just complicate things so much. I would think a national body would be much better.

MR BAXTER: Excepting that the likelihood of total removal of states' governments for which you might have some support, I am just wondering, however, that they at the moment have the powers to deal with people who are breaching the principles and laws that exist in the states. In many cases they don't have adequate resources to do so. The reliance is placed on the RSPCA or equivalent. The likelihood of getting a Commonwealth government, either current coalition or Labor, to take over both the principles and implementation, I suspect, is probably pretty remote.

Is an interim measure the sort of pay structures that New Zealand has got and then for the states to take a more active interest in and implement the regulatory regimes?

MS KENDALL: Yes, I think that is more practical, I suppose. As long as they do it. That sort of structure sounds reasonable. You mentioned the RSPCA in policing. I think it's grossly unfair what happens with the

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RSPCA because they are a charity and they are responsible for all this policing. They haven't got any funding. If they lose a case they have to pay the costs. If they win a case the government scoops the money. It's completely wrong. That's another issue.

MR LINDWALL: When Ken and I visited New Zealand a couple of weeks ago and we spoke about the New Zealand body that is independent and has been around for many years, but the thing that I found interesting was that they didn't think it was good to be a decision-making body and it isn't. It's an advisory body. The reason was that once the statutory body becomes a decision-making body, it becomes politicised to an extent. It becomes pressured to have the right type of sympathetic people being appointed and so on.

MS KENDALL: I see, yes.

MR LINDWALL: And when it's purely advisory it can be a little bit like the Productivity Commission. We have no decision-making powers whatsoever. We are just purely advisory, but it has the credibility of a long term with some level of independence. Would you accept that that might be a reasonable case for having an advisory only rather than decision-making powers?

MS KENDALL: It would be. I'm just not sure of the Productivity Commission's record on getting things through.

MR BAXTER: We have got a fairly good record of being sat on at fairly regular intervals. We have made unpopular recommendations, but on the other hand we have also had a fairly substantial degree of influence, both in our current name and under the previous lives that we have lived, of influencing a fair amount of change within Australia.

MR LINDWALL: I think there was an estimate of Productivity Commission and forebears recommendations, not immediately implemented but implemented in one way or another after a degree of time, about 70 per cent of them, so more than you might think.

MS KENDALL: Yes. I accept that things have to happen gradually so, yes, I would - - -

MR LINDWALL: Sometimes governments - I find that they try everything and ultimately reach the right decision after exhausting every other possibility.

MS KENDALL: Finally the community votes them out if they get to that

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stage.

MR LINDWALL: Sorry, Ken, did - - -

MR BAXTER: No, no.

MR LINDWALL: I was going to ask you about - we have spoken about the structure of the body and you didn't really say who you thought could be represented on it. Then I go back to the point, it should be broadly representative of course, the community values and expertise and it should have people who have the right skills for being in animal welfare, but could you have on such a body, people who are fundamentally opposed to production of animal for human consumption?

MS KENDALL: I would like to think so, they have got valid reasons. Yes, I think everyone should have a voice really. Like I said, I am trying to give animals a voice, and I think these people have a place. I was very interested on the previous - the hemp business, because that is one of the things that worries me about meat production. I have mentioned that in my first, the original submission. We need to find new, smarter ways, of producing clothes that we wear and things like that, and teaching third world countries how to do it as well so that they can start making a bit of money clothing the world with things like hemp. I was quite impressed with that. I thought I would be bored at first but then my ears pricked up and I found it very interesting.

MR LINDWALL: We should speak a little bit more on live exports since we have covered off, I think, on the structure of the organisation we spoke about. We hear that you have just said that you are opposed to it and that is fair enough. I think you would disagree with the argument that some have made and we have made mention in our report that if Australia exports with higher animal welfare practise to, say, Indonesia, that displaces potentially lower welfare practices from another third country. You don't agree with that argument, but what about the argument - - -

MS KENDALL: I agree it will happen but I don't think that is a reason why we should be live exporting. If they are fair dinkum about wanting to improve animal welfare, send some money - don't send our animals, but send people over to educate these people. It's just spin.

MR LINDWALL: What about the argument that by having an ESCAS regime in place that Australia is gradually improving animal welfare practices in third world countries?

MS KENDALL: That is all very well. They went to Vietnam in '99.

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They knew what was happening with the sledgehammering. You can't go and examine facilities - they knew. So it was pure greed and in the latter years, before this last sledgehammering expose, they rushed out animals to about 200 abattoirs. How could they have covered all those, and that was under ESCAS? I am very sceptical about ESCAS. It has done some improvement but it's not properly policed. It's not managed. I give money to charities to go over investigating. Sorry, I've lost track.

MR LINDWALL: No, no. If the government has decided that it wants to continue allowing live exports of animals for consumption purposes and for breeding purposes, that is a decision, right? You would agree that ESCAS has made an improvement, but how would you improve ESCAS, assuming that that was a decision the government wanted to allow. Is there a way of improving it further than it already has been improved?

MS KENDALL: I suppose you would have to say you would want more investigators keeping an eye on what happens over in the countries where the animals are sent because at the moment I think about 50 per cent of the exposes and breaches of ESCAS are reported by volunteer - animal welfare organisations that rely on donations.

MR LINDWALL: So it should be a more mandatory inspections and audits.

MS KENDALL: Yes, but then you have this sovereignty issue, you see, and they will go for the lower exporter. Then my argument is just teach - don't send our animals there because that is saying it's okay. We should just be sending people to train humane slaughter and things like that, not sending our animals, but I know that is a bit of a leap. At the moment, ESCAS - obviously, it would have more oversight.

MR LINDWALL: Who should pay for the additional cost?

MS KENDALL: I think the live exporter is already complaining about the regulation now and the farmers won't want to pay. That is what I am saying. It's so costly to get a humane result that why are we doing it?

MR LINDWALL: Sorry, to interrupt. On that line, is the other option to say, "We are not prepared to entertain live exports for slaughter but we are willing to maintain a position where we will ship animals slaughtered in Australia under Australian standards to those countries and, in fact, provide funding to those countries to establish proper freezer rooms and inboard facilities to take slaughtered meat." Is that an option?

MS KENDALL: That sounds like an option, yes. Yes, because that

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would give employment to meat workers here. We could meet their requirements, religious or whatever, as long as it's done properly.

MR LINDWALL: We have seen a move over the last 20/25 years, and obviously not at a fast enough pace to satisfy some people, in which we have convinced, for example, some of the Arab Emirate countries to accept frozen meat but that has been halal slaughtered in Australian slaughterhouses.

MS KENDALL: Yes. Well, that's perfectly fine, but when you go Dubai and Abu Dhabi, I mean they've got huge, great shopping centres, I mean I think that's more spin because, really, the average people that haven't got refrigeration haven't got the meat anyway. There's a lot of guest workers and whatnot there, so I think that was a spurious argument anyway, they've got plenty of refrigeration in those countries, they're very wealthy countries, except for the poor people, the guest workers.

MR LINDWALL: Did you have anything else?

MR BAXTER: No, no, that's it.

MR LINDWALL: Well, what time is it; we're basically out of time, that's the half hour. So I'd like to thank you, Jan, for coming in and appearing before this hearing.

MS KENDALL: Thank you very much for the opportunity.

MR LINDWALL: I take it your husband wasn't here to give you moral support?

MR BAXTER: Or he's run off.

MS KENDALL: No, he's over there.

MR LINDWALL: No, there he is.

MR BAXTER: And he's perfectly happy with your performance by the look on his face.

MS KENDALL: Right, he's been clapping.

MR LINDWALL: Unless anyone wants to appear right now, we are scheduled to hear from the Australian Property Institute at 10.30 which is in half an hour, so I suggest we have a quick coffee break. Is that all right?

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MR BAXTER: Or do you want to proceed, I mean, John is here.

MR LINDWALL: We could proceed.

MR BAXTER: Then why don't we?

MR LINDWALL: Then have a coffee break after that?

MR BAXTER: Yes.

MR LINDWALL: John, are you happy to?

MR SHEEHAN: Thank you very much. I won't keep you from your coffee too long.

MR LINDWALL: No, no, that's all right. I wasn't desperate to get a coffee, I'm just trying to schedule things, that's all. If you could just say your name and organisation, or if you're representing an organisation, and probably give us a brief introduction of what you'd like to talk about.

MR SHEEHAN: Yes, thanks, Commissioner.

MR LINDWALL: I'm happy to be very informal by the way, so Paul is fine.

MR SHEEHAN: My name is Professor John Sheehan, I'm chair of the submission committee that prepared the submission on the Issues Paper on behalf of the Australian Property Institute. Thank you for the opportunity to attend the public hearing this morning.

I did mention to the staff in the Commission yesterday that whilst we did a submission on the Issues Paper we felt that, in relation to the draft report, but while we just didn't seem to feel a need there was to restate the things that we said in the Issues Paper, there are a number of things that are in the draft report that we would like to comment on, and probably at the hearing today, it's the best vehicle for us to do it rather than give you yet another submission. So to that extent, I don't know whether you've got a copy of our submission on the Issues Paper?

MR BAXTER: Yes, we do have that.

MR SHEEHAN: If you don't mind, I'd like to really address just a couple of things, fairly prosaic having heard the earlier speaker, we'll obviously be focusing on issues of tenure and regulation. Look, first of all

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I'd like to mention in relation to the reforming of pastoral leases and I take you to the section in the draft report at page 67 and also our response on the Issues Paper, we also had a comment on the Issues Paper, our response, the API's response, that's page 8, that's paragraph 3.4, Pastoral Activities.

There's been a number of inquiries, particularly in New South Wales, into the issue of Crown land legislation, and there's a mention there at the bottom of page 8 in respect of the New South Wales Trade and Investment Inquiry into Crown Lands Legislation, the White Paper, in particular I have repeated there, or our committee has repeated our response in relation to that. There seems to be, inherent, a belief that pastoral leases, because they're not freehold, represent some sort of inferior tenure. There is of course in the draft Commission's report here, a number of times a mention in there, for example, on page 69 there's mention there of particularly the Western Australian government's approach to wanting to reform pastoral leases, leasehold interest in the agricultural sector, primarily aiming towards freehold.

One of the issues that arose in the 2014 submission that we made to the New South Wales government was that there is this misunderstanding that because it's a pastoral lease, because it's not freehold, it's somehow or other not adequate security for perhaps raising funds, which is completely untrue. The Wik decision, you might recall, a major native title decision after Mabo, was predicated on the basis that pastoral leases were able to coexist with native title, but they stood above native title in terms of their superiority as a tenure. So I think that argument that seems to be pervading the submissions that have been raised there to you, the Commission that is, in relation to the reforming of pastoral leases because they're "inferior" really just doesn't stack up.

I think one of the other issues, particularly looking at the Western Division in New South Wales, part of the reason why those western lands leases have been maintained ever since early colonial days, is because that land is incredibly fragile. You might recall that, Tim Flannery, some years ago in The Future Eaters mentioned, I think it was 9 per cent of the surface area of Australia is arable, that's an extraordinarily low amount of arable land, and even that in probably northern European terms would be somewhat suspect, I mean semi-arid land is still used for grazing.

So we have said, as I said before in our earlier submission on your Issues Paper and also in 2014, from the institute's point of view, and remembering the 8,500 men and women in the institute, many of them are the gatekeepers for the banks and financial institutions and they're responsible for assessing the worth of a security. There seems to be no

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issue in relation to that, so I question whether or not there is, in terms of the Commission's, perhaps, response to those submissions that have been made for reform, if there is really a genuine need for that. If you don't mind, I'll continue with the other bits?

MR LINDWALL: Please.

MR BAXTER: Or could we just - - -

MR SHEEHAN: Sure.

MR LINDWALL: Could we hear and then come back?

MR BAXTER: Well, can I just come back to a couple of those issues.

MR LINDWALL: Come back, sure, we will come back, yes.

MR SHEEHAN: The second issue I wanted to address is the question of land use planning. I've made a number of submissions over the years to the Productivity Commission on behalf of the Australian Property Institute and, particularly, your very significant submission on planning, zoning and development assessment. We have repeated in our submission there that the interjurisdictional aspects, they're buried in the Constitution, and while the previous speaker was alluding perhaps to tidying it up, it's just not going to happen, is it, and the Commission keeps on making comments about the fact that there is an incredibly untidy approach to land use regulations. Specifically, in relation to the non-urban sector in terms of land use planning, it's incredibly untidy. I draw your attention to our comments that we made there in relation to just a very simple example in respect of two adjoining municipalities or local government areas in New South Wales.

MR LINDWALL: Which page is this on?

MR SHEEHAN: That's on the institute's submission on the Issues Paper, it's page 5 and it's paragraph 3.2. The example there that we gave was the Hastings Valley and it was basically centred on Port Macquarie, the Port Macquarie-Hastings Local Environmental Plan, the planning scheme actually says there that one particular agricultural use, vineyards, can only exist subject to development consent. Go to the next page, immediately below that particular local government area in the Manning Valley, the Greater Taree Local Environmental Plan allows vineyards without development consent. I just simply don't understand the rationale for that, and there are many examples that I could give you that we have come across through the various jurisdictions in Australia. I think that's

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quite a rather savage and fairly stark example of it, because vineyards have existed for many years in both of those catchment areas.

I'd like to take you now to the last main point I wanted to speak to you about, and that was in relation to the draft report, the section on water, and specifically page 148, your box 4.2 in relation to water, we had some discussions in the Harper Review and in the issues paper response by us, the API, at page 11, our section 3.7, we made some comments in December 2014 to the Harper Review and the issue there of course is the interjurisdictional problem. But there's an even deeper concern that we gave got, and that is that with the COAG decision many years ago to separate out water from land as a land tenure and to create statutory rights in water, the final step was never undertaken to create property rights in water. Consequently, just looking at say one bit of legislation, the Water Management Act 2000 of New South Wales, but it's a mirror for the rest of the states, there is essentially only modified, very, very, modest compensation paid if, for some reason, that particular right, that is the right to water is extinguished by the state.

Now, you can have the bizarre situation where, if you could imagine a property, say adjoining a national park for some reason in any State, particularly if we focus on New South Wales, where the property combines both real property, which of course is protected by the land acquisition legislation in that state, so the full value, all the heads of compensation under section 50 of the Land Acquisition (Just Terms Compensation) Act in New South Wales, the full level of compensation, very, very similar to section 51(xxxi), just terms in the Constitution.

If you turn then to the water component, and in a capital package it's quite possible to have something like 75 per cent as the land value and maybe 25 per cent as the water value, but the minister can effectively cancel that 25 per cent of the total capital value with very, very limited compensation. We have argued over some years now that that is really quite intolerable.

One of the members of our Committee whilst the Committee spoke as the institute, was Patrick Lally, the head of valuations with Rabobank. I know that in the input that he had to our discussions as the Committee, one of the issues lies in that where there is security sought from the farmer, not necessarily from Rabobank, but he drew our attention to the fact that quite often you will find out that the farmer is required to add in some more real estate from somewhere else to give a greater level of comfort to the bank or the financial institution.

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I've got to say, that's fairly messy, and of course you could imagine it increases the cost to the farming community where they're doing that. In areas of Australia where it is possible to undertake horticulture or agriculture using water, the cost of doing that is really just not commensurate within that. That's all I wanted to say if I could and I'd answer any questions.

MR LINDWALL: Thank you very much. You wanted to kick of the batting then, Ken?

MR BAXTER: A couple of issues. We have had quite extensive discussions with both the land administrations in each of the States, we've also taken into account the supposed unified attempt at introduction of the biodiversity legislation in all of the States, and in fact as late as yesterday we had a post-hearing meeting with both the Department of Premier and Cabinet and the Lands Administration in Western Australia, and several, I think, issues were raised. One is they pointed out that the vast amount of land in Western Australia, even leaving outside the mining land, is leasehold, is partial leasehold country. They raised the questions of a new proposal I think for carbon mitigation, or sorry, carbon sequestration,

MR SHEEHAN: Sequestration, yes.

MR BAXTER: And they also made the claim which you have similarly made, that the leasehold title does not diminish the security in terms of the banks. I want to come back to that one. But has the institute adopted any view over the proposed changes in Western Australia in particular, and also most particularly the implementation of the carbon sequestration proposals?

MR SHEEHAN: Well, first of all, not specifically Western Australia but over the whole of Australia in the various submissions that were done over recent years, attitude has been consistent, and that is that the argument, as I said before, that the tenure is weaker, being a pastoral lease, simply just doesn't wear. I know that personally because, for seven years, I was the national native title spokesperson for the institute. So after the Wik decision back in 19 - - -

MR LINDWALL: '88?

MR SHEEHAN: Yes, something like that, that's right. The banks of course were hearing a lot of discussion in the press after the Wik decision, and you might remember there was discussion about the 10 point plan in the days of the Howard government, the banks were concerned. I recall being asked by one major bank to attend a meeting shortly after the Wik

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summit occurred to discuss with them all, they had all together their state rural lending managers and they basically said to me, "Look, is there an issue for us, we don't believe that there is any lesser security because there isn't any more that you can get than that particular interest in those parts of the country?" and it was a simple answer.

MR BAXTER: The Wik decision itself, and correct me if I am wrong, or my impression from the representative from Premier and Cabinet in Western Australia yesterday, was quite critical of people who assumed that the Wik decision, once a decision had been made in relation to a particular parcel of land, it was equivalent to freehold title. I think was that the proposition they were putting to us yesterday?

MR LINDWALL: I think so.

MR BAXTER: I am just intrigued, and more particularly since you were the chair of the Wik committee of the API as to where you see the Wik decision sitting in relation to, say, pastoral leaseholders, whether it's in Queensland, Western Australia or New South Wales, where the majority of these arrangements exist, whether that Wik decision has been underestimated in terms of its impact and whether it basically constitutes, effectively, a separate, beyond - attack is the wrong word, but beyond a variation in terms of effective freehold title.

MR SHEEHAN: Look, in simple answer, pastoral leases themselves - and it doesn't matter whether it's Western Australia or whether it's, say, Queensland, particularly in Western Australia, the two main States - the pastoral leases are not like, say, freehold. If you have a Certificate of Title in Western Australia for freehold it's exactly the same in terms of a property right as what it might be in Tasmania or New South Wales. Pastoral leases are really quite multifarious.

For example, in what used to be called the Guidance Note on Valuing Land Subject to Native Title, there's an annexure that we wrote at the end of it which was, essentially, those pastoral leases, those interests which the government had decided - with the support of I think it was Senator Harradine in those days after the Wik Summit - to actually say that those leases extinguished native title, and others obviously will regard it as not.

There was actually quite a subtle underpinning in that because a lot of the pastoral leases have rights and interests in them which are nearly synonymous with having a freehold interest, but some of them, for very good reasons like, for example, some of the Western Division leases in New South Wales, the land is so incredibly fragile that they need to have a lot of constraints upon the utility on that land. Some of the pastoral

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leases, for example, have a requirement that says that you've got to fence, that you've got to do this, you've got to do various improvements, others, you'd be forgiven for thinking they're little more than a travelling stock reserve in private hands.

So I think that's the answer for you, because they aren't all the same and they're there I think for some very good reasons. We argued, as I said, in relation to the Crown Lands Review in New South Wales, that to simply allow a whole range of uses to be added on to the existing uses, in the absence of the Environment Planning Assessment Act, the planning legislation, which would then impose a series of things within a different piece of legislation, just simply, well, in the absence of planning legislation you had to rely on the conditions of the pastoral lease to impose the sort of things you would expect normally in land use planning controls coming out of planning legislation. Where you have those sort of controls, and it's interesting, that that's where you tend to have the freehold agricultural tenures.

MR LINDWALL: Correct me if I'm wrong, the way I think about property rights is a spectrum where, at one extreme, you could have absolute title to a particular lot of land, including the minerals underneath it and you'd have unrestricted use of it and you can do anything you want without any restriction whatsoever.

MR SHEEHAN: Absolutely.

MR LINDWALL: To another area, to another extreme, where highly prescriptive rights, so it's a bundle of rights which can be time limited and they can be restricted in various ways. I accept your testimony, and we've had it before, that the pastoral leases shouldn't be considered inferior in a particular way, although they're obviously a lesser bundle of rights than, say, a more unrestricted, especially if they're time limited. I guess my question is in that respect, if I was a bank, lending money on that security and you have a 20 year pastoral lease and it's expiring in the next three years and you need to have the new loan and there's discretion by the Minister or the government whether you get the renewal or not, surely I would take that into account if I'm a bank?

MR SHEEHAN: Excellent question. Exactly that question had been put over many years ago, after the Wik Summit. The issue of course is that as a security, you've got to contrast it with freehold land which is right next door to a road that's going to be widened very soon, but there's no indications that they're going to take the land, so you'd have to think there's a question about is that land going to be acquired, and it's freehold land, for the widening of a road.

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The same thing goes with, say, pastoral leases, that particular property right, there is a pattern there of more or less automatic renewals, and so that's something that the rural lending areas of the banks and financial institutions are fully aware of. So in some respects, I mean, that analogy is not that far from the truth because they just continue.

I mean the point is that the Crown estate is there to be kept within the ownership of the Crown, but at the same time they also want to see it used throughout all of the States for productive agricultural purposes. So for the Minister to arbitrarily cancel one, or just not renew a pastoral lease, and a lot of the pastoral leases have a quality of nearly perpetual. But that's not the issue, the issue is the fact that often the uses you can undertake are actually prescribed, and prescribed in the absence of - - -

MR LINDWALL: For very good reasons, yes.

MR SHEEHAN: That's right.

MR BAXTER: Well, can I just pursue that. That if I'm reading correctly, the debate that's taking place in Queensland at the moment about the implementation of the environmental biodiversity legislation, that a number of the producers are saying, well, effectively what you're doing by introducing this legislation which will run right across the spectrum, so when you hold a 20 year pastoral lease, a lease in perpetuity or you hold freehold, that effectively what you are doing is diminishing the value of the property right by imposing a whole series of conditions on how you can manager timber, grasses and so on, on that freehold.

So there's a proposition being put that, effectively, you are just writing off the value of a lot of existing freehold tenements, and that in turn will have an impact on the capacity of existing producers to in fact increase their - or if they need to increase their borrowings from financial institutions.

MR SHEEHAN: Are you alluding to the debate about native vegetation clearance?

MR BAXTER: Yes.

MR SHEEHAN: Yes, I thought you were. Look, I'd had experience with the declaration in Queensland of the Wet Tropics Heritage Area and it was interesting that, on that particular time when that was occurring, not only did you have pastoral lessees saying that the utility of their land was being diminished, you also had farmers with a freehold interest saying that

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their areas were going to be diminished, and you also had native title holders saying the same thing.

So what can you say, excepting that I go back to a 1957 comment in a book called Jurisprudence by a guy called Dias, it's quite a well-known text, and he said it's a fallacy that the property rights were never diminished by the state. They've always been mitigated by the state to a certain extent and I suppose, as time goes on, we learn more and more about the custodial role of the state, it has to interfere more openly in what is occurring. For example, clearance of native vegetation, if you happen to be there and you've had your property cleared years ago, before this came in, well, you could argue you're a winner.

But at the same time there's also issues in relation to, for example, you mentioned before, I heard you mention about carbon sequestration, I mean there's an outgrowth of that now which is occurring in New South Wales where if a state agency wants to build, for example, a roadway, a motorway around a town, I'm aware of one at the moment where they'll be going through some endangered vegetation.

What's happened is that properties nearby that have the same sort of vegetation but which isn't to be acquired as a result of this motorway, there's now a value being attributed to that endangered vegetation in situ and it now has a passive income source for the farmers, where originally they might say, well, I'm actually losing this benefit because I could have cleared all the land. To quote one farmer recently on the edges of Queanbeyan, he said to me, "I'm so glad we never demolished it because I've got a very, very nice passive income stream coming in". Make what you make of that, but that tells us of the complexity that's coming in.

MR LINDWALL: Of course, yes. I agree absolutely by the way, your point on water rights and property rights, when a key thing of a sound economy is that property rights should be well-defined and protected.

MR SHEEHAN: Absolutely.

MR LINDWALL: The arbitrary taking away of property rights without due compensation in terms of water is regrettable, have you - has the institute tried to get the government to change that policy in any way?

MR SHEEHAN: We put a submission in some years go to this Commission when you were looking at water, and we'd had a number of meetings with successive Ministers for Water in New South Wales, because that's where I happen to live, and nothing has ever happened. I think that, deep down, you could be looking at the Treasury, saying, well,

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that's going to increase our potential, our compensation bill and maybe we'll put that aside for the future.

MR LINDWALL: Even though it obviously is, by definition, a lesser property right if it can be seized, sovereign risk is what one would normally call that.

MR SHEEHAN: That's right. And the banks also respond to that because they see it as being - I mean, essentially, just looking again at the Water Management Act in New South Wales, it specifically says that that right attaches to the holder of that right, its personal property, so you know that if you can raise money against real property at the moment, you may be paying five-and-a-half per cent, for example, another form of personal property would be a motor car and the interest rate on that is probably 16 per cent or something because it is seen as risky.

So you can see the understanding of the banks because they can see that's an issue which really needs to be resolved. But on the other side of it you've got - as I can appreciate, you've got the Treasuries in each of the six states saying, well, look, that's going to increase our potential liability if we want to do something.

MR LINDWALL: Now, I just wanted to see that you're consistent on this, that if the government takes property and has to pay compensation for that loss, would it also apply, and we said as much in the report, that if you were to convert pastoral leases to freehold, and let's say the property was valued at 5 million previously and is now valued at 10 million, the government should charge for that, say in that case, $5 million as an example?

MR SHEEHAN: I've heard that proposition put many times in the past, particularly after the Wik decision. The point is that there is no market in those parts of Australia where there's only pastoral leases so there's no benchmark to move it on, so that is. You mentioned before different sorts of tenures, I mean what we do in terms of property theory, we talk about the tenurial pyramid, obviously the Crown sits up the top and the further down the pyramid you go the more sorts of tenures there are, ticket licenses and rights away and things which - some of them can be quite weak.

However, in relation to the value of that particular property right, there is nothing above it that is valued. So the assumption that, for example, I know it's only an example, but that pastoral leases or the property right as a pastoral lease, if it's worth $5 million and if it was freehold it becomes 10, there's no substance to that because the highest

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value that's available is that at the moment. Just like, I mean I have a house that has a Torrens title real property title to it but it is subject to the ability of the Crown to acquire it. If it were possible to have a Torrens title that the Crown couldn't acquire, sure it might well be worth more money but it's not possible to have.

MR LINDWALL: My final question is related to your second point which was what effectively you call intrajurisdictional and interjurisdictional conflicts, or inconsistencies, although obviously the differences between States' jurisdictions is an intractable problem and there's little that can be done.

MR SHEEHAN: Of course.

MR LINDWALL: But it is interesting, the example you've got here on page 5 which is an intrajurisdictional problem and the State governments could do something about that.

MR SHEEHAN: Exactly, I know.

MR LINDWALL: So do you have any thesis about why they don't?

MR SHEEHAN: In New South Wales they produced what they call the standard LEP template, which is the Local Environmental Plan template, but even that is seen as perhaps too restrictive, we still operate under that, and the rest of States, in fairness, are trying to simplify the zonings that they operate under.

But you're dealing with creatures like adjoining local government areas and it always surprises me, one of my disciplines is town planning, what surprises me, how innovative local government is to separate out their particular local government area from the adjoining local government area, and I think Hastings and Taree is a prime example of that.

MR BAXTER: If it gives you any heart, that is long recognised, that they need to do something about it. There's a meeting in Canberra in about three weeks' time when they're attempting to get land jurisdictions and the planning jurisdictions together, not only in New South Wales but all the other states, to try and reach some view as to what might be some positive next steps for us.

MR SHEEHAN: I must say, Commissioner, it's desperately needed. Because even within areas like Sydney, I don't know if you're familiar with St Leonards, for example?

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MR LINDWALL: Yes, very much so.

MR BAXTER: All the time, yes.

MR SHEEHAN: Well, St Leonards is where the three local government areas, prior to these amalgamations, occurred. So you had North Sydney, Lane Cove and Willoughby touching right at the centre of the railway bridge, and as you would be, an astute observer would notice that, gee, I think it's interesting that the office buildings on the Lane Cove side, metres away, are slightly different to the ones on the Willoughby side and the Lane Cove side, and in fact Lane Cove had one where the buildings, somehow or other, they designed them so you had to have more space at the bottom and then would cantilever the buildings up. Now, all one, small, suburban, commercial area and they couldn't even get that right.

MR LINDWALL: Yes.

MR BAXTER: Well, can I just add to that, I mean we're dealing with the same issues in relation to rural councils, and in all fairness to the various states' administrations, they are wrestling with how to get something sensible and manageable. I see the Chair is looking at his watch.

But could I just renew the page 10 of your document and at the bottom of that you deal with the aftermath of the native title decision. You make the observations that, given the processes are necessarily complex and are dealing with an intensive legislative interplay, you're not able to offer any commentary. I mean it seems to me this is a continuing problem across a number of the States, the point was made to us very clearly yesterday, in Perth, that it was basically Premier and Cabinet that would make the ultimate decisions over the Wick negotiations and they'd tell the Lands Department what to do. What's your assessment of next steps in this area?

MR SHEEHAN: Look, native title, we could have an hour discussion about it if you wanted to. Native title is never going to be easy. That is one of my specialisations. One of the issues about native title is it was recognised so late in Australia's history as against other countries, I mean you had British Columbia, in 1857 had the first statute that actually recognised Aboriginal tenures, and we were very, very late off the starting blocks. So, to that extent, a lot of the development and the creation of this tenurial pyramid I spoke about had happened, and so you will recall in the Mabo decision, I think it was Justice Brennan was at pains to say that we're not going to unsettle the skeletal framework of existing property

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law. I often say to the students and the researchers, look, it's all about native title, the native title decision in Mabo, I said, well, actually it's not, it's about reaffirming the existing settler land tenures.

But in that process of recognising native title, I mean there's two bits of that which necessarily make it complex, and we weren't being facetious when we said we didn't want to comment, but the reality is that because it came so late it had to necessarily be complex to deal with the fact that, (1) you couldn't disturb, realistically, the existing tenure pattern. That came out in the Wik decision where, essentially, the Wik decision actually created more robust pastoral leases by saying, well, if you've got native title which could co-exist and you've got a pastoral lease, that one sits in the tenurial pyramid, above native title. So native title yields to those which are already pre-existing.

However, where there isn't any situation, where you do have to negotiate, and I'm getting involved in doing compensation assessments in my consulting practice where there's State government activities occurring which are going to extinguish native title, I mean it would be nice if someone could have a bit of paper and says, look, this is our native title certificate, but it isn't quite like that.

I mean, as you know, native title has a whole series of things in it which we call incidents of native title, some of it is utilitarian, like the parcel of land which they own and live on, but there's other things in there which are really unknown to us such as, for example, spiritual and cultural attachment, some people might disregard that. But in the decision in Mabo, the court was at pains to say that native title was sui generis, it was of a kind which was unknown at the common law. But of course, intriguingly, what the Australian High Court did was to recognise that which was unknown in the Australian common law at the time, and that's really where it lies.

So those things that we've listed on that page at the bottom there, frankly, they really have to stay as they are. Now, it may be an efficient process, but neither is land use planning between Hastings and Greater Taree either. In that particular case, the Federal Court has tried, diligently, to try and deal with a lot of the cases, and with the Howard amendments, when they mended the Native Title Act, basically you couldn't have native title claims over the same parcel of land, they really did make it much more efficient. However, it's like anything else, it is litigation ultimately and the rights and interests have got to be protected.

MR LINDWALL: I think that's actually very helpful. Thank you, Professor Sheehan.

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MR SHEEHAN: It's my pleasure.

MR LINDWALL: I think we should have a coffee break now. We can't offer you very good coffee but we can offer you coffee.

MR SHEEHAN: Well I avoided it in Qantas, so I'll have some of your coffee here. Thank you very much.

MR LINDWALL: I think we will resume at 11.30 with Craiglee Vineyard.

ADJOURNED **[10.37 am]**

RESUMED **[11.05 am]**

MR LINDWALL: Welcome, and as I said, if you could just say your name and organisation and a bit of an introduction?

MR CARMODY: My name is Pat Carmody, I'm from Craiglee Vineyard out at Sunbury and I've been farming for a very long time. Briefly, a potted history of Craiglee is that it was originally started by a man called James Stewart Johnston in 1863 under the - and he got the land under the Duffy Land Act which was introduced with the novel industries clause inside it which allowed for specifically for viticulture in the area. So that's where it started. He and his sons made wine there until 1927 or '28 and then the vines, particularly after things like the First World War where a lot of the wine was exported, it basically ceased production. As did lots of areas around Melbourne and the Yarra Valley, et cetera. And so these areas then went into decline. There were vines were on the site until the mid 1940s.

My parents bought the place in 1960, we were Northern Victorian farmers, and shifted - my father shifted closer to Melbourne for education of children, obviously. I was doing agricultural science, which I started in '71 and finished in '74. In 1972 we had a man called John Brown call in after a lot of bottles from 1872 Craiglee Shiraz were opened at lots of dinners in Melbourne and found to be perfectly sound and wholesome. And John Brown said to me that, "You should perhaps consider replanting the vineyard because anywhere in the world that can produce a wine that lasts a hundred years is worthy of being replanted."

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So in '75 we lost my father. He really wasn't interested in wine, he was a good beer drinker. And in 1975 we lost 150 sheep one Easter weekend and it broke his heart and he said, "Well, what are we going to do?" And I said, "Well, we're stuck in suburbia, basically, I will replant the vineyard", because I always wanted to go farming and like lots of farming families they don't want children to come home, they want them to go and get a proper job. So I replanted the vineyard in '76 with Shiraz and continued to make the wines exclusively from that site. So on the site there's one of the earliest uses of concrete technology in Victoria. There are two houses on the site, there's a bluestone house and a, as I said, Johnston building, this concrete house. There's also a listed heritage Victoria Winery on the site.

So what have we done? I'm on Langton's Classification for significant Australian wines and have been since the second one. I'm regularly in Halliday's Top 100. I've won Best Red Wine at the Melbourne Show a couple of times. The '90 Shiraz was classed as one of the top 5 in Australia and the top 100 in the world. So, it's reasonably well known for what it does. However, we - in 2008 the Brumby Government expanded the urban growth boundary around Melbourne by 26,000 hectares or something, which picked up our place, the farm, basically.

The vineyard was put in as a rural conservation zone and I continued to deal with that as an issue. In May 2013 the frogs arrived. It's a bit like the invasion day, you know, 26 January. Well, mine was May 2013, the frogs arrived. Our place was put under - and a friend of mine told me that I should go and look at what's happening with the government and there was a meeting in May 2013 that listed about 85 per cent of the vineyard as being category 1 Growling Grass Frog habitat, which if you read what category 1 Growling Grass Frog the legislation - there's three possible outcomes for Growling Grass Frog habitat; land can be secured for by entering a non title and management agreement of indeterminate nature and at my cost with the DSE; or it can be transferred to the Crown at no cost, no compensation; or it can be publicly acquired by an authority.

So there is a lot of land being given to the government under the frog habitat by developers who are just - pass it off, give them the creek, so they can get on with doing their development. Unfortunately mine picked up, and as I showed you the map that was sent in, shows you the serpentine nature of my creek, that if you put a hundred metres into it, it basically ruins the site. What does that mean for me? That basically the place is worthless, according to the government. And then we had - so we then start on meetings with the government.

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So we met with a man called Warrick McGrath, who is a big wheel in the DSE, or whatever it's called these days. We have - first up, we have never been formally told by the government that our place is in category 1 Growling Grass Frog habitat. If you didn't find it on the website you didn't know about it. We've had endless numbers of meetings with people like Warrick McGrath, who inevitably turns up late because he's a busy man, and inevitably never stays for the whole length of the meeting because he's busy as well. Staff who attend the meetings have never attended any more than two meetings. These are interesting techniques as to how you deal with people.

Then you have what I describe as the pass the parcel letters, that you go from one to the next person to the next person, and back. They're really hoping that you go away. They were thrilled to bits, the state people, that when finally Mark Butler signed it off at the state level that before in the caretaker period of the Federal Election back in 2013 so that then they were able to start on the next exercise. It's not us, it's them. It's the feds. No, the feds say it's the states. The states say it's the feds. All in all it's that you finish up with no change.

So we're basically dealing with what I describe with this sort of stuff as the one centimetre rule that farmers use, you pick up authorities that have got one particular topic in mind, they don't have to look at anything else, and they pick up one centimetre of the metre long ruler. So in this case you had something like - to sterilise something like 500 hectares of land in this area, that there's been no extensive modelling of Jackson's Creek, there was no scientific numbers on this done, no population count to establish that a population exists, no validated sightings in recent times and at the appropriate season, no definition of a sustainable population, and no contact with the property owner.

The consultancy group who did the thing, Ecology and Heritage, reported anecdotal sightings from Emu Creek, which is not Jackson's Creek, in 2006 and there's only one other historical record of an indeterminate frog at Holden Reserve, which is down further from us, in 1990. There was no evidence for Growling Grass Frog habitat let alone an important population. So why should someone like me lose my family home and my business?

So as well as the one centimetre rule, which is what you basically have, my wife is a biologist by trade and is offended by the lack of scientific rigour that's associated with all of this sort of stuff. It was - and I use the term of it as being, it was a dirty deal between the government and land developers. And land developers are very happy to pass off the hundred metres along the creek. So my wife, being a biologist, considers

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these people would have been laughed out of any scientific conference if they put this stuff up.

And she used the example of another species, because this is all modelling that's associated with the Western Plains of Melbourne, she said, "The modelling suggests that this species could be still here, it's important that you preserve this on the grasslands of the Western Plains of Victoria, the last one was seen 26,000 years ago, which is a Diprotodon at Bacchus Marsh. But using your modelling the exact same thing as what they've done with the Growling Grass Frog could apply." She was very offended by what they are doing.

But she equally as well says something like these explorations are a bit like the Winnie the Pooh and Piglet, that they're out exploring and they come to a tree and they're exploring so they go once around the tree, "Ooh, Piglet, ooh, there's footsteps, it might be a heffalump". They keep walking, "Ooh, Piglet, there's two, there might be two heffalumps". And this is the basis of what these people are doing. That's the sole - there's no work being done on this. And they said they did photographic evidence, if you can't pick up houses and a vineyard when you're using photographic evidence associated with this then there's something very sad going on.

The other issues, I suppose, with the frog thing is that we've got a vineyard across the road from us, Goona Warra, which is in a farming zone. Directly across the road. We've got houses directly across the creek with vacant blocks still on them in closer proximity than a hundred metres to the creek. Goona Warra has no frog habitat on it because it was in a farming zone. So I don't know how the frogs - there's obviously signs and they're very clever frogs that they can read that you don't cross the road. The frog habitat starts after that. Equally as well, vacant blocks that are now being built on across the creek from me don't appear to have frog habitat on them because they don't the - they're in an urban zone.

The other issue with DSE people is they will never leave Melbourne, they won't come out and talk to people, they refuse to use that they ever indulge in the territorial imperative and refuse to leave East Melbourne. They equally as well after the state and fed stuff with the pressure that was put on Warrick McGrath, he reverted to existing use rights, which really have only got validity for two years but equally as well restrict anything else that you can do on the site, particularly what you're doing.

I had the dubious pleasure of meeting the Environment Minister of Victoria at the time, a man called Ryan Smith, who refused to meet me formally as a meeting but met me in what is the visitors' gallery or

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whatever it happens to be in parliament with my local member at the time, which was Joanne Duncan, a Labor Party member, and my wife. Ryan Smith's opening gambit when he sat down, to me, "Well you must be Labor Party members if Joanne Duncan brought you in". And which sort of was a bit offensive to me. And then followed it up by, "Well you've met with my department, if you don't like the outcome then stiff bikkies for you", which I thought was pretty unfair.

He then went unfortunately back to a friend of mine, Carmel Clancy, who was PA to Denis Napthine, and said that, "Pat was happy with the outcome of the meeting", after I had finished the meeting with Ryan Smith saying, "You go home and ask your wife how would she like it if today when you go home your house is being taken over for no compensation by the state". He obviously was too dumb to understand what I was actually talking about. What else have we got? Sorry, I lose this sometimes.

MR LINDWALL: That's all right.

MR CARMODY: I think the one centimetre rule also then leads to, which probably farmers across the state, leads to the quarter acre rule that we have to deal with. Is that if you've got bigger than a quarter acre somehow or other you've got less rights than the rest of the community. Seems to be. And so I had the local council town planner, Michael Sharp, ring me and say his vision was that I would gift the vineyard to the council for a park, because it was frog habitat. He got the appropriate response, as you can imagine. And then I perhaps suggested to him that perhaps his home should, wherever he happens to live, should be taken over from him and converted into a community veggie garden. To which his response is, "But it's my home". And when I said so what's the sort of difference he suggested I was rude, so.

I find it bizarre that in this world that of what's going on today, that of diversity, that we encourage gay pride and we encourage Indigenous football rounds, and we do all sorts of things like this, that there's not allowed - we're not allowed to have diversity in ranges of land uses. And that's not respected. And it's not respected by what we're doing. My wife and I work in the vineyard for probably 300 days a year in pruning, we're pruning the vines, training the vines, we're there, we're not just sitting on a tractor going around where you don't see anything.

We also have three or four dogs with us, as they do, and they find anything that's in the vineyard. They can find echidnas, baby hares, mice, crickets, whatever. We have never seen a frog. There's other frogs along the creek, there's a Southern Marsh Frog, there's other frogs, there is

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no - we have never heard a Growling Grass Frog. We have never seen a frog in the vineyard because the dogs would find those and we always go and investigate what they're looking at in case it's something that's a bit longer and a bit slithery and a bit - not very nice for them to deal with.

Yet this view is dismissed because we are one way or another environmental vandals because we're a farmer, which is a common attitude particularly if you come from inner suburban Melbourne and work at the DSE, and we equally as well have a pecuniary interest. So therefore we have somehow or other we've got less rights and the diversity of agricultural use is not respected at all. So we've had this once before, which I will very briefly talk about.

But it was 20 years ago we had the local Water Board that runs sewerage pipes through our place and we have a sewerage farm next door to us. And so they put it on the site back in the '70s and in 1990 they did not manage their odour control from the place so the EPA, or the what I describe as the Environmental Pollution Authority of Victoria decided that they should have a buffer zone. It was easier to destroy a farmer than it was to put your odour control in place. And that went on for five years, basically. It basically nearly crippled my business in 1990 to '95. After I had won major awards and was looking to perhaps expand tourism. And then we moved in from '97 onwards to large droughts.

It was solved by a man called Robert Maclellan, who was Planning Minister of the day, who basically said to these people, "You put the plant there, it's not the responsibility of the next door neighbour to provide a buffer zone for you, if you've got a problem you tell the community that you've got to put in odour control, like you do in Sydney", you know, there's plants in Sydney that are the same size as the one we've got at Sunbury, on 10 acres, Castle Hill and sites like that. And these people had 110 acres and sought to sterilise 500 around them. At all levels of bureaucracy there's a lack of respect for agriculture. There's a lack of respect, it is primitive the way they treat people in this state particularly, I don't know what else.

So what's the solution that we perhaps came up with. So we're dealing with the MPA, which you've got a letter from them, and they have designated now that instead of people accepting responsibility that they might have totally stuffed up, they're going to designate me as a special use zone. Which takes me out of the urban growth boundary and therefore technically the frog habitat doesn't apply to me. Why would they do that? That sets up another set of bureaucrats where they're then deciding what they will and won't allow you to do in planning.

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So one of the meetings we had recently was with one of the planners was what else can be used in association with a vineyard, so his call was we had an hour long meeting of discussing the words of, "Associated uses or ancillary uses", as to what you should put in the planning zone amendment. So those sorts of words were ongoing throughout this whole hour long meeting. So it may well solve one of my problems, they will heavily restrict because they've equally as well got to deal with the DSE and they don't actually want to have me doing very much at all.

The risk for my business is continuing, and this is one of the unfortunate things, I love agriculture, I love the diversity of agriculture, I love what I'm doing. I love the battle with climate change. I love the battle with diversity, of what happens in farming. I just find it absolutely stimulating every day that you're dealing with some new problem. You're dealing with the challenge as to how you deal with low rain fall, high rain fall, how do you produce a crop, before you get to the point of marketing a product.

So the risks for me for further on are probably, one, obviously markets, but equally as well I could have another group appear which is AVCA, which is Australian Veterinary Chemicals Association, which could appear and say, we need a buffer zone because we're a bit frightened of agriculture and we think you should not be anywhere near a suburban area. So I could quite easily be wiped out by that as well by another mindless group of individuals. What's it done to actually as us, it's destroyed incentive. It actually makes it really difficult some days to get up and work. It's both financially and mentally it destroys you.

And I think the unfortunate part about it, I wish there was accountability. I wish there was inside some of these planning things that if you've made a stuff up something happens that you get compensation for the damage that you've done to businesses. And unfortunately none of these people lose anything. Warrick McGrath inside the planning environment can have endless numbers of meetings with me. He's never had to do anything besides stonewall. The same with the rest of the staff. Ryan Smith never suffers any consequence. The week after he told me that he didn't - basically didn't care for me, he was up in the high country releasing Crown land for a cattle grazing trial. So it's a bit of a mix up thing of stupid things.

I suppose the challenge for the Productivity Commission is can you actually change anything. And I will finish with what one of the things that my wife is - and you've done it too, unfortunately, which is the term "prepare a submission", which I find a really weird thing to say. It actually puts people behind the eight ball. It actually puts you down. I

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think you should be using - and DSE and all these people do it by, "You prepare a submission and we'll consider it, that by the submission we actually demean what you're saying".

I actually think it should be, what I've said today is, I think I've tried to make a presentation to you. That I'm producing a different set of opinions that I think have got validity. And I wish the term would be taken out because it's a demeaning term, "submission", that you submit a submission. You are behind the eight ball straight away because they are deeming that you are of lower value than them. So I'm - - -

MR LINDWALL: I take that as a fair point, although unfortunately I think we're stuck by our Act in calling them submissions. We don't treat it as something demeaning, though.

MR BAXTER: Certainly not.

MR CARMODY: No, it's other people, I'm saying. It becomes a term of abuse of a putdown abuse, by - and I think the phrase should be used as a presentation, that you are making a presentation - - -

MR LINDWALL: Well you're certainly making a presentation today, yes.

MR BAXTER: Although can I just say, in many cases I suggest that it's subterfuge for having a direct meeting with you and resolving the issue as a means of creating another set of pieces of paper which hopefully will get buried somewhere and never see the light of day.

MR CARMODY: I appreciate that.

MR BAXTER: And look, I think your point is well taken. But I think this is a means of just continually deferring and deferring and hoping that it will somehow disappear.

MR CARMODY: And, something like that, I cannot believe how legislation was passed that someone's land was taken off them, pretty much.

MR LINDWALL: We certainly - - -

MR CARMODY: I find that - I can't believe that in Australia, and equally as well, it doesn't pass the pub test, you know, anyone you talk to and says - you know, and I know that's the wrong thing to use probably, but it doesn't pass the pub test. Anyone who says, you know, they're

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going to take it off you for nothing, that's not right. And I just don't - I do not understand how legislators are allowed to get away with that sort of thing. There's a lot of abuse that the EPBC Act is being used in a terrible fashion, certainly with something like this, the expansion of the urban growth boundary around Melbourne.

There's someone inside there who has taken an agenda of saying, now what do we stop on broad acre land, and that's the Golden Sun Moth, what they've discussed probably as they've done more and more work, that there's more and more Golden Sun Moth than you can poke a stick at. And unfortunately for them the more Chilean needle grass there is the more Golden Sun Moth we've got, which is an introduced species. And the frog one is you don't find - that you find a frog that might go out from land to take as much land as possible that you can. It's a very nasty technique that's being involved.

MR LINDWALL: Now, I might just say something briefly about our report in those type of areas. We did say - correct me if I'm wrong, Ken - that government agents should have better relations and learn how to understand the business of the person they're dealing with in a much better way than they have been.

We also said that there needs to be a much better balance between environmental, economic and social outcomes. That was something that was very clear and I think in our report we said sometimes there had been an over focus on the environment and an unwillingness to sacrifice any environmental benefit for even large economic gains. So I wanted to put that as a point. Could I ask firstly this declaration as a cat 1, category 1 zone, do you know when that first happened?

MR CARMODY: I think it was May 2013, now it may have happened before that but it was announced in May 2013. And with no, you know, as I said, I didn't know about it and a developer friend of mine said - - -

MR LINDWALL: Yes, but as you say there was no letter sent to you?

MR CARMODY: No, and there's been nothing ever - - -

MR LINDWALL: There was no consultation before the declaration was made?

MR CARMODY: No, nothing. And there's been no letter since. They haven't even got the courtesy, unless you find it on a website, you could be sitting there as a totally - you know, as a farmer not interested - - -

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MR LINDWALL: So no one from the environment department came and said, Mr Carmody could we inspect your farm to see whether the frogs are there, before declaring it as a category 1?

MR CARMODY: No, there's been no work done. It was a very coarse ecology and heritage along with other groups like Biosis. The government use them. The developers use them. It's a really unholy alliance. It's the Winnie the Pooh thing, you know, that as you're going round and round in the same circle and you're actually not getting any - you're not doing the work.

MR LINDWALL: And it seems what you're saying is that by going to a special use zone it's a way of saying they're wrong without saying they're wrong, or - - -

MR CARMODY: Yes, that's it. There's no accounting, don't accept any risk that you might have made - - -

MR BAXTER: Can I just go back a step? Was the land originally freehold title land under the Victorian Land Management Act?

MR CARMODY: Yes, it was under the Duffy Land Act it was released with a Novel Industries Clause. It was alienated from the Crown for the specific purpose of planting grape vine. There was other novel industries, you know, that you could have had mulberry or citrus, or whatever, but it was - - -

MR BAXTER: It was freehold or a freehold title?

MR CARMODY: Certainly, yes. And to the middle of the creek, so it's a really old law title.

MR BAXTER: It's a long time since I've looked at the Victorian Land Management Act and my recollection that it had similar provisions to the Queensland, New South Wales and Tasmanian Act, that in the event of compulsory acquisition or forced change of use the government was obliged to pay compensation.

MR CARMODY: I'm not aware, that the developers that are passing land across to the government there's no compensation being paid for this. They're just transferring it so they can get on with their development. The first initial thing under the Brumby Government was apparently 200 metres either side of the creek and the Napthine Government knocked it back to 100 either side of the creek. Because I've got both sides of the creek that's - and particularly if you put two houses that have been there

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for 150 years in and a winery, someone hasn't done their job. And then not only haven't they done their job they're not prepared to acknowledge that they haven't done their job. There should have been the first response of, well how do we sort that out?

You know, and I dealt with Greg Hunt, I rang Greg Hunt and said, "How do we tackle this?" And he said, "Well, we'll take the houses and the winery there and we'll make it 50 metres along the creek", which it is in other places. But DSE just were unwilling to do it, because I think there's a broader - and certainly with the council, they'd like to take it off me for a park. That's simply what it really boils down to. And so you encumber the land and then you make it - and when I retire or whatever it is you do a dirty land grab, you know, as little a money as you can - - -

MR LINDWALL: Or they try and wear you down.

MR CARMODY: Yes, well, that's a very - that's best of luck, you know.

MR LINDWALL: What do you - well in our report we did talk about the possibility - we asked the question about right to farm legislation, have you heard of such a thing?

MR CARMODY: Yes, I have. I think right to farm has got other issues because you can get something like, as we had with the buffer zone that they tried years ago, that it doesn't impact on your right to agriculture but it does devalue your land. So that they would have used the right to farm against me to say that further down the track it might have a different use.

So the right to farm has got both - but I suppose right to farm is an interesting one too with buffer zones, which can be a problematic issue for farmers' organisations, that they - say chicken farmers, don't particularly want - they want buffer zones to extend on to other people rather than them picking up the buffer zone themselves. So you can get caught with - farming organisations can get caught with that. And it's my argument - you know, the EPA would really, this is my honest opinion, the EPA, if they could have a buffer zone of 10 ks around every licence facility that they've got they'd be more than happy because there'd be no complaints.

MR LINDWALL: Did you have anything to - - -

MR BAXTER: No. No, nothing.

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MR LINDWALL: Well I think, Pat, thank you, very much, you've given us a very good case study in bureaucratese.

MR BAXTER: Yes.

MR LINDWALL: And I appreciate very much you appearing here.

MR CARMODY: No, I appreciate your time, thank you very much. As I said, I'm very nervous about this whole thing but equally as well as a friend - and one of the issues, I suppose, for you is a friend of mine who is at Diggers Rest who has had some of the same sorts of issues as me, he said, "Why are you wasting your time, Pat? You've been to these sorts of things before" - - -

MR LINDWALL: Well this is on the public record.

MR CARMODY: I appreciate that, I'm happy to be on the public record. I've been in the Australian Newspaper, I've been on Channel 7 News over this issue. You can put whatever you like, is why I'm happy to name and shame Ryan Smith, I - - -

MR LINDWALL: All right, and because this is a formal hearing your comments are protected under the Productivity Commission Act.

MR BAXTER: So they can't sue you for that.

MR LINDWALL: No, they can't. You can't be sued.

MR BAXTER: Best of luck.

MR CARMODY: Thank you, very much.

MR LINDWALL: So I think we are now talking about moving on to Justine, is that correct? Thank you, very much. Is it Justine Curatolo?

MS CURATOLO: That's right.

MR LINDWALL: Yes, if you could just state your name and organisation and perhaps give us a bit of a rundown of what you would like to say?

MS CURATOLO: Okay. So my name is Justine Curatolo, I'm from the Animal Justice Party Victoria. I'm the campaign manager for an Independent Office of Animal Welfare. So we've made a submission, an online submission, and that's what I'm going to talk about today. So I'm

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going to read a little bit from that but, you know, some other comments as well. So basically for more information it's in the online submission.

So first of all I just wanted to thank the Productivity Commission for allowing me to speak today. And I wanted to acknowledge the traditional owners of the land upon which we meet. I wanted to acknowledge the Wurundjeri People and pay respect to the elders both past and present.

As the campaign manager for the Animal Justice Party Victoria I want to talk about this inquiry, and I'm just going to read the letter that I wrote. "So this inquiry will receive numerous submissions and the majority will naturally be from farming and commercial interests and the use of animals for profit. Others will seek to measure animal welfare in terms of financial value only. Consequently I feel it's important to make this submission to provide an alternative view where the welfare of the animal involved is a priority considering of the decisions made relating to the animal. So this submission will focus on the draft recommendations 5.1, the need for the establishment of an independent body and attempt to provide sufficient answers to the areas. So the Commission is seeking feedback on; (1), the most effective governance structure for an independent body tasked with assessing and developing standards and guidelines for animal welfare; (2) what the body's responsibilities should include; and (3), what processes the body should use to inform and engage community values; and (4), how such a body should be funded. So this submission is going to look at from the point of view of the Animal Justice Party Victoria and will use some Victorian examples, but we support a federal independent office as well."

So, and like I said there's going to be more information in the actual online submission. So do you want me to read out the draft recommendations or not?

MR LINDWALL: No. Or you can if you wish but, no, we understand this.

MS CURATOLO: All right. So this is just focusing on the regulation of farm animal welfare, which is draft recommendations 5.1. So for the information request, 5.1(1), the most effective governance structure for an independent body tasked with assessing and developing standards and guidelines for farm animal welfare. So our response is the establishment of an Independent Office of Animal Welfare, otherwise known as the office.

So the office could act similar to the current Child Welfare Model used by government which oversees the rescue and rehabilitation of young

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people through the welfare system and simultaneously working with the Police Department for law enforcement. The AJP Victoria proposes the office to report to the Federal Attorney General's Department. So at the moment both state and federal reports to the Department of Agriculture. The office would have two branches.

So branch 1 would be the rescue and rehabilitation, and community education. This branch would essentially be the RSPCA except it would be free from any law enforcement duties. So as a result this branch would be able to form strong, long lasting relationships with the community and rescue groups and really create a ground swell at the front line for genuine prevention of cruelty towards animals.

Branch 2 within the office would be concentrate on law enforcement. And that will concentrate solely on charging offenders and prosecution through the Prevention of Cruelty to Animals Act. This branch would be within the police force and reporting to the office thereby giving inspectors equal powers to police, which they currently don't have. It would be modelled on the successful partnership in New York between the ASPCA and the NYPD where: "The NYPD takes a lead role in responding to all NYC animal cruelty complaints. The ASPCA provides direct care and support for the victims as well as police training and forensic analysis. The partnership continues to produce record breaking numbers of both animal cruelty arrests and rescued animals. In the first six months of 2015 there has been a 28 per cent increase in arrests and 115 per cent increase in animals treated over the same period in 2014."

That's in New York. So just an example of why the current animal welfare system fails in Australia. So the example in Victoria is section 9 of the Prevention of Cruelty to Animals Act creates a cruelty offence for causing unreasonable pain or suffering or for acts likely to cause such pain or suffering, including failure to act by this act. However, there is exemptions for anything done in accordance with legislated code of practice or a livestock management standard. So the codes of practice are policy documents endorsed by a minister and are not subject to a democratic vote within parliament unless a motion is put for their disallowance.

And often these codes are created by the industry which seeks to inflict cruelty on the animal to achieve maximum profit. So the Prevention of Cruelty to Animals Act is completely useless in industry in some sectors. So information request 5.1(2), what the body's responsibilities should include and whether it should make decisions or recommendations, and if the latter, to whom. So our response is the Animal Justice Party Victoria proposes the management of the office

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would be responsible for the coordination and development of the animal protection standards including facilitating the conversion process of the model codes of practice to standards and guidelines for farm animal welfare among others.

The requirement of the minister to table reports in parliament would provide much needed political representation for animals and facilitate political debate on animal protection issues. The office would be protected in statute, including its funding and independence. So one of the current problems is that currently the RSPCA sits within the Department of Agriculture which is responsible for the farming sector and animal welfare and this arrangement is problematic and disadvantageous for animal welfare for a number of reasons. The two primary reasons is a conflict of interests, which are documented throughout the Productivity Commission report so I won't go into that, and the problem of industry influence. So which is documented throughout your report as well, which is good.

Information request 5.1(3), what processes the body should use to inform and engage community values on farm animal welfare. So the AJP Victoria proposes an additional model incorporated into the RSPCA, so branch 1 of the office, in terms of the community engagement with respect to identifying and then responding to low level animal cruelty concerns. So we have come up with this model which has site pods of volunteers which are based on and around local areas. So they're going to work more with the community, so take the responsibility off the inspectors so that they can handle more of the high level cruelty complaints rather than inspectors having to respond to low level stuff.

So quite often you've got incompetent cruelty, which is people have a drama in their life and they're unable to feed their horses or whatever. So it's about getting the local community members, volunteers, helping that person out through that period of time so the horse doesn't suffer and then that person doesn't have a conviction against them. So that would help to ease the workload. That would still be managed by the RSPCA, which is in the branch 1, but that would significant feedback both ways from the community.

And we also acknowledge that the models that they use overseas in the United Kingdom and Austria, which are two countries which I've given as examples. So for example, in the UK there are requirements set out - the reason why I'm using the UK and Austria is the World Animal Protection ranks each country of A, B, C, D, and Austria and the UK have both got As in their community consultation areas. So in the UK there are requirements set out in legislation for consultation of various stakeholders.

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These include requirements under the Animal Welfare Act for the government to consult such persons appearing to the authority to represent any interests concerned as the authority considers appropriate before making secondary regulations on various issues. The UK Government has established advisory bodies that include a wide range of stakeholders interested in promoting the health and welfare of animals.

In Austria there are two NGOs are represented in the Animal Protection Council established under the Animal Welfare Act. Several universities and research centres are also represented, as are business and agricultural associations. Animal Welfare Ombudsman and representatives of each state also sit on the council. And there's more information in the submission about that.

Information request 5.1(4), the fourth one, so how such a body should be funded. An amount of government funding which is protected in statute is necessary for the establishment and ongoing functions of the office. It will also need to provide indemnity, as it does with other government agencies and which the RSPCA does not currently have and it makes it extremely vulnerable to court losses. So recently they after a long, lengthy time in court and stuff like that they lost their appeal and so now they have a 1.5 - well, just over a million dollars' loss, which is now comes out of their budget whereas other agencies don't have that and it's wrong.

However, due to the proposed functions of the office a reasonable portion of it could be self funded through fines, court wins, partnerships with animal rescues and rehabilitation agencies. Charges for fees and services as well as any fundraising or membership fees raised for the rescue, rehabilitation, education section of the office. The current animal welfare system in Australia is that the RSPCA is responsible for all breaches in animal welfare law through fines, penalties, and court costs awarded. However more needs to be done.

For example, the RSPCA in Victoria prosecuted less than one per cent of all animal cruelty complaints received. So of the 19,461 animal rescues and cruelty offences reported, RSPCA finalised only 69 prosecutions. The RSPCA conducts and funds its own prosecutions. Occasionally a court will order people found guilty of animal cruelty to make a donation to the RSPCA or order them to pay part of the RSPCA's costs conducting the case. However all court ordered fines as opposed to donations or court costs are paid to the government and not to RSPCA Victoria, so there is a massive disincentive there.

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So finally I will just finish with the experience in Austria. In Austria the Federal Ministry of Health is responsible for animal welfare issues. The government has confirmed that the Federal Ministry of Health works with the Federal Ministry of Agriculture Forestry Environment and Water Management to reach agreement as far as animals kept for farming purposes are concerned. The administrative framework is comprehensive. Responsibilities for enforcement are clearly delineated in regulations and human and financial resources allocated to this administrative framework are sufficient for improving animal welfare.

And the experience in the United Kingdom, in England the Department of Environment Food and Rural Affairs has responsibility for animal welfare other than scientific research. The Secretary of State is identified as responsible under the Animal Welfare Act. Animal welfare is one of the top priorities highlighted on the department's website and is one of the issues highlighted in the UK Coalition's Government agreement. The department funds research into animal welfare and protection and has established an animal health and welfare board for England comprising of a range of stakeholders. There is also a clear budgetary allowance for work in this area. So in England in 2011 and 2012 they allocated £105 million to spend on animal health and welfare.

So as you can see Australia has a long way to go before it can be seen as a world leader in animal welfare. However we are really pleased with what the Productivity Commission is doing, and especially the recommendations you've made for the body, and we hope you add the word, "Independent", to it but I guess, you know, through the recommendations and stuff it seems like that's sort of the way you're going. And we think it's a step in the right direction and one which is strongly supported by the Animal Justice Party. Thanks.

MR LINDWALL: Excellent. Well thank you, Justine. Could I ask a few questions and then get Ken to ask some questions?

MS CURATOLO: Yes.

MR LINDWALL: Firstly, obviously the governance of such an institution is important.

MS CURATOLO: Yes.

MR LINDWALL: And general good practice is that people appointed to such organisations should not be representing something, they should be representing the interests of the organisation that they are appointed to. So if you are a member of a board of directors of, you know, Coca-Cola

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then you represent the interests of Coca-Cola and not any other secondary interests.

MS CURATOLO: Yes.

MR LINDWALL: Would the Animal Justice Party, so your organisation, would be happy with that? Would be that if people were appointed to - well we should think of a name, that they actually work for that institution, that statutory body - - -

MS CURATOLO: The office.

MR LINDWALL: And not represent some other third party.

MS CURATOLO: Yes, I guess it - - -

MR LINDWALL: In other words they have to change hats, if you like, and - - -

MS CURATOLO: Well I guess at this stage a lot of animal welfare institutions and stuff like that are sort of fairly weighted with industry with people with industry backgrounds and stuff like that so they've got a conflict of interest, so I guess what - - -

MR LINDWALL: Well it has to be declared as usual if you have a conflict of interest.

MS CURATOLO: So I guess if what you're saying if there could be some genuine true independence, then absolutely, I think that would be good. It clearly works in other countries so there's no reason why we can't do it here.

MR LINDWALL: And in terms of statutory independence, well you can go from being a government agency which is part of a department, there's a lot of examples of that. You can have a statutory independence such as the Productivity Commission which has its own Act, that's probably the most independent from you, obviously you're clearly in favour of the latter. And then you come down to the appointment of the people who work at the statutory institution in the case here where commissioners under the Act would have a certain tenure, in this case five years, that could be part time or full time and so on, that's the type of thing that you would envisage for this, I guess?

MS CURATOLO: Yes.

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MR LINDWALL: And then you can take it another step, say the ACCC, you know, the Australian Competition and Consumer Commission?

MS CURATOLO: Yes.

MR LINDWALL: Commissioners for that have to reach a number of votes in the state jurisdictions and the argument being that because it's a federal body covering state issues as well that the states have to support whoever has been appointed, do you think that would be the type of thing you - - -

MS CURATOLO: I think all of those things could be fine as long as, (A), they're democratic, and as long as the people who are voting are also people from a range of stakeholders and not just key industry people and that sort of thing. So, you know, animal welfare organisations and other people that have got a genuine interest in rescuing animals - - -

MR LINDWALL: New Zealand has got an - what's the one called?

MR BAXTER: NAWAC, the National Animal Welfare Advisory Committee.

MS CURATOLO: Okay.

MR LINDWALL: Yes, and this is my other question of what it's about, the power of it. The PC, we don't have any powers, we can't do anything, we just advise.

MS CURATOLO: Yes.

MR LINDWALL: And the same with NAWAC in New Zealand, it has only advisory powers. And when Ken and I visited them a couple of weeks ago we were told that that is important because they have built up a level of credibility over more than a decade and they have veterinarians on it, they have a very good balance of people on that who have different perspectives, but they only have advisory powers. And that has the advantage that they don't get so politicised as they might have if they actually had formal powers to do something, order things. So would you be happy with that?

MS CURATOLO: I think personally it would be better to have the powers. I think it can work. For us the big thing is separating the law enforcement and the rescue and rehabilitation. So once the law enforcement is separated then they've got a lot more power, they can also self fund through some of the cases. And like you see in New York which

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does it, it actually works and it works really, really well. And I think that would take away - in Victoria there is a massive concern around, like, for example, where do they fall, are they companion or are they livestock, right?

MR LINDWALL: Yes.

MS CURATOLO: So no one wants to deal with them. And so you get these massive cases like we've had recently with Bulla and then the one in Ararat where there's a hundred horses. It should never have got to that. It could have been stopped at ten but no one wanted to step in. So I think if things are much more clearer and we have separation of powers I think it would be better. So I think the statute would be better but I think if you were going to do an advisory committee then as long as they had power and they were protected and the government couldn't disband them like they did with the - - -

MR LINDWALL: It's statutory like the - under its own Act. But then you said in your submission that it should report, or it doesn't report, it should be in a portfolio, the Attorney General's Department portfolio. It's a bit like the Productivity Commission is part of the treasury portfolio, it could be part of the industry portfolio. In fact it was originally. And you think that's important and you choose the Attorney General's mainly because it's - - -

MS CURATOLO: It's not a steadfast thing, that was the one we've chosen, there's quite a few organisations that have chosen to lead animal rights organisations that have chosen other ones. Austria have it under Health and it seems to work really well. The point was the Attorney General was sort of the preferred one because we want to separate law enforcement and that way it's a bit more under the same sort of thing. But if it were to be placed under Health or even environment as long as it still had the independence and the protection it would be okay, so.

MR LINDWALL: I think independence is, and public reporting is, very important. Anyway, Ken?

MR BAXTER: Does your proposition incorporate the Companion Animals Act that exists in Victoria into a national body or would that remain within the jurisdiction of Victoria?

MS CURATOLO: I haven't thought about that but I think, as I understand it, animal cruelty laws are enforced at a state level so I guess that's a way it would - if we had - having a federal body would be really good because we have people who abuse animals, like the lady in Ararat,

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she abused a whole lot of dogs and stuff in Adelaide and she came to Melbourne and did the same thing with horses and there was no way to connect the dots, right, so if we had a federal jurisdiction - if we had a federal body and then we had state bodies as well but they were able to talk to each other, I think that would be good. I don't know if that answers your question?

MR BAXTER: Sort of. Does the RSPCA in Victoria go much beyond the exercise of supervision, oversight, and related issues on companion animals compared to what I might call farm animals?

MS CURATOLO: So the problem with the RSPCA is that they get a small amount of funding from the government, right, so the rest depends on what they can fundraise and what their resources are. So they're widely publicised as saying they're under resourced for doing a whole lot of stuff, they can't do a whole lot of stuff. So they've received some more money in Victoria because of the puppy farm thing, right, so they've got money specifically to address puppy farms, but they're still - there's still nowhere near enough in terms of like community education, follow up and all that kind of stuff. So things usually wait until they get in the news before they're really big before they act, whereas there could be so much more they could do at a lower level in terms of for companion animals, that could make a big difference.

MR BAXTER: Do you have any knowledge of what the current staffing levels are of RSPCA in Victoria? I mean, not down to the last person.

MS CURATOLO: I met with Dr Liz Walker and Jon McGregor maybe five months ago to discuss the Independent Office, and I can't remember the exact number, they're just not - their budget was 33 million last year, this is the RSPCA of Victoria, but they still made a loss of about one and a half million. So there's a lot of money going in, it's just - and they actually rescued less animals than they did the year before yet they had more money, so I think it comes down to management and how they're spending it. Because they've built this massive big centre in Burwood but yet they don't have RSPCA centres in Shepparton or in Geelong, so there's animals in areas which are missing out, which is their legal responsibility. So the money is not very well spent.

MR BAXTER: And I mean, it's an unfair question to put to you but - - -

MR LINDWALL: You're going to do it anyway.

MR BAXTER: But I'm going to do it.

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MS CURATOLO: That's all right.

MR BAXTER: But presumably a similar situation would exist with the RSPCAs in the other states?

MS CURATOLO: Yes. So the RSPCA - - -

MR BAXTER: I mean they're all on a voluntary basis and given recognition by a state government.

MS CURATOLO: So the RSPCA, so last year there was the Greens put forward to build the Independent Office of Animal Welfare so the RSPCA Australia submitted a response and they are calling for an Independent Office of Animal Welfare. So they want a federal one but they also want each state to have one as well. So the RSPCA support that.

MR BAXTER: Okay. That's all I have.

MR LINDWALL: In terms of where do you think, can you give an example, where there's a conflict between animal welfare standards and community expectations of animal welfare?

MS CURATOLO: Well federally I guess - - -

MR LINDWALL: Well it doesn't have to be federal.

MS CURATOLO: Okay, well, I guess when it comes down to if you want to see, an obvious one would be the caged hens. So through big marketing campaigns through like Animals Australia it's been really, really effective about forcing business to abandon caged eggs and go to free range - or alternatives, because the community doesn't want to buy products that have resulted from animals suffering. So that's a community expectation. And I think that's actually been really effective. That's just one. But there's obviously a whole lot of others as well.

MR LINDWALL: And could you see this organisation that we're talking about, an independent agency, having a role that if the science of animal welfare said that this practice is actually better than this other practice but the community thought that the other practice is actually one they prefer to help educate the community as to what the actual practice would be best?

MS CURATOLO: Yes, absolutely. And I think it would also be better for farmers and agriculture industry as well if we had something which wasn't so, you know, convoluted and so tied up in controversy all the time

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and stuff like that. I actually think a lot of farmers want to do the right thing by animals and they want to do all this sort of stuff but they're spending so much time having to justify the negative side of things. I think if all that was taken off them and if there was a body that could do this I think it would make a huge difference. I mean obviously for the animals, which is what I'm speaking on behalf, but I think it would actually help the industry as well.

MR LINDWALL: Is there anything you want to comment on live exports while I've got a few more minutes?

MS CURATOLO: Okay, it's - - -

MR LINDWALL: Like an ESCAS, do you think that's led to an improvement in animal - - -

MS CURATOLO: No, and I think it's - I think the live export industry is a massive disgrace. And it's really interesting, so there's been quite a few protests around Australia where the animal rights groups have actually partnered up with the Meat Workers Union because the Meat Workers Union are concerned about the jobs that are going, so it's weird that we're seeing these partnerships between the two groups saying that live export has to stop.

And obviously we're seeing the massive outcry, we're seeing all the breaches of laws, have seen the animal - the export companies themselves, I think it was Wellards, anyway, coming out themselves and saying that this is wrong and all this kind of stuff. And I don't know what it takes for our ministers who are voted in by us, who are supposed to represent us, and yet still are choosing not to, to go ahead and do this. So I don't, you know, the role of a politician is to represent the people and when the people are saying they don't want it and yet they're still going ahead and doing it, I don't know what it takes.

MR LINDWALL: Ken, did you - - -

MR BAXTER: No, I've got no further questions.

MR LINDWALL: Any final points?

MS CURATOLO: No, that's it. I'm really pleased and excited that you've done this and hopefully something good will come out of it.

MR LINDWALL: Well thank you very much for appearing.

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MR BAXTER: Thanks, Justine.

MS CURATOLO: All right, thanks for that.

MR LINDWALL: All right, well I think we've got Farmer Power now is for 12 o'clock, which is right now, basically. So is Farmer Power over here, which is we've got Jane, Alex and Alan, is that right? If you could just say your names for the record and the organisation, tell us a bit about it, and what your objectives are and a bit of what you would like to say and then we can ask some questions, if that was all right with you.

MR ROBERTSON: I'm Alex Robertson, vice president of Farmer Power. We basically are a voluntary group working on behalf of dairy farmers. We have approximately 7000 followers and other people, including media outlets and stuff that seem to be following us. We have issued over 50 briefings on ideas and structures and things that are going wrong with the dairy industry that we feel that we can improve. We basically have put a series of issues and recommendations to the Commission on stuff that we believe that needs to be changed in the industry.

We have a situation at the moment where we have - some would say it's a free market. It depends on which view you are, if you're a supermarket you will consider it a free market but if you're at the other end you won't. So in some ways we feel that the industry has reregulated itself from within to the disadvantage of the farmer and we would like to see some changes inside that industry to make sure that everyone has a fair go. So that it can operate properly. We believe that when the industry was deregulated 17 years ago that the appropriate checks and balances for that to operate on a long lasting function were not there.

So for example, we're seeing things like, well, claw backs or reductions, step downs, whatever you like to call them, that are basically being issued on the back of a false premise or belief of what the environment was at the time. So we would like some sort of clearer recommendations or codes of conduct into that so that we can ensure that not just the farmer but also the supermarkets and the processors can behave properly and get an equitable outcome for all. So we basically have no collective bargaining power.

For example, at the moment they say that there's a glut on the world market for milk, well, I can tell you that the drops in productions between all factories range from 10 to 20 per cent at the moment and yet there is still no movement that people can go from one to the other factory at the moment. So myself included, I'm pinned to one factory that can't move.

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So for the fact that there's a shortage of milk actually in this country excuses are being made for getting out of people holding up their obligations to the industry.

Now, the code of conduct was that in that area that we would sort of like to touch on. Also there's other areas, including Dairy Australia, which is an industry in itself that we believe is not functioning properly in the course of what it needs to do for farmers. It basically hides behind the Corporations Law in terms of the way it operates requiring all farmers to pay a levy to this organisation yet it is not required for all farmers to basically be what they call a member of it but yet the obligations now under the law that's just passed requires them to have three times the amount of an average corporation's right and share - how would you say it, say, or votes, to change anything in the company going forward.

So for example, at the recent poll that's about to be conducted that has been half stacked with industry directors that are actually in Dairy Australia and stuff like that, we think they all should be independent and people that are not part of the industry, because if they're the ones going to formulate the questions that are going to be put to the farmers, and it's the farmers' money and the farmers' organisation, we believe that they should be the ones having the whole say and be able to be manipulated by the people that are actually being paid by Dairy Australia in the first place.

So we think the farmers should have a right on whether they contribute money to Dairy Australia or not, and we believe that there probably needs to be some sort of investigation by the Productivity Commission on whether or not this body is actually doing its job for the industry. So for example, in the last 17 years we've actually gone backwards in production, we're actually losing farmers. All the, what would you call them, the things that the government - that the company organise that runs by the, what do you call them, codes of - - -

DR STANLEY: Codes of practice?

MR ROBERTSON: Yes, that Dairy Australia run by, basically haven't really adhered to. So they haven't really made the industry more profitable. The milk flow, the exports have actually dropped from on a percentage basis of 50 per cent down to 30 per cent and will probably be lower if the situation with cow culling continues. So we're worried that within two years of this we could actually be importing product more than what we can supply. And we don't believe that there's been enough attention paid to that.

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We've recently had discussions with them and those discussions were left somewhat wanting. We asked them about a number of different areas including product that was being dumped here from through New Zealand and repackaged here. A basic shrug of the shoulders was all we seemed to get from them. So we don't sort of seem to believe that this organisation that is set up there to advise government and provide some sort of research and development, which is also becoming less, so they're basically now turning into a delivery vehicle for financial and personal counselling, rehashed old programs. There are no new programs that seem to be coming through and they have recently just wound up a research and development body that we thought was delivering some good to the industry.

We believe that we really should have a good look into this organisation and see if it is really providing benefit to farmers and also if it really should be mandatory that farmers contribute to an organisation that they don't believe is doing that. For example, I run my business. I pay $20,000-odd into this organisation and I believe I can get more out of my business with that kind of money than what these people are delivering. That is basically what I would like to see changed on it.

We think that in some areas also with the disadvantaged practices that some of the processors are delivering towards farmers - contracts that aren't being honoured, loosely supplied contracts or supply agreements, as they are called, that are being delivered, basically aren't worth the paper they are written on. The farms really have - like in the situation that we have got now they do not have the money to fight these actions in court.

We need a proper body that can actually address these issues or in the code of conduct that sets out that farmers don't have to keep dipping into their pockets when they have got nothing in them to try and fight something that is wrong, because at the moment that avenue is just not available to farmers. That is about what I would like to say, Alan.

MR SYMONS: Yes. I have just come down here for the - I am not used to dealing but we need somebody from the outside to look into the dairy industry. The farmers are getting crippled at the moment. I got up this morning at 4 o'clock in the morning, got the cows in and milked 360 cows. We drove two and a half hours to get here. We will do this, have a little bit of lunch and we will go home, get home at half past four. I will go and get the cows and I milk the cows. We do that 365 days a year and I am not complaining about. It's the lifestyle I chose. We do that seven days a week, 365 days of the year.

We haven't got time to run the industry as well. We are that busy on

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our farms and every farmer is the same. We haven't got the time to keep these guys - hold these factories and that to account and the supermarkets to account, and we are getting trodden on. We are getting stomped into the ground. Two or three years ago the industry produced 12 billion litres of milk. This year just gone the industry is down to about 9 billion litres of milk and it looks to fall another 20 per cent this year. The organisations that are supposed to be representing us are not doing their jobs. Dairy Australia takes mandatory levies off every farmer to the tune of $35 million a year and then it's met on a dollar for dollar basis by the government. This money is being wasted.

It was to improve the profitably of dairy farming and to grow the business. They have failed miserably since they have been started. This money is getting wasted and they seem to pander more to the supermarkets than they do to the farmers and we are the ones who pay the money. The other thing is the processors are just stomping all over the dairy farmers and the contracts for the agreements that we have been - we have to sign, have no value in it to us whatsoever. It's all one way. I have brought a couple along here just to show you - just there briefly on the bottom - this was a contract when the Murray Goulburn - I don't know whether you are familiar with what has happened with Murray Goulburn and the state of the dairy industry at the moment - - -

MR LINDWALL: We were talking about it all the way back yesterday.

MR SYMONS: This agreement here is from Warrnambool Cheese and Butter Factory. The reason there is a bit of a gap in this, I have taken the names and that off the contract. As you will see down the bottom there in the little grid - the Warrnambool Cheese and Factory out of this were the good guys. They didn't drop the milk price or bring a claw-back in. If you were to change factories - they only took about 80 suppliers - but if you were to go across to them, you will see down the bottom that if you were to leave in the first year you have got to pay back - and supply two and a half million litres, you have to pay back $156,000. In the second year I think it was eighty something and the third year fifty.

Nowhere on that contract does it say how much they will pay you for your milk. All they are obligating to on that is to say that we will pick your milk up but if you leave us after the first, second or third year, this is what you have to pay back. I spoke to a lawyer about this and he said, "Well, the problem is if you need to get out of Murray Goulburn otherwise you are going to go broke, commercially you need to sign that". To me, a contract is supposed to have five or six different elements in it, that it works for both sides, the parties. At the moment, and this has slowly got worse with deregulation. We are getting corporate thuggery on

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the farmers but you sign that. In 12 months' time we can be 30 per cent below the next factory. You have got to pay that out before you leave.

MR LINDWALL: This is a non-negotiable contract, take it or leave it.

MR SYMONS: Take it or leave it. We have had one guy - he brought that contract to me basically in tears. He said, "What do I do?" He said, "This isn't ethical but we're leaving Murray Goulburn because they're not ethical either". He chose to stay with Murray Goulburn and the subsequent prices that have come up - this is going to send him to the wall.

Before this started we were getting - before this claw-back - I don't know whether you understand how the claw-back - we were getting about 55 cents a litre for our milk, between 50 and 55 cents a litre for our milk. Then 10 months down the track, knowing that the price signals were not good, that they should change what they were paying. Because they floated the company, they were saying to the shareholders, "Yes, $6 is fine. We are going to pay out our farmers at $6" - - -

MR LINDWALL: This is Murray Goulburn, is it?

MR SYMONS: To go back a step. At the start of 1 June, milk companies came out with what they call a base price, so for the worst scenario, that is all you will get paid for the year, and Murray Goulburn opened at $5.60. That was the base price. It's usually expected that throughout the year they will have step-ups. Two or three years ago they had a step-down where they got a few months into it and said, "Listen, the markets have gone bad, we are going to have to step-down, so going forward your price is going to be lower".

Never before have we had a claw-back where they went 10 months into the year and then said, "You know what, this isn't good. We've stuffed up financially" - through incompetence on their management - have said, "We need to claw-back money so we are going to retrospectively change the opening milk price from 10 months ago and we are going to make it $4.75. Not only that, because you've already been paid that money and you've spent it, you have to pay it back to us". They said, "We're not total pricks, we are going to loan you the money, with interest, to pay back the money that you've already been paid".

MR LINDWALL: What interest rate?

MR SYMONS: Apparently, I hear it's about 11 per cent which is just absurd. We can't do a thing about it. We can't do a thing about it. At

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this point in time we are still waiting to see whether it's legal what they have done, and if we can't get blokes like you, we haven't got time to do it. If we can't get people in power to keep these guys under a code of conduct so this can't happen again - just in my area I know of five herds that have been slaughtered because it was going to cost them more to produce milk than it was to get their heads cut off.

If the milk price comes good next year they can't start up. It takes three years to rear a calf to cow to be able to start producing milk. So they are out of business, they are gone. In the last three or four months we are losing a whole generation of farmers that actually had just purchased the herd and spent 10/12 years acquiring their herd and now they have lost - they got to this stage if they are supplying Murray Goulburn, you can't go to another factory because all the other factories are full so they are stuck there. They can't go anywhere, so they have decided to slaughter their herds to get out because meat prices are actually quite good at the moment, so they are slaughtering the herd.

We are losing a whole generation of farmer. This isn't just going to hurt now but in 10 or 15 years' time when blokes my age in their 50s want to get out of dairy farming, there is going to be nobody to take over them, that is if they are still - if it keeps going the way it is, there won't be anybody left anyway and we will be importing all our products from New Zealand. We need you blokes, and I have virtually come with cap in hand to say to you blokes, "We need a bit of regulation. We needs some checks and balances in these companies to stop them screwing us over".

MR LINDWALL: Remember just before we go on that the Productivity Commission is conducting an inquiry into agricultural regulation here and we make recommendations to governments. We don't have any formal powers to do anything. You do realise that.

MR SYMONS: Yes, I realise that but we need you guys to go to government and say, "These factories need to be held accountable for what they are doing". We need some regulation in the dairy industry to hold these guys accountable.

MR LINDWALL: Did you want to say anything?

DR STANLEY: Yes. I just wanted to outline a few things. In terms of the terms of reference for this review, we have every sympathy with the Productivity Commission. It's very, very broad, you've got a very limited time to do it, but we do feel that there are some aspects of the terms of reference that have not been addressed in the report which would have been very helpful to this particular sector. We think the Productivity

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Commission should be concerned about it because it's a matter of productivity. This industry is just disappearing before our eyes. Productivity is already slashed.

One of the aspects that hasn't been looked at is the submissions to the white paper, and that was in the terms of reference. Farmer Power put in a very detailed submission to the white paper outlining the restrictive practices in the industry, the way that, as Alex said, it's started to be regulated from the inside. The regulations imposed in the creation of Dairy Australia which put this huge financial impost on dairy farmers, despite the fact that it's run for the interests of the processors, so we think that that should have had some weight. We weren't asked to contribute to the report so we are coming in at the end, but as a major contributor to the white paper submissions, we would have thought maybe we should have been asked.

MR LINDWALL: We invited submissions so maybe you hadn't read about it or something.

DR STANLEY: No, we didn't.

MR BAXTER: They were pretty broadly broadcast as well.

DR STANLEY: Sorry, it escaped our radar.

MR BAXTER: Anyway, it's regrettable that that happened but you're contributing now so that is good.

DR STANLEY: One of the other aspects that the Productivity Commission has looked at, we believe, is consideration of overseas models which is in its terms of reference. I understand that looking at deregulation is perhaps a grey area, although I would have thought it would be within your terms of reference to look at the impact of deregulation because that clearly has a bearing on regulation generally, but in looking at overseas models you would see that there are some overseas models where deregulation could have been handled a lot better in Australia with less severe impacts.

Some examples are: in the United States where they are looking at insurance schemes against fluctuating price; a futures dairy market in the UK, they have got assistance for floor pricing dairy in collaboration with industry. So there are a number of overseas models and it would have been very helpful if the Productivity Commission could have a look at those overseas models. There is also a sort of dismissal of the co-operative culture in Australia which, for the dairy industry, doesn't

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make any sense at all and this has a bearing on the Productivity Commission's observations that they don't think there is much point in amending consumer law to allow for operation of co-operatives and collective bargaining.

MR BAXTER: I think we were just sceptical about whether it would actually make much difference in practice. Maybe it will, but - - -

DR STANLEY: Yes. Well, the Dairy Australia has been founded in co-operatives and - - -

MR LINDWALL: There is a very big difference between overseas co-operatives in, say, the US which have been, as far as I understand, all voluntarily based, whereas Australia's tend to have been statutory based and for some reason, and I think - - -

MR BAXTER: Could we park that for a moment and let you finish and then come back together.

DR STANLEY: The co-operatives that exist at the moment - a lot have disappeared, it's true. I don't think that it would be true to say that they were compulsory co-operatives and dairy co-operative. They were founded by farmers. Norco is a very successful co-operative. It's actually paying the best price to farmers in terms of the farm gate milk price, so that still operates.

It's doing better than most other processors in New South Wales. There is a milk pool that is operated from Queensland but which goes right through New South Wales and into Northern Victoria which seems to be very successful. That is certainly a voluntary co-operative so it's purchasing milk and then acting as a broker in selling to the processors.

Murray Goulburn clearly was a co-operative and farmers were shareholders but it seemed to lose its way and of course now it's formed a unit trust within it. There are enormous conflicts of interest between serving the interests of the shareholders and the farmers. I don't think it's true to say there is no appetite for co-operatives within the dairy industry and we know there is a lot of interest from farmers now in this crisis in looking at new co-operative structures. The proposed amendments to consumer law that would allow for better collective bargaining and also provide stricter rules for unconscionable conduct by processors.

We are not sure why the Productivity Commission is arguing against it, it seems not to be evidence based which is what we would have thought the Productivity Commission should be focusing on. I know we haven't

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got long to speak but Farmer Power has been pushing for an independent review of the dairy industry and we believe that that is absolutely fundamental. The problems are complex and you really need to get to the bottom of what happened in deregulation and how it's gone off the rails and why it's producing this plummeting productivity at the moment.

We have thought that the Productivity Commission would have a great role in conducting such a review but we believe the Productivity Commission's role should be to provide a good evidence base and, as I have said, there are some areas where we think the evidence base for the observations made in the draft report are lacking, and if we can provide some information to supplement those gaps then we are very happy to do so.

MR LINDWALL: Shall we proceed. Thank you very much. Getting back to the consumer law changes, the Competition and Consumer Act, I think our reading was that we were a bit sceptical that it would actually lead to the benefits that were claimed for it. Maybe we are wrong, but that is what we said in the draft report. We didn't say it shouldn't happen, we just said that people who are thinking it's a silver bullet may be mistaken, maybe reading too much into it. Dairy Australia is a compulsory levy as you say. What would be the implications if that were to be a voluntary levy instead of a compulsory levy?

MR ROBERTSON: I think at the moment their performance has been somewhat suspect because it is a compulsory levy. If everyone else has to compete in a marketplace on a competitive basis then why shouldn't this organisation.

MR BAXTER: I have just come into some of the details of that. Sorry to interrupt but my understanding is that, compared with the old dairy industry levy that existed in the late 1980s/1990s which was a compulsory levy which was collected by the Australian Dairy Corporation with the support of Commonwealth legislation, went into a fund that was controlled by the Department of Primary Industry in Canberra and was then dispersed to a range of institutions within the dairy industry.

My recollection is, and I could be wrong, but in the late 1990s/early 2000s, the dairy industry itself requested that the compulsory collection by the ADC be dropped and that the dairy industry would meet on a regular basis to elect the members of the board of what has now become, I think, Dairy Australia, and at intervals - I think it was, what, three or five years that the producers - there was provision for the producers to vote as to whether the levy should continue at all and if it should continue, then the rate at which the levy would be raised. Is that the current situation as it

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still stands?

MR ROBERTSON: Not quite. I think at the last one they took the no question off the poll and we suspect that that will not be an option to us again this particular time. I think that the way that they have set it up now, they have changed the formula in the way that people are elected to a committee now which then has to formulate the questions and out of those 15 people, six of them are either Dairy Australia or Murray Goulburn or ADF. One of those people exactly is not even a farmer at all. Two of them are actually, the one at Murray Goulburn and one of the ADF is not a dairy farmer at all. Also, the perceived conflict of interest on that board to what the decisions that they want to see made, given the fact that Dairy Australia itself will have a $9 million hit this year, the expected rate of drop that is expected to go through and what we see in cattle sales, for example, Dairy Australia is blindly, I believe, saying that we are only going to get a 7 per cent drop.

If we are seeing volumes go through the sale yards at 20 to 25 per cent, we see some processors running at between 10 and 18 per cent drop over the last two months, we can say the figure of 7 is looking a little bit pie in the sky-ish. We could probably see them having an $18 million hit this year. They will want to formulate their questions in a way that will want to see a guaranteed income. Now what happens is that of every five years, if there is no change, what could happen is that there will be no vote asked for unless farmers can provide 15 per cent of the share equity in the company to change that. Whereas in normal businesses I think it's about 5 per cent. Is that correct?

MR LINDWALL: I think that might be right.

MR BAXTER: I'm not sure.

MR ROBERTSON: It's three times. I think Senator Leyonhjelm - - -

MR LINDWALL: This is Dairy Australia we are talking about.

MR ROBERTSON: Yes. This is the way it operates in other corporate governance system.

MR LINDWALL: What you would actually like to see is a move to voluntary levies and a competitor to Daily Australia being established or something like that which is more representative - - -

DR STANLEY: I just wanted to explain that there is more to this in terms of the way that Dairy Australia is now governed. The governance

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structure has been described by others in public as being similar to the government of North Korea. The actual election process which many farmers have witnessed, is that for farmer representatives to be added to the board of Dairy Australia, their names have to be selected by a selection committee which is dominated by the processors. It is a secret process and at the annual general meetings usually there are, you know, one or two vacancies and one or two names put up and there is no election.

MR LINDWALL: And a white puff of smoke comes - - -

DR STANLEY: So it is a closed shop.

MR ROBERTSON: The whole lot is just so in-house it's unbelievable.

MR LINDWALL: Well, you have a classic case there of, in economics, a principal/agent problem, where you are the principals and the agents aren't representing your interests.

MR ROBERTSON: That is correct. Absolutely.

DR STANLEY: So if the levy was voluntary, I think it would be a big shakeup for Dairy Australia to have to be accountable to the farmers who fund it.

MR LINDWALL: Well, competitive, yes.

MR BAXTER: If there is to be a vote on the levies and they are both in turn - - -

MR ROBERTSON: Well, this is correct, and what I was trying to say to you before, given the circumstances of what is happening in the industry at the moment, one of those questions could very well turn out to be like the CPI increase question. If that was the case and they were to say one of the questions - they might take it down to two questions, who knows? Whatever the board comes up with is what the questions will be. The worst case scenario is they could say, "Dairy Australia would like to put the question out that we have a 5 per cent increase every year", which they would be very happy with, and if people are silly enough to vote for it then they would not have to go back and ask the question in five years' time, the next five years' time, and the ability for us to stop that would be so enormous.

MR LINDWALL: Yes, exactly.

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DR STANLEY: And the more production drops, the remaining farmers are going to have to contribute to make - - -

MR ROBERTSON: The other problem with this voting situation with Dairy Australia is that we could have - it's based on how many litres that you supply. We could end up having 15 per cent of the industry voting for 100 per cent of the outcome. If it was made mandatory that all farmers voted for it, and one vote per farm, we would surely have a more democratic system. To have a system where you can have, say, 15/20 per cent of the industries' biggest farmers that get looked after the most, can basically decide whether they increase, reduce or disband it is really undemocratic.

MR LINDWALL: This goes back to my original point when I was saying that I understand the difference between the US and Australia, that co-operatives in the US were voluntary and therefore the levies are not mandatory. You either perform and you support them or not.

MR BAXTER: The system in the US - - -

MR BAXTER: I know it's a different system. That one is New Zealand or Canada. Might I just come back over the levy rate. My understanding is that when they go to the polls - in my understanding, they are obliged to send two sets of papers to all registered dairy farmers.

MR ROBERTSON: That's correct.

MR BAXTER: And one paper will relate to the election of the board of Dairy Australia which supposedly is to represent the interests of dairy farmers, particularly in research matters, dairy research, which is then allocated back to state or regional instrumentalities. The second one relates to the actual membership of the board.

The dairy industry has been a bit like a whole lot of other things, including some unions, in which clearly people at the top look after each other and you get a set of people in moto perpetuo, if I might describe it. The meat industry about three years' ago went through a similar problem and there was sufficient pressure from groundswell to force the meat and livestock corporation or its successor to actually make sure a full poll was conducted and it wasn't to be done by a cosy group of people sitting around a bar somewhere between Rockhampton and Sydney. I think that we would need to have a look at that.

Can I ask one other question? My experience with the dairy industry has been that you people are probably several degrees smarter than most

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of your compatriots in the other livestock industries and it would also seem that there were signals arising particularly with the readjustment of the industry and the acquisitions that Murray Goulburn got into when they bought berry fruits, for example, I think back in the late 1990s, that something had to give in terms of both pricing and contractual arrangements.

I recall seeing in both the Stock and Land and the Land Newspaper of New South Wales, a number of quite well regarded dairy farmers saying somewhere along the line, "This has all got to be brought out into the open and the whole pricing regime has got to be relooked at because it's unrealistic in light of where the forecasts were then going of skim milk powder", which of course is the core base for determining the ultimate milk price.

Why did the dairy farmers who were involved with Murray Goulburn and its associated companies allow the thing to continue as long as it did? You had Phil Scanlon, you then had Gary Helou, you had a board which had a majority of dairy farmers on it as I recall. You had a couple of externals. There were people who were saying, "This price of the $5 plus just can't last".

MR ROBERTSON: The biggest problem that you have got, particularly with this particular co-op in itself - we came across this issue the other night where we would say something about one company and then another and the crowd would put on its football jumpers and start ready to box. Some people just refused to see what is coming down the track, despite the fact that it's coming, they can't hear it coming. So some farmers are switched on and can see what is coming on, but to a large degree a lot refuse or they are simply believing organisations like the UDP or anyone else that will tell them different, and some will just never leave the co-op.

I was one that supplied them for 20 years and basically said to myself that after 20 years the principles that this co-operative were running under were not what I would believe running to a financial advantage against the public sector. So I decided to leave and go to a public sector company. I am glad I did and got my shares out at that particular stage and that is when Gary Helou had come in and done all this stuff. At the time when they did a deal with Coles they were led to believe that they were going to get above market premiums for their product that was sold into Coles. Premiums that have been quoted now as somewhat suspect and don't believe that they are getting such margins. Linking the products to commodities which I don't believe they fully informed their suppliers that that is exactly what they were doing.

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Now I think there is a case of farmers being hit that hard they are too frightened to speak up. There is also a bit of bullying and a culture that goes on in Murray Goulburn. If you don't agree with the team and run with the team you get exiled pretty quickly.

MR LINDWALL: Have any of the board of directors resigned?

MR ROBERTSON: Yes, there has been three. So - and, you know, really - - -

MR SYMONS: The rest of the board should resign too if they were - - -

MR ROBERTSON: If the farmers had any backbone they would resign - get up and hold an EGM.

MR SYMONS: Some of the board said they didn't know what was going on. I said, "Well, if you didn't know what was going on you should resign anyway because it was your job to know."

MR ROBERTSON: So myself and Alan and Jane and other members of our team, you know, we have been actively out there and talking to people about why aren't they conducting an EGM? Why aren't they dismissing the board and putting an administrator in and cleaning it up and getting it back to where it should be and it's just like, "Can you do it for me?" Or, you know, "We'll be right behind you but it's not our problem." You know what I mean? And - - -

MR SYMONS: It's hard to organise and it's a similar system with Dairy Australia. It's not one supplier, one vote. So if you have got big suppliers that are producing - eight corporate farms are producing 8, 10 million litres of milk, they get 10 million votes.

MR BAXTER: So if you take - sorry to interrupt. So if you take the Moxey Perridge farms in New South Wales and the new owners of Van Diemen's land in - Van Diemen Company in Tasmania - - -

MR ROBERTSON: They have a substantial say.

MR SYMONS: They have a substantial say but not only that, the bigger farms are getting more money. They are not getting the same as the guy that produces 800,000 litres, they could be getting nearly double what he is getting.

MR ROBERTSON: At the moment you have got the smaller farmers that will be on probably $4 a kilo this year, yet guys that are milking 3000

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cows plus will probably be on $6.50/$7 because of the way that the co-operative structures its productivity.

MR SYMONS: So to get an EGM up and running you need 25 of the little guys who are screaming and going broke to go against one corporate farm who says, "No, we are quite happy with the way things are going. They are looking after us. We don't want to rock the boat". A bit like herding cats with chickens, pretty darn hard.

MR LINDWALL: Did you have any more questions?

MR BAXTER: No.

MR LINDWALL: We are just running out of time, that is all. What I would like to do, we have obviously got your contacts.

MR BAXTER: My observation is this is a far more complex issue than it looks on the face of it.

MR ROBERTSON: It's terribly complex.

MR BAXTER: It fits into three or four categories. One being is the co-operative - I say, is a co-operative or co-operatives the best means of taking this whole thing forward. Is there another structure which would do it more effectively? Where do people, for example, Kirin and Bega Cheese and Norco fit into all this at the moment? We have obviously got your contact numbers. I would just like to have a further look at some of the details of this to get an understanding of the complexity and how you might untangle all that and find something that is relatively - - -

MR ROBERTSON: We could make a miniseries on it.

MR BAXTER: I'm sure you could.

MR SYMONS: The great thing is now that we are actually getting, after - I mean, for a lot of people it's too late. It's too late. And I mean, today the yarding - I was speaking to a agent yesterday, the yarding in Warrnambool where they usually get 400 head of cattle was up to 800 head today. It's been that way for months and they are just dairy cows going in for slaughter. So for a lot of the industry it's going to be too late. This has taken way too long. We are three months down the track and I am still getting Sarah Henderson saying, "We support you guys." Well, we need a little bit more than support, we need a bit of action.

MR LINDWALL: Could I ask finally, China has got an insatiable

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appetite for fresh milk products. Why isn't that helping exports?

MR ROBERTSON: They actually stopped. In Western Australia, for example, only a couple of months ago a bloke picked up the phone and said, "Sorry, no more milk. Done."

MR SYMONS: Then they can manipulate the market.

MR ROBERTSON: And the problem is all the factories jump on board. The amount of dairy plants getting built at the moment for baby formula because that is the flavour of the month.

MR LINDWALL: Yes, yes, yes.

MR SYMONS: And you go, "My God, what are they doing?" They are all doing baby formulas. So guess what, now the price of baby formula has crashed because everybody is doing it.

MR LINDWALL: Yes, exactly.

MR BAXTER: Well, the other problem is that the EU ended up with a massive surplus of milk and shunted it into China.

MR SYMONS: Absolutely. Yes.

MR ROBERTSON: It could have gone into Russia and, you know, on and on it goes. There is another story there again.

MR BAXTER: Yes, yes.

MR SYMONS: But having said that, some of the figures that have come out about Australia's export - we used to export 60 per cent, 70 per cent of what we produce. That is now down to 20 per cent. So the little bit of a furphy that the factories hide behind is the export for skim milk powder where we take the milk price off is really low, and 65/70 per cent of what we produce is consumed in here, in Australia.

MR ROBERTSON: That is where the supermarket starts to become more of an important issue because if they - I will give you an example quickly, and I ran this analogy with my colleagues here and I don't think they were too impressed with it, but it's one that is very true. We see dollar milk issued on the shelf for example. We have taken a 35 per cent hit so far in our milk price in the last couple of months. I have not seen dollar milk come down to 65 cents.

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MR SYMONS: We get this furphy all the time that the supermarkets are actually taking a hit on this milk and the dairy farmers are still doing okay.

MR ROBERTSON: There is no transparency between what the supermarket says and what the supermarket does. It dictates back to the processor and then the processor dictates back to us.

MR SYMONS: The supermarkets are doing very, very, very well out of dollar milk. Very, very well out of dollar milk.

MR ROBERTSON: Their issue of rise and fall contracts as well needs to be examined. That is also a big hit. His company for my company from Murray Goulburn as well.

MR SYMONS: The other thing is the brand of milk that people - thank Christ, people have gone across to branded milk and that is helping a little bit, but you have got to remember branded milk has been discounted too to try and compete with dollar milk. Branded milk should have been selling for $2.50/$3 a litre which we get paid 34 cents for at the moment, and it's been discounted down to $1.60/$1.90, trying to stay in the same ball park as dollar milk.

MR BAXTER: Perhaps saying not totally evenly. I was in buying a two litre thing of milk the other day and it was somewhere around about $3.20.

MR ROBERTSON: Yes. You can go to a Murray Goulburn store, for example, and buy three litres of their own milk in their own store for $3.75 and you could also find that in the same price in some Coles supermarkets but in others it can be up as high as $5.70. We are getting constant flashes on Facebook of discrepancies in their own supermarket, depending on what area that they operate in.

MR BAXTER: Of course.

MR SYMONS: The other thing is when all this kerfuffle, and people started buying branded product, the factories were quietly saying to us, "Well, we're actually pretty happy that you are making this kerfuffle because the supermarkets are being a little bit shady at the moment". They are not getting on the phone and saying, "Right. Now, that you've cut your price to the farmers, we want to pay you less for your cheese, less for your butter."

This is half the bargaining and the supermarkets have said to the factories, "If you want to supply milk to us, that's fine. There won't be a lot of profit in it but if you want your cheese, butter, yoghurt, cream, on

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the shelf, you will look after us on the dollar milk". Murray Goulburn seems to think that if they are getting rid of milk, regardless of whether there is any money in it whatsoever, it's a good thing for the dairy industry, and it's not.

DR STANLEY: Can we just clarify, is it true that you have to finalise your report by 19 August. There doesn't seem to be much time to - - -

MR LINDWALL: No, no, that was a date that we specified for submissions to be - the original date was in August because we were going to put the draft report in. It was a nine month inquiry, putting draft report out in May and then of course along came the federal election and we withheld the report until after the election. We have gone to the Treasurer. He has now extended the reporting date to 15 November.

DR STANLEY: Thank you.

MR LINDWALL: We will go to the government on 15 November and we are inviting submissions of course - well, we said for the 18th of this month but I'm happy to take them till the end of the month or thereabouts. So please send something through and thank you very much for coming down and thanks for the long drive.

MR ROBERTSON: Thanks for your time.

MR SYMONS: Thank you.

MR BAXTER: And hope the cows are still standing when you get back to them.

MR SYMONS: They'll be standing, they don't go anywhere.

MR LINDWALL: I think we will break for lunch now and maybe we can get some of the next ones back a little bit earlier but I will talk to the team about that.

ADJOURNED **[12.43 pm]**

RESUMED **[12.48 pm]**

MR LINDWALL: Well, Michael, if you could just say your name and organisation and then your statement, yes.

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MR LEADER: Thank you very much. I appreciate the opportunity. My name's Michael Leader. I am regional ...(indistinct)... lead for Monsanto Australia, but I am speaking today as a member of CropLife Australia, so that's the trade association representing the plant science industry, or the tech developers in plant agriculture, basically.

I wanted to speak in support of the CropLife submission to the Productivity Commission's inquiry into regulation of Australian agriculture. Look, I think the inquiry is very timely. Just to put things in perspective, I wanted to give you some idea of the regulatory impact of bringing an agricultural technology market, you know, for a product that is actually a GMO, or considered a genetically modified organism.

It can take about 13 years to bring a product to market, and about $136 million, and for a crop protection product, a pesticide or herbicide, you are talking about 10 years' development and about $250 million. But of that, I would say that probably even greater than 70 per cent of that are regulatory costs, costs of getting approvals, permits, licences, all of those kind of things, which is why we think that this particular inquiry is very timely.

Look, at the outset we would like to say that we support the findings of the Commission with regards to draft finding 6.1, draft recommendation 6.1, and draft recommendation 9.1. The fundamental principle, I guess, is that there is no economic or health and safety justification for state bans on the cultivation of approved genetically modified or GM organisms.

Furthermore, I guess the requirements for mandatory product labels should be communicated only information that is relevant to the health, safety and nutrition of the products, as foreshadowed or as stated in your draft report.

We would encourage the commission to also further consider CropLife's submission in regards to the need to improve Australia's organic standards to promote co-existence with alternative production systems and to reduce duplication in regulation between the APVMA, the Australian Pesticides and Veterinary Medicines Authority, and the Office of the Gene Technology Regulator, through the removal of APVMA regulatory responsibility for pesticides when they are expressed in planta.

We further encourage the Commission to review CropLife's submission and consider further recommendations regarding the regulation of agricultural chemicals as well, with regards to the

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reinstatement of the previous recognition of APVMA labels as complying with WHS regulations, improving the predictability of poisons scheduling, and I guess importantly the harmonisation of state control abuse regulations as well.

I just wanted to let you know that our industry association will be making a further submission to the draft report along these lines, so you will be able to see that in detail, but we just thought it was important to get a statement here as well in support of that.

MR LINDWALL: Thank you.

MR LEADER: So thank you very much.

MR LINDWALL: Thank you.

MR BAXTER: We have been waiting for this, and I don't say this in a derogatory fashion, but - - -

MR LINDWALL: Can I ask one question? Just to clarify something.

MR LEADER: Yes, go on.

MR LINDWALL: Because this was - you don't have to answer it if you don't want to. This was a claim that was made - - -

MR LEADER: I could take it on notice if I want to, can't I?

MR LINDWALL: Yes, yes, indeed. This was a claim made yesterday that I don't think can be true. It is claimed that if you have let's say two properties, property A and property B. Property A has GM crop on it of some sort, and property B doesn't. For some reason some of crop A floats across to property B, and some GM crop starts then growing on property B. The claim that was made was that Monsanto then would charge property B royalties or something like that.

MR LEADER: Yes, that is not - that is not correct.

MR LINDWALL: No, I didn't - - -

MR LEADER: Yes. But that's not correct.

MR LINDWALL: Yes, well, that was the claim that was deliberately made yesterday. You can see the transcript when it gets up on our website, so it's good to get a clarification on that.

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MR LEADER: Okay, and I'm happy to provide you with - you know, I'm speaking on behalf of CropLife here - - -

MR LINDWALL: Yes, yes.

MR LEADER: - - - but you've got my details and we're happy to provide you with something, you know, to clarify what our licensing arrangements are - - -

MR LINDWALL: Yes.

MR LEADER: - - - with the trait that we have on the market right now in canola.

MR BAXTER: Look, I think that would be extremely helpful. You've got mine and I think Paul's - - -

MR LEADER: I don't think I have your - - -

MR BAXTER: Well, we'll give them - we'll make sure you get them.

MR LEADER: No, that would be good.

MR BAXTER: The amount of mythology that is floating around on this is legion.

MR LEADER: Yes, that's why we thought it was important that you actually see a face to the name, and can ask questions that you need.

MR LINDWALL: I could ask other questions, but I won't today.

MR LEADER: I know.

MR LINDWALL: So thank you very much, Michael, and we'll now adjourn for lunch.

MR LEADER: Thank you.

ADJOURNED **[12.53 pm]**

RESUMED **[2.15 pm]**

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MR LINDWALL: Shall we get started, do you think, or what? Do you need more time?

MR PHELPS: Well, if you're ready, I'm ready.

MR LINDWALL: And Bob, what normally happens is that if you just say your name and the organisation and then tell us a bit about yourself - - -

MR PHELPS: Yes, sure.

MR LINDWALL: - - - and then make a short presentation, then we'll ask you some questions if that's all right.

MR PHELPS: Very good, thank you.

MR LINDWALL: You can start at your leisure.

MR PHELPS: Okay. I'm Bob Phelps. I'm the Director of Gene Ethics, which is a community group concerned about genetic manipulation technologies, chemicals and related issues, particularly in food and crops, founded in 1988 and still going strong.

So thank you for the draft which we are discussing today. Just general concerns, for a start, that there seems to be too little attention to environmental issues, particularly climate change, which is going to be the overarching issue for farmers and the whole community for a long time to come, and we need some action on it, and for that reason I think our laws and regulations need to be strengthened, not dismantled or weakened.

There is also some resort to calling things "externalities", and I'm afraid that the environment often gets put in that basket. When we can't put a cost on it, the Commission appears to think that it can simply dismiss a concern or an area of public policy like climate change by saying, well, you know, that is external to our concerns and considerations here.

So I think overall that I find the evidence of the report rather weak. It needs quite a bit more work from getting the evidence together, and I think too that the cost of the deregulatory options which are proposed never seems to come into the picture.

You know, if you change the law and you deregulate or dismantle what we have, then there is certainly costs associated with that as well,

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and there seems to be a blind spot in the draft on that, because we need I think to improve regulations on laws on all these matters as I will go on to explain in a moment.

I think that the Australian public interest needs to come first, and that that needs to be the thing that we look to always. So it is disappointing that the draft appears to pay much more attention to particularly CropLife Australia and AusBiotech. CropLife is part of a global network which represents a handful of the cartel of agrichemical and seed companies worldwide, and I think much more credence and credibility needs to be given to the public input to this draft.

As we discussed last time, you know, soon the global cartel will number only four companies owning most of the seed and agrichemicals in the commercial-industrial agriculture space worldwide, and that is not in the public interest.

We also have in Australia, of course, a supermarket duopoly, which is busy, shall I say, screwing our farmers and shoppers, and that can't be in the public interest either, and yet it's not really addressed or mentioned in the draft. So when we are talking deregulation we need to think constantly about the concentration of ownership and control in Australia and worldwide if we are to really serve the public interest and to advance smaller businesses, smaller farmers and shoppers.

I note for instance from ABS figures in 2011, which are the most recent ones, that 40 per cent of our farmers have agricultural operations worth less than $50,000 a year, and 85 per cent are under $500,000, so that only leaves 15 per cent in the $500,000 per annum plus bracket, with a mere - looks like about 4 or 5 per cent in the $1 million plus.

So we need to ask in this discussion who is burdened by these regulations and laws? Is there actually a burden? And if it's removed, who is it going to benefit? The few big timers, or are the mass of small farming operations going to get a share of this cake as well that you think is going to come from deregulation?

So I'd like to talk first about the new breeding technologies, because that's the future. The genetic manipulation technologies that have been used so far have produced five broad acre crops with two traits and they are not going to be capable of producing much else because they only manipulate single genes, where as the new breeding technologies, CRISPR, ZFN and the rest of them, are on the cusp of producing an enormous number of products, and we think that it's extremely important to have these things regulated since we don't know yet what these new

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technologies are going to throw up.

In some cases, synthetic biology will actually create organisms that have never existed before. They will be designed and created from scratch, and will be avoiding five billion years of evolution which has produced the natural world today, so how they'll behave if they're put out there, nobody knows, and it's absolutely essential that they be stringently regulated.

So that is why we are asking the Commission to recommend an immediate public review of the Gene Technology Act and the Gene Technology Regulations, so that all gene editing techniques and their products can be included under the existing definitions of genetic manipulation in the law and that they can be viewed in a precautionary way. We want the precautionary principle applied to these things.

The other present reality is that a large band of young, amateur risk-takers and entrepreneurs think they can do with biology what was done with computer science and electronics, so they have already started to DIY biohacking in kitchens and laundries around the world, and I just remind you that although we invented computer codes you still get bugs in your system and people have a pastime of creating viruses which will create havoc in the system for fun or for gain.

And we can't have a band of young keen biohackers doing the same thing with the living world, so we need strong regulation to ensure that this comes under control. At the moment our correspondence with the Office of the Gene Technology Regulator is pretty disappointing in that they are saying they don't know if these things come under their remit.

Science Week, which is this week, for instance, has got three things on in Sydney tomorrow and the next day, one for school children tomorrow with a visiting biohacker from the USA, Ellen Jorgenson, and two evening events as well, to promote these ideas.

Do-it-yourself biohacking kits are now available on the internet for as little as $130, and the OGTR says unless they contain anything genetically manipulated, if they're just a kit that's got the instructions and the gear to do it, then there's no prohibition on this stuff being imported, and Biosecurity Australia appears to take a similar view.

This should be of great concern. So we're asking the Commission to also urgently counsel government for strong regulation on biohacking activities and the availability of do-it-yourself biohacking kits, because there are already interested groups in Australia starting to pursue this work

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quite unregulated.

The Office of the Gene Technology Regulator's current rules, of course, say you can't do this kind of work without a contained facility, which is certified by them, that you have to be trained, that you have to be under expert supervision, et cetera, but really what we have at the moment is an open invitation for anybody and everybody who's interested to get their kit and have a go with any living cell that they might choose to use to create new organisms.

So I think this is an area in which the Commission should recommend a strengthening and streamlining of the law, not dismantling or weakening it. It's a present reality. We're on the cusp. These things were only invented just five years ago at the most, and we're already seeing commercial products.

I also want to remind you, because there seems to be some misunderstanding, that new breeding technologies do not just relate to crop plants. It could be that there'll be animals, microorganisms, fungi, yeasts, and a whole raft of other things that are relevant. So containing the discussion in the draft as it is to just what's been done already is - lacks foresight and vision about where we are at at the moment and what's going to come, and why we need to be innovative in our approach to creating new laws and regulations, not backsliding or weakening.

I just - I know I'm running a little short of time and you might be getting restive, but I just wanted to mention your findings and recommendations, the ones that I'm going to attend to. Draft finding 6.1 - the draft challenges the claim without supporting evidence that there are no health and safety justifications for banning GMO cultivation.

Well, you're saying there is justification for it, we're saying that in fact there are health and safety issues. The thing is that the regulators don't look at the evidence. They don't look at all the evidence. What FSANZ, for instance, does is - requires applicants to give it a chemical analysis of the end product, of the food product, which is the subject of the application, a GM event as it's called, and they then compare certain parameters in that analysis with a conventional counterpart, and they apply the concept "substantial equivalence" to reach the conclusion that there is no difference, the conventional food is safe therefore the GM food must also be safe.

There are no benchmarks or standards about the data, so each case is treated case by case on an ad hoc approach, and they claim that the measurements they make are within the normal range of values. They are

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never the same. This is why they call it substantial equivalence, not equivalence. So they are different, but they claim not substantially different.

They also don't take into account - as you know, you've mentioned in the draft that FSANZ rejects certain animal studies that tend to show that some genetically manipulated crops, food from genetically manipulated crops, harms experimental animals.

Now, those experiments generally are much longer than the company's experiments, which last 90 days. The ones in contention have been done for two years, and some of them are intergenerational as well, and do find that there are health and safety impacts on experimental animals.

It is true that we haven't seen any clear evidence of harm in human beings. However, we know that the time for induction of cancers, for instance, is 20 years, and our food is a very complicated thing, so pinning it down to a particular thing, except in an experimental situation, is not very practical.

Draft finding 6.1, you say there is no economic justification for banning the cultivation of GM organisms. Well, again, this comes to the question of these new organisms, not only crop plants, but potentially animals and a whole raft of other things that are coming down the pipeline right now.

There is a GM contamination register which is referenced in the document which notes 396 contamination incidents around the world from 1997 to 2013 with GM materials. I suppose one of the most notable ones is the Starlink case, 1998. Starlink was approved in the USA for animal feed, not for human consumption. It was found extensively in the American and other - Japan and other food supplies in 1999, and the recall cost $1 billion and put Aventis out of business.

So it is not true that there are no economic impacts from this. We had a case in Victoria early on, I can't quite recall exactly when, a container of canola rejected by a Japanese buyer for being GM contaminated. So draft finding 6.1 we dispute.

Then as to state and territory governments giving up their powers to declare GM zones, either for specific crops or generally on marketing grounds, this is an important check and balance against the centralisation of all the power in the hands of the commonwealth, and this power sharing is essential because the commonwealth has no capacity - the

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OGTR and FSANZ for instance have no capacity to evaluate whether the introduction of a new GM crop would have an impact on markets.

Our key trading partners have zero tolerance for any GM, particularly Europe, and I know that you want to argue that, well, co-existence can happen, because Cooperative Bulk Handlers in Western Australia does it, but this again is a question of scale, and also a question of approach.

If there's any question of anything being contaminated it's immediately downgraded to GM in order to preserve zero tolerance of GM in that GM-free export, particularly to Europe, a market that we could easily lose. It is an extremely valuable market worth millions of dollars per annum, and I think one slip-up and it could easily be lost, particularly with Canada with 100 per cent GM, virtually, standing in the wings waiting to inject itself into any market that we might have a question about. They lost that market to us in 2003, and they would just love to get it back if they could.

And we oppose the removal - your idea of removing GM labelling. This will disadvantage shoppers in favour of the GM and retail giants that I have already talked about. Labels ensure that all parties to food purchases have access to the same information, so it's a level playing field. I also remind you that Labelling Logic report recommended that labelling on novel foods be maintained for 30 years.

So the first GM foods came in in 1996, so we're not even up to 20 years yet. I also want to remind you about the exemptions. There is, practically speaking, no actual GM labelling in Australia. Vegetable oils, starches and sugars are all exempt. So canola oil is exempt from any labelling, for instance, even though it does contain DNA and protein.

High fructose corn syrup imported from the USA, no labelling. The products of animals, meat, milk and eggs from animals fed GM, and there is half a million tonnes of GM soy and corn coming in for animal feed each year, all exempt from labelling, and we believe that the 1 per cent threshold of allowable contamination, adventitious contamination, is being used in some cases to allow routine presence of GM in unlabelled products, particularly after some testing was done in infant formula.

And finally, in relation to chemicals, the chemical regulation regime has actually gone backwards dramatically, and this needs to be acknowledged, in the last couple of years. When the Abbott Government got elected in 2013 - no, 2014, was it? The program, the new program, to review and re-register agricultural chemicals which was due to come in on 1 July 2014 was cancelled.

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So we are still in a position of having chemicals that were approved up to 50 years ago on the basis of very poor evidence and not contemporary science which are out there being used in the marketplace, and your draft now proposes that off-label use of all of these chemicals, thousands of them, many of them poorly assessed and regulated, is going to be facilitated and allowed.

As to the question of accepting the evidence of other regulators, pre-digested evidence is never up to snuff, really, compared with the original data. So to accept the decisions of other regulators is really very, very second best.

MR LINDWALL: Like the US FDA? Go on, please.

MR PHELPS: And particularly in relation to the USA system versus Europe, the USA much weaker, much more deregulated than the European precautionary system where there is more forces at work and views in the - all the countries of the EU, so we are definitely in favour, if you are going to change the regulations, of going with the European model, not the US.

MR LINDWALL: Okay.

MR PHELPS: Thank you.

MR LINDWALL: Thank you, Bob. I'm not sure that I agree with you on the difference between the United States and Europe. I lived in both, and food safety standards are much stricter in the United States than in Europe. You can walk around to a Paris market and you'll see they're not necessarily kept in a particularly safe form. But that's slightly beside the point.

I think I wanted to address first a couple of points. You mentioned externalities. When we talk about externalities, we're talking about the incentives that you as an individual or an organisation might have to do something or not to do something in relation to the activities that you have.

So if I'm a farmer and I've got a property here, property A, say, and I can have an effect on the neighbouring properties, which could be both positive or it could be negative, depending on the type of thing that I'm doing. If I'm polluting then that is a negative externality that I am placing upon the other properties, and I may not be taking that full effect in my own decision making, and that's what we talk about when we talk about

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externalities, which I thought was - you might have misunderstood that. And so we - - -

MR PHELPS: And you also call them spin-offs, so I suppose - - -

MR LINDWALL: Well, that's a positive externality.

MR PHELPS: Is it?

MR LINDWALL: And normally a positive externality is an innovation where the person who makes the innovation may not necessarily get the full benefit for it, and therefore that's an argument sometimes used for subsidising.

Also if I'm placing a negative externality on you it's something where I might not take the full cost, and therefore I might over-pollute or something and this may be sometimes a justification for a charge or something.

MR PHELPS: Because you're not bearing the cost yourself.

MR LINDWALL: Full costs, yes.

MR PHELPS: Yes.

MR LINDWALL: So as for - - -

MR PHELPS: So that's an argument for more regulation, not less, isn't it?

MR LINDWALL: No, no, no, it's never an argument for more regulation. It's for the right regulation - - -

MR PHELPS: Better regulation.

MR LINDWALL: - - - and better regulation, and it always - just because there's an externality in existence is not sufficient by itself to argue for regulation. You have to demonstrate on a whole-of-economy basis that the benefits of that regulation outweigh the costs of the regulation. All regulations impose costs, and some regulations have benefits. You have to really assess both. And that is not just economic costs, it's environmental and social too.

Now, on the science, I mean, yesterday we had Professor Mike Jones, professor of agricultural biotechnology at Murdoch University, testifying,

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and he said that he thought it was a scientific paradox that the more we know about a gene's traits the more we regulate it, and he said that in fact, contrary to what you just said where you're downgrading to GM, GM is the safest of all food, followed by conventional food, followed by organic food. That's what he testified yesterday.

MR BAXTER: Yes, that was the - - -

MR LINDWALL: And then - - -

MR PHELPS: Mike Jones has a particular axe to grind. I know Mike - - -

MR LINDWALL: Well, but he's a qualified bioscientist. Then we've got letters here from 111 Nobel Laureates - - -

MR PHELPS: You also heard from Julie Newman, I believe.

MR LINDWALL: Yes, we did.

MR PHELPS: Good. Sorry to interrupt you.

MR LINDWALL: And in fact, she said - Julie Newman said that GM foods exported have a 10 per cent price premium over non-GM.

MR PHELPS: Yes.

MR LINDWALL: And which seemed to me that that shows that they can be successfully co-existing. Because if one was contaminating the other, then you wouldn't be able to get a price premium, but since you do have a price premium, that's surely evidence that they can successfully co-exist.

MR PHELPS: But to say that a small industry like South Australia or Tasmania should have their right to remain GM free removed when by far the biggest canola industry in Australia is in WA. It's run by a cooperative of farmers who agree with each other about how the thing's going to be done, and they have zero tolerance. So anything that's suspect is downgraded.

To say that Tasmania or South Australia could do the same thing I think is quite wrong, and evidence of that is that New South Wales and Victoria haven't been able to do it, because at the moment we have Victoria with 13 per cent of its canola GM and New South Wales with 11 per cent, and 30 per cent in WA. Even there, it's not the majority, and the

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majority of our farmers, the vast majority, are still GM free, and reaping the benefits of being so.

MR LINDWALL: The Office of Gene Technology Regulator, which you mentioned, Bob, we spoke to them, and they're going to be appearing at our hearings on Monday in Canberra, and they said that the assessment of safety has been very stringent. It's based upon the precautionary principle, as you say it should be. They say that it's supported by all of the credible science around the world. I mean, are you just disputing that, because I read that there's - - -

MR PHELPS: I'd like to have the precautionary in their law. If it was in their act - - -

MR LINDWALL: It is in their act.

MR PHELPS: A very pale excuse.

MR LINDWALL: Well, this goes back to your point about more regulation. Just because there are people out there with do-it-yourself biotechnology, imposing more regulation doesn't necessarily stop that, does it?

MR PHELPS: No, we need to amend the current laws and regulations.

MR LINDWALL: I mean, we can have laws for all sorts of things, but it doesn't stop activities directly. Surely having things in - let me put it another way. When we - - -

MR PHELPS: I think we need the Office of Gene Technology Regulator to have more powers and to have defined those organisms.

MR LINDWALL: But you have just - you have said that what they do is not scientifically valid. You are saying that they are letting through things that are unsafe, and yet the OGTR has said that everything they have approved is safe.

MR PHELPS: Sorry, did I say that?

MR LINDWALL: No, I thought you said - maybe I misunderstood you. So do you - - -

MR PHELPS: Sorry, that I said - - -

MR LINDWALL: Do you disagree with the OGTR that says that its

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assessment of gene technology that it is safe for human consumption and animals as well is wrong? And yet you want to increase their powers?

MR PHELPS: I am saying that they should take all the evidence into account - - -

MR LINDWALL: Well, they say they do.

MR PHELPS: - - - and that they should not dismiss, as FSANZ does on its own website, the evidence of harm in experimental animals, which OGTR also dismisses. Take all the evidence into account, that's what I'm asking.

MR LINDWALL: But you just said to give OGTR more power. Well - - -

MR PHELPS: Concerning biohacking, certainly. I would like to see the new breeding technologies defined as being GM and included in the Gene Technology Act so that they can be captured as well. These things didn't exist when the act was written in 2001, and we all engaged in a huge national discussion about it. We didn't think the regulation was perfect, but it was okay. It was much better than its predecessor, and it has worked reasonably well.

However, it is science-based, not scientific, and I think we had this discussion last time. They are very clear, and you can ask them, that their processes are science-based.

MR LINDWALL: Yes, based on looking at the analysis of apparently 17,600 scientific papers in peer reviewed journals around the world which all, apparently bar none, say that it is safe.

MR PHELPS: This is what Mike Jones says, is it?

MR LINDWALL: No, this is actually a paper that was published by 1,400 scientists from plant science experts around the world who published and they supported - - -

MR PHELPS: That's about plants, is it, not about micro-organisms or trees or animals? I mean, you know - - -

MR LINDWALL: Well, this is plants, obviously, but - - -

MR PHELPS: Yes. I think we need to take a more universal view than that. As I tried to emphasise to you before, there are already trees, fish,

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microorganisms, a whole - anything that you can imagine, someone is trying to genetically engineer it, and now they have got better tools to do it, and those tools are not regulated, and in our view they should be.

MR LINDWALL: Aren't you just trying to close the gate - - -

MR PHELPS: We're asking you to go to bat for those things to be regulated.

MR LINDWALL: But what's Australia going to do about that? If you're right, and the cost of GM is reducing, which it probably is, and there's scientific technology advances, then you're closing the gate after the horse has bolted. And it's already going to happen.

MR PHELPS: Not at all.

MR LINDWALL: And Australia could do what it pleases. The rest of the world will lead ahead on this, China, the United States. What are we going to do then?

MR PHELPS: We're going to regulate like they will. Europe is having this debate at the moment. China is not prepared to accept any unapproved GM organisms, that is why it has rejected US hay, corn - - -

MR LINDWALL: China has a lot of GM, actually.

MR PHELPS: Yes, but unapproved and unassessed events, they do not, and they have recently rejected - and so has Korea, have been rejecting American product, alfalfa hay, corn, et cetera.

MR LINDWALL: That's called protectionism.

MR PHELPS: No, no, not at all. They're unapproved.

MR LINDWALL: Yes, they're going to protect their own industry, that's what that is.

MR PHELPS: Under the biosafety protocol, the Cartagena Biosafety Protocol, to which we are not a party, but 170 other countries are, countries agree to set up systems like ours for assessing new genetically manipulated organisms before they accept them into their country, and that's what China is doing, operating under the Cartagena Protocol, and not, as you suggest, being closeted - what was the word you used? Isolationist?

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MR LINDWALL: Protectionist. Well - - -

MR PHELPS: Protectionist. Protectionist. And not protectionist, not at all.

MR LINDWALL: I'm not sure I'd agree with that, but - - -

MR PHELPS: They're going ahead. They are going ahead with their own research and the deployment of their varieties, after they have assessed them, but they will not accept unapproved varieties from overseas.

MR LINDWALL: Well, what if you were wrong, Bob? What if GM technology is not only of benefit to the environment, but also vital to, as a lot of scientists have said in literature I've read, vital to feeding the world's population, and that without it there will be mass starvation. Do you deny that? I mean - - -

MR PHELPS: I do, definitely. But today - - -

MR LINDWALL: But what if you are - again, what if you are wrong? You're saying that the whole risk should be in one direction, and that we should ignore risks in the other direction which might be that greater harm.

MR PHELPS: The UN Special Rapporteur on the Right to Food is very, very clear that the world produces double the amount of food now needed by the human population in the world, but 30 per cent of it is wasted and it is misallocated because it is traded internationally for profit.

It doesn't go necessarily where it's needed. So in 2009 we had numerous societies having virtual revolutions because of the price of food. People simply couldn't afford to feed their families. This is not what we need. We need market mechanisms and we need food production systems that feed people.

MR LINDWALL: But the world's population is less - I'm actually asking the questions - - -

MR BAXTER: You're missing one ingredient, I think, Bob, is that if you take a country like India, for example - - -

MR PHELPS: Yes.

MR BAXTER: - - - where I have had considerable experience in

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working in both the provision of facilities related to agriculture and agricultural projects, is that a major problem is not the international traders, it's the incompetence of the transport and storage system, and the fact that somewhere around about 30 to 40 per cent of grains, pulses, vegetables and crops which are harvested within India - - -

MR PHELPS: Yes.

MR BAXTER: - - - rot in storages, in inadequate storage, throughout the country.

MR PHELPS: Yes.

MR BAXTER: So it is - even if you imported a lot of the stuff into a country like India, you are still going to lose it because the transport systems and the distribution systems are totally inadequate.

MR PHELPS: So that is a market issue, is it not? That can be fixed by - - -

MR BAXTER: Well, it is more than a market issue, it is governments that control the transport systems, it is organisations within the country that control the storages, normally run in many cases by either corrupt or clique-type - I suppose you might call them co-ops, for want of a better name, but it is only at best a partial market solution.

MR PHELPS: Yes. Government policy needs to be good too, and that's why we need good government policy in Australia as well.

MR BAXTER: Yes, but that's an easy way to avoid "how do you get government policy in a country like India". And the Chinese, for example, as I understand it, are developing their own GM technology, and one of - I mean, Paul talked about protectionism.

It is a degree of protectionism, because the Chinese are proceeding with no regard, in many respects, to anybody, or what anybody is doing internationally, apart from probably picking their brains.

MR PHELPS: I think you are being unfair, to be honest. I think the Chinese are proceeding in a very sensible way. They have got good science and scientists, they want good evidence about the safety of their food supply, and their citizens demand it. After the melamine scandal when thousands of infants were killed because milk was contaminated - - -

MR BAXTER: But it wasn't genetically modified milk.

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MR PHELPS: - - - they are absolutely - I beg your pardon?

MR BAXTER: It wasn't genetically modified milk.

MR PHELPS: No, no, it had melamine in it, which is a chemical, an industrial chemical put in there to bulk up milk, and it has - - -

MR LINDWALL: No, I dispute the thing that - - -

MR PHELPS: - - - made thousands of children disabled and dead, you know. I mean - - -

MR LINDWALL: You're saying that Chinese scientific standards and food safety standards are higher than Australia?

MR PHELPS: I didn't say that.

MR LINDWALL: Well, that's what I - - -

MR PHELPS: I said they are high, and their people are demanding that they be very high. That's why we've got Australians starting to fly - - -

MR LINDWALL: Of course as people get richer they want higher standards.

MR PHELPS: - - - loads every day, I think near Brisbane there's a new airport, a private entrepreneur's going to fly twice a day a load of milk into Asia. This is the result - - -

MR LINDWALL: The fresh milk, yes.

MR PHELPS: Fresh milk.

MR LINDWALL: Well, that's a typical - - -

MR PHELPS: A response to contaminated milk.

MR LINDWALL: - - - response to - no, it's a typical response to growing wealth, actually.

MR PHELPS: Yes, it's that as well.

MR LINDWALL: It's Maslow's Triangle. As people have satisfied their basic needs, they move up the triangle, and I suspect that's what

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you'll find.

MR BAXTER: I mean, they've been air freighting milk, fresh milk and oysters, into Singapore for at least the last 15 years.

MR PHELPS: Well, that's - - -

MR BAXTER: And it's a market operation that has proved to be perfectly satisfactory.

MR PHELPS: That's great, but I think the Productivity Commission ought to also come back to the question how are we going to feed Australians? Because the figures are pretty bleak about the situation of food supply in Australia as well. You know, we've got - - -

MR LINDWALL: Well, we're a net exporter of food.

MR BAXTER: I would disagree very strongly with you. I don't think the figures are bleak.

MR PHELPS: Food Bank is the fastest growing NGO in Australia, and demand for its products is huge. I've got the figures here somewhere, if I can just put my hand on them. But, you know, hundreds of thousands of people are now reliant on charity in Australia to be fed. So that's - - -

MR BAXTER: That's not because we can't produce the food.

MR PHELPS: No, we're producing export commodities to send overseas like you were just saying, rather than feeding Australians.

MR BAXTER: We have spent the last probably, what, three months, four months, going round the various agricultural producing areas of Australia, and with due respect, Bob, what you're saying is a nonsense. There is plenty of food that's available within Australia. We have the advantage of having opened our borders so that at times when things like strawberries, peaches, grapes would not be available to the Australian consumer they are now available 24 hours a day, seven days a week, because we fill in the gaps in our cycle of production with food that we import from New Zealand and the United States and Canada, and in some cases from South Africa.

MR LINDWALL: And it's not necessarily a supermarket duopoly. Woolworths, Coles, IGA, Aldi, Costco, and there are others. I don't know why you keep - everyone says there's a duopoly.

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MR PHELPS: Well, I think the duopoly's treated farmers very badly, about milk for instance.

MR LINDWALL: Well, we've certainly spoken to the dairy farmers, and there's a number of issues for that that we need to address.

MR BAXTER: Yes, well, even that's in the initial stages when the contracts were signed between Woolworths and between Coles and a number of the dairy suppliers, the prices that were paid were full market prices and gave, certainly in the case of Murray Goulburn, the guaranteed supply - or a guaranteed output of milk that they were getting from their farmers at a fixed and known price, and the problem with Murray Goulburn has turned out to be it had an incompetent board and incompetent management.

Now, that has got nothing to do with food security. It has got a great deal to do with management competence and failure of the board to, you know, accept its responsibilities.

MR PHELPS: Well, I did find the figures because they were here right under my nose all the time. This is from the Food Bank website. "Are there really hungry people in Australia? Yes, there are, but hunger is largely a hidden social problem and many victims suffer in silence. Each year two million people rely on food relief. Around half of them are children. 105,000 are currently homeless. 2.2 live in poverty. 10.9 per cent of children live in poverty. One in four pensioners live in or close to poverty. These are the Food Bank's customers."

So I think that as public servants, the Commission should be really much more sharply aware in its draft, and I'm trying to relate it back to the draft, about the need to secure food for Australians first, and think about export commodities, whether they are GM or conventional, second.

MR LINDWALL: Every example throughout human history that I have studied of borders - of countries that wish to close their borders and prevent exports and supply in autarky have proven to be abject failures. They have led to massive famine on a scale that what you have just mentioned is nothing.

MR PHELPS: No, it is a matter of emphasis.

MR LINDWALL: What has happened in China during the Cultural Revolution - - -

MR PHELPS: With respect, it's a matter of emphasis. I think you

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should emphasise more that our government is there to serve Australians first, okay?

MR LINDWALL: Yes, it is. Well, the government - - -

MR PHELPS: And we're not saying anything about export. Export as much as you like, okay? GM free.

MR BAXTER: With due respect, there's two very different issues. One is the fact that there are groups of people in Australia who are not adequately fed, are not adequately housed, whose health is not adequately treated, and that is an issue for (a) us as a community of individuals, (b) for governments at local, state and commonwealth in ensuring that those services are provided, and, if required, the funding should be made available to purchase the food which is readily available to make sure that those - that those persons' social needs are met. Not a food production problem.

MR PHELPS: Well, in the context of this discussion, then, maybe more emphasis needs to be given to that 85 per cent of our farmers who at least in 2011, and I guess it's gone backwards since then, were - had revenues of less than half a million dollars a year. That should be one of the goals of this draft, I think.

MR BAXTER: Well, can I add to that, what's missing from that figure is what has been the actual capital value of their property at that time, number one; number two, the very generous taxation advantages that accrue to all agricultural farming, and if you in fact put back into the figures the value of the tax concessions, I think you might get a far different result.

MR LINDWALL: But it's true, though, there's a bifurcation of the - - -

MR PHELPS: We'd probably see that 40 per cent go out of business, wouldn't we?

MR BAXTER: No.

MR LINDWALL: But there's a bifurcation of the industry. There are small - or like my own family, my parents own a small farm, and they always wanted to have a small farm. And of course, there are some economies of scale, so the expected growth at the lower end. I'm not sure that - - -

MR PHELPS: Did your mum have to go out to town in order to support

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the farming operation?

MR LINDWALL: That's the experience - well, actually my mother actually was a home maker, but no, that's the experience of many farmers, that they have other work.

MR PHELPS: Most in that category have got to.

MR BAXTER: But it's also - it's also - you're being very selective. It's also a characteristic of many small businesses in cities, where they might run a general store, the husband runs the store or the wife runs the store and the husband goes out and works for the local council or somebody else, or vice versa, or they take in home duties.

I mean, in every strata within our society there are low income groups who need satisfactory looking after, either by charitable groups or governments or a combination of the two.

MR PHELPS: Well, your draft could benefit by a bit more of that discussion, I think.

MR LINDWALL: Well, it is a report about agricultural regulation, not about social policy.

MR PHELPS: Yes.

MR LINDWALL: The PC has put out many reports about social policy in the past. We did one on disability and aged care and so forth, so we don't try and repeat the - I mean, it has limited terms of reference here, so if you're talking about social policy, it's not within the terms of reference.

MR PHELPS: I don't see the distinction between the two, to be honest. I mean, this is social policy. If the government takes your recommendations and implements them, then that's social policy as far as I'm concerned, and it does have both seen and unseen consequences, costs and benefits.

MR LINDWALL: Yes. Well, as you know - you may not be aware, the Productivity Commission Act, as its primary objective, is to look - that our reports have to focus themselves on the wellbeing of the Australian people as a whole, and that's our primary goal.

MR PHELPS: Well, I hope this draft will take note of that objective, and give it a bit more air time.

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MR LINDWALL: Okay, Bob, thank you very much, but I think we need to move on to Fran, but I appreciate you coming today.

MR PHELPS: It was a pleasure to be here, thank you.

MR BAXTER: Thank you.

MR LINDWALL: Good afternoon, Fran. If you - and Fran, the usual approach is if you could just say your name and organisation that you're representing, or yourself if you're not, and then a brief opening statement, and then we can have questions and answers.

MS MURRELL: Great.

MR LINDWALL: And we have to finish about - it's currently 3 o'clock, so you've got about half an hour, if that's all right?

MS MURRELL: Yes. That should be plenty. Okay. I might - if possible, I might grab - - -

MR LINDWALL: That's yours.

MS MURRELL: I'm just going to sort out my various evidence that I've brought for you. So - okay, good afternoon. My name is - is that - can you hear me?

MR LINDWALL: No, it's not amplified, it's just for the record.

MS MURRELL: That's okay. Right, okay.

MR LINDWALL: You know a transcript is being made and it will be put on our website.

MS MURRELL: Fine. My name's Fran Murrell, and I'm from MADGE, a group that represents anyone who eats. And so I'd like to bring the eating end into this inquiry into agriculture, because agriculture ends up on plates as a meal. Most of the food is bought by women. Many of those women are mothers. So I think it is very important to understand where all this ends up.

Now, anyone's concern, but especially a mother's, is for the health and wellbeing of the people eating their food, especially children. Mothers at the moment are coping with increasing rates of food allergies and intolerance, auto-immune disease, gut problems, behaviour problems, neurological illnesses such as autism, and also rising infertility.

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Now, what we have is a body of Food Standards Australia together with the OGTR who have allowed a whole lot of chemicals and processes and seeds that have never existed in the human diet before. And this is just a little summary. So genetic modification, pesticides, irradiation, endocrine disruptors such as BP8, and plastic packaging, Symbio, all sorts of additives and processing aids and other chemicals.

Mothers and others are sceptical that anyone has done the research showing how this multitude of things interact in anyone, let alone their babies, grumpy toddlers or moody teenagers. People are increasingly finding that by eating a low or no processed diet they are recovering from illnesses, sometimes completely, sometimes just an improvement in symptoms.

People are also extremely concerned about the lack of labelling, and we are contacted by people who say things like, "I have to eat organic and biodynamic food, otherwise what happened to me last night happened. I had some cream, and I have come up - my lymph nodes have come up all over my body. The last time this happened I went to the doctor and I was checked for cancer. I know it's not that. I know it is what I have eaten."

We also know about people who, when the formulations in oils are changed and the labels are not required to be changed, they can sense it. They know when the product is different because they have a physical reaction to it. I know this is a tiny proportion of the population, but I think that, (1), you know, nobody should have to worry about food and the processing of this in this way, and (2), what's happening to the people who don't realise that they're - these are acute symptoms, but what happens to people with chronic symptoms and they don't know that they are linked to this.

Last year MADGE organised a tour of a US paediatrician of 30 years' experience, a UK molecular biologist who deals with human health, and a US mother to come out and talk about the clinical, the scientific and the anecdotal evidence of what is going on in our food supply, because we are not - you are not having this discussion in an environment where everyone is happy with their food. We are having it in a place when people are becoming increasingly concerned about their food.

So if you go on our website, you can see some of the scientific effects. Now, this stuff is very, very new science. They are finding effects in pesticides and endocrine disruptors - and most pesticides are endocrine disruptors - at low parts per trillion, and the time of exposure is vital.

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So you can completely transform a foetus in the womb in one exposure. And that exposure might be inherited. So what we are talking about is incredibly complex stuff, and the science is only just coming out that we are starting to look at.

Okay, I am going to now talk around pesticides. Pesticides were mainly introduced post-Second World War. We are still finding new stuff about it. It is the most widely studied thing that I'm talking about, but I'm not saying pesticides are the only thing that's the problem. I will go into GM later in the questions if you are interested, but I am focusing on pesticides as a sort of trial thing.

Most GM crops, they either produce a pesticide within the crop, or they are designed to be sprayed with a pesticide, and GM crops have increased pesticide use, as now the new GM crops are sprayed with Dicamba, even though it's illegal, 2, 4-D, and glyphosate.

And so that is why I am focusing on pesticides. So, okay, with these wonderful new products that have been allowed over the last 60 years into agriculture, is there any evidence for harm? Right, this is a report with plenty of science in it from the Pesticide Action Network in America. There is nothing similar in Australia. We have no idea what is going on here. It looks at new meta-analyses of studies pointing to higher risks among children in rural areas, especially two cancers arising, that is brain cancer and leukaemia, and there's also links to increased neurological problems, so that is things like autism, ADHD, learning difficulties, behavioural difficulties.

I want to say once again we have no idea what is going on in Australia, because we don't have similar studies, but we do know that Australia allows chemicals like Endosulfan that are banned in America. We also have the Journal of Clinical Endocrinology and Metabolism has published a series of studies about the effects of endocrine disruption, and as I said before, endocrine disruptors are often pesticides. They are not - you know, chemicals, basically. They cost the EU 150 billion Euros a year in actual health care costs and lost earning potential.

So they are associated with lost IQ, intellectual disabilities, infertility, male reproductive dysfunction, obesity, diabetes, cardiovascular disorders, ADHD, and autism spectral disorders. Okay, so I'm saying is there evidence for harm?

And then we go, is there evidence for harm? You were talking about the 1,400 studies. What - 1,400 studies is an attempt by the GM industry

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to pretend that they have done the proper studies. 1,400 studies means nothing, because what you need to do is look at each GM event and say, "Okay, what are the animal feeding studies? What are the developmental studies? What are the fertility studies?"

They haven't done all the omics studies. They don't know what proteins they produce. They don't know - they have done - there are so many studies that they have not done, and basically we have no idea what's going on.

Now, I can say actually there are thousands of studies that show harm from GM foods, and here's a little GM myths and truths. It's not good enough to say, "I've looked at the GM industry, the OGTR and the FSANZ lot and decided it's all safe," because there is plenty of evidence showing harm from animals.

In fact, some of the evidence that the - I won't go on about this, because you can ask me about this in the questions, but basically the discussion around the studies and what has and hasn't been tested is an absolute scandal, as MADGE has already written in our submission. There is a lack of independent studies, and the studies that have been presented show harm, and yet it is glossed over, so there is plenty of evidence about the harm from GM.

Now, have we seen this before? Have we seen before products that are sold by powerful corporations we are told are safe that turn out later not to be safe. Yes, we have. We've seen lead. There was a massive campaign for decades to stop the removal of lead from petrol and lead from paint. Tobacco? Well, we all know about tobacco and how the play book for that has been repeated in climate change. DDT. PCBs. Every one of us in this room is contaminated with PCBs. And Agent Orange.

So let's just take lead. So I looked at a 2009 study on childhood lead poisoning, and it said, "The benefits of reduction attributed" - well, basically what they're doing is saying, how much would it benefit people to continually - to find the most lead-affected children and remove sources of lead from them. And it - for each dollar invested in lead paint hazard control results in a return of $17 to $221. Okay? $17 to $221 per $1 invested. I think that is a massive productivity gain.

And what it does reduce is illness, crime, attention deficit hyperactivity disorder, that are all linked to lead. And as you heard, these are the similar things that are linked to endocrine disruption. As you heard, there are similar things that are costing the EU 150 billion Euros a year. We have no idea of the costs here in Australia that we are facing,

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because no one has done the research.

Now, it is not just Australian mothers and eaters who are really concerned about what's happening to our food. We also have the review of Asian consumer attitudes towards GM food. And basically what it says is that people in Asia, like people everywhere, are concerned about what's happening to their food and the health of their families, and Chinese buyers currently trust Australian produce because they see it is safe and presume it is premium quality. They do not consider GM as clean, green or safe.

So Australia in this paper really has a choice. We can either become a supplier of GM crops that nobody wants to eat that has reduced access to the market and supply the poorest, most desperate section of the population, or you can provide premium food, non-GM food, that anyone wants to eat.

So what you are deciding here is actually really important, because what you are deciding is the future. You are the deciding the future of our children, our grand-children, our society. And I hope you take that into account, because we can choose low-value poor-quality GM and a society that is struggling with adults with - adult and children with reduced IQ, neurological problems and other health issues, which as a society leads to decreased opportunity, increased crime, and a bankrupt health system.

I mean, what we're talking about here is absolutely massive, and we are talking about power. I mean - anyway, I won't go on. But - of this Productivity Commission can actually listen to what shoppers want. Full transparency and trust in how food is produced. There is a huge demand for clean and green food growing in ways that regenerate the land - there is plenty of evidence on this - increased public health - plenty of evidence on that - and reboot the rural economy.

So farmers and food producers would have the security of knowing they would have an increased demand and a constant demand for their produce. Now, when I was in retail we had a saying that I think should be listened to, because I am trying to close the circle on this discussion, which is the customer is always right. Thank you.

MR LINDWALL: Well, we certainly agree that the customer is always right. In fact, that's why we believe - the Commission tends to allow for the sale through markets to people what people want, and they reflect their preferences through what they choose and what they buy. So what else are you asking for, though? If the customer's always right, I mean - - -

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MS MURRELL: I have just - no - - -

MR LINDWALL: I mean, how would you compare that to your earlier claim that you represent all of the mothers of Australia? Well, do you really represent all of the mothers of Australia? How do you provide evidence for that? I mean, you - - -

MS MURRELL: I find your line of questioning peculiar. What I was putting - I never claimed to represent all of the mothers in Australia, and I have noticed from sitting here that you seem to specialise in taking one section of what somebody says and then put behind it a whole lot of assumptions, implicit assumptions, and then frame your own question around that.

What I have talked about is a report that shows that people in China do not want to eat GM food.

MR LINDWALL: Well, but they are eating GM food. I mean, I don't understand how you can say they don't want to when the evidence is that they are.

MS MURRELL: And where is your evidence that they want to eat GM food?

MR LINDWALL: Because they buy it.

MS MURRELL: And where is your evidence that they knowingly buy it?

MR LINDWALL: Well, I'm not sure we have to go to that.

MS MURRELL: Where is your evidence? And what foods are labelled in China?

MR LINDWALL: Well, it's not well-labelled compared to here, that's true.

MR BAXTER: Well, it varies - I mean, it varies enormously. I mean, you can go into a supermarket or equivalent in a place like Shinjen in Shanghai and some of the bigger cities, and you'll have supermarkets that are akin to Tescos and others in the United Kingdom or Walmart in the USA, right down to the smaller stores, right down to the - - -

MS MURRELL: I'm not sure how this is relevant. I was asking what is labelled in China.

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MR BAXTER: Well, what is labelled in China will vary enormously. A lot of will be European-language labels with Chinese interpretation stuck onto the back of the label, in the event of it's a tin or a bottle, or it will be a pure Chinese label that's been put on it by a Chinese importer or manufacturer. So in many respects, it's not that different from what happens in Australia or the United States of America.

MS MURRELL: Except that we have no - effectively no labelling here, because, like, for example - - -

MR BAXTER: Well, that's not quite right.

MS MURRELL: I said "effectively". We do have mandatory labelling, but the loopholes are so large that, for example, a bottle of canola oil receives no labelling, and therefore I think that we need to go back and look at the Food Standards Act which is supposed to prevent misleading conduct. And I find it misleading as, if you go back to part of my presentation, it was talking about people are actually very tired of not having their food labelled.

And do I represent, you know, the 23 million shoppers of Australia? Of course that's a ridiculous claim that I never, in fact, made. But am I aware of people who are increasingly fed up with not knowing what's in their food? Of course. Am I aware of an increasing movement towards transparency in the food system because people are falling out of it? Of course. It's everywhere.

You know, I mean, it depends where you choose to look, and I find it peculiar that we're looking at a sort of Chinese government where - and you're assuming that people want to buy this GM produce, and assuming that they understand the labels, neither of which you have convinced me that it's true. And there has been, you know - - -

MR LINDWALL: Well, you're assuming that they don't choose to - - -

MS MURRELL: Well, I think I'm - as I will keep saying, I will refer back to the evidence that I presented here.

MR LINDWALL: Well, that's not - I'll have a look at it, but I don't think you can claim that that's evidence of the behaviour of 1.4 billion people.

MR BAXTER: China is - - -

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MS MURRELL: Okay, so you're saying that people are so different in China and these researchers have got it so wrong that they don't care about where their food comes from and how it is produced.

MR LINDWALL: You're dismissing - but you've just dismissed all of the OGTR, who will be appearing on Monday, so I will ask some of the questions.

MS MURRELL: Okay.

MR LINDWALL: You're saying that they don't engage in scientific research that's worth listening to.

MS MURRELL: I haven't said anything like that at the moment.

MR LINDWALL: So you accept the OGTR and, for example, Professor Mike Jones who appeared yesterday in Perth, who said to us that GM food is entirely safe, and all the evidence around the world supports that? And he says it's safer than organic food.

MS MURRELL: I hotly contest that.

MR LINDWALL: But - are you saying that he's unqualified to say that?

MS MURRELL: I am - yes, I am saying - I am saying that it is extremely distressing that a person in his position makes those statements. And if you wish, I will go through - shall I give you some evidence?

MR LINDWALL: Could you tell me your qualifications to dispute his - he's a professor of biotechnology?

MS MURRELL: So this is - what you are saying is that you are - - -

MR LINDWALL: I'm not a scientist in this field. I'm only relying on what the OGTR has said, what the US Food and Drug Administration has said, what the World Health Organisation has said - - -

MS MURRELL: The US Food - no, no, that's - - -

MR LINDWALL: They all - and what 111 Nobel laureates around the world have said about safety, about 1,400 plant science experts. They have all universally said this. It's a bit like - - -

MS MURRELL: They have not. Excuse me.

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MR LINDWALL: Is this climate change denial?

MS MURRELL: It is not climate change denial. What you are - - -

MR LINDWALL: Well, it seems like it.

MS MURRELL: Well, it is not, because the WHO did not, in fact, say it is safe.

MR LINDWALL: Well, it has - I can - hang on - - -

MS MURRELL: It has not. What it says is that it has - there has been no follow-up. There has been no follow-up. Now, if you want to play quotes, I can go away and get all those quotes, and I didn't bring my report that has it in there. So what you are doing is refusing to understand the debate. And it is not scientists on one side with ignorant mothers on the other. There is a scientific debate that has gone on, and I can produce 1,400 studies that show that perhaps GM food is not safe, and I can produce lists of scientists who can say this food - they have concerns about that, the safety of the GM food.

One of the scientists is Belinda Martineux, who was the developer of the GM Flavour Saver tomato. So we are not talking about, you know, climate denial type scientists with no expertise in the thing. And I think that what you are doing is you are listening to tobacco science, and this is what I have here. I have here - if you want to go through - - -

MR LINDWALL: Are you saying that the OGTR is like a tobacco company?

MS MURRELL: I am not saying - - -

MR LINDWALL: I mean, I don't see why we should take - well, I'm not - - -

MS MURRELL: Do you want to talk about the science, or do you want to talk about the OGTR?

MR LINDWALL: Well, we have to rely - Ken and I ultimately have to rely on the scientific expertise, and unless you can prove that - to our satisfaction that the World Health Organisation and all the other agencies around the world are wrong - - -

MS MURRELL: Okay. Yes. Yes, I can. I can. Because okay, you're telling me they're saying it's safe, so you're going to produce the evidence

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that they've done to show it's safe.

MR LINDWALL: Well, they've testified that it's safe, and I'm going to ask the question to the OGTR.

MS MURRELL: No, no, they have not testified that it's safe. They have not said every - okay, let's get the World Health Organisation to state every single GM that has ever been created in anything is safe, it's all safe.

MR LINDWALL: No, all the ones that have been approved.

MS MURRELL: All right, thank you. No, no. They haven't said that. They have not said that.

MR LINDWALL: They have said that.

MS MURRELL: Show me the evidence. Show me what you're doing. And you need to look at the whole quote. Because what they will say is - and there has been no follow-up testing.

MR LINDWALL: You're splitting hairs here. It sounds a bit like - - -

MS MURRELL: I'm splitting hairs?

MR LINDWALL: You're - it's a bit like evolution versus creationism here, this stuff today.

MS MURRELL: Okay, let's talk science rather than what the World Health Organisation that has never done any research into GM as its own body, it has only looked at the already existing research, let's actually have a look at the nitty gritty.

So what do we have? I think that what would be quite interesting for you to experience is to understand one of the big controversies in science. So what we have is that in 2004 there was a 13 week safety assessment done by B Hammond into GM corn NK603. It's Round Up ready corn, okay?

So what he did was he fed 400 rats, divided into 10 groups of 20 rats, and the rat was the Sprague Dawley Rat, and then he fed them and looked at what happened afterwards, okay? So then what happened was that Greenpeace went to the court in Europe and got the full studies of this released, and Seralini had a look at it all, and then what they noted was that there was some harm appearing. There were some differences in the

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GM and non-GM fed rats.

And so what they decided to do was they took the same strain of rat, the Sprague Dawley Rat, and they took the same corn, NK603, and they did the same protocol, 408, OECD 408, and instead of just doing two levels of doses of Round Up - of the feeding, they did three, so three concentrations, 11, 22 and 33 per cent. They also separately fed the rats the Round Up in the water and saw what happened with that. And they did it for two years.

So I want to be very clear about this. They used the same OECD protocol as Hammond did. They used the same type of rats, which was the Sprague Dawley, they used the NK603 Round Up ready, and they actually - because although Hammond fed ten groups of 20 rats, he only tested 10 rats in each group, so - and there is no explanation of why he didn't test the other 10 rats.

But what Seralini did was he had 10 rats in each group, but he tested every single one of them. And I'm sure that you know what happened. He found disruption in the livers and kidneys and unexplained tumours. It was not a cancer study, and it was a toxicological study, and it did find differences, and they were severely concerning.

It was published in the Food and Chemical Toxicology Journal in November 2012, and a year later it was withdrawn because it has subsequently turned out the machinations of Richard Goodman, who used to work for Monsanto, and there is now an email trail of his activities and how he managed to get the Seralini paper removed, retracted.

Now, it's very important to understand - it's very important that you understand this. There are three versions of why you can retract a paper: plagiarism, honest mistake, or falsity, fraud. The Seralini paper was none of those. It was retracted on the grounds of inclusivity, which is not a grounds for retraction, and if it was, things like the discovery of DNA would have to be retracted as well, because that is the nature of science. You do things and then you move on.

So this retraction of this food and chemical toxicology study was an absolute scandal, and hundreds, hundreds of scientists signed protests against this, because they were absolutely outraged.

It has since been published in the Environmental Science Europe Journal, and stands in the scientific literature. It has been peer reviewed. It stands in the scientific literature. I am sure, I know, you have been told that it was the wrong rats, the wrong study, it's not good, it's rubbish.

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That, I think, shows the problem with this entire panel, which is you are not a scientist, that is quite right. I am not a scientist, that is quite right. But I have taken the time to read the science. I have taken the time to talk to scientists. I have taken the time to go through FSANZ and I have written reports on the poor science that they are looking at.

In fact, a MADGE report showed that, for the Round Up ready canola that is growing here, Monsanto could not - did not know what protein it was producing. That is incredibly important, because proteins lead to allergies. They did not know the sort of protein that they were doing. So they gave FSANZ a differently characterised protein, and FSANZ says that's fine.

Now, we know that because we looked through the data, and you have not done that, and I find it quite surprising that I am coming here with evidence of pesticides undermining people, market rejection, I have explained this to you, and at the end of the day I am sure you will go home and dismiss it. I have got a whole book here. Are you interested in looking at this? Are you interested - it's fully referenced.

These are - these are scientific studies that show harm. I can go through and tell you that the Van Eenennaam which says a hundred trillion animals have been fed showing GM safe. No, it hasn't. What those hundred million animals are, 98 per cent of them are broiler chickens. They're fed for 49 days. That does not tell me that it is safe for me to eat or feed to my children or my husband. That is just not science. It is - - -

MR BAXTER: Fran, I don't want to cut you short, but time is limited.

MS MURRELL: Yes, you do.

MR BAXTER: But can I just make the observation, you have just asked the question have we read much of this science. The answer is I probably haven't read as much as you have, but over the time that we received this commission from the Treasurer, I have spent a very considerable amount of time reading through a lot of this material, on both sides of the fence, or both sides of the argument.

Just let me finish. I have also had discussions with a very broad range of people who work right across the food and the university sectors. I am not going to make any comment at this stage. I would be interested to see the book which you are waving around. But I would add, I don't think at this point we are gaining a great deal by having a back and forth which

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says "they said, we said".

We have a limited amount of time in which to finish our report. I will go back and, as our staff have done, we will re-read a lot of this material. We would be pleased to receive whatever it is you want to submit to us. But I don't see a great deal of use in running through what, you know, becomes a fairly contentious slanging match at a meeting like this.

MS MURRELL: I am sorry you feel this is a contentious slanging match, and that's why I raised the issue - - -

MR BAXTER: Well - - -

MS MURRELL: - - - about lead, PCBs, tobacco. This is a very, very common - - -

MR BAXTER: Well, just - I also took a considerable interest in the lead issue, and if you go back over history, a lot of the water that is piped around parts of Europe have been flowing through lead pipes which were installed at least 1500 to 2000 years ahead of Christ's birth. And from the studies that have been done there is no evidence, no credible evidence, and admittedly in a lot of these periods there was no scientific organisation to assess it, but no evidence that there were serious deaths.

Now, I'm not going to enter into it, because there is also clear evidence from the lead smelters that existed in Broken Hill and in Port Pirie that there were very serious events that arose from the lead exhaust. But I don't see we gain a great deal, Mr Chairman, in entering into this back and forth discussion at this stage.

MR LINDWALL: So I am happy to give you another minute, but we have to go then, Fran.

MS MURRELL: Okay. Well, it's extremely clear that other bodies that look into this around the world, including the Royal Society of Canada, did an excellent report in 2001 about the gaps in the knowledge about GM, which still have not been filled.

You have also got the Austrian government. You have the Norwegian government. So because you are listening to FSANZ and OGTR and you have spoken to some scientists - and this is the problem. I mean, if you really have looked into both sides, you would be able to come over to me and talk about some of these issues and the way that you found your way through them, and I'd be very happy to do that. I invite you to come and show me the studies and the things that convinced you

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that it is safe. I happily invite you to meet up with me and do that, and I request that you send me what has persuaded you that this is safe.

MR LINDWALL: Well, you'll see our final report when it's published.

MR BAXTER: Exactly.

MR LINDWALL: We don't engage in - - -

MR BAXTER: I'm also happy to send you a complete box of about that high by about that wide that's sitting in the back of my study at the moment.

MS MURRELL: And you have read it and understood it?

MR BAXTER: I have a read a lot of it, yes.

MS MURRELL: Okay, and I would like you to pick the top five and send them to me about why you are considering that they are safe.

MR BAXTER: You'll see what I'll do.

MR LINDWALL: Anyway, Fran - - -

MS MURRELL: Yes, I would be very grateful for that.

MR LINDWALL: Fran, thank you for appearing before us today, and I wish you well.

MS MURRELL: Thank you.

MR LINDWALL: So with that, we will adjourn today's hearings. We will continue tomorrow in Wagga. Sorry, opportunity for comments, please, yes. Yes, please come up. Sorry, I should have offered anyone who wanted to - we always offer the opportunity, so we - please. Excuse me, Fran, this - - -

MS MURRELL: Sorry.

MR LINDWALL: Did anyone else want an opportunity? Okay. Could you just state your name and organisation and - - -

DR MCCORMICK: Yes, sure. I'm Dr Nina McCormick. I work for Monsanto. I am a scientist. I have a PhD in plant molecular biology. I created GMOs for my PhD, and then worked for four years characterising

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GMOs for another biotech company and now work for Monsanto.

So I could spend the next hour countering a lot of the points that were just made. However, I just wanted to clarify one point - or actually, no, two. First of all, FSANZ and OGTR are seen as pillars globally in how they regulate GMO, and countries such as China, amongst other, frequently come to them for guidance and advice on regulating GMOs.

And the second point I would like to make was in regards to the EU comment that Bob made, which was incorrect. The EU does have a functioning regulatory system. They approve GM events and the import millions of tonnes of soy bean and corn.

MR PHELPS: For ethanol and animal feed.

DR MCCORMICK: That's it.

MR LINDWALL: Thank you very much for appearing.

DR MCCORMICK: Thank you.

MR LINDWALL: Did anyone else want to - - -

MR PHELPS: Ethanol and animal feed, not for human consumption.

MR LINDWALL: All right, with that we'll adjourn and appear in Wagga Wagga tomorrow. Thank you all for coming, and we wish you well.

MATTER ADJOURNED AT 3.34 PM UNTIL THURSDAY, 18 AUGUST 2016 AT 9.00 AM

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Australian Government

Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT MERCURE WAGGA WAGGA, WAGGA WAGGA
ON THURSDAY, 18 AUGUST 2016 AT 8.59 AM

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RICEGROWERS' ASSOCIATION OF AUSTRALIA
MS RACHEL KELLY **239-262**

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MR LINDWALL: Good morning. Welcome to the public hearings for the Productivity Commission Inquiry into the regulation of agriculture. My name is Paul Lindwall. I'm the Presiding Commissioner for the inquiry, and my fellow Commissioner here is Ken Baxter.

The inquiry started with a reference from the Australian Government late last year and covers regulations that have a material impact on the competitiveness and productivity of Australian agriculture. It has examined regulations at all levels of government.

We released an issues paper in December last year, and have talked to a range of organisations and individuals with an interest in the issues. We also released a draft report on 21 July and have received over a hundred submissions and more than 1,000 personal responses and views since the issues paper.

We are grateful to all of the organisations and individuals who have taken the time to meet with us, prepare submissions and appear at these hearings. The purpose of these hearings is to provide an opportunity for people to provide comment and feedback on our draft report.

Today is the third hearing for the inquiry. We will be conducting hearings in Sydney tomorrow, Canberra next Monday, Toowoomba on Tuesday, Brisbane Wednesday, and Townsville on Thursday. Formal submissions to the draft report are also invited, preferably by the end of August. I shouldn't say they necessarily have to be formal, it's just submissions.

We will then be working towards completing a final report to be provided to the Australian Government on 15 November. Participants and those who have registered their interest in the inquiry will automatically be advised on the final report's release by government, which may be up to 25 parliamentary sitting days after completion.

We like to conduct all the hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken, but at the end of the proceedings - well, in this case, one - other people may make presentations.

Participants are not required to take an oath, but are required under the act, our Productivity Commission Act, to be truthful in their remarks. They are welcome to comment on the issues raised in submissions. The transcript will be made available on our website following the hearings. Submissions are also available on the website.

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I don't think we've got any media representatives here today, so let's skip that part. To comply with the requirements of the Occupational Health and Safety Legislation, you are advised that in the unlikely event of an emergency requiring the evacuation of this building you should follow the exit signs that way, I presume. Lifts are not to be used - well, I don't know that lifts are relevant in this case. Please follow the instructions of the floor warden, which will be Senna, and if you believe you are - that is fine.

I invite Rachel Kelly now to give us an introduction to her remarks. Thank you.

MS KELLY: So I'm Rachel Kelly, I'm representing the Ricegrowers' Association of Australia. We represent around 1,500 voluntary rice grower members mainly located in the Murray to Murrumbidgee Valley, so New South Wales.

We are also members of the New South Wales Irrigators Council, the National Irrigators Council and the National Farmers Federation, and many of our growers are members of the New South Wales Farmers Association, and we support the submissions of those organisations as well.

Today we wish to speak to our draft submission that was previously provided to Senna, and we will provide our final submission in the next few days. We wish to speak to the Commission's recommendation 11.1, which is that the New South Wales government should repeal the Rice Marketing Act 1983.

We also do have interest in a number of the other submissions, specifically - or in particular the submissions relating to water, but we support the submissions provided by those other organisations that we are members to. With the recommendation - so the - I'll quickly ask, do you want me to sort of - would you like to ask questions in particular?

MR LINDWALL: Well, maybe it would be good if you could start by telling everyone about the structure of the industry and how rice marketing works in Australia, which I think is good to get on the record.

MS KELLY: Yes. So within New South Wales, the marketing or the export of rice is regulated by the Rice Marketing Act 1983, and what this act provides, or provisions of this act provide that all rice produced in New South Wales is vested in the Rice Marking Board of New South Wales.

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MR BAXTER: Can I just - sorry to interrupt. Could I take you back a step? Before you get to that stage, does the existing legislation prohibit any person anywhere else in New South Wales growing rice without the approval of the Rice Marketing Board or the Ricegrowers?

MS KELLY: So within New South Wales the sale of rice domestically - so no, all rice produced in New South Wales is vested, so the Rice Marketing Board regulates the production of rice in New South Wales. But all rice produced in New South Wales is vested in the New South Wales Rice Marketing Board.

Rice sold domestically within Australia, those people - or the domestic market for the sale of rice is deregulated. However, those people conducting those sales must be licensed by the Rice Marketing Board.

MR BAXTER: Right. So there is a licensing system in existence?

MS KELLY: There is a licence, yes. And from what I understand, I don't think any application for a licence has been refused.

MR BAXTER: Can I - you're probably too young, but can I cast your mind back? When the Packer family bought Humpty Doo in the Northern Territory and planted I think close to about 150 hectares of rice, let's assume that one of the new investors in agricultural land in northern Australia went to the same extent and put 150 hectares of land under rice, where does the - well, presumably the Rice Marketing Board has no jurisdiction, but where - what happens if that organisation then decides to export some of that rice?

MS KELLY: Well, they are not subject obviously to the - if it's outside of New South Wales, they're not subject to the Rice Marketing Act, the New South Wales Rice Marketing Act.

MR BAXTER: Right.

MS KELLY: And so I think it's - I'm not completely sure, I'll have to come back to you.

MR BAXTER: So there's no agreement between the other states that in the event of some party deciding to enter rice production that those states have agreed that the Rice Marketing Board or SunRice would act on their behalf?

MS KELLY: No, there's not, and previously we have had Blue Ribbon

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in northern New South Wales - - -

MR BAXTER: Right.

MS KELLY: - - - who has been producing and processing - or has been purchasing rice off producers and processing rice.

MR BAXTER: And exporting it? Or just selling it domestically?

MS KELLY: I'm not sure whether they were exporting it. I can come back to you on that one.

MR BAXTER: Well, no, I think it would be helpful if we could just get a clear understanding of where that sits. Because what it effectively would seem to say - and if you started producing rice elsewhere in Australia that you're really in a position where you can go and sell it on the market without having the Rice Marketing Board step in.

MS KELLY: Yes.

MR BAXTER: Which differs - or which creates a different situation to some of the traditional statutory marketing boards.

MS KELLY: Yes, yes. Well, definitely there would have been no requirement for the Rice Marketing Board to step in if it's outside New South Wales.

MR BAXTER: Right.

MR LINDWALL: The - so you have the Rice Marketing Board, and then of course you have SunRice. Are they the same organisation?

MS KELLY: No, they're not. So the Rice Marketing Board is the statutory organisation set up by the New South Wales government. SunRice is a commercial organisation which was originally a cooperative of New South Wales growers, and has later been commercialised.

However, the Rice Marketing Board, under the Rice Marketing Act, is required to grant a sole and exclusive export licence, or a SEAL, as it's often referred to, and they currently - which they currently grant that to SunRice, and then of course SunRice has the right to export - or has an exclusive licence to export rice from New South Wales.

MR LINDWALL: Yes. So now, but the licensing for rice production is production not export, is it?

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MS KELLY: The sole and exclusive export licence?

MR LINDWALL: Yes, but what - what's to stop a person growing rice, sending it to Queensland, and then exporting it from Queensland?

MS KELLY: So because it's produced in New South Wales - so it - - -

MR LINDWALL: So it is the production that's licensed?

MS KELLY: Yes, it relates to rice produced - the export of rice produced in New South Wales.

MR LINDWALL: That's very clear. I just wanted to clarify that. Anything else that you'd like to talk about, the structure of the market and how - - -

MS KELLY: Yes, so - - -

MR LINDWALL: And I say, and how it's been growing over recent years?

MS KELLY: I was going to speak about some characteristics of the rice industry that set it apart from, say, other grain industries. So I can sort of - I can speak to that at the moment. So the rice industry is quite a unique industry compared to a lot of grain industries, say for example wheat or barley. It is a summer crop, which sets it apart, but it also is an irrigated crop, and it relies on irrigation for production when there isn't water available, which has been happening more and more frequently in recent years. Rice - we generally have a much smaller crop.

So it's directly - or it directly correlates with the water allocations received in the Murray and Murrumbidgee Valleys in New South Wales. It is a very small industry. We did - we had peaked back in the 90s at 1.7 million tonnes. In the early 2000s we reached 1.2 million tonnes, but since then we haven't reached - sorry, in 2010 or 11 they reached 1.2 million tonnes, but it is very rare for production to reach above 1 million tonnes, and the estimate is that production sits somewhere around - on average will sit somewhere around 600,000 tonnes going forward.

But there is high variability in total production, so we had - during the drought we reached 19,000 tonnes for one year, total production. So there is massive fluctuations. The rice industry - so being both a small industry and a highly variable industry, it is very hard to market or set up - establish an effective marketing structure or mechanism.

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And - because - and that's mainly, like, due to the fact that producing rice is so reliant on irrigation, as opposed to wheat where - or barley, where it's produced across a diverse range of climates in Australia and therefore fluctuations are a lot more stable because of those - that diversity, and the large production volume.

Sorry, I'll just read my notes. And because of the small total production, economies of scale in marketing are extremely important to the export of rice, which for obvious reasons, especially when it comes to freight. And one of the resources that we think is extremely reliable is the independent report that is produced by Grant Thornton Australia, which outlines, amongst other things, the freight scale advantage, the ...(indistinct)... from the vesting arrangement, and this has been estimated to be, for the 2014-15 year, the freight scale advantage was $14.3 million.

MR BAXTER: Can I just - does that freight advantage mean a freight advantage from Griffith or Leighton to port of dispatch? Or is that a total CIF advantage, so that it's an advantage to, say, deliver - - -

MS KELLY: To the point of delivery.

MR BAXTER: To the point of delivery?

MS KELLY: Yes, from what I understand.

MR BAXTER: Okay. So then it's 14.3 million a year?

MS KELLY: Yes, that was - in 2014-15 it was 14.3 million in that year, and that was based on the total production of 829,000 tonnes. Total - sorry, so there's a bit of a - I'll just explain, when we talk about total for the year, it's the total rice marketed in that year as opposed to the total production. So when we're talking about the freight scale advantage and the price premium, it's related to the amount of rice sold in that year or exported in that year, sorry.

In addition, another thing that sets the rice industry apart from other like industries is the amount of innovation happening in the marketing of the rice. So all rice exported from Australia is exported as a value-added product. We don't do - or SunRice does not bulk export and sell product, unlike other grain industries, so - and this is - - -

MR LINDWALL: So it's all packaged? Yes?

MS KELLY: It's packaged, yes, and sold as - whether it's rice cakes or

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rice flour or packaged up rice. And that is all through this. And it is all branded and then they develop specific brands for specific markets. SunRice has invested much money into developing these brands and these products, and it sort of sets the Australian rice industry apart from other like Australian agricultural industries.

The - and this is part of the reason we're able to obtain a price premium, is through that branding and those - that continued investment in product development and marketing. SunRice also heavily invests in product or rice breeding and in other rice production research and development programs. In particular with the breeding, it's very focused on finding traits in rice varieties that are suitable or that are in demand by some of our export markets, and so that's something that has really helped the Australian rice industry develop.

MR LINDWALL: And at this stage you haven't used GM, though? Genetic modification?

MS KELLY: No, yes, no, no GM used in Australia at this stage. And I don't think - there won't be any GM, from what I understand, in the future. But it's about finding traits, so for example, tastes and textures and things that are suitable to our export markets. And those markets, obviously they have a much - they place a much - many - sort of our main markets are in the Pacific, Asia and the Middle East, and they - - -

MR LINDWALL: Pacific, Asia and the Middle East, yes? Anywhere else that we export to?

MS KELLY: Yes, we do export to - we export to 60 nations worldwide, I think, off the top of my head, I can clarify that. So there's a number of - - -

MR LINDWALL: Including to Italy?

MS KELLY: Not that I - - -

MR LINDWALL: With the risotto-type rice? Not - - -

MS KELLY: I can't tell you, I'm not sure about that, yes.

MR LINDWALL: Okay, that's all right.

MS KELLY: Yes. But this specific focus on - so this model, the paddock to plate model that vesting has allowed SunRice to maintain, has really helped to ensure that they can gain those premiums out of those

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export markets by being able to control the production of rice from that very starting point, with the rice breeding program and the clean seed program, all the way through the production, the processing, the transport, the marketing and the final sales.

MR LINDWALL: Okay. And in terms of the price premium, we may as well talk about that now. What type of evidence would you - what type of premium are you being able to find, effectively?

MS KELLY: So what - so I'll go back a step first and talk about the current - so the New South Wales, through the Rice Marketing Act, there's initially an obligation to review the vesting arrangements frequently, and that's - there's currently a review of rice vesting happening through the Department of Primary Industries in New South Wales.

We at the RGA believe that's the appropriate mechanism for reviewing vesting, and it's been - they've - due to a very - their very specific terms of reference, which focus on the net benefits and costs of vesting, not only for growers but for the community and for the New South Wales economy.

We - and the resourcing of that review, that's specifically focused on rice vesting, we think this is the appropriate mechanism, and because they have - it's the jurisdiction that regulates rice vesting.

MR BAXTER: How far has that current review progressed? Because it's underway, you say?

MS KELLY: So yes, it's currently underway. It's receiving submissions at the moment. So all submissions are due by 14 September, and the review - I think they will hand down their findings in November. And the review's - or the current vesting arrangements expires in June next year, June 2017, so it's up to the New South Wales government to make a final decision before then. If they don't, then the vesting does cease.

With that - or as part of previous - so those - and I think the adequacy of this arrangement is demonstrated by changes that have been made to the vesting arrangement in the past. One of those - or in the recommendations which have been - the New South Wales rice industry is taking very seriously, one of those recommendations was the deregulation of the domestic market, which is one of the most profitable markets, and as a consequence of this Australian consumers have access to a wide range of rice products.

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Another recommendation that came down from that review previously was the need for better evidence of the price premium, and the Rice Marketing Board as a consequence of that recommendation have engaged Grant Thornton Australia to conduct independent reviews of the costs and benefits of rice vesting, and they do that on an annual basis now.

Those reviews are quite robust reviews. They look at all the export market, the individual export markets, and the premium that's being - or that the rice industry is able to obtain in each of those markets as a consequence of vesting, as well as a number of other factors, including community benefits of vesting, and - sorry.

What that review has demonstrated is that - or what that report, independent report, has said to growers is that for - or the more recent one, which analysed the 2014-15 crop year, rice vesting delivered an export price premium of $82.4 million plus a freight scale advantage of $14.3 million, based on the total crop size or total export size of 829,000 tonnes. So in total, adding those two together, that equates to an extra $116.65 per tonne for growers.

MR LINDWALL: Or $96.6 million if you - yes? is that right?

MS KELLY: Yes.

MR LINDWALL: Yes.

MS KELLY: Yes, that is, yes. Point 7, I think.

MR BAXTER: Can I just clarify that that analysis is being done on the premium on an FOB basis or a CAF basis?

MS KELLY: I'm not quite sure.

MR BAXTER: Maybe take that on notice.

MR LINDWALL: Yes.

MR BAXTER: Because it can make quite a difference to the figures, and if you compare the figures that were done off export of Californian rice, I think - I'd have to stand corrected - - -

MS KELLY: So actually, no, I can - I'll just find my notes. So I'm sure about that, but I can talk about a comparison, doing a comparison with the Californian market spot price.

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MR BAXTER: Well, what I suggest might be more useful, if it's acceptable to us and to you in particular, is for one of our people to sit down with you and run through this calculation.

MS KELLY: Yes.

MR BAXTER: Because it's that freight difference that is in fact the major influence on the premium.

MS KELLY: Yes. And one of the actual criticisms we do have of the process that has been undertaken by the Commission is that there hasn't been any consultation with the rice industry or the various stakeholders.

MR BAXTER: That's not totally correct.

MS KELLY: Well, that's - or with some of the major stakeholders in the rice industry, including SunRice, from what we understand.

MR LINDWALL: Well, I can't speak for that except for the fact that, you know, we've always been open to talk to people at all times, so - - -

MS KELLY: Yes.

MR LINDWALL: - - - it might be a fault of both of our sides.

MS KELLY: Yes.

MR LINDWALL: Anyway, that's water under the bridge. Please continue, yes.

MS KELLY: Yes. So sorry, so that's - and that price premium has been replicated in a number of the - or a number of years beforehand where that report has been produced. I will also note in terms of the cost of vesting that the cost has been around 600,000 tonnes for a number of years - $600,000, sorry, for a number of years now, and this represents about 60 cents in the tonne, around that figure. Less than $1 a tonne. And this cost is fully paid for by the growers.

MR LINDWALL: So there is no taxpayer subsidy for this at all

MS KELLY: Yes, no.

MR LINDWALL: The - all right, so the premium is something we can look at a bit more, but why is the industry convinced that the premium, if it exists, and let's say it does, is not due to the better quality product than

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other countries might export? That in fact you should give yourself credit for the product rather than a marketing organisation?

MS KELLY: I think we actually do give ourselves credit for the product, but we recognise that the ability to establish so much goodwill in the brand has been a consequence of having that single entity conducting the marketing, and that the SunRice brand in itself has so much recognition overseas and so much goodwill attached to it that it is something that we really want to hold onto in a premium. Part of the premium is sourced from that brand itself.

But also - but that brand hasn't just come about. It's been as a consequence of the investment that SunRice has been able to make and having that full control over the supply chain that it has been able to establish and maintain such a premium for its brand.

MR LINDWALL: So why does it have to be mandatory? If it has all of these benefits, why do you have to force all rice growers to go through that process? If it's intrinsically good, wouldn't they choose to do so voluntarily?

MS KELLY: Not necessarily, and I think there has been some opposition in the previous rice vesting reviews. And through the establishment - through whether or not they do it successfully, by people competing to export rice, there's a large risk that some of that goodwill can be undone if a product that has not been subject to the same rigour is exported into some of those markets where we do have such a good - - -

MR LINDWALL: You think it would undercut the market? Well, what about exports from rice producers elsewhere in Australia outside of New South Wales? Do they have - do they not get a price premium?

MR BAXTER: I don't think there are any, are there?

MS KELLY: Yes, I'm not sure - I'm not - - -

MR BAXTER: Is there any rice being exported from the Ord River these days, or is that all - - -

MS KELLY: Not that I'm aware of.

MR LINDWALL: Yes, okay, yes.

MS KELLY: They have a lot of - - -

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MR LINDWALL: That would be a counter-example, if you could.

MS KELLY: There is rice produced in the Ord River, but they do have a lot of trouble producing rice.

MR BAXTER: Well the birds generally get out of it more than the producers get out of it.

MS KELLY: Yes. Yes. And rice blast and other sort of fungi and things.

MR BAXTER: Can I just go back a step? Who are your major competitors in the marketplace?

MS KELLY: In the export market?

MR BAXTER: Yes.

MS KELLY: Ah, California is obviously our biggest competitor. And the other one is Egypt has quite a - is quite a big competitor. So that's for the Japonica medium grain, yes.

MR BAXTER: Yes. Knowing that California has gone through a series of droughts over the last 10 to 12 years, what's the impact of the conditions, growing and exporting conditions, in, say, California and Egypt as against Australia, and how do they impact on our ability to get into these markets and which we're claiming a premium for?

MS KELLY: So the impact is - it's not like - the international rice market is not such an organised market, I would say, as other grain industries such as wheat. So it is quite - because rice is a staple, probably the world's biggest staple food, and there's so many sensitivities around protecting rice, especially in some of those countries where it is considered a major staple, there is not one sort of systematic market that can measure that.

Needless to say, with the California market, who is our - California is our biggest competitor, we - generally the - we don't necessarily compete in the same markets with wheat, you trade a product onto the market and then - and the world market sort of sets the price. Australia, it's all sort of locked down through agreements with various countries. There's not necessarily a set price.

MR BAXTER: So it's more like iron ore exports to Japan or coal or something, where we negotiate a price for the coming year or something

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like that.

MS KELLY: Yes, yes. And I know there was a comparison in a Deloitte report that was prepared by Bell Potter Securities, or commissioned by Bell Potter Securities, sorry, that compared the Californian farm gate price with the Australian export price.

However, we argue that this is not a fair comparison, taking into account the farm - in California there's a large - or up to 50 per cent of the product produced in California is sold on the cash market locally, and generally the product being sold on the cash market is of a lesser quality, so - or not a good merchantable quality. So it's not taking - it's not a fair - and that product sold on the cash market isn't accounted for in farm gate price put out by California.

In addition, that includes the product sold in the domestic market in the US, which is a very high yield market for the US, and so that's including that, which - whereas if we're talking about the Australian export market, we're not accounting for the product sold domestically.

MR BAXTER: Yes. Are we able to export - well, let me rephrase the question. Do we suffer in the rice market the same as we've suffered in other product markets, restraints by the US in exporting rice? So if - let's assume, and this is a hypothetical situation, there is a roaring drought in California, which there has been on several occasions, which has prompted, as an aside, a lot of money being spent ...(indistinct)... on nuts and other things. Are we able to export without restraint into the US?

MS KELLY: I can take that on notice, but from as far as I understand, no. But I'm not - I'll take that on notice. I don't - I'm not sure.

MR BAXTER: I mean, the US is not unknown for using quality controls and disease inspections for creating non-tariff barriers, and I would be interested to know whether there's a theoretical ability for Australia to export rice to the US as against what might be the realities or practical ability.

MS KELLY: Yes. I can find out for you.

MR BAXTER: Because that in some respect helps measure the premium.

MS KELLY: Yes.

MR BAXTER: I mean, if there was a totally open market and we were

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able to indicate that we could sell to the US where clearly the prices are higher than they are in Australia, and it may be that the prices are higher in the US because they have effective non-tariff barriers against the importation of rice from countries like Australia.

MS KELLY: Yes. I'm not clear. I will have to - I'm unclear about that.

MR BAXTER: And in that same vein, I notice from the figures that we dominate the New Zealand market for rice. Are there any competitors in the New Zealand market?

MS KELLY: I'm not sure.

MR BAXTER: Again, would you - because that would influence the premium assessment. If we've basically got a - - -

MS KELLY: A lot of this information is held by SunRice, but it is commercial in confidence, so SunRice would be the proper authority to speak to.

MR BAXTER: Right.

MS KELLY: And with - another benefit of the review undertaken by DPI is that the DPI does have discussions, it does have access to information that is considered commercial in confidence by SunRice, and they can factor that into their review of vesting, which would account for a lot of that difference.

MR BAXTER: Right.

MR LINDWALL: Do you know whether rice produced in California is genetically modified?

MS KELLY: No, I don't, yes.

MR LINDWALL: Could you see if you could find that out? That would be handy.

MS KELLY: Yes.

MR LINDWALL: Now, I do have an interest in that. I wanted to ask you a bit about water price, and the effect on production.

MS KELLY: Yes.

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MR LINDWALL: What's the maximum price that a producer in New South Wales would have to - would make it unviable to make rice?

MS KELLY: So it obviously is - and I'll take it a step back first. So one of the - I note that there was sort of two main reasons that the Commission put forward for the removal of vesting, or the repeal of the Rice Marketing Act, and one of the recommendations was that through greater competition you will encourage cost efficiencies and innovation in the domestic rice industry, or the New South Wales rice industry.

We argue that while there is no competition for the export of rice, there is extremely high competition for water, and access to - and encouraging growers to use their very precious water resource for the purpose of growing rice as opposed to other industries such as cotton or for their grains, therein selling it on the market to someone else who can potentially produce a product with that, such as nuts - that competition means that SunRice has to provide their growers with the best possible return, and that drives them to be as cost efficient and possible, and so in this way we think that despite the lack of competition for export there is actually a major driver, especially in the sort of past - since ...(indistinct)... for SunRice to ensure it is producing the best return for its growers.

So that's for - in terms of growing rice, last year we saw - in the Murray Valley we saw prices reach - water prices reach around $280 on the temporary market, and this - - -

MR LINDWALL: This is per gigalitre or per - - -

MS KELLY: Per megalitre, sorry.

MR LINDWALL: Per megalitre?

MS KELLY: Yes. That's temporary water as opposed to water entitlement. And this was - and as a consequence, we saw rice production in the Murray Valley significantly reduced. There was very, very limited production in the Murray Valley last year. Our total production across the Murray and the Murrumbidgee was around the mid 200,000 tonnes.

MR BAXTER: Can I just explore that argument a bit, or that situation? Knowing that there's been a very significant investment by people like Webster and others in commercial tree - or tree nuts and other things, noting that there's been a move from southern Queensland and northern New South Wales into buying a lot of the country out towards the high plains for growth of cotton, doesn't water, or competition for water and water pricing, then become a critical element in all this?

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And where is the point that if you're talking about $280 per megalitre that the price per megalitre starts to push the ability of SunRice / the marketing board to deliver a better price to growers?

MS KELLY: So I think they're currently at that position at the moment, and they have been for a while, and they recognise that this extreme competition has been growing for many, many years now. And they - it not only pushes them to provide the best return for their growers, to ensure - and so SunRice - the more stable their annual production, or the growers' annual production, the better it is for their business and their maintaining their export markets.

And as a consequence, they have recognised many, many years ago that they obviously need to try and provide growers with the best return they possibly can. But in addition to that, they also recognise that it is critical that they invest in research and development to produce varieties that are able to be produced as efficiently in terms of water as possible, and they're now looking at doing things like aerobic rice, which won't require flood irrigation as well, and things along those lines.

So that's where they're sort of aiming at the moment in terms of their R&D program, and that's - and if we get to looking at - in addition to increasing yield, reducing water efficiencies in terms - and therefore the major input to your rice production will make that production - - -

MR BAXTER: Again, just following that on, does the licence that a rice-grower holds carry with it a value which is related to the amount of water that that rice-grower is able to put onto his property?

MS KELLY: So the - - -

MR BAXTER: And that's the value of the licence. I mean, presumably the licence has got a nominal value.

MS KELLY: The water licence?

MR BAXTER: Yes. But if I, say, for example - let's say you own a rice farm and I don't and I want to buy a rice farm, does your licence carry a value which reflects the value of your water entitlements?

MS KELLY: In terms of water, the farmers have a number of products. So they have got their water entitlement, which is their permanent right to access a portion of the airspace, I guess, in the dam, and that has a value, which reflects the reliability of the water, and it's - I think general

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security, which is what most of our irrigators utilise, or our farmers, growers, utilise. General security water is valued in the Murray Valley at about $1,200 a megalitre at the moment. So that's the entitlement, that's the permanent entitlement.

And then they get an allocation of water apportioned to that entitlement, and that grows throughout the year, that total allocation. In addition to that, farmers who are located within irrigation companies, which is most of our irrigators, have a delivery entitlement, and that is the right to use the infrastructure within that irrigation system. That has a fee attached to it, which is the cost of delivering the water to their farm gate through that infrastructure, and that fee is paid year on year regardless of whether or not they receive allocation.

MR BAXTER: So what's the current value of a licence?

MS KELLY: So it's based on the entitlement, so there's not really a separate licence. If you're a (indistinct) there is a separate water access licence, but it has no value, as the entitlement that's attached to it, that has a value, and that's $1,2000 a megalitre.

MR BAXTER: Okay. Right.

MR LINDWALL: And how much planning is there beforehand? So it's a summer crop, as you said before.

MS KELLY: Yes.

MR LINDWALL: And you're a farmer, and the price you think - well, the temporary price is rising, and you decide, well, I'm not going to produce this year, or I am going to produce, or whatever.

MS KELLY: Yes.

MR LINDWALL: How much time - when do you plant? How long do you need to water for? And how do you set the price in the end? I mean, because the crop, as you say, is very volatile, and - - -

MS KELLY: Yes, it is. It is very volatile, and so is the water market, and there is a lack of transparency around water allocation, which makes it very difficult for farmers to plan. Our irrigators, or our rice growers, plant their crop in September/October, each year. They harvest in April/May, around there, and it sort of varies, obviously, depending on the (indistinct) system of the south.

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And they generally flood the crop around November/December. So new practices are pushing that date further back. So up to that point they will - the current, or the most utilised practice at the moment, is to flush the crop with water up to that point, which then can be recycled. Most farmers have recycle systems to utilise every drop they put on their farm. And the water will - they'll slowly - once it's gone past the pinnacle initiation stage, which is the most important part of the seed formation in the rice plant, that the water can slowly come off after that, so they'll just let it evaporate. It'll just sort of pond there until it's evaporated.

But in terms of planning, obviously the biggest input into their production is water at this stage, so they're reliant upon - to access water, they're reliant upon what allocation they receive against their entitlement, and also whether or not they can access additional water on the market.

The market is immature, and it is highly variable, and quite unpredictable, which makes it very hard to plan. In addition, allocations are - while much - while it may be more predictable than the market, they are still, to a degree, unpredictable. It's not an exact science how an allocation is calculated. And those farmers - an allocation determination comes out every two weeks, or on the 1st and the 15th of every month, and they - so generally they'll see where they're sitting when they go to plant rice, and that will determine how much rice they do produce. If they put rice on at all, they may put in a smaller amount than their full rice program. They may choose not to, depending on the availability of water.

MR BAXTER: Can I just say ...(indistinct)... just to explore this a bit further, and I'll come to a point that was put to us when we met people further down the river along the Victorian side in relation to water, but it seems, as far as a grower's concern, in terms of assessing the ultimate premium that you get out of - and whether it's to do with Woolworths in Australia or to overseas - it actually depends on your ability to improve the margins at each point of where either ownership changes, delivery, or changes its nature, or where it sits in the supply chain.

MS KELLY: Yes.

MR BAXTER: It was put to us quite strongly by a number of people ranging from people just west of Albury right down to Mildura that New South Wales was actually a fly in the ointment in terms of - not the rice growers, but New South Wales - in terms of the ability of water users to quickly buy and transfer entitlements to water to use if there was, say, for example, a rice grower wanted to buy some additional megalitres, because it was easier to do a transfer of surplus available water between South Australia and Victoria because it could all be done by computer transfer,

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but if it was a transfer between either South Australia and/or Victoria and New South Wales, the New South Wales government was still requiring that the transaction be converted into a paper transaction, which would then go to the stamp duty office, have to be stamped that it wasn't dutiable, and then advice handed back to the producer or the grower. So that there was a two to three week delay in him being able to confirm that he would actually buy water that was urgently needed.

MS KELLY: So it's subject to whether or not it's a permanent transfer or a temporary product that you're transferring. So - and stamp duty, from what I understand, relates to the permanent product.

MR BAXTER: So short-term water can be easily traded with low transaction costs?

MS KELLY: In terms of across state borders, I'm not - - -

MR BAXTER: But within New South Wales?

MS KELLY: Within New South Wales, yes.

MR BAXTER: Yes, but it's - - -

MS KELLY: And there is also actually physical barriers to the trade of water. So at the moment most of our growers in the Murray Valley sit above the (indistinct) and the ability of the river upgrades to put water through the choke at the moment is limited, so there's a lack of ability to trade water downstream from upstream.

MR LINDWALL: So when you've worked out the final cropping volume for a year, then SunRice goes and negotiates the sale of that, or the marketing of it, and all of it's sold, there's no stockpile kept, I take it.

MS KELLY: On the farm? No.

MR LINDWALL: No, I wouldn't have thought so.

MS KELLY: That's partly because another benefit of vesting is that the storage of rice is unlike wheat. It is very difficult to store rice. It needs to be stored at a high moisture level, and there is a lot higher costs associated with the storage of rice and costs of infrastructure as well as the ongoing costs of the storage.

Due to the relatively small size of the industry and the large costs of storage, the economies of scale that come from having one organisation

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maintaining or handling that storage is quite significant.

MR BAXTER: So they're actually temperature controlled storages, as against the wheat one which is not temperature controlled?

MS KELLY: Yes, yes.

MR BAXTER: Okay.

MS KELLY: And controlled - there's fungus and diseases and things that they've got be maintained or aware of.

MR LINDWALL: And the farmers - so going back to this diversification, because the water price goes up and down and it might be very high in one year, do they then grow something other than rice, if it's - - -

MS KELLY: It depends on the total water availability. But generally our farmers - our growers are mixed farmers, so they do have the ability to grow some crops or run livestock or do something like that. So it depends on how their individual business is set up, but yes they do, they generally tend to do different - - -

MR LINDWALL: But they get a pretty good idea early in the season before September/October whether it's likely that you can have good crop in rice or not?

MS KELLY: Yes, yes, yes. And then it - yes, that's true.

MR LINDWALL: I probably don't have any more questions, do you, Ken?

MR BAXTER: I'm just going through the document from - on your document, item D - - -

MS KELLY: Yes?

MR BAXTER: And we're talking about international trading environment in rice, and being a New South Welshman the word "corrupt" has particular connotations in this state, but just briefly describe to me what the differences might be in between, say, trading wheat through somebody like Dreyfus or Cargill or one of those groups and the international trading environment for rice which you describe as "often corrupt"?

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MS KELLY: Yes. So there is no sort of single platform for trading rice internationally, unlike some other industries. As I said before, there is particular sensitivities internationally around the trade of rice, because it is a staple for so many countries.

While there are tariffs, there are also non-tariff based protections, including biosecurity policies, cultural resistance to the import of rice, and single-desk buyers. These factors all make it very complex to operate in these markets, and especially when you're in a position like SunRice where you don't want to engage in any corrupt activity, so it is a very difficult market to operate in.

Therefore it is very important that you have particular expertise devoted to understanding and influencing these markets, I guess, and obtaining access and maintaining access to those markets, and this is an advantage that through vesting SunRice is able to obtain and maintain.

MR BAXTER: Which are the countries that object to us having a single desk?

MS KELLY: Object to - - -

MR BAXTER: Australia having a single desk for selling of rice. You mentioned that there were some countries that - - -

MS KELLY: No, single desk purchasers, and I'm not sure which one those are.

MR BAXTER: I mean, again, if I can put a question on notice, it would be helpful to have some knowledge of that.

MS KELLY: Yes.

MR BAXTER: You have also, in item 3 on your document, said we have failed to distinguish between the market characteristics for medium and long grain rice. What are those characteristics?

MS KELLY: So - and that relates to the - in particular the international markets that demand those products. So the product of rice and medium grain rice is - there's obviously just completely different markets, so it's comparing apples and pears, essentially, and the medium grain rice market is generally considered to be a premium market compared to the long grain market.

MR BAXTER: All right. Yes, no, that's all I have.

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MR LINDWALL: Is there anything else you'd like to say, Rachel?

MS KELLY: I'll just quickly look through my notes. Just one thing that the Commission's report doesn't touch on, and that the New South Wales statutory review sort of does take into account is the local benefits of the vesting arrangement, and the benefits that - the on-flow benefits for local communities, or rice growing communities, of having a price premium attached to the export of Australian rice. So many of these communities are very small, and rely on a critical mass to maintain their services, and so therefore any improvement to the production value of their local product is significant for those communities, and appreciated by those communities.

The other thing that the Rice Marketing Act and the sole and exclusive export licence is the buyer of last resort provisions, which requires SunRice as the holder of the sole and exclusive export licence to purchase every last bit of rice produced by growers at the same value, so all rice within the—subject to differences in variety, the - - -

MR LINDWALL: That brings an interesting question, because then how do you avoid the problem that's affected the dairy industry whereby the Murray Goulburn has overestimated the price for sale and ended effectively buying things at a high price or something like that and then losing out because it becomes bankrupt, almost? That's always a risk if you have that type of arrangement.

MS KELLY: By having too much product?

MR LINDWALL: Well, effectively the price that's been negotiated or arranged for a particular volume, and they've made a miscalculation, and then through this buyer of last resort they have to buy at the higher price.

MS KELLY: Yes.

MR LINDWALL: It's the same problem that led to the wheat stock - sorry, wool stockpile many years ago.

MS KELLY: So the rice industry differs from the dairy industry because we have a full pricing system, which means that the full value of that product is not realised up to 18 months after it is purchased, and it is paid out in four full payments, which would help avoid the situation that's currently being faced by the dairy industry.

MR LINDWALL: Okay. So you've never had any problems with this

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buyer of last resort?

MS KELLY: No. And we have things like the Clean Seed Program, which ensure - which, as a consequence potentially of that provision, SunRice has invested in things at the start of the chain like the Clean Seed Program which ensure - or which helps to mitigate the risk of poor product at the end.

So as well, it also, through their focus on - so SunRice obviously distribute the seed and they set price signals for the different varieties depending on international demand for those different varieties. Obviously we have different varieties that suit different export markets, and through those price signals we can, to a degree, regulate total production of those different varieties to suit the demand for that product within those different export markets.

MR BAXTER: This may be a commercial in confidence question. In the event that SunRice or the marketing board was put in a position where it had to acquire rice for some - let's say a shipping strike or some reason - does the board have to either go into debt to fund that, or does it get a government guarantee or some other support in order - say, for example, it had, you know, a thousand tonnes of rice sitting in store awaiting shipment, the MUA went on strike and the shipment wasn't able to occur, and SunRice has got the containers sitting here at I believe North Griffith or whatever, who funds that period?

MS KELLY: I'm not sure.

MR BAXTER: I mean, look, I think there are probably in this a series of questions which really need us to have a discussion with SunRice, probably on a confidential agreement basis. I can see some considerable differences between some of the traditional marketing boards and certainly between the dairy situation, which is - and why I asked the debt question is, I mean, Murray Goulburn put itself into enormous debt, which was imprudent, and I mean, my own personal view, and I am prepared to go on the record about this, is all the directors should have tendered their resignations and packed up and gone.

But we haven't seen the detailed historical financial records to make an assessment as to whether SunRice has been prudent in its price paid to growers, and whether or not it has reflected market conditions back to the growers so they understand what's happening.

MS KELLY: No, I can't comment.

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MR BAXTER: No, I understand.

MR LINDWALL: Well, final question from me is, of your 1,500 members, if I'm not mistaken, they all support the current arrangements with the Rice Marketing - - -

MS KELLY: Yes. So how the Ricegrowers work is we have seven branches, each represented by its own branch organisation. We have - the branch AGMs were held in June this year, and we received submissions from all of those branches supporting the continuation of vesting in light of the upcoming DPI review that also applies to this.

MR LINDWALL: So there are any growers who are not members of your association?

MS KELLY: There are growers that aren't - so we're a voluntary-based membership.

MR LINDWALL: Yes.

MS KELLY: So there are rice growers that aren't members of the RGA. But I haven't heard personally from anyone who has - - -

MR LINDWALL: That's all right. All right.

MR BAXTER: Yes, just one further one comes to my mind, and it may be a sensitive one. In light of the reasonably rapid expansion of cotton growing and the nuts in the west of this area, what's the implication for the prices of rice growing land? That is, if this trend continues. I mean, there's been an extraordinary growth.

MS KELLY: Well, I guess - I don't know. I don't think I'm in a position to comment on that. I'll say that for our current growers, that any increase in value would be beneficial to their businesses. There's obviously - yes, like there's increasing competition for water, there'll be increasing competition for land. Our growers - the types of land they're situated on is really - even across the small Murray-Murrumbidgee valleys, it's quite diverse.

Some of the land that isn't suitable for rice is suitable for cotton, and vice versa. Yes. But otherwise - - -

MR BAXTER: Has there been much foreign investment in the industry?

MS KELLY: Not that I'm personally aware of.

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MR BAXTER: Okay.

MS KELLY: Not compared to - not to the same level as some other industries.

MR BAXTER: But the RGA wouldn't have a position on foreign investment policy, I guess?

MS KELLY: No, we don't. We have discussed it with our social executive, and we don't have a position, I understand.

MR BAXTER: Okay.

MR LINDWALL: Well, Rachel, thank you very much for your patience, and we appreciate your testimony here today.

MS KELLY: Thank you for having me.

MR LINDWALL: We'd like to follow it up, and what I might do is speak to Rohan Nelson or through Rosalie to see if we can then get some connection with SunRice and perhaps get some access to some of that data.

MS KELLY: Yes. Yes, we appreciate that.

MR LINDWALL: Now, would anyone else like to appear and testify about anything? No? I'm very disappointed. Well, I think then that we'll have to adjourn our proceedings. That concludes today's scheduled proceedings. I adjourn the proceedings, and we'll resume tomorrow with hearings in Sydney. Thank you all for coming, and if anyone wants to have a chat about it privately after this, that's fine too.

MATTER ADJOURNED AT 10.02 AM UNTIL
FRIDAY, 19 AUGUST 2016 AT 9.00 AM

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Australian Government
Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT ADINA HOTEL, SYDNEY
ON FRIDAY, 19 AUGUST 2016 AT 9.31 AM

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MR LINDWALL: Well, everyone, I think we might get a start. I've got a few words that I have to say at the beginning of all of these types of inquiries then we'll go through our list with the various people who are registered and later on there's a chance for people who are not registered, if they wish to say something, to do so.

So good morning and welcome to the public hearings for the Productivity Commission Inquiry of agricultural inquiry. I'm Paul Lindwall, the presiding Commissioner on the inquiry and my fellow Commissioner here is Ken Baxter. The inquiry started with a reference from the Australian Government late last year and covers the regulations that have a material impact on the competitiveness and productivity of Australian agriculture. It has examined regulations at all levels of government, commonwealth, state, territory and local.

We released an issues paper in December last year and have talked to a range of organisations, individuals and others, with an interest in the issues. We then released a draft report on 21 July, just after the election, and have received over 100 submissions and more than 1,000 personal responses and views since the release of the issues paper. We are grateful to all of the organisations and individuals who have taken the time to meet with us, prepare submissions and appear at these hearings.

The purpose of these hearings is to provide an opportunity for interested people to provide comment and feedback on the draft report. Today is the fourth hearing for the inquiry. This week we've had hearings in Perth, Melbourne and Wagga and we continue with hearings in Canberra next Monday, Brisbane on Wednesday and Townsville on Thursday. Formal submissions to the draft report are invited, preferably by the end of this month.

We'll then be working towards completing a final report to be provided to the government, the Australian government, on 15 November. Everyone who has contributed to the inquiry or expressed interest in it will automatically be advised of the final release by the government, which is up to 25 parliamentary sitting days after completing.

We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken but at the end of the day's proceedings, as I alluded to earlier, I'll provide an opportunity, for anyone who wishes to do so, to make a brief presentation.

You are not required to take an oath, but are required, under the Productivity Commission Act, to be truthful in you remarks. You're

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welcome to comment on any issues raised in other submissions or by other people at hearings. The transcript will be available on the website as well, following the hearings. Submissions are also available on our website. For any media representatives attending today some general rules apply and please see one of our staff for a handout which explains the rules.

To comply with the requirements of the Commonwealth Health and Safety legislation, you are advised that in the unlikely event of an emergency requiring the evacuation of this building you should follow the exit signs to the nearest stairwell, lifts are not to be used. Please follow the instructions of floor wardens at all times. If you believe you would be unable to walk down the stairs it is important that you advise the wardens who will make alternative arrangements for you.

I invite participants to make opening remarks, preferably about five minutes or so. Keeping the opening remarks brief will allow us opportunity to discuss matters in greater detail. Now, I think our first witness is Nicola Beynon, from World Animal Protection. So please come forward. Just say your name and organisation and tell us a bit about the organisation and about what you want to say to us today.

MS BEYNON: My name is Nicola Beynon, I'm from World Animal Protection. We've been protecting animals around the world for approximately 50 years and we've been doing that in approximately 50 countries, working with governments and local communities and businesses. Our vision is for a world where animals live free from suffering and we believe that good animal welfare is fundamental to a better world for both animals and for communities and for the farming sector and for a sustainable global economy.

We really welcome the Commission opening up a national discussion about animal welfare and its national frameworks and we do welcome your recommendation for an independent national body for animal welfare.

As is captured in your report the treatment of animals is gaining increasing public attention and we are seeing a shift in consumer expectations. Market share for higher welfare products is growing and investors are starting to take more of an interest in the risk that animal welfare poses to businesses.

While this is happening in the private sector, the government is currently failing to support industry with the regulatory and policy frameworks that are needed to keep up with these trends. We'd like to see

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Australia ahead of the curve on animal welfare and to do that the government needs to have frameworks in place to support industry and state and territory regulators to progress animal welfare.

Australia can't market itself as a global leader in animal welfare while we still have cruel practices allowed on the farm and without decent frameworks for dialogue to debate those practices. Without national frameworks the government is foregoing an opportunity for Australia to position itself as a leader in animal welfare. All too often the government and industry ends up on the back foot with repeated scandals. This approach might be good for *Four Corners* but it's not good for animals or industry. So it's not surprising then that the Prime Minister received a letter late last year that was signed by a wide range of stakeholders, industry included, calling for national frameworks for animal welfare to be reinstated.

World Animal Protection recommends that the model for this national body be an independent statutory body, an independent office of animal welfare. It could address the following things that are wrong with the current situation. The current situation is fragmented and piecemeal and an independent office of animal welfare would provide coordination and leadership and facilitate harmonisation of standards.

There's currently a lack of long-term planning for progressive improvements and an IOAW would have a national strategy for animal welfare and would be properly resourced and funded and achieve it. Too often decision making is reactive and an IOAW would allow the government and industry to be proactive in tackling animal welfare. Standard setting is slow and it's always in the process of catching up with community expectations. So in having a clear work plan for standard setting the office can keep pace with community expectations.

Currently industry and state governments dominate the decision making over standards so this office would be charged with finding balance and ensuring that community values and ethics are properly considered. We really welcome the Commission's recognition of this.

All too often the regulation of animal welfare suffers from an inherent conflict of interest in agricultural departments and it needs greater independence, so an independent office would remove conflict and provide that independence and help restore confidence. In short, we would like an independent office to be a centre of excellence for animal welfare.

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You've asked, in the draft report, for views on governance arrangements. World Animal Protection thinks there should be a suitably qualified CEO and a chair and a small staff of animal welfare policy and legal experts and also experts in stakeholder and public engagement. It would have an advisory committee and we agree there needs to be strong representation from the field of ethics and also independent science. The office's advisory and standard setting committee should comprise state, territory and federal governments, industry groups from the different animal production and use groups and animal protection organisations representing the animal production and use industries.

Currently there's often the situation there there's several industry members, state and territory governments, promoting industry interests and only one or two stakeholders representing the community and animal interests and it's not a good balance, currently. It should have animal welfare academics and legal experts, representation from consumer interest groups and those independent experts, scientists, with technical knowledge, independent of industry. We also support the Commission's suggestion for experts in assessing the ethical dilemmas that come up with this policy field.

The office would need to report to a minister and to solve the conflicts of interest we think that the Attorney-General would be a good candidate. If such an office was to remain in the Department of Agriculture or either way, the office would need enabling legislation that would protect its independence. It would need to be able to report straight to the parliament and have the responsible minister publicly respond to its reports.

You've asked if it should be advisory or have a regulatory function. Our view is that it should be advisory in relation to standard setting but it should decide on the advice that it gives and its advice should be published unfiltered. It's advisory, in the sense that each jurisdiction will still need to adopt and incorporate those standards into their own laws.

For animal welfare matters that the Commonwealth is responsible for, international trade, then we recommend that the independent office has a regulatory function too. You only had to watch the sledge hammering of Australian cattle in Vietnam and to see the repeated regulatory failures in the live animal export trade to realise the need for greater independence in the regulatory oversight of that industry. At a very minimum the office should have the ability to investigate, report and recommend with its reports tabled into parliament for ministerial response.

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You've asked for advice on measuring community expectations. So on that, I just wanted to share with you polling that World Animal Protection undertook in March of this year, it was Galaxy Polling, and it found that 72 per cent of Australians believe farm animals could be treated better in Australia and it was pretty evenly split between urban and rural Australians. So in regional areas 70 per cent and in city residents 73 per cent.

Seventy-five per cent of Australians believe there should be a national body focused on improving animal welfare and 84 per cent believe that it is the federal government that should set goals for animal welfare and have a plan to meet them. 94 per cent consider some kind of farming practice that's currently allowed unacceptable. We're obviously not saying that decision making for animal welfare should be poll driven, but the independent office must ensure that consultation is accessible and designed to engage the wider public.

Having strong representation from consumer groups and animal welfare advocacy groups will help as a channel for community views. We think that's the crucial factor, to grow community confidence in how the government handles animal welfare, there needs to be much stronger input and dialogue with the community and advocates in standard setting and independence from industry, in that standard setting and in the regulation. So an independent office will help the government and industry build that confidence and to grow that trust and create a better future for animals. That's the statement.

MR LINDWALL: Thank you very much, Nicola. I can see where you're talking about here because, as you know, independence can be manifested in different ways. There are government departments which have parts of them without any statutory independence that are called separate and then, of course, there are agencies, such as, say, the Productivity Commission or Human Rights Commission which have their own Act. So you're quite clear you'd prefer the latter, obviously?

MS BEYNON: That would be our preferred model, yes.

MR LINDWALL: In those types of arrangements, generally speaking, they have statutory officers who are appointed for a fixed term, say 5 years, and they can only be removed for certain criminal activities, for example. That's the type of protection you'd like for the independence. Now, what about the selection of those individuals for the various roles, and you could, in the statute you could say that this one person has to have veterinary skills, another person has to have an ethics background, or something like that. Would you involve as, say, in the Australian

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Competition and Consumer Commission where the Commissioners for that have to be given a vote from the state governments as well as the federal government, is that the type of thing you think would be reasonable?

MS BEYNON: We haven't thought that far into it, but I certainly think that the qualifications for the CEO and the chair would benefit from being prescribed in the enabling legislation. You do need to ensure that those appointments are supported by - - -

MR LINDWALL: Qualified individuals that are credible, yes.

MS BEYNON: Yes, and also that they're not political appointments or seen to be political appointments. So there might be benefit in having state and territory government input into their appointments but I'm not sure about votes and right to veto. I haven't through that far into it.

MR LINDWALL: That's all right. If you wanted to comment on that later on you'd be most welcome to. As you say, you're happy for it to be advisory in respect of the state government responsibilities but regulatory in respect of the commonwealth?

MS BEYNON: I think there's greater need for independence in the regulation of the commonwealth responsibilities for animal welfare, as there is in the states and territories. So we would advocate for independent offices at the state and territory level as well and to have that separation between agriculture departments and regulation.

MR LINDWALL: In terms of changing community values, then the organisation would clearly have a responsibility for informing the public about what are real animal welfare good practices and bad practices and soliciting the views as well, in a validated way. But in your experience do you think that the examples of bad animal welfare, and let's forget about the exports at this stage, we can come back to those, are they due to financial pressures by farmers? For example, the overstocking of poor pastoral land and then there's a drought and the animal is starving and so forth is often because of, in my view anyway, are due to financial pressures on that particular farmer and those that are running a good farm, who are financially viable, will tend, on average, to treat their livestock better. Would that be a fair assessment?

MS BEYNON: I think certainly financial pressures play a role in how farms are governed and then the animal welfare that they provide for, yes.

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MR LINDWALL: Some farmers who have relied on very traditional practices, their parents and their grandparents have followed the same practice, they've often done that, so this body could also, obviously, communicate better practices, which might actually help them financially as well?

MS BEYNON: Yes. I mean often when we talk about animal welfare it can be complementary to productivity and profitability and that's the goal that you want to be aiming for where you're getting those win/win situations. But it's important to have the robust regulations to protect animals from cruelty when the economics and animal welfare and ethics aren't lining up so well and currently it's animal welfare and the ethical side of things that all too often loses out.

MR LINDWALL: I've got some more questions, but I should let Ken ask some.

MR BAXTER: Can I come to page 5 of your document? A couple of things, just some further elaboration. One, in paragraph 4 there's reference to law suits going back and forth, what's the number and nature of the law suits that are involved over animal welfare?

MS BEYNON: Is it in our submission?

MR BAXTER: World Animal Protection.

UNIDENTIFIED SPEAKER: Could it be the Senate submission?

MR BAXTER: Yes, it was the 2015 submission.

MS BEYNON: Pardon me, yes, you've been given our Senate submission as background.

MR BAXTER: My apologies for not being more specific.

MS BEYNON: That's okay.

MR BAXTER: But there's a reference in that document to law suits going back and forth.

MS BEYNON: Remembering back to that submission, would it be referring to the free range egg situation and the - - -

MR BAXTER: Well, that's why I'm not clear. It says, "Reduced risk by being proactive instead of reactive." It then talks about leading regulators

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to underestimate risks and then talks about this business of law suits. One of the reasons I raise it is that I understand there are probably two classes of law suits, one by the commonwealth for breach by an animal or a livestock exporter breaching the conditions of commonwealth laws under the arrangements of export of live animals and that would be handled, presumably, by commonwealth inspectors.

The second tier would be in the states where the police, as I understand it, have responsibility for compliance at the moment, but in many cases it's the RSPCA who actually is the compliance authority or the compliance organisation. In terms of large-scale rural operations my assessment is that the RSPCA resources are extraordinarily stretched and are mainly involved with local, urban enforcement.

What's your view about the enforcement side of any regulation? I mean we've talked earlier this morning about the advisory committee and its independence but then getting down to the reality of it, how do you view that - what's the relationship between the advisory committee and the enforcers, to use a phrase? And how do you see that working through the system?

MS BEYNON: The enforcement of animal welfare legislation in all jurisdictions is not currently effective because it is poorly resourced and not sufficiently priorities, so you need to have much better compliance regimes. We would see the office playing a role in review of enforcement practices, by state and territory jurisdictions.

Whether it would do that of its own initiative or whether it would be something that would be requested needs consideration but it could review on poor enforcement compliance and make recommendations for improvements or changes to legislation and so on. But, as I said before, we would also support the establishment of similar offices at the state and territory level to perform that function as well, in which case there'd be less need for the national office to do it.

MR BAXTER: We've heard, in evidence, when we were in some of the regional centres, that people who would be concerned about welfare of animals is often only picked up when sheep or cattle come into cattle yards or stockyards for sale, public sales. We've heard that police will often only be belatedly informed about unfortunate practices. Then when they are informed the evidence is either gone or it's been impossible to take on enforcement. It seems to me that there's a lot of sense in having an independent authority which sets out the principles, but that's not a great deal of use if there isn't an effective regime underneath it for actual assessment of when it takes place and the enforcement of any principles

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that are established by the independent authority. What's your views about how that might be done?

MS BEYNON: We would agree with you that it's all very well setting standards but if you don't have the compliance regime to then implement them you're only doing half the job. We think there could be a role for independent offices undertaking the regulatory function and having - working with the RSPCA and state governments on that, because of the concern about the regulatory function staying with agricultural departments and the inherent conflicts that come up.

MR LINDWALL: My understanding is that World Animal Protection operates in the United Kingdom, is that right?

MS BEYNON: We do, yes.

MR LINDWALL: How is the United Kingdom model of enforcement brought about?

MS BEYNON: I've lived in Australia for 20 years. I have a British accent but I'm not - - -

MR LINDWALL: I wasn't picking on you because you've got a British accent, I've read a fair degree - - -

MS BEYNON: We could find out for you. I could speak to colleagues, yes.

MR LINDWALL: It's good to learn good practices in other countries. Ken and I saw the practices in New Zealand, which you're probably going to comment on.

MR BAXTER: Well, I was just going to lead onto, as Paul has just indicated we spent some time in New Zealand a week or so ago and the New Zealand government has established what appears to be a fairly effective both in principle regime with an independent authority, which seems to have the support of government policy makers and, interestingly enough, the industry sectors.

MS BEYNON: Yes, it does.

MR BAXTER: It seems to be effective in setting principles. It seems to be effective in securing assessment of malpractice or unfortunate practices and while we didn't go into the enforcement side in great detail, it does seem that its enforcement measures are far better than we've got here.

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I mean, one of the complaints of here is that somebody can be driving along the roadside, see a mob of sheep that have clearly been maltreated, they get to town, they report it to the local policeman who usually knows the person who owns the sheep, so therefore has a degree of reluctance about going out and issuing a notice to comply. But even leaving that on the side, that by the time the enforcement officer gets there they evidence has disappeared or the capacity to prosecute has disappeared. What's your view about how that should be handled?

MS BEYNON: Again it's to take it into an independent office and to have people who are more independent from either perpetrators - that's a good principle. I mean that's what we're seeking.

MR LINDWALL: There was also reference, in the 2015 document, to the funding arrangements and one of the things I would be interested in or we'd be interested in getting hold of is knowing that World Animal Protection does operate in the United Kingdom and operates very effectively, is who provides the funding, what the volume of the funding is and who funds the actual prosecutions.

MS BEYNON: We can find that out for you and speak to our colleagues in the UK.

MR LINDWALL: Yes, that would be appreciated.

MS BEYNON: Yes. If you had interest in other countries we might be able to help as well.

MR LINDWALL: Yes. Well, we're particularly interested in countries which (a) have similar livestock practices to ours, have similar legal jurisdictions to ours and similar general community feelings about this issue. Have you got any sense or feeling about the degree of funding that might be actually required to make sure that - I mean the funding of the body itself that we're talking about is relatively small. But in terms of enforcing the legislation, beyond the current arrangements where the RSCPA effectively uses its funds to undertake the enforcement arrangements, what's your view about how that should be done?

MS BEYNON: It does depend on the remit and the responsibilities that you give the office, how much it would cost to run it. So if it had that regulatory responsibility obviously it'd be more significant costs. We were interested to actually as the Greens, who have legislation for an independent office, because they have the benefit of costings from

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government to see of they've costed the different models, but we, ourselves, haven't had the capacity to do it.

MR LINDWALL: I was going to ask, on the export side, have you got any ideas on - well, clearly some people think we shouldn't export at all, live animals, which is a perfectly reasonable view, but given the constraints that we do export live animals are there ways - and ESCAS has apparently improved practices from what they were, but can you think of things that might improve it further?

MS BEYNON: Our organisation is of the view that live animal exports shouldn't be permitted, we think it's just breaching animal welfare rule 101, you should slaughter an animal as close to the point of production as possible, and live exports violate that and they put animals through extremely strenuous journeys with an uncertain slaughter at the end of that process so we don't support it.

ESCAS has brought about some improvements, but we've seen repeatedly and all too often that ESCAS is also failing and it's not being enforced properly. It's the nature of the industry because ESCAS is trying to have reach over facilities overseas where jurisdiction becomes quite tenuous. Now we know that the government is putting funding into industry developing its own assurance scheme, and I read your comments in the draft report which talks about if you have an industry assurance scheme it needs to enjoy public confidence.

In the case of live exports, there's no way that it has public confidence in industry's ability to comply with ESCAS, never mind its own self-regulatory assurance scheme. We support industry assurance schemes and we work with many companies to develop them but we do not support governments using assurance schemes to retreat themselves from their own regulatory responsibilities so we don't support the assurance scheme that's being developed for the live animal export industry.

MR BAXTER: Again I'm turning back to the 2015 document, and on page 5 of that, at the bottom, there's a reference to, "The degree of influence and control exerted by industry funded research and development corporations on this area" what's the evidence that that's happening?

MS BEYNON: That's quoted from a research paper. Not so much the RDC but there are - I'm aware of two comparisons that were done between independent research that was undertaken by an independent body in the EU on sow stalls which came to the conclusion that sow stalls

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were not humane and should be phased out. Then similar research done in Australia where the parameters of the research were just looking at biological indicators and came to a different conclusion.

The same thing has happened also in looking at battery cages. That's the thing with science is it depends how you support hypothesis you set up to test and what parameters you put. So you can ask a different question, both answers will be scientific but it depends on the question that you've asked, which is why we were very heartened to see the recognition of the need for independent science and also the ethical component to sit alongside science based decision making.

MR LINDWALL: I think we need to finish now. Nicola, thank you very much for appearing, we appreciate what you've said today.

MS BEYNON: Thank you for having us.

MR BAXTER: If you wouldn't mind just getting responses to those extra ones. Very quickly with your forbearance, following on that last question and item 5 again, I'd be interested to see any examples of where you believe there's been undue influence exercised by the RDCs on research.

MS BEYNON: Yes, we can look into that further, yes.

MR LINDWALL: Now it's time for Cotton Australia. I think we've got Felicity Muller and the New South Wales Irrigators Council, Stefanie Schulte, is that correct?

MS MULLER: Close enough, yes.

MR LINDWALL: Again, if you wouldn't mind saying your names and organisations and then giving a brief presentation about what you would like to say.

MS MULLER: My name is Felicity Muller, I'm from Cotton Australia.

MS SCHULTE: I'm Stefanie Schulte from the New South Wales Irrigators Council.

MS MULLER: So, firstly, I'd like to thank the Productivity Commission for providing us with the opportunity to appear at this hearing and present our views on the impacts of regulation of agriculture to our growers. We are a strong supporter of the public consultation process and would be

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more than happy to provide any further information to the Commission during the finalisation processes of the report.

So Cotton Australia is a key representative body for Australia's cotton growing industry. The cotton industry is a small but integral part of the Australian economy, worth over $1.25 billion in export earnings in the 2014-15 season and employing roughly 10,000 people. I'll now ask Stefanie to present on initial recommendations made by the Productivity Commission regarding water regulation.

MS SCHULTE: Thank you, Felicity, and thank you Commissioners for giving us the opportunity to present here today, together with one of our member organisations, Cotton Australia.

The New South Wales Irrigators Council was formed in 1983 to represent the rights and interests of irrigators and the irrigation industry. We have 25 member organisations, Cotton Australia, as I said, is one of them but we also have members of Valley Water Users Associations, Food and Fibre Producers, irrigation corporations and commodity groups, including rice, dairy and horticultural industries.

As a peak irrigation sector body in New South Wales we will focus our comments on only those issues pertinent to irrigation and water resource management and, as such, our responses are exclusively to chapter 4 of the draft report. However, we appear here today with one of our member organisations to stress the importance of referring to all our member organisations submissions about irrigation and agricultural industry specific regulatory burdens which constrain the industry.

As for the New South Wales Irrigators Council, we have concerns about the multitude of recent inquiries and reviews relating to water management in New South Wales and the Murray Darling Basin. We urge the Commission to coordinate with state and federal departments about developing coherent policies that collectively minimise the regulatory burden on irrigated agriculture and support the ongoing profitability and competitiveness of the industry.

We note that the Productivity Commission has endorsed the recommendation made by the inter-agency working group on Commonwealth water information provision. The council equally supports the removal of regulatory duplication and overlap but thinks more work can be done to reduce regulatory red and green tape. One example would be here, a root and branch review of the functions and responsibility of the Murray Darling Basin Authority.

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In addition, we stress that our general endorsement of the inter-agency working group findings should not be seen as being equivalent to an endorsement of regulatory streamlining and centralisation of water policies and functions. The council is of the view that those departments and agencies that are best place to undertake the regulatory function around water policy and management should be those who also undertake it.

As such, the New South Wales government, in our case, has long had carriage of water resource management in New South Wales and New South Wales irrigators have confidence in the management processes and frameworks, even though we do have some reservations in some aspects, but we are broadly supportive of those processes and functions remaining with the state agencies.

Following on from these comments, New South Wales Irrigators Council is also concerned about the current level and possible expansion of regulatory burden imposed by federal government agencies and departments, through federal water legislation, including the Water Act 2007 and the Murray Darling Basin Plan 2012. A case here is the reason ACCC draft advice on the review of water charge rules, which we believe would significantly increase the regulatory burden on the irrigation industry, if implemented.

Finally, New South Wales Irrigators Council is also concerned about the large number of general reviews of Australian water markets. Over the last 12 to 18 months we've had the Bureau of Meteorology, the Murray Darling Basin Authority, DPI Water, ABARES, the ACCC and the National Water Commission all undertaking broad scale reviews of Australian water markets.

It appears to the council that these general reviews are conducted for the purpose of introducing further regulation and water resource management and not progress already identified concerns by previous reviews and stakeholder feedbacks regarding unnecessary burden. Two issues that have been raised continuously is the under value trade between the Murray and the Murrumbidgee as well as a very recent case about a lack of information provision in the Lachlan Valley.

The New South Wales Irrigators Council believe that Australian Water markets are continuously evolving and rapidly maturing and that this time there is no need to introduce additional regulatory burden on irrigators, water traders or water brokers. So we thank the Productivity Commission again for the opportunity and I will pass back on to Felicity.

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MS MULLER: So we've kept our discussion focused on overarching approaches to regulation and responses and approaches that might be taken, the land use regulation chapter, regulation of technology of ag vet chemicals, biosecurity, transport and labour regulation. Obviously we'll go into more detail during our response to the draft report, but we'll just present a few key areas of interest today.

So overall we were very encouraged to see the Productivity Commission's acknowledgement of the cumulative regulatory burden which is borne by agriculture. A message which we have repeatedly heard from our members. I guess to highlight the issue, when we approach our growers and say, as a broad question, "Do you have issues with the volume of regulation?" The universal answer will be, "Yes." However, if you take a similarly broad-brush question and say, "What is the issue?" It's not a straightforward answer that you get. I think that that is what is behind the cumulative factor, unpacking what the actual issue is, or the issue is, in isolation, perhaps misrepresents what is actually the problem. It's the impact of regulation, in totality, which is the burden for our growers.

So as acknowledged by the Commission, regulation has its benefits and we would certainly support that. A regulatory framework ensures that Australia has been protected, in relation to biosecurity threats and that we have chemicals that are safely used and operated by our growers. However, as I guess in all areas of business, there is room for improvement and our growers recognise that we need to be achieving productivity gains in order to remain competitive on the world scale. The same can be said of the regulatory system in which we operate.

Regulations need to shift with the changes in the environment in which agriculture operates. There is rapid technology development in the area of energy and shifts need to occur in the national electricity market to allow our growers to capture the benefits of these technology developments. Robotic advances, mobile and internet services are set to change agricultural productivity and the way in which agriculture operates in Australia. The cotton industry is hopeful of working in a regulatory framework, I'll reference the telecommunications universal service obligation here - - -

MR LINDWALL: That's my next inquiry.

MS MULLER: - - - which encourages and supports this productivity growth. We would like to see the Productivity Commission consider how it might best work with industry to investigate possibilities of self-regulation.

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So I guess the complexity of regulations was a clear driver in establishing the Cotton My BMP program, you might be aware of that program. The My BMP program covers 11 modules, including issues such as biosecurity, HR and WH&S and soil and water management. Across the modules there are hundreds of elements requiring growers' attention however, the My BMP program provides a single point of contact for growers, ensuring that they can be confident they have met their regulatory obligations once they have addressed all aspects of that My BMP program.

Successful self-regulation is characterised by a consideration of all aspects of products and services, including all relevant social, environmental and economic costs. Our industry has proven that it operates to best practice through the impressive results that it has achieved to date. A 92 per cent reduction in insecticide use, 40 per cent increases in water productivity and achieving yields more than three times the world average and more than double our nearest competitor, the USA.

Our industry has undertaken a concerted effort to ensure that we consider all elements of the cotton life cycle. In recognition of the need to consider social, environmental and economic costs our industry has adopted a framework of sustainability reporting, the first of which was publicly published in November 2014, however there's been a lot more of a process behind that. We have recently developed our ongoing sustainability targets through stakeholder consultation and that will continue to drive ongoing best practice across the industry.

The cotton industry has also partnered with the Better Cotton Initiative, which provides an avenue for our commodity to be globally recognised as a sustainable product and channel for information exchange with the global pool of cotton growers to improve grower practices internationally.

Given our performance and the initiatives that our industry continues to progress, we believe that regulators should consider the benefits of working with our industry to deliver on compliance outcomes. To achieve successful self-regulation we recognise that there are processes that need to be navigated, however we believe that through transparency of reporting and independent audit the objectives of compliance can be achieved with our industry.

Cognisant of the challenges introduced through self-regulation Cotton Australia would certainly be supportive of a time bound

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memorandum of understanding to trial and test our industry's ability to deliver on the necessary reporting requirements.

Just moving on to our next approach, I'd also like to address the overarching issues of whether agriculture should effectively receive special treatment in regard to regulation and we certainly don't support ourselves as a sector being treated differently, per se. However, we would encourage the Commission to develop recommendations that promote a broader approach to regulation by state and federal government agencies.

So some solutions that we've potentially proposed include establishing timeframes for delivery of advice by government departments to avoid unnecessary delays where local, state and federal decisions are required. Where clear overlap of regulation occurs, particularly in the case of heavy vehicle movement, in terms of issuing permits and licences, specific action is taken to streamline these processes.

There is a need to develop strong relationships with industry bodies who are often the first point of contact, or key information dissemination bodies for growers, and can assist in navigation of regulatory obligations and regulatory design. Improving accessibility of information available on websites. So forms that are used to collect information for applications and regulatory compliance purposes need greater clarity, provided by government departments, to assist growers in meeting their regulatory obligations.

As highlighted in the Productivity Commission's own draft report, there is currently a lack of clarity around visa application and visa supporting forms. We saw the example that that took four hours, in comparison to one and a half hours to complete the form. So clearly there's an issue with navigating that website and the information that is required and I think that that is something that can be easily rectified.

There were suggestions brought forward by the Productivity Commission regarding the use of science to inform regulation and we would certainly like to hear from the Commission some further information regarding this concept. As an organisation we are firmly supportive of science being used as a mechanism to inform the level of risk exposure.

Just moving on to some of the actual topic areas, I guess, in relation to land regulation, we were very disappointed in the recommendations delivered by the Productivity Commission which, I think, failed to recognise the underlying issues that have resulted in the right of veto discussion. We were particularly concerned that the Productivity

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Commission made suggestions to transfer all land rights to the Crown to enable resources exploration. While as an industry body and as an organisation, Cotton Australia does not oppose resource exploration, we certainly believe that landholders should have fair and a balanced approach in negotiation and compensation arrangements. So we would be happy to engage in discussions with the Productivity Commission around how they may consider reframing this recommendation to account for the current imbalances in discussions and recognises the need for landholders to receive fair compensation for impacts that occur both at the exploration and production phase of development.

Cotton Australia is supportive of all the draft recommendations that have been developed, in relation to access to technologies and Ag and Vet chemicals. We seek to expand these recommendations however, to make sure that there is removal of duplication of requirements between the OGTR, APVMA and FSANZ.

We would like to see the Department of Ag and Water Resources, APVMA, OGTR consult on changes to regulatory requirements and matters of post-registration stewardship of transgenic crops. We would like to see the OGTR improve engagement with those involved in on-farm regulated trials and flowing from the Productivity Commission's recommended removal of the moratoria on GMOs, we'd like to see a coupling of this decision with public communication, education awareness strategies that specifically address community concerns.

Transport has been identified as an issue which would benefit from significant overhaul and we would like to concur with the findings that are being actioned by the Productivity Commission. The concept of the NHVR is sound, however its implementation has not been smooth and, in many cases, it's led to confusion, duplication and significant delays.

Prior to the establishment of the NHVR the role of local government in issuing transport permits was limited. Permits were typically issued from police or state transport departments. However today, if applying for a permit through NHVR, permission must be obtained from all road management. This is a new task for many councils and often they appear unsure of their rights and responsibilities and long delays occur.

A particular example of this occurred where permission to move a cotton picker from southern Queensland to northern New South Wales was delayed for weeks, simply because one council the picker had to travel through had not responded. When challenged, the council's response was that it had 28 days to get an answer back to the grower.

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Clearly this is an issue where time is of the essence during picking and delays may lead to quality discounts and a cost impact for growers.

To smooth this process Cotton Australia has had no choice but to attempt to negotiate these changes on an individual basis with each council. Even for a relatively geographically confined industry, like cotton, this means negotiating with in excess of 20 local government councils across Queensland, New South Wales and Victoria. So clearly the NHVR needs to be appropriately resourced to take this challenge on.

Labour regulation is the last issue that I'll cover for today. We've identified this as a key area of focus because labour was our highest cost of production. A couple of points that we wanted to highlight and just reiterate is that we need to see an update of the consolidated skilled occupations list to reflect the new skilled occupations. This would remove the single biggest barrier to the 457 visa placed on the agriculture sector.

Occupations such as leading hand, overseer and assistant manager sits between the currently approved 457 positions of farm worker and cotton farmer, the latter requiring a degree of qualification. This means that potential employees remain ineligible for a 457 visa and place limitations on growers being able to access appropriately skilled labour. There have been and will continue to be significant changes in labour requirements on farms as growers adopt new technologies and seek out candidates that would have not been traditionally sought, I guess.

Secondly, while we don't want to see more regulation in place, our industry is comfortable with the level of responsibility allocated to employers and employees following harmonisation of WHS laws. While our growers can feel overwhelmed by the challenge, in workshops that are currently being run by Cotton Australia, there is the view that it is something that can be worked on today, one step at a time. The cotton industry has developed templates which were formulated using information developed by the Ag Health and Safety Unit, which makes it easier for growers to make a start and have the foundations of having something to work with. We recognise that there are challenges in the WHS space but we believe growers have put systems in place to deliver a safe workplace.

We would, however, like to advocate that any fines issued, in relation to WHS matters, should be pro-rata, according to business size, as we'd hate to see fines issued that put growers out of business. Thanks again for your time today and welcome any questions.

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MR LINDWALL: There's a lot of issues to cover, obviously, and we've got limited time. I might touch on the labour market first, if that's all right with you Ken? I was presiding Commissioner for the immigration inquiry, which is still not yet released, I understand it will be released in November some time, and we did touch on the 457 issue. Now, 457 not only has a consolidated skills and occupations list but it also has a minimum wage level. Did you want to say anything about that? Are you satisfied with the minimum wage level?

MS MULLER: I will have to defer any questions related to labour because it's not my area of expertise. I can only comment on the issues that I've presented today but I'm certainly happy to take any questions on labour on notice.

MR BAXTER: While we're on that, it's been put to us, on a couple of occasions, on the 457 visa issue, that cotton growers, along with any others, wheat growers and other agricultural producers, need labour at relatively short notice, imminence of harvest or planting a terrain and so on, that there's a very long list of people, often on the local CES register, but considerable difficulty in getting them to actually come and work on farms. Several examples were given to us about where, yes, the labour would come out, arranged by the CES, work for two or three days and then decide they didn't like it and pack up and go back again. It would seem to me that the sort of businesses that your people are running need at least some assurance of short-term constancy of labour supply?

MS MULLER: Yes, I would definitely concur with that. There are many programs which are encouraging, I guess, movement of labour to meet some of those needs, and we're certainly always developing programs to try and meet our needs, in terms of labour needs. So incentives using training as a mechanism, using re-establishment allowances and things like that to try and get people on farm and we don't necessarily also just need seasonality of labour, often there's an issue with actually just getting the labour there and getting that apprenticeship and farm hand transitioning onto a long-term position. So I think that that has been, at times, an issue for our industry. So in terms of what you are looking for, particular feedback in that particular area, would you like to see some further examples of where that has been an issue, in terms of - - -

MR BAXTER: Yes, we would.

MS MULLER: So I can definitely try and get some additional examples because I know that has historically been the feedback that we have received, that there is issue. While there are issues of unemployment

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occurring that doesn't necessarily translate to being able to access that labour on farm. I can get some additional examples regarding that.

MR LINDWALL: Do the cotton farmers use seasonal workers from the Pacific Islands much?

MS MULLER: So my understanding of that is that there is exceptionally high cost involved in participating in the program and lots of regulation and hoops to jump through in order to even participate in that program. I can reference the NFF submission, they've put down quite a lot of numbers. I think it's $2000 to even access an application before you're even getting seasonal labour. I think there are just quite a few hoops to jump through even before you get proven labour source on the ground.

MR LINDWALL: Because the scheme is modelled on New Zealand and in New Zealand it's highly effective and by all accounts the seasonal workers are highly productive because they come in each year and they get better at the job each year, obviously.

MS MULLER: Yes. I think that it has the potential to work here, but obviously there's demonstrated reasons that there's something inherently wrong in that program that it hasn't been taken up because I would suggest wherever there is something that works our growers jump on board that.

If they could have a labour source that every time at picking, when that seasonal labour is required, they're able to get return labour source, so they're not having to retrain, so that those workers are familiar with the biosecurity protocols, so that they're familiar with the WHS systems in place on that farm so that they have - these are often small operations so that they have ongoing established relationships.

I'd say that they'd definitely be wanting to participate in that but the fact that they're not doing that suggests that there are large problems with that program and I would suggest perhaps the application process is a barrier, the number of forms and applications that have to be put in before you even access that program. I would suggest that maybe that's some of the issue and I think NFF has taken the time to spell out some of those issues. I believe it's been spelt out a number of times in a number of inquiries, some potential solutions there.

MR LINDWALL: We'll move away from labour, I think.

MR BAXTER: I was going to tackle water.

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MR LINDWALL: Water's a good one. All right, water. By the way we should say I noticed you mentioned the National Water Commission, Stefanie, the PC's taken on that responsibility.

MS SCHULTE: I do realise that and I did realise it when I read the draft report, on a number of issues.

MR BAXTER: We met with the rice growers and Sun Rice in Wagga yesterday and we also met with a number of the water users, both broad acre and intensive farming in Mildura. I raised the issue of principle, is the Irrigators Council - has it got any views about whether the market should be kept wide open and basically access to water be provided to the person who's prepared to pay the highest price? In other words, the highest value use, as a principle? Then we get down to some questions on water.

MS SCHULTE: As I said before, we would, as a council overall, support a free market in terms of trade. Given the water access licences are held by various different entities, including agricultural producers but also the Commonwealth government and other industries, we don't support a restriction of trade by various entities.

MR BAXTER: Does the value of the licences held, variously, by individuals and by institutions, be it the Snowy or the Commonwealth, do those licences vary in value or do they have a nominated price attached to them for gigalitre or megalitre or whatever it is?

MS SCHULTE: The price of a water licence, at least in New South Wales, I can only speak for New South Wales, the value of a water access licence in New South Wales varies according to the class of licence which is then attached to the yield that licence effectively derives. So if you have a high security entitlement versus a general security entitlement the value is higher and it depends on the locality of that licence as well. Where licences are potentially more scarce to obtain, the price is higher.

The most active market would be the southern connected system, where trade is possible between the valleys. That would be something more in the Murray, the Murrumbidgee and the lower Darling and also in northern Victoria and it sometimes depends on the seasonality or in the midst of their historic drought, the millennium drought, we had prices for permanent entitlement, so water access licences, increase significantly over that time period.

MR BAXTER: Let me test an example. If I was a rice grower in Griffith, decided I wasn't going to grow rice for that year and I had a mate

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in Burren Junction who was going to grow cotton, can I sell that water entitlement to my colleague or my friend in Burren Junction, at the best price I can get or is it a regulatory based price transfer? I'm talking specifically within New South Wales at the moment.

MS SCHULTE: If it's a permanent transfer of the actual licence, then it has to go through a register and has to be notified by state agencies. If it's a trade of a temporary lease or a yearly allocation, that doesn't necessarily need to be registered. But in terms of, because it's all linked, to if it's a regulated system or an unregulated system it has to be notified to the individual agencies that is responsible for that.

So in terms of a regulated water source, it has to be regulated with Water New South Wales and if it's with an unregulated system or a grant water system, it was DPI Water, so the New South Wales government agency here. This function has recently been transferred over to Water New South Wales as well, at the beginning of this year.

MR BAXTER: Who fixes the prices of that licence?

MS SCHULTE: It's not an exchange, in terms of, it's not like the ASX so it's not a centrally allocated price. Individuals have the opportunities to go through brokers, individuals have the opportunity to privately sell or to also go through exchanges, so within the Irrigation Corporations. The price then varies.

MR BAXTER: So the price varies according to the market.

MS SCHULTE: The price varies accordingly and there is also - what we see very often is on the register zero trade transfers, which effectively very often relates to individuals who have multiple licences and transferring for their own operation by transferring water from one of their licences to one of the other licences to then be able to extract it for the operation from a different source.

MR LINDWALL: Water, of course, will be very, more interesting when we go into the National Water Commission work that we need to do. Could I touch on the technology, in terms of cotton? You've cited some good examples of large reductions in 92 per cent use of insecticide and 43 per cent increase in water productivity, is that right?

MS SCHULTE: Forty, yes.

MR LINDWALL: What are the key drivers of those?

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MS MULLER: I would say that our reductions in insecticide use have been driven by the integration of insecticidal traits in our GM varieties. So we have, 99 per cent of our crop is GM crop, but it's also related to adoption of IPM practices, to integrated pest management practices, by our industry.

So in relation to management of those issues, we've worked really strongly as an industry bringing in the GM providers' industry based organisation scientists to develop risk strategies and management practices which have maintained the efficacy of our varieties. We've seen that in practice because the efficacy of those same gene layering technologies no longer occurs in the US.

So we've just maintained that through stewardship but, yes, I would say it's through some excellent breeding technology, incorporation of GM technology, but also incorporation of best operational practices on farm, and maintaining - so the cotton industry in Australia is well-recognised for sharing of information and I'd say that that is fundamental as well, behind our ability to achieve those sort of reductions in insecticide use. But not only that but seeing the productivity gains that we have observed.

MR LINDWALL: So you've got the productivity gains plus the environmental benefits?

MS MULLER: Yes.

MR LINDWALL: You think you can operate your GM crops next to non GM crops of another type of crop, without cross - - -

MS MULLER: We have strict refuge policies in place which ensure that there isn't those sort of issues.

MR LINDWALL: So you minimise those risks.

MR BAXTER: But you'd have areas on northern New South Wales and Queensland where you'd have, say, 1,000 hectares under crop and maybe two or three kilometres away you then have somebody growing wheat?

MS MULLER: Yes, I would say that would definitely be the case. But you wouldn't necessarily get - it would depend on the harvest cycles and things like that.

MR BAXTER: Sure. Yes, understood.

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MS MULLER: Yes, you would definitely have operations where you have cotton, a GM crop, operating in - a cotton farm is not all over cotton farm, so there might only be 40 per cent, the rest might be grazing or other sort of cropping. Plus you can't do, necessarily, back to back cotton and things like that. Actually on the farm itself then growers might be growing sorghum or whatever else they might be growing and there's been no reported incidences of issues.

MR BAXTER: The state moratoria on GM technology, is that affecting the growth of the cotton industry in Australia?

MS MULLER: I would have to defer to our person who works on stewardship. We were certainly supportive of removal of the moratoria and I think that in terms of what has been outlined in our draft report, there are new breeding technologies which potentially are not being able to be taken up. Plus there's issues associated with strain traits, which I think are also of issue and that may be impacted by the moratoria.

MR LINDWALL: Take that on notice. Finally, from me, unless Ken's got something after me, but with respect to the right of veto and having done the gas markets report for the PC a little while back last year, Australia's property rights for freehold are quite clear that the separation between mineral rights underneath the soil and agriculture on the land above, as opposed to the United States, where the property owner owns both, so I'm not entirely sure, what did you mean by fair and balanced compensation? You're not talking about a royalty for the use or the extract of resources from underneath cotton farms, for example?

MS MULLER: Sorry, just as background, so this is my particular policy area. So in terms of how delegation of policy lies we have someone else working on water, we have other people working on biosecurity and technology and stewardship, my areas are energy and coal seam gas and mining.

So I have been involved in various different discussions with government processes and I think you might be familiar with the Walker Review, which was done in New South Wales, where basically it was stated that there was - basically landholders come to the table and they're not willing participants in that process and I think that there needs to be a fair understanding of the impost that those negotiations place on their time. I think that they don't necessarily always understand what are the risks and actually what will occur, in terms of any sort of impost on their business. So there needs to be basically fair negotiations brought to that process.

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MR LINDWALL: Have you seen the Productivity Commission Gas Markets Report?

MS MULLER: No, I haven't looked at that.

MR LINDWALL: I'd appreciate if perhaps you could have a look at it and say what you think about what we said in that and see if you'd agree or disagree on that.

MS MULLER: Yes. Because I think our policy states that we're definitely not against resources exploration but I think we - I hesitate to always fully disclose various different stories because, as you can appreciate, this is a very contentious space. But even where we have seen growers achieve great outcomes — so they've said, "We've got a well on our place, it works really well for us. We've got great income from that." — going into those negotiation processes it took several years time, and even sitting around the table where they were able to achieve a good outcome and a fair outcome, it was themselves and a valuer versus six legal experts from the gas company.

MR LINDWALL: We did try and address some of those issues in that gas market report, because you're right about that, that certainly is the case.

MS MULLER: So I think even where we are seeing people having great outcomes I think what needs to be recognised is that there is such imbalance going into that debate. I guess that there is a shift in the way mining and gas exploration is happening. There is increasing cross-over with high value land and high value agricultural operations so I guess what we've seen historically is no longer what we're seeing now. So the situation has changed.

MR BAXTER: In terms of matter of principle, does the view still stand that minerals under the ground are right reserved to the Crown?

MS MULLER: I think that we can't contest that. That is a fact. We certainly don't contest that that is the case and I certainly appreciate that, but I think that there needs to be, likewise, the same realisation that, what is above the ground and the impact it has to landholders' operation as a result of any exploration or production phase, needs to be recognised also and needs to be assured that there is balance in that discussion.

MR LINDWALL: Felicity and Stefanie, thank you very much for appearing and I'd appreciate any further comments you'd want to send in response to what we've discussed today.

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MS MULLER: I'll obviously get back to you on those issues of labour and also just make sure that we cover the actual detailed issues associated with the New South Wales moratoria.

MR LINDWALL: Thank you very much. We're due to start at quarter to 11, so that's in 3 minutes' time, so it's enough time to get a quick coffee.

ADJOURNED **[10.43 am]**

RESUMED **[10.50 am]**

MR LINDWALL: We better get started, we've got a few people to hear today. Jessica, if you could just say your name and organisation and give us a bit of what you'd like to say to us today?

MS HARRISON: My name is Jessica Harrison, I'm a volunteer with GM Crop Watch and thanks for having me here today, I appreciate the opportunity to speak. I also put in a written submission which my talk is partly lifted from.

I suppose I'm an example of someone who doesn't want to eat GM and that's what motivates me to volunteer with GM Crop Watch. I don't want to eat it so I want to support farmers who want to actually produce non-GM crops successfully.

I live in Gippsland, so I live in a dairying area where there are also companies which specify that the stock must not be fed GM, because of their export requirements. So it's quite an interesting place to live and so again I know quite a few farmers. So I'm not really here to argue about the science of GM, I'm just here to explain some of the problems about segregation of GM and non-GM. The lady from Cotton Australia, you asked her about segregation but, as she said, GM Cotton is 99 per cent of the crop so there's not a problem of keeping non-GM and GM cotton separate, which there is with GM canola.

So we formed in 2008, which is when the Victorian GM canola ban was lifted, that's the state-based legislation that's under discussion at the moment. So as GM was released commercially, without much regulation, it was really an agreement between the farmer and the company selling the technology. There are certain areas where the farmers weren't supported

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and, of course, this area of contamination and segregation is one contentious area. So I work with farmers and rural communities to monitor and map where the GM crops are grown and to help combat the spread of GM canola by monitoring and testing for GM canola weeds.

You might ask why be concerned about GM canola spread, because it is a legally grown crop. The thing is, if you want to market non-GM you have a bit of a battle to keep GM weed, for example, from actually affecting your crop, and it's not just one GM weed, as I'll explain. So we decontaminate roadsides which have infestation of GM weeds, for example. Often the weeds are identified at the same time when the farmers are very busy with pre-harvest and then harvest, so that's how people like me can just help them out doing roadside testing or supplying kits.

The first picture I passed over there is an example of what happened after we identified the first example of GM canola contamination, so that was when a GM crop was growing beside a busy highway, the swaths of canola were picked up and then they were spread along the roadside which could then become a source of GM canola where it wasn't expected and therefore could produce seeds and then lead to a further spread. So in that picture local farmers and I collected up as much of the GM swaths as we could to minimise contamination of that area.

We supply commercially available test kits and those test kits can give you a yes/no answer about whether a plant is GM or non-GM in under five minutes. Those kits are commercially available in America because farmers need to prove, at the point of sale, that their crop is a non-GM, if they're selling into that market. So that picture there is me testing a canola weed that I found in Lubeck, which is in Victoria, in 2013.

So the Productivity Commission received a submission by the pro-GM lobbyists, CropLife Australia, and they stated that in seven years of GM canola production there had not been one episode of cross-contamination. At GM Crop we have documented numerous cases of GM contamination.

Also, in a way, it's increased the stress for farmers, the fact that if their market requires non-GM feed, for example, if a dairy farmer - I got a call from a dairy farmer, he said, "There's a canola plant growing in my yard, I don't know if it's GM or non-GM. My milk buyer specifies I only use non-GM feed." That was seriously concerning him so I was able to post him a test kit so he could check that for himself. So spillages from canola transport are a common cause for GM contamination because the farmers say if a truck can't hold water it can't hold canola seed so we've

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found examples of GM canola weed infestations on the curve of a road near a GM silo, a GM receival silo that is, because it's just spilt out from the truck.

That, again, caused concern for a local framer who'd actually gone to the trouble of buying her own header so she'd be able to deal with her own crops and guard against GM contamination. So we were able to remove those weeds so we removed that source of contamination at least. However, when she contacted the Roads Department they said, "Well, because the weeds are herbicide resistant, because they've been, of course, developed to be able to be doused with herbicide, Roundup, the local roads authority had to use a tank mix of stronger herbicides to actually kill off that weed infestation, so that's another aspect to the problem.

We've also had human error, as a cause of GM contamination, when, for example, GM canola has been delivered to a non-GM silo. I'll go into why the silos are separate in a minute. So there was a recent case, which was the Labor MLC for Agriculture, Darren West, he had delivered his non-GM canola to a silo and was expecting to receive the premium but accidentally some GM was tipped into his load so that would mean, in the current run of things, that he would only receive a reduced price for that, because it was GM.

Tasmanian authorities, of course, are still removing weeds after 57 trial sites were planted in the late 90s. They're doing that through their Agriculture Department and they just go over and do an audit of the weeds every couple of years and document how many weeds are removed. Unfortunately they're still dealing with that problem.

In Western Australia the Conservation Society started a citizens science survey in the Albany area, using test kits, and they found that 2 per cent of the fugitive plants, in other words the GM roadside weeds, were GM, despite the crops making up less than 8 per cent of the 2011 harvest. So a disproportionately high number of roadside weeds were GM.

We maintain a listing of GM farms to enable, if possible, farmers to have an understanding of who might be growing GM in their neighbourhood because it's only recommended that a farmer growing GM notify their neighbours, it's not mandatory. So we've heard a case of, the only hint a farmer had that someone was growing GM beside them was that some apiarists were setting up and they suddenly decided, "We're off, we're moving" because they didn't want their bees going near the GM because that could affect their marketing.

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So we would like to see state agriculture departments supplying these test kits, just to give peace of mind to any farmers who would like to access them because at the moment we get a few in bulk, they actually don't have a use by date, so we get them in bulk and - - -

MR LINDWALL: How much do they cost, approximately?

MS HARRISON: Around $8 per kit, but you can only buy them in lots of a hundred, so it's not very accessible for the average farmer who's got a lot on their mind. We monitor the rural media for statements by GM farmers, which then enables us to document those. We also log incidents of GM canola contamination, which is in that report that I passed over to your table, that's on our website.

As you can imagine, what I'm leading up to is that the GM crop bans need to stay in place to allow at least the two states that we have now to achieve a value for their products, unhindered by the risks of GM canola contamination.

So the premium, I think your Commission might have already heard about, there's actually a premium for non-GM at the moment, that's been established and in place really since segregation started to happen. It's an important thing, I think, for your Commission to - you've probably heard about it before, but the grain handlers actually imposed segregation, it wasn't actually a regulation that they do that, it was actually driven by their markets and the markets they wished to supply. So in the eastern states we've got Grain Corp and in the west we've got CBH. So their decision was driven, again, by the markets they needed to satisfy. So we have two categories, CSO1, which is non-GM or CSO1-a, which is GM. The two different crops are delivered to designated silos, which is where some of the problems of contamination have come up.

So the capacity of farmers to supply non-GM can be under threat due to these problems in the supply chain and also localised contamination. Of course the premium, as it is, translates into a substantial profit for non-GM growers. It varies, of course, depending on the market, but it's between $40-60 per tonne, at the moment.

GM canola has also led to unpredictable harvests. I visited a farm in Beulah, in Victoria, who was having trouble getting paid for his crop because the seeds in the pod, which are meant to be harvest in their dried form, similar to a poppy seed, had actually sprouted in the pod and so he was being offered, unfortunately, a discounted rate for his crop, but that's just one of the problems really that can come up with - - -

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MR BAXTER: But that would also apply for any sprout of grain of another type so that is a consistent policy. You've got to make sure you harvest before you - - -

MS HARRISON: Yes. And no one really could pin it down to any identifiable problem, but he contacted us because he happened to be growing a GM crop.

So in Tasmania, as I mentioned, these regular audits are taking place to monitor the weeds. But since the draft report was released by the Commission the Tasmanian government has confirmed their support for their current ban, which is in place until 2019. The Primary Industries Minister, Jeremy Rockliff, said, "The state's moratorium remained appropriate and there would be no change to the existing five year agreement." The report acknowledged the importance of cutting red tape, which is a priority that the Tasmanian Liberal government shares in.

We've been working hard to ensure farmers can get on with the job of farming from simplifying permits for dam works, specific purpose legislation to make it easier to grow industrial hemp and amendments to the Primary Industries Activities Protection Act. So they're clearly in support but they still felt as if a GM ban was appropriate. They reviewed that decision this year. They said that the GM ban in place at the moment struck the right balance between the needs of today and the possibilities of tomorrow for the agriculture sector.

South Australia is another state, as you know, that has a GM ban. I'm sure they'd welcome some interaction with you because they say that they are aware of the potential for marketing canola from a GM state. In 2015 the Agriculture Minister, Leon Bignell, met the head of Glencorp, which owns most of South Australia's grain handling facilities, to discuss the marketing potential of their GM free status.

"They recognise that South Australia is the only mainland state where it's illegal to grow GM crops and want to look at how we can brand that difference. It's our biggest bulk commodity and they're treating it exactly the same but they're willing to look at whether they can market the grain in a different way." That's just a quote from an article in *Adelaide Now* news.

So the South Australian government has also responded to the Commission's recommendation for the lifting of state moratoria and they've confirmed their commitment to the moratorium until at least September 2019, with a government spokesperson saying, "South

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Australia's non-GM status provides a point of difference in the global marketplace."

The Agriculture Minister has also commissioned a report, by the University of Adelaide, to investigate the economic benefits of being GM free. This is just a statement again, from the *Stock Journal* last week, so it's not very conclusive, but this is a quote from Minister Bignell, "From what I understand, they, the report compilers, were sceptical at the start about whether there was widespread benefits from the GM ban and they were pleasantly surprised in their investigations into the benefits of South Australia remaining GM free." So that's something that, no doubt, is a moving story which you'll be able to follow.

As you've already been to Western Australia I'll just mention that the GM Free Farmers Group there, in 2015, found GM canola plants growing on the road verges at five sites in the metropolitan area, in some cases more than 100 kilometres from the closest grain farm. So, again, it proves that by whatever means, which we yet haven't been able to document, probably transport the GM seeds are able to spread over a wide area.

I mentioned about how I live in a dairy area, we've got two examples of dairying companies which, with an eye to exports, have quite strong GM free feed policies and they are Murray Goulburn, which is in my area, Gippsland, and Bega Cheese Limited in southern New South Wales. They specify that the stock feed supplied to any cows supplying their company must be 95 per cent GM free.

Again, I checked before I wrote this and their policy is still in place now and it reads, "Our products are free from any ingredients that have been genetically modified or contain genetically modified organisms. We actively monitor and manage our raw material supplies to assess any implication on the products that we produce. Products supplied by Bega Cheese Limited are therefore, to the best of our knowledge, manufactured, packed and labelled in accordance with Australian and European requirements." Murray Goulburn has a similar policy. Again, I think the European requirements is the operative message there, which is they have an eye on export.

I think that you've heard a bit about GM wheat before, but I'll just mention that even though GM wheat hasn't been commercially approved anywhere, we've just had a recent case of contamination in July this year where 22 unapproved GM wheat plants were found by a farmer in Washington, USA. They were identified as being one of Monsanto's experimental varieties. So for the third time in three years that a

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Monsanto experimental GM wheat variety has contaminated a commercial wheat crop.

So of course it caused a reaction in the export markets. The South Korean Ministry of Food and Drug Safety said they had asked AFIS to provide details on unapproved wheat and Japan also suspended trade in white wheat, that was on 4 August. So, again, it was a small example of only 22 plants, it still caused a reaction in the global markets. We do have 11 GM wheat trials currently in Australia, in South Australia, Western Australia, Victoria and the ACT. So of course that's our concern that if any unapproved plants were found that it could cause a redaction.

In 2013 a report on market rejection of GM wheat was published, called *No appetite for GM wheat*, which you can read online but it just details the results of an investigation into the attitudes towards GM wheat of major wheat buying companies. Survey questionnaires were sent to pasta, noodle flour and biscuit companies in Australia, Indonesia, Italy, Japan and Malaysia and the response was overwhelming. Twenty-five major food companies, including Barilla, Baker's Delight, Coles, Sanitarium and General Mills stated they're not interested in buying GM wheat or else they already have a policy excluding GM ingredients.

So just coming down to a conclusion is just that in my experience working with farmers that the right of states and regions to ban GM crops on economic grounds has been important and the right to ban them should stay in legislation. Although it's hard to prevent, GM contamination can be contained with the vigilance of local farmers and the help of volunteer groups, like GM Crop Watch. Of course, the driving force for wanting to market non-GM is the fact that there is a financial advantage in place at present and we see no reason that it will change.

Another way of looking at it is that the GM crops are discounted, so some farmers call that a discount whereas other people say it's a premium for non-GM, but the result is the same, this $40-60 difference per tonne. The segregation policies by the grain handlers were confirmed in 2010.

So, yes, we're asking that your Commission recommends that the state moratoria are retained on marketing grounds and that the relevant legislation stays in place. It's relevant to Western Australia because there is an election next year and one of the parties has said that, the ALP has said that they see non-GM as the way forward. So a way of containing the spread is also important for them.

Another of your recommendations was that the need for labelling of GM products was not necessary and all I can say, from my observations as

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someone who avoids eating GM, that the actual demand is increasing and the number of products labelled GM free, non-GM is also increasing, although you might see it as a niche market. There are still companies, such as Goodman Fielder who sell their products in the supermarkets and still label non-GM.

A company in Tasmania that I've had a bit to do with, just because they're supporting our GM free shopping list, is Cape Grim Beef. So they're a growing company marketing grass fed beef on the west coast of Tasmania, so their product is guaranteed hormone free, antibiotic free, GMO free, British breed beef only, graded to 4 and 5 star MSA tenderness grades, naturally marbled and flavour and humanely and sustainably grown. So they are the first Australian food brand to be certified by a US company, which is called non-GMO Project and they have thousands of products which are labelled and certified non-GM. So they've seen is as a marketing advantage for them to actually have that certification. So, of course, I personally very much support the GM labelling.

MR LINDWALL: Thank you. Just a couple of quick questions. Firstly, on the test kit, any test is, of course, risks having false positives and false negatives, how reliable - how does it work?

MS HARRISON: They guarantee them as 95 per cent accurate. Of course if there's anything that doesn't look conclusive then we'd retest. People have equated it to a pregnancy test, but it's just really - it gives you two bars if it's GM, one bar if it's non-GM. As I said, it's used extensively by farmers in the US and Canada who want to prove they're non-GM product.

MR LINDWALL: What about an argument, well, the markets are fickle, yes, there's a price premium for non-GM at the moment but, potentially, the GM products could be developed which have substantial health benefits, as well as environmental benefits and let's say it reduces blood pressure and people will be then wanting to pay a premium for GM products, so what would happen then?

MS HARRISON: Well, I can't really guess, but I could say that with my knowledge of the health conscious people they're much more likely to want to exclude GM than want to go for something which would be an unknown. Really, GM products have been now in production for over 20 years and only the two traits of being able to be doused with herbicide or, in the case of cotton, being able to kill off a certain pest, have actually been commercialised, although there are many promises given by the developers.

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MR LINDWALL: Golden rice is apparently one that might be developed. I saw a petition to the United Nations from 111 Nobel Laureates that claimed that - - -

MS HARRISON: I've seen that too.

MR LINDWALL: Isn't it just like any other technology, like we take everyone get's prescription drugs at various times in their lives and they have effects. They've gone through a lot of scientific testing and they have to prove efficaciousness and cost effectiveness?

MS HARRISON: I'm not going to get really into the science argument but certainly I'd be very happy if GM crops had been tested and GM food had been tested to the level that a drug has been tested and that's, unfortunately, in my understanding, not the case. I think that really we also have to look at the take up of GM canola in New South Wales and Victoria and WA it's, according to industry figures, around 25 per cent of the crop, in New South Wales around 11 per cent and in Victoria 13. So those figures have shown that in the eight years, seven to eight years since it's been commercially released, there hasn't been a huge adoption. Again, maybe the market has spoken, we don't know. We don't know what's going to happen in the future.

MR LINDWALL: But you acknowledge that it's conceivable that a GM product could come out that actually did have health benefits and could command a premium in price?

MS HARRISON: I suppose.

MR LINDWALL: You might actually eat it then, if you were satisfied.

MS HARRISON: Yes. Again, another problem is the labelling issue, the fact that we often are eating it. We probably had some in our biscuit just before so we aren't actually given the choice, the way you are with a drug, to actually decide, "Okay, I'm going to take this because I think it's got health benefits." It's actually in our food, often without our knowledge.

MR BAXTER: A totally different tack. First of all, I've got to say I'm extremely laudatory of the fact that you've got a group of people who are going around making sure you're detecting where these plants are. But can I just raise - and it seems to me that's an important policy issue because one of the things that's happened is, for example, in Queensland and New South Wales two weeds, one St John's Wort, the other a fireweed, are both banned from production or cultivation because they're lethal to beef cattle, in particular although, interestingly enough, not lethal

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to goats. Yet, a lot of the harvest of hay that's fed out during the winter periods that's important, particularly from Victoria, has frequently been found to contain fireweed and the end result has been that the farmer has believed he's received a load of hay which is pure Lucerne hay and in the middle of it, or in it is a pile of fireweed or St John's Wort and suddenly he's losing 15 to 20 per cent of his cattle. Doesn't it introduce, the proposition of how you have volunteers dealing with weed collection and notification, spread broader to other similar weeds that have adverse effects? Is it a model that should be used?

MS HARRISON: Yes. Landcare groups we've talked to as well about - I think there were some Landcare volunteers in the photograph but I think it's really important that people, in a way, take responsibility for their roadsides and people are looking getting GM canola registered as a national weed pest, particularly in Western Australia where there's more planting therefore there's more problem about roadside weeds.

MR BAXTER: This is not only roadside weeds, the case I'm talking about was a farmer in Victoria, in the western districts, who had it in his Lucerne hay crop and that had been harvested and in spite of state rules and regulations that any hay imported into New South Wales has to be totally weed free, it failed to get inspection, it failed to give supervision, it was landed on the property, it was fed and about four or five days later he's got young cattle who are going through the dying stages. So it seems the policy principle of voluntary supervision and collection of weeds that should be prohibited.

MS HARRISON: Yes. I suppose some kind of more vigorous inspection would be needed.

MR BAXTER: It's very difficult. If somebody cuts a field of hay, loads it up on a truck - - -

MS HARRISON: Well, that's happened.

MR BAXTER: Where's the point of inspection?

MR LINDWALL: That's the trouble, you can have regulations but if they're not well enforced it's just - - -

MS HARRISON: Well, that's the case of some GM canola that was delivered to a non-GM silo. A farmer actually noticed his neighbour who was growing GM actually delivering to a non-GM silo and blew the whistle, as we understand it. That caused a bit of a problem inside but, of course, this GM farmer would rather deliver to a non-GM silo that was

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just down the road than travel further. So they actually risked a lot because they risked, in a way, our capacity to market non-GM.

MR LINDWALL: Could I say, Jessica, your argument is basically that you don't mind, per se, if a person wants to grow and market GM crops, provided you can basically manage the risks of the cross-contamination and you're not satisfied that they can.

MS HARRISON: I'm saying, yes, that I've documented the problems with GM contamination in the states where it's allowed so I support the rights of the states that have decided to not go that road because I want to eat non-GM. Unfortunately it's a commercial - it's been released but it will be interesting to watch WA because they will be looking at possibly rolling back their GM approval.

MR LINDWALL: Thank you very much, Jessica. Now I think is Animals Australia. Again, just say your name and tell us a bit about the organisation, for the record, and a presentation about what you want to say today.

MS OOGJES: Thank you, Commissioner. I'm really pleased to be able to come along and talk to you about the draft report and where the Productivity Commission's inquiry into regulation of agriculture is going. About our organisation, Animal's Australia is a federation of other animal groups. We were formed in 1980 with a view to being a single voice for animal welfare protection in Australia. Over the years we have developed considerably, of course, and we still have some 40 member groups involved, colleague groups, and in addition to that we undertaken the representative role for those groups and for animals in Australia.

That, to some extent is what I'd like to talk to you about today, that is, our work within the system to develop animal welfare standards. But, in addition to that role, that representative role, we also undertake investigations. What I mean by that is that we look into issues, we have investigators that find information that is not in the public domain often. That involves overseas investigations into the treatment of our animals and, indeed, some other animals from other countries, in importing countries, under our live export regime, particularly in more recent times, the ESCAS, the exporters supply chain system.

We, in addition to that, look at issues in Australia, of course, and some of our undercover investigations have revealed quite appalling practices, such as fairly recently, the live baiting of greyhounds in the racing industry and some of the conditions that they're kept in, in greyhound training complexes kennelling areas.

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We have also revealed and shown, not always our own footage, but raised awareness of farm animal welfare issues in Australia, such as the manner and the management of intensive farming facilities, such as within the pig industry, within the poultry industry and meat chickens and egg laying hens. So it's quite revealing when that happens and what we have found is that the Australian community don't always know a lot about what is happening on farm or in the country and when they do they are really very, very concerned about that and Nicola, from World Animal Protection, of course spoke about some of the polling that delivers information to us that doesn't surprise anybody. People really do not like cruelty, they are really concerned when they hear about practices that they don't agree with.

In regard to regulation of animal welfare and, of course, animals, across the board, are very vulnerable, we have a role and a responsibility to ensure that their standards and their treatment is reasonable and good, but I think we're coming to the point where we need to go even further than that. Prevention of cruelty, of course, and prosecution of cruelty where it occurs is already written into our laws. Unfortunately those laws have a double standard and in relation, particularly to farm animals, but not only, whole classes of animals are exempted from our cruelty laws and regulation.

When I say that, I mean things like fish, for example. Fish, even though they are sentient, most of them, clearly, through the science indicates that, they are usually exempted from animal protection legislation. I say that as only one example because wild animals, for example, are treated appallingly and very cruelly and that's not entering into the discussion about whether or not they should be where they are and whether their populations have to be reduced but, rather, the way in which that's done. If it was done to an animal that is in human domestication, if you like, those people would be seen as cruel and prosecuted.

So I come to farm animals and the double standard that I mentioned. Farm animals in Australia are exempted, effectively, from legislation. As you know, state laws cover animal welfare in the main. We're talking about farmed animals in Australia.

What occurs is that codes of practice, model codes of practice and, more recently, the development of standards and guidelines for farm animals, have been developed and in most states they are not regulated adequately and, in fact, we have dubbed the codes as codes of cruelty because in most states once practice is documented in a code of practice it is exempt from the cruelty provisions of that state's law. You can do

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something to a pig, for example, keep a breeding sow in a farrowing crate, where she can't even turn around, you couldn't do that to a dog. So, just as an example, there are many examples.

So we have a situation where we have low standards in our codes and still, in the standards and guidelines that have been developed over the last 10 years and those standards are so low and then the regulation enforcement of them is not great either. So we really do have, literally, millions of animals and certainly over 600 million farm animals in Australia that are being treated at standards that the community, as a whole, and I say this absolutely knowing it to be true, would not accept the conditions, if they understood them fully, so we really need change.

What I think might be, and I could go on about this for a very long time, but what might be most useful is for me to tell you how the current standard setting process is failing and why it's failing. You've already, of course, in your draft report, understood the bias and industry capture that we see all of the time. Some of the examples of what is still draft, I'm sorry, but the draft response to your draft report that I'll put forward are examples, recent examples since our submission in February, that continue to show the problem.

For example, in Australia animals, cattle, sheep, goats, must be stunned before slaughter and the community, of course, thinks that's what happens. It does happen in the vast majority of cases, however, there is a loophole whereby so-called approved arrangement by either the state or federal authority can be provided so that for ritual reasons some animals may not be stunned prior to slaughter or stunned at all.

MR LINDWALL: This is the Halal slaughter provision?

MS OOGJES: Yes, Halal but also Kosher. So that's why I refer to it as just unstunned slaughter. The so-called livestock processing standards, the old code, is under review. In my role with Animal's Australia I'm on the standards advisory group for that, as is industry and AVA and others. When we, only in June, got together in order to have a look at the first draft, which I might say was put together by industry and agriculture departments, we were told that the Animal Welfare Task Group, which is the group of senior officers from the agriculture departments that sit above this process, they had advised that unstunned slaughter and the approved arrangements, so-called exemptions, would not be on the table for the discussion of this code. That is, it was not for us to debate but, rather, it was staying as it is. That is, it was saying that these exemptions could remain.

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There was objections, obviously, from RSPCA Australia, who are also on the group as well as ourselves but, otherwise, of course, the other people around the table are either agriculture state representatives or industry representatives, Australian Meat Industry Council, for example, and a number of large and small abattoir owners. They have no interest whatsoever in changing that exemption. So I only use that as an example, there are so many other examples where the system does not work.

I've just had three days, the reason why I haven't finished the draft submission if you like, is that I've just had three days in Canberra on this standards advisory group for the poultry code that is taking the current poultry code, from 2002, to a standards and guidelines. When I say "poultry" it is across a number of species but the largest number of animals that we're talking about are layer hens and meat chickens.

That review, again in the process, is totally flawed. The code is virtually not changed, sorry, the draft that we have in front of us is virtually not changed since the 2002 review, regardless of a plethora of science that indicates changes are required.

During the review process, in the room, the facilitator, on a number of occasions, looked to the industry when we were talking about something that should change, some standard increment, and would say to the - defer to the industry and say, "Will that provide any hardship to you?" It's like this is supposed to be based on science, obviously good practice and practical application on farm, but also good science and community expectations.

It was also instructive when the consultant that is putting the regulatory impact statement together, which will need to go out for public consultation with the new draft, advising the group about how the process would work, advised us that we should, when we're putting together which options the regulatory impact statement should place, and which elements of change we should suggest for costing, that we should be minded to realise that we should only put forward and bother to put forward things that the Agriculture Ministers, that is the Admin Council, are likely to support. That is the way it is done in Australia at the present time.

So I won't go on, because I'd like to answer your questions, but I would say to you that the draft report, your Productivity Commission draft report into this area, that actually puts forward that we need an independent office to look at this I totally support and I think that's required so that we can do a number of things, and I'll set those out, and I have, to some extent, in the draft, indicating to you that what is needed is

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certainly an animal welfare and ethics scientific committee that will be able to inform those people that would be put into this independent office to take up the science and good practice, social science included, to recommend new standards that are actually compliant with good scientific evidence, community concern and expectations and also, of course, what's practical on farm. We understand it has to be practical but what's happening now is certainly not putting the welfare of animals first and that is a real shame. We have to somehow get past the nexus and the industry capture that is involved in our standard setting process.

Interestingly, the greyhound industry, Greyhound Racing itself has been subject to so many inquiries over the last 18 months, since we alerted the world to the problems here and each of the eminent reports, from Victoria, from New South Wales and Queensland, have each said that the integrity function and the industry promotion functions should be totally separate, and we don't have that in Australia.

Without talking about names of the people that I've been involved with the last few days, the West Australian representative on the standards advisory committee this week was from WA and it was the first time he'd ever been there and he had no animal welfare background and he was the livestock industry development officer. So he had no welfare background, he was contributing to decisions on this and his role in that department, which administers animal welfare in WA, was to promote livestock production. It's fine for them to have an officer like that, but animal welfare should not be sitting in agriculture departments when that is their primary focus.

MR LINDWALL: That's very good, thank you. There was two questions I wanted to ask you on that particular issue about the exemptions of stunned slaughter. Firstly, have you spoken to Jewish and Islamic leaders about whether actually they can - stunned slaughter does meet Halal and Kosher requirements? I thought it did.

MS OOGJES: Yes, it does. A very large proportion of particularly our sheep, it happens in cattle too, but particularly sheep in Australia are actually killed in our abattoirs under Halal requirements. That's because we export so much of course, but also because the process is no different, physically for the animal. They do need to have a Halal certifier there and they do go through a number of rituals, if you like, but actually what's happening to animals is no different. That is, they are electrically stunned prior and have their throats cut, as to others that are not Halal. Similarly with cattle, of course, they're stunned.

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The reason for that is the Halal requirement is that the animal is not damaged. That is, it's a healthy animal when it's killed. That does mean that the way you stun it is important, such that the animal, if it was then not slaughtered immediately after stunning, it would regain consciousness. That's because electrical stunning does not kill and does not damage.

In a similar way in Kosher in Australia, there is an exemption, if you like, to pre-stunning but what happens, particularly with cattle in abattoirs that are certified Kosher, they will be immediately post-stunned. So it's almost simultaneously that there'll be two slaughtermen, the throat will be cut and immediately the second slaughterman will actually use a stun gun. So, yes, in Australia that has happened. What does happen, though, that there are small cultural individuals that want sheep or cattle to be killed in a manner without stunning and that's where the exemption comes in. So it's not the broad religious groups that are concerned about it, it's just a small number of individuals who demand it and that demand has been acceded to.

MR LINDWALL: You don't think there's any case for an exemption whatsoever?

MS OOGJES: No, no.

MR BAXTER: Can I just complement that? I understand what happens and the variations, wasn't an attempt made, and it was either Queensland or WA, to force all Kosher and Halal practices to be done in abattoirs? But they found that what happened was that some of these small extremist groups, I suppose you'd call them, went and undertook this in very ad hoc backyard - you couldn't call them even proper slaughter places, they were basically a back shed where the animal was slaughtered.

I know of two cases, one in New South Wales and another one in Victoria where the authorities have had to keep chasing these people because they prosecute them, they stop at a place A, the find somebody else who's amenable to it happening in a back shed and it restarts again. The compliance costs and the difficulty of pursuing this is really a challenge.

The argument was put to me that there are probably far more significant broader issues in the animal welfare chain, if you like to call it, leading to ultimate slaughter than chasing two or three small groups who are going to continually be three or four steps ahead of the law and recognising the serious limitations that exist with compliance and prosecution officers.

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MS OOGJES: That's across the board. I don't think that's a good argument to say that our community should allow this legally.

MR BAXTER: I'm not suggesting that it is, but one of the problems that compliance officers have got is that they're aware of these, these circumstances, and because there's a limited number of people and resources, it will detract from dealing with what are very larger issues and problems in existing slaughter houses and abattoirs.

MS OOGJES: Yes. Look, obviously enforcement is a huge issue across the board, we found that with live baiting, for example. But what I'd suggest, and the reason for raising this at this time, is that the Animal Welfare Task Group, the agricultural senior officers' committee, wouldn't even let this issue be discussed. That is, it took it off the table, even though we're about to introduce new standards and guidelines across Australia, where we're trying to raise animal welfare standards. So enforcement is a really important issue and those are things that are discussed, as in practicality of enforcement at these meetings. So I think taking it off the table is, again, shows a real bias.

MR BAXTER: I take this just one step further. Currently I think it's the case in all the states that the prosecution or the compliance is done either by the police, in conjunction with the RSPCA, or the RSPCA on its own. What's your view of who should actually undertake the compliance and then the enforcement?

MS OOGJES: Well, in addition to the police and RSPCA, as you mentioned, when it comes to farm animal welfare, in most states, if not all, the Department of Primary Industry or Agriculture officers are also officers under the Prevention of Cruelty to Animals Act, the Animal Welfare Act, Animal Care and Protection Act, for example, all different names.

So when it comes to farm animals, again, it's a state by state issue, so it varies, but in most cases the RSPCA have a memorandum of understanding with the department, Agriculture, Primary Industries, and in most cases the department are the ones that look at the broader issues. So, for example, if there's more than 10 sheep, for example, it would be, in Victoria, a department - it's called DEDJTR now, let's call it Agriculture. They would deal with it. Their veterinary officers would deal with it, their officers under the Prevention of Cruelty to Animals Act. So RSPCA would normally only deal with, let's say, hobby farmers and, of course, domestic animals and others.

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That's the case in most jurisdictions. I have to say that while that means more people on the ground, so we have police, we have RSPCA, we have department people and, indeed, when it comes to pet shops and domestic animals, you also often have local councils, so it's quite a huge range.

While having the Department of Agriculture and Primary Industry people on the ground adds to this, they also have a conflict of interest in their enforcement role, because most of these people are so-called animal health officers, that means that they're out there looking at farmers when there's problems with disease or when they're trying to assist them with drought, so they're trying to be extension officers, they used to be called that is, to assist the farmers.

To also then be the policemen when it is required, and I mean by that the officers that would look to the Prevention of Cruelty to Animals Act to see whether they're complying, that is a real conflict, particularly as they're coming from a department, as I mentioned before, each of these departments are there primarily to promote agriculture, to increase exports and productivity, for example. Nothing wrong with those things, in essence, but to have it coupled with looking for people who are not doing the right thing or complying with the standards, as low as they've set it in any event, is a real conflict.

MR BAXTER: Have you had a look at the New Zealand model?

MS OOGJES: Yes.

MR BAXTER: What's your views about it?

MS OOGJES: I think it's a much superior model to here. Indeed, the last few days talking about, from the poultry point of view, they have, and I was pleased to hear that you've been there, they have a national Animal Welfare Advisory Council which is much more independent and, of course, to even have one. We don't have one here.

Yes, it's quite credible, they have eminent people on them, experts and they ensure that a full scientific literature review is done before each of the codes is reviewed and they've taken on a similar system, if you like, to us. That is to suggest those things that are mandatory and those that are not and giving indicators of how you comply with the mandatory ones. So their standards are already starting to look higher.

They are, of course, embedded in an Animal Welfare Act that does require not just the prevention of cruelty but also the promotion of good

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welfare. In that regard, not just physiological welfare but also ensuring that behavioural requirements - the ability to perform natural behaviours, for example, is written in.

Where they come up against practical problems, and perhaps if I give you an example, the conventional battery hen cage system in New Zealand will be phased out over a period of time. It's already starting to be phased out. They determined that the battery cage could not comply with their major Act, that is to provide animals with the ability to perform natural behaviours, or most natural behaviours. That would, except for an approach that they've taken, that would pretty much say that they couldn't have battery cages in New Zealand. But the way they deal with the practicalities of that, that is that the cage stock is there, is that they allow an exemption if the industry can show that they can change over time. So the phase out takes into account that element of practicality, if you like.

So I think it's a much superior system to here, which is, as I said, industry and government, Agriculture Department captured, which don't set the standards high and, of course, don't have the scientific integrity, regardless of what it says in the front of each of these standards and guidelines documents. That's a matter of not putting enough money into it as well.

We, over the last three days with the poultry standards advisory group, that came up over and over again about the fact that we hadn't had a scientific literature review, we didn't have that input and, indeed, that the code had been written by three individuals from Animal Health Australia, two of them and one from the Department of Primary Industry in New South Wales. Animal Health Australia, you might know, is funded by the state Agriculture Departments and the farming animal industries so it's not at all independent nor is, of course, the representative from Department of Primary Industry. From a personal point of view, each of those people are good people but, of course, they're coming at it with constituencies that don't want to rock the boat for farm animal industries.

MR LINDWALL: When I spoke to Nicola earlier today I said something like that farmers who were under financial stress are often the ones that are more likely to engage in bad practices for the animal welfare, such as overstocking and so on. How do we solve the dilemma that the people who are under financial stress who may be the ones, and you've seen the reports of suicides and so on, and mental harm, and then we've got the animal welfare, how can we solve it so that we get a good animal welfare outcome but without driving them over the edge, if you like?

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MS OOGJES: I do see that and I see - obviously we see it with the dairy industry at the moment. It's really difficult and that is when both human and animal welfare can suffer greatly. I think that to some extent we need to become more - the industries need to become more professional in their training regimes and the requirements of them. What I mean by that, if we use the example of drought, there's great extension material, meaning information resources, about the need to destock at a very early time. There's still terrible financial stress with that, but the point is that if there's not likely to be enough feed as you go forward, then making decisions early is important.

You need decisions made early. So training and support for those people, through industry, through government, in order to support them to be able to have the understanding to do that and also to do that. I think that there is also something that what I see as the independent office could actually assist with. That is, to try to increase the understanding and training of people and also the officers that would operate under the various state legislations to increase their training, so that they can deliver an extension role, if you like, at an early stage, from a welfare perspective, obviously human welfares as well.

MR LINDWALL: That makes sense. In respect of your comment earlier about wild introduced species, how do you solve that dilemma?

MS OOGJES: Perhaps not here today. Clearly we have an issue where animals and weeds and all sorts of other things, have been introduced into Australia. That does, from time to time, have implications for our environment but if you look at it from an animal welfare perspective, what I've seen over the years, quite ridiculous so-called pest management techniques that will never work. For example, knee jerk reactions from state governments that will put a bounty on the head of foxes, for example, which scientific evidence shows has absolutely no effect. It may have some psychological effect that people think that they're doing something, but that's all it is, they think they're doing something. So a lot of money is being spent on nought.

The other issue, I'd say, is that there's still not sufficient research work, money into research to develop alternatives. There is invasive pests, CRC and such things, but, for example, they have just released - not just released, they have developed, over many years, a new poison called PAPP, it's a huge long word, but it's a replacement for the terribly cruel 1080 poison. Now, PAPP itself, the new poison, I'm not suggesting it's terrific, I'm just saying that it actually - it's been shown not to cause as much suffering. Yet there is no will, it seems, to have that replace 1080, because it's a bit dearer and just because 1080 is available.

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We should, as a community, be getting rid of 1080 because now there is an alternative that can be used in a similar way. I hate the idea of lethal control in any event, but what I'd be saying is step 1 is to reduce the cruelty involved in the various methods that are being used and ensure that whatever is being used is effective. You talked about pharmaceutical drugs before, you have to show that they work, that they're effective. Currently that's not occurring in the pest animal management sphere.

MR BAXTER: Can I just put a slightly different set of questions on that? One of the things that's been raised over animal pests, particularly the release of domesticated animals, such as dogs and cats, which get into catchment areas, national parks and what have you? That, in turn has a very adverse impact on a lot of the fauna, in particular, you know, small birds and others. What's the solution to dealing with the release of, obviously the intentional but sometimes unintentional release of domestic animals into reserves and parks? I mean is it licensing, dare I say it, the Shooters and Fishers Party of New South Wales and let them loose for a period or is it the use of something as a replacement of 1080? In some areas it's a very serious problem.

MS OOGJES: No, I don't allude to the problem, I'm sorry I don't have all the answers, but I do think that we have to ensure that whatever is done is as humane as it can be and I don't think releasing the recreational shooters into these areas is that.

MR BAXTER: I'm not suggesting it, having seen some of them.

MS OOGJES: But it is being suggested in other places, such as in Victoria at the present time. It's just not going to work and, of course, what you then have is you're also - again, if we're talking about bias, the bias of recreational shooters is not to reduce the numbers but rather to ensure that there's enough there next week, in order for them to continue their sport. Whereas if you were looking at population management, you would ensure, for example, that only females were shot. I don't mind being quoted, but these are terrible things. The point is, if you were actually putting a proper management system in place, you would only shoot females because there's always another male around the corner - - -

MR BAXTER: That's going to produce another lot.

MS OOGJES: Yes.

MR BAXTER: On a serious level, the Macquarie Marshes, which have been dry for three years, are now full again and one of the consequences

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will be that wild pigs, which are devastating to native animals as well as to farm animals, will just proliferate. Now, it would seem that the only serious way to deal with that is actually shooting the males, or shooting the females, as uncomfortable as it might be. But you'll be obviously aware of the damage caused by them.

MS OOGJES: Yes, and this debate is not about that, although in each individual situation it should be shown that it's a problem. Again, it's about, I would say, from a harm minimisation point of view, that it's the type of method that you choose. For example, in New South Wales and Queensland and other states it's still quite legal for you to use dogs to go out and get pigs.

Meaning use dogs to hunt pigs which, of course, is just a sport. The dogs get ripped up, the pigs, supposedly they're supposed to hold them, of course, that means they attack them until somebody arrives to kill them, if they can. It's a terribly cruel way to do it. So I would say to you again, choose a method that's both efficient, effective, has long term benefits and is the least cruel, in the circumstances.

MR LINDWALL: Could I ask about one thing we haven't really touched on, although you supported the recommendation, is the governance structure of the independent body that we mentioned in our draft report? Have you had any thoughts about what structure the governance might have?

MS OOGJES: Yes, without shuffling through papers. A statutory authority, not unlike the Productivity Commission, I would suggest, with a CEO and then with some expert staff involved, obviously, in regard to animal welfare and regulations and such things, and ethics. Then what I will and have suggested is that there be a committee, an animal welfare and ethics committee that's set up to advise the professional officers of the new body, in order to recommend standards and the development of standards so that that can be undertaken. I think that body should also, at a Commonwealth level, have the ability to regulate live animal export — well, the primary. I mean there are other issues such as kangaroo export as well as livestock export. I think they could take that regulatory role on.

In regard to the broader farm animal regulation, I think it would be to set the national standards, to set up training for enforcement officers, so that there's some consistency and that the standard is raised. I think that, also that body could recommend and even try to get a greater level of animal welfare research investment going, recommendations and if so, provide funding for that, if that can be accessed.

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I think it can take on a number of roles to coordinate. I think another really important issue is transparency and to show that we're moving somewhere, so I would think that that body could also gather statistics and information about practices, changes in practices, regulatory prosecutions and such things and how things are moving along. I think they could put together really good reports. I'm thinking along the lines of the way we have a State of the Environment report every five years, something like that. That could then start to show the Australian community and, of course, help all of those that are a little bit behind, to move up and move their practices along, in each of the states as well.

MR LINDWALL: In terms of the Productivity Commission Act, which you just mentioned as a model, it has the requirement that at least one Commissioner have environment expertise, one have social policy expertise and one have industry policy expertise. Would you care to nominate particular skill sets that you think would be crucial to such statutory appointees?

MS OOGJES: I certainly think that obviously animal welfare scientific credentials if not also ethical academic credentials as well. I do think you need somebody that understands regulations and how to put policies together that can actually work and, no doubt, someone with a practical understanding of farm animal industry practices.

MR LINDWALL: My final question, Ken, sorry, is - actually I've got two questions. One is what role, if any, should the states have in terms of selecting people for that body?

MS OOGJES: Not a lot. Well, I think that they need to be independent appointees and I think that states can have an input but unfortunately the states, at the present time, that have responsibility for animal welfare, are conflicted as I've been talking about. So that's my concern. I think that if and when there are more independent animal welfare regimes in each of the states then, of course, that may well work and that's reasonable.

MR LINDWALL: My final question is, we mentioned New Zealand being a good case study, are there any other countries you'd care to nominate that have good practices?

MS OOGJES: Elements of it. I certainly think the Scientific Veterinary Committee of the EU is a really good model of what I would suggest could sit as the advisory group to a new independent office. Certainly that could do. It's not unlike the national Animal Welfare Advisory Committee in the way they do things as well, of course. So I think I'd look to Europe. The UK have done good things in the past, the UK Farm

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Animal Welfare Council has really led the way. Again, in a similar way, they've had eminent scientists and others, and industry people, that are able to provide a really high level of credible advice and develop standards that are robust and independent. So I think that we can look to those others.

Sadly, Australia is really lagging a long way behind in the animal welfare stakes now, on all measures, and it's been even worse in most recent years because, as you probably know, the federal overseeing group, the AUSAWAC, the Australian Animal Welfare Advisory Committee was scrapped upon this government coming into play. That's been a real shame and I think Nicola mentioned that industry, as well as animal welfare organisations and professional organisations like the AVA, have all complained that this has actually set our standard setting process back so far.

MR LINDWALL: Ken?

MR BAXTER: I've got no further questions.

MR LINDWALL: I think what you've shown us is that if you don't have good practices the risk is that what's happened in the greyhound industry will be manifested and bans happen then and that's obviously a very Draconian approach.

MS OOGJES: Yes. And if I can say that that has been the way that animal welfare decision making has proceeded and live animal export is another example. I call it just crisis management approach, as opposed to a sound approach to catching up at the moment, not even getting ahead.

MR LINDWALL: Getting things right. Thank you very much Glenys for coming. We'll now, if everyone is happy to have a break for lunch for everyone and we're due to come back at 1.15, with the Friends of the Earth and Louise Sales.

ADJOURNED **[12.05 pm]**

RESUMED **[1.13 pm]**

MR LINDWALL: If you want to say your name and organisation and tell us a bit about your organisation and what do you want to say to us?

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MS SALES: Okay. So my name is Louise Sales. I co-ordinate Friends of the Earth's Emerging Tech Project. Because of the nature of my role, our submission very much focuses on the genetic engineering, but obviously Friends of the Earth is a much broader organisation than that and we are concerned about a number of other issues such as coal seam gas and climate change as well.

In terms of my background, I have got an Honours degree in Biology, a Master in Biodiversity and Conservation and a Cert III in Horticulture, so I have got a fairly broad understanding of some of these issues associated with GM crops. I am also based in Tasmania as well, so I have got quite a good understanding of the issues facing producers down there. Wearing another hat, I am actually a small scale market gardener as well in Tasmania.

MR BAXTER: Whereabouts in Tasmania?

MS SALES: In Hobart.

MR BAXTER: Right, okay.

MS SALES: Yes, so - - -

MR LINDWALL: My uncle is a small scale market gardener in Hobart too.

MS SALES: Really?

MR LINDWALL: Very small scale, I think. But anyway,

MS SALES: Yes, I am quite small scale too, yes. So just, first and foremost, in order to try and encourage public engagement in this process, because we thought there wasn't a great deal of awareness within the public about that this inquiry was going on, so we actually developed an online tool so that people could make submissions, and I was concerned that those submissions don't seem to appear on your website or to have been counted. I think there was over 500 submissions have been made, so I just wanted to - - -

MR LINDWALL: Yes, well, I think we said - last commission meeting I said that there were a thousand or something. So yes, I thought they were up.

MS SALES: Okay, because I had a look at the website today and it said there were 33, so yes.

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MR LINDWALL: Can I stop for one second just for Rosalie to comment on that, so it's not on the record.

ADJOURNED **[1.15 pm]**

RESUMED **[1.16 pm]**

MS SALES: So in terms of Friends of the Earth's view on the draft report, unfortunately I haven't had time to analyse it in a huge amount of detail because it's obviously over 500 pages long, but - - -

MR LINDWALL: And it covers a lot of ground, yes.

MS SALES: We certainly read the summary and have read the GM section in detail. One of our major concerns with it is there seems to be an inherent assumption within the document that farmers are suffering under a regulatory burden and that that needs to be removed. One of our major concerns with that is the externalities aren't quantified, so things like the impacts that farming have had on the environment and climate change as well, and I think these externalities really need to be taken into account if the analysis is going to be useful.

The report also fails to question current agricultural practices or to analyse the ways in which they have contributed to environmental damage and climate change, and it has also failed to examine the effects of policies such as subsidies and how these may have had perverse impacts.

So I think if we are going to look at environmental legislation, I think there is a very good case for looking at why the legislation was put in place, what outcomes it was trying to achieve, and if those outcomes aren't being met, how can it be improved upon. But I think it is - we shouldn't be taking as our starting point that there is a huge regulatory burden and that needs to be lifted for farmers to be more productive.

MR LINDWALL: I should clarify, I think if you find that our sense was that - it was not to eliminate regulation. Regulation has a point. It has an objective. Is it meeting it efficiently, in other words, with the least burden? That would be a reasonable objective, I think. As long as the objective is - - -

MS SALES: Yes, as long as we are meeting the key criteria that were set

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out. For example, things like the EPBC Act are trying to prevent damage to items of national conservation significance, yes.

MR LINDWALL: That is the intent, but I think we found a few examples where the incentives of the regulations can cause farmers or other people to do the exact opposite of the intent, so you have got to be careful about incentive effects from regulation.

MS SALES: Yes, and that is obviously a problem. Yes.

MR LINDWALL: Please continue, sorry.

MS SALES: So another concern of ours was that the analysis that underpins the calls for elimination of regulation - I mean, from looking at the document, it appears that a lot of the analysis was quite shallow, and for example, the evidence that was put forward by the South Australian and Tasmanian governments as to the benefits of the GM moratorium there seemed to be rejected on very little grounds, whereas there were other assertions that were put forward by GM lobby groups such as CropLife that seemed to be just accepted and taken at face value with very little evidence to corroborate those statements. So I would really - I did notice that the Productivity Commission is not actually visiting South Australia or Tasmania and I would really urge you - - -

MR LINDWALL: We have visited both.

MS SALES: When?

MR LINDWALL: Earlier this year.

MR BAXTER: Earlier this year. And in fact, we had to cajole the South Australian Government in actually agreeing to see us. And then when we did see them, we certainly didn't get to people at the most senior levels and I think it could be - and I am happy to have this on the record - at best it could be described as a cursory sort of meeting that didn't touch on many of the critical issues, amongst which was the issue of GM.

MS SALES: Right.

MR BAXTER: And likewise, very importantly, compared to their Western Australian counterparts, the whole issue of land use.

MS SALES: There has been no public hearings, as far as I am aware, in South Australia or Tasmania though, have there?

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MR BAXTER: That's correct.

MS SALES: Yes. So I mean, I think - and certainly there are a lot of Tasmanian producers that are really concerned about - I mean, I listened to, when the Productivity Commission report was released, there was actually a talk back radio thing and numerous producers were ringing up, raising concerns. So these are things like the Tasmanian Fruit Producing Association, the beef producers who sell into high value Asian markets.

MR LINDWALL: Well, we actually spoke with those when I was in Tasmania earlier this year.

MS SALES: Okay, yes, and there are a number of other sectors in Tasmania. There are canola producers in the north east of the state who are getting premiums for their canola because it's non-GM and obviously, yes, they can genuinely say that it is non-GM because they have got zero tolerance for GM contamination coming into the state. So anyway, I have kind of jumped ahead of myself a little bit.

MR LINDWALL: That's all right.

MS SALES: So yes, another concern of ours is that climate change is hardly mentioned in the report. I mean, the report notes how it may affect movement of pests and distribution of rainfall but no estimate is made of the current contribution of land use and agricultural practices to climate change and how the community is expected to bear those costs currently.

MR LINDWALL: Yes, but that is - we had to do an inquiry within the terms of reference. We weren't asked to look at that. We were actually asked to look at the regulation affecting agriculture. I mean, the commission has done a fair bit of work on climate change in the past, so I don't think you should read anything into that.

MS SALES: Right. I think if you are looking at costs though, you do need to look at the whole costs of agriculture - - -

MR BAXTER: Yes, I agree.

MS SALES: - - - including those that are borne by the broader community. So for example, yes, another example is the Great Barrier Reef as well. I mean, it's costing the Queensland Government over $8 billion to fix the water quality in the Great Barrier Reef catchment because of poor agricultural practices and obviously that is an externality that is being borne by the public's purse, but it's very much been caused by - - -

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MR LINDWALL: Is that - you're talking about the sugar industry here?

MS SALES: The sugar and cotton, yes, and the - yes.

MR LINDWALL: We're meeting with the sugar industry next week.

MR BAXTER: Well, we're meeting with quite a few of the Queenslanders next week, both in Brisbane and in Townsville.

MR LINDWALL: So we might ask a question about that.

MS SALES: Yes, great.

MR BAXTER: Can I also add, a number of these points have not been raised by the various interest groups which have really gone across quite a broad spectrum, you know, from one side wanting more regulation to others wanting less regulation. So you know, our terms of reference were pretty widely advertised and, in many cases - well, take you people, for example, have responded in detail. Others have just either said, "No, we don't wish to correspond" or we've heard nothing from them.

MS SALES: All right, yes.

MR BAXTER: We can't force them.

MS SALES: No. Yes. So there is a number - I'm not sure - yes, there is a few of the draft - we have got responses to specific recommendations, such as we're concerned about implementing land management objectives through land use regulation rather than through pastoral lease conditions.

You are probably aware that the pastoral lease conditions are very much more specific and we think they do a better job at protecting the land and we are also concerned that this appears to be a move towards the privatisation of Crown land which we would oppose. Yes, we are also concerned about the Productivity Commission's stance on regulation and policies aimed at preserving agricultural land, and we think that these policies are essential to cope with a growing population and the harsh realities of climate change and they shouldn't be undermined.

Agricultural land is increasingly under threat from both mineral development, but also from urban encroachment, and I think it is really - I mean, that is the reason that these protections were put in place and I think they need to be upheld.

MR BAXTER: Yes, although can I just make the observation that most

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of the pastoral leasehold land is either west of the Great Divide in Queensland, west of the Darling River with a small amount east of the Darling River in New South Wales, none of which have any prospect of ever being farming land in that respect, and whether it's full freehold title or whether it's the current leasehold title, it is still subject to land use conditions by government.

MS SALES: Yes. My understanding is that the pastoral lease conditions are, yes, much more prescriptive than just the general land use regulation, but I am a bit outside of my - - -

MR BAXTER: There would be some debate on that.

MR LINDWALL: I mean, the respective - - -

MS SALES: What is the point of removing them then if they are not - - -

MR BAXTER: Well, see, they were a history - I mean, you have got to go back over history with these land leases. They were originally put into place largely because people who went out there didn't have the money to literally live on them. They were areas of land which were unsurveyed and unknown to government, so government wanted great flexibility with them, and they have just evolved. There are land leases in both Queensland and New South Wales with various conditions on them without any real consistency. So it's a case of getting the consistency back into the regulatory environment. Yes, as I say, it's got a long history attached to it.

MS SALES: Right, okay. So yes, another recommendation that we are concerned about is recommendation 3.1, and that is to balance economic, social and environmental factors, and this has been the standard approach for decades and we would argue that it's failed and the environment has been the loser in that. I mean, we are seeing a huge increase in endangered species. There are more species added to the list every year in Australia. It could be argued that our current conservation practices aren't working. So to - - -

MR LINDWALL: So but does that mean that you think, well, to put it crudely, that you can't countenance $1 of environmental benefit even if there was $100 of economic cost?

MS SALES: The problem is those kind of cost benefit analyses are invariably stacked. They invariably don't include environmental externalities, and I mean, there are certain things like - I mean, we have got the Leadbeater's Possum, that is - I mean, I would argue that, no, you

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shouldn't be considering economic impacts when you are talking about further encroaching on that critically endangered species' habitat. That habitat needs to be protected irrespective of how much iron ore is underneath it. It's living on the edge.

MR LINDWALL: Yes, I can understand that, but there is a risk.

MS SALES: It's going to go extinct if we continue to encroach on its habitat.

MR LINDWALL: The risk by taking that approach is that you might find you have greater environmental harm then because you are foregoing the economic benefits that could be used to purchase even more environmental benefit.

MS SALES: I mean, that is certainly not what we have seen.

MR LINDWALL: Let's put aside the quality of the cost benefit analysis, because they vary a lot and some of them are done well and some of them not done so well, but if they are done well, in principle, I don't see why you shouldn't be able to have a balance between all of those three factors and why should one automatically trump the others in every single case.

MS SALES: Well, in our experience, using those kind of, yes, cost benefit analysis, I can't recall any instances of it actually working in the environment's favour. So I actually used to live in Western Australia and encountered this quite a lot with Carnaby's Cockatoo habitat, and they are on the brink as well due to urban encroachment.

But developers who are constantly encroaching into their habitat have argued that, "We will just offset this habitat loss by preserving this area over here", but that doesn't help the resident Carnaby's Cockatoo. They don't know that they have to move 10 miles down the road to this new protected habitat. So those kind of strategies are actually, yes, leading to the wide-scale loss of biodiversity, so yes, we don't support - I think there is a recommendation in there about offsets as well which we would oppose.

So another problem with the report is the animal welfare section. I think there seems to be a bit of confusion within the animal welfare section. It says that there is a lack of clarity regarding community expectations of animal welfare. I don't think there is. I think the community knows what it expects in terms of animal welfare outcomes. And I think the majority of consumers don't support factory farming. It's just consumer interests are at odds with what industry wants to do and that

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is why we've got the problem that we have got today.

MR LINDWALL: You have got to be careful. I mean, we have some different tests demanded from people who are advocating for better welfare outcomes for animals, and the evidence is also - you can observe people's own behaviour. We call it in economics "Review with Preference". Yes, they might say they don't like this particular practice but then if they go away and buy eggs that have been produced by that practice, doesn't that almost imply that they are willing to trade-off, in this case, a lower price for eggs for worse welfare practices.

MS SALES: I think there is a lot of misleading advertising that goes on. They say farm fresh eggs and free range when basically the current definition of free range allows one A4 sheet of paper per chicken which is completely out of step with consumers' expectations of what free range is.

MR LINDWALL: Well, we did say there should be an independent body to help inform the community better about good welfare practices and also to gauge the community's views on this which, of course, are changing all the time.

MS SALES: Yes. Yes, but I think, broadly speaking, there is a movement in the community towards more sustainably sourced product, more ethically sourced products, and yes, I think there is actually a piece in the Foreign Policy Journal last year. There has been a lot of talk about Australia becoming the food bowl of Asia, but the point made in that article was that Australia currently produces 5 per cent of the world's food, whereas they reckon in Asia it's going to be 50 per cent of the world's population soon, so we can't actually become the food bowl of Asia, and they were suggesting that we would be better placed to be coming the delicatessen of Asia, so providing high value products, clean green products, for those growing middle class markets in Asia.

MR LINDWALL: Yes, well, that is the higher prices, yes.

MS SALES: Yes, yes. So yes, recommendation 3.2 talks about market mechanisms to preserve native vegetation and biodiversity conservation, and we would say that market mechanisms may be useful when market and policy settings align, but yes, we would say invariably they tend not to, so that would be the exception rather than the rule.

MR LINDWALL: You favour, don't you, market mechanisms for carbon emissions?

MS SALES: We would. I mean, we support a carbon tax. I think carbon

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trading - - -

MR LINDWALL: You prefer carbon tax to - - -

MS SALES: A carbon tax, yes, because that is actually bringing it on board the - - -

MR LINDWALL: Yes.

MS SALES: I mean, I don't think carbon trading has been very effective in Europe at all.

MR LINDWALL: No, I think you are right about that. Yes.

MS SALES: Yes. You actually need to reflect the broader societal cost of these techniques. Yes. So yes, another major finding that we are concerned about with productivity is the assertion that there is no economic or health and safety justifications for banning the cultivation of genetically modified organisms. I don't know if you are aware, but there was a group of several hundred scientists in Europe that actually signed a statement saying that there is no consensus on GM safety. But I mean, irrespective of the safety or otherwise, GM labelling was not put in place for safety reasons.

Obviously, our regulator, FSANZ, has assessed the safety of GM crops. They believe that they are safe. There are a lot of people, ourselves included, that would, yes, challenge the rigorousness of their safety assessment, but their actual labelling laws were actually put in place to promote consumer choice and that is really clear if you look back - I have looked back at when the regulation was actually put in place and their call for public submissions. It was all about the consumer's choice element. They acknowledged that there are a number of people that don't want to eat GMOs for a range of environmental, ethical and social reasons - religious reasons as well, and that consumers should have the right to know what is in their food.

So labelling is much broader than a safety issue, and that is also reflected in country of origin labelling as well, which we were concerned about the calls from the Productivity Commission to make that voluntary, when we have only just got mandatory labelling.

There is quite clearly a desire in the community to support Australian farmers and to source locally produced products and we think we should be providing consumers with that information so they can actually make informed choice. We can't rely on companies to do it with front of pack

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nutritional labelling. That is voluntary and companies aren't using it.

MR LINDWALL: But if you will get a price premium for the non-GM product, why wouldn't you have an incentive to label it saying, "This does not contain GM food".

MS SALES: Well, there is a growing market for that, especially in the US where GM foods are much more pervasive. But we think - yes, you want to know - I mean, I don't want to eat GM food full stop. It's impractical for me to just seek out GM certified non-GM foods. I want to be able to look at a label and for it to say it's GM. The Bluet review, I don't know if you are aware of that, there was a government - independent government commissioned review of labelling, I think, in 2011 and that recommended that any new technologies be labelled for 30 years, so that includes, like, nanotechnology, GM, and then they could be reviewed.

But yes, when there is new technology that consumers are concerned about then there is a strong basis for providing them with the information that they want to avoid, to avoid them.

MR LINDWALL: What if the concern is false?

MS SALES: Well, can you say that ethical concerns are false? Some people have got a primary objection to genetically modifying life. It's a value-based thing so you can't really say it's false. The environmental - - -

MR LINDWALL: But that aside, I mean, what if GM was providing environmental benefits?

MS SALES: That is not currently the case. I mean, if you look at the current GM crops that are grown, 80 per cent of them are herbicide tolerant, so 80 per cent of them are Roundup ready crops which can basically be sprayed with Roundup which is now listed by the World Health Organisation as a probable carcinogen and we've seen a huge increase in glyphosate use globally, herbicide use globally because of the introduction of GM crops. So I think consumers have got strong grounds to want to avoid those products, both for environmental and for health reasons and I think they really need to be given the information, and polls consistently show that the majority of consumers don't want to eat GM crops.

MR LINDWALL: Could I just say that I had a person another day claiming the same about science and you get a battle about which science is right and which is wrong, and I mean, In my view, the technologies

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through the internet has given us a vast supply of research, and it's very easy to find good research and bad research.

I am an economist. My two specialties are economics and ancient history. I can tell you which are the good journals in such fields and which are the good papers and which are the bad papers. I have no opinion on genetic modification science. I have no specialty, so I need guidance when I look at that and therefore I have to rely on what are credible scientists. In Australia the Office of the Gene Technology Regulator is highly respected for that science and they say that it's perfectly safe, so who am I to question that?

MS SALES: I mean, the problem that we have seen with science - I mean, science - I think a lot of people look to science as this kind of undisputable thing but I mean, there is actually - there is growing concern that in recent years that we have actually moved away from publicly funded science to more corporately funded science which is actually - - -

MR LINDWALL: But the OGTR is publicly funded.

MS SALES: They are, yes.

MR LINDWALL: And so is FSANZ.

MS SALES: But they rely solely on the evidence of companies like Monsanto, so they rely solely on - - -

MR LINDWALL: Not that they have told me, and - - -

MS SALES: In the safety assessments they do rely solely on industry data in assessing the safety of GM crops.

MR LINDWALL: Well, they are appearing in Canberra next week so I can ask them a few questions.

MS SALES: Yes. I mean, certainly I have got quite a lot of experience at looking at Food Standards Australia and New Zealand. I have looked at quite a few of their safety assessments and they've all relied solely on industry data which is notorious for - I mean, there are numerous examples from the pharmaceutical industry of them, like, fudging trials and there was actually a study done of scientists in the US in which a third of them had admitted to changing research findings as a result of pressure from a sponsor. So I don't think we should be looking at science as this unchallengeable thing because it is being affected by the people that fund it.

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MR LINDWALL: But that is the same argument as what people run that climate change scientists should be ignored because it's not clear. Some people say that. Other people say that we shouldn't vaccinate our children because it's dangerous or that there is creationism. All of those, in my view, are pseudo-science and surely we have to base our opinion on rational science.

MS SALES: I think you need to look at who's funding the science. I don't disagree with you, I just think you can't say that all - I mean, none - a lot of the data that companies like Monsanto are providing to our regulators, it's not peer reviewed, it's coming straight from those companies. If it was published in peer reviewed journals then I would probably have less of a problem with it, but it's not.

MR LINDWALL: Apparently there is - I heard the other day that there are 20,000 peer reviewed publications all showing that it's quite safe. So anyway, as I say, I am in no position to debate science. I am just taking reliance from these - - -

MS SALES: No. Most of the feeding studies that have been done have been to do with animal production and it's just showing that you can keep a chicken alive for six weeks. It is not really - it doesn't really have any bearing on human health outcomes.

MR LINDWALL: But if they are a credible organisation that is publicly funded like the USFDA, the World Health Organisation, the Office of the Gene Technology Regulator, all say that the science is rationally clear on this. It doesn't seem to - - -

MS SALES: The World Health Organisation actually says that we need more long term studies looking at the health impacts of GM crops.

MR LINDWALL: Well, we will always want more studies, obviously, but - - -

MS SALES: But I mean, the problem with the current safety assessment of GM crops is that, yes, there are no long-term studies, and there is also no monitoring, and because there is no labelling, there is no way of us knowing whether potential health effects are being caused by GM food, which is another very good reason for having proper GM labelling. I don't know if you're aware that we do have GM labelling in Australia, but currently there are so many exemptions it's actually quite flawed.

So for example, I mean, the only GM crops grown in Australia

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currently are cotton and canola. Now, the oil from those crops doesn't have to be labelled, it's labelled as vegetable oil and it doesn't have to be labelled as GM, even though polls show that the majority of consumers do want this product labelled. Anyway, I feel like I have spent too long on this safety stuff.

MR LINDWALL: No, that is all right. Go on, please.

MS SALES: I am really keen to talk about the marketing stuff.

MR LINDWALL: That is where we can talk most effectively, I think.

MS SALES: Yes, so the state moratoria are basically put in place in recognition of the fact that, just because a GMO has been approved as safe doesn't mean that markets want it, and the lifting of the state GM moratoria would basically mean that any product that was approved as safe by the OGTR could be grown.

So this could include GM wheat and GM animals potentially, so GM salmon has just been approved by the FDA in the US, that could potentially be just released here, and obviously I have spoken to salmon producers in Tasmania and they are really concerned about that because their whole marketing is based around this clean green image, and obviously, yes, the introduction of GM salmon could devastate that market and spoil any marketing advantage that they've got.

So the risks of market rejection are very real. For example, the European Union and China have both got a zero tolerance policy on the marketing of foods containing unapproved GMOs.

MR LINDWALL: But the European Union takes tons of canola oil.

MS SALES: No, unapproved GMOs. So these are like GM traits that haven't been approved.

MR LINDWALL: Yes, well, nor - - -

MS SALES: In Europe, yes. So it's only been very recently that the European Union has started accepting GM canola oil and that's for use in bio-diesel, it's not for use in food. It's for use in, yes, ethanol production and none of it's going into the food chain, and that is important. Yes.

So there are a number of examples that are listed in our submission of GM crops that have been approved. Pretty much all of them come from the US because obviously the US is the world leader in the development

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of GM crops, and actually, the first example is Triffid flax. So that was grown in Canada. It was a trial, unlicensed GMO, and basically, as a result of the contamination of the flax supply in Canada, 35 countries closed their borders to Canadian flax exports, including 28 in the European Union which accounts for 60 per cent of Canada's flax export market.

There was another case last year with Roundup ready alfalfa and three US hay exporters were blacklisted from supplying China because Roundup ready alfalfa was found in hay shipments. Obviously, these examples are very pertinent to the potential lifting of the GM moratorium because it only takes one person to grow GM crops and potentially the whole food supply could be contaminated.

In vitro corn was another example from the US last year. Nearly 3,000 Indiana corn farmers launched a law suit against Syngenta because an unapproved variety of GM corn was found in Chinese imports which resulted in a ban which the National Grain and Feed Association has said nationwide resulted in losses to the industry of nearly three billion. So yes, and basically, China shut its corn exports from the US. They are one of the US's major markets for corn.

So according to the US National Grain Feed Association, given China's zero tolerance policy for unapproved biotech events, these disruptions effectively shut US corn farmers out of China's feed grain import market which previously almost exclusively had been supplied by the US. There is another example of an unapproved corn variety, Starlink, which was a few years ago and that is estimated to have cost US companies $US1 billion as well.

In 2006 there was an unauthorised variety of GM rice that was detected in US exports which took eight years to get out of the food supply and, despite determined efforts by the industry, according to the US Rice Federation, their long grain rice export market nearly vanished overnight and the total cost to the US rice industries was estimated at around $1 billion. And yes, 95 per cent of exports to the EU were lost in 2007. Also in 2006 a new type of GM corn was planted in just 1 per cent of US fields but managed to show up in 55 per cent of exports to Europe that year which cost tens of millions of Euros as the corn was not approved in the EU.

Another incident in 2009 saw three unauthorised GM corn varieties mixed with US soy exports to Europe and led to hundreds of thousands of tons of soy being refused entry. So another major issue with the lifting of the state moratorium is GM wheat. There has been pressure from the GM

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crop industry to introduce GM wheat. There are currently trials going on in Australia, and Australia is among the world's largest wheat exporters.

So GM wheat was actually ready for commercial release in 2004 in the US and Canada but the major farming organisations there blocked it, largely from signals from Europe who said that they would not only not buy their GM wheat, they wouldn't buy any of their wheat because they couldn't guarantee that co-existence was possible and they were concerned that segregation wouldn't work.

So basically, according to the Canadian Wheat Board, they said that GM contamination would virtually destroy the 3.5 billion wheat industry in western Canada. So at the time, like Canada's Wheat Board, the Australian Wheat Board rejected GM for the same reason. They said because of the biotech industry's inability to guarantee segregation of GM wheat in the field and clear market signals from international and domestic customers that strong reservations exist concerning GM wheat. So as you probably know, since then the AWB has been privatised and since then there has actually been no economic analysis of the likely consequences of introducing GM wheat in Australia. But obviously if the GM moratoria were lifted, there would be no barrier to wheat growers growing - yes, growing wheat.

MR LINDWALL: It hasn't been approved by the OGTR.

MS SALES: Yes, that is right, but if it was there would be no market mechanism in place. States wouldn't - I mean, that is why these state marketing mechanisms are important. Because just because something has been approved as safe doesn't mean consumers want it. Yes, and as I said, Canada and the US were looking at losing their entire wheat export market to Europe as a result of introduction of GM wheat. So I think the industry is clearly gearing up, they want to introduce GM wheat, but there could be major consequences for Australian farmers if they do.

MR LINDWALL: Aren't you concerned that as technology advances, the ability to do GM is increasing? It becomes less costly obviously. So are you fighting a losing battle here that inexorably there will be GM, and everywhere?

MS SALES: That is certainly not the movement. Like, if you actually look, the largest growing agricultural market in Australia is actually organics which is growing by 10 to 15 per cent a year. It's seen huge growth.

MR LINDWALL: From a low base, though.

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MS SALES: From a low base, but there is huge growth and certainly, yes - I mean, going back to my previous statements about Australia becoming the delicatessen of Asia, there is a growing middle class consumer base in Asia that are wanting clean green products and we are especially seeing that in Tasmania. Producers like, yes, beef producers, fruit producers are all selling into Asia because we've got this reputation of being clean and green, and Tasmania is currently in the position to say, "We are genuinely GM free". The experience where - I mean, I know in the Productivity Commission report it says that we can segregate, but that is clearly not - - -

MR LINDWALL: In the *Marsh v Baxter* case, the Supreme Court of Western Australia and the Court of Appeal found that it could be.

MS SALES: Well, quite clearly it couldn't. I mean, we would argue - - -

MR LINDWALL: Well, the court found that the organic certifier - - -

MS SALES: He lost his organic certification, so those two systems quite clearly aren't compatible. They can't co-exist.

MR LINDWALL: The court found the organic certification was falsely removed and that the certifier acted inappropriately, is my opinion of it.

MR BAXTER: Yes. I think it's worthwhile reading the whole of the judgment in the case, which I've done, because there has been a lot of misinterpretation of sections of it that have been picked out to suit particular sides of the argument.

MS SALES: This issue is broader than just organics versus GM though because obviously it's conventional farming versus GM as well, and certainly what we've seen in Canada is that there was actually a study done by Canadian scientists where they had actually looked at certified non-GM seed and they found that the majority of the seed samples actually contained GM material.

And Tasmania, even though we've only had GM crops grown on a small scale, the GM canola in Australia - there was a report from the Tasmanian Agriculture Department last year that was saying that farmers are actually having problems sourcing genuinely non-GM seed from breeders on the mainland because they're all contaminated with GM varieties, and that is already. That is just after a few years of commercialisation.

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So in the Canadian study, some of the levels of contamination were up to 2 per cent which is obviously - that is the kind of level at which our shipments are going to get rejected from Europe because they accept, I think, contamination up to .19 per cent. But once you start getting above that, that is when shipments get rejected and you've got major market disruption, and we believe that it's only a matter of time before we're going to start seeing that.

MR LINDWALL: So how would you respond to someone like Professor Mike Jones, a biochemist at Murdoch University, who testified to us in Perth the other day that in fact GM products are safer than organics, that they are much more strictly regulated, organics are not subject to any regulation, and that their food testing standards are much higher and that in fact, for human health, it's better to consume GM than organic?

MS SALES: I think he's firstly - I think it's important to note that he is actually funded by Monsanto[1], and - - -

MR LINDWALL: Well, that sounds very much like a conspiracy theory.

MS SALES: No, no, it's not a conspiracy, it's actually all fact and you can actually look that up and see that, but also he is speaking outside his areas - - -

MR BAXTER: Is it him, or is it the university that is funded?

MS SALES: His department is funded by Monsanto so effectively he is funded by Monsanto. But irrespective of that, he is actually speaking outside his area of expertise. He is a biotechnologist, he is not a nutritionist, and if you actually look, eminent nutritionists like Rosemary Stanton have raised concerns about the safety of GM food. Yes, I mean, there is - I mean, the GM crop industry is at pains to say that these techniques are safe but yes, there has still been no long-term safety studies.

MR LINDWALL: But the fact is it is highly regulated. It is highly regulated.

MS SALES: Well, if you actually look - - -

MR LINDWALL: I mean, it's far more regulated than any other food produced in the world, isn't it? It has to go through approval processes

[1] Professor Michael Jones has provided a public submission in response to this comment, please see sub. DR289 at http://www.pc.gov.au/inquiries/current/agriculture/submissions.

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that are much more stringent.

MS SALES: Well, organics have to go through certification processes as well.

MR LINDWALL: They are all privately done. You said in your submission you don't like private certification, and yet organics is entirely private certification, isn't it? It's not subject to any government regulation.

MS SALES: Well, I mean, there are certainly government standards that underpin that.

MR LINDWALL: Only, what, in the food and safety, I think, yes.

MR BAXTER: I mean, there is an interesting reflection in history on this. If you go back and read when William Farrer was starting off in Australia with his wheat breeding and we imported wheat seeds from parts of England predominantly because of our historical origins, and at one stage the bakers of Sydney refused to use any of Farrer's new wheat breeds because they weren't consistent with the old English ones, and yet they turned out to make better bread and, while I think I am right in saying that there was a ban imposed by one of the early governors on some of Farrer's experimental breeds, and yet after about 20 or 30 years they became accepted and they were far superior for bread baking, which of course the colony was then widely dependent upon as a basic food.

Isn't there a cycle that goes on, regardless of whether it's wheat or any other thing like this, in which new innovations come into the marketplace, there are genuine concerns about whether it's appropriate or not, it takes a period of time to either get acceptance or rejection? Aren't we going through one of those cycles with this at the moment?

MS SALES: You might argue that, but I think when you are considering Australia's export markets, you need to look at where the market is at now.

MR BAXTER: No, but this is where you need to differentiate it. That wasn't the question I raised. There is a long history in plant breeding, and well before GMO was ever thought of but where it was very close effectively to it, and Monsanto didn't exist, but experimentation took place. It was government funded experimentation in the case of Farrer. It was conducted under the aegis of the University of Sydney, at that time out at the experimental farms and then ultimately up in the north-west of New South Wales.

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But there was this consumer suspicion that this new breed of wheat that was going into his bread-making was dangerous, shouldn't be used, and there were actually - they weren't regulations per se, but they were edicts by the government of the day that until they had actually bedded this down and decided it was safe, it shouldn't be used, but it was vastly superior so the bakers basically said to the government of the day, "P off and we'll use it" because that is what the consumer wanted.

MS SALES: I know that the GM crop industry will argue that GM is just a continuation of plant breeding but, I mean, from my perspective, it quite clearly isn't. You're talking about introducing genes from bacteria and viruses into food crops, that has never happened before. It's a fundamental break from - - -

MR BAXTER: Yes, my word it has. It happened with Farrer and his wheat breeding because one of the problems with the European wheats was rust which was a very serious problem here. He was criticised - in fact one of the churches accused him of interfering with God's natural way. If you go back and read over Farrer's history of wheat breeding, he did a lot of stuff which would today be well and truly on the edges of modern scientific experimentation.

MS SALES: But he wasn't using GM, that's - - -

MR BAXTER: Yes, but he - - -

MR LINDWALL: Not in the modern sense, but I mean, I guess was there something special about GM that you would reject it over all time? I mean, what if you were wrong, or what would persuade you that it's safe?

MS SALES: Well, yes, I think long-term studies - - -

MR LINDWALL: And what if it has significant environmental benefits? I mean, we went to New Zealand and there was an example of pine cones which are sterile which reduce crop runoff into crops, for example. There was something for foxes, I think they were going to use.

MR BAXTER: Yes, yes.

MR LINDWALL: Yes, and talking about genetic modification that would make them effectively a much higher percentage of male to female and ultimately stop - in a humane way, reduce the growth of the population. You've heard of ones using much less water - again, I'm not saying that I - - -

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MS SALES: I mean, there are a lot of "what ifs". I mean, the market reality, as we currently have two types of commercialised GM crops, one is herbicide tolerant and that accounts for 80 per cent of GM crops, and the other produces BT, so it produces its own insecticides. So we would argue that it's actually disingenuous for the cotton industry to say it's reduced pesticide use because actually these crops are consistently pumping out pesticide in every cell of the plant so you really need to factor that in, and we think there has been inadequate studies looking at the impacts of BT crops on, for example, aquatic ecosystems in the catchments of these fields.

Unfortunately, there is very little money available to do that kind of risk research and there is also very little money allocated to assessing the safety impacts of GM crops as well, and what we've seen when scientists have investigated these concerns is a systematic pattern of attacks by the GM crop industry on those scientists and attempts to discredit them which, I think, does science an enormous disservice.

MR LINDWALL: Well, true. I mean, all I can say is that the OGTR, which I consider a reputable organisation, says that it's safe and, as I say, I come back to the fact that I am not in that position to personally say which are the good journals and which are the bad journals in this particular space.

MS SALES: Yes. I mean, one issue that we've also come across recently is that you might have - you've mentioned briefly in your report is these what industry is calling new plant-breeding techniques or gene editing techniques, and the OGTR - we have been finding it very difficult to get information from the regulators about whether they intend to regulate these new techniques or not.

Food Standards Australia New Zealand's response to those new techniques was to have an expert panel which basically was entirely comprised of bio-technology industry scientists and they asked them the question, "Should these new techniques be regulated?" And of course they have all got patents in these techniques so invariably they said, "No, no, it's fine. It's just a small tweak to the genome. They don't need to be regulated." So we are really concerned.

It's quite clear to us that these new GM techniques are GM. That is the conclusion that regulators overseas have had. So one of the regulators overseas that has looked at this the most is the Austrian government. They've released a number of reports on these new techniques and they've concluded that they pose the same health concerns, environmental risks, as

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all of the GM techniques and they need to be regulated in the same way. So we would be calling, obviously, for these new GM techniques to be regulated under our current gene technology regulation system irrespective of - yes.

We believe that there are major flaws with the current system but it's what we have to work with. We would like to see improvements to the current regulatory system but we think the bare minimum that they need to do is to regulate these techniques in the same way as GM crops.

One of the other concerns with these new GM techniques is that a lot of them, like CRISPR - it's actually very hard to tell if a crop has been genetically engineered using these techniques, so obviously if importing countries can't - if they are approved here, and importing countries can't test for them, then Australia runs the risk of markets just rejecting that crop entirely because if they can't test to see if shipments are contaminated with it then, yes, as they threatened to do with GM wheat, there is a risk that they will just reject the whole shipment.

MR LINDWALL: We will probably have to wrap it up shortly, Louise, maybe, because we're already a bit overtime.

MS SALES: Yes. Yes, sorry.

MR LINDWALL: And I think Vegan Australia is on at 2 o'clock so I had better - - -

MS SALES: Yes. I don't want to cut into Vegan Australia's time.

MR LINDWALL: We'll cut off maybe in another two minutes, is that all right?

MS SALES: Yes, sure. Yes, so I think I have probably touched on most of the main points that I wanted to raise. Yes, I mean, I think going back to the kind of argument about consumer benefits and increasing agricultural productivity, in 2008 the United Nations actually completed a five year long project called the International Assessment of Agricultural Science and Technology for Development. This didn't involve 400 of the world's leading scientists, it did involve the GM crop industry initially, but they actually pulled out of the process when they didn't like the way it was going.

Because that actually - the project actually concluded that GM crops won't play a major role in solving the world's food problems and it actually concluded that the patents associated with GM crops actually

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caused major problems for farmers in the developing world because it means that they can't save their seed. So that has led to major problems in countries like India where we have seen farmers, cotton farmers, committing suicide because they can't afford the seeds.

Yes, so anyway, the core message from the IASTD report is that we urgently need to move away from destructive and chemical dependent industrial agriculture which, we would argue, is the paradigm that GM crops are occupying, and the UN argues that these techniques - we need to be moving towards modern farming methods that champion biodiversity and benefit local communities and that more and better food can be produced without destroying rural livelihoods or natural resources. So yes, we believe this is where we are moving globally and we believe that GM crops are stuck in the old paradigm.

MR LINDWALL: We would all like to produce more and better crops with less resources and less environmental impact. I don't think anyone would disagree with that.

MS SALES: Yes. Great. Okay, I will wrap it up there. Yes, thank you.

MR LINDWALL: Thank you very much, thank you, Louise.

MR BAXTER: Okay, thank you very much for that.

MS SALES: Thank you.

MR LINDWALL: Now we will hear from Vegan Australia. I think we have got Greg McFarlane, if I'm not mistaken.

MR McFARLANE: That is right. Yes. Thank you.

MR LINDWALL: Welcome, Greg.

MR McFARLANE: Thank you.

MR LINDWALL: How are you today?

MR McFARLANE: Yes. It's been a long day, hasn't it?

MR LINDWALL: It has, yes. Please. And if you would just give your name and tell us a bit about Vegan Australia and whatever else you want to say today.

MR McFARLANE: Okay. My name is Greg McFarlane, I am director

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of Vegan Australia. Vegan Australia is a national vegan education and advocacy organisation started in about 2013 or so. So I would like to thank the Productivity Commission for allowing me to present Vegan Australia's submission to the inquiry.

Our submission mainly addresses the issue of animal welfare and, in one sentence, our submission calls for a complete phase-out of all animal agriculture over the next 10 years. We note that the draft report contains the following statement: "There are some Australians who do not consider it appropriate to use animals for commercial purpose. For example, Vegan Australia advocates for animals to be able to live free from human use."

We deal with a number of issues in our submission but each one of them is based on the idea that animals are not ours to use. They value their own life and body and have an interest in continuing that existence and avoiding suffering. They should be treated with respect and justice and should not be treated merely as commodities.

Further, production of animal products necessarily results in their suffering and death. In addition, humans have no need for any animal products and in particular are able to live healthily on a vegan diet. In fact, many people who adopt a nutritious vegan diet will enjoy significant health improvements by reducing the risk of major killers such as heart disease, stroke, cancer and diabetes and reducing the healthcare burden from these chronic diseases.

Our submission attempts to show two things: first, that any agricultural system that uses animals will cause suffering to those animals and, second, that humans do not need to consume any animal products, as has been shown by extensive research in nutritional science.

Nearly all Australians believe that we should avoid causing unnecessary suffering to sentient beings, as much as possible, and our submission gives evidence for this community view. Given that most people want to avoid causing unnecessary suffering to animals and that animals suffer when used in agriculture, and that animal products are unnecessary, the logical conclusion is that we should end the use of animals in agriculture.

Based on this principle, we propose the following: establish a new independent farmed animal welfare body. The body should represent the interests of farmed animals. The body should recognise the sentience of animals as is demonstrated by an overwhelming number of scientific studies. The main objective of the new body should be to end animal

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agriculture in Australia. The reason for this, I repeat, is because animals suffer when used in agriculture and humans do not need to consume animal products.

The farmed animal welfare body should plan for the complete phasing out of animal agriculture within 10 years. The body should conduct research into how to phase out animal agriculture with the least impact on the economy and employment and the best impact on the environment and human health.

The managing board of the body should only include those who represent the interests of the animals and should not include representatives of animal agriculture industries. The body should educate the community about animal sentience, animal exploitation in agriculture and a healthy vegan diet.

We note that surveys show that the community is 99 per cent against cruelty to animals and the majority of people believe that vegan diets can be healthy. We believe that, given the right information, the public will, over time, support the complete phasing out of animal agriculture in Australia.

I would now like to touch on some of the other issues we address in our submission. First, the phasing out of animal agriculture would be of great benefit to the environment in Australia. Raising and processing of animals for food is a major cause of environmental damage, including land degradation, water shortage, deforestation, ocean degradation, air pollution and climate change. I will just have a drink of water.

MR LINDWALL: Please.

MR McFARLANE: Another issue we address is food labelling. We propose that the labelling of meat, dairy, eggs and other animal products must include an honest description of the suffering the animals endure during the production process. The current situation where most labels contain no information about the treatment of animals used in the production process is deceptive and misleading to buyers. We include in our submission an example label that could be used for dairy products. The labels describes the suffering endured by a typical dairy cow and her calves.

I quote a slightly modified version now. "The milk in this carton was taken from a dairy cow. She had her horns removed without pain relief. She is forcefully made pregnant every year. She is a deeply maternal animal but she is separated from her calves soon after birth causing both

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great distress. The milk she produces to feed her calf is taken from her. She has been selectively bred to produce such a huge volume of milk that her health is compromised. She has a one in five chance of becoming lame, a very painful condition that can lead to early slaughter. She has a one in ten chance of getting painful mastitis and she will be slaughtered after she is worn out at about seven years old, even though she could live until she is 15 to 20. The male calves of this cow were taken to an abattoir at just five days old and killed. The female calves of this cow were raised to suffer like their mother as a dairy cow."

Another example of honesty in labelling would be to replace the pictures of happy hens on egg cartons with a graphic description of most hens' short and miserable lives. After releasing our submission we have received excellent feedback for this labelling proposal. One suggestion was to use the model of cigarette packaging which has a graphic image and a warning in bold, such as "Cigarettes kill" or "Quitting will improve your health" and, on the side of the pack, a more detailed description.

I would like to quote this from one of our supporters: "It should be a level playing field. We are incessantly bombarded with dishonest marketing to purchase animal products and that should be countered to allow consumers to make informed, rational choices." We would like to point out that an important goal of regulation is to ensure consumers are able to make informed, rational choices.

Another issue is access to animals on farms. We agree with the draft report that one way of reducing trespass is to remove the motivation for it. The reason animal activists trespass is to obtain photographic evidence of suffering caused by standard farmed animal practices and conditions. We propose that farms should be required to allow access at any time so that farmed animals can be inspected and freely filmed.

Finally, we have had good support since releasing our submission earlier this week. Most of the messages we have received have been very supportive but a few have been critical. Some criticisms are that we are unlikely to get everyone to go vegan. We are unlikely to convince the Commission to ban animal agriculture. It sets us up for failure and not being taken seriously and so we should strive for a more achievable goal.

By a more achievable goal, people usually mean advocating for some sort of better conditions for the animals who are suffering now. We have heard a presentation from Animals Australia today on this topic and we in no way want to undermine those. However, we would like to point out that there have been animal cruelty laws for about 200 years and yet the conditions most farmed animals suffer under now is worse than ever. A

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better way is to stop using animals in the first place. To advocate for anything less is to sell the animal short.

Of the 90 submissions commenting on the issues paper in February, Vegan Australia was the only organisation to include the explicit goal of phasing out animal agriculture. I suspect we will be the only one during this round as well. The many detailed cases exposing the suffering of farmed animals have been fully presented by other organisations and it's been going on for many years, all sorts of different situations where animals have been shown to be suffering. Whilst some suffering can be reduced, we contend that suffering is unavoidable in any animal agriculture system.

In any case, our submission includes a number of proposals that can be done without the farmed animal welfare body committing to ending animal agriculture, such as the community education role for the body, the honesty and labelling proposal and allowing full access to animals on farms.

I would just like to introduce a couple of sources that I based this on. This is "From Nest to Nugget" from The Voiceless, the fund for animals who, I believe, are giving a submission. That is an expose of Australia's chicken factories, and another one from Voiceless, "The Life of the Dairy Cow".

So they in detail expose the suffering that is standard practice in those two industries and any other industry, particularly the pig industry, you will find similar problems. Finally, some of the ideas that I have expressed in this submission are very easily and well read in this quite short book, "Like You Care" by Gary Francione.

MR LINDWALL: Gary Francione.

MR McFARLANE: Francione and Anna Charlton. So I thank the commissioners, again, for allowing me to present Vegan Australia's submission and I am here to answer any questions.

MR LINDWALL: Thank you very much, Greg. Do you see vegetarianism as a halfway house?

MR McFARLANE: Well, no, because, you know, these two books - - -

MR LINDWALL: No. Yes, okay, yes.

MR McFARLANE: I think a lot of people that were vegetarian, they

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realise after some time, and some instantly, that the cruelty involved in the dairy and the egg industry is equal or worse than other industries.

MR LINDWALL: Do you have an estimate of the number or percentage of Australians who are vegans and how would that compare to other countries? I guess I'm asking how far advanced are your objectives in other countries compared to Australia.

MR McFARLANE: The numbers are very difficult to come by. We usually say about 1 per cent are vegan. I think there was a report putting it at about 2 per cent at the beginning of this year, but a recent report - I think Roy Morgan came out just last week that put the number of vegetarians at, I think, 10 or 11 per cent.

There was quite an increase over the last four years so we would say that that is reflected in the number of vegans. But I guess the important point is not whether people actually put that into practice, it's their belief, and essentially the same idea that we have, that we should avoid unnecessary suffering, and that given the information and the availability and convenience, people will readily do that.

MR LINDWALL: Could you talk maybe a bit about your 10 year objective and what would happen to the animals that are currently being bred for the purpose of animal production?

MR McFARLANE: Well, we've done a little bit of research into that sort of planning. It's obviously beyond a small organisation to - - -

MR LINDWALL: A great challenge, if I might say.

MR McFARLANE: Yes. I think it's actually reported in your draft report that it's about 1 or 2 per cent of - well, about 1 per cent of the Australian economy is animal agriculture and the same for employment. So if we took it over 10 years, we would need to look at the adjustments of 0.1 per cent of the economy and employment, finding new ways to use the land. I think it's in the report that over half of the Australian continent is used for animal agriculture.

MR LINDWALL: Yes.

MR McFARLANE: So there are recommendations, for example, for carbon sequestration, reforesting, and a lot of those, I think definitely shouldn't - the cost of those shouldn't fall to the landholders. There should be government support for, for example, increasing wildlife reserves.

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One of the major environmental costs of animal agriculture is the species extinction around the world, including Australia, so some of those concerns could be helped. There was a good example in Western Australia, a property that had been farmed with cattle for over 100 years was on the brink of just failing, so the farmers decided to take the stock off completely. Within four years they reported a huge regrowth along the riverbeds and along the rest of the property.

So the environment will recover quite quickly, I think. I think in a lot of places it will need work put into it, particularly, you know, if you wanted to be selective about what plants regrow.

MR LINDWALL: But what about, for example, the dairy cows which, because they've been bred this way, need to be milked twice a day, if I'm not mistaken? Do they have a future under this environment?

MR McFARLANE: There are about 500 million animals killed every year in Australia. What we would suggest is that over 10 years, those animals be bred at a smaller number.

MR LINDWALL: Yes.

MR McFARLANE: I don't think there are any, or very few, farmed animals in Australia that are naturally impregnated. I don't think that happens in the chicken industry, the pig industry. It may happen in some, you know, herds of cattle.

MR LINDWALL: Cattle, for example.

MR McFARLANE: But it's pretty rare. So the farmers have complete control over how many animals they breed for the next season. So we would suggest that that just be cut down by 10 per cent every year and by the end of it we wouldn't have this cycle of birth, suffering and killing, for the next - - -

MR LINDWALL: Relative to my - I think about what is happening in the rest of the world. Can you think of any examples of countries which have gone further along the route of veganism?

MR McFARLANE: I think in Europe and England it's - I mean, often when we think about veganism we think about vegan restaurants and those sort of indicators are increasing all around the world. There are reports Israel is 5 per cent or 10 per cent vegan, and I know that some European countries - probably because of mad cow disease and various other scares,

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they are a bit further than Australia, but that is more from a consumer point of view.

MR LINDWALL: Yes.

MR McFARLANE: I mean, they are taking on those ideas about avoiding unnecessary suffering and putting them into their own lives but what we would like to see is for the government to take an active role in that. If they were, "Yes, this is unnecessary suffering".

MR BAXTER: Where do you sit with people who breed sheep for wool purposes only? What would you do with them? Not for meat, not for human consumption but growing wool which keeps us warm.

MR McFARLANE: There are substitutes for all animal products and there are substitutes for wool. I think the sheep - there are a lot of problems like suffering problems in sheep with the mulesing and the death of lambs in the fields. I think there is quite a high death rate of the newborns. So we would say that that is the same for food. It is an agricultural - - -

MR BAXTER: So you are being consistent that all animal products, including from fisheries for example - - -

MR McFARLANE: Yes, yes. I mean, veganism - at this report we are just talking about agriculture but it's a respect for animals no matter how we use them. So for entertainment, greyhound racing, horse racing, where the animals do suffer and we don't obtain any - - -

MR BAXTER: Yes, yes. There is a big adjustment cost in some of that because, as you can see with the greyhounds, what is the future of the greyhounds? Some of them will be destroyed, presumably, and the same with horse racing, so you are right that you have to phase things out if you wanted to go in that direction over a longish period of time.

MR McFARLANE: The alternative is to say, "Well, let's continue doing it", and then you get that wastage every year.

MR BAXTER: Yes, true. How are you going to persuade the 98 per cent of Australians and so on who are not vegans to mend their ways?

MR McFARLANE: Well, I think a lot of that has been done. You've heard from Animals Australia and other people saying that huge numbers of people are against animal cruelty. So it's a matter of educating people to say, well - and this is the labelling proposal we had.

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MR BAXTER: The labelling.

MR McFARLANE: If it's in people's face, people change remarkably quickly. I was speaking to someone recently. She said, "I turned vegan in chapter 5 of a book called Skinny Bitch", right, because she got the ideas and decided, "Well, this suffering is not necessary. I don't want to have anything to do with it." There is a vegan outreach movement at the moment where they show a four minute film on laptops to people just walking in the street and they have quite a high success rate. Have you heard of the film "Lucent"?

MR BAXTER: Lucent? No.

MR McFARLANE: It's a full length documentary put out by Aussie Farms, aussiefarms.com, I think it is. It is mainly to do with - it uses footage from mainly piggeries, including the carbon dioxide gassing of pigs. It's quite shocking. So the people that made that film made a very short version. And an important point to make about all these films from Aussie Farms is that they're all standard practices. Right? So we are not talking about rogue operators or particularly cruel incidences, these are - you're aware of some of them, I'm sure.

MR BAXTER: Yes.

MR McFARLANE: So when people are exposed to that, it can sometimes take just a small exposure.

MR LINDWALL: May I ask, Greg, when you became a vegan?

MR McFARLANE: About 20 years ago.

MR LINDWALL: Twenty years ago. What was the thing that sparked your change?

MR McFARLANE: It was learning about the dairy and the egg industry. I don't think we had the internet back then but I somehow found out about it through magazines or articles. Yes.

MR LINDWALL: Okay. Did you have - - -

MR BAXTER: I've got no further questions.

MR LINDWALL: Is there anything else, Greg, you would like to say? You've been very thorough in your presentation.

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MR McFARLANE: Yes. I guess I would like to just - you have a graph in your report - - -

MR LINDWALL: Yes, we do, and it's the one - and you've adjusted it by moving the W-min upwards above - - -

MR McFARLANE: Yes. Exactly, yes, yes, and I guess that summarises it. We have arguments about improving the welfare of animals and it will improve the productivity of the animals, and I think Glenys from Animals Australia referred to that, that some welfare improvements have an economic benefit and they are the ones that usually the animal industries get behind.

But on the other side of the curve, any increase in welfare will actually reduce productivity, but even so, no matter where you are on that curve, the animal ends up dead and they suffer. They suffer from disruption of family. You know, there are a million things that they suffer from. So really, they are all under the line of minimum suffering.

MR LINDWALL: It's amazing how people can accept certain practices. For example, I lived in France for quite a while and, as you know, foie gras production is quite strong there. It's the forced feeding of geese. Yet there is no sign of that changing over in France, to my knowledge.

MR McFARLANE: Yes, yes. I think that is one of the things that organisations like Animals Australia campaign against, is foie gras. But we don't see that as any more heinous than other things that happen in Australia.

That is the problem with things like being against live export, I find that a little bit racist in that we're saying, "Well, the Vietnamese, they're not going to kill the cows as well as we do", and there are probably lots of abattoirs in Vietnam that do the right thing. We are talking about a degree of suffering and by concentrating on, you know, the dog killing festivals in China and the bear baiting in other countries and the live export, we're sort of saying, "Well, we're perfect in Australia", and we get diverted by those sorts of campaigns.

MR LINDWALL: Okay, yes. All right. Well, thank you very much, Greg.

MR BAXTER: Thank you very much indeed.

MR McFARLANE: Thank you.

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MR LINDWALL: Now, everyone, there is opportunity here for anyone else who wants to make a presentation. I think we have got two other people here. You are quite welcome if you wish to? In which case I adjourn these hearings and we will resume in Canberra next Monday. So thank you all for coming.

MATTER ADJOURNED AT 2.26 PM UNTIL MONDAY, 22 AUGUST 2016 AT 9.00 AM

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Australian Government

Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT CANBERRA
ON MONDAY, 22 AUGUST 2016 AT 8.59 AM

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MR LINDWALL: Good morning. Welcome to the public hearings for the Productivity Commission inquiry into the regulation of agriculture. My name is Paul Lindwall and I am the presiding commissioner on the inquiry. My fellow commissioner here is Ken Baxter.

The inquiry started with a reference from the Australian government late last year and covers the regulations that have a material impact on the competitiveness and productivity of Australian agriculture. It has examined regulations at all levels of government. We released an issues paper in December last year and have talked to a range of organisations and individuals with an interest in the issues.

We then released a draft report on 21 July after the election was conducted and have received over a hundred submissions and more than a thousand personal responses and views since the release of the issues paper. We are grateful to all of the organisations and individuals who have taken the time to meet with us, prepare submissions and appear at these hearings. The purpose of these hearings is to provide an opportunity for interested parties to provide comments and feedback on the draft report. Today is the fifth day of hearings for the inquiry. We will be conducting hearings in Brisbane on Wednesday and Townsville on Thursday.

Formal submissions to the draft report are invited, preferably by the end of August. We will then be working towards completing a final report to be provided to the Australian government on 15 November. Participants and those who have registered their interest to the inquiry will automatically be advised of the final report's release by government which may be up to 25 parliamentary sitting days after completion. We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken, but at the end of the day's proceedings, I will provide an opportunity for anyone who wishes to do so to make a brief presentation.

Participants are not required to take an oath but are required under the Productivity Commission Act to be truthful in their remarks. They are welcome to comment on the issues raised in other submissions and by other people at hearings. The transcript will be made available on our website following the hearings. Submissions are also available on the website. For any media representatives attending today, some general rules apply. Please see one of our staff for a handout which explains the rules.

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Health and Safety legislation, you are advised that in the unlikely event of an emergency requiring the evacuation of this building, you should follow the exit signs to the nearest stairwell. Lifts are not to be used. Please follow the instructions of floor wardens at all times. If you believe you will be unable to walk down the stairs, it's important that you advise the wardens who will make alternative arrangements for you.

Participants are invited to make some opening remarks of no more than around five minutes. Keeping the opening remarks brief will allow us the opportunity to discuss some matters in greater detail. Now we will welcome Deb Kerr from Australian Pork Limited.

MS KERR: Thank you. I am just going to make a couple of brief remarks - - -

MR LINDWALL: Could you just say just your name and organisation.

MS KERR: Sorry.

MR LINDWALL: Sorry, I know it seems repetitive.

MS KERR: Deb Kerr. I am the general manager of policy for Australian Pork Limited. Okay. Given that our submission hasn't been tabled yet, we have tabled with the Commission a brief range of points that we would like to cover this morning. I will make my remarks very brief because time is short.

So the main areas that we would like to cover are environmental regulation, it is a significant impact on our industry at present. The regulation of farm animal welfare is obviously very topical. Biosecurity is linked a little bit to farm animal welfare and concerns about farm animal welfare and the significant threats that sometimes occur with unauthorised entry onto farms.

The Commission has raised the issue around a voluntary country of origin labelling system and labour regulation. In terms of environmental regulation, what we are seeing at the moment are two issues, one at a policy regulation level where we often see a lack of corporate knowledge is impacting good regulation in each of the states. We often see conflicting regulation by different arms of the same department or different departments. So that is resulting in some poor outcomes and obviously a lot of angst as producers try and deal with development applications.

At a decision level, what we are seeing is a significant impact, again,

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corporate knowledge and the ability to assess the development application, reticence by both council staff and councillors for making development applications, particularly when we see development applications being used by activists for other reasons than the requirements of a development application. So looking at their concerns about animal welfare rather than environmental regulation.

As an industry that is going through a development phase, we are seeing increasing issues in each state and certainly it's unfortunate when producers who are seeking to expand and develop or seek retrospective permits where they have been misinformed are having to end up in court. So that is a really unfortunate situation.

In terms of animal welfare, I would welcome a discussion but our view is it's about the process not the body that might be considered to be put in place. There is also, I think, a significant opportunity for an education process about standards and guidelines in particular. We think it should be harmonised. We think that regulation in each state around standards and guidelines should be harmonised, but we strongly support the use of science to determine what the standards and guidelines should look like.

One of the issues that has come up around biosecurity and farm trespass is making sure that whoever is on farm, whether it's the person coming in to read the electricity meter or it's a visitor, you know, that is a vet, for example, or even APL staff or whether it's a farm activist, everybody should be respecting biosecurity. It's a significant threat to our industry. We have a closed herd and therefore any introduction of disease has the potential to have animal welfare and biosecurity impacts at a farm level and also right through to export markets.

In terms of food regulation, historically, our industry has faced, and continues to face, probably the biggest import pressure aside from perhaps fruit and vegetables and seafood and so we have strongly supported a good system of labelling to ensure that consumers understand and are aware of where their food comes from. Up until recently, it's been a significant failure and we have taken the action historically to promote our pork mark logo, so that is the pink square with Australian Pork, so that consumers were aware that when they purchased ham and bacon in particular, that they were purchasing Australian product, compared to imported product.

The new system is obviously now in place and we welcome the government's move to look at labelling it in delicatessens, but I think the proof will be in the pudding about how that rolls out over the coming

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months and years, but certainly an education process is certainly needed. In terms of labour regulation, we are an industry where we require, according to our standards and guidelines or our model code, skilled labour for stock persons in piggeries.

We have been challenged over a number of years for that skilled labour and have developed a 457 visa template agreement with the government and that has been rolling out, but there are certainly some issues in terms of the requirement for training which was mentioned in the Azarias Review.

The other thing that has come up is where Australia doesn't have reciprocal arrangements for health care, then workers are faced with significant health costs while they are in Australia if Australia doesn't have a reciprocal arrangement. So we would support the consideration of, for example, the provision of Medicare or basic health services for 457 visa holders. I will leave it there and welcome the discussion.

MR LINDWALL: Thanks very much then, Deb. All right. Do you want me to start, or - - -

MR BAXTER: Yes.

MR LINDWALL: Yes. Could I start on the food labelling, the pork mark scheme?

MS KERR: Yes.

MR LINDWALL: How many pork producers are currently using this scheme?

MS KERR: It's not so much pork producers, it's the processors.

MR LINDWALL: Yes, the processors, I mean, sorry.

MS KERR: We license it out to processors and we have a significant number. I think it's in the vicinity of 300 processors are utilising it and certainly, you know, some of the supermarket chains use it and it has got quite a high recognition range.

MR LINDWALL: So some processors aren't using it at the moment.

MS KERR: Some of them choose not to and that is their prerogative. It's a voluntary system, but I think it's gained a lot of traction. People understand that that belongs to Australian pork. We don't need to put it

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on fresh pork per se because all fresh pork in Australia is Australian pork. No imported pork is allowed to go onto the fresh market because of biosecurity issues. All of the imported pork goes into the process sector, so that is where the pressure is in terms of understanding where the pork is, Australian versus imported.

MR LINDWALL: I think in your initial submission you suggested that the country of origin should remain a mandatory system rather than voluntary. That is still the case, I dare say, as you are indicating.

MS KERR: Yes. That is the case, yes.

MR LINDWALL: Do you have any suggestions as why mandatory is needed in this area?

MS KERR: I think it helps to ensure that people are aware of where their food comes from. If it's a voluntary system, then there isn't the requirement for people to understand whether their pork is from Australia or whether their pork is from the EU, Denmark or the US, Canada. So for us, we think a mandatory system is required and we've strongly supported that over quite a number of years.

MR LINDWALL: Okay. Unless you have got anything on country of origin labelling - - -

MR BAXTER: Well, can I just - there were accusations floating around, if I may recall correctly, about seven or eight years ago, that the labelling system was being used effectively as a non-tariff barrier and I recall there was a dispute between members of your organisation, government and exporters, particularly the Canadians, about the import of Canadian and Danish pork into Australia. What is the situation now with imports of Canadian and Danish pork?

MS KERR: I'm not sure that - I'm not aware of a labelling issue. There is certainly - our biosecurity protocols I think are considered by other countries to be a non-tariff barrier to trade. Total pork consumed, so fresh and processed, 45 per cent of all pork consumed in Australia is imported. Of the process sector, 75 per cent of everything that is consumed is imported. So all of that 45 per cent goes into process which makes up the 70 to 75 per cent. So I don't think that Canadians or the US or EU countries have grounds to say that it's a non-tariff barrier. A significant amount of pork consumed in Australia is imported.

MR LINDWALL: Yes, okay. Now, on biosecurity, since you just touched on that, and I think in your previous submission you said that

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even staff from state owned enterprises often don't understand the biosecurity risks. What type of protocols do you think should be in place to minimise those risks?

MS KERR: The biosecurity protocol that is in place, the pork import risk assessment, is a strong one that is based on science and it's based on a couple of diseases, primarily foot and mouth disease, something called PRRS and PMWS. So until the science says otherwise, then the biosecurity protocols dictate what can be imported from which countries and what controls happen to that imported pork when it comes in.

MR LINDWALL: I was actually talking about entering into farm release. So biosecurity risks when people, even state-owned enterprises, go into a farm and they are often not aware of those - - -

MS KERR: Yes. So electricity companies. What we require is that they report and so the biosecurity plans are in place, but companies like electricity companies and gas companies that have a statutory right of entry have a view that they don't need to report. So they view that their statutory right of entry is superior to the requirement of biosecurity.

We have worked with Queensland to try and resolve, in particular, some issues on farm in that state and really that was an education process that - you know, it's not about preventing the reading of meters, it's about making sure that you haven't been on another pig farm in the last three days and have the potential to carry disease. So we need to manage that and, you know, shower-in and shower-out facilities where they will be interacting with pigs.

But it's really a process issue. It's an education issue and making sure that staff from the state-owned enterprises actually do report to the farm manager and the farm manager can then make that decision on whether they need to go through some other additional entry requirements.

MR LINDWALL: I was going to ask about the activists.

MR BAXTER: Well, I was just going - before you get onto the activists, what is the level of adherence to that protocol?

MS KERR: It can be poor, depending on the individual from the state-owned enterprise and depending on, you know, how much they are aware of biosecurity requirements on an intensive piggery. So we have had producers complain. We have had producers state that they have rang the police to ask the police to intervene and it's unfortunate if we are getting to that stage where producers have to call in police to manage their

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biosecurity requirements.

MR LINDWALL: And do the activists who are concerned about animal welfare understand some of these risks as well?

MS KERR: They say they understand it and that they take precautions, but when you are entering a farm in the middle of the night, it's not the activists' right to make that call, it's the farm manager's right to make that call and there is no way on earth that a farm manager can do that if activists are covertly entering premises.

We don't know whether they've been on another pig farm and they remove the metadata from photographs and videos, so we have no way of tracking it. In the start, in particular, we were able to do that and we found at least 11 occurrences where they had been on other pig farms that or in the preceding three nights, and so that clearly demonstrates that biosecurity is not their priority and, in two piggeries, we believe, there was a spread of an endemic disease that cost significant amounts of money.

If a pig producer has to de-pop a piggery to get rid of a disease, you are looking at, depending on the size of it, but a medium size piggery, it could be a million dollar cost. So it is a significant - - -

MR BAXTER: What is the view of the compliance officers, which in most cases I presume are the police? What is their attitude to dealing with these people?

MS KERR: The police - on farm it's primarily the farm manager that is the compliance person. Unfortunately for police, you know, when you've got more significant crimes being committed, they may not appear on farm for two or three days, depending on what is happening in the local region.

There have been efforts to educate police, and particularly stock police in, for example, New South Wales and Queensland where they are in place, and certainly they have made changes in terms of educating the broader police force about the issues around biosecurity and the requirements.

In some of our larger farms they have educated local police and have arrangements in place that the police will turn up and deal with activists trying to enter premises where they know that occurs, but where you don't know it's occurring, it's a bit hard to call the police and ask them to deal with it.

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MR LINDWALL: Yes. In our draft report we said that having a credible science-based animal welfare organisation might reduce the incentives for some activists to trespass. Do you think that might be the case or not?

MS KERR: No, I don't. I don't believe that is the case. Animal activists are normally about animal rights versus animal welfare, which is what the standards and guidelines process is about, and often we hear things like the current one, which is called a model code, that is developed by industry for industry and everybody else has not made the right decision. "We believe that, you know, more stringent animal welfare requirements should have been imposed through that model code."

So even though activist welfare or rights groups were at the table, they walk away from those processes, so an independent science-based, if it comes up with a position that is the requirement for law and an activists group doesn't agree with that, then they are not going to respect those standards and guidelines, even with an independent body, I don't believe.

MR LINDWALL: Okay. Did you have anything more about that?

MR BAXTER: Yes. The point of environmental regulation, and quite often the contradiction between policy incentives of local government councils to expand population and increase residential populations in country towns, at the same time conflicting with the operations of, whether it's a piggery or an abattoir, what is your view about how that sort of conflict might best be dealt with?

MS KERR: I think education is certainly a requirement that councils probably need to look at, and certainly industry needs to look at as well. I think one of the things that does happen is, you know, we might have, for example, a piggery that is operating quite nicely without any community impact, looking to develop, and that brings obviously a significant economic development for a local region, but other issues take control of the situation and councils and council staff come under a significant amount of pressure in terms of a development. So you know, we have got an instance for one piggery in New South Wales - - -

MR BAXTER: Is this the one at Young?

MS KERR: Yes. Yes. Where, you know, that's a significant development, but councils have essentially come under a significant amount of pressure personally and professionally to make a decision in the interests of the activists when a development application isn't about

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animal welfare, it's about the impact on the environment, on indigenous heritage and, you know, amenity for local community and people that might be affected by it. But you know, that case and others are likely to end up in court as councils choose not to support a proposal or to impose, you know, conditions that are actually quite bizarre in some cases.

We have had a couple in Victoria, for example, that have got some conditions which are really quite ridiculous, and through that, you know, producers will end up probably appealing to court. And it's an unfortunate situation that a practical outcome can't occur at a local council level, because you have got local people, local influences and activism gradually creeping into that development application process.

MR LINDWALL: So that just raises the cost of the development obviously.

MS KERR: Yes, significantly, and we have got significant delays. You know, some piggeries that have been trying to develop, it's two to three years, it's the court case, it's the impact personally on the producers, the stress that they are having to deal with these situations. It's, you know, challenging them.

There are personal attacks on producers through social media. You know, stuff being brought up that is incorrect. APL itself has been attacked through some of these processes for its position on animal welfare, which are totally unrelated to the development application, and so the development process, which should be, you know, a reasonably seamless, straightforward process, is becoming costly, time consuming, emotionally draining, stressful, for all of the participants and certainly council staff and councillors are coming under that pressure as well.

MR BAXTER: Has the experience been that producers who are the subject of court action are able to continue their operations while the court action is in train?

MS KERR: They have to, but obviously that has an impact on their operations as they take time and legal advice to prepare their case for court and to prepare any additional expert advice. You know, if they have prepared a submission, for example, using a soil scientist's advice, they might have to go back and seek additional advice, and you know, development application is not cheap. It's certainly an expensive exercise. So it does all affect the operation of themselves personally, their family, their business, and they may need to, you know, put on additional staff to cope with that pressure.

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MR LINDWALL: So are state governments to ensure that councils are acting within their remit and they are not acting in an ad hoc and arbitrary way and against the law?

MS KERR: Not that we've noticed. We are - APL certainly is concerned sufficiently to our board last week agreed to put on a person for a contract period of time to help educate councils. There are 600-odd councils in Australia and so, you know, looking at the priority councils where piggery development is occurring, will be an initial focus. So you know, for us, that is an education process with councils, making sure they are aware of our environmental guidelines and that person would also be responsible for dealing with some of the often conflicting policy that is now occurring within government departments as well.

MR LINDWALL: The issue you mentioned earlier, the environmental departments, for example, and other agencies at the state government level and presumably also at federal government level - it's a dilemma in policy, isn't it, where you could have a black letter law and people become a very "tick the box" mentality versus one which gives a bit more discretion to officers or agents and sometimes they can be exercising the discretion in ways that are not necessarily in the spirit of the law so getting the balance between those is quite difficult. Do you have any suggestions?

MS KERR: I think we have suggested previously that, you know, somebody needs to be employed by governments to look at that education process and looking at the policy process and making sure that, you know, producers interacting with both government agencies for their EIS requirements for their development and councils have an adequately trained person that understands piggeries and piggery development and how they operate. That would help that process, but obviously that is a resourcing issue for state governments, not so much federal government. Our interaction is more with the state governments on this matter, which is probably why we've decided to take that action ourselves.

MR BAXTER: What is your view, or does the association have a view about what has been implemented overseas and in some parts of Australia of right to farm legislation?

MR KERR: Yes. We actually term it right to farm right. We recognise that our producers need to do the right thing as well, but where you have a piggery that has been operating quite legally for years, or believed it was operating legally because it went to council in some cases and was told that it didn't need a development application or a permit to operate, incorrectly in hindsight. So you know, we have got cases where that has

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happened. The piggery is well sited. In terms of the environment, it's doing the right thing, and because of this quirk that they have been given some wrong advice by local council, they have gone back and tried to retrospectively gain a permit.

That then becomes this sort of circus around, you know, whether it should be where it is. And you know, in the intervening time, you might have urban encroachment, peri-urban encroachment, people might choose that now is the time to complain, and the piggery might not have ever had a complaint made against it, but all of a sudden it becomes the focal point for a whole heap of complaints and objections about its existence.

So you know, a piggery that has been there for 20 years and, you know, town or peri-urban is now surrounding it, it should be allowed to continue to operate legally and within that community area.

MR LINDWALL: It's a dilemma, isn't it? You see that in lots of society where houses get built next to Kingsford Smith Airport and complain about airport noise too.

MS KERR: Yes, it's a similar situation. Yes.

MR LINDWALL: And consumer products. Now, did you have anything more on that?

MR BAXTER: No.

MR LINDWALL: On the issue of - what else did I want to talk about? Labour markets, that's right, yes. Now, the 457 template agreements that you were talking about make a lot of sense. Does the pork industry use seasonal workers? I doubt, no.

MS KERR: No, no.

MR LINDWALL: What about working holidaymakers?

MS KERR: Very little. Because the model code requires us to have skilled stock people on farm, you know, the farm might employ them for other areas, but certainly not in the piggery. A lot of our farms are - you know, they might grow wheat and other things as well, but in terms of the piggery component we use 457s because of the model code requirement. So seasonal backpackers, holiday makers, are not a big use in our industry yet.

MR LINDWALL: Okay. And so the 457s are fine. Your biggest

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concern there is the access to health services. Now, of course, that is standard across all 457s, and one could argue that Medicare is a highly subsidised form of health service. Is there a halfway house that you could think of, rather than saying they get full access to Medicare? Or are you saying that the insurance policies on offer are far too expensive for the type of service you are getting or buying?

MS KERR: I think you need to understand what the worker is going through. You know, these people come in on a 457 visa. It has cost them a significant amount of money to get to Australia. It's cost the business a significant amount of money. The pork producers themselves are probably paying $6,000/$7,000 to employ a 457 by the time it goes through the significant process of getting a labour agreement signed up by the department. And the worker themselves might be spending more than that within their own home country.

So there are significant costs associated with that and often the worker has borrowed money from family, friends and whatever to get to Australia. So the first couple of years that they are here, they actually spend paying off that debt, or it might be to their immigration agent. So there is a significant cost burden to the industry. The farmer is being required to put training. Perhaps the money for training that they are required to put forward might be better spent on the insurance or medical costs for the worker themselves.

MR LINDWALL: I mean, we did say in our immigration inquiry, migrant entry, which the final report hasn't been tabled yet, that immigrants, of course, have significant benefits coming to Australia and many of them will transition to permanent residency and ultimate citizenship. Is that the case with 457 visas?

MS KERR: Yes. We have a significant amount of interest in that and I think the 457 agreement that we do have needs to be reviewed because that process can't start until the four years is up and they have to go back to their home country. We are probably going to suggest to the department that we review that so that process can start at three and a half years to allow that to complete, so that they don't have to return to their home country and come back to Australia if their citizenship is granted.

MR LINDWALL: Okay. Did you have anything more?

MR BAXTER: A very quick question on animal welfare and animal rights. And I notice that APL is saying they support the principle of the independent body that we have recommended in the report. My question is how do you think - how does APL think such a body should be funded?

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MS KERR: I think we supported an independent process, rather than an independent body per se.

MR BAXTER: Could you just explain how you distinguish the two?

MS KERR: I think - - -

MR BAXTER: Independent process - sorry to interrupt. Independent process to do specifically what?

MS KERR: For the standards and guidelines, so making sure that it's - so an independent body - there are probably a number of models that can be looked at. You know, Standards Australia is one model, FSANZ is a different type of model. The Commission has recommended another which probably aligns a bit more with the Australian Farm Institute's recommendation.

The question mark we had around particularly that model and the Commission's model was how would the scientific committee work? You know, I can commission work. An animal rights group can commission some scientific work. They could be all plausible, really it's how that independent science-based body would work, or ethics committee would work.

For us, the key issue is we want science-based standards and guidelines. We want a process that results in harmonised standards and guidelines being legislated in Australia. So in other words, what we don't want is state governments picking bits and pieces or doing their own process which means that others don't have a standards and guidelines or have a dated standards and guidelines process. It's making sure that we have harmonised legislation in each state that means that producers across state borders are operating on a level playing field.

That is the outcome that we want to see. It's how we get to that. We see an independent process as - it's the independence of the process that is probably more the point for us.

MR BAXTER: Have you had a look at the New Zealand model?

MS KERR: Not in detail, no, but we will be going into that process.

MR BAXTER: Yes. I think we would appreciate you having a look at that which has been a very effective and well-regarded model from both sides of the fence, so to speak. So we would be interested to have your

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reactions. I am having some difficulty, I have got to say, in what you describe as an independent process. Who runs that process? What is the expected outcome of it? Is the expected outcome just the harmonisation of current regulations or is it ultimately leading to a national body with the capacity to ensure that those standards are harmonised and implemented?

MS KERR: I think, if we go back historically, the AAWS process was really strongly supported. And so that was a national harmonised process. So I think there does need to be national leadership.

MR BAXTER: But by who?

MS KERR: Whatever the outcome, I think it needs to be supported by all of the jurisdictions, industry and the relevant animal welfare science groups. You are never going to keep animal rights groups happy but, certainly, the majority of people, like RSPCA, the welfare organisations that are supportive of good animal welfare.

We probably, in terms of who leads that, if it's national leadership then the Australian government needs to be involved in that somehow. Now, whether that is through the Department of Agriculture, whether that is through a FSANZ type process, whether that is through a new process, but I think jurisdictions need to be supportive of the process, Industry needs to be supportive of the process, and the animal welfare groups like RSPCA and the Australian Veterinary Association need to be supportive of the process.

At the moment, I don't think that is - in the last three years that has probably taken a backward step. There is lack of transparency in the process at the moment. I know how it's meant to work. There is very little community transparency around the process and, you know, who are the right people to talk to and how that process is instigated.

In terms of who funds it, which was your other part of the question, the model code process that we went through three years ago was tripartite shared between the state governments, the federal government and industry. The current process is probably 50 per cent industry and state governments, but if you have national leadership, is that national leadership in just terms of the process or is it also in terms of funding? That is something for the federal government to answer ultimately.

MR LINDWALL: Is that all right?

MR BAXTER: Yes, that's - - -

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MR LINDWALL: There is one more question that I should have touched on - the labour market. I realise that I should have asked it. It's about the training side of it, which I think you have said earlier that it's very prescriptive.

MS KERR: Yes.

MR LINDWALL: What would you like to see changed there?

MS KERR: I think, if I take a step back, my understanding of the requirement for that is to make sure that Australian workers are not disadvantaged by the 457 visa holder in the workplace. We actually think there are significant benefits for the 457 visa worker back to the Australian workers and that is because the people that are coming in on our 457s are either vets or a step below that, which are much higher qualified in their home country than what they are here. And so we think there is a transfer of knowledge and expertise from the 457 visa to the Australian worker.

So there is an opportunity to look at probably mechanisms there for the exchange of education and training between the two groups of workers. I suggested, tongue in cheek, perhaps that the training funds that the Australian workers are required - or the Australian employer, is required to set aside could be used for health, but equally it could be more flexible in the way in which the employer uses that. For example, you know, can it also train the 457 visa worker? You know, perhaps in Australia's work health and safety requirements or other managerial type training. There needs to be a bit of flexibility in the way in which employers can utilise that requirement.

MR LINDWALL: Okay. Well, I think that is very good. Thank you very much, Deb.

MS KERR: That's all right, my pleasure.

MR LINDWALL: All right. Well, is Jed Goodfellow here?

DR GOODFELLOW: Yes.

MR LINDWALL: Please come up. Just say your name and organisation and then a brief introduction of what you would like to say today.

DR GOODFELLOW: Sure.

MR LINDWALL: Welcome.

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DR GOODFELLOW: Thank you. Good morning, commissioners. Jed Goodfellow, RSPCA Australia. I am the senior policy officer there, representing the national body on behalf of all of the RSPCA state member organisations as well. I, very late last night, provided some talking points to you.

MR LINDWALL: I have got that, thank you.

DR GOODFELLOW: So I could run through those talking points quite briefly. In summary, the RSPCA really does support the recommendations that have been made in the draft report, particularly 5.1 and 5.2. I can speak briefly to those recommendations. I would also like to speak briefly to the analysis of live export regulation. Also, the issue of farm trespass as well. I will make a few comments in relation to that.

MR LINDWALL: Perfect.

DR GOODFELLOW: But I will be guided of course by your questions.

MR LINDWALL: Please continue, yes.

DR GOODFELLOW: The chapter on farm animal welfare is very well researched. The RSPCA was pleased to see such considerable attention given to this area of regulation. No doubt animal welfare is going to be a significant area of concern to the Australian community. It's going to play a major role in livestock industries in the future. So I think the attention given to animal welfare regulation in the draft report is very well warranted. In relation to recommendation 5.1, the RSPCA certainly supports the establishment of an independent body to oversee the development of farm animal welfare standards at the national level.

This is a body that is really long overdue in Australia. We, of course, had the Australian animal welfare strategy prior to 2013. That, while not being an ideal committee or structure for developing animal welfare policy in Australia, it certainly was better than having nothing.

Australia is one of the few developed nations that doesn't have an independent national animal welfare advisory body which is really bizarre considering the extent to which we rely on animals, the significance of our animal industries and the significance of the Australian community's concerns about animal welfare. It's really a huge omission of leadership on behalf of the federal government at the current time.

So we were very pleased to see the committee's recommendation for

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the establishment of a national body and we agree with the rationale provided in the report for the establishment of that body. I could speak just briefly to what I would - - -

MR LINDWALL: You said committee, I assume you meant Commission. Yes.

DR GOODFELLOW: Yes, sorry, Commission. Yes.

MR LINDWALL: Just to clarify, that's all.

DR GOODFELLOW: Sure. In terms of some of the key points, or key questions, the Commission was seeking, in terms of the most effective governance structure, ideally the RSPCA would like to see the body established by an enabling statute. An enabling statute would secure the body's independence. It could delineate the body's functions. It could set out the composition of key advisory committees, being the scientific advisory committee and the community ethics advisory body. It could appoint a CEO to run the body. It could also crucially, and this goes to the New Zealand model as well, set out a process for the development of national animal welfare standards, which includes key decision-making principles and factors to be considered.

You may have researched already Part 5 of New Zealand's Animal Welfare Act which does prescribe the sort of process and the detail for what the National Animal Welfare Advisory Committee must take into account when developing national farm animal welfare standards, and it provides for a much more formal and accountable process. It includes the requirement to take into account community expectations and of course contemporary science. This is vitally important in Australia. This is lacking at the current time. I could give the commissioners an example or a case study with the current process that we are going through now in developing the national standards for poultry.

At the moment, we are up to the second stakeholder advisory group meeting process. We just had that last week. The draft standards to date have not been based on independent scientific review. The small writing group made up by representatives of Animal Health Australia and the Department of Primary Industries New South Wales developed a series of what they referred to as support papers which were purported to summarise the scientific research in the area of specific policy issues relating to the welfare of poultry.

Those support papers were heavily criticised by the RSPCA, by our scientists. They were also criticised by the scientists who were referenced

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within the supporting papers, particularly the support paper in relation to the continued use of battery cages. The writing group has subsequently admitted that there are deficiencies within the support paper relating to battery cages, yet the draft standards upon which — or the science upon which the draft standards are based currently, recommend the continued use of battery cages into the future with no phase out, no legislative phase out in place, and those standards will be going to public consultation soon.

So we see another process, yet again, despite multiple independent reviews of this process that have recommended that they be based on independent scientific review, that community expectations be canvassed in relation to these key issues. Yet again, we have seen a process that doesn't take into account those two key fundamental issues. The RSPCA last Friday released its own scientific report in relation to the welfare - or comparisons between the welfare advantages and disadvantages of different systems of production in relation to poultry.

It's unfortunate that we have to go to that length and there is debate about, you know, which science the writing group should rely upon. All of this could be resolved with the establishment of an independent scientific body who can undertake this sort of research. What is crucial in relation to animal welfare science is that the conceptualisation of animal welfare, the definition of animal welfare is well-established and also the different domains of animal welfare are well-established and decisions that are made give an explanation as to what domains of animal welfare have been prioritised in the decision-making process.

Through your research, commissioners, you may be aware that the different domains of animal welfare being - there is a basic health and functioning domain of animal welfare. There is also an effective states domain of animal welfare. These two domains can at times be in conflict and often we will find that researchers can prioritise, you know, one domain over another and certainly the stakeholders and interest groups prioritise the different domains of animal welfare as well, depending upon the interests and the values that underpin their assessment of animal welfare policy.

So this all needs to be made transparent and we need to have an independent body that engages in these assessments and is transparent about its decision-making. At the moment, it's just an ad hoc process and we don't receive explanations as to why certain decisions are made when the assessment of contrary animal welfare science is made to underpin these standards. So that is just a brief case study on why an independent body, and particularly an independent scientific body, is so vitally needed.

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In terms of the body's responsibilities, briefly, the RSPCA again agrees with the proposed responsibilities set out in the draft report, being that it manages the process for setting national standards. The body, as we would foresee it, would support of course the operation of the National Animal Welfare Scientific Advisory Committee, also the National Community Ethics Advisory Committee. It could also have the responsibility of providing advice to government on animal welfare policy issues of national significance. It could also play a role in co-ordinating the allocation of public funding for animal welfare scientific research, including those public funds that are currently dedicated to rural research development corporations for animal welfare research as well.

It could also play a role in inquiring into and publishing reports on animal welfare issues, including with respect to state and territory performance on animal welfare standards and enforcement arrangements, as I think has also been recommended in the draft report, and finally, we would certainly support any recommendation that the body have some role in overseeing the Department of Agriculture's regulation of the live animal export industry. We think that is also vitally important because, as I will canvass very briefly, we feel that there are some fundamental deficiencies in that live export regulatory framework.

In the interests of time, I might just leave recommendation 5.1 there unless the commissioners had further - - -

MR LINDWALL: That is all right. No, we will come back to questions. Yes.

DR GOODFELLOW: In terms of recommendation 5.2, the RSPCA supports all aspects of that recommendation. We do see a strong need for the separation of agriculture policy matters such as industry development and promotional type roles and functions on behalf of state agricultural departments and farm animal welfare law enforcement functions. Of course, there is a perceived conflict of interest there and it's very important that the community be assured that those two roles will not come into conflict in practice.

And for that reason, we certainly support the development of equivalent independent bodies at the state level. All of the rationale, the reasons set out for the establishment of such a body at the federal level apply equally at the state base level, and this body could oversee the appointment of inspectors under the legislation. At the moment, as commissioners would be aware, inspectors are appointed from a range of different organisations and there is a need for that appointment process, training, the skills, the accountability obligations of inspectors to be made

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more uniform in the state jurisdictions.

At the moment, we see different levels of training, different standards and different modus operandi for inspectors, depending upon what institution is appointing them and employing them. So it would be good to see greater uniformity there and I think a state-based independent animal welfare body charged with the administration of animal welfare legislation would certainly improve that process. We certainly agree that monitoring enforcement activities should be publicly reported upon by state government departments. At the moment, very little information is published as the draft report has indicated, despite the high level of public interest in this area.

We would also support far greater resources being dedicated by state governments to monitoring and enforcement activities. That is one of the fundamental problems currently with farm animal welfare enforcement is that there is a chronic lack of funding. It doesn't seem to be a priority for state governments at the moment, and in very few jurisdictions are there formalised routine inspections programs based on animal welfare. Tasmania, I think, is one of the few jurisdictions that has a formalised routine inspections program. South Australia is developing one, but it would be good to see further resources dedicated to those areas.

I think, by making it more transparent and accountable, state governments more transparent and accountable, with respect to their farm animal welfare enforcement matters, I think that would lead to greater investment in the area because there would be greater public scrutiny. The RSPCA supports the formal recognition of industry QA programs. We would, however, state that industry QA programs should not be used to substitute government inspections.

There must still be a regime of government inspection that operates in conjunction with industry QA programs because you still do have a risk, one, of the perception of conflict of interest being that the QA programs are run by the industry and owned by the industry itself, and also that there is a risk that serious matters could be handled in-house, so to speak, rather than being reported to relevant authorities. So we think it's still necessary for government inspection to run in conjunction with those QA schemes, but we certainly do support the formalised recognition of those QA schemes.

If there aren't further questions there, I will go onto briefly a few comments on live export regulation.

MR LINDWALL: You may as well continue and then we will get into

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questions, yes.

DR GOODFELLOW: Of course, live animal exports remains a very highly controversial trade in Australia. It enjoys limited community confidence and support. The Exporter Supply Chain Assurance System was introduced in 2011 to provide greater assurance to the Australian public that animals exported overseas would be treated humanely, or at least in accordance with international standards which, I would submit, are very low standards. They allow for animal handling and slaughter practices that fall well below Australian standards.

Under the ESCAS, there have been now - or under Australian live export relations more broadly, there have been over 110 reports of non-compliance, and many of these reports relate to thousands of animals, so we are talking about many thousands of animals that have been leaked outside of approved supply chains. Through the government investigations, we have found several, or many, findings are critical and major non-compliances. However, to date there has been very limited punitive sanctions imposed on exporters.

I believe in the latest incident in Vietnam involving the sledgehammering of Australian cattle and further leakage of Australian cattle from supply chains has resulted in two exporters having - or their trade to Vietnam being suspended, which we think is a promising sign by the government in terms of its response to non-compliances. However, the overall administration of the ESCAS does raise concerns for us, and I will use the Vietnam experience as a case study. In that market, Australia was only sending around 3,000 head in 2012. By 2015, that number had jumped to over 300,000 animals.

The Australian government now approved nine exporters to send 20,000 to 30,000 head of cattle there per month to over 200 approved facilities. There are more facilities approved in Vietnam than there are operating in Australia. Many of these facilities are very small. They only have the capacity to slaughter a handful of animals per day. We question why there would be such rapid expansion in those high risk conditions. These facilities lack much of the basic infrastructure, equipment and training required to ensure the humane handling and slaughter of cattle but, despite this, the Australian government has approved that rapid expansion of supply chains.

Incidences relating to sledgehammering were first notified to the Australian government in June 2013. Again, in May 2015 and of course most recently in June 2016. This is a common method of slaughter in Vietnam and it is for that reason that extreme caution should have been

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exercised in relation to approving facilities for receiving Australian cattle. However, that does not seem to have been the case. We see the current administration of the ESCAS, particularly in Vietnam, as a process of what could be described as rubber stamping of supply chains.

On that basis and the basis of ESCAS failings in other jurisdictions, the RSPCA has been calling for an independent review of the ESCAS, preferably by a former senior judicial officer, considering that it is such a complex area of regulation and that penalties, sanctions and so forth are one of the key areas that need to be investigated because we do not think the ESCAS is currently upholding community expectations in relation to how non-compliances should be dealt with.

The RSPCA is aware that the live export industry has been developing a quality assurance program, the Livestock Global Assurance Program. We understand that the Australian government is currently considering the potential for the LGAP to be used as a means of demonstrating compliance with the ESCAS.

We have been briefed on the operation of the LGAP, the proposed LGAP. We note there are some features of the proposed LGAP that would be an improvement on the current ESCAS, particularly in terms of the quality, the experience, the skills required of auditors, which has been a failing of the ESCAS program. So on that basis, we see the potential for some improvements under the LGAP system. However, we would reserve our assessment on the LGAP pending the manner in which the LGAP would be recognised under the Australian government regulations, particularly the animal slaughter under the Export Control Act.

We would certainly be opposed to any watering down or withdrawal of Australian government oversight, and the Australian government's ability to intervene in the trade in places where there is high risk of animal welfare breaches or there has been incidents of non-compliance where the Australian government does need to intervene. So we reserve our assessment on the LGAP until we see the detail of how the Australian government regulations will interact with that program, and we reiterate the importance of maintaining strong government oversight of the regulation.

The industry certainly doesn't have the confidence of the Australian community to self-regulate or have any withdrawal of Australian government oversight of the trade.

MR LINDWALL: Okay. Shall we go for questions now?

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DR GOODFELLOW: Sure. I would just make one quick comment on the farm trespass issue. We note that that was considered by the Commission. We agree with the Commission's suggestion that incidence of farm trespass (1) have increased in recent years and (2) are correlated, in our view, with a decrease in community confidence in the monitoring and enforcement of animal welfare legislation within the agricultural sector.

That said, we certainly accept that activists that engage in these activities have ideological positions that are just completely in opposition to animal agriculture in its entirety, and no doubt there will be continuing of farm trespass, regardless of the strength of the animal welfare enforcement regimes. We accept that.

But we believe that current criminal laws relating to farm, relating to trespass in general, surveillance devices legislation does provide means for which to deal with activists who are engaging in trespass activities. Any laws designed to crack down on activist activities to prevent the disclosure of information of evidence of either illegal activities relating to animals on agriculture facilities, or indeed legal activities that are in the public interests that the public is seeking further information about, we think that would be counter-productive.

There's been a raging debate in the US in relation to what has been dubbed "ag gag" laws, as I'm sure your commissioners would probably have canvassed. We think that would be counterproductive to go down that path. It would reduce community confidence further and give the perception that these industries do have something to hide, which could incentivise activists to engage in further private investigative activities. So we certainly wouldn't support the introduction of laws with that intention.

But we do feel that current laws are adequate to deal with activists, and they should be held to account if they're engaging in criminal activity.

MR LINDWALL: What about the - thanks very much for that - the biosecurity risks that trespassers may bring onto a farm?

DR GOODFELLOW: Yes. We understand that biosecurity legislation is being reviewed in multiple states. New South Wales has just reviewed its Biosecurity Act. Queensland has a fairly new Biosecurity Act as well. The way in which those, that legislation is drafted, could potentially deal with those biosecurity threats posed by activists as well.

MR LINDWALL: In terms of the RSPCA and its role in enforcement of

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animal welfare issues, the, how much of your resources would you say are devoted to farm animals versus companion animals?

DR GOODFELLOW: It depends on the state jurisdiction. As you would be aware, there are different arrangements, depending on the state. In a number of jurisdictions, it is the state Department of Primary Industries or Agriculture that undertakes the bulk of the enforcement work with respect to commercial livestock. That is generally defined as over 10 head of livestock or over 500 head of poultry.

In those states where the RSPCA has full jurisdiction, if you like, New South Wales, to an extent Western Australia, South Australia, Tasmania, a significant proportion is dedicated to farm animal welfare enforcement. I don't have exact figures. The bulk of RSPCA enforcement activities do relate to companion animals, because in terms of reports received, they make up the vast majority.

MR LINDWALL: People observe it, obviously.

DR GOODFELLOW: That's correct. They're more visible. They're usually more in urban areas, of course, whereas issues to do with livestock, of course, in rural regional areas generally with less visibility, less people identifying those issues. So I couldn't really give an estimate of the breakdown. But in those jurisdictions where they have full responsibility, it is a significant proportion, but not the lion's share of the enforcement work.

MR LINDWALL: But your statement earlier was that the enforcement has been underdone in most states, as you're saying. So if there are additional resources being allocated by the RSPCA or by other methods, will you want them to be devoted to farm animal welfare, rather than companion animal welfare?

DR GOODFELLOW: Yes. I think the greatest need is certainly in the area of farm animal welfare, not just enforcement, but broader monitoring as well. So the routine inspections programs. There's very few states that have a formalised routine inspections program for animal welfare purposes.

MR BAXTER: Can I just follow on that question? In practical terms, as I understand, most of the states, the police are the people who implement the RSPCA-related legislation. So is that right or not?

DR GOODFELLOW: No. It will be the - in most state jurisdictions, it's the Department of Agriculture or equivalent that has the administrative

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responsibility for the State Animal Welfare Acts, or Prevention of Cruelty to Animals Acts. Police in many jurisdictions will be appointed by default under that legislation as inspectors, but the police services do not play a role in the administration of that legislation.

MR BAXTER: No, no, but in the enforcement? Perhaps I should have rephrased the question. The Department of Ag has the overall responsibility, but when it comes say for dealing with maltreatment of let's say a flock of sheep or a herd of cattle, what have you, quite often that role is delegated to the local police within the area?

DR GOODFELLOW: If - yes. If it's a case where there is simply no inspector, RSPCA inspector available, or Department of Agriculture stock inspector available, then police will at times attend to those matters. In New South Wales, for instance, there is a rural, they've changed their names recently, a rural crimes investigation unit that I believe plays quite a prominent role in livestock welfare matters.

But generally, police will be more active in the area of intentional cruelty relating to domestic animals where there is an emergent, there is a situation of emergency where they need to attend within, you know, as soon as possible, and serious cases of animal cruelty where you're talking about torture and sadistic crimes.

MR BAXTER: That's - which is the deliberate end of the spectrum, but obviously there's a large amount of examples of poor practices, either because farmers are financially under trouble and they're more likely to overstock or whatever, and there's an educational role there as much as anything, I guess.

DR GOODFELLOW: Yes, that's correct. So obviously, you have a wide spectrum of animal welfare offences, some of which can be at the high end of the spectrum, where you're talking about intentional animal torture and sadistic actions, and then you have other cases of neglect, mismanagement and so forth that could be, could arise for a huge variety of reasons, some of which may be responded to with further education and advice. The issuance of animal welfare directions, for instance, and that can just be a process of working with the relevant animal owner. Yes, so there is, and there needs to be that variety of enforcement tools as well to - - -

MR BAXTER: Yes. Gradation, if you like. Yes, yes. Just following on that, does the RSPCA have a break-up of the number of cases it deals with with companion animals versus what it deals with with farm animals?

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DR GOODFELLOW: It does. It reports its annual statistics in terms of enforcement. I didn't bring it along, a copy, but it's broken up in graphical form. Companion animals, dogs and cats make up more than 50 per cent of the animals that are reported. Livestock is a fairly small segment of the overall reports received, and again, it goes to those issues of visibility.

MR BAXTER: Of course, we're talking about more resources for monitoring enforcement. There may be ways of being more efficient or effective in that process? Some examples of, in Australia or elsewhere, where monitoring and enforcement could be better done, and it is - irrespective of the funding of it, I'm talking about.

DR GOODFELLOW: Yes. I mean, I do like the Tasmanian model. But that's mainly because they do have a formalised system of routine inspections. Whether or not that leads to greater efficiencies, I mean, I haven't conducted any kind of analysis in terms of efficiencies with respect of the different jurisdictions.

But again, an independent body charged with administering animal welfare legislation can have some degree of, or encourage some degree of, uniformity between the different organisations that appoint or employ inspectors, I think, would lead to efficiencies in terms of training, appointment and reporting obligations as well, rather than having different standards and different training packages.

MR BAXTER: A lot of inconsistency there.

DR GOODFELLOW: Yes.

MR BAXTER: What about, you know, a lot of us feel that risk-based regulation is important, that you concentrate your resources at high-risk areas and then you bring them along, and when they can show good practice over a while, then you can reduce the enforcement. Is that - - -

DR GOODFELLOW: Yes. And that where we see a role for industry QA programs, in coming into that risk-based analysis for if a facility comes under an industry-based QA program, then perhaps its risk rating can be seen to be lower if the QA scheme is audited by government and so forth.

Again, we still see a need for a government inspection regime that applies in conjunction with that industry QA scheme, but in terms of risk ratings and the number of inspections, for instance, per year could be reduced based on that participation in the industry QA scheme. And that

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indeed is what is occurring in Victoria under their Livestock Management Act where they have the formal legislative recognition of industry-based QA schemes.

MR BAXTER: I think you haven't mentioned the independent body that we spoke of, whether you think that it's appropriate for it to be in the agricultural portfolio, or some other portfolio.

DR GOODFELLOW: I think if the body is established by a statute, there can be independent safeguards built in to that statute. On that basis, we wouldn't be too concerned about which ministerial portfolio fell within, provided there were those safeguards.

If the body was not to be established by a statute, we would certainly argue that if it was to meet the objectives, meet the concerns that have been outlined in the report with respect to conflicting interests, then it should not be within the agricultural portfolio, but a different portfolio.

MR BAXTER: Okay. Did you have anything? I have one - - -

MR LINDWALL: Sorry, yes, I did. Have you had a detailed look at the New Zealand model?

DR GOODFELLOW: I have, yes.

MR LINDWALL: And what's the view about the effectiveness or otherwise?

DR GOODFELLOW: We certainly support the New Zealand model. Of course, the New Zealand model is a statutory national animal welfare advisory committee. It's, in terms of the process for setting standards, it is formalised in statute.

There are mandatory considerations for the body to take into account to ensure scientific and community expectations are considered. It also has crucially, and this goes to enhancing the consistency of the legislative framework, a requirement that certain animal welfare principles within the primary animal welfare statute are met with respect to the development of subordinate legislation.

So you don't have a complete conflict between the subordinate legislation and the primary Animal Welfare Act, which we have in Australia. In New Zealand, there is that condition placed on the development of subordinate legislation, which leads to improved animal welfare standards that are consistent in a principled way.

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So there are certain animal welfare principles that subordinate legislation must abide by, and we think that it is a far superior system to what we currently have in Australia, and it is being shown currently, in terms of the animal welfare outcomes as well, many husbandry practices and systems of production in New Zealand are being phased out because they're inconsistent with the primary principles of animal welfare. And it seems to be because there is expert independent advice going into these transitional arrangements.

So far, they seem to be adopted quite well. We're yet to see the complete phase out of battery cages in New Zealand. I believe they've put a 10-year phase out timeline on battery cages. But government seems to take on board the NAWAC's advice and it acts on NAWAC's advice, so the community appears to have quite a deal of credibility and respect among government, and for that matter, industry as well.

MR LINDWALL: Very quickly from me, two brief points. One is, you mentioned at the beginning that Australia's one of the few countries, few developed countries, that doesn't have such a body. Are there any other countries that stand out in good practice, other than New Zealand?

DR GOODFELLOW: Yes. There are over a dozen countries that do have national farm animal welfare councils. The United Kingdom's farm animal welfare committee, while it doesn't play a role in sort of formal legislative processes, in terms of its, the weight given to its advice, it's been very successful, published many significant reports on farm animal welfare policy that have influenced standards internationally.

In India, in fact, there is an animal welfare board that does actually have certain statutory roles to play, including providing that contrarian role over the administration of animal welfare laws by certain government departments. It can keep certain government departments in check by virtue of its role in monitoring their performance, and it seems to be quite a successful model.

The European Union's animal health and welfare panel, which was previously the scientific veterinary committee, it has handed down some fairly foundational reports on intensive confinement of pigs and of hens, which have led the entire European Union community to phase out those systems of production relating to the conventional cages, battery cages.

So yes, I would point to those countries. The Netherlands also, the Council of Animal Affairs seems to be a very successful body as well in informing national policy and national debate about animal welfare issues.

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MR LINDWALL: One more quick question, on Friday, one of the participants said that Kosher and Halal production of meat can be used with pre-stunned slaughter, and there were a couple of exemptions from that, and she was saying that we shouldn't have any exemptions. Is there a position by the RPSCA on that?

DR GOODFELLOW: The RSPCA certainly takes the view that religious freedoms should not be a basis for causing unnecessary harm to animals. We understand with in relation to Halal slaughter that many of the authorities that regulate that process have accepted stunning. My understanding was that in relation to Kosher, that wasn't the case, but I could be wrong.

So on that basis, we, as an animal welfare organisation, certainly have concerns about that because of course, un-stunned slaughter causes a deal of suffering that would be avoided if the animal, of course, is rendered insensible before the neck cut, and the process of bleeding out is a very stressing process for animals to go through. With sheep, it's a quicker process. With cattle, it can take several minutes, and on that basis, the RSPCA is opposed to un-stunned slaughter.

MR LINDWALL: Thanks very much for appearing today, then.

DR GOODFELLOW: Thank you very much.

MR LINDWALL: We'll move now to, is it Michael Dornbusch, of the Office of the Gene Technology Regulator? Good morning. If you could, wouldn't mind just saying your name and telling us a bit about the organisation and some opening remarks, that'd be perfect. Thank you.

DR DORNBUSCH: Sure. My name, Michael Dornbusch, and I'm here today representing the gene technology regulator, who is the independent statutory office holder that's responsible for administering the national scheme that regulates gene technology in Australia.

I work for the office that supports the regulator. It's called the Office of the Gene Technology Regulator. If I may - - -

MR LINDWALL: Please.

DR DORNBUSCH: - - - proceed with some opening remarks? First off, I'd like to address a few matters that were raised in the draft report, and some matters that were raised in submissions that were received by the Commission.

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I'd like to start about topics referred to in Information Request 6.1 that's in the draft report, and this is around institutional arrangements and regulatory arrangements that relate to the Office of the Gene Technology Regulator and the Australian Pesticides and Veterinary Medicines Authority.

I would like to say that useful sources of information that can be used to form an opinion about these arrangements could be found in the previous independent reviews of the regulatory arrangements for gene technology here in Australia. Those reviews were conducted in 2005-06 and 2011. And those reviews of the Gene Technology Scheme are expected to be conducted every five years.

The previous reviews found that the scheme operated efficiently and effectively, and as to the question as whether the scheme is still appropriate and the arrangements are up to date, I would like to point out that the expected review of the scheme that is to kick off this year, 2016-17, provides an opportunity to examine those matters in detail, and also an opportunity for stakeholders to provide inputs into any examination of the operation of the scheme, including the interface with other regulatory agencies.

I also understand that in this matter, the current, I believe the current review of the ADVAC Code, that's the agricultural veterinary legislation that relates to the Australian Pesticides and Veterinary Medicines Authority, I believe has also examined this matter. So there are a couple of opportunities for the matter to be examined in detail.

I'd like to go on to talk a little bit now about a matter that's I believe raised in some submissions. It's also a matter of course that's often raised in relation to genetically modified organisms, and that is the safety of GMOs and the evidence that supports the safety of GMOs.

The OGTR has a number of highly qualified and experienced scientific staff who are responsible for conducting risk analysis in-house for all applications that relate to GMOs for intentional release into the environment. Those scientific staff examine quite a range of information for each of the risk analysis that they conduct.

The information that they use comes from information provided by applicants, as well as published literature, this is peer-reviewed published literature, both domestic and international published literature, as well as information that may be available from other sources, published sources such as books, fact notes, agricultural information, et cetera.

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The risk analysis that are conducted by the scientific staff are peer-reviewed within the office. They're also reviewed by an expert technical committee that provides advice to the regulator. They're reviewed also by other government departments, other regulatory agencies, and there's extensive public consultations on these risk analyses. So there are many opportunities for these to be reviewed and refined.

In each of the cases for the commercial growing of GMOs, the regulators found that the weight of evidence that there is shows that these GMOs are as safe as their conventional counterparts. A similar conclusion has been found by regulatory agencies overseas, including the US, Canada, Europe and a number of other countries. There are also a number of learned societies that have come to similar conclusions as well, and for example, the American Society of Toxicology has come to the same conclusion that currently commercially released GMOs are as safe as their conventional counterparts, as well as others, such as the American Academy of Science, the European Academies, et cetera.

I'd like to talk briefly also about a matter raised in one of the submissions around the precautionary principle and its application in the current regulatory scheme. The scheme itself is by nature precautionary, in that no work with GMOs can be conducted unless there is an appropriate authorisation from the gene technology regulator.

For those that involve some release into the environment, prior to the authorisation being granted, the regulatory must prepare a risk analysis, which I've referred to previously, and there must be able to be, risks that are associated with those releases must be able to be managed. If the legislation states that those risks cannot be adequately managed, then the regulator cannot issue an approval for that work.

Precautions also are evident in the general approach to the development of GMOs here in Australia and overseas. Work begins in laboratories under laboratory conditions, of course, carefully controlled. This work collects information. It will be used to characterise the genetically modified organisms and assess aspects of their safety. That information may then be used prior to a field release for trialling of GMOs.

If the regulatory grants an approval for a field release GMOs, it is on the basis of the risk analysis that's conducted and the risk management plan that's put in place. So these are conducted under carefully controlled conditions, limited and controlled conditions. And there's regular monitoring and reporting by applicants of the workers being done, and the

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OGTR independently monitors the work that's also being done by the applicants.

Again, the field work that's conducted with GMOs collects further information about the GMOs themselves and their safety. And that information can inform a subsequent application for commercially growing the GMOs. So there's a cautious step-by-step approach to the development of GMOs here in Australia, and similarly, this occurs overseas as well.

Lastly, precaution is encapsulated in the legislation. I can read the relevant provision. The legislation says that where there are threats of serious and irreversible environmental damage, a lack of full scientific certainty should not be used as a reason for postponing cost-effective measures to prevent environmental degradation. So an element of a precautionary principle is enshrined in the legislation.

To date, I should note that the regulator has not identified a situation for any commercially released GMOs that might represent such a serious threat of environmental damage. As I said before, all the GMOs that have been assessed for commercially growing to date, have been concluded to be as safe as their conventional counterparts.

Lastly, I'd like to talk briefly about risk communication, a matter that's also raised in the draft report, I believe in Draft Recommendation 6.1, and I'd like to say that the regulator does support the provisions of accurate information to the Australian community about the risks and benefits of GMOs.

However, I would like to point out that the benefits that might accrue as a result of using GMOs is not part of the regulator's remit, but providing information about the risks that may be associated with their use and the regulatory framework is certainly something that the regulator does support. And in fact, for those that are interested, this is encapsulated in regulators' risk analysis framework, where it talks about the regulators' approach to risk communication, and this approach aims to raise awareness of the regulatory system nationally and internationally. It undertakes rigorous scientifically-based risk assessment and risk management, and is open and transparent in the manner that it does this.

The regulator aims to communicate the reasoning behind all of the decisions in clear language, to listen and to respond in a timely manner to the relevant concerns of our stakeholders and to periodically review communication strategies and the practices to ensure that they're targeted and effective.

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I think that's all that I'd like to say in our opening remarks. I'm quite happy to elaborate on any of the points and answer your questions.

MR LINDWALL: Thank you. Can I just clarify at the beginning that the OGTR is funded by an appropriation by the Commonwealth Parliament?

DR DORNBUSCH: Yes, that's correct.

MR LINDWALL: And you have no other source of funding?

DR DORNBUSCH: That's correct. There are no fees for applications.

MR LINDWALL: Because some people have submitted that you've received funding from a company, actually.

DR DORNBUSCH: No, that's not correct.

MR LINDWALL: Now, in terms of - it seems to me that like any technology, there are risks and benefits and if you're a user of that technology, either in your production process or as a consumer or whatever, you've assessed that the benefits outweigh the risks.

Now, the OGTR and other scientific experts - and as an aside, I should say that last week I did say to a person that we should challenge the science that I am an economist and an ancient historian, and I can't challenge the scientist. I have to - I mean, pointing to a whole lot of research, I am not able and in a position to - I can read research, but it doesn't mean that I can tell what are the good journals or what are the bad journals, what's the good research and what's the bad research, except in the fields that I've studied, obviously.

So we do take great relevance, obviously, in professional organisations such as the OGTR in terms of the science, which seems to be that the risks are very low and well managed. But then you ask yourself, well, if that's the case, there's obviously benefits, otherwise people wouldn't bother using GM products because they cost more money, in some ways, don't they? I mean, you have to buy the seed or whatever it might be. And so the benefits are something that perhaps should be explained more to the public, and I appreciate that the regulator is really not in your remit.

But do you have a suggestion perhaps about should there be another organisation, and if so, which other organisation should better explain the

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benefits? Because it seems to me there's a profound misunderstanding of the benefits and risks of GM in Australia and some other countries, for that matter.

DR DORNBUSCH: Sure. Sure. There a number of possibilities, I suppose, of organisations who may be appropriate to advocate the benefits. Of course, the developers of the technologies themselves may have an interest in advocating the benefits. Often agricultural organisations, departments, for example, peak bodies that represent the industries. They're the organisations who may be appropriate to advocate the benefits of the technologies, in my opinion.

MR LINDWALL: Would - the problem with some of those is because there's a natural distrust by those who don't like the technology, or there is an imputation of the motives of those who advocate the benefits, and perhaps is there a role for, say, the Office of the Chief Scientist, who have a more dispassionate advocacy role there?

DR DORNBUSCH: I have heard others suggest that scientists who begin developing this technology could also play a useful role in discussing the benefits publicly about the work that they're doing. So yes, certainly scientists themselves may play a useful role in this public discussion.

MR LINDWALL: Now, last week we heard some testimony from various parties, and one of them said that there is a cheap $6 testing kit for GM canola and she goes around with her group and looks at supposed cross-contamination from GM to non-GM canola, and others. Is that a valid form of testing, in a scientific sense?

DR DORNBUSCH: There are, of course, a number of ways of testing the identity of a GMO. Depending upon the nature of the kit that you're talking about, it may be a valid way, one of many valid ways of testing for the presence of genes or part thereof from GMOs, yes.

MR LINDWALL: And the OGTR when it assesses risks looks also at the risks of cross-contamination?

DR DORNBUSCH: The OGTR - so the OGTR will look at the risks that may be - the risk to people and the environment that may be associated with gene flow, so that is movement of the genes from the GMOs that are being planted to other sexually compatible plant species. It does this, as I say, to examine risks to people and the environment.

This is not to confuse - and this shouldn't be confused with risks that there may be to trade and marketing of commodities, and you will

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probably be aware that there has been a case of gene flow reportedly, or not necessarily gene flow but GM material being found, and these relate primarily to trade and marketing concerns, rather than risks to people and the environment.

As I said earlier, all of the GMOs that have been commercially released here in Australia and across the world have been found to be as safe as their conventional counterparts for people and the environment.

MR LINDWALL: Now, some of the - of course, at the federal level it's about the safety of the scientific analysis of GM, but the moratoria in some of the states, Tasmania and South Australia, have been based upon principally supposed marketing benefits of non-GM commanding a price premium. We examined that in our report.

The case in Western Australia, *Marsh v Baxter*, which was determined by the Supreme Court and then upheld on appeal to the Court of Appeal, found that it was quite reasonable to operate GM and non-GM side by side and maintain a separation. Does the OGTR have a view on that particular argument?

DR DORNBUSCH: That's not a part of the regulator's remit. That is more a matter of the co-existence of different agricultural production methods - - -

MR LINDWALL: Yes.

DR DORNBUSCH: - - - and again, trade and marketing that's related to the production and sale of those commodities.

MR LINDWALL: Now, the US Academies of Science, I think, put out a major report about a month or two ago. Is there anything you could draw upon that for us in this inquiry that's worth looking at?

DR DORNBUSCH: I think most of the conclusions out of the Academies' report reflect what I have said in my opening statement previously.

MR LINDWALL: Yes, yes.

DR DORNBUSCH: I would note that there is quite a body of scientific literature, the weight of evidence of which does support the safety overall, and there are a number of recent reviews that looked at some nearly 2,000 different publications, drawing the same conclusions, looking across the body of literature that's available.

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MR BAXTER: Can I go back a bit over history? Is this the first occasion that the OGTR has been asked to do an assessment of the virtues or the crimes of a major pasture grass and major crops? And I'm thinking that if you go back over history from the days that William Farrer started doing his breeding in the last 1800s there have been a whole series of new species of forage pastures, grain pastures and so on. Has the OGTR been a repository for work assessing that, or is this the first time that you've had to become involved?

DR DORNBUSCH: Let's see - - -

MR BAXTER: Or is that a question on notice?

DR DORNBUSCH: I'm not quite sure I understand the question, but let me have a go and see what I can provide you, and see if that helps to answer the question. There have been some field trials that have been conducted with genetically modified grasses for pasture purposes, and so those field trials have been assessed and approved with risk management conditions in place, of course.

One of the things that the office does in conducting the analysis is to examine the biology of the unmodified organisms, so our scientific staff will prepare what we call a biology document which examines elements of the basic biology of the unmodified organism and uses that as a point of comparison for the genetically modified organism.

So the staff in the office and the regulator have examined some elements of basic biology of pasture grasses, and also done a risk analysis and prepared a risk assessment, risk management plan, for field trials of genetically modified pasture grasses.

MR BAXTER: Now that's what I was after. How far back does that go in history? Roughly. I'm not asking you for an exact date, but roughly. Post World War II, or before?

DR DORNBUSCH: The scheme came into existence in 2001 - - -

MR BAXTER: Right.

DR DORNBUSCH: - - - and so I can't remember the exact year the approval was for the field trials, and my colleagues here may have a better idea, but it was certainly around about 2007-ish.

MR BAXTER: The process, by the sound of it, has been in place for at

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least 12 to 15 years.

DR DORNBUSCH: The process - - -

MR BAXTER: Yes. So the process itself - - -

DR DORNBUSCH: Definitely, yes.

MR BAXTER: - - - has been subject to - or the possibility of scrutiny from external sources?

DR DORNBUSCH: Definitely, from the inception of the scheme, beginning in 2001, the process has been open to scrutiny. It was established as a highly consultative and transparent scheme, and so that public scrutiny has been part of the scheme since 2001, and for the pasture grasses, for example, the same process was followed for that, as is for every single intentional release field trial or commercial growing of GMOs.

MR LINDWALL: Okay. Now, for a lay people like us, would you be able to explain the difference between traditional GM technology and what are called new breeding technologies, CRISPR and Cas9?

DR DORNBUSCH: Yes. The let's say traditional paradigm of genetic modification from some many years ago now involved taking a gene from somewhere, another plant species perhaps or from a bacterium, inserting that, cutting the DNA and inserting that gene into the plant, and so many of the traits that we get from doing that are insect resistance or herbicide tolerance, for example. So simply takes a gene from somewhere else, puts it into a plant.

The new technologies that we're referring to, CRISPR, Cas9 and other what are called site-directed nucleases, for example, are very precise and highly targeted technologies. They are often referred to as genome editing, or part of a suite of techniques that are often referred to as genome editing. They can make smaller or larger changes. But the main difference between the newer techniques and the older techniques is that the newer techniques are very precise and highly targeted, and you can make small and large changes.

The older techniques are not so precise as the newer techniques. However, there is screening during development that does take place for the older and the newer techniques.

MR LINDWALL: So both techniques are covered under your auspices

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in terms of safety?

DR DORNBUSCH: There is a question about the coverage of the newer techniques. As you may appreciate, the scheme was established in 2001, at which time the prevailing paradigm was the one that you might call the traditional methodologies.

MR LINDWALL: Yes.

DR DORNBUSCH: And so in an area such as gene technology, where this technology does develop rapidly, you could expect that legislation and regulations may be one step behind the technology, and for some of the newer technologies we're finding that this is the case. And I would point out that this is a matter that will be addressed - - -

MR LINDWALL: In a review, yes.

DR DORNBUSCH: - - - in the upcoming expected review of the Act, and the regulator's expecting this year to also conduct a technical review of the regulations, the subordinate to the legislation, to help keep up to date with some of the new technologies that are developing.

MR LINDWALL: On the basis of it being a much more precise intervention, one could argue, then presumably scientists operating in that field are able to be very clear about the types of benefits that they are targeting to a greater extent than the traditional method?

DR DORNBUSCH: Both methods would permit the scientist to be clear about the benefits of the traits that they're hoping to produce, and so by what you might call the traditional methods they may produce traits such as herbicide tolerance, insect resistance. There is work going on in such things as improved nutritional properties, drought tolerance, many others that you may have heard of before. The traits that they're trying to put into the plants, the benefits could be equally explained as easily for both older and newer technologies.

MR LINDWALL: Okay. Now, some people have argued there's a bit of an overlap between the OGTR and the APVMA. Would you care to - how do the two organisations manage that overlap and stop duplication of resources, for example?

DR DORNBUSCH: Certainly. There are some, as I have read in the draft report, some that claim duplication in the regulatory arrangements between the two organisations. The scheme, when it was established, was established with the intention of it being what's called a gap-filling

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arrangement, and so that was from the beginning of the development of the scheme.

The office has in place institutional operational arrangements and agreements with other regulatory agencies that help to prevent the duplication of assessment effort that's involved, and so for example the regulator has a responsibility for human health and safety and the environment, and so for GM foods, for example, the regulator doesn't repeat the assessments and the approvals that Food Standards Australia New Zealand put in place.

However, the regulator may refer to the information that is produced by that organisation, and similarly arrangements are in place with the Australian Pesticides and Veterinary Medicines Authority. There are obligations under the legislation, reciprocal obligations to provide advice to each other. Often in the case of the APVMA, the risk assessments that are prepared by the regulator form the advice that is provided to the Pesticides and Veterinary Medicines Authority when they are considering similar or same GMOs under their regulatory regime. And so, always we aim to prevent that duplication of assessment effort.

MR LINDWALL: But just like when you're assessing other scientific sources from around the globe, you need to be satisfied about the veracity and the thoroughness of those investigations.

DR DORNBUSCH: Yes, definitely. Our scientific staff hold the expertise of those regulatory agencies here in quite high regard. They also, as they do with any of the literature, they examine - do a thorough critical analysis of the work.

MR LINDWALL: Did you have anything, Ken?

MR BAXTER: No, I've got nothing further.

MR LINDWALL: I think we've covered pretty much everything I can think of. Is there anything final that you'd like to say?

DR DORNBUSCH: No, I don't think so, I think we've covered many of the matters.

MR LINDWALL: Well, thank you, we may as well thank you very much for appearing, and I think we're going to have a short break of about 12 minutes or so and resume at 11 o'clock. There's bad coffee offered out there, instant coffee, and somewhat better tea, and there may be something to eat, we'll see, but we'll resume at 11 o'clock with the Australian

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Veterinary Association.

ADJOURNED **[10.47 am]**

RESUMED **[11.05 am]**

MR LINDWALL: All right, ladies and gentlemen. We might now proceed. We've got Melanie Latter from the Australian Veterinary Association, if I'm not mistaken. So apparently we've moved to make sure that everyone can hear at the back. Apparently it was a bit hard to hear the last presentation. So if you could introduce yourselves and the organisation and give us a bit of a presentation about what you'd like to say today, that would be perfect.

MS BALZER: My name is Marcia Balzer. I am the National Public Affairs Manager for the Australian Veterinary Association, and my colleague Melanie is going to be doing most of the talking today.

DR LATTER: I'm Melanie Latter. I'm the Veterinary Affairs Manager for the AVA. So thank you very much for allowing us to speak with you today. The Australian Veterinary Association, to give you some background, we're the only representative organisation for veterinarians within Australia, and we have made submissions to both the issues paper and the draft report stages of the consultation.

We have covered a range of issues in our submissions, but our main concerns today that we want to talk to are around animal welfare, ag vet chemical regulation, and biosecurity. In relation to animal welfare, we strongly support a national framework to coordinate animal welfare. Since the end of the Australian Animal Welfare Strategy, or AAWS, in 2013, we feel that progress has stalled, efforts have become fairly fragmented, and we feel that there has been quite a bit of loss of confidence in Australia's animal welfare credentials as a result of that.

This is a risk for long-term sustainability of livestock industries. It risks loss of consumer support domestically as well as putting our export markets at risk ultimately as well. We were very supportive of the inclusive framework that was AAWS, Australian Animal Welfare Strategy. It was collaborative and it had a - represented a broad range of stakeholders.

We don't have a specific policy on whether there should be an

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independent body or not. However, having said that, we feel we definitely need leadership at the national level, and an independent body such as the one you've described in your report we feel could solve a lot of those problems. It could enhance - you know, overcome some of the problems that we saw with AAWS. It could build on that, and become quite a successful thing.

The NAWAC in New Zealand would be one model that we feel is a sensible solution. Potentially this could help overcome some of the problems that we're seeing with both the process of development of national standards and guidelines, and also the lack of consistency in their implementation that we're seeing nationally, so we do think that that's a very good recommendation.

We've participated in the development of all of the standards and guidelines so far. We have some advice on how the process could be improved and could have more rigour. We support the concept of having a strong research, a strong science basis to the development of animal welfare standards and guidelines with consideration of not only animal welfare science, but also the social sciences.

Specifically the sciences underpinning those standards should be sourced from independent researchers, and the process by which the regulatory impact statement is conducted we feel could be improved. Currently it's a process of weighing up the cost to industry versus the benefits to animal welfare, so it's a cost-benefit analysis. Apart from the fact that those things can't easily be compared, there's a little bit of a flaw in that process, but also we feel that the process where we have economists basically running the regulatory impact statement process who are very well versed in the cost side of the equation in terms of industry cost. We feel that addition of animal welfare scientists to that process to ensure that the other side of the equation, which is the benefits to animal welfare, would definitely improve our confidence in that process, as well as looking at benefits to the community of having their expectations met, so we feel that there's more rigour could be brought to that process.

And obviously, as we've mentioned, the other big hole in our animal welfare regulation is the lack of consistency across the jurisdictions in implementation, with some states opting not to bring the standards in as standards, and they're all implemented slightly differently in each jurisdiction.

We think that also ensuring the states and territories implement the standards consistently, we think that that could be assisted by seeking agreement at the outset as to how they will be implemented, and also

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national drafting instructions which actually advise how to put these into your legislation are actually quite a good method. They were used many years ago when the Pig Code was implemented, and that seemed to result in better consistency in how that code went into each state's legislation.

We strongly support the recommendation 5.2 in the report that outlines how state and territory governments might increase independence, transparency and resourcing of their monitoring and enforcement activities, and we also strongly stand behind the concept of independence of regulation and auditing of the live export industry, including the independence of veterinarians on board ship, and we believe that the current regulatory framework should be strengthened rather than diluted.

Moving onto ag vet chemicals, our key concerns revolve around ensuring both access and safety of veterinary medicines. We strongly endorse that veterinary medicines registered in Australia should be exempt from the globally harmonised system, the GHS, which is due to come in in January of 2017.

We believe that the current system of APVMA assessment and labelling is robust, and it's excellent, in fact. In terms of addressing work health and safety risks, we think that that's more than adequate. We are supportive of allowing registration of medicines that have already been assessed by equivalent international regulators with similar standards to Australia to make the process more efficient.

A problem that we see in control of use regulation is the variations and inconsistencies between the different state jurisdictions. We would endorse attempts to harmonise these systems as they apply to veterinary medicines.

And finally there is a need to reform what is known as the "do not use" label restrictions in the way that they are implemented in Australia. Sometimes - we have gone into detail in our submission, but sometimes this results in sort of, just due to lack of information in one particular species, a complete ban on use of a particular product which we have very good data on in equivalent species, and sometimes it's really - there's no real basis to that ban other than lack of data, and we would recommend that we follow New Zealand's lead, where they will establish a default withholding period for those sort of situations, such as the 35 day withholding period for milk they use.

And moving on finally to biosecurity, we have detailed in our submission ways that we can achieve the desired outcome of maintaining

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a strong and effective biosecurity system in order to protect Australia's favourable disease status. Our recommendations include that employment of government veterinary officers should be enhanced and improved. There has been a decline over the past several decades in that area, and also there has been a reduction in government veterinary laboratories, and certainly in terms of their distribution in places like Queensland, so we would recommend that there be no further reduction in those laboratories, so that our robust surveillance system can be ensured.

We also feel, in terms of enhancing surveillance, we need to better resource and promote schemes like the - it's known as NSDIP, which is National Significant Diseases Investigation Program, NSDIP. This is something that involves private practitioners in surveillance to help - to assist our government colleagues in their work, and we feel that better resourcing of those schemes will lead to a stronger biosecurity system in the country.

And finally we have outlined some recommendations in our submission around reducing the risk of trespass. We feel that improving transparency around animal welfare standards through mechanisms such as accredited quality assurance programs as well as, you know, better monitoring and enforcement bioregulators and transparency around those processes as well will give the public the confidence that they need to ensure their continued support of our livestock industries.

We think that rather than new trespass legislation being introduced, that actually transparency around industry practices will reduce the need for citizens to feel compelled to undertake their own investigations. So they were the main points that we wanted to cover today.

MR LINDWALL: Well, thank you very much. Shall we start with the animal welfare side of things? The - you know, in our proposal, of course, which was for an independent body, we did have in mind that it be statutory, but we didn't formulate that in the draft report, but the Productivity Commission is a model in itself, because the Act, the Productivity Commission Act, actually provides that at least one commissioner have environmental qualifications, at least one have social policy qualifications, and at least one have industry policy qualifications.

So I can see what you're saying with the veterinary qualifications being very similar to that in one respect, that if you had a statutory body and it had economic expertise, something like ethical side, I guess, and then veterinary side for the welfare - - -

DR LATTER: Yes, yes.

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MR LINDWALL: - - - is probably not a balance, would you agree with that?

DR LATTER: I think a veterinary scientist, particularly - many have specialised in animal welfare science, so we have an Australian college, and people do membership and fellowships in animal welfare science, which involves both science and ethics, studying both areas.

But there is also animal welfare scientists who are not veterinarians, and they also could contribute quite appropriately to that process.

MR LINDWALL: Now, New Zealand NAWAC is, I understand - I think Ken said this was - is chaired by a veterinary officer, so I remember we spoke to him when we visited there, so it's a model that you quite support too, I guess?

DR LATTER: Yes, and they have Professor Kevin Stafford and David Meller, and David Meller is actually not a veterinarian, but they are very - you know, they are world renowned animal welfare scientists, and Kevin is a vet. But they contribute enormously to that process over there, and their research is, you know, independent, it's peer-reviewed, so that's - that's a process that works.

And I think in those situations too we were just talking before about how you can - you need to be - you need to demonstrate that you reviewed all the relevant literature, and if you - it's like a critical review of the literature. You have to demonstrate why you've included some evidence and not other, or some literature and not other literature, so that that's very transparent, so you can't be accused of cherry picking information that suits a particular position.

MR LINDWALL: Now, my questions to the RSPCA was about the exemptions to pre-slaughter stunning. Is that - does the AVA have a position on that?

DR LATTER: Yes, we have a policy that all animals should be stunned before slaughter, absolutely. The Halal slaughter currently in Australia, the majority of the time there is pre-slaughter stunning, it's reversible, but at least if it's done effectively it's good. But we would advocate that all forms of slaughter should have pre-slaughter stunning, absolutely.

MR BAXTER: Could I just raise a question, and you needn't answer this if you don't want to, but aren't veterinarians in an interesting situation, though, with animal welfare? And dare I say, looking at what happened in

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New South Wales with the greyhound industry, that is the same obligation, or does the same obligation exist between a veterinarian and their client, who might be a wool grower or a beef cattle producer, as exists between a doctor and client? And that a veterinarian might go onto a property and see, for example, mulesing practices which are not satisfactorily dealt with or calving practices that are not satisfactorily dealt with.

Where does the point reach, or when is the point reached, that a veterinarian has to turn round and say, "I don't think these practices meet proper standards and therefore I should either notify the RSPCA or the Department of Agriculture"?

It seems to me veterinarians are in a - in a sort of very difficult situation, and how do we deal with that - well, can I also say, and I want to come back to it, is the issue of independent audits of livestock that are exported for slaughter, in whether it's Indonesia or Vietnam or wherever. But is there a fundamental ethical principle that underlies the veterinary code of practice?

DR LATTER: All veterinarians are - as part of our training, and often as part of the oath that we take when we graduate, and again as part of our code of ethics as professionals and as AVA members, we are bound to prioritise an animal's welfare above those other interests.

Of course, those things that you mentioned on the farm are challenges, but vets, by nature of their training and the ethical code of conduct that we follow, do feel that it's their role to advise if they see something that's not right.

And it's - I think often the education approach is the first approach, rather than, you know, reporting. If they can change the practice on the farm by educating the owner - - -

MR BAXTER: That's a much better outcome.

DR LATTER: - - - that's probably their first step. But I think also vets - and it's the same in small animal practice. They get to a point where if they see something and it's not right and it's not changing, they will notify the authorities.

MR BAXTER: Okay.

DR LATTER: Did you want to say something about that?

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MS BALZER: Yes, so it's not comparable to a doctor and a patient, because there is that - you know, there's a client, but there's also a patient.

MR LINDWALL: Third party, yes, yes.

MS BALZER: So they are two sort of - and sometimes the interests aren't necessarily - don't necessarily coincide. But I think one of the ways that that education process takes place on a farm, for example, or in any vet practice, really, is to explain the benefits to the client of doing things differently.

So - and I think that's very much a very common way that vets communicate about how to improve the welfare of the patient in those situations where education is the first port of call. But they do - I mean, I hear members talk all the time about where that line is, where that reporting line is, and they have to take a lot of things into consideration.

You know, and foremost in their minds is the benefit to the animal, I think. So it's a case of if you report too soon, then what's the consequences of that for any of the animals in that person's care. So it is a difficult line, and it can be a fine line, but I think it's - the other thing is that many of the vets are registered to practice in their state and territory. It's not a national registration like human health, and so it's a bit different with each state, but many of the states have codes of conduct which the disciplinary body, the registration board, judges a vet's conduct against, and many of those have quite explicit statements about the role of animal welfare and the consideration of animal welfare as well as, you know, the AVA's code of professional conduct and oaths which may or may not take place at graduation.

MR LINDWALL: The upshot of it is that if a veterinary officer was in cahoots with a farmer in poor practice, very poor animal welfare, ultimately the veterinary can be struck off the register, I assume.

MS BALZER: Yes, certainly.

DR LATTER: Yes, disciplined.

MS BALZER: Yes, certainly if there is a complaint to the board, the board can discipline, yes.

MR BAXTER: And the second one I want to raise is over this business of auditors on export vessels, or live export vessels. One of the propositions that's been put to us is that there should actually be an external audit done, independent external audit, and again, it's sort of -

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there's a fuzzy boundary. If a veterinarian is on board, I would have thought that veterinarian has to be the employee or commissioned by somebody independent other than the owner of the livestock.

I also understand that there are some quite large firms that, you know, like Bureau Veritas and Lloyds and others who do this sort of auditing. What has been the experience of your members in dealing with these situations on export or live export vessels?

MS BALZER: I'll go, shall I?

DR LATTER: You go first.

MS BALZER: Okay. So I think our position has been for several years that on board veterinarians ought to be independently employed.

MR BAXTER: Right.

MS BALZER: And whether that's by the Department or by some other independent organisation, we've been very, very vocal about that, and we see that as reducing - you know, eliminating any perceptions or actual conflicts of interest, and you know, I don't - that's not casting aspersions on anybody's practice, but we see that as an important measure.

That's the first thing. We haven't really gone into too much detail on the audit side of it, apart from extending that principle - we would suggest that, yes, independent audits would certainly be - - -

MR BAXTER: But it is possible that, say for example - let's stick with BV for the moment, that they could employ a vet, he goes on the ship that's exporting, say, 1,000 live cattle from Darwin to a port in Indonesia. Now, the only question that arises is who pays that fare, which presumably the livestock exporter is saying, "No, we don't want to pay for them." Is that a responsibility that governments should take on, in terms of funding?

DR LATTER: We think that the livestock exporter can fund that. It's a cost of doing business.

MR BAXTER: Right.

DR LATTER: But that the government or an independent body actually employs that person, so that that person can then report without fear the true - you know, a true account of what they've experienced, and without fear that they won't be re-engaged at a later date, and we have had reports

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from vets that say that they haven't been asked back when they've given unfavourable reports.

MR BAXTER: Okay, good.

MR LINDWALL: Now, obviously it's all very well to, as we've said in our report, to have credible standards about animal welfare and so forth, and the enforcement of it, of course, is sometimes very patchy due to resourcing constraints and the RSPCA does it in some states, for example. Have you got any guidance on what the AVA thinks could be done to better enforce and monitor animal welfare practice in agriculture?

DR LATTER: We think that - sometimes industry co-regulation can work, where you have an industry QA program that is endorsed by the state regulators, and that the auditors are then audited, so that can help sometimes where resources are spread a little thinly.

Ultimately better funding of RSPCAs and, in New South Wales, Animal Welfare League, but in most states those sorts of groups - better funding so that they can employ more inspectors, so that they're not limited in having to not back some call-outs because they just don't have the capacity, would be a good start.

MS BALZER: I think that resourcing is what it always boils down to, and whether you're talking about state departments of agriculture being the enforcement body or RSPCA or whoever, it's - you know, there isn't sort of - there are a whole lot of conflicts, potential conflicts, and - but really it all boils - you know, really the basis seems to be a really serious lack of resourcing, and that seems to be what you come up against time and time again whenever you're looking at policy settings relating to welfare. And whether that's companion animals or livestock, that seems to be the stumbling block at every point.

DR LATTER: The other thing, too, is I actually did work in Queensland as a regulator in animal welfare for the Queensland department, and we had RSPCA inspectors as well as departmental inspectors, and due to the lack of - I mean, it's a complaints-based system, and so you're often reliant on somebody already identifying there's a problem and calling, and that leaves the gap of the unknowns, and so one of the things we tried to introduce were monitoring programs where we'd go out and audit, with notice, but we still - you know, there's sort of that regular monitoring of what's going on. And that's a good addition to the complaints-based process as well, to pick up maybe things that are, you know, hidden, so - - -

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MR LINDWALL: Yes, yes.

MR BAXTER: And it was put to us in other - that one of the easier vehicles for doing this was actually a situation where livestock would have to come in for sale at a local saleyard, and that it would be possible for the either local Land Services Board in the case of New South Wales officers, or the agent to turn around and say, "Those cattle or those sheep are not fit for sale" and direct that the farmer take them back again, or presumably if the case is really bad, to impound them and say, "Well, we're waiting till we get the inspector in."

Is that a means of dealing with the lack of adequate resources? I mean, particularly thinking of Queensland and the difficulty with spreading - well, and probably Western Australia, the vast difference, that compliance becomes a real headache.

DR LATTER: It's one of them. I mean, in addition to all of those other things, it's certainly a good idea to have someone at those saleyards monitoring the condition of stock as they turn up. And I say in addition to that, another really good way of doing that is at the abattoirs, when they arrive, is you can get a very good account of what's happening on the farm if you look at the condition of stock that arrive at abattoirs.

And one gap in Australia is we have veterinarians at our export abattoirs, but we don't have them at our domestic abattoirs, and I've known vets who've worked in those situations have said to me, look, you know, at the domestic abattoirs we see bad things come in, but there's no regular veterinary presence there, and we think that that would be a good addition, to have veterinarians at all - you know, within limits. Or a veterinary presence, at least, so that maybe, you know, intermittent visits.

But if they're too small to, you know, to justify a full-time veterinarian, but we do think that you could have a vet or an animal welfare officer, somebody trained in that space.

MR BAXTER: But it would be highly likely that somebody like Teys up at Aberdeen who supplies, well, predominantly Woolworths, it'd be almost in their interests to have a vet present, I would have thought, from a marketing point of view, leave aside the animal welfare. And there must be similar abattoirs that are predominantly for domestic in Queensland, where a similar thing would apply.

DR LATTER: Yes, yes, we would be all for that.

MR LINDWALL: Now, we received a submission from the Dairy Goat

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Society of Australia which said that there's - and I think this alludes to what you were talking about earlier, that they've had - they don't get access to pain relief medication which has been registered for cattle, sheep, pigs and horses for disbudding and castration, but they're not available to goats because there's not a large enough market. Would that be right? You'd agree with what's their saying?

DR LATTER: That's one of those "do not use" labelling issues, and it wasn't about the size of the market, it was about the lack of residue information, and that goes back to that. In Australia, the precautionary principle is a little bit - goes too far, because it just says, well, if we don't have the information, we'll just have "do not use", and then it's illegal for even a veterinarian to prescribe it off-label.

So what we're advocating is a similar system to New Zealand because that's where they say, look, if these might be used at any point in their life to produce milk for human consumption, even if they're, you know, babies having their buds taken off, you can't use this product, but we know that it's perfectly safe in cattle and sheep and, you know, all the other equivalent species.

So we would say a better option is that default withholding period, let's say 35 days, and that would be sensible. We do believe, though, with the Meloxicam it has come in, that APVMA have permitted that in that instance, but there is certainly other examples in goats where that occurs, and - - -

MR LINDWALL: So in other words, there can be harmful animal welfare practices because of unavailability of - - -

DR LATTER: Absolutely. And health, too, there's inability to treat, you know, problems with parasites and things, when really there's no logical or scientific reason not to use that - - -

MR LINDWALL: That makes a lot of sense. And finally from me, given the time, the - sometimes there's a conflict between what the community thinks is good animal welfare practice and what is good animal welfare practice. How do you - advice on how to bridge that gap?

DR LATTER: I think we have to take into account the animal welfare science, but you also have to look at the ethical considerations, and you know, the social science, and the fact that expectations are also important, and you have to factor all of those into the ultimate benefit, I suppose, to community and animals combined.

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And sometimes it's a matter of some community education, but I think to be fair that the community tend to react fairly empathetically, and that that's not inappropriate, and I think that we have to include that - you know, it's not just about the science, it's also about the social science.

MS BALZER: And I think good research into community attitudes and perceptions will include a bit of education, so that you can really kind of get an informed view of what those community values are, and I think you've highlighted that in your draft report and that's, you know, completely sensible.

And when you're making a regulatory impact assessment, then you're balancing up costs to everyone, benefits to welfare and benefits to the community in meeting their perceptions and having confidence in the animal products that they use.

MR LINDWALL: Yes.

MS BALZER: So I think that that assessment is a multi-directional one that a number of different interests need to be balanced.

MR LINDWALL: Okay.

MR BAXTER: I've only got one very quick question. You made a point about the regulatory impact statements and the processes should be undertaken with an animal welfare science background. Has that not happened in the past with RISs?

DR LATTER: What happens is that, for instance, the bobby calf or the sheep standards would be examples, where there is a process where the consultants look at the economic impact, obviously, to industry, but - and they also take submissions on the science, so people like us or RSPCA can send in their comments on the animal welfare science, but there's not necessarily an animal welfare scientist subcontracted to look at - to actually assess the science.

So we've got people who perhaps are trying their best to assess what they're being told about the animal welfare science, to balance that against cost, which is dollars, so you know, it's a difficult equation anyway, and perhaps we think that if that was subcontracted, if the animal welfare benefit side of the equation was subcontracted to an animal welfare scientist to give independent advice on the true meaning of that animal welfare science, that might just be a little bit more robust than what's currently happening.

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MR BAXTER: Okay.

MR LINDWALL: Sorry, one I should have asked, and we are a bit behind, but we started a bit late, so it's fine, we're still within your half hour, the GHS labelling, now that (indistinct) - there's costs and benefits of that, and you don't think that it's needed. You assess its net cost, in other words. What are the major costs, do you think, of applying GHS?

DR LATTER: Well, not a dollar cost, but I suppose there's a risk of diluting the message that's already there, because they're very - the APVMA labels around work health and safety are very targeted. Perhaps another whole layer of information might dilute that message. There could be some product that, if it's not compliant on 1 January, there'll be a hold up in terms of the supply.

I'm not sure if it will result in increased cost to industry of that, of producing the actual drugs. That's something I'm not an expert on, by any means, but if there were increased costs of actually then producing the drug because of the extra labelling, that could mean some drugs are less available to animals, and I worry about the animal welfare impact if they can't be treated.

MR LINDWALL: Of course. All right, thanks. Well, thank you very much for appearing then.

MS BALZER: All right, thank you.

DR LATTER: Thank you.

MR LINDWALL: We appreciate it. We'll now move to Sarah McKinnon from the National Farmers' Federation. Hello, Sarah.

MS McKINNON: Hello.

MR LINDWALL: And as usual, if you just say your name and organisation and whatever else you want to tell us.

MS McKINNON: Yes, sure. So I'm Sarah McKinnon. I'm the General Manager of Workplace Relations and Legal Affairs at the National Farmers' Federation, and thank you to the Commission for this opportunity to talk about this very important inquiry, which we are already using and quoting all over the place, so we are very grateful.

I should preface by saying that we've filed a comprehensive reply to the draft report. I'm the workforce policy person, so if there's areas that

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you're interested in that I'm not able to help with today, I'm very happy to take it on notice.

MR LINDWALL: Take it on notice, yes.

MS McKINNON: Thank you.

MR LINDWALL: So did you want to give a bit of a presentation to start with, then?

MS McKINNON: Look, I think really for us, red tape is a big issue for the farm sector, and it's useful for us to have the Commission identify particular areas where perhaps the regulatory burden is disproportionate, and it's a difficult area to address, because I think there is broad scale sympathy for red tape and the burden that that brings. But having the capacity to wind back the level of regulation is a challenge and an ongoing one.

So how to achieve an outcome which makes it easier to be a farmer in Australia is really what we're interested in, and as you can appreciate from the range of issues dealt with in your draft report, it's a huge area, and everywhere you look there is an opportunity to improve.

Particular areas for me are around workforce regulation, and I know that that's an area where other inquiries are also underway or have been had. Having said that, I think it is useful for us to understand how the Commission perceives the impact of regulation, despite those areas being considered elsewhere, because having different views on how matters should be approached is helpful to inform the policy debate going forward. So I'll probably just leave it at that broad level, and - - -

MR LINDWALL: Okay. Well, how about we start on workforce regulation, then?

MS McKINNON: Yes.

MR LINDWALL: Now, your sector is a large employer of 457 visa holders, obviously working holiday makers and seasonal workers too.

MS McKINNON: Yes.

MR LINDWALL: And there is a whole lot of issues around that, and of course, there's the issue around local labour and getting them into the right place at the right time, which can be a bit challenging in certain more remote places in Australia, and as you know, we produced the Workplace

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Relations Report a while back, and the government's still working on that, I suppose, but what are the particular issues - if we look first about immigrant labour, as in the 457 - the temporary workers in particular, that you'd like to highlight?

MS McKINNON: Well, it's interesting that in the workforce context, 30 years ago, the big issue for the farm sector was what were the wages and conditions on farm.

In this environment, the biggest issue for farmers is how do we get workers onto the farm, how do we find them, and then let's work out, you know, what the rules are. It's a real challenge, and ten years ago, the farm sector was facing serious labour shortages off the back of two very impressive droughts, and really the position's never recovered.

And what the government did ten years ago was that it changed the Working Holiday Maker Program to make it more useful for the farm sector as also a work incentive. So what we've seen over the last ten years is an increased reliance on the Working Holiday Maker Program, to the point where now we use about 40,000 backpackers every year on Australian farms.

Unfortunately, in recent times, the use of overseas workers has become increasingly political, and it's very common to see in the political debate on the television stories about terrible experiences on farm, and that has implications then for how governments feel about continuing to make it happen, and so it's really difficult as a policy area.

In agriculture, we don't compete with other sectors of the economy - we don't compete - you know, overseas workers don't compete with local workers for jobs, because if the local workers want jobs on farms they can come and get them, but they don't. And if they do come, they tend to stay for one or two days, with the odd exception, and when you do get an extension it's wonderful, but it doesn't happen all the time.

So we don't compete with the local workforce, and I think we do as a society have to accept that economic migration for agricultural worker is where the future of our lower-skilled workforce lies. That's the experience in the US and in Canada, and we think it'll be increasingly the experience here.

So how then do we make sure that we have the policy settings right to facilitate that without it becoming a constant political football? So we've got a number of ideas. Critically we think we need a dedicated visa solution for agriculture. There is the seasonal worker program, and that's

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a good program, but it is also a foreign aid program, and there are competing objectives there around supporting the economic development of the Pacific and East Timor, while at the same time helping to address labour shortages in Australia.

That program is going. It's gone from about 20 approved employers over the last year or so to about 70, so they're increasing at a rate of about 40 per cent a year, so it's huge. But with that growth comes difficulty, I think, in administering the program at the government end, and so we are, you know, sometimes now experiencing a situation where the department, trying to manage the program as best it can, but having regard to the risks associated with managing an overseas worker program, is making decisions about how many farm workers a farmer can have and when and where, and farmers need to be the ones making those decisions.

When they need the work, they need the work, and they can't have that decision held up by bureaucratic approval, so we need to look at how that program is working. In New Zealand, the RSE is a similar program and what they've done is moved it to an industry owned model. So it's a partnership with industry and government, but it's run by industry because industry understands the farm labour needs.

So that's something we'd like to look to as a future opportunity to improve the program and make it work, and in the meantime, I think we do have to have the conversation about whether that program can and should provide all the overseas workers that agriculture is going to need, or do we need a specific program, which is just a work program, which doesn't have a holiday or a foreign aid element to it so that the political argument isn't about what is the reason for the person being here, but rather, you know, it is accepted that workforce solution is the primary consideration.

MR BAXTER: Could I just interrupt on that? Does the Pastoral Industry Award still exist?

MS McKINNON: Yes.

MR BAXTER: And if it does exist, to which the answer is yes - - -

MS McKINNON: Yes.

MR BAXTER: - - - are the conditions of that award such that they in fact limit the capacity of a farm employer to be flexible in the engagement of labour?

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MS McKINNON: Yes, certainly. And so the Pastoral Award does still exist. It's the oldest award in Australia. It has more flexible provisions than many awards around hours of work, so for example, in most industries under the Pastoral Award, you can average your hours of work over a four week period, and that allows for variation in hours with peaks and troughs.

But that rule doesn't apply in the same way to all industries under the Pastoral Award, so the pork industry is a good example where the - what happened in 2010 was that a range of industrial awards across the country, thousands of awards, were condensed down into 122, and in the Pastoral Award what that meant was that industries such as poultry and pork and dairy and shearing were all brought within one instrument. And - but whilst that happened, the individual hours of work and related arrangements were not merged, so you have different arrangements for different parts of the pastoral industry, and we don't know that that's the best outcome, given that all are suffering from the same uncontrolled environment, for the most part.

MR BAXTER: Well, contemporaneously with that, in each of the states is there equivalent to the Rural Workers Accommodation Act which used to prescribe fairly stringent conditions on which labour could be employed on rural properties? Or has that disappeared with - - -

MS McKINNON: It's possible - look, I'd have to take that on notice. It's not something that has ever come up for me. Certainly you can employ people wherever you like. Where you get issues with people staying on farm, it's more the retail tenancies legislation that seems to be applying.

The question is whether or not it's actually a rental, a lease arrangement, or is it some kind of other on-farm benefit, but perhaps I can come back on that?

MR BAXTER: Yes, if you wouldn't mind.

MR LINDWALL: Is there anything else you wanted to add, or shall we - - -

MS McKINNON: So that's the - that deals with the semi-skilled labour, but the other part of the migration policy framework is the skilled labour, and the 457 visa. We don't really use it much in agriculture, with the exception of particular industries, meat and pork and dairy.

MR LINDWALL: And pork, yes.

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MS McKINNON: Because we can't get our workers in through the program. Our jobs are not on the list of eligible occupations, and that's a huge barrier to access to the program, so I think it's about 1,000 workers under the 457 program, under the broader agriculture industry.

So we really need the government to make provision for changes to that list where you can show there is a job that exists in the community. Because if we can get "senior stock person" on the list then we can use the program, and that's the only real change that we need to get access to that program.

MR LINDWALL: So it's not the minimum wage that's required under 457 visas?

MS McKINNON: That's also a challenge. It's fine for some and it's not fine for others. $53,000-odd might seem like a fair market rate in some areas, but in other areas it's far above the market rate, so we would like to see the re-introduction of regional concessions, and we've called for that in the 457 visa review and here.

But I think, you know, getting access to the program is the first thing and then, you know, critically if you can get access to the program because your job is on the list, you don't then have to negotiate a labour agreement and concessions to the general rules, and because negotiating a labour agreement takes years and costs a lot of money, and there are no guarantees at the other end that you will get the worker in the end because ultimately they're not bound and nor should they be, but they might make a decision six or 12 months down the track that they have actually got a better idea.

MR LINDWALL: How's the demographics of farming changing? Obviously you have an ageing population like the rest of Australia, probably more rapidly ageing in some ways, and the children of farming families are often moving into different occupations and away from the farm. That itself presents a challenge for the future, I imagine.

MS McKINNON: Yes, look, I think you're right to say, though, that that is Australia's challenge, not just agriculture's challenge. And we have in the last two years seen a nice shift back to increasing numbers of agriculture enrolments at university, and we are also seeing a lot of people coming back to the farm. So it comes and goes. The mining boom sent a lot of people out west, but as it receded, so did our sort of labour shortage.

MR LINDWALL: Yes.

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MS McKINNON: So we think there's reason to be optimistic. I think there's a lot of buzz around the agriculture industries at the moment and all the technology and opportunities to farm smarter is really interesting to young people, and so we hope that that will make a difference in people coming.

MR LINDWALL: Okay. We probably should move on to animal welfare then, I suppose, because otherwise there are a lot of topics.

MS McKINNON: Yes.

MR LINDWALL: Now, I think the NFF doesn't support our independent body idea.

MS McKINNON: No.

MR LINDWALL: Would you care to, I mean, expand on that a little bit?

MS McKINNON: Yes. Look, I think we do support strong standards and rigorous science-based standards, but again, animal welfare is an issue that is political. It's not just a matter of making sure that there are good outcomes in the farm production process. The animal rights argument is actually much more about getting rid of animal production in the long term. So you have to start from the position that this is a political issue, and how do we then come at it from a point of view that recognises the vital role of animal production in our lives?

Ultimately, you know, we are always going to need it, so we need to move past the debate about whether it's a good idea or not. So we have supported scientific standards and we certainly want them to be evidence-based standards, but we don't know that having an independent statutory office is the best way to achieve that.

MR BAXTER: Could I just sort of be the devil's advocate on this for a moment? We had a very close look at the New Zealand system, and one would have to say that proportionately there are more animals wandering around New Zealand to the human population than there are in Australia, and that the New Zealand economy even more so than ours is probably far more dependent on their industry.

Have you had a look at and critiqued the New Zealand model, and if so, what's the NFF's view about the New Zealand model?

MS McKINNON: I'd have to take that one on notice as to - - -

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MR BAXTER: Okay, well, could you put that on notice?

MS McKINNON: Yes, certainly.

MR BAXTER: Because the New Zealand model appears to have been, on the face of all the evidence presented to us, have been a very effective model.

MS McKINNON: I can certainly have a look at it. I mean, we have looked at the various options and, you know, the - again, though, the office idea is political, and the - - -

MR BAXTER: But equally political in New Zealand, if I may say so.

MS McKINNON: Perhaps, and maybe never can we separate the two, but because it's - you know, if you have an agency that's statutory, then it requires statutory appointments made by political parties, so if you're going to have it as a credible entity where - which inspires trust and confidence from industry, you need to make sure it's sufficiently independent and respected.

MR LINDWALL: Which the NAWAC in New Zealand is. I mean, it's been going for many - a couple of decades now, so - I mean, it is - do have a look at it, because I think it is an interesting model, and you are right about the politicisation of this, but in a way the only thing that can hold back the tide of political pressure in one direction is a credible science and research arm that you can show that is not biased by a particular interest group.

All right. Let's - how about moving on to ag vet chemicals? As you know, we said that we need - the APVMA should have a greater use of overseas approvals processes from credible agencies, and I think you support that.

MS McKINNON: Yes.

MR LINDWALL: Have you got some good examples for us that we could use of where animal welfare practices or the farm management practices have been affected in a negative way, perhaps, by the manner - well, it's because of the unavailability of certain types of chemicals and pharmaceutical products for animals?

MS McKINNON: No, I'm afraid I'd have to come back to you on that one.

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MR LINDWALL: Okay. And the - so I think that's all right, we don't need to cover that more, too much more. As for transportation, the - you know we've asked for a greater standardisation and being able to use heavy vehicles across different borders, reducing the number of permits for heavy farm vehicles to move across public roads and that like. Have you got anything to say about that that might be worth adding to this submission?

MS McKINNON: It's a - I mean, I think we've sort of set out our position there, but it's an issue where, you know, with the right resourcing and effort, the NHVR can be a huge asset to industry, but it's not there yet.

MR LINDWALL: Yes, I think that's - a lot of people are saying that.

MS McKINNON: That's right. So it's just about how you get the most value out of the system, and you know, to their credit, they have been very engaging and consultative with industry about what they're doing, what they're doing well, perhaps not so well.

So we think, you know, given time things will improve. But there is always this cross-border inconsistency and frustration about a rule that happens - - -

MR BAXTER: I mean, I just amplify that somewhat. I think we'd be interested to hear what the view of NFF is over the issue of how far down the funding goes, because one of the problems with the NHVR is that many of the farmers, particularly where they've closed what are called uneconomic (indistinct), the guys are putting in big trucks with dogs on the back of them, going over bridges in local government areas that were never designed to take them, everybody's keeping their fingers crossed that nobody's killed when one of these bridges with a wet truck on it goes into the river.

If the funding arrangements for the NHVR led to a more sensible road (indistinct) policy, what would be the NFF's view about the possible introduction of road charging to fund those bridges, to enable those roads to be better, and to develop a consistency between the states, particularly since - between New South Wales and Queensland, for example, there's a hell of a lot of traffic that crosses the borders?

MS McKINNON: Look, we would support any good outcome, and - you know, but critically, you know, if you're paying for a product, you want to make sure that it is delivering what it offers. So I think getting to road use

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charging also, you know, that's the step that follows the commitment to improvements and delivery of them, because otherwise you're going to have people increasingly frustrated about now being asked to pay for something that they've been complaining about for 20 years. So we will always look at it and if it delivers value for money, you know, that's something we'll consider.

MR LINDWALL: The NFF has a very proud position over many decades of supporting the liberalisation of the economy and the reduction of tariffs and the removal of statutory marketing boards, so I would like you to explain, Sarah, why the NFF now thinks that we should keep the sugar marketing legislation in Queensland, industry amendments legislation, and the Rice Marketing Act in New South Wales, which seems to be counter to the NFF's long held position to all these types of things?

MS McKINNON: Well, I think on the rice marketing, what we would like the Commission to consider is having a look in detail at what's happening in that framework because we're not sure that the findings on other marketing arrangements are equally applicable in the rice context. In the sugar industry, we have some real issues there around imbalance of power and very large multinational companies, many overseas, not very many Australians left, in fact one, I think, so there's some real market distortions in that environment.

MR BAXTER: Can I just test that a bit further? It was the sugar growers who in fact jumped up and down and wanted the removal of CSR, admittedly an Australian - well, predominantly Australian-owned company, who operated as the sugar authority for the export and sale of all export sugar. So not dissimilar of the old Wheat Board.

There seems to be a modicum of inconsistency between, on one hand, the sugar cane growers wanting to toss out the CSR and the acting as the sugar board, and then having three or four international competitors in the actual marketplace. So I mean, it's not as if Wilmar or the others are a monopoly, there is in fact active competition between them. I would be interested to see the logic of argument that lies behind it. And I understand the politics.

MS McKINNON: Yes, sometimes you can't separate them.

MR BAXTER: Well, can I say I think it would be useful for good policy formulation for the - at least put in on the basis that if you were moving into a pure economy, into one which competition was seen as the fundamental principle, this would be what might happen. And I would think that there needs to be some consistency, particularly if you're going

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to be arguing about what the supermarkets might or might not be doing. So there's competition and ACCC considerations that underline the principles.

MS McKINNON: That's true. And that is, I mean, in a way the two are interlinked, you know, if we can get the competition laws to a point where we actually do have fair competition in the market, then some of these concerns can be addressed adequately. We only have the unfair contract terms now coming into effect in November and they are only limited to certain contracts of a certain size. So if we get to a point where the competition laws provide an adequate structure and remedy for misuse of market power, then I think concerns around barriers to competition fall away.

MR LINDWALL: We should move briefly onto foreign investment in agriculture, which of course we made a recommendation that the threshold should be increased back to the status quo ante of $252 million. I don't think that the NFF has a position on the foreign investments rules. I have a feeling that you're a bit - some of your members support it and others don't. Would that be a fair assessment?

MS McKINNON: Yes, although we have supported the lower threshold for foreign investment, but critically we've also sought transparency around how the test is applied.

MR LINDWALL: Yes, and about a register being available too - - -

MR BAXTER: Could I add to that a question that arises if you read this morning's Financial Review, and in the section dealing with what appears to be a very buoyant agricultural sector, one of the things that is prominent in a couple of those articles is the fact that the foreign investment brings with it much needed capital, which is not forthcoming from some of the big Australian superannuation companies and others.

MS McKINNON: That's right.

MR BAXTER: So the question mark I would raise or be interested to hear NFF's view, if you can't raise the necessary capital for developing agriculture to meet the politicians' expectations, where does that capital come from?

MS McKINNON: Exactly. Where does it come from, and how do we incentivise Australian investment when APRA rules are so stringent around what they require you to report and return on, because agriculture is a long term investment and it isn't guaranteed and so sometimes you

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can't make the business case step up in the regulatory framework. So we've written to APRA about that and asked them to consider how it might apply in the agricultural context to try and encourage investment.

And there are industries out there looking proactively at how they can invest in agriculture and allocate a proportion of their investment to agricultural enterprise in Australia. But as I say, the level of investment that we require to take advantage of the opportunities out there is significant. And it's the same argument that operates in the workforce context, you can't grow as a sector if you don't have workers on the ground. So measures that take them away run against the direction where we I think all agree we should be heading.

MR BAXTER: But isn't there a risk that a person who is at a younger age and wants to acquire agricultural product, and an Australian, say, would be very happy to have restrictions on foreign investment, but the same person who wants to now dispose of said property would be very supportive of foreign investment?

MS McKINNON: That's true, and you get different views depending on where you sit at the end of that trajectory, you know, if - - -

MR LINDWALL: Because it is often the superannuation policy of the farmer, isn't it?

MS McKINNON: Yes, or it could just be that their whole asset is tied up in the farming and they can't release it.

MR LINDWALL: Yes, exactly.

MS McKINNON: And you know, to be commercially viable many farms have to be of scale, which means they are big properties, which are not cheap.

MR BAXTER: Could I just go - I know we are restricted by time, but we skirted over it, in your submission on land use you've put the proposition of freeholders always - is not always a better proposition for farmers. And you've also said that the framework should consider that lessees have been responsible for creating real value. I gather that you're not supporting what we're proposing is a move to universal freehold?

MS McKINNON: I might just have to take that one on notice - - -

MR BAXTER: It's under land use.

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MR LINDWALL: If you take that on notice, that would be perfect. And we've probably run out of time, Sarah, so thank you, very much, and we appreciate you turning up.

MS McKINNON: Thank you.

MR LINDWALL: And finally, before lunch, we've got Matthew Cossey from CropLife. And Matthew, since we're starting a bit late, we might finish at 12.40 rather than go - well, you have the full half hour.

MR COSSEY: No worries.

MR LINDWALL: So if you wouldn't mind introducing yourself and your colleague?

MR COSSEY: Matthew Cossey, Chief Executive Officer of CropLife Australia. And Osman Mewett is our Director of Agricultural Biotechnologies Policy.

MR LINDWALL: Thank you for that.

MR COSSEY: I will make a bit of an opening statement, if you like, specifically maybe to address some of the matters that have gone before the Commission in previous hearings. And firstly, on behalf of CropLife Australia, may I commend the Productivity Commission for the strength and depth of the draft report into the regulation of Australian Agriculture.

Further to our original substantive submission, CropLife has provided a submission to the draft report which I believe has been made available to you. And I would like to take this opportunity to reaffirm CropLife's support for a number of the report's recommendations. And also to address some of the outright falsehoods that have been raised by some anti-science advocacy via public hearings on the report.

CropLife strongly supports the Commission's draft findings that there is no economic or health or safety justification for banning the cultivation of approved genetically modified organisms. Of note, this is also a position that is supported by every relevant international independent regulator, academic and scientific institution, and most recently, a collection of no less than 107 Nobel laureates. The Commission quite rightly concludes that there is no demonstrated market failure regarding the coexistence of GM or non GM production systems. And therefore state and territory governments should remove their moratorium.

Activists' myths, the infamous retracted lumpy rat studies, baseless

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anecdotal statements by some misguided public commentators, including a small number of parliamentarians, I note, and the use of inflammatory and technically incorrect terms such as "contamination", abound in the discussion on modern seed breeding techniques such as genetic modification. We've seen this again in the activists' reaction to the Productivity Commission's rational and fact-based draft report. We are very pleased to see the Productivity Commission taking a more evidence-based approach on this important issue than what is often done by other organisations.

Contrary to the recent statements to the Commission by some who have appeared in earlier hearings, the EU is in fact a major importer of GM commodities from other parts of the world. Each year the EU imports over 33 million tonnes of GM soy totalling more than 60 kilograms for each of its 500 million citizens. They are primarily used as animal feed to produce meat, dairy and other high value products. European livestock farmers depend on these imports heavily since there is no realistic alternative. The production of soy beans in the EU only accounts for 1.7 million tonnes. That's less than five per cent of the EU need.

With regard to food labelling in Australia, due to the warping of public discourse on this issue, GM foods are labelled in a mandatory system and as such, even though the approved GM foods have been assessed by regulators, in not just this jurisdiction but internationally, to be as safe as conventional foods. CropLife strongly agrees with the Commission that it is difficult to justify a mandatory labelling regime based on any facts or science. The Australian government's own 10 principles of best practice regulation highlight that regulation should not be the default option for policy makers and should be imposed only when it can be shown to offer an overall net benefit to the nation.

Unfortunately, it's not just in the GM area where government has failed to adhere to these principles. Safe Work Australia is acting in deference to this best practice advice and applying unnecessary costly and potentially confusing labelling requirements on already regulated agricultural chemicals which the report has specifically noted. CropLife strongly supports the Productivity Commission recommending that SWA reinstate the recognition of the relevant regulator, the APVMA's, approved labels, and noting that they should in their own be deemed compliant with WHS regulations.

Failing that, Safe Work Australia should delay the implementation of GHS specifically in the regulated agvet chemical label area to enable genuine consultation and appropriate critiquing and analysis to occur, and

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actually come up with a genuine solution to achieve both Safe Work's goals and protect what is already world's best practice in this area. One such solution to SWA's concerns about offlabel use is the expedited implementation of a national control of use regime for agvet chemicals that would increase harmonisation of offlabel use provisions.

CropLife supports the Productivity Commission's specific recommendation as harmonisation of control of use in Australia would remove duplications and inconsistencies, and help ensure the primacy of APVMA registered labels and safety data sheets, while reducing unnecessary costs to industry. And a benefit that goes directly to on farm activity as well. A precautionary approach, an important concept in the regulation, marketing and use of both crop biotech and crop protection products, should not be confused with the precautionary principle. There is a clear distinction between the two terms.

The precautionary principle is a term often invoked by anti-science groups to delay, inhibit or stop altogether the introduction of useful and beneficial products and technologies, even when the introduction of such products and technologies have been supported by scientific evidence, and have been assessed and approved as safe by the independent regulators. Rigorous and robust science-based approval systems, such as we have in Australia in the OGTR, FSANZ and the APVMA, provide the best regulatory approach for crop protection, and crop and crop biotechnology products.

And these existing approval systems are already intrinsically proportionary in nature. CropLife's criticisms of these agencies has only ever been to their efficiencies and to their scientific or technical competencies. Science-based risk assessment determines whether a product may warrant the implementation of mitigation measures as a part of a risk management process. This is recognised as world's best practice.

It is for this reason that CropLife strongly believes that the decisions by overseas regulators should not be accepted as sole justification for registering or cancelling an agricultural chemical product or active constituent in Australia, but rather use of the relevant data assessment packages by those international agencies by the Australian authorities to streamline regulatory processes. Also, there is likely to be considerable components of registration decisions by overseas regulators that cannot be extrapolated for Australian-specific conditions.

On that, Commissioners, we again commend you on the draft report and are available to take questions.

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MR LINDWALL: Thank you. Do you want to start, Ken, or will I?

MR BAXTER: You start.

MR LINDWALL: We've met a number of people in this inquiry, as you know, who have varying views quite stridently against GM products. And some say that there is a conspiracy of sorts undertaken with a company named Monsanto, which I tend to be a believer in the Occam's razor, that you take the simplest explanation, and conspiracies are usually not very simple. Anyway, what I would like to know is do you have any thoughts about why people are so virulent against GM, just like some are against vaccinations, for example, even though the human health benefits of vaccinations have been proven many, many times?

MR COSSEY: I recently gave a speech at Murdoch University regarding agriculture and food technology. And it was a discussion amongst those in the scientific and academic community that are continually perplexed by this. And it's rather interesting that at a time in human history where we have peak interest in food, which is verified by all the television shows, MasterChef and the like, and multiple cooking magazines, that at the same time, that that is correlating with one of the highest points of ignorance around farming by the predominantly urban-based consumer.

In the simplest terms, regarding the confusion or concern in the community, is very simple. There are some very well organised, well funded and global corporations that are in the business of running false campaigns around that, whether it is their genuine belief or not. And that has led to a range of just complete myths running into the general community. And of course, the plant science industry predominantly dominated by, you know, a very, very clever, very intelligent, very skilful, scientists, but not perhaps the best in public debate, continue to always come from a position that independent data and verified science will always be in public discourse.

And while that is a quaint concept, we see it's not true. And so I think the - not just the industry, but the science sector itself, fail to properly engage in meaningful debate, or understand how communication in science was changing over the last few decades and didn't respond accordingly. Left in the vacuum. And as we know, where there is a vacuum and somebody thinks they can work it to their own advantage, they do. I think it can be as simple as that. The science will prevail in the end and I think it's already turning. We already see the campaigns moving away a bit from this area. But it is as simple as a lack of genuine understanding.

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And equally, anyone who has any concept of plant breeding, for sort of the 99 per cent of plant breeding has gone over on for centuries before now, rather than the last one per cent that is referred to as GM, has no concern about it all. I think it's a general ignorance around plant breeding before GM that leads them to be concerned about this. Those with expertise, those with deep knowledge, those who use this technology, have the highest level of confidence in this end stage beyond everything that went before it.

MR LINDWALL: I suspect that, I mean, I was struck by also some people who were passionate about the environment and improving the environment and yet - and who in economic speak call lexicographical preferencing, in other words they preference the environment above everything else, and yet even so would not take GM products which had environmental benefits, which seems paradoxical to me.

MR COSSEY: Well, this is something that I've put on the record many times, that we as an industry, I find it very hard, from certain organisations, both in Australia and globally, who publicly call on governments to listen to, adhere to and in fact act upon, the science of climate change, to then also be the people that demand governments ignore and act against the science of biotechnology.

I think on this issue, one of the great thinkers, and perhaps somebody as a case example of how facts eventually do win a debate, is the world-leading environmentalist from the UK, Mark Lynas, who the year before last asked to address the Royal Society of Scientists in the UK, his speech was entitled "Mea Culpa". He was one of the lead activists against GM, you know, 20 years ago. And he went before them to state that he'd realised that, in fact, he couldn't maintain any environmental credentials while still advocating against GM, and that having been informed on the science, now he's a strong supporter.

MR LINDWALL: Well, it goes to show that people can be persuaded.

MR COSSEY: Eventually.

MR LINDWALL: Eventually, after exhausting all other possibilities. I actually think that once a product is developed that provides genuine health benefits, the community will be gradually brought to an agreement. For example, if you ever had one that reduced blood pressure, it might become quite attractive.

MR COSSEY: And this is perhaps one of the extra challenges in that the industry responded immediately to the farming community's

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requirements, that our immediate first stage customer, of what traits they wanted, and hence it went into farming practice as trade benefits as opposed to health benefits. There are a range though of amazing health benefits in the development pipeline. I would point out, though, of where the regulation is really impeding. There is a product called BARLEYmax which was actually a GM developed benefit that delivers health benefits through the product. It's an increased Omega-3 low glycaemic index.

And once they'd done it through genetic modification, because the regulatory system around GM approval was so difficult, they then spent a significant amount of time and resources developing the same product through a reverse engineer process, basically to develop it through what activists call "natural mechanisms", others call it "mutagenesis", and the other "original plant breeding techniques".

MR BAXTER: Could I just interrupt? In your response to the report, you made the recommendation that the Department of Health should improve its gene technology regulatory policy. What's the interface in this area between the Department of Health and the agriculture related departments?

MR COSSEY: That is one of the gaps in policy development, regulation, the corresponding development of regulation and the execution of it. We do see that there needs to be a better structure around the development of these areas considering their significant impact on the agriculture. We see there's a range of areas, particularly within health, but also the health agencies where you could streamline by having some of those functions taken into the APVMA and under ag, so that you had food regulated in a more streamlined manner.

MR BAXTER: Does the TGA do any of the health related assessments of GMO products?

MR COSSEY: The TGA is one of the agencies that could approve a specific aspect of a GM product if it was a therapeutic good. But if the product is not a therapeutic good, then the TGA would have no involvement.

MR LINDWALL: I'm interested to know, obviously the producers of GM technology have an intrinsic reason to argue the benefit, and of course those that oppose it will then say that these people have a financial motive and therefore you can't trust what they say, like tobacco lobbyists, what I think one said. Is there not perhaps an argument therefore of given the safety has been proven in so many different areas, of a public body to advocate the benefits as in say vaccinations, which there are people who

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believe that vaccinations are dangerous, and of course the science on that is crystal clear?

MR COSSEY: Well, this is perhaps one of the areas where there is also a gap in government operations in that obviously the OGTR is tasked under its Act to be the approval agency.

MR LINDWALL: And it doesn't, as we heard this morning - - -

MR COSSEY: But doesn't - right, it doesn't have, really, a mandate to go beyond that. And I think there is a responsibility on government where they set up appropriate regulatory assistance to also support a community acceptance of them through information provision. Because we do see that where that information is provided, community attitudes change. On the issue of research, I would note, aside from the fact that it is a long process now, we're into 13 years and about $US150 million for any new traits that come to market, the vast majority, in fact, I think it's now more than 80 per cent, of research in agricultural biotechnologies, and specifically GM crops, is in the public sector. Something that is often forgotten, it is done by world leading publicly funded institutions and universities and related areas.

MR BAXTER: You are well aware, obviously, having read the antagonistic literature, the allegation is that some of your members are in cahoots with the universities and research institutions by providing funding which of itself induces the researchers to adopt a particular view?

MR COSSEY: As I've always said, if you put a room full of scientists together from private sector, from private companies, from regulators, from universities and completely independent organisations, and let them talk, you can't identify where they're from, they're just scientists. I would suggest that it's a somewhat intellectually weak and shallow argument that doesn't understand the integrity around these processes.

Often most of this research occurs before any direct engagement from the private sector, it is pure research in its form, and it's when they have a discovery that they're looking to actually commercialise that you see then a reach out for funding. So the basic principles of the research and its findings, the suggestion that they could even be compromised is not correct in that there's not money associated with that. That money comes in to see the benefits once that research is done and provided through companies.

MR BAXTER: Now, another 10 minutes or so, some of the claims that were made about - and having looked at the science, let's now move on to

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the moratoria in the states, and some of that is because they claimed non-GM products command a prices premium, and then claims that GM products and non-GM products cannot coexist. Would you care to comment on that?

MR COSSEY: Well I think the Western Australian Government, having comprehensively assessed this area, having been the jurisdiction that has the largest a percentage of GM canola grown each year at the moment, and the fact that within the next few weeks they will repeal their moratoria altogether, shows that they have no place. I think it's firstly important to recognise that those state moratoria were an extra precaution put in place specifically to trade, never about safety or health issues. They were put into place in trade when we developed the national body, which saw the development of the OGTR.

The basis for them being required was to ensure that none of our other international trade would be compromised. The history of our trade in this space has proven that they're just entirely and completely unnecessary. The market segregates. With regards to the price premium, GM canola in WA was selling at a higher rate than non-GM canola out of South Australia was the other week. It actually goes to supply chain and supply capacity issues more than a differential. And what those moratoria do is they add a level of unnecessary regulation that is not on a scientific basis and therefore inhibits access to latest technology.

Companies looking to bring a product to market think the OGTR system, while robust and one of the world's hardest to get through, at least is independent and scientific and they know what's required. It's either a yes, it's a binary decision, it's yes or no, it is safe, proven or not. State moratoria aren't, and therefore Australia over the next, you know, 10 to 15 years, if we have these in place, could see our market denied those technologies altogether because of the cost of looking to bring them to market is too much of a risk where it's not a clear path to market.

MR LINDWALL: So the non-GM farmers who we heard from last week who said that they run a big risk of - well they used the word, "contamination", from GM crops, do you have any sympathy for their views?

MR COSSEY: Well, I think that more often than not, every state farmer group and producer group has a position of supporting the choice of farmers. Because they call contamination, I think it's an incursion, because the incursion of a GM canola into an organic wheat, for example, it might be a topical example, but that doesn't compromise the actual outcome and therefore just as the incursion of an oats crop next door into a

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wheat crop doesn't. The products are segregated. The contamination doesn't actually impact on the production. And in fact this goes to why the national organic standards need to be clarified, because they have been misused and misinterpreted and misapplied by some organic certifiers. Any economic impact on non-GM farmers is as a result of a false construct in the regulation or its false application.

MR LINDWALL: Organic products standards, they're not government standards, are they?

MR COSSEY: No, they're not.

MR LINDWALL: So is there a case for a greater government regulation of the organic produce?

MR COSSEY: Well what we believe is what you should do is that national export standard, which is introduced, really should probably just be moved over to the Australian standard. And the clarification, which has been reinforced now by both the WA Supreme Court and the High Court, should be made clearer so they can't be misused from their original intention.

MR LINDWALL: Is there anything - we should talk briefly in the few minutes of our time, agvet chemicals, and you spoke about the GHS labelling issue, but also about APVMA approval processes?

MR COSSEY: There is, we certainly have a position that there needs to be a significant improvement in the efficiency of the operations of the APVMA. Again, I point out that as an industry we support a very strong, robust, independent regulator. It is good that it is recognised world leading in that space, but it is about efficiency. And we believe there are a range of measures that could be implemented that deliver efficiency without even going close to in any way compromising the standards of its operations.

We commend the current government on its agvet chemical reform agenda, looking at that, and more importantly, looking for the APVMA to implement more in-house management efficiency processes. They have started some. By example, one that would be interesting to the Commission is previously the Department of Health and the Department of Environment were used exclusively by the APVMA for toxicology assessments and environmental impacts respectively. The APVMA sought to compare those processes with looking to use private sector independent certifiers, they delivered in, I believe, a third of the time and half the cost, the private ones compared to the departmental ones. And on

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independent blind peer review, the private sector assessments were deemed to be as robust scientifically and technically, or better. So those sort of small measures go a long way to improving - - -

MR LINDWALL: Cost savings, yes.

MR COSSEY: We look forward to actually seeing a reform package that delivers some efficiency this year at a statutory level and those further improvements. With regards to a GHS, we have just recently met with the members of Safe Work Australia - - -

MR LINDWALL: Was this this group that the - - -

MR COSSEY: This is the - - -

MR LINDWALL: It was a big roundtable - - -

MR COSSEY: A roundtable where all of the industry and in fact, the regulator came. This is actually perhaps a case study in the worst that government regulation can be, where you have a COAG system that also involves federal and state statutory authorities that are also then not under the specific direction of the policy departments. There is just the relevant regulator, the APVMA, opposed this, the Department of Ag opposed this, the industry opposed this. Not only is it unnecessary, it's actually going to, we believe, compromise world's best of WHS systems in this phase.

And it was where we saw a regulator who didn't have a detailed understanding of what is already a highly scientific and technical process, believing that, you know, that they could just roll a system out that was never designed for it. We are hoping that common sense prevails in this phase. We are deeply perplexed at how they allowed it to get this far, particularly considering there's open cases of the US, Canada and Japan, all because of their similar regulatory systems around ag chem exempted registered ag chem products from the rollout of GHS for that reason.

MR LINDWALL: When do you expect to hear back from - - -

MR COSSEY: We would hope in the very near future.

MR LINDWALL: Okay.

MR COSSEY: So, but again as a case study of how regulation can go wrong, with the best intentions, I don't doubt, and as an industry, we support GHS rolling out across the whole industry for the purpose it was designed in areas that aren't regulated. But a misunderstanding of these

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areas has certainly seen a lot of effort and cost and unnecessary time go into trying to protect what is world's best already.

MR LINDWALL: I think that's - thank you, very much, for appearing.

MR COSSEY: Thank you. And good luck with the rest of your hearings.

MR LINDWALL: Thank you. Well, we'll now have a lunch break for everyone. We're due to resume at 1.15 pm with Paula Fitzgerald. So until 1.15, we'll see you then.

ADJOURNED **[12.37 pm]**

RESUMED **[1.16 pm]**

MR LINDWALL: I think we've got Paula Fitzgerald; is that right?

MS FITZGERALD: Yes.

MR LINDWALL: Yes. Hello.

MS FITZGERALD: Hi.

MR LINDWALL: Please?

MR BAXTER: Good day, Paula.

MS FITZGERALD: Thank you.

MR LINDWALL: So would - if you'd just say your name and any organisation and then the short bit of a commentary. Is this - - -

MS FITZGERALD: Sure.

MR LINDWALL: - - - too echoey or it's fine? It just - - -

UNIDENTIFIED FEMALE: ...(indistinct)...

MR LINDWALL: It sounds different but that's not - - -

MR BAXTER: Yes, it does.

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MS FITZGERALD: We might be too loud in the ears. I'm Paula Fitzgerald. I'm appearing today as an independent witness, I guess, if that's the right word.

MR BAXTER: Yes.

MS FITZGERALD: And I guess I thank the Productivity Commission for contacting me. So I think this all came about as a result of an opinion piece that I wrote in Rural Press quite recently. So I guess I've spent probably two decades working in the agriculture sector, much of that working with and alongside farmers. So I think we would welcome this inquiry into regulation. It's certainly something that the farming sector talks about quite a lot, and in a previous role of mine, sitting on an advisory committee for the New South Wales Agriculture Minister, we spent some time looking at regulation impacting agriculture as well. So I think there's certainly been a number of inquiries.

I think, to some degree, I'd also say this low hanging fruit, if I can use those words, in that we seem to do a lot of work exploring this area looking at regulation and, I think, particularly federal versus state and the difference between states, and then maybe it goes into the "too hard" basket and no action is taken.

I'm aware, for example, the dairy industry did a study looking at regulation impacting dairy. I think it would be fair to say it ended with a spaghetti diagram that was way too hard to deal with and perhaps everyone threw their hands in the air and thought, "What do we do now?" So it is an important area to tackle and I think it would have a big impact on the sector, particularly farmers.

My area of expertise is around gene technology and innovation in agriculture. I spent some time at CSIRO. I currently sit on CSIRO Agriculture and Foods Advisory Committee, and a lot of work also in the space of gene technology and assisting supply chains in moving forward to commercialise GM crops. I was involved in both cotton during my time at CSIRO and also with GM canola and working with the grains industry.

So I think it's interesting that we've had 20 years of GM crops around the world, including in Australia, which was a leader in the field, both in the R&D sector and in the adoption of the technology. GM technology is certainly not a silver bullet, but a tool that farmers need and have used successfully. The cotton industry, I think, is a shining example of industry stewardship as it applies to the introduction of new technology,

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particularly post that regulatory approval phase. The grains industry is also an example, I think, in terms of using our regulatory system and then building on that a stewardship program which allows co-existence and the success of GM canola.

I do think, from a gene technology point of view, we have an outstanding science-based regulatory system, perhaps world class. The challenge, of course, is that within that system we have a policy principle that allows state governments to make rules on market and trade grounds which, despite 20 years of successful GM crops, we still have some states in Australia, as your draft report has shown, which are denying farmers access to this technology. That is a challenge and I think something we need to address.

Moving on from there, we have now new plant breeding techniques or tools, particularly what we would refer to a genome editing. But I think we could say the jury is yet to rule on in terms of whether or not that falls within our regulatory system. So it's important, I think, for certainty and product development, that we do have a ruling on these things, but importantly again, that that system is a science- and evidenced- based one.

One of the challenges, of course, despite the fact that Australia does think it's punching above its weight in many areas, is that perhaps in the agriculture / plant science / R&D space, we're not necessarily and we therefore rely on partnerships to make some of these things come to fruition.

The Australian cotton industry is a prime example in terms of partnering both with CSIRO and then globally with Monsanto to allow access to technology which, in turn, has resulted in farmers getting access to new plant varieties, royalties assisting CSIRO to re-invest in R&D, and then more innovation coming through that supply chain. But then we don't have certainty in terms of the moratoria we have on GM crops and that doesn't provide certainty for investment, which is a challenge.

Lastly, I guess, the reason perhaps I'm here is my comment around what has become lately, I think, a new and trendy term called "social licence", which I've broadly defined as the level of acceptance or approval continually granted to an organisation's operations or a sector's operations by the community and other stakeholders.

I would argue that long before this term became trendy, if I can say that, the Australian cotton industry realised social licence. It had issues around its chemical use. It therefore partnered with CSIRO and others to invest in R&D to deliver new technologies, building a sustainable industry

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and, of course, coupled with that was a regulatory framework in which it's operated.

Unfortunately though, as I've said, some state governments are banning GM crops in this country, part of which, I think, is based on community attitudes or perhaps the loud voices of a minority, and I think, this ban is a little ironic because we're a bit fortunate in Australia in that we have over a decade of market research on this subject, and we know that the community would be comfortable with crops that have a meaningful purpose, such as crops designed for drought conditions, and those that have been reviewed by a strong regulatory framework. And as I said, I think are R&D matches our farmer needs and we certainly do have a world class regulatory system in place.

So I guess just in concluding my opening comments, I think that regulation does provide protections for the sector and it, in effect, sets a minimum set of standards. Australian agriculture needs regulation that is science-based, that is effective, efficient, practical, nationally consistent which, I think, would be very welcome and transparent, and that I think going forward the sector's social licence is likely to be underpinned both by the combination of regulation and industry stewardship and we certainly have some shining examples of that.

MR LINDWALL: Excellent. Well, thank you very much. Excuse me. The science and, as I alluded to in a previous comment, I'm not a gene scientist, so I can only rely on the advice of credible agencies such as the OGTR and they've testified that it's safe and it's been demonstrated safe throughout the world. Do you have any thoughts, Paula, about why people have concerns about its safety in the light of all that strong evidence?

MS FITZGERALD: I guess I'd probably challenge your question a bit in whether they're actually questioning its safety. So I certainly think we have a global campaign working against this technology.

I think that campaign is driven by a number of things. Some of it, I think, is driven by purely the globalisation of the world which, perhaps, we find interesting. On one hand, we're quite happy to pick up our iPhone, on the other hand, the concept of a large multinational company operating in the food chain certainly seems to have a different community view.

I think also food, for many people, is a cultural thing. So suddenly when we're talking about modifying something it becomes unnatural, whereas they're assuming the food before that was natural. And I think

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that highlights - - -

MR LINDWALL: Which it wasn't.

MS FITZGERALD: - - - another challenge agriculture has in that we're further and further away from that farm gate. We're no longer going to granny's at Christmas or for our Easter holidays, so we actually don't know how that food turns up at the supermarket. We also, I think, have some supermarkets who have engaged in clever - I'll use the word "marketing", around marketing products free of something, again instils some sort of concern about, well, this one's free so what does the other one have in it? So I think they're certainly some of the challenges we face.

The challenge for agriculture, I think, has been to try and communicate what gene technology is. But I'll tell you a story briefly about my time in CSIRO, and I'm probably going back 15 years or more when we harvested the first - I'm actually going back - I think I'm going back to 1996. We harvested the first GM wheat trial in Australia which was actually done out here in the Ginninderra Experiment Station. I'd spent quite a bit of time working with the scientist involved to prepare for that.

That afternoon about 5 o'clock, a journalist from Melbourne phoned me to say he'd just got the story. It was a bit late. He needed to file it, could I help? So certainly. So I started with, "Do you know what gene technology is?" "No". So we explained that. Then I said, "Do you know what conventional breeding is?" "No". So we went through that. Then when I sort of got to this point of saying, "Well, do you know that we use some wheat for bread and some wheat for pasta because it's not all the same?" "No", he didn't know that. So I realised I, perhaps, should've started way back and moved forward.

But I think this is the challenge we face that we are living in this world now of media, of social media, of delivering things in sound bites, and I'm meant to explain to you that plants have 30,000 genes. We're talking about changing one or two which is really probably no different to what conventional breeding has done, except now we can do it with more certainty and speed. And that's a hard dialogue to have with the community that doesn't actually know how their apples got to the Woolworths supermarket shelf. So that certainly is a challenge.

And I think, as I said, we certainly have some entities in the world who don't support GM and I have no problem with that. But, I guess, the challenge there is that doesn't mean they should have the right to take

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away other people's choice, and I think that's what our Australian farming community is seeing at the moment.

MR BAXTER: Just, first of all, an observation and then a question. Observation, of course, that criticism of new crops is not new. I mean, when Farrer was fiddling with rust varieties of wheat, he was roundly criticised by a bishop in Sydney for fiddling with God's design and was going to be damned to hell if he continued doing with it.

MS FITZGERALD: Yes. Yes.

MR BAXTER: But I presume the original cotton trials you were involved with were either Northern New South Wales or Southern Queensland, with CSIRO. What were the arrangements that were made in terms of planting those crops and then supervising them coming through to fruition?

And the reason I ask the question is, I'm - we're interested in the safety - where the boundary - well, both notionally and physically, where the boundary fences are, and to deal with the sort of issues of cross-fertilisation or germination, not so much the word "contamination" which I think has got a pejorative connotation attached to it.

MS FITZGERALD: Yes. Cotton is probably a little bit different for starters, but in brief the cotton story started before we had our current Gene Technology Act in place. During that phase, it would be fair to say though, that the scientific community and others had a voluntary system in place, if I can use that word, or the scientific community recognised that there needed to be some oversight of that work, and it's under that regime that it happened. We then had a system before our current gene technology regulations.

In terms of those trials, they were done with certain conditions. So in the case of the first cotton varieties that came along, they were cotton varieties with a gene giving them insect resistance, and there was a recognised risk that if some insects managed to escape from that cotton crop, they could've, in fact, bred with insects from a non-GM cotton crop, thereby building up resistance in the population.

And so because of that, there were rules around how that cotton crop had to be grown and it had to be grown with other cotton surrounding those paddocks, et cetera, to ensure that didn't happen, and as a result, we've managed that and we now have cotton varieties with more genes in them which, therefore, prevent that resistance building up.

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So I think it would be fair to say, in my view, that in Australia certainly, we've had a scientific community, combined now with the regulatory community, but a scientific community and in cotton's case, an agriculture community, that recognise that it wanted longevity of that technology.

The cotton industry also only grew that cotton in certain regions of the country and, initially, was a little bit - what's the word I want? Not "limited" or "restrained", but agreed on some principles around how much of that would be grown and in what area, et cetera, to minimise that. So I think cotton is a shining example of both a responsible industry and scientific sector to make that happen.

But I would argue also equally, having been very involved in the GM canola story in the lead up to it being commercialised, that the grains industry equally took a responsible view of investing in the science, in the case of canola around herbicide resistance, et cetera, and ensuring that strategies were in place to protect or safeguard that technology.

MR BAXTER: When that original cotton - well, when those original cotton plantings were made and the cotton crop harvested and sold, was there any significant difference in price between the non-GM and GM cotton?

MS FITZGERALD: No. I think it would be fair to say, in my view, that cotton just happened. The US obviously commercialises the same time as us and largely it just became - I mean, I can't tell you what the prices were, but largely it just seemed to almost fit into the system and wasn't seen - - -

MR BAXTER: Well, is it then fair to draw a conclusion that if there was no difference in price, the real development, or the real advantage to a farmer would come from higher productivity and less concern about infestation of weeds or insects?

MS FITZGERALD: So there certainly was a saving to that farmer in terms of less chemical applications having to be placed on the crop. But also, I think, the industry at that time was under significant pressure from other sectors in relation to how it was managing its crop, and so there was a recognition, I think, that if the industry was going to continue, they needed this technology in order to make that happen or they would come under greater pressure.

Having said that, I would like to also point out that it took several years for GM cotton to work in the system and for farmers to really

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understand that technology. So you could still go out to a cotton crop and find a bug on it. It helped you to learn your overall farming system and how you manage that better.

MR BAXTER: Was this done in the St George area of in the north western New South Wales?

MS FITZGERALD: Well, CSIRO's operations are based around Wee Waa, Narrabri, so around that region. There would've certainly been trials in - north of that, but most of it - a lot of the issues - - -

MR BAXTER: So it was predominantly in that Narrabri Burren Junction sort of area?

MS FITZGERALD: Yes. Yes.

MR BAXTER: Okay.

MR LINDWALL: The crops that are purchased which are GM, are they bought normally in a - as a seed or how are they normally propagated?

MS FITZGERALD: When I'm planting, yes, yes, as a farmer.

MR LINDWALL: They have to be replanted each year or is it - or every second year or something like that?

MS FITZGERALD: Yes. Or in the case of canola, I would buy new seed because most of the varieties are a hybrid variety, so I'd purchase new seed each year, yes.

MR LINDWALL: One of the critics - I'll just - because it's good to get a different view, we've had issues of people criticising the use of glyphosate, for example. Now, how safe - what's the evidence on the safety of glyphosate?

MS FITZGERALD: So my view is, glyphosate's been used for as long as I can remember. There's been an enormous work done on its safety. It's probably the - I shouldn't use the word "ag chem", but it's the same one you're going to get at Bunnings and use in your suburban garden, I think. I'd probably be cheeky enough to argue maybe the farmers apply it or put more stewardship over their applications than the average gardener, but perhaps I shouldn't say that.

MR BAXTER: Probably, a little more than my wife.

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MR LINDWALL: Well certainly more than me.

MS FITZGERALD: But I think it was - it'd be fair to say that it is an essential chemical to our agricultural community, and in recent times - and "recent" is probably at least five years, but we've also put a lot of emphasis from an R&D perspective into making sure we're doing research and managing that product responsibly so that we do have longevity of that technology. Having said that, I know in the grains industry, there's also been some investments made in the last 12 months to work globally with how we might look for new and other innovative agricultural chemical solutions, yes.

MR LINDWALL: No, I think we heard from Cotton Australia the other day that it had - GM cotton had a substantial, I think, 40 per cent less water usage - - -

MR BAXTER: Yes.

MR LINDWALL: - - - and something like 30 per cent less herbicide.

MS FITZGERALD: Yes.

MR LINDWALL: It might be the opposite.

MS FITZGERALD: Yes.

MR LINDWALL: Then we had a person coming along who's claimed that that's not fair because the cotton is actually, quote, "spewing out herbicide all the time". What do you say to that?

MS FITZGERALD: Yes, well I would strongly disagree with that assessment, yes. I think the introduction of herbicide tolerant crops - so you would argue GM canola is one of those as well, has allowed us to actually better apply, or be more - what's the word - "frugal" is not quite my word, but be more targeted in our use of those chemicals. And as I said, I think the agriculture sector - so there are examples of resistance, et cetera, particularly in the US.

I think Australia, even in our introduction of GM to some degree, has always had the benefit to be able to look to other countries and to have the opportunity here to build better systems, but based on what we've learnt internationally. We certainly have some leading scientists in this country in that space.

MR BAXTER: Can I just pursue this point about the sort of

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improvement in crop productivity? I mean, you referred to water a moment ago. I mean, while there have been adequate supplies of water in that whole, sort of, North West Plains area, there have been periods when they've been, in fact, not bans, but the amount of water available has been significantly reduced. Is it a fair proposition to say that the expansion of these crops has enabled greater production but with less water usage?

MS FITZGERALD: I don't think I - - -

MR BAXTER: Is that a fair generalisation or not?

MS FITZGERALD: I think it would be a fair generalisation. I wouldn't say I'm qualified to comment on cotton as it applies to water.

MR BAXTER: No.

MS FITZGERALD: But I do think, again, we've become more focused and agriculture's more focused on those areas, and there certainly is work in the gene technology space looking at how we might actually build crops with that - you know, they like to use the word "drought tolerance". I don't. But crops that can grow with less water.

Just to clarify that, I'm not suggesting they wouldn't be drought tolerant. I just am suggesting that when we - if I could be cheeky - talk to our shopper at Bunnings who's picking up their litre of glyphosate, the fact that we suggest we've got a drought tolerant crop may create an image that we plant a seed in a dry ground and go away and water never comes, and Jack and the Beanstalk emerges. So I'd prefer crops that are, perhaps, more able to grow with less water.

MR BAXTER: Yes.

MR LINDWALL: Yes. Another claim that I've heard, again that's worth to check your view on, was that if a farmer has decided to use cotton or canola which is resistant to glyphosate and now wishes to change to something totally different, they can't get rid of that crop?

MS FITZGERALD: Yes. So I would disagree with that as well. I make a couple of points about that, so number one, I think, our community, not to be disrespectful, sometimes does forget that farmers are business operators and therefore if that crop didn't suit my needs or it didn't perform as I wished it, et cetera, then I will change my system, and a farmer certainly has the flexibility to do that.

A farmer these days is rotating his or her crops regularly. So they're

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not going to put wheat in the same field year in, year out, year out. That's, you know, good farming practice. But they certainly have the ability to change whatever cropping system that is, and if they've grown a GM crop, there's no reason why they can't grow a non-GM crop the following year in that paddock.

MR LINDWALL: So they can co-exist quite happily?

MS FITZGERALD: Yes.

MR LINDWALL: And what are the prospects for GM wheat at the moment?

MS FITZGERALD: Look, I think the industry probably did a lot of work on this. We certainly had investment in the space. It has some science challenges in that it's a much harder crop to modify than those which we already have. I think, globally, we're still seeing work in the space, but we're probably also seeing some market resistance around that, and that remains a challenge.

So is the industry actively engaging in the space to talk about that? Meanwhile, as I said, we've probably got some new science techniques coming onboard, such as genome editing, that may allow that sort of wheat crop to come to fruition before a GM wheat crop, for example, came to fruition. So I think, really, it's probably science evolution.

I think, we also, though, recognise - I was involved in some work with the grains industry - that globally again it probably comes back to that food and cultural issue. That's going to take some work to really - because I'm actually going to be - I'm going to be eating my Anzac biscuits but it's a little - it's more immediate than me eating - you know, I'm not - I mean I might be putting canola oil in my cooking, but I'm not actually eating canola oil. I'm not eating cotton seed oil. So there's some communication challenges there, I think, still exist.

MR LINDWALL: In practice, the new breeding techniques or the genome editing is just another form of GM?

MS FITZGERALD: Yes, you could broadly say - a type of biotechnology.

MR LINDWALL: But it's unclear about whether it's under the regulatory authority of the OGTR?

MS FITZGERALD: OGTR? Yes, because one of those reasons being

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that genome editing isn't just one single thing. So there's different ways I might do it and that might determine whether or not it fell under the scope of our current regulatory system. And also, I think, obviously globally we have different regulatory systems, so in some cases it doesn't fall - - -

MR LINDWALL: How are other countries approaching the regulation of genome editing?

MS FITZGERALD: It's probably a bit hard in my view to compare apples with apples. So if we go to some countries overseas they, for example, would have a regulatory system based on novelty. So they would then say the end - is the end product novel or not? It may be and it may not be. So that's how they would judge our system, whereas we are looking at our system on that science and how that product is actually made. Yes.

MR LINDWALL: Does it - - -

MS FITZGERALD: But - - -

MR LINDWALL: Please?

MS FITZGERALD: I was just going to say, but I think the important thing is that we get to a point of ensuring that we do have a science-based system in place.

MR LINDWALL: Yes. Does that mean that the Gene Technology Regulations, or the Act itself, might need to be modified or amended in some way?

MS FITZGERALD: It is my understanding that the Act is due to be reviewed - - -

MR LINDWALL: It is, that's correct, yes.

MS FITZGERALD: - - - in the not too distant future, so I suspect there's something that will be raised and I suspect, if it doesn't come from the government in terms of the terms of reference, I think the science and agricultural community will certainly seek that clarity.

MR LINDWALL: Other claims we've had, and moving away from plants here to animals, GM animals, cloning and all sorts of things like that, where's the science on that at the moment?

MS FITZGERALD: Look, I'm not exactly an expert in this space, but I

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think it would be fair to say, you know, 10 plus years ago or more, we put a lot of effort into this space. The dairy industry had calves that were both cloned and genetically modified called Holly, Molly, Jolly, and Rolly. That's about the most I remember about them. I think we had challenges with cloning in the animal world. I think we saw investment move away from that globally.

But now we've seen some of these new genome editing techniques be used with animals. So can we produce cows, for example, that don't have horns, and therefore what does that mean from an animal welfare perspective? et cetera. So again we will see some of these things start to come forward. It's my view that Australia, probably, isn't at the forefront. We're certainly in there, but we - I wouldn't necessarily say Australia was a world leader in that space.

MR LINDWALL: So basically the difference between plants and animals in this respect, is that there would be more of a role of ethics, I guess, it is?

MS FITZGERALD: Correct, yes. I probably should declare, so I sit on the OGTR, the Regulators Gene Technology Ethics and Community Consultative Committee. But I probably come more from the communication than the ethics side of that equation, but we certainly have had some interesting discussions, yes.

MR LINDWALL: Ken, do you have anything?

MR BAXTER: No, I have nothing more.

MR LINDWALL: I'm just seeing if there's anything I've missed. I don't want to go down to every little thing that I get put forward, but what's this bio-hacking movement that some person has testified - a person by the name of Bob Phelps, I think, told me about this - yes, Bob Phelps, about G - bio-hacking and that's it's going to be the end of the world, or something like that? I'm not exaggerating.

MS FITZGERALD: Look, I can't claim to know what Bob Phelps knows. I've certainly had a lot of interactions with Bob Phelps over my GM lifetime, if I can use those words. He's a very passionate advocate for ensuring the technology goes nowhere. Look, that's what he wishes to do.

I think I would really just come back to my point - and, if I was to be frank, I think my first interaction probably with Bob Phelps was back in the day when I worked at CSIRO when we were introducing GM cotton in this country, and we had numerous dialogues around that. We actually

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took many agriculture leaders to Narrabri and put them in cotton fields for days.

I guess I would just make the point, I think, the proof's sort of in the pudding that the industry has managed this responsibly, that agriculture has. I think the same applies for GM canola, although it probably hasn't had the same opportunity, if I could use that word, because we still have farmers - in fact I'm headed to Adelaide tomorrow - we still have farmers in South Australia and Tasmania who are not allowed to access, essentially, what is new crop varieties. We have challenges with seed companies, for example, trying to get seed to Western Australia that have to go up via the Northern Territory or down, you know, around the waters of Australia to get them to farmers in Western Australia.

So I think, look, my view is agriculture and science have handled this very responsibly. We're very lucky in Australia to have the science community that we have. We perhaps could say we are lucky - although I maybe don't want to go that far - to have people, like Bob Phelps, keeping a check up on us. But I think it would be fair to say that science and agriculture has probably exceeded many of the challenges that have been put to us.

Again I think it comes back to let's look at the science and the evidence and we've certainly delivered. I think the sector values the technology and looks after it well. I'm not saying the industry couldn't improve. But we certainly have some strong examples of stewardship and a combination of regulations of stewardship that has allowed the sector to move forward.

MR LINDWALL: After all, the farmers who use GM to produce crops, would - are choosing it deliberately because they perceive it as a benefit in it, in terms of either less water usage or whatever.

MS FITZGERALD: That's exactly right. I think, you know, I can off the top of my head think of a number of farmers sitting here now across nearly all the States, well certainly Victoria, New South Wales and WA, in one instance, a farmer near Coorow in Western Australia who's literally converted his whole canola operation - and it's a big operation - to GM because he sees that benefit in using that herbicide tolerance, producing a good crop, he sees it as sustainable for his farm. He has a choice not to do that. He could choose many other varieties. Again, following on from there, has no challenges in terms of leave that crop, leaving the farm, selling that crop to markets, et cetera.

So, yes, farmers have voted with their feet and they can - you know, I

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think one of the challenges make the point, I think, that canola has been a challenge because someone like Bob Phelps likes to measure the amount of canola seed that's sold every year or GM canola that's grown. We need to always keep in mind canola, in particular, is a rotation crop, so I might only grow it one year in three or four and therefore that impacts what's grown. So it's one thing to selectively pick a number, and it's another thing to look at those numbers seriously.

MR LINDWALL: Good point.

MR BAXTER: Yes.

MS FITZGERALD: I think that is important. As I said, farmers are business people. If I buy a dud car, I won't buy that model next time, and farmers do the same thing.

MR LINDWALL: Did you have any final comments then, Paula?

MS FITZGERALD: I think that's all, thank you.

MR LINDWALL: Well, thank you very much for coming.

MS FITZGERALD: Thank you for the opportunity. We'll now move on to Tyran Jones, is it?

MR JONES: Tyran, yes.

MR LINDWALL: If you'd, Tyron, just give your name and occupation and anything else you'd like to say.

MR JONES: My name's Tyran Jones. I'm a dairy farmer in the Yarra Valley in Victoria, just east of Melbourne. A family operation, been there for over 50 years and grown from about 20 cows to now looking over 550 cows. I have a bit over a decade of experience working in the industry sector from the R&D side through to the farmer advocacy side. Although I'm currently on an advocacy board, I sit here today as an individual witness.

So the Australian dairy industry is worth about $13 billion and to farm and factory - across the farm and factory sectors and employs about 40,000 people directly on farms and in factories, with an estimated 100,000 people in total including service sectors, associated service sectors. It's a fully export-exposed industry, like most of the commodity industries in Australia - what I call "commodity industries in Australia". Roughly 45 per cent of the national product, dairy product, is exported

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and in Victoria that figure is between 60 and 70 per cent, so the Victorian industry is very exposed to export, the vagaries of the export market.

Any regulation or compliance burden that puts us at a disadvantage or increases costs, is a significant factor in the long term sustainability of the - in particular, the Victorian dairy industry working on fairly low margins. There are about 4000 dairy farmers in Victoria and about 6 across the country now. So they are individual small businesses with limited resources, and that unnecessarily burdensome compliance has a significant impact on farmer's decision to invest in farmer's confidence in their future in the industry.

I just wanted to cover a few points, ones that - just run through the planning and regulation variations across jurisdictions; animal welfare issues; technology, which Paula's covered a fair bit of; and bio-fuel; and respond also to your information or a discussion on the right to farm issues.

So with the planning and regulation being quite different across jurisdictions from council level to state level and federal regulations across the top of that, we are starting to get into some quite diverse outcomes. For example, a large dairy development may fall under the national guidelines for construction due purely to the footprint of the concrete. That then creates ridiculous requirements on design. So we're seeing some real diverse outcomes there which make it impossible for farmers to comply - individual, small business, to comply with principles which are largely designed for large industrial and commercial multi-storey environments.

We've seen planning schemes and zones make a bit more challenging for agriculture in shire areas. There's a thing referred to, or concept referred to as "intensive farming definitions" again which vary enormously from jurisdiction to jurisdiction. We get, again, perverse outcomes where in different seasonal circumstances and where farmers want to expand for various reasons, whether it's to milk more animals on the same area or to use feed more efficiently, we can find - farmers find foul quite inadvertently of these intensive farming guidelines, which require additional permits and constraints.

So some jurisdictions are dealing with that quite well and with an agricultural focus, and others are not. It becomes a black and white discussion which leaves the farming sector completely exposed to someone walking in and saying "You're intensive because you're in" - for example, in Victoria, "you're importing" - "feeding your cows more than 50 per cent of feed".

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MR LINDWALL: Even though it might be for three months?

MR JONES: Exactly. Yes, or in a drought period or using a feed pad to increase/reduce feed wastage and that suddenly sparks - or brings the issue to someone's attention. So we need to somehow create an environment which is more uniformly sensible and amenable for industry to comply for different jurisdictions to create sensible and workable regulations.

On the animal welfare front, I think, the - for the dairy - well, the dairy industry which has really, so far, been under the radar compared with poultry and pigs, it's probably the biggest social licence risk for the industry. The industry and any guidelines and structures need to be beyond reproach, because with the current social media and media timeframes, anything can go anywhere around the world within minutes, literally.

So while the industry is seeking a legislative approach to animal welfare guidelines, there's - we already have examples where different jurisdictions have different rules and procedures for structures and different overlays. So I think it's a little bit incongruous that we can expect a national uniform application of state legislation around animal welfare.

So while many of the animal industries are opposing a national regulator, animal welfare regulator, perhaps a national animal regulator might be an answer to avoiding a situation where we end up with different states and jurisdictions applying their own slant on the national animal welfare guidelines.

So while there's a lot of resistance to a national animal welfare regulator, perhaps it might actually usurp the local jurisdictions and the variations they may want to apply. So I think there's room for collaboration. Any outcome needs to be collaborative and look at industry best practice, animal welfare best practice, as well as understanding what the community's perceptions and expectations are.

As Paula has alluded to, there is a vast variation in knowledge across the community of how farming works and how animals are managed. We've now got to such a point as many in the community don't actually understand that mammals need to give birth in order to lactate. That point has, kind of, got lost along the way as - when we were growing up, we all knew someone who spent the weekend or the public - or the school holidays on their uncle's, aunt's, brother's, mother's, cousin's dairy farm. That doesn't happen so much any more

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MR LINDWALL: No.

MR JONES: So I think there are more questions to be asked around that animal welfare regulation space, I believe.

On the technology side, as mentioned, dairy is a globally exposed commodity. There are a number of other dairy producers around the world which have access to a range of different technologies that we don't have access to, whether it's animal treatments or whether it's GM crops, production - different production systems. So it's imperative that if we're going to have a globally competitive dairy industry, that we do have access, through a sensible regulation system, regulatory system, which is not - which is science-based, outcome-based and allows us to remain competitive.

Farmers need to be able to choose and in similar line to what we've just - the conversation we've just had, farmers need to be able to choose their production systems and choose how they can best remain competitive, particularly in light of the last decade of a steadily reducing rate of productivity gains across the dairy sector, and as well as across the grains sector. We need to have access to new technologies.

There seems to be a view in the community, and we've seen this through the social research space, that the community values the view of an independent regulator. It gives us quite a strong position. If we're able to say "Well, we've got an independent regulator" - of course, you'd say you want the technology.

As a farmer, you want to be able to use any tools you can use. But is it safe? They're not going to believe it if I say they're safe. But if we've got an independent regulator and they are rigorous and respective science-based, outcome-based, and I think that assists all of agriculture with their social licence issues around use of new technologies.

Well, it's particularly of interest in the gene space but, I think, it's going to be particularly important around the gene editing space as well. So it's not black and white whether genome editing should fall under the regulations or not, not only from a technical and science perspective, but also from the social licence and ability of farmers to choose and be respected for that choice of farming system.

One of the other issues which I would agree with your - the Productivity Commission's statement around bio-fuels and the removal of state mandates and subsidised ethanol production systems. Grain is a

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major primary input to the dairy industry. The dairy industry already is in a position where we're effectively propping up the local domestic grain market with higher prices to the dairy industry locally than the global grain price, grain markets. So anything that further pushes up the cost of an input, like grains, into the dairy industry, I think, should be seriously considered.

MR LINDWALL: Especially if it's artificially put up.

MR JONES: Yes. So Queensland is particularly sensitive to this because of the state mandate and it does impact the price of corn.

MR BAXTER: New South Wales has got a similar mandate.

MR LINDWALL: It does, yes.

MR JONES: I'm not as familiar with that.

MR BAXTER: Yes.

MR LINDWALL: It does, yes, yes.

MR JONES: So as a dairy farmer, and the dairy industry as a whole, is definitely in favour of your contention that the regulations, the mandates and the subsidies should be removed.

Just a final point around the - I guess it's a contentious issue, of the right to farm. It's not a simple thing, but it's - and therein probably poses more questions than solutions. But somehow being able to introduce frame - a framework which the State governments can probably manage through their local jurisdictions to consider an overall approach to how agriculture should be treated in - particularly in the peri-urban environment where you've got urban encroachment or you've got lifestyle type establishments moving into rural areas, and pressure being put on councils to make decisions which favour the urban rather than the local - the primary production systems. So there's always going to be pressure from groups on councils.

I suspect that to try and do something at the council level is going to be unsuccessful, whereas if we can try and - if we are able to get some sort of national agreement at the state level, the States are then able to impose frameworks or guidelines at the local level to try and make the outcomes a little bit more sensible around productive agriculture and what are, effectively, the key drivers of regional profit - regional success, profitability, regional (indistinct) towns. So that about covers the points

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that I wanted to raise.

MR LINDWALL: Thank you very much for that. Yes. I think you're right that local governments are easy to be swayed in particular ways and they often act quite different to each other, even under the same guidelines. So maybe the state governments need to be a little more specific about that.

MR BAXTER: Sorry, can I just pursue this. You're in the Yarra Valley. While 500 cows is not the top end of the, sort of, Moxey, Perich Farms or others, it's still a reasonable number of cows to be milking every day. How much have you been impacted by the, sort of, urban expansion out of Melbourne, the lifestyle box?

MR JONES: So we are surrounded by 30 acre hobby farms.

MR BAXTER: Right.

MR JONES: Which makes it - expansion pretty well impossible because land prices are way out of our reach at that sort of size. Up until recently, it hadn't really impacted us.

MR BAXTER: Right.

MR JONES: But we've had new neighbours move in. So we had an orchard next door. We bought most of the orchard, but we didn't buy the house over about a 10 year period. We've had new neighbours come in and build a mansion on top of the hill and start making comments to the kids like, "We see that big pile of stuff there and we don't really want to make a comment because we know that's important for your business and the way your dad earns his living", but it's just subtle things like that. So actually, we're going to be careful as time goes on and new neighbours come closer, that we need to be mindful of heaps of tyres that we use for covering soilage pits - - -

MR BAXTER: Yes.

MR JONES: - - - that other people might not like the look of, and we've also recently had a visit from a person from the local shire because someone had complained that we had 500 cows on half an acre and we were running intensive operation. It was not right.

We were very fortunate because the fellow who came from the shire understood rotational grazing and dairy management practice - grazing management practice and supplementary feeding of cows on small areas

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to minimise damage, minimise losses. So the investigation stopped there. But if we'd have had someone who was overly officious and they wanted to push their weight around, the outcome would've been a little bit more challenging.

We've had examples, I think more in Northern Victoria, of more successful complaint processes about intensive farming where farms put in feed ballots to reduce feed losses and manage feeding better through drought periods and things like that. So it's a significant issue.

MR LINDWALL: Likely, presumably, to keep pushing out and developing.

MR JONES: Yes. Yes. So we've had the Wagyu beef example in recent times where new neighbours complained about the cockies coming and making a noise and waking them up.

MR LINDWALL: Yes.

MR JONES: So things like that are just silly.

MR LINDWALL: Well, it's certainly been raised with us that one of the reasons I'm exploring it, at long last, the States' Departments of Agriculture and Primary Industries plus the Commonwealth, have got a conference here in Canberra on the 7th and 8th, I think, of September, in which this is one of the major issues for a resolution. But the third tier of government, which seems to be the predominant one involved with whether it's right to farm or protecting rights, whatever you want to call it, there doesn't seem to be any consistent policy view as to how they handle it.

MR JONES: No.

MR LINDWALL: Now, is looking for a consistent policy view realistic or is it unrealistic? I mean you have some shire councils which are just interested in collecting revenue and couldn't give a stuff, and there are others which are prepared to see a balance between residential or hobby farming blocks and proper agriculture, or proper farming operations. I mean, is local government an area that's been neglected in a lot of this?

MR JONES: Local government is becoming more and more dominated by urban members really.

MR LINDWALL: Yes.

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MR JONES: We're finding, I mean, it must be - it's probably 20 years since the Shire of Yarra Ranges had a farmer, a commercial farmer on the council. I think we're finding that, more and more as you go further out and the urban centres become more concentrated and then they start encroaching on the commercial farming areas, that people with a drum to bang are getting on council, or having significant influence over council decisions and keep persisting until the council gives them what they want. Then, of course, the councils have always got this threat of someone taking them to VCAT to - or whatever the local complaints authority is.

So, I think, we're going to have to - if we're going to get a successful resolution, we're going to have to move up a level, because it's only at that level, the state level, that they can actually impose frameworks on the councils.

MR LINDWALL: And resist excessive lobbying by a small community?

MR BAXTER: Has the Victorian Government attempted to move in any direction?

MR JONES: They have put a committee in place after the Wagyu beef exercise, but I haven't followed that through to see where it's at, at the moment.

MR LINDWALL: When you mentioned about chemicals or technology, can you give some examples where oversees practices of dairy farms are using certain types of technologies where are not available to you, which you would like to use if you could?

MR JONES: There are products currently going through our regulatory process, through APVMA. So there's a product called rBST which is currently going through regulatory approvals here. It's been around for 20 odd years.

MR LINDWALL: 20.

MR JONES: It's been used in the US and a number of other countries.

MR BAXTER: I think New Zealand uses it, doesn't it?

MR JONES: No, no.

MR BAXTER: It doesn't use it?

MR JONES: No, no. I guess, more importantly for us at the moment,

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there's a question around GM crops, GM rye grass and gene editing and new varieties of rye grass - rye grass being the predominant feed source for the dairy industry, particularly across the southern regions, trying to increase productivity, reduce environmental impacts, higher energy rye grass, more milk per mouthful of grass, which benefits every possible interest really across the community. But, again, the industry has shied away - - -

MR LINDWALL: Even though you don't have a moratorium in Victoria.

MR JONES: So one of the problems with the State moratoria is that in order to get a critical mass or critical market, critical market mass to interest a commercial player, if we've got moratoria like that, then suddenly the market's reduced and so what value is there for a commercial partner to bring a new product to market. That's one of the major challenges. That one's going to apply to the grains industry as well, as it does to the dairy industry, and new pasture varieties. Also, with New Zealand currently also avoiding GM feeds, it ends up with quite a small market. So we need a more sensible conversation around the use of new technologies.

MR BAXTER: Changing the subject slightly, or more than slightly, when we were in Melbourne last week, we had a small group of dairy farmers from down in the south west of Victoria put quite a strong argument to us that we should seriously look at the current situation with compulsory levels and the dairy industry one. You wouldn't be surprised to know that they had some fairly critical comments to make about Murray Goulburn and the current circumstances.

Do you have any views about the efficacy or otherwise of a dairy research levy in particular? Is it, you know, on the issues that you've raised with us, is it contributing to productivity improvements or is it just indulging - well, no, that's a bit subjective.

MR JONES: A bit hard for me.

MR BAXTER: Is it keeping a whole number of scientists employed who might not necessarily - say, for example, they're delivering a better rye grass or, you know, 24-hour milking or some technology of a similar kind. What's your view about that sort of proposition because you, presumably, pay the levy?

MR JONES: Yes, we all pay the levy. It's inescapable.

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MR BAXTER: Yes.

MR JONES: I think that there is a risk that some of the key decision makers periodically forget where the money comes from and who's paying the levy, and focusing on outcomes for levy payers, as distinct from a view which puts other industry stakeholders an order higher stakeholders and their levy payers. At times, I think there's evidence - there's been evidence of that which is extremely frustrating and challenging to overcome.

MR BAXTER: Very challenging once - yes, we call it a principal-agent problem where you're the principal and the agents are the people that are supposed to be acting in your interests and, in this case, it doesn't sound like it.

MR JONES: Overall, they probably do. But on some key productivity issues, I think, they've been swayed too much by other interests or by particular prejudices of powerful, or perceived powerful, people like Gary Helou. He, and others at that level in the market sector, have enormous influence over Dairy Australia and demonstrably so and almost to the exclusion, on some topics, of the interests of dairy farmers. That is a significant challenge.

I think that it's easy to point to a reduced rate of productivity gain to demonstrate that there is a significant challenge in developing new tools and technologies for farmers to apply. But that's not to say they're not out there, and that's not to say that different industry partners might be able to provide different outcomes.

MR BAXTER: I mean, have they reached a stage where there's any foreseeable solution to Johne's disease or is that still riding as a significant issue in the industry?

MR JONES: It's a significant industry - sorry, it's a significant issue, but it's more of a significant issue at the fringes, for want of a better term. So Queensland, for example, is red hot on Johne's disease and wants to be able to declare that it's Johne's-free, as does WA. The beef sector, particularly the stud beef sector, is paranoid about Johne's disease.

MR BAXTER: Yes.

MR JONES: But in New Zealand, it is considered endemic and virtually unmanageable and so they don't worry about it. It happens. It's a fact of life. Deal with it and move on. We're now getting to the point where we're having different - again this is another example of different

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jurisdictions taking a different approach. So Victoria has had a range of Johne's disease management programs over the years and it has essentially moved to the point of individuals who want to manage it need to manage it, and yet, New South Wales has just instituted a program which goes back probably a decade in the evolution of the Johne's disease management program.

So again, it's a case of different jurisdictions applying different rules and no one really knowing. Once they're in the system, there's no way out. So it's an issue, but it's an issue which might not be worth worrying about.

MR BAXTER: Okay.

MR LINDWALL: Now, in two other areas which you haven't commented on, Tyran, is about foreign investment and the other is transport. Is there anything on those two topics that you'd like to say?

MR JONES: So on foreign investment, I think the industry is dependent on foreign investment - it will be dependent on foreign investment if it is to grow to a significant degree, whether that's at the farm level or at the processor level. We've seen a number of partnerships, particularly in the manufacturing sector of late which demonstrate access to new markets and access to new capital through joint ventures, as well as through direct investment.

Individually, I think a lot of the industries are in favour of foreign investment, so long as it's well informed and targeted and the people who invest are well supported. One of the challenges we've had in the past is we've said, "Yes, the industry is open for business. The industry wants to expand". We've had an international market run on the value of dairy, particularly driven by China more recently. But a lot of that has ended up with people coming without the necessary contacts or support locally, and gone into a local area and said, "We're going to building a big dairy and processing plant", rah, rah, rah. Then we've had local communities react negatively to that and, effectively, hunt them out. So I think the industry has probably done itself a disservice by not putting enough of a support framework around the concept of investment at the different levels across the industry.

On transport, Dairy Australia did a bit of work a couple of years ago about the costs of - well, I don't really want to say "retrograde", but an arcane approach to heavy vehicle transport regulation and the national heavy vehicle transport - - -

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MR LINDWALL: Regulations, yes.

MR JONES: - - - system is generally regarded as a good thing. But it's too slow in recognising new vehicle configurations, new mass management, new heavier GMVs, which don't do any greater damage to the infrastructure than the older systems under the older limits. So there's definitely room for further investigation around new and modern technologies - - -

MR BAXTER: And at a local government - - -

MR JONES: - - - and configurations.

MR BAXTER: Sorry to interrupt. But local government rules and regulations - often the funding of adequate facilities like, you know, replacing wooden bridges which have been there for tens, if not hundreds of years, is that an issue in your part of Victoria?

MR JONES: Well, it's not so much an issue in my part, but it certainly is an issue in some areas. So even fully laden single semis wouldn't be able to use some roads, some local roads. On other roads which would be capable of taking B-doubles for farm or local milk transport, local restrictions are in place which preclude that. So there's definitely a fair bit of work to do there. I think that that's already recognised by the commercial vehicle regulatory system.

MR LINDWALL: True.

MR BAXTER: When we were dealing with the issue of local government and local government regulations, are you in competition with the wine industry, the wine growing industry in the Yarra Valley?

MR JONES: Not - - -

MR BAXTER: Do they have the same problems as you or?

MR JONES: Well, I think they - in different areas, they've had more problems because they've had people complaining about their harvesters at night and shutting them down from 7 till 7 and silly things like that, at critical times.

MR BAXTER: Right.

MR JONES: So we don't suffer from that.

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MR LINDWALL: No, that's true. Alright. Did you have any more questions?

MR BAXTER: No, I'm right.

MR LINDWALL: I think we've covered a fairly - very broad range of topics and very much appreciate you could come along, Tyran.

MR BAXTER: Yes, thank you.

MR JONES: Thanks for your time.

MR BAXTER: Appreciate it.

MR LINDWALL: Thank you. Well, I think, give me two minutes. I'll be back in a second.

ADJOURNED **[2.21 pm]**

RESUMED **[2.22 pm]**

MR LINDWALL: Thanks for appearing, and if you just introduce yourself and tell us about whatever you'd like to say today.

PROF GREADY: So I'm Jill Gready. Although I appear on the schedule with a couple of affiliations, my submission is as an individual.

In my submission, I've provided a little bit of background about my scientific expertise, my scientific interests, my long-term involvement in the social responsibility of science, and finally that my, I have currently founded a start-up company to translate my research findings of about the last 20 years, to take them to the field in agriculture.

In the structure of my submission, I've taken note of many of the points in the draft and I need to say that until the draft came out, I wasn't even aware of this inquiry, and I say from the sort of submissions from the initial list, that that's probably true of a great many people.

So my submission is focused on issues of regulation of GM crops, and I want to pick up on a number of points in the report, which are not only of interest to me, but in which I think the draft report doesn't provide enough information or guidance. I would particularly like to draw

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attention to the disconnect that I see between the current Australian RMV crop development system, which uses ag-biotech tools, and what I think is the long-standing failure of whole-of-government policies to address them.

Now, I realise that in talking to you, I'm talking to Productivity Commission, which has terms of reference to address issues of regulation impeding innovation and productivity in agriculture, whereas other government departments have other interests which intersect with those. And as will be apparent from my background, and what I'm trying to do, there are a number of frustrations from what one government body says compared with what another government body says, and I see that as wasting a significant amount of taxpayer funds.

In my submission, I've picked up on what I'd say were two key factors that I think have been a bit underdone in the draft report. The first one, I've described - well, I'd like to rephrase that as what I see as the opportunity cost for innovation and productivity in agriculture. That's what I see as a catch-22 for would-be Australian GM crop developers or adopters flowing from existing government regulation, legislation for regulation of GM crops, and as we've heard, quite a number of submissions that note this. Its failure to keep up with the developments and new AG bio-techs, which have been called NBTs or New Breeding Techniques in the draft report.

Consequences, and these are some of the issues I myself am now dealing with with my start-up company, is really impediment to take advantage of the state-of-the-art national and international research and capture the benefits after increased productivity of Australian agriculture, which is what (indistinct).

The second factor that I've identified, and that's certainly become apparent from the number of submissions which one might call anti-GM community, and we've got a little bit about that. I think the CropLife chap's gone. But others have mentioned this, is we have a, effectively a pro-GM and anti-GM antagonism which has not been, which has been noted clearly in the report, and in the other report on regulation of GM crops.

So the question is, if we want to capture all the benefits, I believe we have to do something about this, and I greatly think that what needs to happen is that the Australian government, or some government independent body should take that, an education of the Australian public and also to create the dialogue that's necessary to bring two camps together.

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And a bit about the politics was mentioned by Mr Cossey of CropLife. But I think what needs to be kept in mind is that this public support is necessary in the political system we have, because any changes to regulation will need public support to get through parliament, and at the moment, parliamentarians are hearing a lot from the anti-GM lobby, and clearly they hear a lot from the pro-GM lobby, but as you, everybody would be aware, the parliamentary process has drivers, and the major driver there is public support.

That's been mentioned in today's hearing that there are a number of anti-GM politicians, but I would like to draw your attention to the fact that Richard Di Natale in maybe a careless moment on 1 and 2 January this year came out in support of GM crops as a medically-trained doctor. He was confident that they were safe and if you recall, he was very quickly told to shut up because that wasn't the Greens' public party policy. So we can see there the individual politicians' views may be constrained.

And finally, I note there at the end of my factor, and the report acknowledges this, but it really doesn't make a good recommendation. The CropLife speaker mentioned a number of bodies that were attempting to perhaps sway public opinion, but I think they could all be regarded by the anti-GM lobby as having vested interests.

I was at the launch of the body of the Australia - the Agricultural Biotechnology Council of Australia, about three or four years ago at a (indistinct) conference. The founding members of that were CropLife, AusBiotech, the National Farmers' Federation and the GRDC. And one of their aims, I could say with the last two, would be industry bodies, but both of them with a public conscience, if not public ambit. And one of their briefs, one of their main goals was to do something about this dialogue between the public and those developing and marketing GM crops. I've seen very little evidence of any success of that body and others.

That then gets me to discussing some of those points more in my submission, and what I've done, which I hope doesn't bore you too much - - -

MR LINDWALL: No, no, no.

PROF GREADY: - - - was cited in detail, or effectively, all the relevant points covered in the draft report, plus in greater depth a recent very thorough report published by the US Academies Press, called "Genetically engineered crops: experience and prospects."

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This is a tome of more than 400 pages, developed over two years and made online on 1 May this year, which will be after submissions and initial, I don't believe there were initial hearings, but submissions, deliberations and writing of the draft report. However, it seems to me from the post-draft submissions and the discussions I have so far heard, that not many people have - - -

MR LINDWALL: No, they haven't.

PROF GREADY: - - - taken up on that even though it's as been in the public domain.

MR LINDWALL: I saw an opinion in *The Age* newspaper on it, yes.

PROF GREADY: So it's unfortunate that it wasn't available for the US report. But it also seems unfortunate that it hasn't got discussed too much in the post-report proceedings, because whatever we want to do in Australia, I think it's ridiculous to reinvent the wheel and go back through all of that, because as would be apparent, that committee has done an awful lot of work, and while it's cited what they've done in my submission, is that quite clearly in articulating their findings and recommendations, conclusions, a great deal of effort has gone into appropriate phrasing and to make that accurate.

So I certainly didn't want to attempt any rephrasing on my part. So I cited extensively from the preface and executive summary of that, and also from the final recommendations.

And I'd particularly like to draw attention to their treatment of the new breeding techniques and what I see, and it's really been the first place in which this has been articulated, which is to use what is called the new -omics technologies, so genomics, metabolomics, biometrics, and I'm not sure whether those, the meanings of those terms are well understood.

MR LINDWALL: Probably not.

PROF GREADY: Well, genomics I think you understand, because it's sort of the whole genome project. But in recent years, whole plant genomes have become available, including a number of crops, which makes available which makes possible comparison of any changes you might make in the plant genome in a given crop by that conditional breeding, or these new methods, so that you have a way of establishing that the change you wanted to make is there, but also that the changes you didn't want to make are not there.

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MR LINDWALL: Yes, which has been more important.

PROF GREADY: The terminology of that is called "adventitious presence". So we don't want any adventitious presence there. Metabolomics may not be familiar to you, but really it's a high throughput form of chemistry or chemical composition.

So that would allow you - that allows you to establish whether the changes you made in the product of the crop, which is what's going to be eaten or animal feed or whatever that - it hasn't accumulated any toxic compounds, or that its nutritional value has not been undermined, compromised.

So those are the sort of safety checks one would do, which say the food standard, FSANZ, would do. Biometrics is the data analysis tools used for that.

So in, from this report, the academy's report, they make a number of recommendations, overarching recommendations on the NBTs, and they say that technology governance issues should be addressed by policy makers.

Now, this actually syncs in, which hasn't been cited I think by anybody, including me, but the White House, the Obama administration, announced on 2 July last year that they were undertaking a major review of the rules and regulations of genetically modified crops, and the expectation was that that would be done within a year. That appears not to have happened. But my expectation is that the academy's report will feed into that directly with government consultations with the public.

I'll skip to one of the last points in the recommendations. They say determining whether a new plant variety should be subject to pre-market government approval for safety, regulators should focus on the extent to which the novel characteristics of the plant variety, both intended and unintended, which is what I just explained, are likely to pose a risk to human health or the environment, the extent of uncertainty regarding the severity of potential harm, so these risk analyses, and the potential of exposure regardless of the process by which the novel plant variety was bred.

So this is the "process versus product" argument. Currently, regulations are on the basis of process, so that in Australia, plants produced by breeding techniques pre-genome methods are not - they're breeding methods, so they're okay. They don't effectively get regulated at

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all. But the "process versus product" is that what is the final product? Is that final product safe, regardless of how it's been formed?

Now, we had a beautiful example of this BARLEYmax today, where that BARLEYmax variant was originally produced as a GM, by GM method, and then at significant expense, re-engineered.

MR LINDWALL: Yes, retrofitted or something.

PROF GREADY: Yes, retro-engineered, simply in order to escape being classed as a GM plant. Now, that doesn't make any sense.

Now, the committee office's recommendation, because they say the process-based approach has become less and less technically defensible. So if we're going to go for a science-based approach, then this is not defensible. And then bringing in the -omics potential, and this is really only - the technical feasibility using this approach has only become available, only become feasible really in the last two or three years, for cost reasons.

You'll be aware that the human genome project from the late '90s cost hundreds and hundreds of millions, but we're now at the stage where you can sequence a human genome for, you know, a couple of thousand or something like that, and with this technique of having full reference genomes for some plants, one can do what's called "next generation sequences" and sort of align the differences between your new crop and the reference genome in order to identify changes.

So on page 4 of my submission, I've cut and pasted from the academies' report a shared approached for evaluating crop (indistinct) which looks for differences between the current varieties, which might be conventionally bred, and new variety, which could be conventionally bred, could be GM, or what's currently called GM bred, and it looks in terms of differences. And where there are no differences, then no further testing would be required.

So in terms of the current Australian regulations, which involve, say, the OGTR, and then on top of that the safety test, this -omics technology combines those two. In other words, with genomics and metabolomics, you are concurrently looking at those food safety compositional aspects, as well as potential for doing unfriendly things in agriculture. Does that sort of make sense?

MR LINDWALL: Yes.

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PROF GREADY: So I think the report's very helpful in providing much a better definition and discussion of new breeding techniques. The new report did that of course. They devote a whole chapter to this, and this is a whole new chapter, but it's a good reference.

But then coming up with this possible solution to the problem, they also argue very strongly for public funding of an education program to, well, mitigate the fears of the anti-GM people, and from my point of view and also in the social response, in my social response, being science background, I think we should be going for more light and less heat, because this continual antagonism is not getting anywhere.

I don't underestimate the difficulties for this. CropLife reps mentioned Mark Lynas, who was a long-term anti-GM advocate. He did recant two or three years ago and then was promptly - - -

MR LINDWALL: Ostracised.

PROF GREADY: - - - disowned by the anti-GM community.

MR LINDWALL: As a heresy, yes.

PROF GREADY: In his address, or in his - said he'd - he admitted that his previous views, he had not read the literature. He admitted that. And when he did read the literature, and presumably understood it, or somebody explained it to him, then he was convinced. Now, I'm not sure what proportion of the anti-GM people would similarly be, their concerns would be allayed, if this was presented by an independent body, but I think that's - - -

MR LINDWALL: Some would be.

PROF GREADY: - - - probably a better way to go.

MR LINDWALL: Thank you.

PROF GREADY: My submission having got to that stage, I think looked at two further questions, which follow on really from my point 1, which in fact I've - key point 1, which is the opportunity cost, and looked at the role of the OGTR in regulating GM crops.

I've noted in a footnote the history of the OGTR, which started off when the common DNA techniques were just starting, and these were originally managed by the Academy of Science committees, and then they ruled, it finally got taken over by government by the Gene Technology

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Act of 2000.

When that - so 2000 is a long time ago in terms of advances in genome genetic technology. The role of the OGTR under the Act is quite broad and it covers microorganisms, animals, humans, plants, viruses, everything. And although (indistinct) for plants, these new technologies are having major impacts in these other areas.

And consequently, I think a body within a - I also question here that the OGTR is in the Ministry of Health, which was its - since most of this is, its progenitors were largely driven by the medical and biomedical community, as they could and should be at that time, we now have what are very complex issues with new genome technologies in the biomedical area, with very large ethical questions.

We'll be - we might have been familiar with work where CRISPR/Cas9 has a very strong international ethics discussion going on, not only involving scientists, but social scientists to try and establish what should be avoided. But the Chinese ignored that and produced a CRISPR/Cas9 modified human embryo. It didn't get progressed to a human, but - - -

MR LINDWALL: It shows, yes - - -

PROF GREADY: So there are very major problems there. Another risk of perceived problem with editing techniques is in for environmental issues, so-called "gene drive". So my viewpoint with the role of the OGTR is not only that the act is now outdated with respect to recognising NBTs and providing adequate guidance for the OGTR, but that the OGTR is also regulating these other major areas in medicine, and they are.

I'm fairly well-informed at the moment on the OGTR, because I've recently had to do the exam at the ANU on gene technology practices as part of getting approval for a new NRD, which is their second level of notifiable low-risk dealings. So I've become very familiar with and up to date with what the roles and responsibilities are of the OGTR.

So the academies' report notes that the different regulations that different countries have varied because they mirror broader social, political, legal and cultural differences among countries, and I've added to that historical differences, because the OGTR has an evolution and I think maybe it might be worthwhile thinking about how that placing has evolved and how in the future, particularly with these -omics testing technology which would combine some of the functions of the OGTR and the FSANZ - I don't know my pronunciation of that acronym.

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MR LINDWALL: FSANZ, yes.

PROF GREADY: So I think you know, those are issues that might be considered. I've been a little bit worried by the discussion, which almost seems like, you know, a gentleman's agreement between the OGTR and some of the major GM crop people, CropLife, perhaps some of the CSIRO, that everything's okay. But I think that's sort of hiding the problem, and it's not going to calm the public.

MR LINDWALL: So you're basically arguing that NBTs should be directly regulated by the OGTR?

PROF GREADY: I'm saying, which is what the White House review was, started doing, and the academies' report is saying, is saying that there needs to be changes to the legislation to accommodate the NBTs. And what I've said in my initial points is that requires an Act of parliament.

MR LINDWALL: Yes, it does, or it needs a parliamentary approval, yes.

PROF GREADY: Require public support.

MR LINDWALL: Yes, quite.

PROF GREADY: Okay, otherwise the politicians won't touch it. Okay? So that's where I'm coming from, and as part of that - so this is not sort of slamming the OGTR. This is mainly somewhat saying they're between a rock and a hard place in using the legislation, current legislation - - -

MR LINDWALL: Which is what they indicated. Exactly.

PROF GREADY: - - - in their role of interpreting it and implementing it, because it's deficient, because it doesn't cover these other technologies, which were not known at the time in which the Act was formulated.

So the last point that I deal with, which takes up on, falls up on this opportunity cost, is the impediments to development, and uptake of GM crops. I've noted this is a catch-22 for new GM crop developers or adopters. And the academies' report summarises in detail these problems.

In practice, these problems impede the ability to take advantage of state-of-the-art national and international research, especially these novel methods of traits and desirable properties cover a wider range of crops due to cost delays and risk of regulatory refusal by the OGTR, and I'll add that

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to leave there, that BARELYmax example. They didn't even seem to want to try the OTGR on that - sorry, the OGTR with that. I've got an error there.

MR LINDWALL: That's all right.

PROF GREADY: An OTGR instead of an OGTR. So the net result of that is limitations on the ability to capture potential benefits of GM crops for increased productivity.

MR LINDWALL: And what you're saying is, these crops allow improved environmental outcomes and lower cost production?

PROF GREADY: That's correct.

MR LINDWALL: And more output per hectare, or something like that?

PROF GREADY: The academies' report notes at the beginning that really, and the anti-GM lobby is focused on this, really only two traits have been widely used, which is insecticide resistance and herbicide.

MR LINDWALL: Yes. We heard this from anti-GM.

MR BAXTER: We've had a constant recitation of that.

PROF GREADY: Now this is only two traits which could be very beneficial to GM crops, and I've given an example at the bottom of the innate potato developed by J.R. Sinplot in the US. I might note that J.R. Sinplot is a 100-year-old, privately owned company, so it's not beholden to shareholders, and they've used one of the older NBTs, RNAi, which has been available for about 20 years.

And what they've done with that is, they had introduced traits which they consider are very favourable for the consumer in terms of safety. Reduced cruelty is very helpful for the consumer. When you cut the potato, it doesn't go brown. It reduces a compound which can produce a potential carcinogen when potatoes are fried or baked, which is how they're commonly eaten. Resistance to major plant disease of potato.

MR LINDWALL: Which caused the Irish potato famine.

PROF GREADY: And enhance cold storage, the latter being that you know you can't store potatoes in the fridge, and the shelf life of potato, if you store potatoes in the fridge, their sugar content increases and energy (indistinct) boil of the mashed potato goes all gluey.

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MR LINDWALL: I must experiment with that.

PROF GREADY: So this (indistinct) stored more than 10 degrees or so, their storage time is limited. So these I believe are some of the traits which would be widely acceptable to consumers.

And I just point out that although there's this resistance to GM crops, the full potential of GM crops has never been explored, and under the current system, is going to be very slow to be explored because people like me with start-up companies are faced with attempting to get investment in an agricultural ecosystem which is quite risk-averse and then compounded with regulatory hurdles it's even more problematic. So I'll leave it at that.

MR LINDWALL: Yes. Well, thank you, Professor Gready. I just - the argument you just put about process versus the product outcome, if I could use a different example just to make sure I understand it, what you're saying is that if my output is salt, sodium hydroxide, sodium chloride, I mean, and I make it by combining sodium hydroxide and hydrochloric acid, or I just go and dig it up out of the seabed. It's the same product, so you should just regulate the product, and not the process to get to that product?

PROF GREADY: Yes, that's right. Clearly, in both cases you want to make sure that there's nothing else in that product you don't want.

MR LINDWALL: Exactly.

PROF GREADY: There could be contaminants by both processes.

MR LINDWALL: Exactly, yes. Now, in terms of the public funding for an advocacy for GM technology, do you see - - -

PROF GREADY: Not so much the advocacy - - -

MR LINDWALL: More about education.

PROF GREADY: - - - as education. That's the term that the academies' report - - -

MR LINDWALL: Should that be the OGTR, or another organisation?

PROF GREADY: No, I don't believe it should be. I mean, OGTR is an entity whose role is to administer the legislation. I don't believe that it's a

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body that should be tasked with public education.

MR LINDWALL: Is it the Office of the Chief Scientist, then?

PROF GREADY: It could come out under the Office of the Chief Scientist. Again, this whole-of-government scheme - I'm not sure where it should come out. I would be - it could come out through, be promoted by ATSE, which is the Australian Technology Science Academy. Could be Office of the Chief Scientist might be a place. It clearly needs to be seen as independent and it clearly needs to have scientific, ethical, legal, all sorts of people representing it.

How that can play would be conducted, I don't know. The academy says it has to happen, and having seen some of the other attempts, which have clearly not been successful, I think that has to be an issue to be addressed. I mean, that issue also has to be addressed in the medical area. We've been through (indistinct) with stem cell therapy, human germ cell modification, which is banned all over the world, but in these sorts of, what you might do with the technology clearly needs to be constrained by some ethical limitations at this stage.

But for GM crops, I think the record now is very strong. The ability of the new technologies with NBTs to make more precision modifications will mean that adventitious events, presences or unintended effects can be, and I think have been shown, to be less. So the legislation is behind.

MR LINDWALL: That's right. Ken and I have had a number of people visiting us who shall I say are absolutely passionate about their view that GM is harmful and that they won't be swayed. I mean, they're certain of their views, as far as anyone could be any certain about a view. As I get older, I get less certain in my views, actually.

But we can have an educational campaign, and it might convince some of them, but why do you think people have such a virulent viewpoint against what in many cases is a fairly stable science?

PROF GREADY: I think there are plenty of causes in the world that need a treatment and which need activism. I rather wish that they'd move their energy and efforts - - -

MR LINDWALL: To something more useful.

PROF GREADY: - - - to something else.

MR LINDWALL: Yes, well, it's a bit like anti-vaccination campaigns.

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PROF GREADY: When I was growing up, it was nuclear arms, and we really had something to complain about. I don't understand the, some of the - there's clearly an issue of the general scientific literacy of the public. But I mean, in terms, you know, if you look at Mark Lynas' example, he was an anti-GM person for a very long time and led the European movement, and then he admits that he's never looked at the literature.

MR LINDWALL: That's amazing, isn't it?

PROF GREADY: Clearly, he had the capacity to read and understand the literature, and I think probably a lot of the anti-GM people do have the capacity. There may be people with insufficient general scientific understanding, but again, with an education campaign, one would hope that that could be developed for various levels or understanding, so that people with not very much scientific understanding would not be humiliated by being addressed by people such as me, for instance, who might use terms completely foreign and intimidating.

MR LINDWALL: Ken?

MR BAXTER: I've got no further queries.

MR LINDWALL: It's certainly a very interesting field, which is complicated and in the new areas with the new breeding techniques offers some fantastic promises too, and your examples here, and thank you for bringing to our attention the academies' report, which I think is, as you say, a landmark report, and we'll certainly use that in our final report. The governance of the gene technology regulator and the applicability of its regulation to the NBT well, it's currently undergoing a review, as far as I understand, and we can reflect on that in our report, too.

PROF GREADY: Yes. I mean, I think there's that general governance principle which was that policymakers should make policy and draft legislation, and then there should be people who implement that legislation, which was a bit - so in this case, the parliament needs to get (indistinct).

On the other hand, the OGTR is the body that implements policy, and I think it's a general governance principle that those functions should not be undertaken by the same people. So I would not like to have a circular system of OGTR feeding back into legislation, except as a general advisory.

MR LINDWALL: Yes, I agree. All right. Did you have any final

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thoughts?

PROF GREADY: No. I'm happy to provide other information.

MR LINDWALL: No, I appreciate that. Can I ask about golden rice?

PROF GREADY: Yes. I know very much - I know a lot about golden rice.

MR LINDWALL: Well, briefly, could you say where, what the prospects of it are, and how far along production is it?

PROF GREADY: Well, in fact, I know personally the leader of the program for golden rice, and that was a very well-intentioned effort that started in Germany in the early 1990's, and it was the aim of the project was to address an important problem, which was vitamin A deficiency in rice-eaters, who don't have enough complementary foods that provide vitamin A.

So the aim was to put the gene for vitamin A into rice, and vitamin A is a yellow colour, which you will know if you take any multivitamins, and when it comes out the other end, it's yellow.

MR LINDWALL: So it looks like saffron-coloured rice?

PROF GREADY: No, no, no. It's vitamin A. That's the colour of vitamin A. That's why it's called golden rice. Now, the acceptance of golden rice has been, there have been multiple factors there, both anti-GM and also consumer acceptance, the people who it was intended to benefit, many of them did not like - - -

MR LINDWALL: The yellow colour.

PROF GREADY: - - - the idea of golden rice. So again, you know, I believe that that was an initiative that started with very good intentions, and I can't really criticise it, because when it started, because it was the 1990's, people were very hopeful of the prospects of these sorts of initiatives. But then it's got drowned down, and then it becomes a case study that people will cite then in the anti-GM.

MR LINDWALL: But it's not problematic in that health-wise, it's quite safe? It's safe?

PROF GREADY: Yes. It's safe.

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MR LINDWALL: So yes, sorry, so that it's not a problem that it's - it wasn't a problem in safety. It was a problem in that consumer acceptance of it - - -

PROF GREADY: No, it's not a problem with safety. It's a problem with consumers and it's one of those cases where you might consider it with many aid programs, that Dr Baxter was involved with AusAid some time.

MR LINDWALL: That's a different Baxter.

MR BAXTER: No, it's the same.

MR LINDWALL: Is it?

MR BAXTER: (indistinct)

PROF GREADY: So many of the aid - - -

MR BAXTER: You've given me a PhD which I don't have.

PROF GREADY: Sorry. Many of the aid programs are very well-intentioned, but they don't consult with the people that they're trying to benefit.

MR LINDWALL: Yes, you're absolutely right.

PROF GREADY: And in many cases, it may be that what they're trying to do is not a good idea, but it may be that what they are trying to do is a good idea, but the people who it's meant for get upset because they weren't asked, and that's fair enough, I think.

MR LINDWALL: Yes, yes.

MR BAXTER: I have no disagreement with that.

PROF GREADY: That's right. I mean, otherwise it just looks like Western imperialism imposing a solution.

MR LINDWALL: Exactly. Well, thank you very much for appearing today, and anything - and it's a very helpful submission.

PROF GREADY: Thanks for the opportunity to speak.

MR LINDWALL: So our final people today, we always invite others to

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testify too, are the GrainGrowers Limited. Sorry, we're supposed to have a few minutes break, but if you want to have a coffee or something. You want to grab a coffee?

ADJOURNED **[3.13 pm]**

RESUMED **[3.16 pm]**

MR LINDWALL: Welcome.

MR McKEON: Thank you. I'm David McKeon, General Manager of Policy for GrainGrowers.

MS WHITELEY: Carmen Whiteley, Policy Officer with GrainGrowers.

MR McKEON: We're a national grain farming representative organisation with 17,500 members across Australia, across all the major grain producing regions. Our aim is to build a more efficient, sustainable and profitable grain production sector that benefits all Australian grain growers and the wider industry. The Australian grain sector is one of the most important agricultural contributors to the Australian economy and accounts for more than a quarter of all agricultural production in Australia. It's certainly a heavy lifter of the agricultural economy.

GrainGrowers believes that a degree of regulation in agriculture is important to maintain minimum standards for society and the environment and also to enable ongoing market access. However, regulation in Australian agriculture as it currently stands is unduly complicated, duplicative and overly burdensome. As a result, we have a situation where our productivity and competitiveness in international markets is being restricted by the compounding effects of regulation on individual businesses and the broader sector.

In recent years, there's been recognition across the board from different levels of government that red tape must be reduced through streamlining and better targeting regulations. Our first submission to this inquiry identified a number of areas where red tape is unnecessarily burdensome for Australian grain farming businesses. We raised a number of key issues including how governments communicate regulatory requirements to growers; excessive and duplicative information requests and the need for further digitisation of surveys from government; onerous and unworkable regulations for moving oversized equipment even short distances and across state boundaries, so transport regulation; unjustified

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moratoria on GM crops and potential classification of new breeding techniques under an unnecessarily high level of regulation, so the issue of biotechnology and agriculture; the need for more transparency in the regulation of foreign investment, getting that balance right of the capital inflows in at a level that society is comfortable with and that also benefits the industry; and also the need to streamline implementation of environmental regulations at a federal and state level and also at the local planning level.

Our submission to the second round is almost in its final stages and we're happy to cover across any of the key issues we touched on there.

MR LINDWALL: Shall we start on foreign investment then? As you say, foreign investment has been critical for the sector as much as for agriculture generally. What do you think the driver is for what I would observe as seems to be a renewed resistance to foreign investment?

MR McKEON: I guess when we break an issue down like foreign investment, we have to look at what is practically occurring and the inflow of capital into different sectors of the Australian agricultural economy and investments in different types of business within that and break that down into what is perceived from a public perception. I guess the two may not always be the same, so I guess if we look at it from the perspective of breaking it down, of owning it versus investment and what those might mean to the average person on the street. It might be very different to what they might mean for a sector or a business within agriculture trying to upsize their business and bring in capital inflows, or it could be for a family business looking to transition out of farming and capital inflow is providing the opportunity for a competitive market and a greater return.

I think, in summary, breaking it down, there is obviously an amount of I guess public discussion about the issue, but we probably have a disconnect between the public discussion and the actual activity occurring.

MR BAXTER: Sorry, could I just explore this point and I have had a reasonably long history with the industry, which seems in many respects to be divided into two parts. You've got the traditional small farmer who probably has got a property of six or seven hundred hectares, grows a small amount of wheat or a traditional wheat, sheep or maybe a cattle property.

Then you move into the very much larger growers who are heavily capitalised. They've got big four-wheel drive tractors, very wide headers, all the rest of it, and many of them moving into an almost totally automated system. Does the industry divide itself, and it's not unusual

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that it might, divide itself into a group of growers who see the necessity for continuing capital inflows, and see a need for a relationship with, say, or dare I say it, the Chinese, or other foreign owners, and the smaller end of your membership who is out to protect what I might describe as the traditional family farm.

MR McKEON: I would firstly state that I would be very careful about trying to break the farming businesses down into sectors and making assumptions on people's beliefs on issues like foreign investment and capital inflow based on the type and size of their business. There may be some broad alignment with many of their views, but I'd be very careful about the way in which that's done. We could have an example where it could be a smaller farming operation.

MR BAXTER: I'm asking you a question about your membership. How do you see them? Do they group themselves to the people into the people who are really in the big capital investment, from the broadacre guys as against the small traditional wheat, sheep or grains?

MR McKEON: I guess I'm covering it from the that extent and actually saying some of those smaller farming businesses are some that may not have a succession plan and may be not looking to generationally transfer their business over time, and they might be exactly those in the position of selling their business who would be looking for the greatest return from that sale. So those type of businesses would be looking for a competitive market and potential investors in that market, whereas you may have progressive large family farming operations or other operations that, yes, they do see a need for inward flow of capital, but the more inward capital coming and the more, I guess, foreign investment, might be competing and creating them out of a market.

I guess making those assumptions about the partitioning or the portioning of producers on an issue like foreign investment I wouldn't say is an exact science at all. I mean I'd say I'd be a bit careful about doing that and I probably wouldn't do that. If we have a look at the facts and figures and we've released the Australian Grains Industry Report, which I will provide you with a copy of afterwards, one of the key areas where the cost to farming businesses has gone down over time - so most costs have gone up for farming - one of the areas where cost for farming businesses has gone down is actually access to capital and interest paid.

We're currently now in a situation where we've got all-time low interest rates. Thirty years ago, we were looking at in the vicinity of 18 to 20 per cent interest rates; it was not unusual for a farming business. We're now in a situation where access to capital for either term debt or

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ongoing operations for a farm business could be in the vicinity of four to six to seven per cent, which is really quite reasonable. We are actually seeing the cost to either accessing capital and the ability to accessing capital is less of a constraint on those farming businesses as where it was before. We certainly do have an open and competitive market for access to capital.

I think what we're seeing over time is changing in business models and business structures and the modernisation of this farming structures. What we might see and what we have seen over time is certainly a reduction in the number of farm business. Over the last 20 years, it's been about a 30 per cent reduction in the number of grain farming businesses in Australia. Again, the figures are in our report which I'll refer you to. We've seen a reduction in the number of farming businesses.

We have seen an increase in the number of those farming businesses operating in a company structure or a trust-based structure, as opposed to a sole operator or a partnership. We can actually deduct from the data that they are actually changing in their structure and the way they operate which would lead to a more commercially type business structure, rather than a traditional type model, I think you could say.

Also what we're seeing in that is actually a change in the way the business models work. A change in the way the business models work is everything from their internal business operation to their ability and their sources where they seek capital from. Previously, they may have had a long-term debt on their farming businesses and then just drawn down their equity each year with an overdraft to put in their crop. There are some innovative financing models out there and a lot of farm businesses are looking at those.

We have foreign investors playing in that market. We have foreign investors with a range of different models, from buying the farm business, managing the farm business, right through to buying the farm business and then leasing back to the existing farmer to operate that farm business. I think there's a range of models we can look at from the individual farming perspective and what that means.

MR LINDWALL: If we move back to technology, let's start with technology such as they might use the internet or something. Obviously as Ken alluded to, some tractors and so forth are self-driving now or are being able to be operated from a farm home rather than sitting on the tractor. Have you seen that increasingly there and has it been limited by the availability of broadband technology in some of the rural areas?

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MR McKEON: There's absolutely no doubt that we're seeing increased use of these technologies. We undertake an annual survey of our members to get a grasp on what they're using and what they're using it for. We see technology such as the use of GPS, global positioning satellites, for driving tractors in the vicinity of 70 to 80 per cent. When we look at some of the other technologies, such as whether they're looking at yield mapping or predicted modelling of growth of crops, we're looking at some 20 per cent of those type of technologies. There are different technologies that are moving faster than others.

Certainly two of the limiting factors from an infrastructure perspective are really mobile and broadband. There are limitations we've got with an evolving agricultural extension system and farmers ability to understand and get accurate information in a timely manner on new technology. Then it's the two factors of both the broadband, but also the mobile coverage is also important. Broadband is certainly important too - it's a productivity struggle for agriculture. For a lot of people, it's a convenience story. For a lot of people, it's about streaming videos at home. It's about being able to, if the partner's down at the shops, be able to buy some milk and a loaf of bread, but for agriculture, it's about productivity and it's about safety, the telecommunications story. So it's the broadband at home and then it's also the connectivity through to the paddock with mobile technology as well, ensuring they have access across there.

MR LINDWALL: You are able to broadcast from your own home to your own paddocks your own mobile network sorts, without relying on a 4G network.

MR McKEON: To some extent it can be done in some instances, but you do start to come up with issues of scale and also of cost. Being able to build Wi-Fi networks out from your home base, is it technically feasible? Yes, you can technically do some things like that. Is it commercially viable? For most farm business, I'd say probably not at this point in time.

MR LINDWALL: Of course, the price is coming down. While we're on technologies, let's talk about gene technologies. What are the types of gene technologies that you'd like to use in the industry that you're prevented to use or from using, or it's been the approval process is very slow or something like that, or that you have resistance?

MR McKEON: I'll bring Carmen in on this one.

MS WHITELEY: Currently in Australia, we have canola and cotton as crops that we can grow commercially, but there are field trials of varieties

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of wheat and other grains with GM characteristics that are just in the scientific testing phase. Something that we actually raise quite strongly in our first submission and in our second submission which will be coming through shortly, is that there's a new wave of technologies that instead of having to be transgenics and instead of having to take genes from the different organisms to put into say, the wheat crop, it just uses what's naturally available in the genome of that.

MR LINDWALL: These are the NBTs that the professor referred to.

MS WHITELEY: Species, yes, and so that's actually something that's quite exciting for the grains industry and has a lot of potential to really have productivity gains in terms of reducing the breeding cycle. However, there is uncertainty at the moment as to whether this will be classified as under the same block of regulations that GM products are under. That would be quite an impediment to the update and the opportunities that these new technologies are able to provide if they're lumped under that.

MR LINDWALL: Have you given an example of what the promise is of these types of technologies in terms of productivity growth or perhaps water usage or other benefits?

MR McKEON: It comes across a range of those different - I guess both from a functional perspective, but also from an agronomic perspective. Where there's a real opportunity here and now for some of these technologies is actually speeding up the process of new varieties into the Australian market. For example, in an Australian operating environment, we are getting towards - we are seeing a lower rate of productivity growth in Australian agriculture at this point in time and it is critical that we maintain international competitiveness by keeping that productivity growth towards a reasonable level.

What some of this new technology will actually allow is actually, I guess, speeding up the internal breeding process behind the scenes and actually allowing newer varieties on to the Australian market. So whether that might be dealing with something like a better water use efficiency, whether that might be dealing with - ultimately, there's a lot of agronomic gains to date, but the golden rice variety is probably one as well, a key example of a more functional type of grain. So whether it's looking at the omega-3 levels in certain crops or in certain allseeds or other grains.

We've got both the agronomic benefits and I guess those functional food benefits, which may I guess help. From the agronomic benefit, there is certainly an efficiency gain for the producer for the supply chain, and

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ultimately that efficiency flows through to the consumer. There is a great benefit for consumers from an agronomic improvement through to genetic modification or the new technologies as well. What we also see is through functional change in some of these. We might actually consumers benefiting directly from change in function of foods.

MR BAXTER: You talk about a current decline in productivity growth. What's that decline been say, over the last 10 years?

MR McKEON: The productivity growth in Australian agriculture has slowed. There are a whole range of factors. It depends on the exact time series in which you take it. We did actually see obviously through the 2000 period there was the drought period, so we did actually see a bit of a slow down because of that. If we actually take it over a longer time - - -

MR LINDWALL: This is labour productivity we're talking about?

MR McKEON: No, no, this is total factor productivity of agriculture production.

MR LINDWALL: Total factor.

MR McKEON: There's a whole range of factors going into that. We did see rapid early growth in total factor productivity from early improvements like whether it was the adding fertiliser, phosphate and nitrogen into our cropping system 60, 70 years ago.

Over the last 30 or so years, we've actually seen changes in our farming system, so using minimum tillage and other type of technologies. Then even over the last few years, what we're seeing more and more, and as I talked about the story of less number of farmers previously, we're seeing a larger number of farmers. So more efficient utilisation of machinery, more efficient utilisation of human capital and labour inputs into that.

Then talking about those new technologies, whether they're yield mapping or whether it's more precise application of fertiliser for the specific need of down to sub-paddock areas, it's really those type of improvements that do lead to productivity gains, but over time we have actually seen it slow in Australia.

MR BAXTER: But you can't give me any figures?

MR McKEON: I haven't got figures in front of me, but I'm happy to pull out some figures.

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MR BAXTER: I'd be interested to see what the figures have been. Say, if you took the time sequence of 2000, 2005, 2010, 2015, to see what the total factor productivity changes have been in that time period.

MR McKEON: Yes. We would work from agvet figures mainly, but I'd be happy to find those figures and provide them in writing to you.

MR LINDWALL: It would be agvet, yes. We've spoken about gene technologies and so on, what about agvet chemicals and so forth. Have you got any good examples where current regulatory regime is denied access to or limited access to some chemical which would be very useful to the industry?

MR McKEON: I guess if we look at what's happened with agvet chemical regulation in Australia over the last few years, we have seen some changes to the regulatory system which has improved. Then we did actually see in the last four or five years the risk of bringing in issues such as re-registration, which was actually a regulatory inhibition on the agvet chemical regulatory system in Australia. We already have a reconsideration scheme where over time we actually do look at products. The data we have on them is actually reasonable and is valuable.

It's an issue where fortunately the government I guess sought a lie to their ways and saw the upcoming shemozzle that was going to occur and the potential removal of agricultural products off the Australian market, potentially not because of anything to do with the product, but just purely because of the limited scale in the Australian market for agricultural chemical products. We are a small international player. We do have tight regulatory systems, but we also have a regulatory system that is based on risk, which I think is a very important focus to remain there.

If we look at some of our international competitors or international colleagues and what they do as far as agricultural and veterinary chemicals, some of them such as the EU have hazard-based systems. Having a system based on hazard and not taking into account the proportion at risk which that product may pose in the way that you use it, will actually lead to less products available in the Australian market. There certainly have been calls when products have been removed internationally or have been threatened to be removed internationally. We saw just even recently, one of the most commonly used in Australia, Glyphosate, in the EU, was actually almost removed off the European market. We actually saw a recent reversal of that decision. Unfortunately, what we have occurring internationally in some instances is a hazard-based regulatory system, and unfortunately, the pressure that

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may bear down from those who are opposed to the use of these products in our agricultural systems or may have a personal objection of these products will actually oppose their use in Australia. Fortunately, we do have a regulatory system which is sound. It is science-based and it is risk-based and it actually provides us with a certain level of access.

The one thing which is important also in Australia from a regulatory context and an access to chemicals context, is also the ability to address that market failure, where the Australian market is not necessarily large enough for commercial providers to provide and we have actually seen positive investments in that area from the Australian Government over the last few years with their access to minor use type programs.

Those programs are critical for many of the small crops in Australia where the trials may have been undertaken on broadacre crops, such as wheat or barley or canola, but may not have been on some of the smaller or more niche crops.

They're also very important those minor use type programs and programs that actually look at some of the pests and diseases which we don't have occur in Australia all the time. So there may not be a commercial incentive for companies to go through with a full process of registration or data collection on those pests and diseases, but the lack of access to some of those products would have an absolutely detrimental effect on a large number of farming businesses.

The use of international data is probably one that comes into play there as well. When we are actually looking at the registration process for chemicals in Australia, the ability to use international data within that regulatory process is important. My understanding is it is being explored currently within the government on how they could improve the use of international data sets, which will be greater to improve access to Australian products - to approve access to products in Australia, specifically for those examples I just outlined.

MR LINDWALL: What about the access to labour and the labour market in general for the grains industry?

MR McKEON: Access to labour is an important issue for many growers and, for example, when we say the change in taxation regimes and I guess - - -

MR LINDWALL: These are for the working holiday makers?

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MR McKEON: Yes, for example, a key example is for the working holiday makers. There were many farmers we had phone calls from who were flabbergasted when they heard the change in the backpacker tax regime and what that would mean for their individual businesses. We had farmers giving us anecdotal evidence of backpackers who were looking to come in a few years' time, but actually moved their working holidays forward in some instances to avoid I guess paying the extra tax. That is, I guess, an issue everyone is talking about is high on the priorities at the moment.

There are a range of other areas for access to labour which are limiting the ability of grain farming businesses to operate. Some other examples include the ability to firstly get access to a hired skilled labour visa.

MR LINDWALL: The 457?

MR McKEON: The 457, so getting access to a 457. Then once that employee is working in the farm business and if they're making a good contribution to the farm business and a good contribution to the local community and the farmer might see value in actually transitioning them to a permanent employee and putting them on permanent residency, that is a process which we've had explained to us from farmers as being very unclear and costly. There was, I guess, the ability for farmers to access information about these type of things.

Previously the National Farmers' Federation had a number of liaison officers, including an immigration liaison officer which would assist farmers with these type of issues, as well as the costs, understanding where to go to for information and how the process worked. They had the immigration liaison officer. They had an environmental liaison officer dealing with similar issues from an environmental perspective. Those issues of the visas and access to the overseas workforce is important.

Then also I guess farming businesses, as any small business across the economy, the transactional costs of putting on individual employees is a costly and time consuming process by the time you've had to look after workers' compensation, superannuation, the tax. There's a whole range of on-costs you've got to look at from a workforce health and safety perspective, all in addition to the ongoing productivity of that individual.

There is a large amount of time spent in any small business and particularly for farming businesses who have a small number of employees in purely just getting access to the labour, so a large amount of red tape before you even turn the key in the tractor. It's a week in the

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office before you turn the key in the tractor, which is a large cost on any business.

MR LINDWALL: Seasonal workers, are they used much in the industry?

MR McKEON: The seasonal worker program has only recently been expanded to the grains industry. The grains industry didn't previously have access to the seasonal worker program. Under the Agricultural White Paper, it was expanded to allow access to grain farming businesses. We have explored with the government what that opportunity might look like for the grains industry, but we're yet to see how that might work in practice.

MR LINDWALL: That's actually notes. Fair enough. Ken, did you have anything else?

MR BAXTER: Yes. Can I come back to transport? As you see, we dealt with the National Heavy Vehicle Regulator in our report and I gather that you see the NHVR as being important increases in the transport. Can I raise two questions?

One, knowing that grain is highly dependent on effective transport in grain growing areas, what's your view about the impact of, first of all, a number of the eastern states governments closing what they describe as uneconomic grain lines, without sufficient coordination with the NHVR and local government and forcing grain growers to put, you know, dogs and B-doubles on and travelling over roads in many cases where you've got bridges that won't sustain them.

Secondly, what's your view about road pricing charges and funding for local government to make sure that these roads will carry these trucks? We've had quite a few submissions indicating that this is a major area of problem, both in Queensland and New South Wales in particular.

MR McKEON: Yes. Transport regulation, when we did the first submission to the first call, we undertook a survey and the numbers from that survey came in. Most farmers, actually I think it was 80 per cent of farmers, said they think regulation is increasing. Then we also asked for comments and we had over 500 farmers respond and we received 230 individual comments and over 50 of those directly identified problems with grain transport regulations. So to us it's a key area where not only we can see from a macro perspective when we're sitting in Canberra, but also individual farmers are seeing this as an issue day. That to me means it must really stand out.

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When we go to, I guess, a discussion about the National Vehicle Regulator, we think it's valuable to actually do a full review of the National Vehicle Regulator and not just their operation and their performance - like those things are always good - but actually have a look at the way the system is structured. To set up harmonisation across safe boundaries is a positive thing. Having consistency, having less requirements on vehicles that are moving across multiple boundaries is absolutely a positive thing. There's always a risk that it can go to a lowest common denominator when we look at it from a regulatory perspective. It was built on model law that was then taken up by most states, except for Western Australia.

Then once we actually look at the functional way in which the National Vehicle Regulator operates, it is a national regulator dealing with enforcement and compliance dealt with by individual operators at a State level through multiple agencies, and it's a regulator that has been designed without a carrot or a stick. So we have a regulator setting the laws, but then unable to I guess efficiently and effectively carry out those laws at a workable at a state and local level.

We've heard many examples from individual farmers where the National Vehicle Regulator, they'll get a permit or they will hear from the National Heavy Vehicle Regulator that the law says one thing. It might be a State Government transport regulator pulls them up on the road and tells them another thing, and then it might be another enforcement agency, such as the police, on the same day pull them up and tell them the laws and other things. We have a level of confusion around transport regulation in Australia at this point in time in many agricultural areas and there's certainly things that can be looked at to improve the way in which we do that.

Basically the first thing is actually look at how the system is designed and then work through the operational from there. Looking at the impact of the closure of up country storage sites, as we regularly refer to them, from an economic and efficiency perspective, we are dealing with the situation, as we talked about, larger machinery moving further areas in Australia now. We've got larger farms. Most farmers, the vast majority of farmers, do understand that small local sites are no longer economic and delivering to larger sites is actually an improved way.

If you have to drive your small truck, but sit at your local silo for say, eight hours to be unloaded, sitting in line at harvest time, they absolutely understand that it's more efficient to be in a larger truck. They might have to drive half an hour further, but they have a shorter waiting time. I think

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we find most of the farmers understand that and that has occurred across the east coast over the recent years, and is occurring in the west coast soon.

We do hear the issue that you pointed out there of the regulatory issues when we do have these lines close down and we do actually see this issue of grain being transported from a farm in one local government shire to a site in another local government area, going through a number of local government areas. They are using their roads, but not actually being picked up or paid for rates in either of them. We acknowledge, yes, that is a growing issue and it is something that does actually raise concern across a number of New South Wales local government areas, the wear and tear that these vehicles are having on these roads, carrying larger weights across larger distances.

It's doing two things: one is it's restricting, I guess, where the local government can invest their road upkeep dollars and their road maintenance dollars. They've only got so many dollars to spread around. In some instances, they've spread their Vegemite too thin by covering a large amount of small roads, but then it's also putting unnecessary restrictions on some of the grain vehicles coming through. So the inability for some of those vehicles to access permits on those roads is occurring because the local governments in between won't let them, so we're actually seeing a number of perverse outcomes from there.

I guess when we break it down and look at what next and where do we head from this issue, it does come into the issue of road pricing and how we deal with that into the future. I don't think you'll get any argument that it is an inefficient way the way that we do it at the moment, collecting a vehicle registration charge and then diesel and fuel excise. We get 20 billion dollars. We spin it around and it flies out and some drops into different areas across the country. I don't think you'll hear an argument that that's not the most efficient way to do it. I guess as this issue comes up again over the next year or so, we expect, as grain growers, we'll be working through that issue and working out how whether a cost-reflective road-based system will ultimately receive a better benefit for individual growers.

There's no doubt there's a large amount of work that shows that the major transport routes and even the larger regional routes, by actually tracking vehicles, understanding where they're going, the cost-reflective road pricing systems, we will get a better outcome for those. I guess there are a couple of hesitations from growers. One is, what happens with some of the smaller local government roads and the little back roads that might lead up to their property that are just used by a handful of individuals?

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Will those roads be better off or how do we maintain a base level of service on those roads when at the moment we don't even have a road classification across Australia, for example?

We don't know what level of standard our roads are at the moment. They are, I guess, concerned about how, for example, whether it's a universal service obligation or a community service obligation may be applied to ensure that those little last mole issues are resolved through that. Then I guess it comes down to how you measure where vehicles go. A lot of new vehicles and the larger transport operators have existing telematics in their vehicles. There are a large number of farm trucks and farm heavy vehicles that only come out for a few weeks a year and are only actually - may not be that valuable.

For individual farmers, I guess weighing up the expense of putting telematics equipment and technology within their vehicle, what that might cost and how that might operate is something that I'd say there's just a level of uncertainty. I wouldn't say it's an overly negative uncertainty, but I'd say there's just uncertainty about how that might operate in practice from an individual farm perspective.

MR LINDWALL: Did you have anything else?

MR BAXTER: No, I haven't got anything else.

MR LINDWALL: One final question is, and you've mentioned this in your submission, about regulators needing to communicate better with farmers. Have you got any suggestions on how to achieve that? You've given us examples in transportation where the different offices have different outcomes.

MR McKEON: I think we need to look at these type of issues I guess from a consumer-based perspective or from the farmer's based perspective. Far too often from sitting within a government agency, we will see a government look through an issue of how can we, from our departmental perspective, deal with that individual and we quite often hear government talk across various agencies as we do try and deal as one government, work as one government. Once you actually get down to the way an individual looks up and sees the bureaucracy, it isn't one government. It's not an easy way to understand where to go to for information.

Say, for example, if a farmer was looking to take up the latest technology on their farm and it might mean remove two or three paddock trees, they would have to go their local government for approval, so they

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might seek that approval there. They would go to their State Government. If they were in a state like New South Wales, they would have to get probably a vegetation plan. But then they may not even be aware that there's a Federal Environmental Protection and Biodiversity Conservation Act, which also governs their ability to make that change on their land. All too often, I guess, it's across the multiple agencies dealing with different portfolios, but then it's the depth of government through the three tiers of government that we often see that confusion from individuals as well, so the individual producers not knowing which level to go.

Communication is a big area. When small businesses like farm businesses are - and I think the Productivity Commission has made comments previously about that farm businesses have additional levels of regulation on top of many other small businesses because of the nature and the way that they have to operate with the environment and with utilising natural resources.

MR LINDWALL: Yes.

MR McKEON: It's all the general small business things, plus a range of other small business things. It's that firstly the individual actually understanding the level or number of regulations they have to comply with can be a large challenge. Then actually even once they know what they have to deal with, then it's actually the compliance burden of actually having to deal with each of those on an individual basis. Certainly the liaison officers that we've drawn from NFF briefs, they have, from a grain grower's perspective, worked well and so farmers could go to them. More and more we talk about one-stop shops, for example, in the environmental regulation area across multiple jurisdictions would be of value to farmers.

MR LINDWALL: Thank you very much for covering the areas.

MR McKEON: Thank you.

MR LINDWALL: Now that was the last scheduled appearance. Is there anyone else who would like to appear today? We always give an opportunity for anyone else. No, alright. Well, I will now adjourn the proceedings and we'll resume in Brisbane on Wednesday. Thank you everyone.

MATTER ADJOURNED AT 3.59 PM UNTIL
WEDNESDAY, 24 AUGUST 2016 AT 9.00 AM

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Australian Government

Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT BRISBANE
ON WEDNESDAY, 24 AUGUST 2016 AT 8.42 AM

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MR LINDWALL: Well, we'll kick off then. Good morning, everyone and welcome to the public hearings for the Productivity Commission inquiry into the regulation of agriculture. I'm Paul Lindwall, the Presiding Commissioner of the inquiry, and my fellow Commissioner here is Ken Baxter.

The inquiry started with a reference from the Australian government late last year and covers the regulations that have a material impact on the competitiveness and productivity of Australian agriculture. It has examined regulations at all levels of government.

We released an issues paper in December last year, and have talked to a range of organisations and individuals with an interest in the issues, and then we released a draft report on 21 July after the election and have received over 100 submissions and more than 1,000 personal responses and views since the release of the issues paper.

We're grateful to all of the organisations and individuals who have taken the time to meet with us to prepare submissions and appear at these hearings. The purpose of the hearings is to provide an opportunity for interested parties to provide comments and feedback on the draft report.

Today is the sixth hearing for the inquiry. Last week we conducted hearings in Perth, Melbourne, Wagga and Sydney, and conducted hearings in Canberra this week. Tomorrow we're in Townsville and next week we'll be in Hobart. Formal submissions to the draft report are invited preferably by the end of the month.

We'll then be working towards completing a final report to be provided to the Australian government on 15 November. Participants and those who have registered their interest in the inquiry will be automatically advised of the final report's release by the government, which may be up to 25 parliamentary sitting days after the completion.

We like to conduct all hearings in an informal manner, but I remind participants that a full transcript is being kept and will be published on our website. For this reason, comments from the floor cannot be taken, but at the end of the day's proceedings we'll provide an opportunity for anyone who wishes to comment to do so.

Participants are not required to take an oath, but are required under the Productivity Commission Act to be truthful in their comments, and they're also welcome to comment on the issues raised in other submissions or by other people at various hearings.

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As I said, the transcript will be on our website, as are submissions to the inquiry. For any media representatives, and I don't think there are any, but if there are, there are some general rules apply. Please see Oliver or Rowan, our staff here, for a handout which explains the rules.

To comply with the requirements of the commonwealth occupational health and safety legislation you are advised that the unlikely event of an emergency requiring the evacuation of the building you should follow the exit signs to the nearest stairwell and not use the lifts. Please follow the instructions of floor wardens at all times.

If you believe that you are unable to walk down the stairs, it's important that you advise the wardens who will make alternative arrangements for you. Participants are invited to make some opening remarks of around five minutes, and keeping the remarks brief to allow us to discuss the matters in greater detail.

And now I welcome Joanne Rea.

MS REA: Thank you. Joanne Rea, Treasurer of Property Rights Australia. I've got three points I want to cover today. One is - - -

MR BAXTER: Could I just - could you just briefly outline for us membership of Property Rights Australia and the number of members you've got?

MR LINDWALL: You're talking about the organisation?

MR BAXTER: The organisation.

MS REA: Okay. We're a membership organisation. We have - and it varies from season to season, the drought's knocked us around a bit - but up to 500, and that's enterprises, not people.

MR BAXTER: Yes. And - - -

MS REA: Mostly in rural Queensland. We have members, though, in all states, and we have urban members as well who join us to support us.

MR LINDWALL: Please.

MS REA: Okay, I've got three points I'd like to cover today. One's the right to say no, and I'll answer any questions on that. I covered it extensively in my follow-up submission. Another's the Great Barrier Reef and how it's used against agriculture. We've had a campaign which

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ended in legislation not being passed by one vote only in Queensland last week on Thursday when I was trying to complete my submission and try and follow the parliamentary debate as well, and the campaign there was characterised by lies, damned lies and statistics, and the agricultural community and the knock-on effects to the tourism industry where they have been vilified has been disgraceful.

There was a report in the Courier Mail just yesterday where some tourism operators had gone out and done their own survey following where there was supposed to be total white-out on the reef, with 93 per cent of the coral covered, and they found that that was far less extensive than that, and that the reef was recovering well.

We also have some scientific papers and some scientists who support us and say that it's all exaggerated. But organisations like WWF, the Wilderness Society, et cetera, who have DGR status, fly very close to the wind in joining in political campaigns. They have billions of dollars at their disposal plus a lot of government money, and the agricultural industry just cannot match them.

I've been sent a link this morning from the Wilderness Society where they say they're going to come up again and attack the legislation again with their billions of dollars, and a link to a beef central article, where the quotes were from a very distinguished woodland scientist who worked for 40 years in Queensland at a time when science really was balanced and not cherry-picked, and they're just saying, well, they're not listening to people like him, and that's the way it is.

I've found articles going back to 2001 where WWF had decided that no other causes of damage to the reef would be considered except agricultural land use. There have been several so-called independent reports done for the Queensland government by Marsden Jacob Associates in 2010. They decided the cheapest option to attack was the agricultural use, amongst many other causes or likely causes to damage to the reef.

In 2013 their report said the costs were from 275 million to 500 million to remediate or prevent damage from agricultural use, and by 2016 the cost had blown out to $8.2 billion. So we are thinking that perhaps some of those other more expensive options which were dismissed in 2010 may now be economical against $8.2 billion, most of which should be spent, according to them, in the Fitzroy catchment for what is commonly known as gully-blocking to prevent sedimentation.

We have papers also done by scientific experts, one of which I'll quote from here now. "However, annual freshwater and sediment

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discharged to the Great Barrier Reef Lagoon has not significantly increased since the mid 1960s" - when a lot of tree clearing was done - "in fact, flow and sediment discharge have decreased, and decreased significantly for certain 30 year periods."

I would also like to say it's just shameful that landowners, farmers, tourism operators, need to go searching for scientists who will not only give an unbiased opinion to combat the well-funded and dishonest campaigns of green organisations but who will also work for nothing, because we are not well-funded.

Competition policy. I would also like to take issue with the Commission's opinion that there is adequate competition and adequate law already in place for primary producers. Several senate inquiries have not come to that conclusion, and there have been some recommendations around strengthening the Australian Competition and Consumer Act, and there has been a suggestion that there should be a US-style Packers and Stockyards Act on behalf of agricultural producers. The view that the supply of agricultural producers is limitless and that primary industries just undergo structural adjustment is an attitude that comes through from the Commission and not in a positive way.

In policy and recommendations, in discussion of the sugar industry, for example, that has come through loud and clear, but it is an attitude common to all agricultural industries. The Commission wants foreign investment to increase the efficiency of mills, processing plants, et cetera, but if that leaves producers in a situation where they are unable to bargain on price, that seems fine by the Commission.

Not all dislocation is efficient structural adjustment, but we tend not to know it until it is too late. There has already been an example with the dairy industry. Producers go broke in numbers, plants and corner stores close down. Rather than structural adjustment, it has more of the odour of predatory pricing. Short term market blips should not be a justification for such churn in a long-term industry.

In Australia most, if not all, productivity increases are captured by those further down the supply chain. In the US, detailed analysis of beef price spreads between producer-wholesaler, wholesaler-supermarkets, shows share of the retail dollar. In the US, the share is usually above 50 per cent, but the salient point is that if the supermarket share rises the assumption made is that the supermarkets have become less efficient.

That is certainly not the case here, where supermarket's share is usually large as a result of market power. I will take questions now.

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MR LINDWALL: Thank you very much. Would - how about we talk first about the issue on the environment.

MS REA: Yes.

MR LINDWALL: Now, in our report we said that there should be a better balance between environment, economic and social aspects.

MS REA: Yes.

MR LINDWALL: Which it sounded like you would agree with.

MS REA: Yes.

MR LINDWALL: Now, we can't really say too much about the runoffs, and as you say, the Barrier Reef, we will take that testimony but I'm not sure I have particular questions on that testimony. Did you, Ken?

MR BAXTER: No.

MR LINDWALL: But did you - are there any techniques that sugar farmers, for example, are considering that might limit their runoffs, which would then address some of these concerns? Whether the concerns are exaggerated or not, which - - -

MS REA: Yes. Yes, there is, and they are participating in those sorts of things. One of the actual limits to the number of farmers that participate - and participation is actually used as a proxy measure of how much people are doing, which is not correct, not accurate - one of the limits is that a lot of the associations who are promoting a lot of the programs also have a connection with WWF, and many farmers quite understandably do not want to be associated with anyone who is in any way, shape or form, no matter how distant, associated with WWF.

And of course, farmers do things to help the environment under their own steam all the time. They are the true environmentalists.

MR LINDWALL: Well, we said that in our report, yes.

MS REA: They walk out every single day and know that if something is drastically not in order their business is going to be what suffers, and I basically regard a lot of the green organisations as dishonest interlopers.

MR LINDWALL: Your organisation, Property Rights Australia, of

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course, the title is something that we allude to, not the organisation per se, in our report, that well allocated property rights, of course, give an incentive for the owner to maintain the property, to maintain a high value for that property.

MS REA: Yes.

MR LINDWALL: As opposed to what Ronald Coase said many years ago about the tragedy of the commons, where it's often degraded if it's not protected in such a way.

MS REA: Yes. They are under attack, however, in lots and lots of small ways. We actually see the huge amounts of money being thrown at the Great Barrier Reef without any checking or quality control of the science as a negative. We would like to see people out there who are more balanced rather than just deciding that agriculture is the sole cause of all the damage.

MR LINDWALL: We often see incidents where because of social media and other forms of communication today misinformation can be spread fairly quickly. Is there any - do you have any advice on how to get better information out there to help correct perceptions? And I can think of it in other areas too.

MS REA: Well, we do use social media ourselves, but we tend to be siloed from urban mainstream media because we are agricultural.

MR LINDWALL: Yes. Yes, that's true. On competition - did you want anything more on that subject?

MR BAXTER: No, not on that subject.

MR LINDWALL: On competition policy, in our report, and I think there was some - after the draft report was published there was a bit of misunderstanding that said that we didn't agree with the changes in section 46 of the Competition and Consumer Act, but I think we've expressed a view, if you carefully read what we said, that we don't think it's a silver bullet, that changes that people asked for the CCA - Competition and Consumer Act - that supposedly would provide benefit, we're a bit sceptical in the agricultural sector that they might actually get the benefits that they actually think.

MS REA: Well, I think misuse of market power used to be one that everyone sort of clung onto. We, certainly, Property Rights Australia, have dismissed that because it's not relevant to us really, and I think Rod

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Sims at some of the Senate hearings has certainly said that. However, there are things that we would like to see.

We believe that the effects test could possibly help us, but there was one that would have been relevant to the Barnawartha sale yard investigation called concerted practices, and collusion is very, very difficult to prove. But concerted practices certainly are a lot less difficult. I mean, that was just a total nightmare, the Barnawartha thing, when nine usual processors failed to turn up on the same day. I mean, there was even not so much confusion but no responsibility for anyone to let growers know that there would be limited market opportunities on that day.

So I think there are certain things that need to be done, and I know a lot of organisations talk about reviews that the ACCC have done. Until we have the agricultural unit, expertise in agriculture always seemed to anyone who knew anything about it to be lacking in some way, shape or form. Certainly having the Agricultural Commissioner has hugely improved the situation, but I mean, something like that's a budget cut away from not being there anymore, so we actually need the laws to be set up so that they can be used at any time.

MR LINDWALL: Do you want to ask about competition policy?

MR BAXTER: I note in your submission you talk about the two major retailers.

MS REA: Yes.

MR BAXTER: I notice that in the marketplace now in addition to Coles and Woolworths we have Aldis, Harris Farmer Markets, IGA and a whole series of others, and having observed the operation certainly of the Flemington Markets in Sydney where quite a few of the Queensland producers offer their product for sale, the competition between those retailers seems to be quite active, and we also, when we visited Queensland earlier in the year, we went up to see a number of the (indistinct) producers, and while they had particular complaints about some of the receival practices at firms like Woolworths, there is a general satisfaction that the increase in the number of retail outlets was in fact positive for them.

MS REA: Well, we welcome that competition, but the fact is that at the moment it's still quite small, and mostly in urban areas. I mean, you don't have an Aldi, for example, in Rockhampton or any - we have IGA but we don't have Aldi or any of the others, and while the percentage is quite small it really is not going to make a huge difference, and the industry I

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know most about is the beef industry, and it certainly isn't making a huge difference there.

I mean, in 2013 and 2014 beef producers had record low prices. I don't think they've ever been as low before, adjusted for inflation. And yet we saw nothing happening in the supermarkets, and the butchers, of course, followed the supermarkets. There was no observable decrease in price.

Now, every other time that there's been a so-called glut of beef we have eaten our way out of it because consumption - the prices have come down and consumption has gone up considerably. We were just there stuck, basically, with the price of the live animal record lows, beef not coming down in the supermarkets, record prices in overseas markets. Beef producers were going out the back door at a rate of knots while the processors were making a fortune.

MR LINDWALL: That - I don't dispute that, but the thing about competition is, as many studies have shown, is that the threat of entry by new entrants has to be there, and that gives a constraint on provision of suppliers in the case of monopsony purchasers that you're talking about, that if there's a threat of entry they can undercut the monopolist or the monopsonist. That is important, and so what do you think is a constraint in that area that stops a new entrant coming in and providing a better product, purchasing power, for the farmer, for example?

MS REA: Well, certainly expense and regulation are two of them, and a lot of single site processors have actually been taken over by the larger companies, which we have seen as a threat, and certainly there was a huge outcry over Scone being taken over by JBS.

And it's not just the competition in the marketplace. I mean, when these companies become big, their power in organisations such as the producer-funded Meat and Livestock Australia (MLA) and all of the organisations that hang off there, which is impossible for almost anyone to follow, and the little power centres that exist through the~~i~~re, and their representation all through those power centres is really what stops us from getting a lot of what we need.

MR BAXTER: Yes, just - can I just query that? That in terms of MLA and similarly with the dairy farmers and to a lesser extent with the grain growers, there are regular elections of members, and there are opportunities for the producers to throw out the people they don't like, and - - -

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MS REA: I'll take issue with that one. Did you say at the beginning that you said you disagree with that? I'll actually - - -

MR BAXTER: No, no, I didn't say I disagree. Well - - -

MS REA: I'm sorry, I didn't hear you. I'm having trouble hearing.

MR BAXTER: No, I question that, because if you look at the major organisations that exist, the producer organisations, there are well-supervised elections for producers to vote to put in people that they want to see on the boards of those organisations.

MS REA: In the MLA that's a nonsense.

MR BAXTER: Well, no, I'm sorry, it's not.

MS REA: It is.

MR BAXTER: Well, I put on the record that it's not, and I stick my hand up as a beef producer, and I voted at the last election of the MLA, as did a lot of my colleagues. Your proposition just doesn't stack with the facts.

MS REA: Well, the greatest payers of levies to the MLA itself are actually the beef processors, and it takes the top 200 producers to outvote those processor levy payers. And the fact is many organisations have tried for many years to do something about the system and to do something about the people that are in there and to try and change it a bit, and it is impossible.

MR BAXTER: Well, again I dispute that as a factual proposition. Three years ago there was a meeting called by the then-Minister for Agriculture at which the whole spectrum of the beef and sheep meats producers debated very actively the electoral procedures and the structure of the MLA and the organisations that hang off it, and the end result was a very open discussion. It was one which wasn't dominated by - - -

MS REA: How many people were there?

MR BAXTER: There were about 300 or 400 people there, and it was very representative of the beef cattle industry ranging from Northern Territory and Queensland through to producers in Tasmania and Western Australia.

You would have to say, if you read the transcript of that meeting, it

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was a rigorous democratic discussion about the strengths and the weaknesses of the system and the measures that might be put into place. I would have to say to you, having had a long experience in the agricultural sector, when things are going well producers tend not to participate in organisations of this kind. It is only when disaster hits that they then become actively involved, and if you want a classic example of that, Murray Goulburn in the dairy industry at the moment is an example where when things were going well the producers, or a lot of the producers, took no active interest. The board of Murray Goulburn, which was predominantly farmers, did not take an active role in responsibility for the operation of Murray Goulburn, and the end result was that managing director Gary Helou, and I am happy for this to be on the record, really let fly with what were his ambitions, which were never properly ticked off by the board.

Now, in those circumstances it's surely the directors of the board who should resign, and it's those who should hold the responsibility?

MS REA: Well, against the several hundred in the debate that you were talking about, we also have had a couple of Senate inquiries, the first one into the grass feed levy payers, which attracted several hundred submissions, and the theme through that was that producers were very, very unhappy with the governance and the way the industry was being run.

And I think that that should be listened to as well. It has been all but dismissed by everyone from the MLA board to Red Meat Advisory Committee (RMAC) to all the other organisations that have power centres through there, and they have come up with a strategic plan that takes on board none of the things that were asked for producers, and none of the recommendations, or perhaps one to a degree, that were made by the Senate inquiry. So I think perhaps we might agree to disagree.

MR LINDWALL: How about we discuss your proposal on the right to veto, or the right to say no, I think is - - -

MS REA: The right to say no? Okay, I'll answer any questions on that, then.

MR LINDWALL: Now, as it turns out I produced a report for the Commission in 2015 about gas markets, and you would appreciate this in terms of property rights. Property rights are of course a bundle of rights and responsibilities that are assigned to an owner, if you like, that can vary over time, and in Australia since around about 1860 there is a clear delineation between the property right to the landholder, which is above

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the soil, and the property right below the soil of minerals and resources, which are owned by the Crown. No doubt about that at all.

MS REA: None.

MR LINDWALL: And in the United States it's quite different. The landholder owns the subsurface minerals and resources. Whether one system is better than another, I don't know, but we didn't exactly examine that, although I would say that in principle if you were to move from the Australian system to the US system where there is an acquisition of additional rights the landholder should pay for those additional rights.

MS REA: Well, can I just clarify something? We're not saying that the minerals should be vested in anyone but the Crown, but what we're saying is - and we're not thinking that projects should not go ahead. What we're thinking is that the degree of respect shown to land owners and the degree of reimbursement for loss would have to be closer to what the real costs were, and that is not happening at the moment.

MR LINDWALL: I think that yes, you're right. I mean, we did say in our report that there are egregious examples of bad behaviour by some - especially in the early days of coal seam gas producers who would roll over a fence, would leave gates open, do all sorts of - not remediate the property damage to the extent they should, and it's quite clear that that was terrible behaviour.

It's also quite clear that there should be compensation paid by the resource user to the landholder to compensate for those types of damage to the property to restore it to its ex ante position. But, and this is the key, when it comes to the value of that resource which is being extracted and sold, there is no right to share the rent of that, in other words, the value of that.

MS REA: No. No.

MR LINDWALL: And my concern is that and this is why in our report we said that we did not agree with the veto - is that a veto gives a very - well, gives extremely strong power to the landholder to basically hold the resource developer, in other words the Crown and its agents - to hold them to a position where they must agree to share the rents, which is then extracting value from the Australian taxpayer, the Queensland taxpayer but Australian taxpayers in general, which rightly belonged to them and not to the landholder.

MS REA: We did not come to this position lightly. We came to this

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position after years, literally years, of dealing with people who were trying to deal with resources companies, who were trying to get the amount of compensation that were justified, who were trying to ask for laws that would just make the situation more workable, and I think I've outlined some examples of some laws in my submission where the only changes are in favour of the resources companies, and we believe that the government has become unable to make fair laws because it has that financial interest, it has the right to the royalties, it does own the minerals, and it's behaving like a multinational company rather than someone who is there to govern on behalf of all the citizens.

And we see awful cases where people are left hundreds of thousands of dollars out of pocket, and first-time landowners are probably the most vulnerable, the ones who have to deal with the resources company first up. They go along to the negotiations, they don't realise that there's a time limit on it, they go to various sorts of mediations and don't realise there's a time limit.

I actually have one who found herself in the Land Court thinking that her expenses would be paid by the mining company, and they weren't. She was given a compensation payment, but not nearly enough to cover the payments.

MR LINDWALL: I was given - when I visited Queensland for that project a few times, I was given - when the Queensland Gas Fields Commission was created, I was - - -

MS REA: The Gas Fields Commission is there to facilitate the gas industry.

MR LINDWALL: But I thought they were also there to ensure that compensation that's paid is fair and reasonable.

MS REA: They are not an advocate on behalf of the land owner. They smooth things over where they need to in order to facilitate the gas industry, and if you read their charter, it will clearly say that.

MR LINDWALL: I just say that the department that I spoke to at the time had a different view. They thought that it was helping to improve the relationships between - I thought that in more recent times - - -

MS REA: That could have been an outcome.

MR LINDWALL: I thought in more recent times there had been better relations between landholders and resource companies?

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MS REA: In some cases, yes, and I mean, there's differences between resource companies, and there's differences within a resource company given time and geography as well, but the fact of the matter is there are still a lot of landholders who are hugely disadvantaged by it.

MR LINDWALL: Okay. Because I understand that, for example, Santos has an arrangement where in the first year 120 per cent of the value of the land will be paid, in subsequent years 60 per cent of the value of the land, and there's a $30,000 annual fee payable to the land holder, and also legal fees to help them to understand the contracts and so forth.

MS REA: None of those, including the legal fees, are usually paid by the companies until after they have a conduct and compensation agreement, and sometimes that can take years.

MR LINDWALL: As I said, in the report we did say that there was a case for a much better relationship with the landholders.

MS REA: Yes, there is a case, and I mean, some companies are not too bad. But there are some companies who need a bit more push behind them to make them a bit more cooperative.

MR LINDWALL: All right. Thank you very much then, Joanne. Did you have any - - -

MR BAXTER: Can I change the subject? Animal welfare?

MS REA: Yes.

MR BAXTER: Your proposal or reaction to our recommendation is that - I think you used the words that the producers should be able to go their own way, I think was what you - - -

MS REA: You said that you wanted a national committee.

MR BAXTER: Well, a national body which determines consistent practices across the whole of the country, and exacerbated particularly by the incidents that occurred in Vietnam which, you know, whether you agree with them or not clearly had a very adverse reaction.

MS REA: Absolutely. Look, I'm not anti animal welfare. Don't read that into it. What I was anti was the national committee. And I think the Exporter Supply Chain Assurance System (ESCAS) program, particularly in the speed with which it was put together, have done a wonderful job.

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They probably need to keep working on it all the time to make sure that it keeps in touch, and there's also third party liability, which doesn't usually happen in western legislation.

However, my objection to a national committee, with experts, and you wanted the whole gamut represented, you wanted environmentalists and you wanted animal welfare and you wanted representatives of the industry, my problem with that is just the experiences that I've had in trying to deal with agencies like the green agencies. They basically want what they want and they are not prepared to negotiate.

Quite possibly I think the animal welfare agencies are the same, and as for saying we want experts from universities or whatever, some of the experts from the universities, depending on which ones you get, have got some very weird ideas. I mean, you've got people like Professor Peter Singer and you've got somebody from Sydney University who thinks animal rights should be on an equal footing with human rights, and I'll quite easily say that I do not agree with that. I don't - I'm not somebody who thinks that people should be allowed to treat animals harshly. But when you talk about a panel of experts, I want to know that they're going to be the ones - the right ones, and I want to know that if they're not the rights ones we can get rid of them.

MR BAXTER: Have you had a look at the New Zealand structure?

MS REA: No, I haven't.

MR BAXTER: Which is certainly a well-established independent authority headed by a practicing veterinarian with a composition of people from the major animal industries, which in New Zealand of course are dairy and beef cattle and sheep, and also departmental officials. It has worked very effectively with great support from the New Zealand Farmers Federation, and it's the sort of model that we're envisaging.

I mean, the situation we have at the current state is a consequence of our federation, because we have different laws between the states, we have different practices, there's no consistency, and yet many of the beef cattle producers involved with the export trade are working out of at least two if not three of the states of the commonwealth.

MS REA: Okay, look, I'm not going to argue with that, and I'm sure the New Zealand one does work well, but there's a lot of things that work well in New Zealand simply because it's a much smaller community to start with, and also agriculture there is intrinsically valued as one of their major industries.

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In Australia we are actually under threat from multiple different sources and we have to be careful who we hand power over to have power over our industry.

MR LINDWALL: Fair point. I think we have to wrap it up shortly.

MS REA: Okay.

MR LINDWALL: I just wanted to add onto that - and we will expand on the governance issues if we go ahead with this body, but we don't see things - it's very poor governance to say someone represents something. When you work on the board of an organisation you represent the organisation that you are on the board of, not any other third party, and that's very poor governance if someone thinks that they represent, you know, this community or that community.

MS REA: I've seen some very poor examples, then.

MR LINDWALL: I know.

MS REA: I actually have a pile of papers here that relate to my address.

MR LINDWALL: Thank you, yes.

MS REA: May I have permission to table these?

MR LINDWALL: Yes, certainly. Well, thank you very much for appearing then, Joanne.

MS REA: Thank you.

MR BAXTER: Thanks, Joanne.

MR LINDWALL: Well, we will talk to Shayne Rutherford now. I have been asked to say that of course there is tea and coffee, and we will have a short break after this, but also speak up a little bit because apparently the air conditioning might be drowning out your voices, although I think transcript is fine.

MR RUTHERFORD: (indistinct)

MR LINDWALL: Okay.

MR BAXTER: All right.

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MR LINDWALL: All right.

MR RUTHERFORD: (indistinct)

MR BAXTER: Is this actually working?

MR LINDWALL: No, it doesn't amplify, no.

MR BAXTER: Right.

MR LINDWALL: Is it Ken or me?

MR RUTHERFORD: It depends. It depends.

MR LINDWALL: Okay, right. Don't cover your mouth. Speak up. Project your voice. Think you're an opera singer. That would be a great misfortune. Please, Shayne.

MR RUTHERFORD: Good morning. Obviously my name's Shane Rutherford. I'm from Wilmar Sugar, and Commissioners, thank you very much for the opportunity to meet today. I don't want to waste valuable time retracting ground covered in our submission. Rather, if you agree, I will speak briefly and then with as much time available for questions.

The Productivity Commission has a long experience with the sugar industry, so I don't feel it necessary to talk at length about the emotional undercurrent to the sugar marketing issue, which is obviously something I'm talking about today, or the raft of industry reviews and generations of history between millers and growers that precede and often colour contemporary views.

However, I do want to acknowledge that many of our growers have very real concerns about the future of their farms, their finances, and their families. On top of the many challenges that they face from weather, pests and disease, increasing input costs and environmental expectations, sugar, as you know, is one of the world's most volatile globally traded commodities.

And in fact the Australian sugar industry is still recovering from decades of low global sugar price and under-capitalisation, during which the time - during that time, sorry, the international competitiveness of our exports was significantly eroded and the viability of our mills and our farms was at real risk. In fact it was only five years ago that we bought the Proserpine Sugar Mill, a grower-owned sugar mill, out of

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administration.

There is no question that the prospects for the sugar industry were grim before investment capital was injected. For investors like Wilmar, the legacy of sustained under-capitalisation has been expensive, though. Since acquiring them in 2010, we've poured about $1 billion in maintenance and capital into our eight mills to bring them to acceptable and sustainable levels of safety, reliability and efficiency.

Commissioners, foreign investment in Australia's agricultural industries has attracted considerable media attention in recent weeks, with commentators, regulators and business leaders all acknowledging its value. In fact, there could be few industries where foreign investment has been more valuable than in our sugar industry.

A common theme of the recent commentary is that foreign investment we should value most as a nation is investment that drives growth, innovation, and opportunity, and again, there could be few industries where the injection of foreign capital has been more vital and more productive than in our sugar industry.

Steve Greenwood, the then CEO of Queensland CaneGrowers, recognised this when he said in a 2012 media release, and I quote, "Foreign investment has been enormously positive for the Australian sugar industry, which is currently undergoing an extensive resurgence." Unfortunately today we are left questioning the wisdom of legislation that has the industry withdrawing from a resurgence to retreat once again into a stifling regulated regime that penalises existing investors and discourages new spending, and more importantly continued innovation.

The Courier Mail editorial of 3 December 2015 put it succinctly the very morning after the so-called grower choice legislation was passed. It said, and again I quote, "It just beggars belief that the Parliament would even consider such a move in a modern 21st century economy, and in a country that urgently needs to lift productivity and efficiency."

Commissioners, in the course of this inquiry you will almost certainly hear from some of those who campaigned for December's legislative intervention. You will be told that it is not re-regulation, it is simply fixing up a few things that were not foreseen in 2006. However, the fact is that deregulation in 2006 gave millers the choice to leave the single desk arrangements, so it's inconceivable that the exercise of that choice could have been unforeseen.

You'll be told that growers had no choice because they were at the

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mercy of a ruthless multinational. We've even heard claims that Wilmar reneged on an alleged 2006 promise by millers to retain QSL as the industry marketer of choice in perpetuity. History shows, though, that both Wilmar and its predecessor, CSR Sugar, have amply supported QSL during the industry transition from a regulated single desk. Both Wilmar and CSR continued to use QSL to market their sugar on a voluntary basis for more than 10 years post deregulation. For the record, Wilmar didn't even invest in Australia until 2010, four years after deregulation, and as it turned out, in the very year that QSL incurred hedging losses of $105 million, and still Wilmar stayed with QSL until 2014 when it gave three years' notice that it would market its own sugar from 2017.

And anyway, the very point of deregulation and the payment of half a billion dollars' worth of taxpayers' money to the industry was for the transition from a single desk, not to prop it up forever. Commissioner, you may even hear stories of bullying and "my way or the highway" style negotiations. Some of these claims were made under oath to a Queensland parliamentary committee and then found upon investigation by the parliament to be untruthful, resulting in the perpetrators being censured.

You may even hear of xenophobic slurs that have been uttered in the media about Australian growers being treated like serfs under an Asian feudal lord, and at the risk of dignifying such a statement with a response it's worth noting that prior to the re-regulation of the industry Wilmar offered growers three different marketing models on three separate occasions over a number of years asking for their feedback and review. All were rejected outright.

Sadly, political patrons of discontent who benefit from the anxieties of growers have provided a platform for much misinformation. They have told us that their incentive is simple. Sugar mills don't vote, but growers do. I challenge all giving evidence to the Commission to answer one question. Where is the reason for re-regulating the Queensland sugar industry?

We have a national policy agreed by all our governments that says there must be a reason for legislative interference in competition, and no matter which way you look at it, the *Sugar Industry (Real Choice In Marketing) Amendment Act of 2005* cannot possibly pass a test of reason because it purported to address an industry failure that didn't exist in the first place.

It is an unnecessary, unjustified piece of legislation that should be repealed. Protection against abuse of market power is already more than

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adequately provided by statutes, competition regulators, and market forces.

We suspected from the outset that this legislation was never about addressing concerns about market failure. Rather, it was always about advancing generation-old claims for grower ownership of the raw sugar that mill owners manufacture from cane that they purchase from growers, and about reintroducing a form of quasi-statutory bargaining in cane supply negotiations that was in fact abandoned in 2004.

Furthermore, and ironically so, the so-called pro-competitive grower choice amendments to the Act are underpinned by authorisations to sanction conduct that would otherwise be prohibited under competition law. Furthermore, these authorisations were enacted by parliament in the absence of due process under national competition agreements, and against the wishes of the Queensland government.

Unfortunately such bad law is a real risk to investor confidence in the industry. Investors will make their judgement of the legislation in a simple process of reason that Clive Hildebrand explained in his 2002 landmark independent assessment of the sugar industry when he said, and again I quote, "Shareholders in proprietary mills have a choice where to invest their capital. Their overwhelming primary interest is in economic returns from their investments which equal or exceed economic returns available from alternate investments. And while grower choice legislation remains law, it will discourage investment and pose a risk to uniform national competition law as well. How much of a risk will only be apparent once a public interest test has been applied and the federal government has sufficient information to decide whether it should allow the authorisations claimed in the Act to stand. Without evidence of public interest, the government in effect mandates bad law."

Commissioners, it must be difficult for people outside the sugar industry to understand why co-dependent monopolies would jeopardise their mutual prosperity and viability by constantly butting heads. We are inclined to think that there is something in the theory that our issues today are the result of certain parties putting self-interest ahead of the interests of the industry and the growers that they purport to serve.

An astute Queensland Productivity Commission official observed last year that some grower representatives seem to continually argue commercial issues with reference to trust, respect and power, and we've always proceeded in the belief that providing a fair and transparent offering, and by delivering a consistently strong financial result for growers over time, we would earn that respect and from that respect

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would grow trust.

Unfortunately, legislative intervention has put significant impediments in the way of us performing to the best of our ability in the interests of our industry, and is driving a wedge between us and growers that we depend upon for the viability of our business.

Regardless of the rhetoric, you can't legislate for respect and trust. It comes from experience, and you can't legislate investor confidence, it comes from commercial judgment. And you certainly don't engender investor confidence by stripping ownership rights from the manufacturers of product or by forcing investors into commercial arrangements that they would not otherwise choose to enter into.

We and our growers have a mutual and vested interest in finding a common ground that will let us grow the industry, compete effectively in global markets, and give both millers and growers confidence that their investments, financial, emotional and physical, are protected and profitable for the long term.

In conclusion, we remain optimistic that a mutually beneficial outcome that builds trust and respect can still be achieved under a deregulated industry model, if the ill-conceived and poorly-implemented amendments to the Sugar Industry Act are repealed. Thank you.

MR LINDWALL: Thank you. Do you want to start off, Ken?

MR BAXTER: I've got to say, and I suppose it's almost a declaration of interest, in that I'm not totally surprised at the reactions you've received. In the late 1980s and early 1990s I was asked by the then Queensland government to chair the committee that was to bring about the merge of several mills in the Mackay area and in the Pioneer area, and at the stage that CSR was vacating - it was the Victoria mill, if my memory serves me correctly.

I've had a lot of dealings in the primary industry sector. It's the only sector in which I've had to divide not only growers from millers, but different groups of growers, and I've got to say that over a period of about three to four months I spent more time going in and out of meeting rooms in Mackay trying to get a reasoned agreement, and I think the only factor that really gave me any strength was the fact I had - with my I had an official from the Commonwealth Department of Primary Industry in which he had a cheque for $14 million which was to be paid to fix up the tramways that came down from the Pioneer Mill into the Mackay mills.

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I'm going to be interested to get the rationale from the Queensland cane growers as to the marketing arrangements and the way they see the current arrangement with Wilmar, and I think there's one other company involved, as different from what happened when basically there was a monopoly sale and the growers had very little or no say at all.

The question I've got to you is what's the impact on the international market first of all of the campaign that's being conducted largely in Europe against sugar in a whole lot of products that are going around the world? Secondly, does the production of sugar beet continue to act as an alternative to the output of cane sugar? And thirdly, is one of the difficulties and impediments to expansion of the sugar industry the cost of transport for Australia?

And at the same time I was involved with the negotiations in the Mackay region, and I think there are enough people around this room who are old enough to remember when the Japanese government boycotted imports of Australian sugar and CSR, then acting as the sole marketer, had about five shiploads of sugar sitting in Yokohama Bay and not able to be delivered. So those are the three questions I've got to you.

MR RUTHERFORD: Sure, okay. I might just take them in order, if that's okay.

MR BAXTER: Yes, that's fine.

MR RUTHERFORD: Firstly, in terms of the global market, and I think your question referred to anti-sugar sentiment and whether it was affecting our opportunities for exports, I think thankfully the answer to that question is no, it's not, and the reason for that is that the anti-sugar sentiment is largely an issue in developed economies such as the US and Australia where issues like obesity and diabetes are becoming quite prevalent.

Whereas the growth in the global sugar trade is largely being driven by growth in per capita sugar consumption in developing countries, in countries where the sugar consumption per capita is - you know, is a fraction of what it might be in Australia and the US, and I'm talking about countries like Korea, like - sorry, not Korea, that was a mistake, sorry. Like Indonesia, you know, and those sorts of countries.

So in that sense, we're still seeing growth in global sugar demand, because until those countries increase their sugar consumption to even modest levels, you know, it's not going to be an issue, and certainly health related issues would not be apparent in those economies for a long, long

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time.

And so it's just a natural part of them developing, more processed foods, and we're talking about very small consumptions per capita in those markets with very large populations. So I don't see any issues for the - - -

MR BAXTER: And competition from beet sugar?

MR RUTHERFORD: Yes, well, I mean, as you know, there was significant reform of the European beet industry a number of years ago, and it was the subject of a number of trade disputes as well. As a result of that, we have seen a wholesale change in the landscape of beet production across Europe, and it has now rationalised back to the most cost-efficient beet production centres in France and Germany.

As a consequence, that beet industry is now quite competitive with cane sugar, and also there's a lot of unused refinery capacity, so they're playing a marginal sort of expansion game as well. So it's quite interesting as a result of the, I think, quite successful sanctions that were placed on Europe by cane producers like South Africa, Thailand, Brazil, the European beet industry has in fact become very, very competitive, and is now quite a significant competitor globally with those other cane producers.

MR BAXTER: Okay.

MR RUTHERFORD: I think your third question related to the cost of transport being an impediment to global competitiveness. You know, we don't really see that, because the global sugar market is really dominated by Brazil, and Brazil is a long way from the markets that we serve, and we still enjoy a freight differential, a freight benefit between Australia and those East Asian markets compared to Brazil, and that obviously gives rise to the so-called Far East premium.

Freight rates go up and down. Obviously with the downturn in iron ore and coal and oil we have seen a reduction in freight rates as well. That tends to erode that premium. And while Brazil, you know, often ships in very large quantities, a number of our markets such as Japan that you mentioned don't have the ability to take large vessels, and as you know, Brazil has significant constraints in terms of its export supply chain, large amounts of sugar, relatively low port capacity, and significant congestion in rail and shipping.

So we're not really seeing the cost of transport as a major impediment

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to us. In fact, you know, really the market is there for the taking for us. Our issue are, one, about increasing our domestic productivity so that we can be cost effective and sustainable at global sugar prices.

MR LINDWALL: Could I ask a couple of your examples here, where you produce - your eight mills produce 60 per cent of raw sugar exports between 97.8 pol and 98.9 pol, and it looks like you desire to move it up to very high polarization of around about 99.3, if I'm not mistaken, from understanding that? Perhaps you could explain what benefit that would have, and how would you achieve such a higher level of sugar concentration?

MR RUTHERFORD: Yes, yes. Well, as I mentioned earlier, our major competitor in the global market is Brazil, and by - I guess it's just a fact of their production process, they do produce standardly a brand of sugar called VHP, very high polarization. And I mean, out of interest, it's because they typically co-produce ethanol and sugar from juice, and what that means is that they basically take a first strike sugar out of the mesquite and make sure, and the rest of the molasses, which still contains sugar that we would normally crystallise, goes straight to ethanol, whereas we don't do that. We exhaust all the sugar until we produce a final molasses. So in effect, they're sort of taking the cream out of the - - -

MR LINDWALL: Bit like first crest olives or something?

MR RUTHERFORD: Exactly, exactly. So their sugar is high quality. Now, because they dominate the market we're typically coming up against Brazil, and people are saying, "Well, Brazil are offering standardly, you know, VPH, and Queensland sugar is typically Brand 1, which is a slightly lower pol."

So you know, for refiners, pol can be important. Now, you pay a little bit more for higher pol, but it does reduce processing time in refineries, so depending on how refineries are set up, you know, they would prefer to perhaps have, you know, VHP, or perhaps Brand 1, but because the sheer volume of Brazilian sugar in the market it's a bit like, well, you know, you constantly run up against suppliers that are used to getting Brazilian sugar, and if we want access to those markets then it would require a processing change in their refineries, so they would rather we produce the same quality as the dominant supplier.

So fundamentally that's what it's about. For us to make a VHP sugar in our factories, we basically would need to do things like spend more time, you know, washing the sugar, purifying the sugar, so really it's a rate-related issue. There's no problem with us doing that, but we have to,

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you know, crystallise more slowly, spend more time, you know, washing. So in order for us to maintain our crushing rate we would need to invest capital to ensure that our process can produce the high purity sugar so that there's a significant investment required for us to do that, and unfortunately since the legislation, that's an investment that's going to be very, very difficult to justify.

MR LINDWALL: And what type of price premium do you get from VHP sugar?

MR RUTHERFORD: There's a standard sliding scale of pol premium adjustments that are written down, it's called the International Pol Scale, in the Sugar Association of London Rules. The futures contract is all sold versus 96 pol, and there's a sliding scale of adjustments that are basically increase the price by a percentage.

So typically it would be - you know, going from the Brand 1 that we make to VHP, it's a small percentage increase, but small percentage on fairly big numbers across volumes.

MR LINDWALL: Over a long period of time, yes.

MR RUTHERFORD: That's right.

MR LINDWALL: And your other investment example you gave was for a $75 million 500,000 tonne sugar storage facility.

MR RUTHERFORD: Yes.

MR LINDWALL: Now, if I'm not - my understanding, and I'm not an expert in sugar at all, is that sugar has a fairly long life when it's refine, but - when it's in a cane form of course it has a fairly short life.

MR RUTHERFORD: Yes.

MR LINDWALL: What type of benefit would there be from having the storage facility of that type of magnitude?

MR RUTHERFORD: Yes. Well, as I said earlier, sugar is a globally traded commodity. It's traded against the global futures contract, which is called the IS number 11 contract. That contract has four contract positions: July, October, March and May.

Now, we produce sugar from June to November, and typically we sell sugar against all of those contracts, July, October, March and May. But in

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order to sell sugar against the March and May contracts, which happen, you know, several months after a crush finishes, we have to be able to store the sugar.

Now, typically, just due to global supply and demand, there is a significant premium or a spread benefit between the March and May contracts, which happen in the following year, and the July and October contracts, and that spread ranges, but it can be as high as, you know, $30, $40 a tonne, you know, and it's been very high in recent years as well.

So in order to capture that higher sugar price, you need the ability to store sugar so that you can then sell it against March and May and deliver it against those futures contracts. In Queensland we are fortunate. We have probably the best sugar storage in the world. We can store approximately 50 per cent of our crop, but still half our crop must be shipped out during the season, so we're unable to sell half of our crop against the March and May contracts.

So this business case was fundamentally built on the premise that marketing our own sugar, 100 per cent of our own sugar, we were secure about the marketing volumes that we would have. We were therefore able to justify building a capital investment, and whether that investment might have been funded by the current terminal operator or as a joint venture with our growers or solely by ourselves, there was enough money in the premium in selling against March and May to basically pay off the capital, make a return for the storage and handling investors, and also return residual premium back to ourselves and our growers.

Unfortunately now we don't have any certainty about the volume of sugar that we're going to have to market, and we're unable to proceed with that investment because obviously it's difficult enough getting capital infrastructure up in Australia, and that's why we had to move to a 500,000 tonne storage, because we needed to get the economies of scale in order to reduce the stored cost per tonne.

And that storage would have enabled us to store roughly 100 per cent of our production in the Burdekin region.

MR LINDWALL: So just to be absolutely clear on this, you're saying that if there had not been a *Sugar Industry (Real Choice in Marketing) Amendment Act 2015* in existence, Wilmar would have made an investment, and that would have benefited both Wilmar as well as growers?

MR RUTHERFORD: Obviously that investment would have been

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subject to board approval - - -

MR LINDWALL: Yes.

MR RUTHERFORD: - - - but we were working to an internal timeframe of having that investment commissioned for the 2018 season. We did do a preliminary feasibility assessment. We did get quotes from manufacturers, and we obviously go through a staged process of development, and we'd spent money already, and it looked very viable.

So we would have absolutely continued to proceed to spend the funds to develop that investment opportunity to the point where it was, you know, at a bankable stage, if you like, and we would put it up for board approval - - -

MR LINDWALL: And that would have benefited farmers?

MR RUTHERFORD: Absolutely. There was enough money in it to pay a return for the investors in the storage, which could have actually been our farmers. We would have been happy for them to participate as joint venture participants, or in fact they could have owned the facility, and yet still returned residual premiums over and above what we would have got without the storage, so even to growers that didn't participate in the storage as a storage investor.

MR LINDWALL: I'd like to ask, does this act - has it effectively expropriated some of your assets?

MR RUTHERFORD: Well, we say it's expropriated some property rights in our sugar, and to the extent that sugar is an asset of ours, then yes, it has. Now, you know, this is a bit of a subtle point. We retain ownership of the raw sugar that we manufacture, and the Act acknowledges and recognises that, but yet the Act requires that we sell the product that we own to a third party that is nominated by our growers.

So we say that the property rights that would normally be enjoyed by someone who owns an asset, that is, the right to deal freely with that asset and buy or sell that asset, has been removed. You know, so it's a bit of a moot point, but we say that we've had an expropriation of our property rights, and a significant part of our property rights, and over a significant proportion of the finished product that we manufacture, roughly two thirds.

MR LINDWALL: And if, hypothetically, the constitution, or the section in the Australian Constitution, section 46 if I'm not mistaken, the fair

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compensation for the seizure of property rights in the Commonwealth Constitution, if that existed in the Queensland Constitution you would have received compensation, presumably?

MR RUTHERFORD: Correct, correct.

MR LINDWALL: But did you receive compensation?

MR RUTHERFORD: No, we haven't received compensation. Obviously this is something that the Queensland government didn't support. You know, it's also probably - you're aware that this effective expropriation of property or property right is also in contravention of international free trade agreements between Australia and Singapore, Australia and Thailand, Australia and China, to the extent that it's signed.

So you're absolutely right. You know, had this been a federal government initiative we would have been entitled to compensation. And we've estimated the opportunity cost of this, and it's very hard to estimate that, I can tell you how much we're spending in legal fees and lost management time at the moment, but conservatively, we think that the net present value of the impact of this to ourselves and our growers is of the order of $660 million, about $46 million a year, of which about $10 million is value that we will lose, and sadly about $36 million a year that our growers will lose, and that's largely a result of the fact that we are now deprived of the opportunity to deal with 100 per cent of our sugar in the marketplace.

So our growers are deprived of the opportunity to benefit from the higher premiums that we can achieve, and we have a track record of achieving higher premiums. They have lost the benefit of being able to gain from the volume effect of our international trading business dealing with a larger volume of sugar that gives us more clout in order to negotiate better freight deals, for example.

So you know, it's a significant cost impact, opportunity cost impact, to ourselves and our growers.

MR LINDWALL: And this is why your testimony is you have a much lower incentive and in fact you have reduced your investment going forward?

MR RUTHERFORD: That's right. There are opportunities that we could take in a deregulated industry to make higher quality sugar, to invest in more storage capacity to take advantage of premiums. You know, these are opportunities, or investing by-product opportunities such as co-

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generation, or you know, second generation ethanol production.

But there is absolutely zero incentive to do so at the moment, and in some cases the Act actually physically prevents us from doing that, because of the nature of the requirements under the Act. The Act also has introduced pre-contract arbitration, which means that if millers are growers are seeking to negotiate a supply agreement and we can't come to terms we can find ourselves having to buy cane on certain terms that are determined by a third party.

Already we have one collective who has put a claim on us for two thirds of our co-generation profit and our profit from sale of molasses. So these are significant revenue streams for our business, revenue streams that we have made the investment, so why would an investor make a further investment at the risk of having the profits from those investments removed at the hands of a third party arbitration proceedings?

MR LINDWALL: And Wilmar, like any company, international company, has limited resources for investment purposes, and if it's not investing in Australian presumably you would use that investment somewhere else for the benefit of another country?

MR RUTHERFORD: That's exactly right. I mean, it's already difficult enough, as you know, to develop infrastructure in Australia, but Wilmar has investments in a range of countries. We've got manufacturing facilities in India, in Myanmar, in Brazil. Just in sugar alone in Indonesia. You know, we're looking at other opportunities globally. We have projects we're looking at in the Middle East, you know, in Asia as well.

So yes, we now have plenty of opportunities. It's very clear where you direct your attention, and as an executive of the Australian business it's very disappointing because we see the focus change from our marketplace to other marketplaces.

MR BAXTER: Can I just follow on on that question? Page 9 of your submission, you refer to the four mills that you've got (indistinct) sugar mills in order to maximise the sugar quality have got to be kept in reasonably high operating order. You may regard this is as a confidential question, but what's your estimated capital spend over the next five years to keep those mills in top scale, operating order?

MR RUTHERFORD: Yes, well, I said earlier that we've spent almost $1 billion since 2010, and I'm happy to tell you we spend roughly $150 million a year on maintenance and capital, maintenance and seed capital, and they're a little bit indistinguishable given the nature of our equipment.

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So we routinely spend $150 million a year before we decide to spend any what I would call development capital. So this is just keeping the business going. I mean, you know, the funds employed in our milling business is of the order of $1 billion. The replacement value is something like $3 billion. You know, it is a struggle for the entire milling sector to continue to keep these assets, because I can tell you that we could not afford to rebuild them again.

So it's a - you know, we have to make this the proverbial grandfather's axe and keep them working with new heads and new handles for the next, you know, 50 years.

MR BAXTER: Now, just clarify, do you own or control any of the tramways or transport connections from growers to the mills?

MR RUTHERFORD: Yes. So the cane railway system that serves the Wilmar mills is wholly owned by Wilmar. We purchased those cane railways off the state government many years ago. So we have something like 1,500 kilometres of railways. There's an awful lot of bridges and culverts. It also is an incredibly expensive piece of equipment to maintain. We maintain it at our cost, and obviously we pay for transportation of cane to the mill. That is a cost of ours that we absorb.

MR BAXTER: Okay.

MR LINDWALL: Do you have any - - -

MR BAXTER: No, that's all.

MR LINDWALL: Well, thank you very much for your testimony today, and I think it's time for a morning tea.

MR RUTHERFORD: Okay, pleasure, thank you.

MR LINDWALL: If there's something around, we may as well all go and enjoy something, and then we'll proceed at 10.15 with the Australian Cane Farmers Association.

ADJOURNED **[9.53 am]**

RESUMED **[10.13 am]**

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MR LINDWALL: Please state your name and organisation and give us - - -

MR MURDAY: My name is Don Murday, I'm chairman of the Australian CaneFarmers Association. I'm a farmer in Mossman, fourth generation cane farmer in Mossman, and also a horticulturalist. I've served on the board of Mossman Central Mill for 12 years until the Mossman Mill's sale to Mackay Sugar Limited, so I have a lot of experience in the industry. I wasn't really intending to talk to our submission but rather answer questions but I will probably do a smaller introduction and maybe just to talk about the industry pre deregulation and what's happened since.

As you all would be aware, the industry was regulated, all the sugar was sold through Queensland Sugar Limited (QSL). We had a very efficient, and still do, have an extremely efficient storage and handling facility. And it could be argued we also had an efficient transparent marketing system. But then deregulation occurred. Our organisation wasn't happy with a lot of what went on at that time. So we were actually - weren't in the room with a lot of what happened. But it was agreed by the growers and the millers at that stage that they would continue with the voluntary marketing arrangements which would mean that they would continue with marketing through QSL.

Since then the ownership amongst 60 per cent of the industry has changed and a couple of milling companies elected to exit QSL. And very little negotiation - sorry, before that what they did is they exited the QSL to market their own economic interest sugar. And that was done without much consultation with the growers. But we're in the process of accepting that and all of a sudden another proposal was thrown on the table that they were going to exit all their sugar and that growers no longer would have any say in what's happened for over a hundred years and how their economic share of the sugar is priced or marketed. Now this came as a huge shock to the industry. For once it has 100 per cent united the growing sectors of the industry, every grower and organisation in the industry is 100 per cent united on this, on the position that we took. We meet regularly and we also work very well together.

I get very frustrated with the term that millers continually use about reregulation. It clearly is not reregulation. We are not going back to the pre deregulation situation. We are simply, what the legislation, the reregulation, simply does is address market imbalance, or the monopoly situation that farmers find themselves in, it addresses that situation and

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allows growers choice of their marketer. It must be remembered that it's all very well for millers to state that their investment in the industry but the growers had two thirds of the total investment in this industry and that's why we end up - that's how we end up with this two thirds, one third split in the revenue that's received from the sale of the sugar.

So it's not just millers who invest in sugar. So it's very short sighted of milling companies to think that this is not going to have an impact on their supply of sugar cane. And I can't believe that milling companies would impose these things on their growers without considering the financial impact, because I can assure you growers are not going to take this sitting down. And the growers are looking for other things to grow to diversify their income because unfortunately in the Australian sugar industry we would be the least diversified sugar industry in the world.

And milling companies for years for some reason, and I think it's because of our proximity to Asia, which is the deficit region of the world in sugar, and the new owners that have come in to the industry see an opportunity to - or saw an opportunity to get their hands on the Australian physical sugar and export it into that region. And it doesn't help the growers that we supply undiversified sugar mills in this country. There's a small amount of ethanol produced but that's - and there's a limited amount of cogen that's happening as well. But only in Mackay do the growers actually get any benefit from that cogen revenue.

I also get annoyed at this continual reference to the government money that was given to the industry to compensate for deregulation. I don't believe that was the case at all. That money was given to the industry to diversify and to be able to deliver what was forecast at those times to be a price of $270 a tonne. I would very much welcome an inquiry into how that money was given out and what it was actually spent on because I know it built bridges across the South Johnstone River and built tram lines to what is now Forrest Street. It was a completely wasted exercise, we saw not one - we saw very little diversification from it, and here growers still find themselves as basically supplying sugar cane to mills who supply raw sugar, basic raw sugar.

So we got support from the LNP and the Katter Government to protect the growers from the situation that we found ourselves in. I was heavily involved in all the negotiations, as I said, you know, discussing how to allow the milers to market their Mill Economic Interest (MEI) sugar and then through the mediation that went on after that on different models on how to accommodate all the extra marketers within the system. But all those models I found to be totally un-commercial, you know, allocating a certain tonnage for QSL to maintain is just not commercial.

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I believe what we have today with a competitive marketing arrangement should be - is perfect. A grower has a choice to market with his miller, or with QSL, or anybody else. And if the millers are as good as they claim they are I can't understand why they're so frightened of competition. If they're so good at marketing sugar they would get all their growers sugar after a period of time. But clearly the growers don't trust the millers to be the only marketer of their sugar and we need transparency and we also need a benchmark. And that's why growers have so much faith and have so much desire to have an industry marketer. And there's strong support out there for QSL.

But after the, as I said, the legislation passed, the next day in the news there was all sorts of - you know, the sky was going to fall in. And one of the worst was, CEO of Maryborough Sugar, he said that the sky was going to fall in. But to his credit, they got on, they've negotiated with QSL an on-supply agreement and that's going to be signed within a matter of weeks. And everything will continue on because basically the legislation was designed on what Maryborough Sugar were already doing. Maryborough Sugar had a system where they marketed some of their growers' sugar, the growers who chose to go with them, and the rest of the growers who chose to stay with QSL stayed with QSL. So the legislation did not impact on them one little bit. And I don't see what the impacts are on any other milling company doing the same thing.

You know, there was all sorts of threats made at the time the sky was going to fall in. And I know that Maryborough Sugar at the time said that they cancelled an investment, which turned out to be a real estate investment rather than an investment in milling infrastructure, but since the election passed that investment has continued on anyway. So it was just a threat. So I don't take seriously all the threats of investment, and I hope that the politicians don't either. So that's - I'm very happy to take any questions.

MR LINDWALL: Well I was just going to ask you a question about I find it hard to comprehend how an act of parliament, which is by definition a regulation, isn't reregulation. I mean, isn't that sophistry, to argue that it's not reregulation? It's a law of the land.

MR MURDAY: Yes, a reregulation, I would term going back to what it was before. And this is not, this is regulating a competitive marketing environment for the sugar industry in Queensland.

MR LINDWALL: But it is reregulation but not reregulation to the status quo ante previously.

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MR MURDAY: No.

MR LINDWALL: But it is regulation which - - -

MR MURDAY: But I think by the term reregulation they like to refer to it as going back to the past.

MR LINDWALL: Right, yes.

MR MURDAY: And there's no way we've gone back to the past at all. We've conceded a lot in allowing millers to market - giving millers the opportunity to market growers' cane - sugar.

MR BAXTER: Don, the industry is a fairly unique and unusual one in the structure of Australian agriculture. I think it might be helpful if you could take us through from where the industry was, say, in the late 1980s, 1990s, in which there was very strong regulation. And I mean, I passed the comment too that you flew up to Mackay or Cairns in the first class cabin and the Ansett flight was filled with QCs acting for growers who were trying to get the best deal for their cane assignments. Now that went as a result of a lot of changes, I think, in the 1990s?

MR MURDAY: Late '90s, yes.

MR BAXTER: The 1990s, and then after that the industry went through some both compulsory and almost automatic readjustment where mills that needed very substantial expenditure on them to maintain operation either went out or merged with other mills. I think it would help us to have an understanding of the sort of progression of that and the definition which in some minds is regulation of a type that's existed in some other industries as against what your perception of the regulatory regime is?

MR MURDAY: Well I guess probably the biggest change was getting rid of assignments. We also had two classes of - we had, what's the term, we're going back so far now, you know the two pools that we had to supply cane, you know, if you were a late grower and you came in later on you were a - because the industry paid for the development and construction of the sugar terminals any growers who came in later they were classed separately and they had a different payment structure. But that all went, assignments were lost. It's fair to say at that time growers - if you bought a cane farm you were buying assignment.

MR BAXTER: Yes.

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MR MURDAY: And there was absolutely no compensation for that. I notice the dairy industry and other industries got compensated when they were deregulated but there wasn't a cent in compensation for the loss of assignment. But that definitely was probably seen as a hindrance on growing the industry. But we haven't seen a lot of growth in the industry since the deregulation, which some components claim that it was there, it clearly isn't there. We've actually seen the closure of a lot of mills. A lot of that is rationalisation. And a lot of that I think has just been a response to falling production and productivity that the mills' answer is just to shut another mill. And that's happened all the way up and down the coast - - -

MR BAXTER: Sorry, to interrupt, but were some of those mills basically relatively small mills reliant on, say, narrow valleys of cane production and the extreme end of a tram line, or of a railway network, or road network?

MR MURDAY: I think it's probably more throughput that determines the future of the sugar mill. And naturally, you know, the mill in the early days probably survived on eight or nine hundred thousand tonnes, where today you wouldn't survive under a 1.2 million tonnes. And that's the difference. And a lot of our mills are two million plus. And what happened in Mackay Mill, they closed mills there and they've got three two million tonne mills now. That's just this rationalisation, I believe. But there were other mills that closed, you've got urban encroachment in certain areas, you know, south of Cairns, which closed the mill. And there's only been the one new sugar mill built in Queensland for a hundred years, and that's on the Tablelands.

MR BAXTER: Yes.

MR LINDWALL: Do you see millers, I'm trying to understand it, millers as effectively a contractor? So, if you look at another industry such as iron ore and steel, iron ore producers dig up the iron ore and they sell the iron ore to a steel manufacturer who then owns the iron ore and then the steel manufacturer makes steel out of the iron ore and then sells the steel, so it goes in that type of stage. But I get the impression that you're saying that the growers continue to have ownership over the sugar even though it's gone to the refinery, doesn't that mean that the refinery is then a contractor rather than buying the sugar from you, is that what you're saying?

MR MURDAY: No, they buy sugar cane from us, convert it into sugar, deliver the sugar to the terminals, and then there's the revenue from that sugar is divided, on the final prices achieved for that sugar, is divided roughly two thirds, one third, depending on your local agreement, is

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divided at that time.

MR LINDWALL: But the property rights for the sugar cane once it goes to the miller lies with the miller, doesn't it?

MR MURDAY: Yes, and then when the miller, historically then when the miller delivered the sugar to the terminal that the title then reverted to QSL, or Queensland Sugar, whoever it was at the time, so they had title of the sugar so they could borrow money to fund the advances program. See, we don't get a - cane farmers don't get a farmgate price for sugar cane so we take the risk right through until the sugar is sold. And when a cane farmer plants his cane he's not paid for that, for the cane that comes off that for two years.

MR BAXTER: So, the farmer - - -

MR MURDAY: So he wears the risks all the way through the process.

MR BAXTER: Sorry to interrupt, but if you compare it with the wheat industry when a wheat farmer delivers his grain to a silo he gets a chit from the Australian Wheat Marketing or the Australian Wheat Board which basically gives him a provides either the funding or the basis for going to a bank and getting the funding, and the property transfers from the grower to basically - well, it's the success of the Australian Wheat Board, and it's a now listed public company. For those growers that have got shareholdings in it they then get a dividend at the end of the year or if they don't do the job, or if the Australian Wheat Board doesn't do the job, they don't get any dividend at all. Where does the sugar industry structure differ from, say, another bulk commodity structure like the wheat industry?

MR MURDAY: Because of the way historically we've always shared in the total revenue that's achieved from that pile of sugar. And it's shared on a specific formula all the way through. And I think it all resulted from a Royal Commission in 1914, or whenever it was, which identified the market imbalance back then where 85 per cent of the growers in the Queensland - roughly 85 per cent of the growers in the Queensland industry can only supply one sugar mill, or one sugar milling company. Sugar is a perishable low value product which basically can't be transported much more than 80 kilometres.

So a grower is forced to supply that mill. And it's a lot of the reason to overcome that potential market imbalance there that we've had this system of sharing the value of the sugar. Now there's all sorts of arguments you can get into about who owns title and when did title

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change and deregulation handed title back to the mills, it's irrelevant to me because it's only really as important as the next negotiations you have. And who knows where that's going to go because I know there are some groups in industry that want to do a toll crushing arrangement, they want to retain ownership all the way through, but it doesn't get a very good reaction from the mills, naturally.

MR LINDWALL: You could do that, sure.

MR MURDAY: Absolutely we could.

MR LINDWALL: I mean, property rights are much more important than I think you suggest because the person who has the property rights should have the right to have the disposition of the product that they've bought, and it's mostly in society that's the case. And also they bear the risk for it. So who bears the risk, you've now grown some sugar, you sell it to a - - -

MR MURDAY: No, you produce sugar. You grow sugar cane.

MR LINDWALL: When it's sugar cane, yes. You grow sugar cane and you sell it to a miller, and let's say the sugar cane is destroyed by an accident or something, who bears the cost of that?

MR MURDAY: Well where has the accident occurred?

MR LINDWALL: It's occurred after you've sold it to the miller?

MR MURDAY: Well we don't sell it to the miller, we don't get - we don't sell it to the miller till 12 months later when we get our final payment. It's delivered, the sugar is delivered to a tram line, it's not actually a sale, it's not a sale.

MR LINDWALL: So you would take the hit then, so if it was at the sugar cane was at the miller's property and it was destroyed by some factor, accident, whatever, then you would bear the cost as much as the miller?

MR MURDAY: No, the miller would because - - -

MR BAXTER: Well then the miller is taking responsibility so you would be - - -

MR LINDWALL: You have the property rights, haven't you, because if you had property rights still you would also bear the consequence of that

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accident? If I owned a motorcycle and I share it with you then if I accidently did damage it we'd both have a consequence of an economic loss to it. If you buy the motorcycle from me and you destroy it, I don't bear any risk any more, isn't that the case?

MR MURDAY: Well for that stage of it, yes. But then the sugar then is marketed the title changes back again to that marketer. The grower economic interest in that sugar was, that percentage, was then the title was transferred to the marketer which was in those days QSL.

MR LINDWALL: But haven't you now by the introduction of this law actually ex appropriated an asset which is a sovereign risk which is most countries would not see as a positive because it does impact, and the economic evidence on this around the world is very strong, Zimbabwe is an example, where ex appropriation of assets occurred and looks what happened to Zimbabwe?

MR MURDAY: Well I'm not a lawyer but in all our negotiations we just consider it a continuation of business, the way things have always been done. And we don't believe that it was fair that the growers can be forced in a monopolistic situation to accept a marketing system imposed by their miller where they don't have a choice, they have absolutely no control whatsoever over the price that they are going to achieve for their sugar cane.

MR LINDWALL: So why don't growers vertically integrate and make their own milling companies or buy out millers? They can do that, there's no law against that.

MR MURDAY: Yes, there's no law against that.

MR LINDWALL: And that would then align the economic incentives, wouldn't it?

MR MURDAY: Well, I'd say that the industry - it wasn't that long ago that the industry was a lot more industry owned, grower owned. There was less proprietary milling. But the proprietary milling is by far the biggest now, I think there's only two grower owned milling companies left in Australia. I just think that's a symptom of the times, it's happened in I think all our agricultural industries, that we no longer, unfortunately, do the processing. But it doesn't mean that we don't have right.

MR LINDWALL: Who are the two grower - - -

MR MURDAY: Isis, Isis and Mackay Sugar Limited.

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MR LINDWALL: Right.

MR MURDAY: Isis is in Childers.

MR LINDWALL: May I ask, I mean - - -

MR MURDAY: And the New South Wales industry, sorry.

MR LINDWALL: Which is owned by Don, Mr - - -

MR MURDAY: No, no, he owns 50 per cent, I think. It's still 50 per cent owned by the growers.

MR LINDWALL: I mean, Wilmar in their testimony earlier today said that because of this Act they are not investing in new storage facilities which would have obtained a higher price for growers and that they can't upgrade to a very high POL sugar which also would command a higher price, isn't it you're shooting yourselves in the foot here?

MR MURDAY: No, absolutely not. That's a very interesting subject that Mr Rutherford raised there. I will make some inquiries as no one in the industry knew anything about that, where that terminal was going to be positioned. And even with Shayne's response there this morning, it was only very, very early stages, I would say it's used more as a threat than anything. He also highlighted the fact that we do have extremely efficient storage and handling facilities in Australia where we can store up to 50 per cent of our crop, which is probably more than anybody else in the world. It would be subject to a cost benefit analysis exactly what value there was in more terminal storage.

But they probably find themselves in a situation where they have less storage capacity now than they had before because of their own actions. Before they decided to go their own way all the sugar was stored and marketed and managed across all the terminals in Queensland. So in an area like in Cairns which had smaller terminals that could be filled up and that sugar for use to be sold at a later date. But now they may, I'm not sure exactly of the figures, and particularly the mills that supply that out are really only going to find themselves in a difficult situation because that terminal has turned over five or seven times. They're going to find themselves in a difficult situation now that all our storage and handling is potentially going to be busted up. And that's all adding cost to the industry.

So it's all very well for millers to talk about the potential to increase

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revenue, I don't see any great potential to increase revenue because sugar marketing, it doesn't matter who does it, are all going to be fairly competitive. But there's going to be definitely added cost in our storage and handling by the way of the fact that the sugar terminal's function is being split up. The potential for segregated sugar, which reduces capacity, and depending on who ends up running the terminals, if it changes from a cost centre to a profit centre there is only going to be added costs.

MR LINDWALL: But you're basically - you think that marketing everything through QSL gives you a premium?

MR MURDAY: I believe it does because it's transparent. And it depends on the profile you want, you know, surely a trader like Wilmar may have a more aggressive marketing philosophy or strategy, which some years could give them more money, other years they could do a lot worse. And I think this year QSL is probably out competing Wilmar. But that's irrelevant on a yearly thing. The grower has confidence in his industry owned body marketing his sugar openly, transparently passing on all the premiums. And it's been done for a hundred years and they want to continue doing it. Others don't. Some might want to go with the miller. But what is wrong with having a competitive marketplace for the marketing of sugar? I think it sounds perfect.

MR BAXTER: Look, I understand that argument. Can I just take it a bit further? As I understand things at the moment, QSL is the dominant seller of Australian sugar overseas, is that correct?

MR MURDAY: At the moment.

MR BAXTER: At the moment.

MR MURDAY: We think for 2016 it will be.

MR BAXTER: Yes.

MR MURDAY: For 2017, who knows where - - -

MR BAXTER: Well as we stand today - - -

MR MURDAY: Absolutely, they are, yes.

MR BAXTER: QSL is the dominant seller?

MR MURDAY: Yes.

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MR BAXTER: And the other sellers are presumably Wilmar, anybody else? I mean CSR - - -

MR MURDAY: MSF.

MR BAXTER: MSF?

MR MURDAY: Yes. And New South Wales - - -

MR BAXTER: Sorry, roughly what proportion of the sugar, just roughly? Or maybe I can put as a question on notice as an option?

MR MURDAY: Yes, absolutely, I wouldn't have that off the top of my head.

MR BAXTER: I'd just like to get some understanding because it is also an indication of where market now sits, how one group may or may not dominate a market.

MR MURDAY: In answering that question, what I could say, that next year - see we have three milling companies, we call them BIM mills, who are staying with QSL.

MR BAXTER: Right.

MR MURDAY: That's Mackay Sugar Limited, Isis and Bundaberg Sugar. If all the sugar, the grower economic interest (GEI) and the mill economic interest (MEI), from those milling companies stays with QSL that's 600,000 tons of sugar, which won't make them the biggest player in the market but it will depend then on how much other grower sugar they get to increase their efficiency, which they're actively chasing. And which growers in every region want the opportunity to be able to market through the QSL.

MR BAXTER: Now what happens, and this is hypothetical, say, for example, in an area where Wilmar has got, or any other miller has got, existing capacity and a grower makes a decision that - - -

MR MURDAY: Do you mean existing capacity to, what?

MR BAXTER: To mill.

MR MURDAY: To mill, yes?

MR BAXTER: Owns a mill. That if a grower decides that he doesn't

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want to sell through QSL has he got the right under the current arrangements to go to another miller?

MR MURDAY: To another miller?

MR BAXTER: Yes.

MR MURDAY: To market?

MR BAXTER: Well, no. No, let's take it in steps.

MR MURDAY: Yes.

MR BAXTER: So has he got a right to go to another miller and get it processed and then go and talk to whether it's QSL or to somebody else to sell it?

MR MURDAY: Only 15 per cent of the growers in the state have an opportunity to go to another miller.

MR BAXTER: Yes?

MR MURDAY: And we saw that right at the very early days of this when - you know, like two years ago, three years ago - two years ago, when Maryborough Sugar refused their suppliers on the Tablelands to market through QSL. Overnight, and Mackay Sugar Limited (MSL), Maryborough Sugar, walked out of the meeting, the very next day a deal was done with Mackay Sugar to take 600,000 tons of Tableland cane to Mossman. So Mossman went from a 500,000 ton mill to 1.2 million overnight. So where a grower has that ability to do that they will exercise it. And they did. Maryborough Sugar obviously learned their lesson from that and they do offer their growers now the right to market with QSL.

MR BAXTER: And was the distance from the Tablelands to Mossman, which is a fair hike, I mean, I would have thought there would be a fair loss in cane quality?

MR MURDAY: Mossman pioneered the industry on the Tablelands in the first instance, along with South Johnstone Mill, and as through that really lean period of low prices Mossman just basically couldn't - the freight arrangements were changed by the industry body mediator and Mossman couldn't afford to bring that cane down any longer and a mill had been built on the Tableland as well.

MR BAXTER: Right.

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MR MURDAY: And South Johnstone stopped taking cane down as well. But what's happened since is the - it's not a big sugar mill on the Tablelands, it's only got a capacity to crush about six or seven hundred thousand, and there's enough area, water, and commitment on the Tablelands to supply that mill and 600,000 to Mossman. And that's what's happening this year. And both mills are at capacity. So it's been a very good outcome. Because what's happened there is Mackay Sugar couldn't handle that full tonnage, they've done a toll crushing arrangement with Maryborough to toll some of that cane and Mackay retained the ownership of the sugar, retained the sugar and the molasses and the bagasse.

MR BAXTER: Now going back a step, presumably the cane assignments having gone the only actual property right, I suppose you'd call it, that the grower has got is the land on which he is farming?

MR MURDAY: Yes, and then in his can supply, but that's not even assigned to a mill anymore.

MR BAXTER: No, that's - - -

MR MURDAY: He just makes a commitment to supply a certain tonnage of cane in his supply agreement, that's all. It's not actually tied up to land anymore.

MR BAXTER: No, so he's got a block of land and it's a block of land without any ties or constraints apart from any debt he might have taken on and the bank's got presumably a mortgage over it?

MR MURDAY: Yes.

MR BAXTER: Whereas before it was the assignment that actually had the value in it?

MR MURDAY: It did have a value, yes.

MR LINDWALL: It had the licences - - -

MR BAXTER: Well that's what I'm just trying to - - -

MR MURDAY: It did have, but that doesn't mean - - -

MR BAXTER: No, I know, but this is - so, can I just take you through. Sorry to be boring about this but it's slightly, in my mind at least,

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important. So you had the growers who went from, what, late 1980s, 1990s, and they had cane assignments, and the assignment had the value, far more value than the land. The assignment system went so the growers were either compensated or just lost what the value of the assignment was. They still had a contract to - or a commitment to a local mill, and that was being dictated to some degree by the efficacy of either the tramway system or truck transport. Is that a reasonable proposition, so a grower who lost an assignment couldn't turn around then and there and say, well, no, I'm not happy as a supply to, say, the Playstone Mill, I'm going to take it to somewhere else?

MR MURDAY: Well he'd have to go to Proserpine, which is - - -

MR BAXTER: Yes, exactly.

MR MURDAY: No, it won't work.

MR BAXTER: So there's then a constraint, a physical constraint, on the flexibility of the grower - - -

MR MURDAY: Absolutely.

MR BAXTER: To make a choice as to where he has the sugar cane milled?

MR MURDAY: Absolutely, yes.

MR BAXTER: So in that respect there's actually a rigidity in the marketplace?

MR MURDAY: Yes.

MR BAXTER: Now let me take it the next step. Let's assume and let's stick with the Mackay one because it's one I know, let's assume that he realises he's got to have it milled in Mackay, under the current arrangements it would either go to the new owner, which in this case I think is Wilmar, or QSL. Now has he got the right at that point in the process to nominate who is going to sell the sugar for him?

MR MURDAY: For 2017, if he's a Wilmar supplier, not yet.

MR BAXTER: Right.

MR MURDAY: The legislation allows for it but Wilmar have not yet negotiated a non supply agreement with QSL that is satisfactory to allow

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that to happen.

MR BAXTER: But if he is sitting at home at the moment contemplating where he might go and he is not happy that he hasn't got something firm in writing or a commitment that Wilmar is going to take it, can he then get in touch with QSL and say I'm submitting x hundred tonnes of cane for processing at x date and when it's processed I want you to actually as QSL to sell it for me?

MR MURDAY: He can't do it for next year, no. For this year it's already in place but it will be marketed more than likely by QSL. But for next year, and this is the most frustrating part of this process, is we've got really prices out there, now $540-plus a tonne, and this protracted negotiating process is forcing some growers, or the banks are forcing some of the growers to sign contracts with their miller, which is totally unsatisfactory. But I think it's a tactic of the mills to draw this out because it is incredibly frustrating for growers.

The phone calls that I get from my members and the frustration level is just unbelievable. It's a really, really sad situation the growers - and it's so annoying that the millers in every forum say they're joined at the hip with their growers, they clearly aren't, otherwise they'd have a system in place where their suppliers can call a price for the next two or three years and take advantage of these good prices. But it's not happening, except in Mackay, and Maryborough.

MR BAXTER: Now just again a side question, most of the land presumably is freehold title?

MR MURDAY: The farmers' land?

MR BAXTER: Yes.

MR MURDAY: Yes.

MR BAXTER: So the banks have got a optimum security?

MR MURDAY: Yes.

MR BAXTER: And what's the movement been - well, I suppose this is too general but what's the movement been in land prices around mills in areas where the assignments are no longer the point of value?

MR MURDAY: Well I don't know that it affected land. I don't think it affected - I don't think there's any evidence of it really affecting the value

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of cane farms.

MR BAXTER: Either positive or negative?

MR MURDAY: I wouldn't think so, no. It's probably it was more the people who lost out where those who'd bought a cane farm and paid big money for the assignment and all of a sudden didn't have it.

MR BAXTER: Right.

MR MURDAY: So they probably did pay a little bit more. Well then I guess that is implying that he sold it for less, but he probably paid - he over paid instead of what he should have paid, potentially, yes.

MR LINDWALL: We should move on to - just a final question about - and totally away from marketing and that, what type of technologies are cane growers now using or thinking of using, including in terms of a high tech monitoring for water usage and so on, or genetic modification even, is that something that's being used on cane farms now?

MR MURDAY: Not yet. But our research organisation, which is jointly funded by the growers and the millers, is in a program of developing genetically modified cane. But, you know, they're years away, probably a couple of years away, from that. And then you've got to go through the whole process then of getting approvals and all the rest of it and testing market acceptance in all of that too.

MR LINDWALL: Would that you have - are you expecting that that could have environmental benefits and help reduce the pressure from people complaining about runoffs to the barrier reef, for example?

MR MURDAY: Yes, in growing, you know, drought tolerant varieties, roundup resistant varieties, yes, definitely there's potential for that.

MR LINDWALL: Well thanks very much for appearing today.

MR MURDAY: Okay, thank you.

MR BAXTER: Yes, thanks, Don.

MR LINDWALL: We now move to Kevin Norman from the Institute for Agriculture and the Environment. Please say your name and a bit about the organisation and then a brief presentation, please?

MR NORMAN: Thanks for that. So my name is Kevin Norman, I'm the

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executive manager with the Institute for Agriculture and the Environment at the University of Southern Queensland. The University of Southern Queensland is a relatively small regional university. It's based in Toowoomba, is the main campus, we've also got campuses at Ipswich and Springfield on the Brisbane Western Corridor and we've got a small campus and institute of wine and tourism at Stanthorpe. I guess being a small regional university, like many universities, we tend to focus on where's our core strengths and where's our niche.

So I guess core strengths for the university have traditionally been in distance education, agriculture, and also around the regions because we are a regional university. And hence we've got institutes around each of those three core strengths. The largest one is the Institute for Agriculture and the Environment. And typically we do applied practical research, so less of the basic research. We certainly work closely with the sugar industry. I was just overhearing some of the comments there and about some of the new technology. We're involved with the development of new technology. For example, machine vision, putting that, for example, in drones. The drone can come down, literally pick a green weed in the green sugar cane crop, and if necessarily blast that chemical out with a spot spray of herbicide, or something like that. So that's some of the sorts of technologies. We've got a - - -

MR LINDWALL: Does that require a mobile phone coverage or can be independent of - - -

MR NORMAN: It can be independent of that. Ideally mobile phone coverage in the regions is a really big issue and the applicability and use of those technologies will improve if we get better coverage. Line of sight is an issue specifically around the drones so they don't actually necessarily depend on that but the improvements in the application will improve obviously with better mobile phone coverage and Internet coverage.

So I guess I've had a look at some of the submissions to this committee and I don't know necessarily that I've got anything new specifically. Because of the applied practical nature we deal a lot with farmers directly, so we get a lot of feedback around the issues and the regulations. And obviously I've canvassed a number of the growers and industries that we work with and so I've made some of those points in my submission. I do note though that obviously you were originally scheduled to be in Toowoomba and there weren't enough people from Toowoomba to justify.

MR LINDWALL: Yes.

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MR NORMAN: So I've come down.

MR LINDWALL: Thank you.

MR NORMAN: So I thought I might kick off by just telling you a bit about our region. We are slightly unique in that there's a lot of development and a lot of activity and sometimes we hear about the doom and gloom but although certainly since the mining downturn we're seeing some of that in our region there's also a lot of optimism. Toowoomba is the second largest inland city after Canberra. We've recently had the construction of a new internationally capable airport. $500 million of private money, a private family built that airport. It had a 747 land late last year and took a load of export product directly to Hong Kong and to Shanghai. And that's the sort of opportunity that we see for the region. And that investment has been a real game changer for our region.

In addition to that we've got a new highway bypass, the second range crossing, and that was again a cooperation at all levels of government, local council, the state government and federal government putting money in and investment into that. And that project is under way. That will stop all the large trucks and the traffic having to go up the Toowoomba Range. And that bypass will go straight past the front door of the new airport. We're also quite hopeful that we'll get some of the inland rail project and perhaps some of the regulation and bureaucracy that we might be reviewing might help with that project, to streamline that.

And again that project again will go past basically this highway and past the airport. So there's a lot of interest around developing intermodal hubs. So Toowoomba almost without even trying is going to be a major transport and logistics centre. With the confluence of this rail, obviously the new road, and the airport infrastructure, we happen to be sitting in what is now the most productive agricultural area in Australia, having recently overtaken one of our neighbouring regions. And so we're really excited. And there is a lot of optimism around how to encourage exports, how we better take advantage of obviously domestic markets and value add.

But particularly we're focused on export development, particularly obviously into Asia and elsewhere. There's a long history of exports out of the region and we do export all around the world, the Middle East, the Americas, into Europe. I think we're all aware of the opportunities in Asia, so how do we capitalise on that. And so coming back to the regulation, a lot of the feedback that we've had from industries and growers, you know, is clearly around how do we get some of those

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barriers just to make things happen.

My background, although I've been with the university for two years, I've come more out of the business world. So even within the university, you know, a federal body, I struggle a bit with the bureaucracy and red tape and I'd like to make things happen a lot more. So we're not here to talk about the university but it's just another small example compared to, you know, we've got labour issues, we've got transport issues. And again, I don't think I've got anything new to report. It's really around the harmonisation and getting these things so that they're, I guess, harmonised across the states.

Australia has got a real opportunity to punch above its weight. We go to trade missions overseas and we see all the states, each with their own trade setup, and they're all trying to outdo one another. Whereas just down the hallway we've got New Zealand, and brand New Zealand, and they are, you know, definitely punching above their weight and they're out competing us. So it is around, you know, how do we harmonise these things, how do we streamline these things so that we can punch above our weight and be even better than what we're doing and take better - you know, make better of the opportunities that are availing us. So that's a bit of, I guess, overview and background. I'm happy to talk to some of the specific points that I've made.

MR LINDWALL: Thank you very much. Obviously transport is a key issue in terms of one of our chapters on transport in our draft report did talk about getting permits to move machinery across public roads. The inconsistency across state borders, and various things like that. So you would basically agree with the direction that we posited there, I guess?

MR NORMAN: Very much so. Again, the campus is based in Toowoomba but we've got projects literally all over Australia. And a lot of our growers are down on the Border Rivers area, so some have literally got properties in Queensland and New South Wales or they might be working as contractors or working with contractors that are crossing the borders. So just being able to transport their harvesting equipment, their farm equipment across those borders and, yes, without going into the detail, just getting some harmonisation. Even to the point of what is the definition of an oversized machinery, you know, that's allowed. Obviously there's different tonnages that are allowed on the trucks between the states and just getting some harmonisation.

We all understand regulation is there to assist us and for safety but it's about streamlining those things. In business, I've worked a lot on lean manufacturing and lean management and at the heart of it we always try to

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identify wherever there are the bottle necks, including our own policies and regulations in business, and how do we streamline those so that we can, you know, make the business work better.

MR BAXTER: Can I just follow up on that. You've mentioned the national heavy vehicle regulator in your paper, Toowoomba sits on very relatively close to the border with New South Wales, what's the view, either your view or your observation, about the inconsistencies in things like truck lengths, widths, rights to carry B-doubles and so on, do you have any view about the effectiveness in NHVR in implementing a consistent policy? Because we've heard a lot from other states about difficulties with producers not only getting farm equipment across roads and having to go to the lengths of putting lights and everything else on, but also what are minute differences in many cases between truck specifications and very rigorous inspection processes particularly by the police forces on behalf of the road authorities?

MR NORMAN: I guess without getting into the specifics, and I've seen some of those figures and I've got some of them in my submission myself, if I can answer by way of I was on the scientific and technical committee for the Australian Food and Grocery Council and I was always, I guess, both amazed and awed in that committee. We would have fierce multinational competitors in terms of multinational companies that were working in the food and grocery business and they were getting them together in a room and looking at the regulations, or looking at the policies, and having people eyeball one another across the table. I'm always amazed how much we got done and how we could overcome some of those things and come up with sensible policies that could work across the jurisdictions.

So I guess, as I've said in here, having a review and getting people around the table, obviously there's a history for some of those specifics and the specifications and the details, so without going into that, I'm sure there's a history for those things, but let's sort them out. Let's sit around a table and review them but have that common goal to how do we harmonise them, because they are holding us back.

MR BAXTER: And there's a lot of inertia in that.

MR NORMAN: Yes.

MR BAXTER: Now one of the things you've mentioned here is about data collection and obviously data is collected from a whole variety of sources and it's not very well coordinated. The Commission is doing a study at the moment in data collection and so forth and also on education,

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but I take it that you think this type of information is vital to understand what policy directions we should have in the future, and given what's happened with, say, the Census recently, how do we - in terms of harmonising or getting better data collection was more consistent, how do you alleviate concerns about privacy and those types of things?

MR NORMAN: It's the big issue. And I guess what I've reflected here is more the feedback that we've had directly from growers and their frustration of getting lots of surveys sent out but also I guess speaking to some of the organisations and in some cases the organisations that are doing the surveys, privacy is the thing that always comes up as the issue and, you know, this being able to share the information across government departments. I think at the end of the day often it's the details that aren't private that really can sort out a lot of the issues and in terms of making the decisions and as the information. And obviously government departments and others have got ways of averaging the data so there aren't the specifics drawn out.

So I think, you know, and governments can obviously find ways to protect privacy, separating the names from the information. So I guess I'm coming back to, you know, it's more the frustration of growers who are business people who are trying to willingly provide this information but maybe being asked regularly for the same types of information, they said, well, I've given it to one department why can't they share it? You know, they've got my tax file number, they've got all the information, it's just a matter of sharing. And many growers have reflected that they would willingly sign privacy documents to allow the departments to share or particularly that idea around separating the names from the information and then averaging the information as well.

MR LINDWALL: Yes, government administrative data is very important.

MR NORMAN: Correct.

MR BAXTER: And can I just pursue that a bit?

MR NORMAN: Sure.

MR BAXTER: Back to the NHVR, one of the complaints we've - or not complaints, but one of the propositions we've had put to us, particularly by producers in Queensland, New South Wales and Western Australia where the distances are a lot longer to travel, is that one of the real headaches is that a lot of local government roads which are dealt with by councils are not being kept up and therefore producers have either got to

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use a smaller vehicle or not travel on them at all.

MR NORMAN: Yes.

MR BAXTER: One of the propositions was put that new technology would enable trucks to carry tech meters, or whatever they call them, and for road use charging to be introduced but with the hypothecation of the revenue received will actually fund the development of local roads. Now Toowoomba and the Darling Downs is crisscrossed with small local government roads, many of which I suspect you wouldn't get a B-double down in a hurry.

MR NORMAN: You could try.

MR BAXTER: Yes, you can try but you might take a few fences with you. Is there any work being done on road access, road charging, or road funding of road maintenance in local government roads as against state based and national roads?

MR NORMAN: Yes, it's interesting, I'm sorry, I can't answer that specifically. But certainly our guys are involved in automation, driverless tractors, driverless vehicles - - -

MR BAXTER: Yes, that's very exciting technology.

MR NORMAN: We've got all the GPS technology in terms of being able to track things and so - actually I'm interested in your proposal there, because being able to do that and to put some funding back into country roads, that would be - - -

MR BAXTER: Well we did cover that in our infrastructure inquiry in quite a lot of depth.

MR NORMAN: Yes.

MR BAXTER: But there's always - and we did say that fuel excise should be abolished and replaced with road pricing of some sort. But there would still have to be a community service obligation for smaller roads of course.

MR NORMAN: Certainly one thing, like as I said, in my business roles, for example, I was based up in North Queensland and we were sending product directly down to Melbourne, to the port of Melbourne, and it was always, you know, a real pain in terms of the limitations that you could put on trucks. And often they'd try and get around some of the inspectors

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and things like that by having to go across two states. So just getting that harmonisation really.

MR LINDWALL: Well we probably should - unless you've got any final questions.

MR BAXTER: Only one other question.

MR NORMAN: Sure.

MR BAXTER: You've made several references to the problems with the labour market, is there a very substantial use of 457 visa workers in the Darling Downs area?

MR NORMAN: Yes, Darling Downs and Lockyer Valley there is. And labour is a massive issue, particularly for the horticultural industries, and that's one of the areas that we are looking at as the biggest potential for some of these export opportunities. Certainly getting harmonisation around that streamlining around processing of some of the visas, getting some of that paperwork sorted out, and perhaps even sharing that across - because often there will be one farmer employer works closely with their neighbour, you know, being able to share that labour and those opportunities. Penalty rates are of course a really big issue. I guess, you know, some harmonisation around that and just some reflection around how do we make the most of the labour that's available but, you know, recognising that agriculture is often a 24/7 type of occupation. And certainly most employers, most farmers, really want to look after their labour and once they get good labour they do want to look after them and keep them. But it is making us uncompetitive so, you know, what can we do, how can we look at that? And, you know, we've got some ideas around that.

MR BAXTER: All right, well, thank you very much for coming then, Kevin.

MR NORMAN: Great, thanks for the opportunity.

MR LINDWALL: We are now going to Warren from CaneGrowers. And give me one second and I will be back in just a minute. Right if you could just introduce yourself?

MR SCHEMBRI: My name is Paul Schembri, I'm the chairman of Queensland CaneGrowers and also chairman of the Australian CaneGrowers Council.

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MR GALLAGHER: Dan Gallagher, I'm the chief executive officer of Queensland CaneGrowers.

MR MALES: Warren Males, head of economics, CaneGrowers.

MR LINDWALL: And if you would just like to give a presentation of what you'd like to say to us today, that would be perfect?

MR SCHEMBRI: Well, thank you. We appear today to speak to our submission in relation to the inquiry into the level of regulation that applies to the Australian agricultural sector. So, Chairman, we have submitted to you a submission and we would be more than willing to respond to any questions relative to that submission. Mr Warren Males on my left here can speak to that submission, but if it's okay, Mr Chairman, I would like to make a few introductory comments, if that is okay?

MR LINDWALL: Yes.

MR SCHEMBRI: Can I firstly say that in response to the overall recommendations of your inquiry we support the majority of those regulations. And in fact can I assert very strongly that your recommendations in terms of the level of regulations that is in application to native vegetation, biodiversity conservation, transport, water, genetically modified crops, agricultural and veterinary chemical regulations certainly has great applicability to our industry and we support that.

Not surprisingly we're here today to challenge the recommendation that has been made, namely recommendation 11.2, which asserts that the Queensland Government should repeal the amendments made by the *Sugar Industry (Real Choice in Marketing) Amendment Act 2015*. If I could, Chairman, just make a few comments around that? We firstly don't understand how the Productivity Commission asserts that legislation, namely, the findings that it has inhibited further investment in the industry, it has prevented structural reform. And we also question the assertion that farm scale in the Australian sugar industry is low by international standards.

Can I say that we find that the recommendations are erroneous in that, if I can be very blunt, we believe that the deregulated Queensland sugar industry has not achieved the objectives as sought and stated by the Queensland and Commonwealth Governments, circa 2002, 2003, 2004. In fact we assert that the deregulation from the cane growers' sector's perspective has not created the growth, the economic opportunity and the enhanced financial returns for growers. I'm not seeking an argument here

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to reregulate the Australian sugar industry but we are seeking to tell it as it is from our sector. And a lot of people will question what I have to say.

It's our view that we believe that the deregulation of the industry has resulted in reduced grower investment confidence. We have not witnessed, not witnessed, any participation in value adding and diversification. I would argue there has been a loss of market power by growers. And what we have seen and which is the culmination of that legislation is the emergence of monopoly behaviour by sugar mills. The assumption that a deregulated market ensures capital flows into innovation and productivity sectors benefiting all has not applied to growers. Has not applied to growers.

I want to say this to you, if the regulation inhibits growth why is it that the period 1988, 1988 to 1998, which was the most regulated era of the industry, the most regulated era of the industry, the area under cane increased by 50 per cent and the production increased by 40 per cent. This was the single greatest growth spurt in the history of our industry and it clearly tells you that the drivers, the business drivers in our industry, are sugar price, the global price, and productivity issues.

I want to again reinforce the point, we are not seeking to reregulate the industry, we're simply saying you can't have it both ways. On the one hand you have a deregulated environment, which we welcomed and embraced at the time, encouraging competition and choice, but as a key group, a key group, as growers with $11 billion invested, we have no choice in terms of milling services because the heart of the issue is the format of the industry where growers have very little choice in moving their cane from mill area to mill area. Nor do we have choice in terms of marketing services.

So, Chairman, that's our introductory remarks. And if that Act were repealed you would find a further erosion of confidence in the industry by growers.

MR LINDWALL: Okay, do you want to start, Ken?

MR BAXTER: Yes, could I come back - I mean, I well remember the 1980s period, remember it very well, but I also remember at the same time that I think it was the Queensland Sugar Board or CSR acting on behalf of the Queensland Sugar Board was the sole exporter, and I can certainly remember being at two or three meetings in Queensland which dealt with the cane assignments which are not a subject because they've now gone, and a very strenuous complaint about CSR's behaviour, and I can't remember the name of the guy who was then heading CSR's international

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division, but I recall having a meeting in Innisfail in which he attempted to explain what CSR was doing.

He met a very rowdy reception, can I say, and we had to get the police to escort him out the back door. The industry's changed since then, fortunately. But you, I think - at least Anne was president when we were discussing with (indistinct) the sort of options that are available.

If a sugar cane producer producers produces cane, doesn't like the mill that he's got available to him, what choice has he got in finding an alternative, number one. Number two, is the view that QSL should have the same powers that the old Sugar Board had in relation to exports?

What I'm trying to do is get an understanding of the segmentation of the industry, where the parts of it are basically open to effective free entry and departure, and now that the assignments have gone, that is less of a - well, I'd suggest not an issue.

The transport cost from Wurrangarra to mill, and again, I gather, to a certain extent dictated (a) because of the nature of sugar cane and the need to get it milled as quickly as possible, but (b) the limitation on resources as option as to whether tramways or existing road contracts, so that's the other one.

And then the other segment is if a grower has his sugar mill, decides that he doesn't want it sold, let's say, and we're - you know, I don't take offence to the Wilmar guys sitting in the room, doesn't like them, what's his option to then turn round and say, "Look, sorry guys, you've taken X hundred tonnes of my cane, you've milled it, but I want QSL to actually undertake the sale and marketing of it."

So can you take us through - - -

MR SCHEMBRI: Yes, I can, yes.

MR BAXTER: Reference probably to the early stages and the transition, and then deal with this, what I see, the choice issue.

MR SCHEMBRI: So if I can reference your earlier points as best I can, and we're not contesting the issue of the doing away with the assignment system. We agree with that. We're not challenging that, and we don't think that it had any impact whatsoever on the revenue streams for growers, so we're not contesting that.

The lie of the land in the Australian sugar industry, and it's probably a

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historical fact, is that roughly my figures are, and other people can contest these figures, maybe 9 to 12 per cent of the cane, 9 to 12 per cent, out of 34 million, is capable of moving freely from one mill area to another.

So let me illustrate the point. I have a farm just north of Mackay, five kilometres north of Mackay. I supply Mackay Sugar, which is a grower-owned company. Should I have disputation with that mill in terms of the contract fairness, which is a normal transactional grievance, my remedy is to send the cane north to Proserpine or south to Plane Creek. Sugarcane's very bulky, it's perishable, a huge transport cost.

So in effect, we claim that most of the cane is welded or fixed to that mill. It's not practical for us to move that cane to other mills. The only remedy or recourse I would have, if I'm really upset about life, is to stop growing cane, which hardly seems to be the remedy in this situation.

So moving onto the other parts of your question, in respect of - - -

MR BAXTER: Well, sorry can I - - -

MR SCHEMBRI: Yes, yes.

MR BAXTER: Just to close the loop. So in reality for the majority of sugar cane, a producer doesn't have any real option if he or she is unhappy with the local miller, for whatever reason?

MR SCHEMBRI: That's our contention.

MR BAXTER: Yes.

MR MALES: If I may add to that, Commissioner, there is a strong investment. There are barriers to entry and exit of cane farming, specialised equipment that is very expensive, so it's capital intensive. It's very difficult when the farm is set up for cane production to re-establish it for the production of another crop. Cane is suited to the climatic and geographic locations in which it is situated, and as the chairman Mr Schembri has said, it's a relatively low value high volume crop which means transporting it large distances outside of those associated with the mill railway systems is largely uneconomic.

MR BAXTER: Yes. Well, you've probably heard the questions that went to Don about the transport of cane from up in the tablelands, presumably, to the Mosman mill. I mean, I know enough about Queensland to know that that's a bloody long distance, or a relatively long distance - - -

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MR MALES: Yes.

MR BAXTER: - - - and that the value of the cane starts to decline exponentially the moment you go over a certain period of time.

MR SCHEMBRI: So Commissioner, can I finish the question that you asked in respect of QSL? QSL is the product of some evolution. Its genesis was a statutory origin, we accept that. But to answer your question specifically, we're not arguing that QSL be invested with any statutory power or any provisions over and above other marketers. We believe that in the framework that we are proposing, or at least that the Real Choice In Marketing is proposing, is that the marketing agencies or the marketing companies or GEI marketers should compete on an equitable basis. So we're not suggesting one iota that QSL should be invested with any powers over and above what the marketplace can supply.

MR LINDWALL: What you're saying is that the growers should decide on market rather than the millers.

MR SCHEMBRI: Correct. Correct.

MR LINDWALL: Now, how many - what percentage of growers would choose other than QSL?

MR SCHEMBRI: That I don't know. We have in the industry regional variations which I respect. For instance, in some regions, the loyalty to a miller could be as high as 95 per cent and they would choose to send it to that miller. We don't contest or challenge that. We support that. You will find in other parts of the state that the loyalty to QSL could be remarkably high. So it's a case of some historical factors and a range of regional factors.

Some sugar millers are very proactive in courting their growers, which we think should be one of the outcomes of the Real Choice In Marketing, and to their credit they have been largely successful in that. So I think your question was how many people would support QSL? I couldn't put a figure on it. But there is strong historical support for QSL.

MR LINDWALL: The property rights issue that I mentioned in a previous comment, when the cane farmers sell it to the miller there's a transfer of property rights to the miller, but the cane growers now want to say to the miller that they don't have the right to decide where the refined sugar should be sold. Is that basically it?

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MR MALES: I think, Commissioner, in response to that, there's no contention or dispute in our industry about the calculations or incentives contained in the cane payment arrangements. I mean, roughly two thirds of the value of the final product is for the grower's account, and roughly one third for the miller's account. There are variations because in some areas there is mill-grown cane, and clearly all of the value of that is for the mill account.

I think the flow of title in our industry, title flows from the grower to the mill at the railway delivery point, or the cane delivery point, and then, historically and at present, it flows from the mill to the marketer at the bulk sugar terminals. The growers still share in the full risk and reward from that sugar in the marketplace.

In the early 2000s, the pricing and marketing arrangements evolved to enable growers and individual mills to manage the futures price component of that market price risk. In 2006 there were further evolutions of the structure, and then an arrangement introduced that enabled the mills, but not the growers, the mills to market and price and manage the whole marketing function for a so-called mill economic interest portion of the sugar.

In 2013, of course, when some mills elected to remove themselves from the voluntary structures that were in place they made a unilateral decision to vest the growers' sugar or the marketing of the grower's sugar - changed the vesting of that from QSL to themselves without consultation, without authority, and that's a clear demonstration of the market failure and the mill power in the system as it stood at that time.

The Real Choice In Marketing Act provides for contestability in the provision of marketing services for both grower and mill economic interest sugar, recalling the full value of - from the marketplace of the grower economic interest sugar flows to the grower, the full value in the marketplace from the sale of mill economic interest sugar flows to the miller.

And our contention is quite simply that growers should be able to choose which marketing channel, be it the mill or QSL or another marketer, that takes their product to market and determines its value. You asked a previous witness, Commissioner, about the changing risks and what happened if cane fell off a railway line or a bridge collapsed or something.

For that part of the production system, that production risk is for the

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mill, but that doesn't alter the fact that the growers retain an economic interest in the risk and reward from the sale of the final product in the marketplace.

The fact that the ownership changes at the mill siding, and then again at receipt of the sugar in the bulk sugar terminal, simply is a mechanism to facilitate the sale and price risk management and the funding of advanced payments and all of the associated activities, to support the marketing system in the industry.

MR LINDWALL: Clearly there's a difference of opinion here in terms of the view of the use of QSL in terms of marketing. Some millers, particularly Wilmar, are probably of the view that they achieve a better outcome by marketing it themselves rather than using QSL. What if they're right?

MR MALES: Well, then the growers will choose them.

MR SCHEMBRI: Well, the growers will choose them.

MR LINDWALL: But the growers might not perceive that. I mean, why would a miller who's selling - marketing sugar deliberately go out of its way to choose a lower price than an alternative? It doesn't seem to make any sense, because as you just said, you share in the rewards of the price, so therefore it's in the incentive of both the grower and the miller to achieve the best price possible and I don't see where there's a conflict of interest there.

So if the miller is of the strong view that it could achieve a better outcome for itself and therefore for the farmer as well, then maybe the miller's right?

MR SCHEMBRI: My response to that would be that notionally, at first glance, that would appear to be right. But in the fullness of time, if you're arguing that the sugar and all the rights surrounding that are exclusively, call it the property of a company, then you can't safely assert that in the fullness of time that grower is going to always get a premium outcome or a premium reward.

Surely in any marketplace, or at least that's what I understood deregulation was meant to achieve, that the grower could exercise choice, and hence it is the contestability and that competitive tension that should give rise to outcomes. If ultimately that milling company outperforms QSL it will obviously grow and enhance and QSL will obviously contract - - -

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MR LINDWALL: But you'll never observe that if everyone continues to go through QSL. You'll never observe the counterfactual.

MR SCHEMBRI: Well, maybe there's a misapprehension here. We're not arguing that all the sugar go through QSL. We're arguing that growers elect to place sugar through QSL on the basis of choice. If a grower elects or 100 per cent of growers in a region elect it go through Wilmar, that is their decision and we respect it.

MR BAXTER: Can I just follow that? If I was a grower sitting on the edge of my tractor or somewhere else and thinking about what I do, is it a possibility that either QSL or Wilmar or whoever else is processing, likely to process and sell the sugar, can give me an indicative price at the time before I put that sugar cane on the truck and say, "Well, we will at least warrant you X dollars per tonne of processed sugar".

MR SCHEMBRI: Yes.

MR BAXTER: That's possible?

MR SCHEMBRI: That's the model of competitive tension, yes.

MR BAXTER: So it's not dissimilar to parts of - I see Don's shaking his head?

MR LINDWALL: We can't take testimony from the - - -

MR BAXTER: No, I know, but - - -

MR LINDWALL: If you want to say something later you can come - - -

MR BAXTER: Yes, I'd like - I mean, one of the changes - it's not dissimilar to what happened to the wheat industry, and there was concerns that when the Wheat Board lost its monopoly powers that the grower would have no indication as to, you know, what was the balance between supplying wheat to Mr Honan, who owns the ethanol plants, to the local flour makers, and for export.

And Australian Wheat, or Wheat Marketing, as it's now become, turns round and says, well, we can't guarantee it, because obviously the national wheat market is highly volatile, depends on exchange rates, but if you grow X class of wheat it's this quality, then the indicative price, when you deliver it to the grain terminal, is X.

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Now, you mightn't get paid for 10 or 12 months, but at least you're given a piece of information which helps you make a decision as to what you do. Does the same situation exist in the sugar industry as you're proposing?

MR MALES: The key difference between the grain and the sugar industry is the farmer has the grain and he can take it to whichever marketer he chooses to for the sale of that grain, and he has a number of options available to him for the associated price risk management.

In the sugar industry, for this product to be saleable, the sugar cane needs to be transformed into raw sugar, and as we've described, the growers then face the full risk and reward from the marketplace, as does the grain grower, from the marketplace associated with his grain. In the case of the sugar industry, the cane grower faces the full risk and reward from the raw sugar, the raw sugar produced from his sugar cane.

So it's not until he has that physical product and he continues to have an economic interest in that physical product that he has something that is marketable. All that we are contending is that there should be contestability in the provision of marketing services for the raw sugar that determines 100 per cent of the value that flows to the grower in payment for his cane.

MR LINDWALL: Could I say that one of the worries I have - because you are relying very heavily on one act of parliament here, and potentially - well, the whims of parliament, they come and - the act could be repealed for all sorts of reasons. The National Competition Council might come down and find that it's contrary to the Competition and Consumer Act. So wouldn't it be better for the industry to do its work itself, rather than relying on the state to help it out here?

MR MALES: I think it would be very helpful if the industry were able to come to that view, and in fact one of the main groups have already come to that view and made it very clear to their growers that the choice in the marketing arrangements that they are going to - that they are offering will be there in the fullness of time, whether the Act is repealed or whether it stays in place.

Other milling companies have not made that decision. For their own corporate reasons, they have made the implementation of the Sugar Industry Act perhaps more complicated than it needs to be, with much obfuscation in the process.

MR LINDWALL: The testimony earlier today from Wilmar is that the

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legislation has caused a reduction in investment. Do you dispute that, or - I mean, surely if there's an investment loss in the industry, or even worse, there's an exit of the capacity for milling, then the growers themselves will be suffering substantial harm?

MR SCHEMBRI: I note that reference has been made to an investment in a terminal by a milling company. I can't comment on the specifics of it, but I don't accept that proposition. I bluntly do not accept that proposition. I find it interesting and intriguing that the same company, Wilmar, invested in this Australian sugar industry when it was highly regulated and spent $2 billion in investing in the industry, and I respect that is a massive investment.

I get that. We understand that. They at the time made - gave assurances that they were comfortable with the industry as formatted to a whole range of people, including the Foreign Investment Review Board, and investment took place freely in the industry.

So I just don't understand how suddenly when a piece of legislation appears that all the investment can end. Can I reinforce Mr Males' point, without naming another company, speaking to the CEO of that company last week he tells me he's moved on from the legislation and they are quite soon to make some announcements about further investments in this industry. It's not for me to make reference to those things, but clearly it shows that a lot of companies have got on with life in terms of investment and forming contractual arrangements with growers.

One of your points of your question was, the legislation is littered with references, "unless otherwise agreed". Growers can make commercial agreements with a mill owner, and that's what MSF has chosen to do.

MR BAXTER: Can I just ask the question, and I must insist that it's totally hypothetical, but what would you do if there was no legislation?

MR SCHEMBRI: What would we do? I dare say we probably would be back to where we were. In 2014 three milling companies without reference to growers unilaterally decided to accept a marketing system, and despite the fact that the Queensland sugar industry had entered the deregulated era, memoranda of understanding signed by the Queensland Premier Peter Beattie and the industry made it clear that any substantial structural changes, i.e. changes to marketing, had to be done in consultation with growers.

Because the history of this industry and marketing is that all the sugar

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is put in a huge bucket, and we value it all up - - -

MR BAXTER: So it's a pool arrangement?

MR SCHEMBRI: It's a pool.

MR BAXTER: Yes.

MR SCHEMBRI: It's a pool where we lever up opportunity. So the proposition appeared to us that a single party unilaterally wanted to take the bucket the rights, and then allocate and attribute possibly revenues to the growers. That was clearly not in the spirit of what the industry needed to be, because there's been collective investment in this industry, and so to answer your question, I think we might end up at the same intersection.

At least we take the view that this legislation has provided certainty and at least it's a fallback position. Some people have moved on since the legislation. One company, MSF, as I understand it today, I don't want to misrepresent them, the growers are signing the cane supply agreements. There are some other agreements yet to be agreed to, but they have moved on.

MR LINDWALL: Okay. Are there any - we don't have much time, so I think we've asked enough questions about that, but anything else in the environmental space that you'd like to add while you're here, that you might like to put on the record?

MR SCHEMBRI: In terms of the environment? Yes, we understand we have a major challenge in terms of environmental sustainability. The industry gets it, that we need to be environmentally sustainable. If we're not, we lose our social licence. My lifetime, I could document five industries that are now in the pages of history. We accept that's a challenge. Our proactiveness is on the record. We have developed an industry program called BMP which is - - -

MR LINDWALL: Sorry, what - - -

MR SCHEMBRI: BMP, best management practice. And to the credit of the mills, they have strongly supported it. Likewise the mills are supporting a program called Bon Sucro, which is an international environmental certification. Farming practices have changed remarkably to ensure that we become environmentally sustainable.

Ultimately, as a closing comment in relation to the environment, if we don't make it, the communities can turn our lights off. So we're up for

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that challenge. It's a big challenge, but we have to get across those barriers.

MR LINDWALL: Okay, good.

MR BAXTER: On the subject of turning the lights off, we note your last comment about electricity prices, but unfortunately, the Treasurer didn't give us the scope to deal with that issue.

MR LINDWALL: Yes. It was an interesting issue, I must admit.

MR SCHEMBRI: Yes.

MR LINDWALL: Thank you very much for appearing.

MR BAXTER: Just one other - is the industry using genetically modified organisms in terms of any of its crop species?

MR SCHEMBRI: The current status in relation to genetically modified sugar cane crops is we are fairly advanced. We have produced the cane. Basically at this juncture it is variety traits that can resist, say, grub damage, or what did you call it? Roundup resistant, that type of thing. But as you know, in Australia everyone's finding it hard to jump that regulatory hurdle. We as an industry through Sugar Research Australia have invested millions in a joint venture with a company called Dupont to see if we can be genetically-modified ready, because if people in the marketplace make that move we need to be there with them. But we are finding it very difficult in terms of regulatory barriers.

MR LINDWALL: But could I ask about, on that topic, since we had a large discussion on this the other day in Canberra, about new breeding techniques and some advanced techniques that - I wonder if - have you heard of the possibility of your sugar cane not lasting for a longer period of time, which would solve a lot of your problems, I would have thought.

MR SCHEMBRI: Lasting for a longer period of time?

MR LINDWALL: Before it has to be milled.

MR SCHEMBRI: If you've got the answer, I'll give you a drink tonight. Seriously, I mean, you're spot on. I mean, when I started growing cane a long time ago the average life of returns was about 12, 13, 14 years. We're down to five or six. And that's a legacy of pests and diseases which have attacked some very good varieties. So you're absolutely right. Longevity of returns would give us a better economic return on planting

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those cane.

MR LINDWALL: Okay. Well, with that - - -

MR BAXTER: Yes, that's all right.

MR LINDWALL: - - - thank you very much for appearing, and we now move totally in another direction to talk about the National Heavy Vehicle Regulation Scheme.

I have to encourage people to speak up. Apparently it's a bit hard to hear at the back, so - these microphones don't amplify, they just take a transcript. So you'll just have to project your voice somehow.

MR HASSALL: I'll talk in a loud voice.

MR LINDWALL: Yes. So if you could introduce yourselves, that would be - and then give an introduction, that'd be great.

MR HASSALL: Certainly. On my left is my colleague Mr Peter Caprioli, the Director of Access within the National Heavy Vehicle Regulator. On my right, Ms Tania McDonald, Executive Director, Strategy and Stakeholder Relations. And myself, Ray Hassall, Director, Regulatory and Legal Services.

MR LINDWALL: Thank you. And do you have an introductory presentation you'd like to make?

MR HASSALL: I do, I have a couple of brief comments and then just a couple of outline topics. I'd like to start by thanking the Productivity Commission for providing the National Heavy Vehicle Regulator the opportunity to give evidence today.

As you may be aware, we are the independent statutory authority that regulates all vehicles over four and a half tonne GVM, or gross vehicle mass. Our vision is a safe, efficient and productive heavy vehicle industry serving the needs of Australia. Our role is to develop and maintain a regulatory framework that supports the industry and all parties in the supply chain to take responsibility for safety while promoting sustainable improvements in productivity and efficiency, and to do so we work closely with the Australian government as well as states and territories, local governments, the heavy vehicle industry itself, including all parties in the supply chain.

We understand from your report that there are a couple of areas that

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you are particularly interested in in relation to permanent reduction activities, the increased use of gazette notices, regulatory telematics and data. So we've got some comments that we're more than happy to prepare, or alternatively if you'd like to start questioning us we're also open to that.

MR LINDWALL: No, well, continue if you like, yes.

MR HASSALL: Lovely. If I can just start off perhaps just setting the scene, we tend to distinguish two particular aspects of regulation that are relevant to the agricultural sector. Firstly you've got the movement of agricultural products from the point of production to, you know, their ultimate endpoints or various points along the logistics chain, and that's typically using general freight vehicles, and it bears a strong similarity to other parts of the general freight task.

The second part of the regulatory framework that's relevant in this area is the movement of agricultural vehicles, implements and combinations on public roads between points of production, and this is typically undertaken by primary producers, their family members of contractors, and we typically call those ancillary activities.

We don't - our regulatory ambit doesn't run to private vehicle movements. That tends to happen under the workplace health and safety system, if at all.

MR BAXTER: Sorry, can I just get that clear? So if I drive - excuse me - a header from one side of the road to the other, I don't need to notify - or the NHVR doesn't become involved, but the local police or somebody else does become involved?

MR HASSALL: If you access a road, and that's got a fairly long-standing purposive definition in Australian law, then once you go past a prescribed mass or dimension requirement you're typically falling within some sort of concessional need, so if you're simply driving from paddock to paddock, it's none of our business.

MR BAXTER: No, I understand that.

MR HASSALL: If your cherry picker hits the wire over your head, workplace health and safety will come out. But if you start travelling on public roads and interacting with members of the public, potentially or actually, then if you go past one of those thresholds you become of interest to us.

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MR BAXTER: Yes, okay.

MR HASSALL: So that first category of activity, your general freight movements, is the same as, you know - sorry, your general agricultural freight is the same as general freight movements, those sorts of - you know, your food and drinks and so forth. And they're subject to the same sorts of challenges. People want - - -

MR BAXTER: One in particular might be animal welfare, which doesn't necessarily apply in many other spaces.

MR HASSALL: That's correct. Most of the products - perhaps seafood, I suppose. They tend not to deteriorate at the same rate, so packaged goods, construction materials, you know, very, very large and divisible items don't typically perish.

But as a general rule, people will want to use their assets more intensively and they'll want to use public assets more intensively, so they want longer vehicles, they want heavier vehicles, greater payload, and to be able to use them for, you know, under a more intensive process.

That tends not to apply so much in relation to the use of agricultural implements. That tends to follow seasonable requirements, or in some cases changes in manufacturing patterns. You might see larger vehicles coming in, and particularly the self-propelled vehicles that do then start to interact with the mass thresholds in particular, and certainly dimension around width and height.

So some local government managers may have very little experience of permitting processes for agricultural implements, and that's regardless of the legislative framework or what governments might expect to be happening. They might see one or no applications over a long period of time, and have not a particularly well-developed framework for dealing with them, and to be clear, the category of agricultural implements is very broad. It covers non-standard vehicles that may not have the same performance characteristics as general freight.

So there are clearly two different aspects of regulatory activity, and except for the fact that they operate on public roads, there's not a lot of commonality between them. So within the general agricultural - - -

MR LINDWALL: You might have to speak up a little bit.

MR HASSALL: I beg your pardon. Within the general agricultural freight task, it's our understanding that, you know, vehicles want larger -

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sorry, operators want larger vehicles to get onto the roads, and they want them to get onto the roads more quickly, but they face the same problems that everyone else does who are trying to get access through those vehicles in terms of getting road managers to understand and consent to their use.

We have a program called the Performance-Based Standards (PBS) Program, and that allows vehicles that don't comply with the prescriptive design rules to be approved more quickly. There is a disconnect, though, between the mechanical certification process and the access process. As you would be aware, we are not the consenting body for public roads, it's the road manager in each jurisdiction, so we can influence the supply of those vehicles into the regulatory system by approving them more quickly and be developing proposals around them, for example a PBS network, which my colleague Mr Caprioli will speak to, but ultimately we can't compel the road manager to accept them. We can simply provide high quality data that says, "Look, it meets the minimum standards approved by minister in this area, we would recommend its use."

Peter, have we done some work for PBS and agriculture lately?

MR CAPRIOLI: Well, some of the things we've done for - to - not specifically to support agricultural vehicles but the movement of agricultural products is a lot of work around the movement of containerised freight, export containerised freight, specifically from Darling Downs, western regions, to the port.

You know, we do have some numbers in giving some understanding that, you know, there are, you know, around 200 million kilometres saved per year by using PBS vehicles on certain routes, and those PBS vehicles are taking smaller vehicles off the road, so you know, the schemes provide significant benefit to movement of - - -

MR BAXTER: So PBS is B-doubles?

MR CAPRIOLI: No, PBS - - -

MR BAXTER: What's PBS?

MR CAPRIOLI: Well, PBS is about giving the operator the flexibility to build something else other than vehicles that are currently identified in the regulatory framework, to actually suit their transport needs. So specifically, the problem between Toowoomba and the port was it was a route that was specific for the operation of a B-double combination.

Through PBS, we were able to develop a 30-metre-long vehicle that

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was able to carry two containers instead of one, when one container was only permitted to be operated on a B-double because of its mass. So hence we reduced the freight task by 50 per cent.

PBS established that A-double performed similarly as a 26 metre B-double in terms of its performance going around a corner, changing lane, and being able to, you know, move up hills and down hills, so hence give it access to the network, reduce the freight task by 50 per cent.

So currently there is approximately 98 A-doubles running from Toowoomba to the Port of Brisbane, as there are in some other jurisdictions as well, but the biggest use of A-doubles is probably between Toowoomba and the port of Brisbane.

MR HASSALL: So as you'd expect, probably the highest level of innovation's happening at the state government level.

MR LINDWALL: Yes, yes.

MR HASSALL: The Queensland government, for example, is doing some work to upgrade infrastructure around Rockhampton to allow livestock road trains to go through. We've been working with Department of Planning Transport and Infrastructure (DPTI) in South Australia to bring in - what were they? AB-quads, I think. To bring them into line with access entitlements. What were they?

MR CAPRIOLI: AB-quads.

MR HASSALL: Beg your pardon, AB-quads.

MR CAPRIOLI: The ability to hook two B-doubles up into a road train.

MR HASSALL: Standardising their access entitlements with other jurisdictions so you can make those longer journeys. The difficulty is probably what is referred to as first or last mile access. Once you get off those, you know, thicker, better understood state road networks and onto the local road networks, and the issue there, which I think the Commission identified either expressly or implicitly in its report, was the lack of data. There is just not necessarily an understanding of the frequency or the type of use for either general access freight vehicles or agricultural implements on those local roads to allow those decision makers to sort of act confidently and to innovate.

MR BAXTER: Vehicle telematics would help a lot there, I would - - -

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MR HASSALL: Yes, I think so. I mean, we obviously as a regulatory authority don't have a policy of mandatory usage. It has to be a policy response that is realistic, that people are going to use, and that has some benefit in them. So you could fairly easily envisage a system where you trialled telematics on a sample of vehicles to say, look, you know, these are our assumptions about what happens within the span of a 12 month permit. We assume that, you know, this particular category of tractor is just used to drag implements across around harvests.

But it may well be that they're used for a whole lot of other incidental purposes we don't know about. They maybe use less in some situations. It's very difficult to ask a road manager to confidently expand the envelope for vehicles they're prepared to use, or the time the vehicles are going to be allowed to use the road if they don't understand the use patterns.

MR LINDWALL: Okay. Did you want to say anything more - - -

MR HASSALL: Sorry - - -

MR LINDWALL: No, no, to do introductory comments?

MR BAXTER: No, no, I've got a specific question.

MR LINDWALL: Okay. So have I, but do you want to go first?

MR BAXTER: No, you - - -

MR LINDWALL: The abolition of the Road Safety Remuneration Tribunal, and transfer of funding to the Heavy Vehicle Regulator, how is it - how are you deciding to disburse those funds to improve road safety by trucks?

And also, given that the Road Safety Remuneration Tribunal operated across Australia and WA is not part of the scheme as yet, I understand that some of those funds are still being used to improve safety in WA, which is not even part of the scheme, is that right?

MR HASSALL: Can I deal with the first part of that question first?

MR LINDWALL: Yes, please.

MR HASSALL: As you would image, we have, you know, quite a number of proposals that we can call on to attach funding to that will have a meaningful impact on safety and, as a consequence, productivity. The

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two that come to mind immediately are the National Compliance Information System, so the static camera system that detects vehicle usage, because obviously heavy vehicle driver fatigue is one of the largest, you know, perceived contributors to safety, and if the community doesn't believe that these vehicles are being operated safely then they're going to be much more resistant to, you know, our initiatives to expand their use.

So we are currently undertaking trials in Victoria, I believe, and I think some of the (Road Safety Remuneration Tribunal) funding is proposed to be devoted towards the expansion of that trial.

MR LINDWALL: So these cameras not only detect speed but also whether a truck is not being driven - are they able to detect whether a person is looking drowsy or something?

MR HASSALL: Not in and of themselves, no. They're largely used for point to point. They may be used as a basis for subsequent investigation, that quite frequently happens. But they have no evidentiary value for actual driver - the individual driver fatigue.

MS McDONALD: I was just about to jump in and say, and I think the other benefit is actually at the moment we don't have a national picture across borders, so what the accelerated funding - we'll use that to accelerate the hardware that will enable us to plug in the systems that will actually allow us to use that, and move from a system where you're sort of relying on random enforcement activity to being able to hone in on more targeted activities. So I mean, that's kind of critical in where we need to go as a regulator, with that national picture.

MR HASSALL: So the NCIS is part of the proposal. I think the other main purpose to which the funding would be put is the development of industry codes of practice. They've been sort of taken up with varying degrees of enthusiasm. I believe there was one for grain in South Australia, for concrete pipes in Victoria. We think that there's a good market to give operators advice about risk management. We think that has to operate at a fairly high level.

We still want to see industry actively engaged and investing themselves in material that satisfactorily defines safety, but we do also want to give them some guidance around, well, you know, here are the, you know, industry standard best practice principles that you should be looking at instead of just doing a little work procedure that applies to a task.

So some of the funding will be devoted to that as well to assist

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industry to develop and register those codes.

MR LINDWALL: And in terms of Western Australia, sorry?

MS McDONALD: I could probably - with the National Compliance Information System (NCIS) program, the intention is actually to work with the NT government and WA government in order to have a fully national camerawork. We engage already with those jurisdictions on a number of different programs. Like, they are participating, I understand, in some of the roadworthiness surveys.

So even though they might - you know, there are a number of programs we already work with them on, but that will be part of our plan to get a truly national picture. And they are interested in that as well. That has benefit for that.

MR LINDWALL: So are you confident you can say that the money that was formerly allocated to the Road Safety Remuneration Tribunal, now allocated to the National Heavy Vehicle Regulator, will lead to a better safety outcome than if it had lapsed where the previous organisation still existed?

MR HASSALL: I can say that we will be using it sensibly and that we have a dedicated program that we think will deliver those benefits. I'm not particularly - - -

MR LINDWALL: I mean, there are some synergies. You would expect that that might be an outcome, but I would hope that's outcome.

MR HASSALL: Yes, I mean, we wouldn't embark on the programs if we didn't - they weren't created for the funding. They'd been in contemplation. The funding is a useful supplement to accelerate them.

MR LINDWALL: Yes, all right.

MR BAXTER: Look, I've got two questions, knowing time is short. One is in your submission you said that the Heavy Vehicle National Law (HVNL) needed further improvement. The first question. The second one is, in the course of a number of the submissions put to us there has been a high level of criticism both about the permitting time, in the case of a number of local government areas a lack of communication about the conditions that are needed and a lack of understanding or difference between the states and the NHVR about the status of particularly a number of the bridges on local roads, and the problems that have been exacerbated in Queensland in New South Wales by the closure of a number of the -

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what are described by the state government as uneconomic grain lines which have forced either trucks and dogs or B-doubles onto local roads which have not had the funding and concern about bridge safety.

The first one, the improvements to the HVNL that you suggested, what are they?

MR HASSALL: Just to be clear, there are things we can do even within the context of the law as it stands. If you look at it - and I won't take you into detail at the moment. They do deal with things like standard conditions. That's in attachment 1 to our hand-up submission.

In relation to the law itself, we I think are on the record as saying we would prefer to see standardised permit durations in place, so that operators weren't simply going and recycling permit applications which are granted in 88 per cent of cases.

That would be the first case. We would like to see some more detailed policy analysis about whether or not the default position should be that a permit is issued. We never expressed a view as to whether or not permitting should be removed as a requirement. That simply goes to government policy that wouldn't be appropriate for us to speak to, but we do think that there's ready scope within the Act to make the process much more automatic for vehicles whose performance characteristics within an envelope are well understood.

So if a vehicle is safe at 4.6 metres high on a road, we think that the next applicant should be getting 4.6 except where there are extenuating circumstances. They are quite straightforward ones. I can actually give you another proposal that we have already provided to the National Transport Commission to make improvements previously.

Technology probably can facilitate the application process, so regardless of where you stand as to whether a permit's required or not, we've just released an IT platform for customers so they can see where their own applications are. And you know, some of these applications are inherently risky. So it's not appropriate to say that every application should be dealt with in hours. It's simply not a realistic expectation of the community that that occurs. We can do away with some of the administrative inconvenience so that people know where their permits are, they know where the delay is, or they know where the assessment need to be undertaken.

The second part of the process is building a bit more infrastructure for local government road managers through the portal, so

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instead of, you know, relying on emails and officers being, you know, away for the weekend on a public holiday, you can 24/7 access to all the HVNL matters that relate to your particular area of responsibility, so notices, permits, pre-approvals, which we think are a useful halfway house between permits and notices, and if we can give road managers that, that should be a step towards removing any reasons for delay at an administrative level.

MR BAXTER: I have a question. You're an unusual beast in that you involve all the states but you have one single state which is the legislative source of your power. The question is how effective has that been? The second one is that I understand since your formation you have had at least one if not two external reviews done by major accounting firms of your performance. What's been the general outcome from those reviews? I'm more interested in the first one, but I'd be interested to get your reaction to the second, which may have to be as a question on notice.

MR HASSALL: Look, it may have to be. We have an internal auditor who provides a rolling service, as you'd expect.

MR BAXTER: Yes.

MR HASSALL: We have - we did have an audit undertaken by the Queensland Audit Office for - they called it an effectiveness audit. It was problematic, because their jurisdiction, unlike ours, is stuck within one state, and I don't believe any other government or agency or minister actually participated in that audit, so you'd have to extrapolate from the limitations of their jurisdiction.

I think their recommendations were that there was a clear need to work better - to work more collaboratively with road managers at both the state and local government level. That was a clear recommendation for us. They wanted some more detailed project reporting, but I don't think that's of interest to the Commission.

Again, in attachment 1, we've outlined what we think the resources we're providing to road managers that are going to be useful to them, and obviously we run, you know, the usual consultative processes to make - even at an industry level, including the agricultural industry, to make sure that that collaboration is occurring.

Without the data, our ability to provide useful information to people is constrained, though, so our resources in that area will be limited until we can get those better sources up and running.

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MR BAXTER: What type of progress has there been in terms of harmonisation of road regulations? And what can be done to expedite it? Is it simply that the states have inertia and it's hard to get common ground?

MR HASSALL: Look, harmonisation isn't inevitably good, because you'll see trade-offs, and harmonisation isn't necessarily relevant. So some of the concessional schemes that have been created for the viticulture industry, for example, or the cross-border region are of no interest or relevance to other producers, and they would be wasting their time effectively to participate in a harmonisation process.

We have - we've moved a lot of notices in Queensland out of permits and class permits and schemes into a more transparent system. The big ticket item for us is probably around the harmonisation project which my colleague Tania can speak to, where we will deal with general access, including general agricultural freight, and we have committed to producing a national agricultural notice.

MS McDONALD: Yes. So as with regulation, we're just establishing a national harmonisation team, and it will distinguish between - not that harmonisation hasn't been going on, it has, but I guess we're just putting a whole lot of more resources into it.

As you can imagine, and the Commission's already noticed in the report, it's a rather complex task. Our - the way that we're going to be approaching this is sort of - it splits into two divisions. So one, we look at a range of opportunities or suggestions or things we've been asked to do that are in the national interest, and then as my colleagues indicated, there is also a lot of local productivity initiatives that will be more beneficial for a particular sector or state.

So how we run this, I suppose, is we look at what's the high productivity, high safety benefits that we can get out of those in terms of putting our general focus on with the colleagues. Because obviously we have to work these through with the jurisdictions so that we actually get proper outcomes, and also we work through with the industry on it.

But you know, what we actually want to see is a truncation of time, so that's one of the things that - that's one my challenges, and that's the - that we'll be looking to reduce the amount of time it takes to do this. And this program of work is largely about reducing the day to day business that is, I think, one of the barriers to increasing productivity and streamlining.

So I'd like to see some - I think we'll see some progress on our kind

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of priority areas in the next six months.

MR LINDWALL: Do you want to go on, Ken?

MR BAXTER: No, I've got no further - - -

MR LINDWALL: What's been the road users' feedback on published national gazette notices in - - -

MR HASSALL: We don't do customer satisfaction surveys on the quality of the notices, but it's probably worth noting they're quite familiar with their content.

MR LINDWALL: Okay.

MR HASSALL: I'm not sure they're necessarily the right way of expressing this information into the future. They tend to be, you know, fairly legalistic documents that are published on the commonwealth government gazette website, and they have to be read by someone trained in it. I'm not sure that's actually the right way to go.

We've done some interesting work in Tasmania, for example, creating effectively a heavy vehicle classification framework for very, very large vehicles to do oversize/overmass movements, and I think we've moved that jurisdiction, in conjunction with a lot of work by industry and the department, we've probably moved them 20 years in a year from paper-based permits to a system that's, I guess, two thirds of the way to the background work you need to do to create a contemporary heavy vehicle access system.

It's still constrained by things, by weakened bridges or lack of information around bridges, but at least the regulatory side of it is getting ready for genuine reform.

MR BAXTER: I mean, this may sound a trivial question, but it's been raised frequently, and what prompted me was your reference to bridges. How serious is the bridge issue outside the main trunk roads?

MR HASSALL: Well, I think there's something like 200 wooden bridges in New South Wales alone, so from the asset manager's perspective it's an extremely significant issue. As to their condition, I couldn't say. You would need to talk to someone who was a specialist.

MR BAXTER: And in Queensland? A similar number of bridges?

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MR HASSALL: I think New South Wales has the highest distribution of wooden bridges, but - - -

MR LINDWALL: Not sure? Okay. We might have - given the timeframe, if you don't mind, if we have a few more questions we can send them through out of session? All right.

MR HASSALL: Yes, that's fine.

MR LINDWALL: Thank you very much for coming then.

MS McDONALD: Thank you.

MR HASSALL: Thank you.

MR LINDWALL: Thank you. And now we move to Jim Crane from the Australian Sugar Milling Council.

MR NOLAN: You've actually got two for the price of one.

MR LINDWALL: Gentlemen, if you can introduce yourselves, and then give us a bit of an outline of what you'd like to say today?

MR NOLAN: Thanks very much. My name is Dominic Nolan. I'm the Chief Executive Officer of the Australian Sugar Milling Council, and Jim Crane, Senior Executive Officer.

Thanks for the opportunity to speak with you this afternoon. We'll assume that the main part of this is about getting into a discussion on a QA on points that we either raise now or from our submission at the initial part of the inquiry and on the draft report.

I will make some brief opening comments, and I'll leave it open to your discussion from there. The Australian Sugar Milling Council represents sugar mills that account for around 95 per cent of raw sugar production. Of our six members, three of our members gave notice to QSL under the voluntary contractual arrangements that they have to exit QSL back in 2014, and three of our mills are still operating within QSL.

Our approach to public policy and to regulation is a strongly principles-based logic approach. We operate against issues of market failure, least cost for optimum result, and working against questions that any sound regulatory impact statement process should consider and follow, and in particular looking at those two questions, what is the problem that is sought to be addressed, and why is government action

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needed?

Each of our members face individual regulatory impact on their business operations. Our comments today will be more general in nature across the sector and indeed across the industry. In terms of scale of operation, the ASMC submission points out the impact of regulation where it might be seen to have a relatively minimal impact on a farm by farm basis, however the overall productivity impact, whilst it might be considered to be a few percentage points here or there, or at the extreme end taking out a farm or two from production, the more extreme impact might be on a scale basis on a sector-wide consideration. So to put that into perspective, if you had a productivity impact of 5 per cent on a sugar cane region, that has a substantial impact on a milling operation and milling viability, and if you had a sustained 10 to 15 per cent productivity impact, that could lead to the closing of a sugar mill.

So when we look at the regulatory impact of various government policies or considerations it's important to not only look at the individual impact on a business by business, but on the broader whole of scale, whole of industry impact. And clearly with the closure of a mill or something of that nature, in addition to the major impact on the cane farming businesses there are major impacts to regional communities, land stewardship and economic impacts at a regional and state and national level.

If we turn to arrangements to support the biofuels industry, the Queensland government has got a stated 50 per cent renewable energy target, and I think we've pointed out that there's demonstrable benefits, environmental benefits, that accrue based on the use of ethanol from molasses as part of a blended fuel.

There are regional development benefits from encouraging an advanced manufacturing industry based on biofuels that is unlikely to flourish given the oligopoly of the oil companies that currently controls the retail and distribution system.

So we've got environmental benefits, regional development benefits, and market factors that would prevent the development of a biofuels industry absent government intervention. A mandate can lead to cost savings for consumers if a policy such as the Queensland government mandate is implemented effectively.

Queensland government has learned from the New South Wales program challenges, and there is an opportunity for a successful government program to be run. I think importantly we see the mandate as

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being an enabling government policy to facilitate the development of further bioproduct industries in Australia. Once there's a secure ethanol industry and capability, particularly in conjunction with co-generation plants, the opportunity then to take the next step into other diversification projects becomes less extreme than moving straight to other platform products that might be seen as bio-replacements for petroleum-based products in the chemical industry.

So that is - the future range of successive generation biofuels are unlikely to be based on ethanol blends, and more likely to be straight products for direct sale into the chemical industries.

Turning to the amended Queensland Sugar Industry Act, one of the biggest challenges we faced when considering the amendments to the Act, besides the fact that we weren't consulted on the proposed amendments as the milling sector prior to the bill being passed, is that it was never clearly identified what the problem was that the proponents of that bill were seeking to address through the amendments.

I have heard mention of it, of the MOU that was signed by cane growers, ASMC and the Queensland government in 2005 leading up to deregulation. There have been false claims that that MOU bound the industry to a single desk marketing arrangement. That MOU also states that the commitment by suppliers, that is, by sugar mills, is a matter for negotiation between QSL and the individual suppliers. This was evidenced by the fact that while most mills continued to export sugar under voluntary contractual arrangements with QSL from the time of deregulation, from the outset there were some mills that exported sugar themselves outside of QSL.

I think clearly deregulation in 2006 was always meant to mean exactly that, deregulated marketing environments. The intent at that time, certainly initially, was for most mills to stay with QSL to allow QSL to develop a commercial approach to marketing arrangements, and that occurred for the first almost 10 years of deregulation.

The MOU also stated that the future could not be a construct of the past. To suggest that the intention of deregulation was to continue marketing sugar under a single desk arrangement forever, or for any long period of time, is false. So the construct of the MOU from 2005 is certainly consistent with the Productivity Commission draft recommendation that the amendments to the Sugar Industry Act should be removed, and to allow the industry to operate in a deregulated marketing environment.

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There has never been a demonstration that anything that mill companies were proposing to do in the deregulated marketing environment that existed from 2006 to December 2015 was an abuse of market power or would result in a poorer financial outcome for growers, or that the mills were in any way breaching the spirit or the intent of deregulation 10 years ago, for which the industry was paid close to $500 million.

Mills have not proposed to change the existing revenue sharing cane payment formulas that were in existence, and nor was there a request by growers to change the cane payment formula leading up to December 2015.

The amended legislation has cost millions of dollars since December in implementation and we are still a long way from finalising new commercial arrangements across the mill companies who in 2014 gave three years' notice under their voluntary contracts to exit QSL. So from - so that notice period kicks in from 1 July next year.

There are no demonstrable benefits as a result of the amended legislation, and there is still a great deal of uncertainty and there has absolutely been a negative impact on investment considerations. We would urge the Productivity Commission to add to their findings a recommendation that the federal government refer the Queensland Sugar Industry Act to the National Competition Council for review.

And just finally, on the threshold for examination on foreign investment, we understand the desire to balance benefits from foreign investment against potential risks to Australia's national interest. We agree there needs to be transparency and clarity on the investment framework for Australian agriculture, and we support the threshold being consistent at $252 million indexed annually and not cumulative.

Happy to take questions on these or any points that may have arisen, and we will seek additional information if necessary if we don't have the answers on hand right now, and we can also refer to some specific mill companies for individual answers if the questions are of that nature.

MR LINDWALL: Well, thank you very much. What do you think the intention of the Choice In Marketing Act is?

MR NOLAN: It's not clear what the intention of the Act is. The stated policy objectives that are included within the Act talk about providing choice in marketing arrangements. However, in practical effect, it's a partial re-regulation of the marketing arrangements. I think there was a

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drive by some involved in the discussion to move back towards a single desk arrangement to the extent possible. Again, that's not what the Act achieves. I don't think it's entirely clear what the intent of that Act is or was.

MR LINDWALL: And we've had different testimony today about the effects of the Act in terms of incentives to invest. Would you care to comment on that? When I say - I'm talking about, of course, the millers' incentives to invest.

MR NOLAN: Look, to be honest I think across the board this Act is detrimental on intention to invest for growers and for mills. If you look at mill companies - I mean, all of the mill companies have approached the Act as it's been passed, you know, from a different commercial perspective and from a different risk profile, as you would expect.

And in considering that, I mean, all of the mills - well, the major impact right now is on those three mill companies that have given notice to QSL and will exit the QSL marketing arrangements by 1 July next year, so if you look at those three mill companies, they are all working to put new commercial arrangements in place.

And they're all working - they're all going about it differently, as you would expect. They will, one way or another, find a short-term way around those legislative changes. There is no question that it has put a handbrake on investment, on capital investment, but all of the mills have businesses to run, so all of the mills have continued with their business as usual operations. You know, they've all got cane to process and sugar to make and to sell on the domestic and export market, and they are seeking to continue their normal business operations.

But there is a direct disincentive there, and there is greater risk in the industry than there was before the legislation was passed. So when you're considering investment decisions, and you're considering it in a higher risk business environment, then the decision to invest becomes more difficult.

I don't think it will stop all investment forever, but there is no question that it has inhibited investment, it has delayed some investment decisions, and it is certainly a disincentive. And I think more importantly is it hold back the opportunity for a long-term collaborative approach - I need a bit of water - - -

MR LINDWALL: It's a bit of a mouthful.

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MR NOLAN: - - - collaborative approach to the business environment that we need in the industry. I mean, there is no question that there is an absolute interdependent relationship between growers and mills, so the only way that this industry can really proceed on a positive long-term basis is if we are working together, you know, for mutual benefit, and I think the legislation that is in place inhibits that relationship, and it sets up a conflict-based approach to the long-term future.

MR LINDWALL: Why do you think some of the millers are wanting to change the marketing away from QSL? What's the motive there?

MR NOLAN: The stated intention from the mill companies that have exited QSL is that they believe that they can get a better result for themselves and their growers by marketing outside of QSL.

MR LINDWALL: So they definitely believe the growers would benefit from that?

MR NOLAN: Without question. I think it's also important to note that, I mean, Australia is the only sugar cane industry in the world where growers have access to the forward pricing tools and the risk management and hedging tools for the sale of their cane that we have in Australia, and that is done and facilitated through the mill companies working with - in some instances with QSL and in other instances separate to QSL, but it's been driven by the mill companies.

And there has never been a suggestion by the mills inside QSL or outside of QSL to change access to those sorts of arrangements or to change the existing revenue sharing through the cane payment formula. And so, you know, for more than 99 per cent of the price that growers are paid for their sugar cane, they have access to price risk management tools, you know, to manage their exposure to sugar price as part of these contractual arrangements.

So it's - the sugar industry in Australia is, in Australian agriculture, is fairly unique in terms of the transparency and the access to tools and the access to information that can exist between producers and processors as marketers of the product.

MR LINDWALL: So when, under the current arrangements, a sugar cane farmer sells the cane to the miller - - -

MR NOLAN: Yes.

MR LINDWALL: - - - and then the miller then either sells it on to QSL

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or markets itself, what if a cane grower wished to change the arrangement and said, "I would like to have a contract, and I will continue to own the cane, but you, miller, please go and mill my cane and give me the product of that." Would that be feasible?

MR NOLAN: So I think what you're talking about is a toll crushing arrangement effectively.

MR LINDWALL: Yes, yes.

MR NOLAN: The analysis that mill companies have undertaken would indicate that that would be a very challenging proposition. I don't think there's anything that stops that conversation from occurring. But mills - predominantly mills have invested and bought milling assets for the purposes of purchasing sugar cane and turning it into sugar. And the difference with the sugar industry and other industries such as the grains industry is that when you purchase sugar cane it goes through a substantive transformation process to turn it into sugar, into a product that you can sell on the global or even the domestic market. There is no global market for sugar cane. And the capital investment that's required to go through a process to turn sugar cane into sugar is very significant.

So the concept of moving to a toll crushing operation, I mean, effectively growers owned sugar mills in many instances, under a cooperative system or as - and in some cases still own sugar mills. So if there was a desire to sort of stay in that link between growing and marketing the sugar, it has previously existed, and there is still that ownership existence between growers and milling assets.

So I don't know what the intent behind a toll crushing type operation would be. I think it would be difficult to make the numbers stack up given the intensity of the capital investment required to own and operate milling assets. I don't know that the return would be there for growers and mills to embark on that kind of a model, but there is nothing to stop that conversation from occurring prior to the legislation or potentially since the legislation.

MR LINDWALL: But as far as the millers are concerned, under the current arrangement the property rights are transferred to the miller, and then the miller then has a right to sell the refined cane to the sugar to whoever wishes to, and you're saying that this Act, the Choice In Marketing Act, actually takes some of those property rights back from - seizes the property rights, is that - - -

MR NOLAN: Well, I think there's no question that the Act creates new

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rights and gives them to growers that didn't previously exist ever, and it takes some rights away from mills that they previously had.

MR LINDWALL: And the mills weren't compensated for that removal of rights, I guess?

MR NOLAN: No.

MR BAXTER: I just would like to see a clarification. QSL I understand is a limited company, and its shareholders are either mills or growers.

MR NOLAN: Mills and growers.

MR BAXTER: Mills and growers. Do those shares have a tradeable value?

MR NOLAN: They are not shareholders - it is a limited by guarantee company.

MR BAXTER: It's limited by guarantee, so - - -

MR NOLAN: Yes, so they have members, not shareholders.

MR BAXTER: Okay. So I see Don sitting here. If I'm Don, I decided I wanted to go into another industry, I can't say, "I've got X hundred shares in QSL," and sell them to somebody else?

MR NOLAN: Neither mill nor grower as a member of QSL, as a not for profit limited by guarantee company, can take shares or sell shares or have any equity ownership of QSL.

MR BAXTER: Right. In terms of the actual ownership of the processed sugar, presumably it goes into a series of - either into a single pool or series of defined pools. So let's assume you're the Mackay mill or the Proserpine mill, you've refined a whole lot of cane, you've got 500 tonnes of sugar sitting there ready for, let's say, export. Where does the title to that transfer? Does QSL by some arrangement get the legal power to actually go and offer that sugar for sale internationally or locally for that matter?

MR NOLAN: So currently my understanding is the title of the sugar, under the current raw sugar supply agreement that the mills have in place with QSL, the title of the sugar transfers to QSL as it's delivered into the warehouse, and then the title for that sugar then when it's exported, when it goes over the ship's rails, transfers once again.

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MR BAXTER: Yes. So it's exported on an FOB basis for delivery probably on a CIF basis? So is it correct then to presume that from the point of that transfer the QSL's pools carry the risk?

MR NOLAN: The pools, I guess, are a separate element. So you're talking about two different things. You're talking about the physical sugar and you're talking about the virtual sugar. So the pools are a range of pricing mechanisms that exist that are run by mills or QSL that growers have the option to enter into, and there's a range of different pool options that are available with different risk characteristics and different pricing options.

So a grower will enter into a series of - you know, allocate exposure to a range of different pools, and the mills or QSL manage those pooling arrangements, and then when it comes time for the mills to pay the grower, their net sugar price is calculated on the basis of those range of pooling arrangements that the growers have entered into.

There's an underlying harvest pool, which I guess is the risk pool, which is the in-season pool that QSL manages, and that's where the marketing premiums and costs largely are accounted for.

MR BAXTER: Now, was that similar to the arrangements that existed when you had a Queensland Sugar Board, and then when you had CSR acting as the, I think, agent for the Queensland Sugar Board?

MR NOLAN: Look, when you had the Queensland Sugar Board, you had - all of the sugar was - the ownership of the sugar was vested in QSL when it was - - -

MR BAXTER: So that's the significant difference. You had a total vesting of product, as against basically what is almost a consignment?

MR NOLAN: You had a vesting of ownership prior - you know, when the industry was deregulated 20 years ago.

MR BAXTER: Yes.

MR NOLAN: Since deregulation, that vesting was removed, and we've had voluntary arrangements in place where mills could choose to export their sugar through QSL. Not all mills did, but most mills did, and - but the choice of marketing sugar through QSL was at the discretion of the mills.

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MR BAXTER: Okay. Well, under the old vesting arrangements the QSB would have carried the total risk from the point of - you know, the point of FOB?

MR NOLAN: Well, would have carried the risk, and then that risk would have been translated through to the proceeds.

MR BAXTER: Yes, but it would have then come back to the pool as a whole - - -

MR NOLAN: Via the proceeds and payments.

MR CRANE: The industry had one result, and I mean, the price for sugar at that time was determined either by some long-term contracts with particular customers, or for sale on the market.

MR BAXTER: E.g. the Japanese.

MR CRANE: So it was basically you got what you got with your sugar, and the costs were taken off it, and the returns came to the industry.

MR NOLAN: So you just accepted the sugar price that you were given as a grower or a mill based on - you know, on the outcome of the Queensland Sugar Board work.

MR BAXTER: So if I read what the growers are proposing, does it mean that the mills and/or the growers who participate in QSL exporting the processed sugar, that QSL carries the risk, and if there are losses or hold ups or the situation that existed when Japan decided not to accept delivery for about three months, that that risk is carried either by QSL as a whole or the pool from which that exported sugar might arise? How is that risk distributed?

MR NOLAN: Well, it eventually flows back to the stakeholders, to the millers and growers, that you had testimony earlier today about the 2010 situation where there was a hedging loss by QSL which was tasked back to the industry through the pools.

MR CRANE: Because it's a not for profit it doesn't bear the risk of collapse in that sense, I suppose.

MR NOLAN: That's right.

MR BAXTER: No, but presumably it carries several pools. Or is it only one pool? So if you produce raw sugar in 2015, you say to the miller, "I

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want it handled by QSL." If QSL stuffs up or doesn't get the best price you thought it would for that particular mill sugar, the loss - or, yes, net loss, if I use the phrase, is carried across the whole of the pool, not by the producer who submitted it?

MR NOLAN: On average 99 per cent of the price that is achieved is determined through the ICE Sugar #11 contract, through the futures contract.

MR BAXTER: Okay.

MR NOLAN: What you're talking about is the physical marketing premiums and costs.

MR BAXTER: Yes.

MR NOLAN: Which in a net sense translates to being, you know, up or down 1 per cent of the overall sugar price outcome. Of those marketing premiums and costs - and that is the element that we're talking about now - if for example QSL was to undertake certain activities and there were losses such as in 2010, and that's a cost to the marketing effort, then that cost flows back to - as a cost to the harvest pool in the - to the growers and the mills associated with that.

The arrangements that mills outside of QSL would put in place post 2017 around that exposure to that sort of risk to be honest would vary by mill company, by mill company. In the case of some, they would have grower pricing committees who would, you know, be involved in decisions and actions that were taken and there would - and they would certainly be exposed to those sorts of risks. In the case of others, they may well want to - you know, as part of their offering they may want to underwrite some of the risk associated with, you know, major problems in that space.

So how that risk was borne would be, you know, an ongoing discussion between the participants, between growers and mills.

MR LINDWALL: Okay, and as a not for profit, QSL - and an effective monopoly, by these millers, milling companies, deciding to move away with three years' notice, does that imply in a way that it's grown a little bit clumsy and it hasn't been as agile as potential competitors to marketing?

MR NOLAN: Look, I think certainly the mill companies that gave notice of their intention to exit felt that they - the commercial interests for them and their growers would be better served outside of QSL. They may make

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that sort of implication, but I guess that's probably something to ask them directly.

MR LINDWALL: And QSL wouldn't pay tax as a not for profit, I assume?

MR NOLAN: I don't think they pay income tax. I don't think they are subject to payroll tax. I think they've got some - - -

MR LINDWALL: Does that give them a competitive advantage in some way?

MR NOLAN: Look, I - my view on those sorts of considerations is that if that's the extent of your commercial advantage then it's - - -

MR LINDWALL: Tenuous.

MR NOLAN: Yes, tenuous at best.

MR LINDWALL: Yes, okay. Anything else on the marketing side? We've got a couple more minutes.

MR CRANE: Could I perhaps just suggest a couple of things?

MR LINDWALL: Yes.

MR CRANE: You've asked a couple of questions today and had some responses around what the expectation or intention of deregulation in 2006 was, particularly in terms of the movement of the voluntary marketing arrangements.

At the time there was an industry and government working group that put together the plan to transition, and then adopt voluntary marketing arrangements. Queensland government commissioned the CIE to report on the recommendations of that working group. I think it would be insightful for you to actually look at that report because it was very reflective of the sentiments at the time.

MR LINDWALL: I actually know the guy who did it, was Dr - - -

MR CRANE: (indistinct)

MR LINDWALL: Yes, and Andy Stoeckel from the CIE.

MR CRANE: That's right, yes.

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MR LINDWALL: Yes.

MR CRANE: The other thing I'd just like to clarify, Commissioner, you pursued some questioning earlier around the choice in the supply chain, and particularly talking about cane transport and where the ownership of that changed. I think it would be useful just to clarify that mills own and operate cane railway systems or trucking systems that transport cane to the mill. Mills fund all of that transport of that product to the mills. They also fund the transport of the sugar to terminals.

MR LINDWALL: That's a good point. On - I appreciate your support for mandates and renewable energy schemes, but couldn't one argue that's a bit inconsistent? On the one hand you're saying you're concerned about the regulation in terms of the marketing Act, and then on the other hand you're arguing that you should have it in terms of a mandate on biofuel, and the environmental benefits are not entirely clear on that.

MR NOLAN: I think - well, I think it comes back to those two real considerations around your approach to government intervention and regulation. What's the problem that you're seeking to address? Is it real? And you know, why is government intervention necessary? You know, can you address it through some other mechanism?

MR LINDWALL: The benefits of the intervention should outweigh the costs?

MR NOLAN: Fundamentally.

MR LINDWALL: Broadly to the - - -

MR NOLAN: Broadly speaking the benefits should outweigh the costs, absolutely. So that's not to say that we think that there should never be government intervention in anything on - across the board. I mean, it's not - you know, but you need to run those tests across any sort of intervention.

I think a lot of the analysis that has occurred, particularly in recent times, within Australia that looks at environmental benefits associated with biofuels, to be honest I think it's been quite lazy. I think it's focused on looking at other studies that have existed. In particular those studies have looked at corn-based ethanol in the states. There was a report a few years ago that was actually - that was pretty scathing about the biofuels programs that were in place. It based its report on a study that was looking at importing dried casaba for ethanol production in Australia.

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So there is no question when you look at life-cycle analysis on molasses-based ethanol production that there are significant environmental benefits associated with that product, and you know, when you look at the mandate in Queensland, I mean, a mandate is not a perfect government policy, I accept, and there are pitfalls, and you have got to be aware of those pitfalls, and you have got to be aware of that in implementation.

So we've been doing our best, as the biofuels mandate, as the ethanol mandate in Queensland is being developed, to make sure that we understand what has occurred, for example, in New South Wales, what the pitfalls might be, and to learn from that to make sure that there is - so when the program is implemented that there is transparency around it, that the benefits of the mandate are passed through to consumers, and a lot of that is around the will of the government to actually support the program that's in place and the communications program that sits behind it.

So it's not a simple exercise, but we think that there can and are benefits that can accrue from an environmental perspective, from a regional development perspective, as well as benefits for consumers through price impacts.

MR LINDWALL: In terms of biofuels and their ability to be compatible with internal combustion engines, for example, what type of studies have been on that? I mean, is there a maximum level as a percentage of overall fuel which you shouldn't exceed?

MR NOLAN: Look, it's probably an answer that I can't give the full detailed response to now. I'd be happy to send you some academic papers around it, but the answer is yes, there has been a lot of work that's been done in that space, and a lot - and in fact, you would have to say that the vast majority of vehicles that are sold in Australia today are based on - you know, are sold in other markets around the world where biofuels and biodiesels are part of the standard retail mix.

So compatibility of the Australian car fleet, it may have been a question that really needed consideration 10 or 15 years ago. Today it doesn't factor in in the vast majority of cases. But in terms of getting into the technical analysis and detail around that, happy to send you some information around that.

MR LINDWALL: Okay, thank you.

MR BAXTER: Yes, one very small question.

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MR NOLAN: I always get worried when people say that.

MR BAXTER: Who's the major supplier of sugar to the domestic market?

MR NOLAN: There's three suppliers of sugar to the - refined sugar in Australia. There's Sugar Australia, which is a joint venture between Mackay Sugar, 25 per cent, and Wilmar, 75 per cent. There's Bundaberg Sugar have got a refinery co-located with their sugar mill in Bundaberg. And New South Wales have got a refinery plant.

MR BAXTER: And roughly what's the Australian consumption of refined sugar?

MR NOLAN: About a million tonnes of - - -

MR CRANE: 900,000 to a million tonnes a year, and that's been pretty consistent for a long time.

MR NOLAN: That's consumption of raw sugar equivalent, yes.

MR BAXTER: Yes, and that price level's comparative with the international price level?

MR NOLAN: Yes, the interesting thing about the Australian market is that we live and die on the global market. So you can bring raw sugar in or refined sugar into Australia without penalty. So if the refined sugar market goes in the wrong - goes too far outside of the global sugar market price you will just see substitute come in. So it is a globally priced market with premiums and costs.

MR BAXTER: And is molasses still a consumer product, or has it disappeared as a - - -

MR NOLAN: I don't know that there's any consumer molasses still in circulation, but I mean, molasses is a significant by-product of the milling product. It's a livestock feed industry, and when we talk about biofuels in Australia, ethanol production right now, that is - in the sugar cane industry, it's all made from the one plant that makes ethanol, it's from molasses.

MR LINDWALL: Okay. Well, we'd better finish it, I think.

MR BAXTER: All right. No, that's all I had as well.

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MR LINDWALL: Thank you very much for appearing. Now we will break for lunch and resume at 1:30, and this afternoon we have the Australian Food Sovereignty Alliance, followed by Goat Veterinary Consultancies, followed by Queensland Sugar Limited, followed by Tully Sugar Limited, and then there'll be an opportunity for some brief comments from other people who wish to say anything. So 1:30 we'll resume.

ADJOURNED **[12.46 pm]**

RESUMED **[1.31 pm]**

MR LINDWALL: Would you just mind introducing yourself, telling us about your organisation and what you'd like - just give a bit of an introduction about what you'd like to say today?

MR STRINGER: Yes, okay.

MR BAXTER: And Phil, you'll need to speak up. Those microphones only take the transcript, and because of the air conditioning other people are having difficulty in hearing, if you wouldn't mind.

MR STRINGER: Okay. Ready to go?

MR LINDWALL: Yes, no, ready, if you're - that's up to you.

MR STRINGER: My name's Phil Stringer. I'm here representing the Australian Food Sovereignty Alliance, which is a national body that was formed about five years ago to help small farmers, small and medium farmers, be able to find a place in amongst all the regulations and all the enthusiasm to help really large agribusiness, so we have a lot of small farmers and there's a lot of agro-ecology and regeneration that happens.

Most of the farmers are creating more soil, deeper soil and their farms are just continually becoming more productive. Over the last - so we put a submission in earlier in the year. I think at that time we had about 230 or 250 members, and just in the last few months we've doubled that, over doubled that, and we've got over 600 members, and just in the last week we've become a member - we've been accepted as a member of La Via Campesina, which is a global body that represents over 200 million small local farmers and regularly is advising for the food and agriculture

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organisations.

So as of this week we represent them here in Australia here as well, so we were really disappointed with what we heard from - with the draft report and what we saw and how our concerns were essentially dismissed for small farmers. And we believe that you can do a lot better to look at how important small farmers are for local communities and for productivity, and into the future for future decades and future generations.

And I think this is the really big concern. I can tell you this is the really big concern of AFSA and all of the farmers and food producers and organisations that we represent is that the Productivity Commission's definition of and understanding of productivity is very small-minded, and you need to be able to broaden that and look down the track in 10, 20, 30 more years' time, because our soils are just - are being gradually - the way that we've been farming and managing the land, they're getting worse and worse, and we need to be farming in ways that are - that we can actually, you know, look after our future productivity.

So just for a few years of short-term fast gain is no good when, you know, you're going downhill, and in 10, 20, 30, 40, 50, 100 years you've got very little to offer. So this is the big story that we're here to say. We've said it in the initial submission. We've said it in the submission that went in last week, and I'm basically here to reinforce that, because it's just so important.

So just to pay attention to some of the quick recommendations that we've been making, we're particularly concerned about the intensive and extensive definitions of animal husbandry. A lot of our farmers are struggling with ridiculous definitions that might be to do with the amount of food that goes into an animal or for instance pig farmers here in Queensland have this definition where you can have 21 standard pig units, and any more than that is intensive, regardless of, you know, the number of acres that you've got. And so we seriously need people to be looking at that.

What a lot of our farmers are doing, both with chooks and with pigs and with cattle, is rotating them on a very regular basis, often on a daily basis, so for the soil and the pasture, it's allowed a large amount of time to regenerate, and this is where we get really rapid improvement in organic matter and really rapid productivity growth, and at the same time we don't have to deal with all of these extra burdens like pollution and various other things. So that needs to be looked at as is written in our submission.

We're happy with the idea of a - you know, looking at animal welfare,

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we think it's a really valuable tool. Science-based is all very well and good. We would like to see community ethics looked at as well. We don't want to see it dismissed as being something that's a bit wishy washy and can't be nailed down. It's a very important part of how we all relate to food, basically, and so it just needs to be there.

MR LINDWALL: Could I ask a quick question on that?

MR STRINGER: Yes, yes.

MR LINDWALL: We had testimony from Vegan Australia, and the ambition was to eliminate all use of farm animals or animal production totally within 10 years. ASFA wouldn't agree with that?

MR STRINGER: No, no, no. Not whatsoever. Yes. We've looked at - we mention genetic modification. One of the concerns that we've got is that the Commission, when it suits, seems to talk about being science based and looking at overseas institutions and regulatory bodies, and when it doesn't, they choose not to.

Raw milk is an interesting example. I'm not talking about GM at the moment, obviously. There are many, many states over in the United States that say raw milk is perfectly legal. Much of Europe says that raw milk is perfectly legal.

MR LINDWALL: Well, we never said anything about raw milk in our report.

MR STRINGER: I know, I know. But it would be useful if you're going to talk about overseas regulatory bodies and recognising them that we can actually, you know - that you can suggest that on a broader scale as well as just, you know, to do with GM and what seems to suit the big agribusiness, and obviously the lobbyists that are in your ear. Yes.

MR LINDWALL: But is there something in our report where we said we shouldn't take notice of science, which I think was your statement just now? Because you said we took notice of science when it suited us, which implies we didn't take notice of it when it didn't suit us, so can you point to something in the report where we explicitly did not take account of science?

MR STRINGER: I'm thinking more of the regulatory bodies, and there's a lot of science for and against genetic modification, you know, which is what I was referring to.

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MR LINDWALL: Well, we'll get onto that in a second, yes, but if you want to continue, yes.

MR STRINGER: So there's a lot of science for and against it.

MR LINDWALL: Well, I have to say that in the testimony that we've received to date on genetic modification from reputable scientists, plus the Office of the Gene Technology Regulatory and international evidence including the US Academies of Science, there isn't arguments on both sides, it's all in the one direction, that it's safe.

MR STRINGER: So - and you feel that it's overwhelming?

MR LINDWALL: We do, yes. Well, that's what the testimony provided to us. As I said on a previous occasion, I'm an economist, an ancient historian. I can't tell you what are good articles about journals to do with, you know, GM, but there is a credible science-based organisation called the Office of the Gene Technology Regulator, and it has an international reputation, and it testified in Canberra on Monday, as well as a number of other biochemists, that the literature is overwhelmingly - not just partially, but overwhelmingly in the one direction.

MR STRINGER: And so you feel that the European Union is wrong to be - - -

MR LINDWALL: The European Union too has science in that direction too.

MR STRINGER: Yes, yes, they have science in both directions, yes.

MR LINDWALL: Well, I don't know. Anyway, I can't argue the science, I'm just saying that we - - -

MR STRINGER: Okay. Well, the other argument that we have with genetic modification is that - and with a number of the things is that you're talking a very short-term view, and we're saying, look, use the precautionary principle. We - you're talking about science that has only looked at it for a certain number of years. Your brief, and as far as the Productivity Commission is meant to be looking at for our Australian community, is in the long-term, okay?

MR LINDWALL: I agree. Absolutely. I think Ken and I both agree on that.

MR STRINGER: So when - - -

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MR LINDWALL: The Office of the Gene Technology Regulator (OGTR) does use a precautionary approach. It said so. It's actually in its legislation too.

MR STRINGER: Yes, yes, well - - -

MR LINDWALL: So they claim that it's long-term - - -

MR STRINGER: So they're claiming that over 50 and 100 years' time it's still going to be perfectly safe.

MR LINDWALL: They say it's - in fact, we've had testimony that it's safer than conventional food or organic food.

MR STRINGER: Yes, well, that's - - -

MR LINDWALL: Anyway - - -

MR STRINGER: They must be very impressed with genetic modification, mustn't they? I don't know who funds them or whatever, but - - -

MR LINDWALL: The Australian government funds them.

MR STRINGER: Yes, yes, okay. Okay. So - and so on genetic modification, in 9.1, the recommendation, we totally disagree with the food labelling laws being taken away. We feel people do at least have a right - if you are not only going to take away laws to - moratoria from states to allow genetic modification farming and repeal their legislation that allows them to make those laws, people need to at least be able to know what is in their food and what the makeup is. There is nothing wrong with doing that, and it's - you know, it's our right, pretty much, you know?

So - and so, yes, 9.1 is about the food regulation and labelling. So we also believe that country of origin should stay there as well. This is supporting Australian agriculture. There are so many people who are interested in buying locally and supporting local Australian foods, and so we'd like to see that continue as well.

9.3, food safety audits, we really believe that they need to be matched for scale. They - a lot of our farmers are very small farmers and they're paying the same - they're required to do very similar audits to - and be on a very similar time schedule as far as audits go, and so the price per unit is

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just ridiculously high. A lot of them just continually end up testing safe, and so we feel that there should be room for some kind of relaxation on those laws, certainly a review and a change into it to recognise the difference in scale.

And I think this is where we're talking about going back to the intensive and extensive animal industry. Allowing things to be scale dependent, to be able to support the small-scale farmers, you know, a huge proportion of the world's food is produced by small-scale farmers. It's a bigger proportion than the large agribusiness producers. Of course, the really big business has a lot more shinier machines and they get a lot more attention because it's all, you know, travelling large distances and overseas, and governments get excited seeing large amounts of money changing hands and flowing through there. But the small farmers keep small communities alive, they keep - and they produce the largest - a much larger amount of food than the big noisy operations.

So if you want to talk about productivity, you need to be focusing on both, rather than what seems very apparent in this draft report, that it's really geared to the large-scale producers, so - - -

MR LINDWALL: Could I just ask, Phil - - -

MR STRINGER: Yes, yes.

MR LINDWALL: I mean, I thought - maybe we didn't stress it enough, but I thought in our draft report we made quite clear that we're very concerned about the regulatory burden on small businesses and we - in fact, I think we said something like small businesses are disproportionately affected by regulations across all areas from environmental, health safety - - -

MR STRINGER: Well, yes, you did, but - - -

MR LINDWALL: - - - employment and so on. And surely that shows that we were very concerned about small farmers?

MR STRINGER: It's one thing mentioning these topics, but another thing, reading through the recommendations and the inquiries and the - what you've put in the report as far as recommendations - - -

MR LINDWALL: I want to make it quite clear that we are very concerned about small farmers.

MR STRINGER: Yes. Well - - -

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MR LINDWALL: We'd like them to be on a sustainable basis.

MR STRINGER: Well, I - okay, well, I'm really pleased to hear that. I want to make it quite clear that in the recommendations, small farmers don't come off any better than what they were beforehand and that needs to change, because just mentioning the need for small farmers to have change move towards assisting them is not going to do much, you know? We could do with recommendations and findings and further enquiries into it. Yes.

MR LINDWALL: I take your point. I mean, we will be - in our final report we'll examine with your testimony, especially from the point of view of small farmers - I think that's fair to say, Ken?

MR BAXTER: Yes.

MR STRINGER: Yes, okay, excellent, that's good, yes. I should talk about value of land too. You talk about higher value use, and a landholder's right to veto mining interests, and I'm going to go back to the same argument, that we need to be looking at the long-term perspective, and so once again I'm back there.

If a miner comes in and disrupts the water source or, you know, or you get toxic loads on the land or anything, that's a really long-term perspective that you've lost proper productivity, that you've lost food security for the region, and that the local community is seriously affected.

Often local communities are seriously impacted by mining companies coming in anyway, but people who have come back from Mackay after the boom is over up there are saying that the place is just - it's a shell of what it was. So for when you're talking about the highest value use, just that, you know, short-term impact from mining is not necessarily the highest value use when you're talking about a community, and so we're talking about productivity but we're talking about the cumulative impact of a farming community over generations as compared to a few years of a mining - you know, or a decade or two of mining.

I found it interesting reading in The Australian - I think it was in the business pages a couple of weeks ago the CEO of Exxon has decided - they've decided to sell their interest - their oil interests in the Bass Straits, and I was reading through the pages there, and through that article, and they're not selling it, they're actually giving it away, they're giving all of their infrastructure away, so that they don't have to rehabilitate the - you know, what they've done, you know?

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So it's quite possible that there'll be a small company go, "Oh, yeah, we'll take that," and they'll just go bankrupt when they need to. So - and this can happen at any time, you know, whereas the local farming community is invested in the history and the future and the potential of the region. A lot of these big mining companies will come in and take what they want and walk away and really not be too concerned about the impacts, the further impacts.

So that is another important one for us, so I think I've covered all the major topics that I want to be looking at, so - - -

MR LINDWALL: Well, thank you, Phil. I mean, let me be clear on mining, it is quite clear the law is that mining companies are supposed to restore the land to the ex-ante position, and they're supposed to compensate farmers for the disruption and so forth, and yes, there are examples - in fact, I was involved in a PC report on gas markets, and there are a number of examples of very poor behaviour by some of those resource companies, and that's very disappointing.

MR STRINGER: Definitely.

MR LINDWALL: And - well, you would hope that we could have a better outcome than that. Certainly that's not satisfactory.

MR STRINGER: Well, you'd certainly hope so, but - - -

MR LINDWALL: And the same with the magnesium refinery up here in Queensland - - -

MR STRINGER: Yes.

MR LINDWALL: - - - which you would think that the owner of which should rehabilitate it to the original state.

MR STRINGER: Yes. Well, you'd certainly hope so, but you know, we need to accept that there are companies who come in and, like I said, they're not invested in the past and the future and the community of the local area. They are invested in making money for their shareholders and being able to step out.

There is nothing that's important to them except, you know, obeying regulations, so you know - so we need to accept that that's just a fact of life, and that it's important for farmers to be able to veto certain mining ventures, so - - -

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MR LINDWALL: Well, we don't agree - the Commission's previously reported about not agreeing to a right of veto. I don't think I'd support that. I support that land owners should be treated fairly - - -

MR STRINGER: Yes.

MR LINDWALL: - - - they should be compensated for the damage and disruption that's caused to them, that the property should be restored to its original state after the mining's over, but that's quite different to saying there should be a right of veto, because subsurface minerals and resources are owned by the Crown.

MR STRINGER: I recognise that, yes.

MR LINDWALL: And giving the right of veto is giving someone an additional property right for which they haven't paid for.

MR STRINGER: I - when you say that they need to be compensated, there are some things that they can't be compensate for, you know? So there are some things that impact their ability to produce that - to such an extent that they walk off the land, so I think it's - I think it's worth further enquiry rather than just the broad-scale.

MR LINDWALL: Thank you. I mean, Ken might want to ask some questions.

MR BAXTER: No, I've got no questions.

MR STRINGER: Yes, okay.

MR LINDWALL: Sorry, did you want to make - - -

MR STRINGER: No, no.

MR LINDWALL: We might have to agree to disagree on the GM concerns. I mean, I accept the proportionality of small farmers in terms of food safety, but the GM has been proven safe by scientific expertise. I'm in no position to dispute that.

MR STRINGER: I see that we can make comments on this hearing.

MR LINDWALL: Yes, yes.

MR STRINGER: But obviously there's no room to comment - well, no,

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no, I also - you also take information and research that you assemble from other sources. Are you interested in taking information from AFSA or any other groups about - - -

MR LINDWALL: Yes, you're most welcome to put another submission in, yes.

MR STRINGER: Yes, okay, all right.

MR LINDWALL: Well, thanks very much, Phil.

MR STRINGER: Okay, thanks, guys.

MR BAXTER: Thanks, Phil.

MR LINDWALL: We now move on to Sandra Baxendel, if I'm not mistaken? The Goat and Veterinary Consultancies. That's Sandra. Welcome to you today.

MS BAXENDEL: Thank you.

MR LINDWALL: Would you like to say your name and organisation and give us a brief introduction of what you'd like to say?

MS BAXENDEL: Yes, I'm a veterinarian, a goat-only veterinarian, and I'm here representing myself, and - yes. You've got my submission.

MR LINDWALL: Yes.

MR BAXTER: Yes, thank you.

MS BAXENDEL: So just a bit of my history. I graduated in 1975, 40 years ago, a bit more, and - - -

MR LINDWALL: We're all fairly netted.

MS BAXENDEL: But I was always interested in goats. I did my final year essay on goats, and I actually gave the goat lectures to my peers when - in 1975. I did a PhD in goats, but then I mainly worked in agribusiness, universities and government departments. I took a VR from Biosecurity Queensland in 2012. My last role, interestingly enough, was the Director of Product Integrity, and I was the standards officer for Queensland, and so I was responsible for the regulation of agricultural and veterinary chemicals.

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I've also been on the board of the Australian Pesticides and Veterinary Medicines Authority (APVMA) before it was disbanded for three years, so I do know a lot about the regulation of veterinary chemicals. So do you want me to go through the submissions?

MR LINDWALL: Please, yes, yes.

MS BAXENDEL: First of all, congratulations. I thought it was a good discussion paper, and I agree with most things. I'd like to stress animal welfare as an issue. It's an issue for the dairy goat industry in particular, because there's an excess of male dairy goat kids, and there's no easy or cheap way to destroy them. It's not economic to raise them up for meat production, and there's also - anecdotally I've been told that abattoir workers sometimes refuse to slaughter them, because kids sound like babies - - -

MR LINDWALL: Yes.

MS BAXENDEL: - - - and it's not economical to use - to buy milk to raise kids that aren't selected for meat production. I've tried to interest universities to try and find a solution. They - captive bolt pistols are extremely expensive to buy, and some people don't like having them on farm.

I've tried to interest universities to develop something that they similar for piglets, which is a carbon dioxide chamber, but so far without success. So there is no reasonably priced solution for destroying male kids. So a lot of them get given away as pets, which I don't think is in the interest of welfare of a lot of those animals.

The other issue is pain relief. There are some new medications out now for mulesing sheep lambs and for calves that are getting disbudded, but none of those are registered for goats.

MR LINDWALL: This is Meloxicam?

MS BAXENDEL: Meloxicam, yes. And you cannot breed a polled goat to a polled goat, because one in four of those kids approximately will be hermaphrodites, because there is a gene linked from the poll gene to the hermaphrodite gene, and so it's not possible to breed a pure poll breed of goat, it's just one of those unfortunate things, so there is no alternative. They will have to be hot iron disbudded unless the horns are left on, which is not suitable in a dairy or intensive situation.

It's possible that Meloxicam can be prescribed by veterinary surgeon

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for use on farm. However, many vets are reluctant to do so because there's a lack of information about withholding periods for those drugs. In America, if I was a vet in America I could download a mobile phone app from the Farm Animal Residue Avoidance Database. I could email them, I could phone them, I could get the withholding period.

Vets in Australia, I'd have to do a lot of online research, a lot of literature reading, to develop their own withholding periods. There is no government department or access to any information about correct withholding periods, and so a lot of vets are very cautious, and some of them just say they don't treat goats.

MR LINDWALL: Even though the animal welfare consequences are much harsher?

MS BAXENDEL: That's correct. So I'd like to spend some time on looking at veterinary medicines for minor species, particularly goats. Minor use permits, which is mentioned in your draft, is not really a solution. If you look on the APVMA database you will find that there are only two permits for goats. One is for sheep and goats for foot rot and one is for - put in by the government for foot and mouth disease.

So minor use permits are not going to solve the problem. Also because the APVMA has now gone online submissions, and the goat organisations are all volunteers, none of them have any training and would be totally unable to use the online portal to start a registration process.

Also, there's some concerns about holding the minor use permits. Growcom, for example, holds most of the horticulture minor use permits, because Horticulture Australia Board didn't want to hold them because of liability issues.

So I don't think minor use permits, even though it's mentioned in your draft report, is going to be a solution.

MR LINDWALL: That's handy for us to know, yes.

MS BAXENDEL: Yes. So bearing in mind I used to work for the government, I know you're interested in solutions, so I have a couple for you, or several. Extra data protection for each additional minor species, or indeed minor crop, so that they can have an extra year of data protection to the intellectual property before it's released, would help. That would encourage them to add minor species to the label.

The other requirement which I think could be lapsed for minor

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species, and that is good laboratory practice, accreditation of the laboratory that's going to do residue surveys - residue research. And for those that don't know what good laboratory practice is, it's basically a QA scheme that goes out on farms where the trials are done and goes all the way back to the chemical residue laboratory that does the residue testing.

I'm in favour of having only (National Association of Testing Authorities, Australia (NATA) accredited chemical residue laboratories do the work in the lab, but I actually see no need to have that additional good laboratory practice going back on farm, especially if the trials are done by university or a government department with no vested interest in the results, and if you look at the situation in America, their research for my use, residue information, is all done on their land grant universities, and they have no requirements for good laboratory practice. There is only a handful of laboratories in Australia that have good laboratory practice, and they're often booked out years in advance.

So they're two solutions. The additional solution that I would like to promote was that we look at New Zealand. New Zealand has what they consider the agricultural and veterinary chemical registration system that New Zealand can afford. It's not as strict as Australia, but we could piggyback on that and if, for example, goat medicines are used in New Zealand for five years and there has been no residue problem, then I think that should have an automatic registration in Australia, and a good example is Zolvix, which is an anthelmintic used in sheep. It was registered in goats five years ago in New Zealand. The dose rate is 1.5 times the sheep dose rate, because goats metabolise all drugs, generally, a lot faster than sheep, and there's been no problems with Zolvix residues being found in any New Zealand goat meat or milk products, and they have a very large dairy goat milk industry in New Zealand, and yet Zolvix is still not registered in Australia for goats.

It is - anyone - any goat breeder can purchase it online, they can walk into an Elders or Wesfarmers and buy it off the shelf. They then use it at the wrong dose rate, they use it at the sheep dose rate, which just encourages resistance.

MR LINDWALL: Of course, yes, yes.

MS BAXENDEL: Yes. By not having it on the label at the correct dose rate, we're just going to be in a situation in the goat industry which will then transfer to the sheep industry, because the - when the goat worms become resistant to Zolvix they'll transfer into sheep.

MR LINDWALL: That's a good point, yes.

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MS BAXENDEL: Yes. If the vet - if the goat owner is in Victoria they can walk into any Elders or Wesfarmers and purchase that; not only purchase it, they can legally use it on farm without a vet's prescription, but the Victorian legislation says it must be used at the label dose rate, which again is less than what it should be.

So I think if a veterinary chemical is registered in New Zealand for five years, there's been no problems, it's not under review, it should be automatically registered in Australia. I do recognise that new legislation and the new APVMA operational and business plans all state they're going to use more overseas data, but that's not going to help the goat or minor livestock industries because overseas it is the same global problem. They do not have access to registered chemicals. And Australia's probably got more - no, actually, we've still got less. But there are some worm drenches in America that are registered for goats that are not registered here.

So the other solution which I am promoting is that in the UK they have guidance notes, and they have a suggested withholding period for minor species where there is no known withholding period, and that's seven days for milk and 28 days for meat. At the moment there is none.

Now, I should explain that there are three systems for determining a minor residue limit. So there's the APVMA set one, then the FSANZ set one, and there is a delay of - even though it's now - it used to be over two years. It's now down to about six months. But there is a delay period where it's legal if you've got a minor use permit or an emergency permit, perfectly legal to use that veterinary medicine on a minor use species, but it's not legal to sell the product of those livestock for another six months.

MR LINDWALL: Six months, yes.

MS BAXENDEL: And that is until the Food Safety Authority Australia New Zealand (FSANZ), who use exactly the same models as the APVMA, set their residue limit. As I said, it has improved. It used to be over two years because it had to go to ministerial council. Now it's six months, but to me that's ridiculous.

MR LINDWALL: You'd say typically it'd be 21 days or 30 - - -

MS BAXENDEL: Yes. Well, yes. They're using the same models. It should just be automatic, I would have thought. The APVMA use the Office of Chemical Safety to help register the chemicals and help set the MRL, and the Office of Chemical Safety is in the Department of Health,

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who oversees FSANZ. Doesn't make much sense to me.

And then there is a third level of maximum residue limits (MRL) setting, and that's CODEX, which is the international system, which not everyone uses. But it is an international system. So New Zealand has a default MRL, which I think is too high. It was set over probably 20, 30 years ago, and that is 0.1 milligrams per kilogram. I believe that's too high. But we could easy go 0.01 milligrams per kilogram.

Because in that six months period, and as a regulator I was involved in this, in that six months period where you have an emergency permit, it's legal to use it to save the animals, but it's not legal to sell the meat or the milk or the fish.

MR LINDWALL: Which rather defeats the purpose.

MS BAXENDEL: Which defeats the purpose. But if there was a default MRL then you can actually do it. Because when there is no default MRL then the Health Department demands zero, and laboratories now can go down to parts per billion and it's virtually impossible to get a zero, so we need some sort of level.

MR LINDWALL: It's a bit like our gluten minimum that we recommended in the report.

MS BAXENDEL: Yes. So I actually did promote this, and we did have some early meetings between the Product Safety and Integrity Committee and the FSANZ, and I suggested if there was no APVMA MRL, no FSANZ MRL, then we could go to CODEX. If there was no CODEX, then we could go to America. If there was no America, we could go to Europe, and then if there was no Europe we could go to a default.

The health authorities were very, very nervous of having a default MRL. But I think that cascade would actually work, and there are cases - I knew of a situation with strawberries where there was a new disease, they needed a new fungicide, they got it registered, but then because there was no food MRL approved by FSANZ, Woolworths and Coles wouldn't buy it. So they lost their strawberries.

MR LINDWALL: Yes.

MS BAXENDEL: So the other thing which I would strongly recommend is that currently where a vet can prescribe, in a lot of cases, but if there is a "do not use" statement on the label, so "do not use in goats" or "do not use in dairy goats" or "do not use in goats, milk used for human

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consumption", then a vet cannot override and cannot prescribe. And so a vet is in a situation where, because of information in textbooks and references I know that that drug would work and save the goat, but because of the "do not use" statement, I cannot do it.

And that is ridiculous. The control of use legislation allows you to choose one goat in the herd and save that one goat. You can't use it on more than one. And that is totally ridiculous and against any basic animal welfare constraints.

So I would suggest that unless - and there are some cases such as don't use aspirin in cats, because it kills them; don't use Romensen in horses, because it will kill them. There are certain cases where there are some strong "do not use" statements, but veterinary chemicals - and I can see this as chemical labels are being renewed, I can see it more and more, they are just putting it on because they don't want it used in minor species, they're not a commercially viable market for them, they're just a potential liability problem if they've got residues that are picked up in an overseas market. So they put a "do not use" statement on it.

MR LINDWALL: Risk aversion.

MS BAXENDEL: And this is just tying the hands of veterinary surgeons who would prescribe them otherwise.

MR BAXTER: Can I just ask the question, in parts of western New South Wales and parts of Victoria - parts of Queensland, and I think also parts of WA, there are large populations of feral goats. And in the last decade there have been quite deliberate programs sponsored by state governments and farm organisations to corral these goats and export them, usually in slaughtered form.

MS BAXENDEL: Yes, record prices.

MR BAXTER: At record prices. Now, is the application of this chemical to these goats applicable?

MS BAXENDEL: It's not applicable for the majority of these goats, because they're basically just captured and sent straight to the meat works. But I'm currently involved in a trial in an advisory capacity, Meat and Livestock Australia are looking at little goats, little feral goats which don't meet the minimum weight - - -

MR BAXTER: Yes.

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MS BAXENDEL: - - - and they're being grown on. And you have to prescribe a veterinary prescription, because the livestock production assurance scheme requires a veterinary prescription, and I can prescribe lice treatments and worm drench treatments for these goats.

But my concern is I can see this trend of "do not" statements being put on these, and there's going to come a time, unless something is done, when I'm going to have to say, "Sorry, legally I cannot do this." Yes. Which is ridiculous, because they can go down to Elders and Wesfarmers to buy it themselves.

MR BAXTER: Yes, yes, yes.

MS BAXENDEL: Yes. I did a search this morning for lice products, which brings me to lice products. There are 75 different liceicides for sheep as of this morning when I did my search, and they are in a range of different families. For goats, if you put in goats and lice, you get two.

MR BAXTER: Two.

MS BAXENDEL: You get a powder, which is a Pestene powder which does chooks, goats, sheep, virtually everything, and you get Clout S, which is difficult to buy commercially. I've been told by trial participants that they can't access it, can't buy it, which means - and of these two liceicides, none are registered for dairy goats. So theoretically someone with lice in their dairy goat herds, and bearing in mind Victoria they're setting up very large commercial dairy goat herds, 10,000 goats on one of them, are they supposed to get out there with a lice comb and comb all the lice out? I mean, it's ridiculous.

MR BAXTER: It is, yes.

MS BAXENDEL: So yes, it is getting to the situation is, I am a veterinary surgeon, I deal only in goats, and soon I'm not going to have any tools.

MR BAXTER: Could I ask - well, your experience with the APVMA, what's the resistance to change that might liberalise it to some extent and make it more reasonable?

MS BAXENDEL: I was only - the board was only advisory. They are funded totally by the veterinary chemical and agricultural chemical manufacturers. It's actually - their remit stops, their regulatory responsibility stops, at the point of sale. It's actually all the states that are responsible for control of use on farms. So they have a lot of other

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pressing problems, and so even though I was on the advisory board and did raise the issue, there were other pressing problems that took their priority.

MR LINDWALL: Yes. It's disappointing. I mean, some of those examples you've given are terrible animal welfare practices - not practices, but being able to prevent terrible practices.

MR BAXTER: Well, limitations.

MS BAXENDEL: Yes. I've been putting in submissions for - probably ever since I retired from government, and they're all on my website if you wanted to have a look. Can I go on now to miniature goats?

MR LINDWALL: Please, yes, yes.

MS BAXENDEL: And this is another solution which is possible for you. Miniature goats are growing in popularity. Recently pygmy and African Dwarf Goats were introduced into Australia through - from America, mainly through semen. These little goats are 17 inches to 23 inches high. That's part of their breed standard.

MR LINDWALL: They are small.

MS BAXENDEL: They are very small. You know, pygmy and dwarf being in their names, and miniature is their breed society. These goats are not going to go on a commercial meat chain. They are not going to be a commercial dairy goat chain.

MR LINDWALL: No.

MS BAXENDEL: My advice to you is to call these animals, miniature goats, companion animals, and companion animals have low regulatory evidence requirements. So if you want to register something for dog and cats you don't have to do residue studies. So this would again be another potential solution. The other thing which I wanted - - -

MR LINDWALL: So what would they ask about the - why are people importing them? For companion animal purposes?

MS BAXENDEL: Yes.

MR LINDWALL: Basically, yes.

MS BAXENDEL: I mean, these little goats sell for $2,000 a head.

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MR LINDWALL: What?

MS BAXENDEL: Yes. So you know - - -

MR LINDWALL: (indistinct)

MS BAXENDEL: So you know, they are very well-loved.

MR LINDWALL: Yes.

MS BAXENDEL: They have 200 people turn up at goat shows, or miniature goat shows, all in fancy dress. These are pets.

MR LINDWALL: Okay. Well, that's an easy solution.

MS BAXENDEL: Yes. For the miniature goats, anyway.

MR LINDWALL: Yes. Of course, yes.

MS BAXENDEL: But yes, and I just wanted to re-stress that unless something is done then goat breeders cannot use quarantine drenches. The new drenches - if you look on the ParaBoss website and look at the sheep recommendations, when you buy a new mob of sheep you have to drench with, they say, all four families, including one of the newer registered drugs like Zolvix. You can't do that with goats. There are only two drench families registered for goats. So this again is going to have another worm resistance build-up in the goat population, because we can't use it for quarantine drench as is recommended for sheep.

The other thing I would like to stress is that you'll see as the appendix, because I work in different states I have to prescribe - and you'll see the difference in the prescription forms that are required in each state. Fortunately, Queensland has the most requirements, so I can use my Queensland form in any state. But every state is different, and that is just ridiculous.

Some of the things that they need - like Queensland requires the APVMA number. It requires the active drug name as well as the brand name. So - it requires the expiry date. It just doesn't make any - - -

MR LINDWALL: And this is not on a prescription that would be given to us for - by a doctor?

MS BAXENDEL: That's right. I believe that only the information that a

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doctor's prescription has should be required for a veterinary prescription. Just change the name of the patient.

MR LINDWALL: Yes.

MS BAXENDEL: Because all this information is on the website. Once you have the name of the active drug, just go and look it up.

MR LINDWALL: Yes.

MS BAXENDEL: And the APVMA now have an iPhone app so you can look at it on your iPhone, so just need to get into the current day.

MR LINDWALL: Indeed, yes.

MS BAXENDEL: So that's basically - - -

MR LINDWALL: Okay. Could I ask a couple of questions?

MS BAXENDEL: Yes.

MR LINDWALL: Why is it that there's - in breeding goats there are more males than females over a significant period, by the look of it, by what you're saying? End up with more males. Is that - - -

MS BAXENDEL: No, they - it's just that if you look at the dairy calf situation, a dairy cow has one calf. A dairy goat might have two, three, four kids, yes.

MR LINDWALL: Okay. Well, that's (indistinct). And in terms of the increasing data protection with an extra year, was one of your options - - -

MS BAXENDEL: Yes.

MR LINDWALL: - - - would that have much of a price impact?

MS BAXENDEL: It's potentially a price impact, because generics are slightly cheaper.

MR LINDWALL: Yes, yes.

MS BAXENDEL: Yes. But that's got to be balanced against the ability to access drugs for minor species. It's not just goats, it's also things like alpacas and fish and various other minor livestock.

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MR LINDWALL: I think - I can't think of any more questions, as you were so thorough in your enunciation of all the issues - - -

MS BAXENDEL: Thank you.

MR LINDWALL: - - - and it seems quite clear that there are some amazing differences here between Australia and overseas countries in terms of use requirements - - -

MS BAXENDEL: I'd have to say that no - - -

MR LINDWALL: - - - and residues and so on, yes.

MS BAXENDEL: Apart from UK having their withdrawal period as a bench line, as a guidance note, they suffer from problems as well.

MR LINDWALL: Of course, yes. Well, thank you very much for appearing.

MR BAXTER: Yes, thanks very much indeed.

MR LINDWALL: Now we've got Greg Beashel from Queensland Sugar Limited. Greg. Good afternoon. Would you just say the name and organisation and a bit about QSL and also whatever else you would like to say to us?

MR BEASHEL: Yes, I've got about five minutes of preliminary address, then I'll be very happy to answer any questions you might have. Thank you for the opportunity to provide feedback on the Productivity Commission draft report on the regulation of agriculture. My name is Greg Beashel, and I am the CEO and managing director with Queensland Sugar Limited, a not for profit company whose members comprise each of the Queensland mill owners and representatives of Queensland cane growers.

We are currently the entity responsible for marketing to export customers the majority of raw sugar produced in Queensland, and operating the six bulk sugar terminals used for storage and handling of all raw sugar produced in Queensland.

QSL has a constitutional objective of promoting the sugar industry in Queensland and maximising returns to members, and as such, seeks to ensure fair, transparent and competitive outcomes in respect of raw sugar marketing. That includes growers being able to freely choose QSL to continue to market raw sugar on their behalf, and millers being able to

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ensure a fair return on their investment.

I'd like to begin my remarks here today by clearly stating that QSL respectfully opposes the Commission's recommendation that sugar marketing legislation passed in December 2015 be repealed on the basis that we believe such an action would effectively prevent competition for raw sugar marketing services for many Queensland growers and have a significant detrimental effect on the industry we serve.

Only in the circumstance where competitive sugar marketing arrangements not reliant on legislation are put in place in all sugar-producing regions could QSL support the repeal of the legislation. We believe the Sugar Industry Amendment Act promotes competition in raw sugar marketing in Queensland by enabling choice in what is a monopsony market for the majority of the sugar producing regions of the state.

QSL has made a submission to the inquiry regarding the Commission's draft report, and so I will not go through the full details of that here. However, I'd like to touch on the key issues behind our position on this matter.

So since our industry deregulation in 2006, QSL has worked with Queensland millers to facilitate marketing competition within the changing Queensland sugar industry, including reworking our raw sugar supply agreement with the state's seven mill owner members in 2013 to provide them with the ability to market their supplier economic interest sugar.

The option for a mill owner to market its supplier economic interest sugar has subsequently been exercised by Wilmar, MSF Sugar, Mackay Sugar, Tully Sugar and Isis Central Milling Company. However, until the implementation of the marketing choice legislation, growers had no avenue to choose which marketing entity managed their economic interest in sugar. That is the sugar that is used to determine how much the grower is eventually paid for the cane they supply.

QSL believes that the extension of marketing choice to growers at a retail level is a natural progression of the industry deregulation already successfully accessed by sugar milling companies. To deny growers access to this same choice regarding how their returns are generated would seem at odds with wider efforts to promote competition within our industry.

Reassurances that growers will receive comprehensive information

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regarding their miller's marketing performance we see are of no practical consequence if the grower has no alternate provider should they subsequently deem that that marketing performance is unsatisfactory. Claims that one marketer can somehow innately generate higher returns than others have already been tested and found to be unsubstantiated, most recently with Wilmar's 2015 pool, which despite having unlimited pricing discretion was outperformed by six of the seven QSL pools available during that same period, with its final result equalling that of QSL's lowest performing pool, the harvest pool, where the primary function is management of production risk rather than maximising returns.

Of course, this particular result does not mean that QSL will always outperform other marketers, but it serves as a reminder that the inherent superior performance of one marketer over another can never be guaranteed or assumed, regardless of a marketer's claims or reassurances. A competitive market for such services as underpinned by the new legislation is the ultimate test of performance, determination of success and subsequent driver for wider innovation and industry efficiencies.

In closing I would like to point out that suggestions that the new legislation would somehow inhibited investment or innovation in the Queensland sugar industry have not been borne out in practice. We have seen some contrary things to date with competition between millers and QSL for the provision of marketing services to Queensland cane growers in 2017 season already leading to innovations in both grower pricing products and payment options.

Queensland cane growers and sugar millers are already highly exposed to international competition every day, and so to deny their access to competition for marketing services would seem at odds with the intent of the wider deregulation process.

QSL firmly believes the repeal of the Sugar Industry Amendment Act would stifle this competitiveness within the marketing sector to the detriment of Queensland cane growers and the wider industry. Thank you.

MR LINDWALL: Thank you very much. Did you want to start, Ken?

MR BAXTER: A question of sort of structure and fact at the moment. Does QSL have either direct or residual compulsory acquisition powers?

MR BEASHEL: No.

MR BAXTER: Right.

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MR BEASHEL: That ceased in 2006 with the industry deregulation.

MR BAXTER: So at the sort of end of the line you can't turn around and issue a notice requiring all the mills to deliver any amount of sugar to you?

MR BEASHEL: Only to the extent that that sugar is commercially contracted to us. So when I mentioned in my opening - - -

MR BAXTER: Well, yes, sorry, over and above any contractual arrangements.

MR BEASHEL: No.

MR BAXTER: I mean, there seem to be two elements that - if you have a contract with, let's say, miller A, he's delaying on the delivery of sugar to you or the dispatch of sugar, you've got the right to seek performance of that contract.

MR BEASHEL: That's right, yes.

MR BAXTER: But you haven't got the residual power of being able to turn around and say, "Well, I'm waving a piece of government legislation and I'm using section X and I'm acquiring all that sugar."

MR BEASHEL: No, that changed 10 years ago in 2006.

MR BAXTER: So that's definitely gone? Yes.

MR BEASHEL: Yes.

MR LINDWALL: I assume this is historical, but Queensland Sugar Limited, it's a company limited by guarantee.

MR BEASHEL: Yes.

MR LINDWALL: It could - and a not for profit. It could hypothetically have been a company where the shareholders are the growers and the millers and you pay dividends to them. Was there any particular reason it was structured as it is?

MR BEASHEL: I'm not aware of what the reasoning was. I'm assuming that the people who set up QSL were looking to set it up in the way that made it most attractive to them, so they chose the company

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limited by guarantee structure.

MR LINDWALL: And when you're talking about achieving higher pool prices, of course the other side of the equation are your costs in doing the marketing and so forth. How is that taken into account?

MR BEASHEL: Our prices are net with our costs.

MR LINDWALL: Net.

MR BEASHEL: So typically the prices are quoted as the gross price, and then a shared pool deduction that includes the other costs and revenues outside of the futures component of the price.

Now, whilst the net of that sum of the other costs and revenues is typically plus or minus $5 a tonne out of a $500 sugar price, there are significant individual costs and individual revenue items. I think if you add them all up you get to something like $100 million. So we don't support some of the assertions that are made that that's not important. You hedge the futures price, and that's all you have to worry about, because that's 99 per cent of the net price. We put that those other things, if you don't get them right, you can end up with a much different result than a few dollars either side of zero.

MR BAXTER: Can I just take that a few steps further?

MR BEASHEL: Yes, sure.

MR BAXTER: As a company limited by guarantee, are you able to keep retained earnings?

MR BEASHEL: Yes.

MR BAXTER: So that if you've got an anticipation that the sugar market might - or parts of the sugar market, or a customer might be drifting in a particular direction, you're able to hold back proceeds from sale as retained earnings to make sure that you're able to cover any position.

MR BEASHEL: Only to the extent that those obligations are not already guaranteed in a commercial contract. You know, of course the people who want us to provide marketing services to them are interested in getting the highest return back that they can so, you know, QSL retained earnings is something that we try not to have unless we really see a really good reason to have it.

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MR BAXTER: Yes, but you've got a capacity to do that?

MR BEASHEL: We've got a capacity to have retained earnings, yes.

MR BAXTER: If you can - I mean, you can look back over the history of the sugar industry, and there's been occasions when even under the old arrangements of the Queensland Sugar Board there'd be market situations where they may have decided to hold back funds in anticipation of having to make some alternative arrangements, an example being when a number of the ships were held up in Yokohama Harbour and negotiations had to take place between the Australian and the Japanese government to get release of those ships which were filled with sugar.

Now, presumably there'd be a point reached where if those negotiations had not been successful your predecessors would have had to say, well, the point's been reached, we may have to divert those ships and cargoes elsewhere.

MR BEASHEL: Yes, yes, of course, those decisions would need to be made. Typically those things would be handled via our pre-payment, or what we call our advances scheme, where we can slow that down or speed it up based on our forecast of what's happening in the market and what has actually happened.

MR BAXTER: Right. So if you started to sense something like that happening, you'd actually go to the mill or the growers and say, "Look, we're a bit nervous about what's occurring in market X, there's a lot of signs that are suggesting we may have some problems, we'll either reduce the preliminary payment to you, or we'll hold reserves."

MR BEASHEL: Typically not hold reserves, but we would reduce the rate of payments, or reduce the price forecast.

MR BAXTER: And that would be across the board, to all suppliers to QSL, or only to the supplying mill?

MR BEASHEL: It would be just for those who were impacted by it. So it would really depend on what the problem was and who was exposed to that problem.

MR LINDWALL: So what about - can you borrow money?

MR BEASHEL: Yes.

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MR LINDWALL: And what's the situation to make sure you're continuing to be, well, liquid and solvent over the long period?

MR BEASHEL: Well, that's the directors' obligation of QSL. So we borrow funds and we run what we call an advances scheme. Typically we pay for sugar before we're paid for it by customers. We rely on owning the inventory to do that, and we have funding arrangements in place and the industry relies on those funds coming from us, or in the future some of our competitors, to be financed.

MR LINDWALL: What if you had cause for a major capital acquisition or capital investment somewhere? Would you have to get through further injection of capital from your members, or how would that be achieved?

MR BEASHEL: There would be a variety of ways of doing it. So typically we would just buy that capital on a debt funding basis and charge it out to our clients over time.

MR LINDWALL: Okay. And in practice, how many Queensland growers choose another marketing company other than QSL? In Queensland, that is?

MR BEASHEL: Well, none at the moment, because there's no choice arrangements actually in place, so hence our position that this legislation is needed at least so those arrangements can be put in place, and then we say that we would only support the repeal if those arrangements were not reliant on the legislation to continue.

MR LINDWALL: So you're happy not to be a monopoly provider of marketing services?

MR BEASHEL: We've been happy with that since 2006. We've in fact asked for the deregulation in 2006, and we've had that position since then.

MR LINDWALL: A bit of competition in marketing might spur innovation and so forth? Keep you on your toes?

MR BEASHEL: Yes. Well, as I pointed out in our submission, that's already happened. It was able to happen since 2006. Most of the sugar's contracted to us until the end of the 2016 season. This competitive environment we're talking about we hope will start in the 2017 season.

MR LINDWALL: Anything else?

MR BAXTER: No, I've got - when did the Queensland Sugar Board

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hand over to you people?

MR BEASHEL: The Queensland Sugar Board didn't hand over to us. So there was a sugar board in place, and then, as I understand it, some of this well before my time, they were taken over by the Queensland Sugar Corporation, who had a contract with CSR Raw Sugar Marketing to do the export marketing, and then effectively the Queensland Sugar Corporation and CSR Raw Sugar Marketing merged, and QSL was formed in 2000.

MR BAXTER: So CSR has basically removed itself out of this?

MR BEASHEL: Yes, so CSR agreed - they had a contract with Queensland Sugar Corporation that finished in 2000. I used to work at CSR Raw Sugar Marketing, so I'm very familiar with the arrangement. But effectively some of the staff from CSR Raw Sugar Marketing and Queensland Sugar Corporation went to this new company, Queensland Sugar Limited, that was made up of all the industry representatives, and that all started in 2000.

MR BAXTER: And from a governance point of view, who elects or appoints the directors of QSL?

MR BEASHEL: There's a board selection committee, and that's elected by the miller and the grower members of QSL.

MR BAXTER: So what, one vote each or something?

MR BEASHEL: The mills have a vote in proportion to their supplied tonnage to QSL, and the growers is one representative for each milling region. There's some complication around the mill voting, because when Wilmar purchased Sucraga, one of the conditions of that purchase, as I understand it, made by the Foreign Investment Review Board, was that they would lose most of their voting rights in QSL if they no longer participated in QSL's raw sugar supply contract. So that impacts on the board selection committee place, for instance. Wilmar and the other mills that have given notice to QSL under the sugar supply arrangements are not allowed to vote for the election of directors as things are standing now.
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MR LINDWALL: Is there anything you can - do you sell any - market any sugar - raw sugar from New South Wales, or - on a voluntary basis?

MR BEASHEL: We buy sugar from New South Wales from time to time to export, but we have no current arrangements in place with them.

MR LINDWALL: And is there anything you can say about ports and

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shipping generally in Australia and labour market laws or the operation of ports and their efficiency and so forth? Regulatory issues, since we're looking broadly at regulatory issues affecting agriculture, of course.

MR BAXTER: Well, can I just intervene? We have specifically recommended that cabotage should be removed, and knowing that Queensland ports stretch up and down from basically Maclaren - or I suppose it's Brisbane to Cairns, what's the view about cabotage?

MR BEASHEL: QSL only does export shipping. We're not involved in domestic shipping.

MR BAXTER: But let me - let's say you were sending off a couple of containers and you loaded them in, let's say, Mackay for trans-shipment in Brisbane, if that was a coastal ship taking that traffic you'd be charged about four to five time what it would do if it was an international vessel.

MR BEASHEL: If we did that, we'd want to pay the most competitive rate for it, but that's not something that we - - -

MR LINDWALL: So you're always going straight - - -

MR BEASHEL: We're exporting.

MR LINDWALL: There's no coastal shipping.

MR BEASHEL: Yes.

MR LINDWALL: I mean, I could imagine what Ken is asking is that you could fill up partly - the ship, I take it, would - not containers, is it? It'd be just a bulk ship.

MR BEASHEL: A ship can two-port load - - -

MR LINDWALL: Two-pot load.

MR BEASHEL: - - - and export arrangements apply to that. That's not a domestic carriage. But I support what you're saying, though. There could be circumstances that you could image with cyclones taking a port out and sugar having to be sent in small vessels from one sugar terminal to the next.

MR BAXTER: Well, you export to PNG, don't you?

MR BEASHEL: No.

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MR BAXTER: Or has that stopped?

MR BEASHEL: No, PNG is not an export market for sugar. Most of it goes to Indonesia, Japan, Korea, Malaysia, nearby Asian markets, but not PNG.

MR BAXTER: And New Zealand?

MR BEASHEL: Yes, some sugar exported to New Zealand.

MR BAXTER: And does that go as bulk, or is it containerised?

MR BEASHEL: The raw sugar we sells goes in bulk shipments. There is some sugar sold in containers, though, imported and exported from Australia.

MR LINDWALL: So any comments about our port efficiency, then?

MR BEASHEL: QSL runs the sugar ports.

MR LINDWALL: Yes, so you have total control over them?

MR BEASHEL: Yes, so we believe they run very efficiently. We do benchmarking about our performance of the ports. Ships typically turn around within a day. Port congestion is very low. It's one of our competitive advantages compared with, for instance, Brazil, where you know, there can be 30 to 60 day line-ups to load a sugar ship in Brazil. We don't have that problem here.

MR BAXTER: And is the MUA the union on your ports?

MR BEASHEL: No. We're represented at our ports - our staff are members of AWU, AMWU and the ETU. You must remember that loading ships is a very small part of the tasks that they do. They're mainly involved in maintenance tasks at the terminals.

MR BAXTER: Okay.

MR BEASHEL: So typically we're very highly automated at our ports, and there is approximately 120 staff running the six ports. That's got about 2.6 million tonnes of storage capacity, rail and road receival, and very efficient ship loading.

MR LINDWALL: Is there anything about - are you prohibited or are

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you allowed to buy a mill and own a mill and operate a mill?

MR BEASHEL: Our constitution is pretty broad. It basically says, if I can summarise it, we need to act in the bests interests of the sugar industry. As you can imagine, and you've probably heard here today, there's sometimes quite some debate about what that means.

MR LINDWALL: Yes, yes.

MR BEASHEL: But yes, owning a mill is something that as a director of QSL I wouldn't support doing, but it could be argued that under our constitution we could do it if we wanted to, yes.

MR LINDWALL: Yes. Obviously it would be a major change in your business model.

MR BEASHEL: Yes.

MR LINDWALL: And if the current arrangements involve only QSL as a marketer, wouldn't you say that the arrival of Wilmar in 2010 is effectively the introduction of competition into that market, in the marketing area?

MR BEASHEL: No, because as early as 2006 two milling companies chose not to be contracted to QSL, but from 2006 until now QSL was the marketer for the vast majority of sugar, and there was a small amount that was marketed outside of our system. The arrangement was voluntary from 2006, but the arrival of Wilmar and some other companies who had trading capabilities, the competition got much stronger, the tonnage potentially outside the QSL system is much larger.

In fact, when I said that we changed our arrangements back - I think it was in 2013 to allow milling companies to market their economic interest in the sugar, we in fact had that sugar contracted for another three years in the future, and could have insisted that we market it all, but we took the view that they're keeping the revenue and they're the ones who are wearing the outcome of the marketing decision.

So if they want to do that themselves we should allow that to happen. But what we did say is if you want to market the grower economic interest in sugar, which some of them did, including Wilmar, you have to gain the agreement of the growers before QSL would allow that, and they weren't able to do that, and there's a long history now of debate around that.

MR LINDWALL: If you're - I mean, you're a marketing company, an

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efficient marketing company. Why do you have to take a position about whether growers have choice of marketing with your or someone else, rather than the millers having the choice of where to market?

MR BEASHEL: Because the current model in the industry is the mills buy cane from the growers.

MR LINDWALL: Yes.

MR BEASHEL: And the growers - some of them at least want the sugar marketed by QSL, and mills, some of them at least, don't want that to happen.

MR LINDWALL: Yes, but that's - - -

MR BEASHEL: So our position is that those growers should be allowed to have access to the QSL services if they believe QSL can do a better job than their milling company.

MR BAXTER: So there's - let's take a grower who delivers to a mill. Is that grower capable of saying to the miller, "Yes, I'm happy for you to mill it and the output of that milling you can sell under your umbrella," or he turns around and says, "No, I want that cane processed by you but I'm getting QSL to sell it"? Does that situation or does that opportunity exist? And if it does, in the second element where it's almost a contracting processing, is that possible?

MR BEASHEL: So that's what marketing choice is. You can choose the miller to sell your economic interest in the sugar or you can choose someone else to do it. So from 2017 season onwards, that's what this law says, is the grower has to be afforded that opportunity and they can choose either.

MR BAXTER: Okay. So the grower's got, prior to submitting the cane, he's got at least some knowledge as to two opportunities. Either sell it to QSL - or sell it to the miller, and just goes through his system, or nominate that he wants it milled, but to go somewhere else, whether it's QSL or somebody else?

MR BEASHEL: In theory, yes. In practice, as we stand here today, no, because QSL has not been able to negotiate contracts with any milling company to put that in place. We're very close with one. We've in fact agreed the terms, subject to changing some of our pooling arrangements with our other clients so that can be implemented. But that's what is the intention, but it's not in place today, for 2017 season.

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MR BAXTER: So what's your assessment of - I mean, you needn't answer this if you don't want to, but what's your assessment of completing that contract arrangement, or contract milling arrangement? You sound as if you're a reasonable way along the track.

MR BEASHEL: There's three milling companies who have given notice to QSL, so we would like to put a contract in place with each of those parties, so we've agreed with one, subject to changing some of our pooling arrangements with our other clients, and I think that's very close to happening. I'd hope to be making an announcement soon about that.

The other two arrangements we're not well-progressed on, and you know, I wouldn't like to speculate about how long that's going to take, or if it's going to happen at all.

MR BAXTER: But if you succeed with one there's a fair chance it'll send a signal to the others that, you know, if they're going to operate in the market they need to follow suit.

MR BEASHEL: I hope so, yes, although there's been some public discussion about that. We're in confidential discussions with one of the others, so I can't tell you all the terms, but one of the terms that's been called out is we currently buy the sugar in a free in store basis and that's important for our funding arrangements, and that company, Wilmar, is proposing that the new arrangement be an FOB arrangement, where we own the sugar as it's loaded on the boat, and there's quite a big difference commercially between those two things. Typically the difference in time would be 145 days in terms of owning the sugar, so there would be an unsecured financing arrangement required if we were to agree to FOB terms. It would have impacts on swap pricing for futures pricing and other risks for us that we don't think are reasonable, so we've said that we're not going to accept that term. So that's a major point of difference.

MR LINDWALL: Isn't it true that for the growers, and the couple her today, their issue is that they want to have the say in who the marketer is and QSL, but for you, I mean QSL, it really is just the law as it stands and the Choice In Marketing is really just a benefit in the sense that it reduces competition from other marketing companies to QSL, in practice?

MR BEASHEL: The law - I'm sorry, I'm not following you, Commissioner.

MR LINDWALL: Well, if there was no Choice In Marketing Act, you'd probably have more competition in marketing services?

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MR BEASHEL: No, I wouldn't agree with that statement. I think if there was no marketing act we wouldn't have the ability to provide marketing services in the areas where the notice has been given to QSL, which represents about 80 per cent of the sugar produced in Queensland. So the law in fact gives us access to those markets. So without - - -

MR LINDWALL: So it's almost like an existential threat?

MR BEASHEL: Yes, yes. Although we have - four of the seven milling companies are contracted to us. They didn't give notice, and they've made the decision that QSL's offering makes sense to them, so they're signed up until the middle of 2019, and they've rolled their contracts since these other companies have given notice.

So there's some - some people have got different views on this, obviously. So four of the seven milling companies are contracted to us and continue to be.

MR LINDWALL: Well, that's probably - - -

MR BAXTER: Yes, I've got no further - I wouldn't mind before you go if I can get your card.

MR BEASHEL: Yes, certainly.

MR BAXTER: I'd just like to try and get that sort of supply chain with a clearer picture in my mind.

MR BEASHEL: Yes, I'll be very happy to do that, Commissioner.

MR LINDWALL: Thank you very much then, Greg. So we've got now Tully Sugar, I believe, Nigel Salter, is that right?

MR SALTER: That's right, thank you.

MR LINDWALL: Just - - -

MR SALTER: Good afternoon, Commissioner.

MR LINDWALL: Good afternoon.

MR SALTER: I'm Nigel Salter, and I'm the commercial manager for Tully Sugar Limited. Commissioner, with your indulgence, we put in a very short submission. I wouldn't mind giving an introductory talk.

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MR LINDWALL: That would be perfect, really, because I think that I haven't had a chance to look at it yet. It came in - - -

MR SALTER: And then maybe just comment on a few of the issues that have been raised today, and then I'd be happy to field any questions that you may have.

MR LINDWALL: Excellent, thank you.

MR SALTER: Tully Sugar is a single mill. We, unlike the others, have only one base milling operation, so we rely on one bulk sugar terminal and one mill for our production. We were acquired by the Chinese company Cofco, which is a state-owned entity, back in 2011. Because it's a state-owned entity, there are some restrictions that go hand in hand with that, but so far the arrangements have been fairly successful.

We employ around about 330 people, we play a significant role in the township of Tully and a pillar of the economy by and large. Tully Sugar welcomes the attention of the Productivity Commission into the regulation of Australian agriculture, and in particular we believe that the *Sugar Industry (Real Choice In Marketing) Amendment Act* that was enacted by the Queensland parliament has added significantly to the costs of operations and has caused delays in our negotiations with our growers for a new cane supply contract for the 2017 season.

We therefore support the draft recommendation 11.2 of the Productivity Commission that the Queensland government should repeal the amendments to the *Sugar Industry (Real Choice In Marketing) Amendment Act.*

Commissioner, my history with the company only goes back 10 years. I joined in 2006, which was virtually the kick-off time for the deregulation, so unlike Mr Murday and some of the cane growers' representatives I haven't been in sugar all my life. I might find it difficult to answer some of your longer-term questions, but I'm happy to do my best.

There was some talk earlier on about the difficulties for growers in diversification. Now, the last thing that Tully Sugar wants to see is growers diversifying and not growing sugar cane, but to put that statement in perspective, we, like all the other sugar mills, have a large bucket of bolts with a huge capital cost that we only run for maybe five months of the year and then it sits idle. We have got no opportunities to diversify outside of the sale of by-products like electricity and molasses, and that's

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about it.

The other issue which I would like to stress is our total interdependence with our growers. Millers and growers are linked, we're joined at the hip. We cannot prosper without the other party prospering as well. One of the earlier comments challenged the mills' commitment to supporting their growers, and I'd like to just make a couple of observations.

As one of the mills that gave notice to quit QSL, our growers for the 17 season do not have any access to the QSL pricing products like Bundaberg, Isis and Mackay, but recognising that sugar prices are at an historical all-time high we've put in place a temporary transitional arrangement that enables growers to rely on their existing 2016 contract as a temporary measure with no coercion and no take-it-or-leave-it, no ultimatums, and we've used that vehicle to provide them with the opportunity to forward price for the 17 season only.

Now, it's not a perfect arrangement, because it doesn't address 18 season and beyond, but it comes with no strings attached. The contract that they are relying on to do the pricing has clauses in it which enable them to quit the contract as soon as they sign a collective. Should that happen, they'll have all the choices that the Act prescribes, so we feel that we are taking our growers' welfare, their financial welfare, extremely seriously.

Another matter that I haven't heard raised today, and I would like to at the risk of giving you information that you're already particularly familiar with, is that as we sit here right now and going forward, growers have direct control over the pricing of the sugar. Pricing and physical marketing are completely separated in the sugar industry, so growers can either forward price, as we've been discussing the 17 season option that we've made available, or they can select pools operated up until 16 by QSL and going forward by whoever their marketer might be.

The statistics that QSL's put out, and the latest I have because I'm not entitled to get this information anymore, but for the 13 season shows that growers in that manner can control up to 99 per cent of the price that they get paid for their sugar cane.

So this whole marketing issue is really fiddling at the fringes. It deals with the premiums that are earned by the marketer, less the marketing costs that go hand in hand with it. The imposition of the Act will expose our growers to marketers of their choice. We've spoken as if QSL was the exclusive marketer, but there is nothing to stop Cargall or Wilmar or MSF

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or any of the international firms touting to the marketer of our growers' physical sugar.

The only terminal that we have access to is the Marillion terminal, which is one of the smaller terminals. It has limited capacity. The total holding capacity is around about 175,000 tonnes. The Tully Sugar Industry share of that is about 92. The remainder is largely MSF, who have mills in the area, with Mackay Sugar through some toll crushing arrangements having a small foothill as well.

It is going to be extremely difficult for us to manage our sugar stocks based on a maximum capacity of 92,000 tonnes on our own. Sharing that with QSL or MSF or anybody else that is marketing for our growers will add to the costs. It will mean that we'll have smaller vessel sizes, smaller shipments of sugar, multiple loadings at different ports. We see that as a serious risk.

One of the other issues that we've had to deal with, Commissioner, is that our marketing entity is a Chinese Hong Kong-based fellow subsidiary company of Cofco. They have been marketing sugar for a considerable period and handled quite a significant tonnage, but a quantity of what they do is directed back to company-owned refineries and the like in China.

So we've recognised very early on that one of the issues we have to deal with to the satisfaction of our growers is the arm's length and the transparency of these transactions. We believe that we've got that covered.

And just finally, on the issue of ownership of sugar and sovereign risk, I think a previous speaker covered quite clearly the ownership of the sugar cane and the risk that the mills carry once we've taken delivery of it. Sugar in the stockpile, currently ownership transfers to QSL as soon as it's delivered. Going forward for 17, we will have inventory management issues. The insurance and the risk management of those inventories will be part of our brief and part of our role going forward.

Mr Commissioner, I really didn't have anything else that I had note for today, but I'd be happy to make any comments that might be useful.

MR LINDWALL: Thank you very much. Ken, do you want - - -

MR BAXTER: Out of interest, what were the factors that prompted your growers to head in this direction as against going with the - what appears to be a significant degree of support for the QSL arrangement?

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MR SALTER: At this point we don't have a cane supply contract for 17. Once we do, part of that requirement under the Sugar Industry Act will be to give growers choice of whether they want us or not. So as I sit here right now - - -

MR BAXTER: Yes, that's right, exactly.

MR SALTER: - - - we manufacture around about 320,000 tonnes of sugar. Around about 140 will be our - what they refer to as MEI sugar. The other 180 is grower's economic interest. We will get some - most - hopefully most of that to market. We won't know until that nomination is made by the growers.

MR LINDWALL: When's that date?

MR SALTER: We're targeting having cane supply contracts completed so that growers can nominate by the end of October. Now, that date is dependent on us getting the contracts up and in place. Our marketer indicated to us that delaying past the end of October will cost all marketers opportunities in forward selling in the 17 season, be that our marketer or QSL or anybody else. The sooner we can give them certainty, the better the outcome will be for the growers, so we're trying to get that targeted for October.

MR LINDWALL: How many growers did you say?

MR SALTER: We have about 240.

MR LINDWALL: 240. But you don't have an opinion on what percentage of them are happy with the marketer that you - - -

MR SALTER: Yes. My honest opinion is that there will be a few at the fringes. Some will support QSL completely. Some will support us completely. We're doing our modelling on the basis that approximately half will come with us. There is no science in that. It is just from discussions and anecdotal reports.

MR LINDWALL: Yes. Because it seems to me that it's a bit like any investment. Past performance is not a guide for the future.

MR SALTER: Yes, yes, indeed.

MR LINDWALL: So the marketing performance of QSL or other marketers in the past doesn't demonstrate what they might do in the future.

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MR SALTER: No, no, it doesn't. We heard earlier from Wilmar about investments hinging on the outcome of the Act. Without a doubt, our owners were not pleased with the passage of the bill. It'd be fair to say that any capital proposals that we put them that focus on increased capacity are reviewed with more stringency, but to date nothing has been knocked back. They have not declined any proposals. But they are clearly not pleased with what they perceive to be the sovereign risk to the sugar which we bought in the form of sugar cane and manufactured.

MR LINDWALL: Does this add to some angst that is similar in other areas such as the Kidman purchase or other Chinese purchases of Ausgrid, for example, in New South Wales?

MR SALTER: Yes, yes.

MR LINDWALL: Where the Foreign Investment Review Board decisions have tended to be negative in recent times?

MR SALTER: Yes. Commissioner, we have an excellent relationship with the Foreign Investment Review Board. We were given a series of requirements, reporting requirements and the like, which we've scrupulously adhered to. I cannot give you an honest summation of what our parents' strategies are. I'm a humble Tully servant, and I don't know what other plays they have for Australian assets.

MR BAXTER: But you're not seen as a strategic risk?

MR SALTER: No, we're not. We're not. They have other ventures in Brazil, and I think by comparison, Commissioner, we look pretty good.

MR LINDWALL: But your relationship with your growers is quite good at the moment?

MR SALTER: I believe it's very strong. I believe - - -

MR LINDWALL: As you say, because they're intrinsically linked.

MR SALTER: They are. We've made the pricing available. We don't find negotiating cane suppliers' contracts easy, and I'm sure that that's endemic for the type of operation that we're in, and it's not particular to Tully. But we have excellent relationships with most of our growers. That's not to say they'll all support us, though.

MR LINDWALL: No, no, of course not. I think Wilmar have

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mentioned earlier today that an investment in storage capacity which would allow it to market in March and May rather than July/October - - -

MR SALTER: Yes, yes.

MR LINDWALL: Would that be similar in the case of Tully or - - -

MR SALTER: We are limited to the Marillion terminal. We will be behind the eight ball without the capacity to carry significant stocks forward to the March and May contracts. We have sufficient confidence in the product that we're offering that we'll make savings and recoup that in other areas.

Now, it won't be simple, as Shayne Rutherford pointed out. That carry in the market can be $30 or $40. So we will have our hands full. But we think we're lean and we're mean and we can - - -

MR LINDWALL: Yes. So it's true that you do get a premium marketing in March?

MR SALTER: Absolutely, yes. We get a premium all the time, but there is a traditional carry between the July and October contracts through to the March and the May. At the moment the market's actually in decline, so the converse is true.

MR LINDWALL: Yes.

MR SALTER: We would get a premium for selling the sugar sooner rather than carrying it forward. But that is unusual. It is unusual.

MR LINDWALL: Yes, yes. All right. Did you have any - - -

MR BAXTER: No, I've got no further questions.

MR LINDWALL: Well, I think that's excellent. Unless there are any final points?

MR BAXTER: No, only one. Who is MSF? There's been mention a couple of times - - -

MR SALTER: MSF Sugar Limited?

MR BAXTER: Yes.

MR SALTER: It's owned by Mitr Phol, a Thai private company.

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MR BAXTER: Right, that's the Thai company.

MR SALTER: Yes.

MR BAXTER: Okay.

MR SALTER: Thank you very much and thank you for your time.

MR BAXTER: Okay, thank you very much.

MR LINDWALL: Now we've got Andrew Drysdale, I believe, is that correct? Okay, thanks very much for that. Much appreciated. Hello again Andrew.

MR DRYSDALE: Yes, thank you. I'm not going to talk about sugar.

MR LINDWALL: No. Good.

MR DRYSDALE: Andrew Drysdale, CEO of the Queensland Regional NRM Groups Collective, NRM being natural resource management groups collective. We did put a submission in supporting the number of places that the report identified the potential role of natural resource management groups.

In Queensland we have 14 natural resource management groups, of which 13 are not for profits, either companies limited by guarantee or incorporated associations. The 14th, Torres Strait Regional Authority, is actually a statutory organisation set up under a commonwealth act.

Our primary role is to implement landscape management. We work with our local communities to identify at a regional scale or a catchment scale those - a landscape that they want, and when I say a landscape that they want, that usually means a landscape that's economically productive, that socially supports a social infrastructure, and also maintains and protects high value biodiversity areas, and we work very hard to try and integrate all three of those across the landscape so there's not - there's an element of win/win/win.

In terms of the scope of this report and regulation, in Queensland we don't have regulatory roles. In New South Wales, Victoria and South Australia our counterparts do. Our NRM plans in Queensland aren't statutory plans, although there are some examples where other statutory plans do make reference to ours.

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We see our role in some cases of supporting regulatory processes by working with communities and making them aware of their various regulatory responsibilities, but we in no way have any role in terms of compliance or delivering regulation, and at this stage nor do we, because we feel we can win the confidence of community more by not playing that role.

We do believe that we're the honest brokers in many cases, and a good example at the moment is with the vegetation football game that's happening in Queensland, where it's very much a political football, and will remain so, I dare say, until some middle ground can be found.

We see our role as an example there of trying to bring the parties together, the fringe elements, and drive at least at a regional scale a discussion that will get agreement around the ideal landscape outcomes that our communities and our governments - and I say governments in terms of local, state and federal governments - want.

We believe that if we put a fair bit of effort into talking and talk until the talking's done then - and get agreement around those landscapes that we want, then perhaps a lot of the impasse around regulation and the football match may stop.

We see by example the long and tedious discussion going around the Murray-Darling Basin and the development of that plan. Whilst it's long and tedious, I think the outcome is going to be ideal in that there will be agreement across a whole lot of key players, and that plan then will set the foundation for the future, and hopefully then minimise the need for regulation in certain areas, and I dare say you're looking at water harvesting, flood plain water harvesting. Again, if we get our communities, and including of the irrigators, to agree that they want a river system that is healthy and to have that healthy river system there needs to be X amount of water going down the flood plains, then again the issue of whether they're taking too much or too little becomes no longer an issue.

So that's sort of the level that we're working at. In terms of where we think that governments can help us support and in many cases replace the need for regulation, the NRM bodies, definitely in Queensland and I think around the country, are filling a hole that has been made by state governments withdrawing extension services from our industries. That hole is being left increasingly to NRMs and industry organisations to provide those extension services. In some cases there was a belief that the marketplace would fill that void, but in many areas it hasn't. We have to look at the grazing lands right across Australia. There is just not the

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market there to drive, you know, in many cases, consultancies and the like.

I think the NRM bodies have filled that void well to date, but we are suffering now because of, whilst governments withdrew the services, and then they looked upon the NRMs to fill some of that hole, we are being - we're being very much screwed down in terms of the amount of money that we're able to access to help (1) deliver those services and (2) keep our organisations viable.

I think that's probably an element that applies to all not for profits, not only NRMs or environmental organisations, and maybe that's another discussion for a Productivity Commission into how governments are or are not supporting not for profit organisations.

MR LINDWALL: Indeed.

MR DRYSDALE: So yes, I would probably pull it up there. Thank you for the opportunity at late notice.

MR LINDWALL: Well, thank you, Andrew.

MR BAXTER: Yes, a quick question. You mentioned the Murray-Darling Basin people. Do you have any formal relationship with them, or is it informal?

MR DRYSDALE: Our relationship with them - we have an NRM group in Queensland called the Queensland Murray-Darling Committee, which sort of covers a couple of the catchments of the Murray-Darling in Queensland.

We - our only role with - our only relationship with the Murray-Darling Basin Authority is by way of they do consult with some of our guys, and in Queensland we have a lesser role than, say, Victoria, but we do deliver some incentive programs for the Murray-Darling Basin Commission or Authority.

But I think there's - we have opened a dialogue, and we've had a pretty fruitful meeting with the Murray-Darling, but we're dogged by that they say they are bound by the Act, which says that they can only deal with water that runs between bed and banks, where we're very much about looking at the whole catchment and whole landscape.

MR BAXTER: Yes, well, I mean, it was interesting, because we met - or we've met quite a few people in Victoria and New South Wales involved,

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and it was raised with us I think basically on every occasion that there needed to be an expansion of the area of interest beyond just between the banks, and into the groundwater supplies, and perhaps more detailed assessment of what was really in the artesian basin and what was happening to it.

MR DRYSDALE: Yes. Well, we put a proposal to them that we develop a methodology that looks at quantifying the benefits of other activities like re-snagging rivers or re-vegetating riparian ways, other than just letting more water flow down. That will ultimately give an environmental outcome that we all agree on.

And even to the extent that we were going to use a common language of we'll be able to give that - quantify that in megalitres equivalents. The Authority said, "That's a great project, but we can't fund it because it's out of scope," and we've said, "Well, are you after an environmental outcome?" - - -

MR BAXTER: Exactly.

MR DRYSDALE: - - - "or are you, you know, just trying to stay" - it's all about water quantity.

MR LINDWALL: Given the time, I've only really got one question, Andrew, about whether there are - you're not statutorily based here in Queensland. Is there an advantage in other states which do have a statutory basis, or - - -

MR DRYSDALE: Well, there is one advantage. We're non-statutory, and at the moment we get a state budget of about $8 million. Victoria is statutory and they have a budget of about $70 million. And New South Wales has a budget of about $80 million per year. So - - -

MR LINDWALL: And you've got a large territory to cover.

MR DRYSDALE: We've got a big area. We may have a - we - and I really don't believe that we engage our community any better or any worse than the Victorian CMOs do, so that's a question we're going to have to take on board and answer.

MR BAXTER: No, that's all I've got.

MR LINDWALL: Thank you very much then, Andrew.

MR DRYSDALE: Thank you.

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MR LINDWALL: Now, that's the last appearance, unless - Don, did you want to have anything final to say? No? In which case I'll adjourn the proceedings and we'll resume tomorrow in Townsville.

MATTER ADJOURNED AT 3.24 PM UNTIL THURSDAY, 25 AUGUST 2016 AT 9.00 AM

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Australian Government

Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT RYDGES SOUTHBANK, 23 PALMER ST, TOWNSVILLE
ON THURSDAY, 25 AUGUST 2016 AT 8.30 AM

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MR LINDWALL: Good morning, welcome to the public hearings for the Productivity Commission Regulation of Agriculture Inquiry. I'm Paul Lindwall, as I said, and I'm the presiding Commissioner. And Ken Baxter, as I mentioned, gave his apologies due to a funeral today.

The inquiry started with a reference from the Australian Government late last year and covers the regulations that have a material impact on the competitiveness and productivity of the Australian agriculture. It has examined regulations at all levels of government. We released an issues paper in December last year and have talked to a range of organisations and individuals with an interest in the issues. We then released a draft report on 21 July after the election, federal election, and have received over a hundred submissions and more than a thousand personal responses and views since the release of the issues paper.

We are grateful to all of the organisations and individuals who have taken the time to meet with us, prepare submissions and appear at these hearings. The purpose of these hearings is to provide an opportunity for interested people to provide comment and feedback on our draft report. Today is the seventh and second last hearing for the inquiry. Over the past two weeks we have conducted hearings in Perth, Melbourne, Wagga, Sydney, Canberra and Brisbane. And next week we will conduct a hearing in Hobart. Formal submissions to the draft report are invited, particularly preferably by the end of the month. We will then be working towards completing a final report to be provided to the Australian Government on 15 November. Participants, all of you, for example, and those who have registered their interest to the inquiry will be automatically advised of the release of the final report, which may be up to 25 parliamentary sitting days after completion.

We like to conduct all hearings in a reasonably informal manner but I remind you that a full transcript is being taken and will be published on our website. For this reason comments from the floor cannot be taken but at the end of the day people may come and make comments as they wish. Participants are not required to take an oath but are required under the Productivity Commission Act to be truthful in their remarks. The participants are also welcome to comment on the issues raised in other submissions and by other people at hearings. As I say, its submissions and the transcript of the hearings are on our website in about two weeks' time.

For any media representatives attending today some general rules apply, please see either Oliver or Rohan to get a hand up to explain the rules.

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Participants are invited to make opening remarks, preferably around about five or so minutes, keeping them brief will allow us an opportunity to discuss the issues. Now, I welcome our participants now from Cane Growers Herbert River. And if you wouldn't mind introducing yourself for the transcript and telling us a bit about Cane Growers Herbert River and what you would like to say to us today?

MR SHEEDY: Okay, I'm Peter Sheedy, manager of Cane Growers Herbert River. And with me on my right we have Chris Bosworth, who is the deputy chairman of the organisation, and also Alf Cristaudo, who is a former chairman of Cane Growers Herbert River and a - or retired chairman from Cane Growers Herbert River, and a cane grower in the Herbert.

And just in relation to the Herbert, it's a cane district about 110 kilometres north of here. It's a district where sugar cane has been the crop that has been most successful over the years since the establishment of the district back in the 1870s. And the history of it has been that there have been something like five sugar mills in the early history of the district started and a lot of them went broke in the turbulent years of - they relied of course on the South Sea Island labour and of course - it's well known that there was a Royal Commission in 2012 - --

MR LINDWALL: In 1912, wasn't it?

MR SHEEDY: In 1912, sorry. That investigated a whole lot of things to do with the sugar industry at the time. There was a lot of instability. There was the matter of adapting to the White Australia Policy of the time. But also there was a lot of exploitation of farmers by the milling people in that time as well. So, following that there was the legislation that set up the regulation of the industry by the Ryan Labor Government of Queensland. And in the early days of the industry the Central Sugar Cane Prices Board made the very first decisions about how sugar proceeds were to be shared, that's the whole of the proceeds were to be shared, and that was to be done through the pricing of cane.

And if you look back at those early judgments and decisions, it was

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treating the industry basically as a joint venture where the mills and the growers received their costs and shared the profits in the ratio of the assets, which was about two thirds/one third, at a recovery efficiency of about 90 per cent and of a sugar content of 12 units of CCS. Over the years since then the recovery efficiency at the mills has increased significantly and the CCS of the cane goes up and down with seasonal conditions. And I guess it's tended to improve generally above 12, although when the seasons are against us we're struggling this particular year with a very wet start to the harvest and the sugar content is unusually low because of the condition of the crop. It's in a growth phase rather than maturing and accumulating sugar at this point in time. Just a little of the introductory remarks there about the sugar industry and the Herbert.

I guess I wanted to apologise too on behalf of a whole lot of Herbert River growers who would dearly love to be here today but it is because of those pressing conditions back home and the limited window of opportunity with the harvest and planting, both of which are very well behind this year. When the Senate Inquiry had a hearing here in March last year the halls had to be extended to - we had busloads of people. Very vitally interested in the - and still are vitally interested, and they do send us, you know, their moral support and regards and apologise for not being able to make it today.

MR LINDWALL: Thank you.

MR SHEEDY: This is a matter really that as far as the growers were concerned they were surprised that the Productivity Commission took the view that it did, you know, and it did appear that the Commission was probably lacking in its understanding - well, most definitely lacking in its understanding of the industry, and possibly because of who has been most forward so far in advocating their position. And we really take issue with the fact that the Commission referred to the reregulation of sugar marketing in Queensland.

And in our written submission we believe we've pointed out, you know, a very well-reasoned and steps of argument that this isn't a case of reregulating sugar marketing at all. It is simply correcting the imbalances that have always been there but came to the fore when certain parties who had signed off on a memorandum of understanding and a heads of agreement about the transition to voluntary marketing arrangements, back in 2004 and 2005, actually reneged on those understandings and undertakings. That meant that the landscape that we understood was going to be the basis for deregulation had suddenly changed. I guess, for our part, we single our Wilmar as the main perpetrator of that reneging of the agreement.

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Mr Cristaudo, who was chairman at the time, of the Queensland Canegrowers Organisation and chairman of Canegrowers Herbert River when the transaction between CSR and Wilmar was consummated, can personally attest to the assurances that were originally given by Wilmar but were subsequently reneged upon by Wilmar.

So for that reason, we believe that that whole section of the draft report about the re-regulation of sugar marketing in Queensland, we can see that the Commission paid a lot of attention to what the Queensland Productivity Commission had written and it's also clear to us that the Queensland Productivity Commission was heavily influenced by Wilmar's assertions and advocacy and lobbying. I could use other descriptive words too but I'll probably try and contain that. Wilmar is really trading on the gullibility of people like the Queensland Productivity Commission and the Queensland government and it really saddens the growers that the Queensland government appears willing to sell out its cane growing community and sees them as a legitimate sacrifice in the interest of investment from multinational companies.

That's a really sad thing for the cane growers of Queensland that our government, and we see the submission by the Queensland government, signed by Treasurer Curtis Pitt, and Primary Industries Minister Leanne Donaldson, that basically rehashes the position that the Queensland government took back when the marketing - the amendments to the Sugar Industry Act were enacted in December 2015. It's really sad that the Queensland government has taken that position but very fortunately for the cane farmers of Queensland, the whole of the Queensland parliament actually held sway and that legislation was amended. The whole of the parliament had access to much wider views than the limited input that the Queensland Productivity Commission and the Queensland government appeared willing to listen to at the time.

We've also read the submission by Wilmar, to these hearings today, and we believe that Wilmar are really masters of spin, as they have been with the Queensland government at the media, but they've spiralled to a new level of incredibility with their particular submission to the Productivity Commission this time, with that Christmas Eve draft media release about a new 500,000 tonne raw sugar storage facility and even doctoring that up with a photo of a white sugar storage facility to take your imagination just about as far as it can be stretched in that particular submissions.

These people will stop at nothing to beat up a fanciful story and they've been doing that for the last couple of years trying to convince

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people that Wilmar have all the answers. We have seen, and it has been pointed out in the QCGO submission, that Wilmar isn't always right, that in terms of its own performance, in comparable products, it has been found wanting when it's compared with the performance of QSL, which is much more focused on the interest of maximising its return for its producers and they're to be commended for that.

Not only has Wilmar reneged on its undertakings at industry level and with the Foreign Investment Review Board, but they've also, in our own cane supply agreement with Wilmar, there was a requirement on Wilmar to consult with the grower reps before any changes or withdrawal from the raw sugar supply agreement that Wilmar had with QSL. Back in 2014, when Wilmar announced that it was withdrawing from the raw sugar supply agreement its announcement was, you might say that was the consultation that we received, so they also reneged on the agreement that they have with the growers.

So from a partner in the industry this is very concerning behaviour. At the action end of the industry we have to work together. We rely on the mills to process our crop, they rely on us to harvest and deliver a crop of cane to the delivery sidings. We do have to work together. So we do, as I said in the earlier opening remarks, that the industry was treated as a joint venture. People had to work together and each received their rewards, in proportion to their relative costs and assets at the time. This behaviour is just so concerning to the growers when we see our processing partner reneging on undertakings and reneging on agreements that they actually have with us and putting the growers, who individually may be small but collectively they're, in other assets, amount to much more significant investments collectively than Wilmar's, and their commitment to the industry is very large.

So I guess I'll hand over to Chris Bosworth and then to Alf to continue the submission from the Herbert.

MR BOSWORTH: All of this revolves around who owns the sugar and, as far as I'm concerned, Wilmar has never had the right to sell our sugar up 'til this year, it's all been handled by QSL, and the legislation that we asked to be put through parliament, that was approved, just gives us the right, next year, to pick QSL or Wilmar. If we follow the Wilmar model next year we would be giving up one monopoly seller, which was QSL, and going to Wilmar, as a monopoly seller. We believe that we should have choice. It's not re-regulation of the industry one little bit because we never had choice this year, we only had QSL as a marketer and, like I said, if Wilmar have their way they would be the only marketer. What we ask is, and other marketers are allowed to enter the field as well. So we want

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choice and I cannot see that as re-regulation, unless you can point out something to me that it is. So that's where I'm coming from, it's not re-regulation at all because it was never a regulation before so I can't see how you can say it's a re-regulation of the industry.

In some of Wilmar's examples here, where they give the reasons why they won't produce higher quality sugar, because they said, "We've got to fund it at 100 per cent of the investment by only receiving the benefit, from sale, of approximately one-third of the sugar we manufacture." They only ever received the benefit of one-third. Are they proposing that sometime in the future that they want more than their one-third share? Because that seems to me that that's exactly what they're talking about. In the past they've only got their share of the sugar. So whether they make high quality sugar or low quality sugar, in this year, they only get the benefit of one-third. So going forward what's the difference, unless they want to put their hand in my pocket, do they, and want to take some money out of me by producing it now?

So a lot of things in their little examples here sound like everything's against them, they've only ever had one-third and as far as I'm concerned, that's all they'll ever get as well. So that's just where I'm coming from. I'll let Alf have a speak.

MR CRISTAUDO: Thanks very much, Chris, and good morning Mr Chairman.

MR LINDWALL: Just say Paul, very informal.

MR CRISTAUDO: Thank you, very much, Paul. Sorry to hear about Ken's situation and unfortunately you're here today to cop the brunt of what we've got to say. We're here to give you our side of the story because this is a very serious situation that we find ourselves in, in the sugar industry today, and particularly for the growers who supply Wilmar Sugar International.

Modern society, particularly in Australia today, is paranoid about protecting the rights of individuals. However, when it comes to farmers we appear to be fair game for almost anybody, whether that be government or large corporates. Isn't it ironic that the food producers in this country are at the bottom of the food chain? We are price takers and we really need not regularly, as such, but support for the position that we find ourselves in.

I want to deal particularly with the sugar marketing part of your report and with great respect I believe that it is seriously flawed in terms of the

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conclusions that are being reached, without any real supporting evidence. You will have seen already and heard from other participants in your previous hearings and you've read lots of submission so I beg your indulgence, we do want your attention to what we are going to say, even though some of which will be repetitious.

I'm going to talk to you more on a practical level, but as Peter has mentioned, I do have a fair bit of experience in the industry, not only as a former chairman of Canegrowers Organisation but I was a director of Queensland Sugar Limited and its predecessor, QSC, for some 18 years, so I do know a little bit about marketing.

As Chris referred, the Commission has said, in its report, that the legislation is re-regulation, well, that couldn't be further from the truth. The sugar industry is fairly unique. Cane has no real market, commercial value on its own, except for the products that can be produced from processing it. We are in a partnership, and it should be a genuine partnership, with a processor. The partnership is two-thirds to the growers. You'd think that it was 100 to nothing, the way that some processors talk.

I just want to take you briefly back 100 years when farmers were exploited by unscrupulous mill owners. The industry was small at that time, it wasn't stable and growers were being exploited. The government stepped in and put in place legislation and regulation which actually protected growers but what may not be very well appreciated, protected millers. It's very important to understand that under this legislation the sugar industry became quite stable and was able to grow and expand, until the 1990s. I need to emphasise the fact that under that legislation mill owners were actually protected from competition, that is really, really important.

Apart from the Tableland Sugar Mill, which was built in 1994, Tully Sugar Mill, which was in an expanding area, was the only other sugar mill built, and that was built in 1921. So millers were able to grow their business, on the back of growers producing sugar cane, without any competition. However, once they were established to a point where it became virtually impossible for anyone to be economically and viably competitive with them, they suddenly railed against regulation and said, "We need to get rid of regulation." So please appreciate that they go to the position they were in and are in now because of those protections that were in place at that time.

The major requirement for us, as growers, is really the protection that we require against a monopoly process, a monopoly mill owner. That's

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the whole crux of this issue and the only reason why we sought to have legislation put in place. The December '15 legislation would not have been necessary if mill owners were prepared to treat their grower suppliers, who, by the way, are the lifeblood of their business, with some respect and cooperate with them as genuine partners. So what we need, what growers require, is some genuine balancing power to balance the market power that a monopoly mill owners actually has.

Can I refer to some comments in the report, which refer to the only balancing power that was in place, which was collective bargaining. Now, we have an exemption from the ACCC to collectively bargain, however it is not as comprehensive as some may think. While growers actually authorise and, in most cases, it's their grower organisation to collectively bargain on their behalf, Wilmar won't even recognise that situation. They have been going behind the back of the authorised bargaining representative, on behalf of the growers, to try to convince growers individually to sign contracts, outside of the grower collective. The grower collective has no power to stop individuals from doing that, which apparently is referred to in the report. So that mechanism doesn't do the trick. It's not sufficient to protect us against a monopoly mill owner. Unfortunately, as was the case in the past, that monopoly mill owner is abusing that market power that they have.

I think it's been mentioned, in a number of submissions, so I don't want to go over it in any real detail, but sugar cane is a long-term business. It is not like a lot of crops where you're in and out in one year. It can be at least five years, even longer an investment, committed to planting sugar cane.

It is very expensive. Many growers have invested millions of dollars in their sugar cane growing business. In many cases, particularly in our case in the Herbert River, there are no real economic viable alternatives to growing sugar cane and the mill owner knows that. They are quite prepared to surreptitiously intimidate growers on the back of the fact that they know that the grower has nowhere else to go. That, in itself, is reprehensible.

As I said, the growers are the lifeblood of their business and I can't, for the life of me - well, I do, I do know why they want to do it, because they want to do it for their own benefit and don't kid yourself that for one split second that they are doing this for the benefit of the grower, absolutely not the case. We're quite prepared to work with our processor, our mill owner, in partnership, but it has to be a genuine partnership.

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However, that's not the way that Wilmar wants to do business. Wilmar would prefer to treat its growers, the lifeblood of their business, as peasant serfs. Now, a hundred years ago that was not acceptable. It was found to be not acceptable and today, in 2016, it is still absolutely not acceptable. Now, why on earth should a grower be held to ransom by a processor, under duress, when he has no way of responding?

I do want to refer to some upsides to deregulation, for the grower. Despite some contrary comment from Wilmar where I see there's mention and talk about proprietary rights. Let us be very, very clear, and let's put aside the contracts that we have in place right at this moment. In our situation, from 2017 onwards, until a contract is agreed and signed between the miller and the grower, the miller has absolutely no rights, no rights whatsoever, to any cane growing on that growers land the grower has no obligation to that mill owner for that cane growing on that land or for any sugar that may be produced from that sugar cane. Can we be very clear about that? There are no proprietary rights that the miller declares that they have, absolutely none.

It is very important to appreciate that a cane supply agreement, once signed, determines all the terms and conditions for the delivery, supply and payment for the grower's share of the proceeds from the sugar produced from that cane, another very important point. A hundred years ago the legal arrangements that were put in place, that Peter Sheedy referred to, were a series of constructs that were put in place to actually facilitate the sharing of sugar proceeds, once the sugar was sold. People will talk about the price of cane, everything that was done in all those arrangements that were in place were determined on the basis that a grower had a share of the sugar proceeds from all the sugar sold that was manufactured from that sugar cane that they grew. It was done so according to a formula that has been agreed on for many, many years.

We seek no more than what is fair and reasonable for the marketing of the growers' share, the grower economic interest, sugar, from the cane that they produce. We want no more and no less than that. We're happy to accept there should be choice and if a grower wants to go with Wilmar, or someone else, that should be their choice. It should be a real choice, a free choice, with no fear of recriminations or discrimination against that grower for the choice that he makes, if he has a choice. At the moment Wilmar is putting every obstacle in place that they possibly can to allow anyone to be in a position to fair and reasonably and equitably market the growers' economic interest, sugar.

Can I point out something that I'm sure you're well aware of? That the grower carries 100 per cent of the economic risk associated with the

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storage, logistics, marketing, sale and shipping of their grower economic interest, sugar. 100 per cent risk. Now, as growers we are happy to do that, we've always been happy to do that. We'll take the upside and the downside associated with that risk, but we want to be able to control the process by which the value of our cane in the field is determined for its value. That is only fair and reasonable. I don't think we're asking too much. It's been fair and reasonable for many, many years.

So I want to refer to someone by the name of Dracula. I'm sure you know who Dracula was. No one in their right mind would put Dracula in charge of a blood bank, now, would they? Well, let me tell you that the vast majority of cane growers do not want Wilmar in charge of their grower economic interest sugar bank. No way. In today's society no means no, doesn't it? Well, Wilmar doesn't recognise no, it has to be Wilmar's way or no way. We demand respect. We want respect from our supposed partners in this business and we don't appreciate being bullied into submission and we won't accept it. It wasn't acceptable a hundred years ago and it should not be acceptable now. No one, no one, and I find it really disconcerting that anyone, whether it's the government or even the Productivity Commission, suggesting that it should be okay for a monopoly mill owner to abuse the exercise of their market power over growers. It is simply not acceptable. It is also not acceptable that in this position a mill owner should be able to mislead growers, to deceive them with deceptive behaviour and oppressive behaviour. Not acceptable in today's society and should not be, not even for farmers.

There are many submissions, as I've said, and there's been reference made - when I talk about deceptive and misleading behaviour there is proof, referred to in the comments that Wilmar was making a couple of years ago, where they could offer the growers $45 a tonne more for their sugar than QSL, I mean can you believe that? They had the hide and the gall to actually say something that was absolutely not true and, as a matter of fact, has absolutely nothing directly to do with marketing. Marketing and pricing for sugar are two very separate and distinct things. The marketing is for the sale of the physical sugar, the pricing is a different matter. It was also referred to, when it came to the crunch, and I actually challenged Wilmar to set up a pricing tool, with relatively similar conditions as the QSL pool, in 2015 they were $30 a tonne less that that pool, run by QSL. As a matter of fact, the QSL pricing pool arrangements have more constraints on them than what Wilmar has.

So they are not beyond trying to mislead growers in their surreptitious coercion. Very serious claims but, unfortunately, I agreed that everything I would say here today would be the truth and nothing but the truth, and it is, unfortunately. We want to work with these guys. We've got nowhere

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else to go, they've got nowhere else to go. They need our supply of cane, as I said, it's the lifeblood of their business, why not treat us with a bit of respect? We wouldn't need this legislation in place if we had a bit of good faith and we worked together for the best for both parties.

So I suggest, with the greatest respect, that the PC needs to seriously review their report and the flawed recommendations, in relation to marketing, which have no real basis in fact. I would also respectfully suggest that that recommendation be deleted from the report, thank you.

MR LINDWALL: Thank you, gentlemen. We don't have too much time, but I'm a bit curious, you both mutually depend on each other and yet the antipathy between the two sides is pretty bad, and that's not a very good long-term relationship, I would have thought, in any industry. One of the options you might have is buy out the mill. Why doesn't QSL, for example, own mills, rather than - that would then align your interests more closely, one would have thought.

MR CRISTAUDO: If I can respond to that. We actually prefer the current situation because QSL is actually owned by the growers and the mills and it is at arms' length from both parties. It delivers real transparency, that's the whole point of having QSL in there. Now, we, the growers who supplied CSR at the time actually did try to buy out CSR. As it turns out lucky we didn't, at the time. We certainly weren't prepared to pay what they wanted for it and it certainly wasn't worth what they paid for it. If I can just say this, in this room, we, the growers, now appear to be paying the price for Wilmar paying too much for the CSR assets. So they are looking to screw us to get back some of their investment.

MR LINDWALL: If the split of return is two-thirds to the growers and one-third to the mill, don't your interests exactly align? So if they get an extra one dollar of price you both share in that benefit?

MR SHEEDY: Can I just explain? The incentives in that cane pricing formula work such that the price of cane relates to the price of sugar and then there's a CCS minus four. In other words, the first four units plus whatever the improvement in recovery efficiency that the mill can get, they retain the full benefit of that. That amounts to nearly 10 per cent of the sugar pile, or about 10 per cent - they're actually getting actually closer to 40 per cent of the value of the sugar pile, by virtue of their recover efficiency at the mills. The Australian sugar mills probably have led the world in milling technology over the years. It's a mature industry now because we've got limited scope for further expansion. The recovery efficiency brings its own rewards and that has got that reward.

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The growers have an incentive, in that same formula, to do what they can to improve the sugar content and also to produce as much cane as they can. They have a natural incentive to get rewarded by that. So we do have some alignment in incentives with producing more of the crop, more of the pie, making it bigger, there is a bit of alignment in that regard. But, yes, there are incentives for each of the parties.

MR CRISTAUDO: Paul, can I respond to that? Thanks very much for asking that question, it's very important. It's very important to understand that out in the marketplace for raw sugar, which we effectively sell, despite what Wilmar will try to tell you, a buyer of raw sugar for their refinery is not going to pay Wilmar one dollar more than what they would pay QSL for the same sugar. It just isn't going to happen.

What Wilmar is seeking to do is get control and ownership of that sugar so they can become a trader in the world market, a very seriously risky business. We are quite happy for them to do that with their own one-third of economic interest sugar but we do not want them to do that for our two-thirds economic interest. Like I said before, about Dracula, why would we allow them to control the marketing and all the arrangements around what is our value, our sugar? I hate to say this, but we don't trust them, we certainly don't trust them. So why would you put Dracula in charge of that sugar?

MR LINDWALL: Another way of addressing the issue because, as I say, it doesn't seem very healthy and, moreover, I know that you like the Act that the Queensland parliament passed, but a future government might repeal it, so I don't think you should be relying on an Act that's - parliaments get fickle about these things, you can see what happened in New South Wales, with the banning of greyhound racing. You don't what that type of thing to happen so I'm wondering how we can improve the relationship between the growers and the miller.

Another way of seeing it is that you could contract the miller to do work, under an access regime, under the ACCC, have you thought of trying that?

MR CRISTAUDO: That's another issue where we are stuck with a monopoly processor. We don't have anybody else we can negotiate with.

MR LINDWALL: That's what an access regime is all about, is about access to a monopoly processor. It happens in lots of other parts of - that's a general trade practices or Competition Consumer Act provision which is for monopoly services. Rather than relying on an Act which is

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specific to an industry, it's often bets to rely on a general Act, which is less likely to be arbitrarily repealed.

MR CRISTAUDO: We would rather not have the - I hate legislation because, as you say, someone can jump in and repeal it at any point in time and then you're stuck. The issue is that all the grower has is his cane in the field. The balance of power rests with the processor, so it's going to be a Mexican standoff. Who's going to look each other in the eye and who's going to back down first? The grower, who has a perishable product in the field feels like he is under absolutely duress. Why should that be allowed to happen in this day and age? Why can't these guys sit down with us, partners, and work together? That's all we ask. Like I've said to them, and I'll say to you now, "You do whatever you want with your one-third share, but get your dirty, greasy mitts off mine."

MR LINDWALL: Given that I've got to speak to Chris Cannavan, is there any other - there's a whole lot of other things in the report, by the way, rather than just that. I'd like to talk a bit about your genetic modification and technology and the future of the industry and how you could improve the life of sugar cane, which I guess is very difficult, it's like 24 hours, if I'm not mistaken, between - - -

MR CRISTAUDO: Once it's harvested, yes, it deteriorates. It's like cutting an apple.

MR LINDWALL: Is there any technological solution to increase the lifespan, which would then give you more options in terms of having your cane milled?

MR CRISTAUDO: I think the short answer to that is no. It's a perishable product, let's face it, that's where a lot of constraints are.

MR SHEEDY: We jointly fund a research body but it's focus is more on increasing the size of the pie and tackling the things that limit the scope of the crop. New varieties and more productive varieties and things of that nature.

MR LINDWALL: Could I, as a final point, and I hope you can sort out some of these problems, and we'll look at it in our report, but the fact is you should go and have a look at the part 3A of the Competition and Consumer Act and see if it might be helpful to you. I don't know if you have looked at that, but it might be a way forward. We might look at that ourselves and maybe offer suggestions to you.

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MR CRISTAUDO: Another option, obviously, would be that we would engage the mill owner as a processor whereby we ultimately own what comes out of the factory. The trouble is, we don't control the factory. Once again, they're a monopoly processor so all the cards are going to be stacked in their favour. If we had another mill sitting right next door, or very close by, not 100 kilometres away, by the way, that's not economically viable, then we'd be in a totally different position and they'd be more than willing to sit down and talk to us.

MR LINDWALL: That's when, by the way, technology, I spoke of technology, whether you could improve the lifespan of can, which sounds not, the other way that technology can improve is reducing the costs of milling and that gives you the opportunity of building a new mill, in competition. I'm not sure if that's an option then. Technology, IT, is allowing the cost of certain produce production to fall quite dramatically, have you looked at that, perhaps?

MR CRISTAUDO: It's fairly common knowledge that lots of people have looked at competing. Unfortunately, people like Wilmar actually use this in their favour because in today's world, in Australia in particular, the cost of building a new facility is horrendous.

MR LINDWALL: They are some of the other issues raised in our report.

MR CRISTAUDO: There are other countries in the world where they can build a factory for a third of the cost that we can here, and that works against us as well.

MR LINDWALL: Well, we better leave it there, thank you, gentlemen. We'll ask Chris Cannavan to come forward. You're not related to Matt Canavan, by any chance? I used to work with him in the PC, of course.

MR CANNAVAN: In a strange sort of a way we are, but it's a bit of a story about it. Our forefathers had a fight, Matt's forefather dropped one N out of his name because he didn't want to be associated with my forefathers.

MR LINDWALL: Please introduce yourself.

MR CANNAVAN: I apologise, I'm pretty hopelessly deaf, from too much building and grinding and hammering. That's why I had to sit close, and I thank the Herbert River fellows for the little bit I caught. I'm just wondering whether my submission is really relevant at all. I'll read it from my notes.

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Hello to the people from the Productivity Commission. My name is Chris Cannavan, 71 years old, a sugar cane grower and harvesting contractor in the Inkerman area. Our family has been growing cane and supplying Inkerman Mill since it was built and open for business in 1914.

I would like to take this opportunity to put forward a snapshot of the past and present crushing seasons at Inkerman Mill, to no better people than yourselves from the Productivity Commission. The sugar harvest season involves utmost cooperation, starting with the farmer, the harvest crew and then to the miller. An important chain of people who should know what they are doing. I will endeavour to point out the millers are the weak link in this important chain.

Forty years ago we received more for sugar than we do now. The reason growers are still in business today is innovation and productivity. The world price for sugar is out of our control, therefore to stay in business we have to grow more cane per person. For example, 30 to 40 years ago a 5000 tonne farm would be run by the farmer and a worker. Through innovation the farmer now grows between 30 and 40,000 tonne by himself, a fantastic achievement.

Mechanical harvesting was invented and developed in Australia. Inkerman growers were the first in the world to supply a hundred per cent of chopped cane to the mill. Inkerman has got that distinction, the mill that I supply, owned by Wilmar. At the outset of chopper harvesting 800 tonne per week was thought impossible and when achieved was not believed. Now the same three man crew can cut and deliver 800 tonne before lunch, on nearly any given day, another fantastic achievement.

A big harvesting group 30 years ago was 40,000 tonne, we were one of them. Now a big group is at least 100,000 tonne. With these productivity gains the grower sector has been able to survive low sugar prices.

The miller, on the other hand, 30 years ago, could achieve 80 to 100,000 tonne per week. At our mill, Inkerman, a figure that has not improved to this day. I will go as far to say their throughput has gone backwards. I've got a supplement here that I put in this morning.

An example of their underachievement is the 2010 crush where, at the end of week 10, we had crushed only 30 per cent of the crop. The figures should have been 50, 5 per cent per week for 10 weeks. Up to the end of week 10 there had been no rain, poor mill performance alone was the reason that we were 20 per cent behind where we should have been. Then the rain set in and from week 10 till Christmas we only managed to get

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another 50 per cent off to take us to approximately 80 per cent. Anyone can see if 50 per cent of the crop was off in the first 10 weeks we could have removed the whole lot then all the claims and counter-claims would not have been necessary, and are still going on today.

To improve the miller's bottom line, the industry was convinced to move into continuous crushing, which has effectively taken away the weekends, which were used, in years of above average rainfall, to get the crop off. A fact that was never mentioned in the lead up to continuous crushing is actually what we got is not continuous. The mills still have to stop for 24 hours every couple of weeks for a clean out. This does not need to happen. There is technology out there for them to crush straight through.

Continuous crushing. The grower alone made the increased miller profit possible, but at what expense to the individual farmer? No spare days, weekends. A rain event, therefore, pushes the crushing season beyond Christmas, like we're facing this year in Inkerman, the second week in January they're talking about. Because of no spare crushing days, if I can explain, when we have had adverse conditions in the past the local magistrate - the miller and the grower would approach the local magistrate, he'd declare a state of emergency and the mill was able to start up over the weekends, because of union strength, start up over the weekends and we had two spare days to catch up, but those spare days are gone. Because of no spare crushing days heavy harvesting equipment has to go into the wet fields too early, causing damaging compaction which dramatically reduces yield in the following years.

It cannot be pointed out strongly enough that the Australian grower and harvesting sector is by far the most innovative, progressive body anywhere in the sugar growing world, without question. The same cannot be said about the miller.

I think I heard Peter Sheedy mention the word "saddened" when he was - it saddened him and it's ironical that I've got here the same thing here. This is just an appendix, but I should say it. It saddens me to see, after a rain event when groups go off roster bins are delivered equally to all groups, regardless of their size, henceforth the small groups end up 6 per cent ahead of the big groups, madness.

I've sensed, over the last couple of years, with Wilmar's takeover that the push and shove at the top has filtered right down to the people we deal with, on a local level, and equity has gone out the window, "Leave it to us, we'll look after it. Stop your whinging." And they're not looking after it. Inequity is terrible in our area.

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I see burnt cane standing in the paddock for four days because of mill breakdowns. Why are fresh burns happening before this starved cane is removed? Equity is not happening. I listened to the Herbert River fellows there, I can see what's happening on my local level, if this marketing thing is allowed to go through we will be completely under the control of the miller.

We're not forced into growing cane, we're not forced into signing a cane supply agreement, I realise that, but the north and the Burdekin, as traditionally a cane growing area, other crops can be grown in the Burdekin, but nothing grows as well as cane from Proserpine north and we'd be silly to go off it and I think the miller realises that and they're playing a game of bluff, maybe, and my fear is that individually they're starting to pick us off and the big support base for withstanding their push I hope stays strong and I hope you people at the Productivity Commission will see what is happening and, like our previous speaker says, we're not asking for regulation we're asking for what's always been there. Thank you.

MR LINDWALL: Thank you, Chris. Just a couple of questions. About the spare crushing days, is that something that you, as growers, could agree on, if you think that would improve your outcomes? It's unfortunate to have no spare days is pretty draining.

MR CANNAVAN: Well, there's no spare days now. No, there's no spare days. The industry for how many years, 80 years, crushed from Monday to Friday. The push was on, like a socialist view, that people such as yourself might say, "Well, if the area can grow more cane because of continuous crushing, let it happen." Whereas the individuals, the growers that were there, some of them on the outskirts had free land that they could bring in but by far the biggest majority was landlocked and had to cop continuous crushing thrust on to us. It's always been a bugbear of mine, even though I've grown to accept it now.

MR LINDWALL: It must be difficult for the younger generation who might - - -

MR CANNAVAN: Well, we're a very sports-minded, family orientated town and to take our weekends away from us has hurt a lot. The sports club really suffered, collapsed in a lot of cases.

MR LINDWALL: What do you think - you were talking, I think about how the size of outcome to what, about 100,000 tonnes, is a large operation now. What would you say is a minimum size?

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MR CANNAVAN: If you're looking at Burdekin wise now, probably the average contract is up around 70 or 80,000. Thirty years ago, well, it would have been - I think they used to talk about 25,000 that long ago, so it's gone up two and a half times.

MR LINDWALL: But millers haven't improved the productivity to the same extent is what you're saying?

MR CANNAVAN: No.

MR LINDWALL: I don't understand, if there's a technology that allows them to not have a day off every two weeks, is that right, 24 hours, why wouldn't you do so?

MR CANNAVAN: Well, I for one followed the push into continuous crushing with a lot of interest and I never once heard, and talking to our representatives at the time, I've been on the equity committees and mill suppliers committees and I never heard mention that it wasn't really continuous, they'd have to shut down to clean. That only became apparent afterwards.

Why? I will give the Australian millers their due, that the Australian milling technology led the world once. The rest of the world got their ideas from Australia. But the rest of the world has powered ahead and Australia's sugar mills, well, I don't know. We're in a high cost country, a high cost country, how these sugar growers, including myself, are still operating, I don't know. It's only because of these productivity gains we've made that we're still operating. Why the mills haven't taken on that, I suppose it's an expense and they've weighed it up and - look, to answer your question better, I think they look - they don't look at us as individuals here, they look out their window and see one huge cane paddock. They'll keep on taking that cane until the season - the rains move in and it shuts down and that's it. They're running with the same mills they did. I don't think they're in a position, maybe, to spend money. I don't know.

Wilmar's come in here and are making big losses. We're in a high cost country but from what I can see they're trying to recover some of their losses by getting hold of our sugar.

MR LINDWALL: Could I ask about labour market issues here? Do you employ people under seasonal workers, or holiday makers, 457 visa holders?

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MR CANNAVAN: Not so much in the cane industry. In the vegetable industry around the place they do. There could be a couple of 457 haul out drivers. No, our operation, I've got myself and two sons, we grow around 20,000 tonne and we harvest, since 1966 we've been contract harvesting and we harvest around 80,000 tonne and we've got an owner/driver, one of my son's a driver, and our two haul out drivers are owner/drivers. So we really employ no one. It's had to go that way and we've become very efficient in what we do.

MR LINDWALL: It's amazing what you do with such a small workforce.

MR CANNAVAN: Yes. We've got fully depreciated gear, I was only thinking about this the other day. Our harvester and the two trucks are fully depreciated and yet, at a moment's notice, because the millers are so erratic with their need for cane, or they ring us up and say, "We've had a breakdown, breakdown, breakdown," we can go from - we're about 115 bin a day group, we can go from 60 bins a day and then at a moment's notice, when they get a surge of adrenalin and she's running, they'll ring us up and say, "Can you do 60 extras?" We can go 50 per cent increase on our allotment at a moment's notice, on fully depreciated gear. Some people might say, "If you can do that, you must have over capitalised," but we haven't. We know how to operate the stuff, we're keeping it in fine running order and we can react to their demands immediately.

MR LINDWALL: I would have thought you'd have to have that capacity, given the short timeframes that you're operating under, that you'd need to move up and down very quickly in response to fill capacities.

MR CANNAVAN: Let me say, it never used to be like that. The miller was, if I heard you right, we could count on our quota from the mill of containers that we fill religiously every day, day after day after day. Thirty years ago that mill used to do - it has cracked 100,000 tonne. Now, if they get 87,000, like they did the week before last, they think it's a great achievement. That's 30 years ago they were doing better than they are now.

MR LINDWALL: Interesting, yes. That's a deterioration in productivity in the mill industry.

MR CANNAVAN: Well, look at our productivity, it's marvellous. That's why when I heard you people were coming here, I thought what better people to talk to about productivity.

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MR LINDWALL: Productivity is all about getting higher yield and higher returns from your given property, if you like, which is what you're doing.

MR CANNAVAN: No, it's about staying in business.

MR LINDWALL: That's true. It's what Dicken's said, "You earn one cent more than you spend and you're in profit and that's all you need to do." If it goes the other way then it's a downward spiral.

MR CANNAVAN: Yes. I back the Herbert River fellows and implore you fellows to have a real good look at what this Singaporean company is trying to do to us. It's scandalous.

MR LINDWALL: Thank you very much. The schedule says we'll have short morning tea break and then we'll have Jonathan Pavetto so I'll be here - sorry, I'm mistaken, Frances O'Callaghan after this. Let's have that now and then morning tea. Sorry, my apologies.

MS O'CALLAGHAN: Good morning, I'm not sure of the procedure.

MR LINDWALL: Just say your name and talk about your operation and say what you want, really.

MS O'CALLAGHAN: My name is Frances O'Callaghan, myself and my husband, Peter Bucknall, have a small beef enterprise, mixed enterprise, in the Townsville region, in Woodstock. I just did a very casual submission, we sat together on the day of the earthquake actually, in the office and ran out halfway through thinking, "What's happening." So it's very casual, it's just a sort of brainstorming about the things that irritate us, so really all I'm here for is a good whinge.

The admin and the regulation and paperwork we seem to have to deal with is very substantial. My husband is 64, I think he's probably about the average age of an Australian farmer at the moment, and if it was up to him it wouldn't be done and I think we would have been sold up or finished many years ago, because if you don't keep on top of it, well, you have to.

So just in the list of things I've brought up in the written submission, livestock movement. We have to complete waybills to transport stock. Now, I'm not sure what actual value they are for the movement of stock. Yes, to get to the destination they give information but my husband's never been stopped by a stock inspector and the stock checked. It's paperwork that we seem to have to do for I'm not sure what actual

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purpose. Maybe there is a purpose that I'm not aware of, but now that you're dealing with your agent at the yards possibly some sort of consignment note direct to the agent, I don't know, and the abattoir, but the waybills are quite substantial in their information required. Again, as I say, I'm just not sure about whether they need to be as detailed or as - of if they have a regulatory purpose because where is any sort of back up there? You're meant to be checking that the animals you're moving are the animals, you put the brands down, you put the sex down, well, whoever checks that? Does anyone ever stop and check.

Next, I've got NLIS tags, which is the National Livestock Identification Scheme. They're a real pain for us, in that if you wanted to use them to benefit your productivity you would put them into your livestock as calves. However, we'd avoid doing that because they seem to fall out and you lose them and therefore you've got an expense of around, I think it's about $3 each, or something in that region, but you want to avoid losses, so we don't tag, really, until we sell. But we're paying for it, but it's meant to be for a national traceability so in our view, if it benefited us in some sort of identification and protection and ownership of stock it would benefit us also. So, for example, if it was in either a microchip form, or a bolus form.

Now, I've heard that some meatworks won't take bolus tagged cattle because they can't, for some reason. I don't understand it, but they haven't got the facility to actually take them. So for us it may have a national significance in traceability and disease, but if someone decides to lift some of our cattle they just cut the tags out and who's checking brands anymore? Does anybody check brands? So what I'm saying is we pay for it, so could you not benefit us in some way by ensuring identity by not being able to be removed in some other sort of fashion?

The next one I've got is livestock production assurance. I think that's what LPA stands for, I just call it LPA. Now, you have to comply with the requirements of LPA, which is fair enough, and I'm sure most producers do, but they do some audits as well and we have been audited once, because of NLIS identification mix ups. If they crop up they come and audit you and see what sort of operation you're running. I mean I can't even remember the stuff the chap went through with me, because it's just going in one ear and out the other because a lot of it, you think, "Oh my God." One of the things was when we vaccinate, he said, "Do you have the batch numbers for those vaccines?" To take a batch number of a vaccine from a major pharmaceutical company and have to record it against the livestock, I mean I just thought that was preposterous. What, another burden for me to have to worry about? I'm not going to do it, I'm sorry, I just haven't got the time to record a batch number of botulism or

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something that we give to our livestock when you're vaccinating several hundred head annually, or whatever. I just didn't think that was fair and I thought it was an onus and burden on us that we could do without. Then I thought, why couldn't the batch number be put on the invoice, so at least you've got that with your purchase. If that's a requirement, if it's so important, why can't that happen?

MLA, we pay $5 a transaction levy per head. It's a cost. If you're trading you're - if you're buying and selling a lot then you're paying more than just on one lifetime of an animal.

Yard fees and agent's commissions. They're quite substantial, you know? You've got quite a lot of money for very - I mean I know you've got yards, they're expensive operations et cetera, but when you look at 7 per cent of your livestock that you've had to conceive and then get to all the processes of life and then to actual sale, whether it's a two or three or whatever-year-old animal, or older for cows, it just seems like a lot of percentage there.

Livestock curfew in Queensland. I don't understand it, I don't know why it's necessary. It doesn't happen in other states, I believe. So why, why, why do we have it? I don't know.

MR LINDWALL: That's an animal welfare issue, because they're not being fed for 48 hours or whatever, is that right?

MS O'CALLAGHAN: Yes. Well, I mean a lot of trucking, you know, travelling cattle full, supposedly, isn't great but then again MSA, Meat Standards Australia, requires that they are - like for glycogen in the muscle, that they're kept on feed for as late as possible. But it does stress livestock. If you can throw a bale of hay in or - I don't know. I don't know if there's any real solution to it. Maybe there is no solution.

I've just got to number 7, we're probably able to comply with EU accreditation but I just can't even face it. I can't even be bothered to start looking into it because it's just so much stuff that you've got to deal with. Maybe I will, because it may - again, it's just another thing, you're getting on with everyday stuff and you think, "Well, I should look into this." Because of our practices I think we probably are eligible and there might be very minor tweaking you have to do. But it's just another big parcel of stuff that you would have to deal with that you just can't muster up the energy to, sort of, deal with.

Yes. Environmental Reef Management Plans, so if you fall within the catchment of the reef, you had to comply with these. Now I'm not sure

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what the status is of these now, you know, I don't know. But we did have to complete one. I didn't even show it to my husband because I think he just would've lost the rag completely. It's just another regulation. I don't even bother discussing it with him anymore because I know it's got to be completed. He just cannot understand the interference into the grazing industry by all of the external - you know, everybody else, sort of thing, and it just becomes intolerable.

So I'm not sure what's going to happen about EMPs, or EP - no, sorry, ERMPs. I'm not sure what's going to happen about them. I don't know. We really are in a bit of limbo there, so I don't think anybody knows.

We just currently employed two employees and, yes, you've got to deal with all that paperwork and, et cetera, so - - -

MR LINDWALL: Are these temporary workers?

MS O'CALLAGHAN: They are just for the dry season, so.

MR LINDWALL: So they're what, working holiday makers?

MS O'CALLAGHAN: Yes. But again, you've got to make sure you're compliant with all your, you know - - -

MR LINDWALL: Yes, and you've got to pay superannuation and then they leave and, of course, they never collect the superannuation, so.

MS O'CALLAGHAN: Don't they?

MR LINDWALL: Well, they could but half of them don't.

MS O'CALLAGHAN: I tell them because I think - - -

MR LINDWALL: Yes, half of them don't apparently.

MS O'CALLAGHAN: Well, I tell them because they can get that when they leave and that's part of the wage.

MR LINDWALL: I know. I know.

MS O'CALLAGHAN: But it does go in but, yes, it's all paperwork. Then this new super-streaming came in or whatever, so. Of course, GST and the fuel rebate, more regulation and paperwork. You know, I don't understand why we just can't get a discount from the fuel supplier and

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then they - him do the paperwork for us, sort of thing. But, you know, we have to fill out and claim back, more paperwork.

Vegetation management, again, very topical. You know, we - I mean, it's not something we are really interested in doing. We don't have the capital to clear, and it's not something I personally would want to do. But clearing substantial, or adequate strips on new infrastructure, such as new fencing or, you know, roads. We're in cyclone areas. Of course, you get a cyclone through and you can't traverse the property until you clean up, and then you've got fences and everything to clean up. The last big cyclone, our numbers came up 30-odd head short, so God knows where they ended up. We just can't account for them once they've gone that far. You know, it's unlikely, sometimes, you get them back.

One thing that really annoys me is the burden on us compared to local authority. I'm currently in a bit of a dispute with Townsville City Council. They have no budget for weed control, I believe. So their weeds on their road reserve overhang our clear country. They do nothing and have told me under the Civil - I think I've sighted it, Civil Limitations or something. I've got a bit later on there. They don't have an obligation. Even when Yasi came through their trees fell over onto our fences. We had to pay to dose their trees off our fence lines.

Now, you know, fair is fair. I mean, we've got enough country to worry about never mind doing all the work on the Townsville, you know, and they still want $9000 a year rates, you know.

MR LINDWALL: If your thing fell on their property they'd be coming after you.

MS O'CALLAGHAN: Well, it would appear that way and it just seems that they can escape those sorts of obligations. So we've got new legislation now. There's a workshop on down at the Burdekin in the next couple of weeks, so I'll go to that to see what other things we have to, sort of, contend with. We're meant to register our working dogs with local council, you know, another bit of regulation for graziers. You have to register a vehicle. But it's a working animal, you know.

I've picked some of these off the scope that outlined in the - you know. So medications for livestock. Some medications, obviously, only available with veterinary consult and script.

MR LINDWALL: Which is expensive, yes.

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MS O'CALLAGHAN: And awkward. If we could go into our agent and purchase some of the things that you need to have on hand regularly for, you know, cattle and horses such as the, you know, penicillins or topical eye ointment.

MR LINDWALL: I certainly understand the eye ointments, maybe not the penicillin. But maybe you're right because of the immunity - the eye ointment. I mean, my family is from a beef cattle farm and I used to use it quite a lot myself, on the cattle of course.

MS O'CALLAGHAN: Yes. And phenylbutazone for horses, and also the Hendra, I don't know how difficult that is, whether it's subcutaneous or, you know, I would assume. I don't know. So I've got 25 horses and only one of them is vaccinated for Hendra because he required veterinary treatment. Now it was six months and now I believe it's gone to 12. But, you know, if I have to get a vet to do it, you know, I'd be - - -

MR LINDWALL: The call out fee and all the rest of it, yes.

MS O'CALLAGHAN: And annually. Leasehold to freehold, I don't know if this is relevant, but - - -

MR LINDWALL: Is that something you want to do?

MS O'CALLAGHAN: It is. We're just waiting to see what Mr Katter is able to - if he's able to have any success with this Rural Reconstruction Board. Because, you know, if you could do something like that when you were able to access some sort of reduced rate, get better commercial rates, then you would look into it. So we'll see. But it's not something we're going to - because it's all capital. We've got to pay again.

MR LINDWALL: Yes, yes.

MS O'CALLAGHAN: You know, we've got to pay again after buying the lease, however long ago. You know, you've got to pay out again. Obviously, a lot less than was originally, so. But in that transfer from leasehold to freehold we are required to pay for the survey. Now, I'm thinking to myself, well hang on you've been getting rent off us for the past however many years and then we're required to do the survey, to pay for the survey? Some require native title, et cetera, requirements. But for us, I think, raising homestead perpetual lease is relevant.

MR LINDWALL: That's correct, yes.

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MS O'CALLAGHAN: But the surveys still are. Again, the scope spoke about, I think, subdivision and different things like that. So for us, we're in the catchment of the Ross River Dam. We're not permitted to subdivide under 1000 acres, which is, you know, quite restrictive on our blocks there.

MR LINDWALL: You've got 3200 hectares, is that right?

MS O'CALLAGHAN: Yes.

MR LINDWALL: I think I read somewhere.

MS O'CALLAGHAN: Yes, that's right. So, and yet, there are small blocks surrounding us. So, you know - - -

MR LINDWALL: Yes, of 50 acres or something.

MS O'CALLAGHAN: Yes. So why can't we, sort of thing, you know. I mean, if you could obtain some capital by doing that sort of thing, you could. You know, it would assist if you could. I mean, I'm sure the costs are huge. You know, it's not like it's all dollars coming your way. There's got to be a lot of costs associated with that sort of thing. But it's an option we don't have.

Rates and council, I'm not sure again if this is relevant, but you rated on your unimproved capital value. So, for example, for us that's in the region of $9000 now in the Townsville region. That doesn't include any services, so that is just on unimproved capital value.

So going onto the next is road maintenance. Our titles are two separate titles adjacent. The front half where the house block is, we have a road to that. But the back block has its own separate road which the council won't do anything to maintain. So again, that affects actual market values, if there's no real road. It doesn't just go to us; it goes to other properties as well.

MR LINDWALL: They're collecting rates off you which is supposed to be maintaining roads, yes.

MS O'CALLAGHAN: Well, and they have blatantly said they are not going to do it, to another neighbour who needs that road. That block alone we pay half, so it's about 4000 annually. Of course, that's going to be going up. I don't know what the increase in Townsville was this year, but.

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MR LINDWALL: Yes.

MS O'CALLAGHAN: Planning Commission, I think that was mentioned also. We had to obtain two separate and Material Change of Uses Planning Applications to diversify on property. One for horse riding on a cattle station, and the other was B and B in the homestead. Each of those were full MCU applications with, you know, substantial costs. I think, a couple of thousand dollars each or something, you know.

The next one I've got is about a powerline fire we had. I don't know if it's relevant, but it's another issue.

MR LINDWALL: It sounds a bad experience you've had, yes.

MS O'CALLAGHAN: But another major administrative burden we've had to deal with where a power line was built through our property. We thought the worst thing about it would be it was ugly. But the worst thing about it was that in middle of the 2009 dry season a fire started on a Friday afternoon metres from the easement in the mountain range on our property. So, you know, and burnt us out. Came back, went up the hill, came back a couple of weeks later and burnt us out. We've spent six years writing letters, just wanting someone to take responsibility for it because, you know, it didn't start by magic. The smoking was allowed on site and we're still in, you know, in shall we say discussions, formal discussions, about that.

MR LINDWALL: Did you lose any cattle at that time?

MS O'CALLAGHAN: No. But we were left, you know, in a serious position without - - -

MR LINDWALL: Yes.

MS O'CALLAGHAN: I mean, we're like probably a lot of smaller beef produces, there's no excess.

MR LINDWALL: Yes.

MS O'CALLAGHAN: We have grass and we had dry feed, and we always have dry feed. You know, supplement your dry feed.

MR LINDWALL: You need it, yes, yes.

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MS O'CALLAGHAN: Then to have that burn in front of you, through no fault of your own. Yes, fires can happen and if they do happen and if they do happen and they come from far away - - -

MR LINDWALL: It's a natural cause, that's a different thing.

MS O'CALLAGHAN: Yes, but to start off - - -

MR LINDWALL: But if someone's actually being negligent, that's different.

MS O'CALLAGHAN: Yes, yes. On your property, and then to walk away, and then to have a Queensland Government fire inspector say it was arson by someone unknown, which is, you know, government investigating government, you know. To come up and say, "This is arson by person or persons unknown", when it's about seven metres off a Powerlink easement in the middle of nowhere. Anyway.

Mining exploration. We have to deal with, personally, exploration mining permits and we've had to deal with it probably for eight years and it only finished last year when the mining company advised that they were relinquishing the tenement or whatever it is they have. So there was substantial exploration. They created substantial erosion. They took water from water sources that we weren't aware of till we've found out afterwards.

Then also, we had to chase up with the Department of Environment and Heritage because there was, you know, substantial erosion created by them putting tracks in to get to do their drilling, you know, because they had their big drilling rigs come out, et cetera.

Insurance costs, again I'm not sure if this is relevant. We only really insure our house and shed with a, you know, for cyclone, all the rest of it. Now that's just what somebody else does in town. Yet, because we're on larger acreage we're penalised and we - - -

MR LINDWALL: Yes. How much extra do you estimate it to be?

MS O'CALLAGHAN: I don't know, but our insurance for house and shed is over $7000. So I think property in town people are looking at maybe three, four.

MR LINDWALL: Yes, I would think so.

MS O'CALLAGHAN: So we could be - I don't know.

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MR LINDWALL: Double or something, yes.

MS O'CALLAGHAN: Yes. But again you can't guess. So say, for example, some of the commercial insurers like Woolworths has gone into house insurance now, they won't insure you over 50 acres. You know, they won't look at your insurance - or five acres, or 50 acres, something like that. So we don't have that - - -

MR LINDWALL: Of course, the insurance doesn't cover, for example, the damage to the pasture caused by that fire.

MS O'CALLAGHAN: No, no, we don't bother with anything like that.

MR LINDWALL: Exactly, yes.

MS O'CALLAGHAN: We couldn't afford it.

MR LINDWALL: No.

MS O'CALLAGHAN: So for us, land rental, rates and insurance total almost, you know, in the region of 25 to $30,000 and we haven't even looked at a beast or put a dollar into a beast, never mind any mortgage you might have over the purchase of the - these are just land rental, rates and insurances. Interest rates, again.

MR LINDWALL: That's probably a bit out of our scope.

MS O'CALLAGHAN: Okay. We've got rural fire brigade levy, regulations, permits, you know. Another thing we have to deal with, of course, firearms licences, another regulation. The concession on loan applications, I don't know, again, if that was something that was relevant.

MR LINDWALL: Probably not. I don't - - -

MS O'CALLAGHAN: Very difficult. Very onerous for people to do, you know, I think, because of that much of the concessional funds have been utilised, so.

MR LINDWALL: Well, thanks, Frances. Could I just ask a few questions about your submission?

MS O'CALLAGHAN: Can I - - -

MR LINDWALL: Yes.

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MS O'CALLAGHAN: Apologise, because I just added one more that I did yesterday.

MR LINDWALL: Yes.

MS O'CALLAGHAN: And that was the agricultural census. I thought I'd get out of it by telling my husband to write on the census saying, "I am a 64 year old grazier and I don't use a computer". He sent that back and, of course, they sent us a hard copy.

MR LINDWALL: Yes.

MS O'CALLAGHAN: So I had to fill it out yesterday and it took me an hour.

MR LINDWALL: At least the computer was working for the hard copy.

MS O'CALLAGHAN: Yes, well, you know, I - - -

MR LINDWALL: Do you have good internet coverage out there?

MS O'CALLAGHAN: No, not great. We're on a wireless - BigPond wireless.

MR LINDWALL: My other Inquiry is on telecommunications.

MS O'CALLAGHAN: I see. We're only in Woodstock which isn't really, you know, in the bush. It's only 35 - 40 minutes from Townsville. It's very slow. Very poor signal.

MR LINDWALL: So the NBN hasn't come to town yet?

MS O'CALLAGHAN: I don't know. I don't even know what that is. No, I don't know.

MR LINDWALL: That's the broadband network. They're supposed to have satellite service out here, I would've thought. Actually here in Townsville it'd be different, but.

MS O'CALLAGHAN: But, no, it works but it's slow and very poor signal, you know, because we only get one or two bars of signal.

MR LINDWALL: Well, I think you've got a very good point on the NLIS tags and I think that we might've said something in the report about

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why we don't use microchips and bolus tags. They seem to make a lot more sense and I think they'd be probably cheaper and more reliable. If the microchip was used and it was acceptable, would you use it for other purposes on your farm to - - -

MS O'CALLAGHAN: I think we could do because everyone is all about efficiency and productivity. We're all try to value out as much as we can.

MR LINDWALL: Yes, exactly.

MS O'CALLAGHAN: Especially when you're small you've got to maximise the value of each animal. Now if you could, you know, look at growth rates, different things, performances - - -

MR LINDWALL: Exactly. You record it on a little thing like that.

MS O'CALLAGHAN: Yes, you can. You could, yes.

MR LINDWALL: Then you just scan the - - -

MS O'CALLAGHAN: Yes, yes. I can't - - -

MR LINDWALL: I think you can already scan these things on that.

MS O'CALLAGHAN: Yes. I mean brands will never go because we need to have a visual identification between your neighbours and you know. If you're looking at cattle in a mob, you can't see whether - you know.

MR LINDWALL: Exactly. No, that's true, but - - -

MS O'CALLAGHAN: So your brands you'll still need, I suppose. But, yes, something that could give us security of ownership, if we're paying for it, and also perform the traceability function, would be preferable to what we have now where it can be cut out and you really aren't protected.

MR LINDWALL: Yes.

MS O'CALLAGHAN: I mean, you know.

MR LINDWALL: Yes. What about your use of water and dams, for example, on your property and the water rights and interaction with the environment departments on that? Nothing about water? So you just have dams that have been built many years ago, I guess?

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MS O'CALLAGHAN: Yes. I don't think we have any restrictions on small - you know, I don't think you could dam off rivers or anything like that, but we have small dams. But we're mostly watered by natural water courses that can last for 12 months and bores. But we do have some dams.

MR LINDWALL: The environmental reef management plan, would you be willing to give us a copy just so we can see how much work is taken to fill it in?

MS O'CALLAGHAN: Yes, yes. I'm not sure what the status is of them now, but yes most definitely.

MR LINDWALL: Good.

MS O'CALLAGHAN: I have mine tucked away in the drawer. But we haven't been bothered by them for quite some time.

MR LINDWALL: Okay.

MS O'CALLAGHAN: But, yes, not a problem.

MR LINDWALL: What else was I going to ask you? Your levy for the MLA, do you think you get good value as a farmer out of the MLA?

MS O'CALLAGHAN: I don't know. I mean, beef is a major protein source. I mean, yes, I know it's in competition, in the domestic market, with pork and chicken and all the rest of it. Maybe that's where the levy is going to keep beef in front of mind with, you know - beef and lamb, sorry, maybe it includes pork too, I don't know. So, I don't know. We're not really involved. I mean, we just haven't got the time to be political, I'm afraid, with these organisations and to be - I don't know. I don't know.

MR LINDWALL: Yes, that's right.

MS O'CALLAGHAN: You know.

MR LINDWALL: On the labour market, your working holiday makers, do you use an agent or do you - - -

MS O'CALLAGHAN: No, no.

MR LINDWALL: How do you find them?

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MS O'CALLAGHAN: Just there's a backpacker job board that you can boast an ad on, Queensland Backpacker Job Board.

MR LINDWALL: Yes.

MS O'CALLAGHAN: Then they contact you through the job board.

MR LINDWALL: You've been generally happy about the working holiday makers?

MS O'CALLAGHAN: Yes. They're all looking for their three months to get their second year really of our regional - - -

MR LINDWALL: So they're quite keen then?

MS O'CALLAGHAN: Yes. Being in our industry with cattle and also horses which attracts a lot of - that's why I'm here. I was one 25 years ago and ended up marrying the bastard, so. Yes. No, no, I mean, it's a lovely experience for them. We've got two girls with us at the moment and there's a new rodeo grounds opened in Townsville so we'll take them to their first rodeo on Saturday. It's great, a great experience. Yes.

MR LINDWALL: Good.

MS O'CALLAGHAN: Apart from the tragedy of course.

MR LINDWALL: Yes. Well, thanks very much then, Frances.

MS O'CALLAGHAN: Thank you very much.

MR LINDWALL: We'll talk about getting that environmental report. We might now break for morning tea. There's some coffee and tea at the back, if you all like. Then at 10.30 we'll come back and talk with Johnathan Pavetto.

ADJOURNED **[10.10 am]**

RESUMED **[10.29 am]**

MR LINDWALL: Let's get going. So if you just introduce yourself?

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MR PAVETTO: Thank you, Paul, and thank you to the Commission. My name's Johnathan Pavetto. I'm the fifth generation of a sugar cane growing family in Ingham, just north of here in Townsville. I'm here today under my own volition. The submission I have prepared is in a relative amount of detail and that was prepared, sort of, all entirely because I wanted to - it's the views that reflect my own, not the views of anybody else and I haven't received any financial compensation for preparing the submission.

Today, I'd like to provide some high level feedback on the draft recommendations and findings of the Commission, respond to a number of claims made with regards to sugar marketing, and then propose a number of issues for examination that may require regulatory response, keeping in mind that this inquiry is all about the right regulations in agriculture, not necessarily less regulations in agriculture.

First off, on environmental regulations, the Commission is dead right in its view that environmental regulations are a problem for the agricultural sector. They have been for quite some time. But the regulations that we have in Australia don't just impact productivity here and now. It's not a present issue; it's a long term issue and it's an issue that affects the issue of all agriculture in Australia.

It's certainly given us a bad name in the community, particularly in communities that don't have an agricultural interface, that don't appreciate and understand what actually happens. That also builds issues in terms of future regulation and future problems with decision makes in Brisbane and Canberra, but it creates a long term problem for our industries.

Look at the sugar industry, for example. This is quite a good crowd that we've got here today mostly of cane farmers, and it's the youngest crowd of cane farmers I've probably ever seen. The average age is certainly a lot higher than what we have here today. Because of the bad name that we have from environment regulations, we don't have many young people wanting to come back to the industry and work in the industry. So that is a real long term problem.

The focus of the Commission on landscape level regulation, particularly around vegetation management is very appropriate. It would work. I think the issue isn't necessarily a technical one; it's a political one. But we'll leave those issues for a different forum.

If I could raise a few issues in the environment space to your attention? We can't forget about the Great Barrier Reef Regulations. I understand the Commission looks at issues across Australia, but for us

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here in North Queensland and also for similar people in Central Queensland, the issues around the Great Barrier Reef are a real problem for agriculture. It's not that the doomsdayers say that the reef is dying and we're the ones to blame. You know, quite the opposite. The agriculture space in Queensland are incredibly good environmental shielders of the land. The issue that we have with reef regulations is that it's an extra compliance burden, it's an extra cost, and often there is no consideration for the economics of the cultural sector.

Looking at regulations in general, in Queensland there's a very alarming shift of the administrative burden. The State government is pushing the cost of regulations back onto the people they're regulating. This is across all sorts of regulations, whether it's a vegetation management, your protected plans, your water issues; the state government is doing a lot to push the cost back. It's not just costs in terms of the application fees for permits to do the sorts of things we need to do. It's costs in terms of mapping exercises and basic regulatory tools that the government, as the regulator, should be paying for.

A good example in Queensland is with our regulated vegetation management maps, and that if we look at our maps and they're inaccurate and we do something on our farm that should be legal and should be allowed on farm, but it doesn't comply with the mapping, we're the ones to blame and we could face imprisonment. If we want to correct the maps, it's not up to the state government to correct the maps, we have to hire our own consultants to prove to the state government that, in fact, their information's incorrect, which is really quite extraordinary.

Now there is a case for some environmental regulation. But when we look at basic property rights across Australia, we've got an increasing burden of environmental regulations that are eroding property rights. If we look internationally, we can see that in the US they've got mechanisms such as regulatory taking mechanisms where if you lose a potential income stream from a property right that you have then you're duly compensated for it. That applies for all sorts of regulations around the United States. What I would suggest is that the Commission could investigate the opportunities for that, strictly in the environmental context, in Australia and even if it's strictly with agriculture, because we are losing a lot of property rights and we are losing a lot of capacity to generate income, while we're still wearing all the costs.

I'd encourage the Commission to look at the regulation of agricultural chemicals very similar to other environmental regulations. We do need to make sure that when regulators make decisions there is some sort of understanding of the costs and the economics of their decisions, not

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strictly the environmental ones. In the sugar industry, we have had some rather profound problems with APVMA banning chemicals that have put great costs back onto the industry, whether that's costs of new chemicals that we've had to use that are a lot more expensive or whether it's costs in terms of lost productivity because we can't use the chemicals that we have been using for some time that are very effective.

Again, if there is a case to be making these sorts of decisions on environmental grounds, there needs to be some sort of compensation made to the farmers that are trying to do this, because if we're going to achieve a public benefit, it shouldn't come at an exclusive private cost to the agricultural sector. So some sort of mechanism where a subsidy could be paid to lower the unit price of a new chemical back to the existing chemical or the previous chemical, these sorts of things would provide the environmental outcomes that people are looking for. It will also not impact on productivity in the agricultural sector.

Moving onto transport regulations. It's a rather big concern for the agricultural sector and it's one that's been growing in recent times. It's been growing in recent times because with the introduction of the National Heavy Vehicle Law and the National Heavy Vehicle Regulator, the regulations that govern the movement of agricultural vehicles really has been an afterthought. There's no doubt that the National Transport Framework was designed to support the road freight industry. There's nothing wrong with that, it's great for the road freight industry. But it's not working for agriculture.

To understand why it's not working, we've got to look at the different sorts of heavy vehicles that we have in agriculture. Most of the heavy vehicles that we have, particularly in cropping industries - so it's not just sugar, it's also wheat and cotton - they're not designed for freight. It's not moving from point A to point B on a defined route consistently over a period of time. It's about harvesting or planting or spraying weeds or apply fertilizing and that's on, generally, erratic patterns because you're moving across a selected area from paddock to paddock. You're moving most of the minor roads, not major roads. The vehicles are not designed for roads; they're designed for paddocks. So you've got weight issues. You've got size issues.

The way that the new frameworks apply, to move anything you need the appropriate permits. The examples were provided in the Commission's report are very fitting for what's going on in agriculture and in Australia. The best way forward would be to set up a new regulatory framework for agriculture. We're not saying get rid of the National Heavy Vehicle Framework. It works for road freight, but it

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doesn't work for agriculture. There can be certainly a case for a new framework to apply to agriculture.

Now if I can move to the most topical item of the day, sugar marketing. Now, this issue has received a lot of attention in Queensland. I understand you like to focus on other things because there's a lot more in the report than just one sole recommendation, but it's an important one. It's important because for many growers in the industry, particularly smaller ones, smaller growers that we have, it's a life and death issue. If we can't resolve the issues around sugar marketing, there really is no future for the industry.

Part of looking at sugar marketing arrangements, we need to make sure that people, like the Commission, are making well informed decisions around all the issues that exist; well informed decisions around industry structure; and we need to make sure that recommendations to government reflect what's going on in the industry.

Unfortunately, what we've seen in the Productivity Commission's draft report is that there has been a recommendation made that doesn't reflect the structure of the industry; doesn't take into account the unique economic structure; doesn't look at the detail of what sugar marketing is; and really doesn't make any attempt to understand what's going on with basic competition between different sections of the industry. I would encourage the Commission to look at a lot of the claims that were made, particularly the claims that I've outlined in my submission and really to make a value call and a judgment call as to whether or not the claims really are true and accurate and, hopefully, reflect that in the final report.

The Real Choice In Sugar Marketing legislation is a brave new competitive world for the sugar industry. It is a legislative tool to promote competition in sugar marketing and it really is no different to other acts, such as the Competition and Consumer Act, which is a very important act that facilitates in Australia. The only difference is, that this is an industry specific act to deal with an industry specific issue.

If I could respond very directly to some of the claims that milling companies have made? The proposals that they're putting forward are to replace one monopoly industry marketer, known as QSL, with their own monopoly mill marketer. So the claims that are being made by milling companies that this regulation is anti-competitive simply don't stack up.

Another unfortunate point, which I've got to raise, was the Commission's claim that Real Choice in Marketing is re-regulation of the sugar industry. Now if you look at the history of the industry and you

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look at the regulations that previously governed the industry, going through de-regulation, what Real Choice in Marketing seeks to achieve is nothing like we have had before. There's no return to domestic production regulations or production quotas or the peak system, as it was known. There's no import tariff protections. There's no domestic price supports. There's no statutory marketing agency, and there are certainly no single desk selling arrangements. So to say that this is a re-regulation of the sugar industry really is not too well informed.

When you look at the Commission's framework for legislation, it's very important because, when you apply the framework that was in the draft report, you get a very different outcome in terms of a recommendation to what was in the report. For example, you know, looking at some of the key tests that were identified for the value of regulation in Australia, you know, are there clear objectives? Well, yes, the objective of the Real Choice in Marketing is to ensure competition in sugar marketing. Does the regulation achieve these objectives and is it effective? Well, it's very effective.

We've got a case where most milling companies in Queensland are moving in a rather constructive manner with their growers to reach agreements based on historical initiatives. So there's nothing new that really this regulation seeks to achieve except for, most notably, Wilmar Sugar, who have been quite deliberate in their attempts to obfuscate the process to make it as hard as possible, and to try and demonstrate that it clearly doesn't work. Well, nearly every other milling company in Queensland is proving that it does work. I think it's a poor reflection on Wilmar that we haven't reached an agreement, not necessarily a poor reflection on the regulation itself.

The last point of the Commission's framework looks at the cost of the regulation. Could there be costs that could be reduced or benefits increased? Well, there hasn't really been a constructive dialogue from milling companies over the past 18 months or longer about this issue. It's been, quite simply, "No, we don't want it. It's got to go away"; not necessary, "How can we make this work?"

Then, when we look at the community wide benefits, we need to look at who benefits from the regulation and who wears the cost. Now the benefit is not just the 4000 growers in the industry. The benefit is the communities that surround them because if you, as a milling company, starting taking more of a premium of sugar for their own books, that means that there's less available for the growers. When the growers aren't making money, towns like Ingham or the Burdekin or Tully or Innisfail aren't making either. So we've got very large social issues with lack of

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receipts going through the town. Then you've got issues to do with economic development, unemployment.

All of these things can be avoided through Real Choice in Sugar Marketing because it provides a far and transparent way of pricing sugar in Australia and it ought to continue.

Now, when I was reading through the report there was really one question that I had on the section on sugar marketing, and that is quite simply, "Well what about the farmers?" The Productivity Commission really didn't have enough balance in its analysis of the issue. There was a lot of concern about mill investment, expropriation of rights from mills, mill viability, mill exit from the industry, and mill marketing premiums.

What about the growers? There was no attention paid to farm investment. No attention paid for the confidence of growers in the future of farming. No attention paid to farm viability. No clear concern for transparent pricing discovery for growers. Yet, the Commission looked at the issue nearly wholly and solely from the view of one company, not even one sector of the industry.

So I'd encourage the Commission in its deliberation of the final report that it looks at whatever the reason was that there was a lack of balance in its analysis, particularly as the issues impact the growers and growing side of the industry. It needs to change. I hope that the Inquiries, both today in Townsville and yesterday in Brisbane, have informed the Commission.

If I can move onto other issues? There are some issues that weren't in the Productivity Commission's report and if there is an opportunity for consideration, these issues may be worthwhile. Keeping in mind that the aim of this report, in my understanding, is to ensure the best regulatory outcome, not necessarily the least regulatory outcome. So while there's a lot of focus on repealing, sometimes there might be a case for addition.

The first is on electricity prices. Now, this wouldn't be a surprise to the Productivity Commission. The Commission has done a number of reports on electricity prices in different forms over the years. It's not surprise that electricity prices impact everyone. But just like transport, labour and water, electricity prices are particularly concerning to the agricultural sector. So much so, that in many parts in Queensland we've got drought declarations. We've had some of the worst drought in, nearly, recorded history.

There are some properties that have water in dams but can't afford to turn on the pumps to grow their crops or to grow pasture for their cattle.

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The fact that this is happening really is quite sad, that we've reached this point in our economy where electricity prices are such a barrier to activity that we are in drought and we can't afford to turn on pumps. So what we need really is an overhaul of the electricity sector. There's a lot of people who've been saying it for a very long time and it needs to happen.

But in the context of this Inquiry, there is one thing that can be done to mitigate the impact of high electricity price in the agricultural sector and that is to look at developing a set of irrigation tariffs. Now, there have been historical basis for irrigation tariffs. They are very economically efficient. There is nothing in the national electricity laws that prohibits them from being introduced.

The only problem that we have with introducing electricity tariffs are the providers themselves. Quite consistently electricity providers in Queensland, and in other jurisdictions, have refused to look at this issue. They won't even investigate. The very few times when they've provided just the faintest bit of interest, they haven't given it due justice and have disregarded the matter out of hand. So I'd encourage the Commission to look at the introduction of irrigation tariffs as a means of achieving a good outcome in the electricity space for the agricultural sector.

Onto another topic of vertical integration in the agricultural sector. At a time when competition policy in Australia is encouraging the breakup of monopolies in the public services and utility space, we're going in the opposite direction in agriculture. We have increasing, mostly, foreign investment which is driving vertical integration in our supply chain. It's very obvious what's going on in sugar, but it's also going on in dairy, it's also happening in beef and in other industries.

Now, this vertical integration may increase the competitiveness of the individual company and, without a doubt, that's the purpose of the integration. We've got to ask the question, "Is it in the interests of the Australian community and does it provide good outcomes for the Australian agricultural sector?" We know with vertical integration that we've got weaker competitive tension between manufacturers and marketers and this allows some economic monopolies to develop. At the end of the day, a lot of this comes back to growers receiving less and less for the products that they try and take to market, because they are losing more market power, not just in scale but also in scope, which is a real concern. So I'd encourage the Commission to look at this.

Now, there are two issues with vertical integration, which I would hope the Commission would look at. The first is monopsonistic pricing. I give you a good example where we've got a large international processes

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purchasing Australian food manufacturing assets. The purchase is made on commercial terms which is fine. But then we have a case where, over time, the international parent company's commercial incentives are encouraging the monopsonistic behaviour. That's quite rational. There's nothing wrong with trying to source your imports at a cheaper price or in a more secure way. It's very rational for these companies to be doing this. But is it in the interests of the Australian agricultural sector and the Australian community at large?

It is a big risk with monopsonistic pricing for farmers. We're seeing it very clearly with sugar at the moment - and I'm sure in other sectors it exists - in that are we being paid the right price and are there enough protections in place? These are two questions that the Commission could investigate in their final report. The second issue with vertical integration comes down to tax avoidance, and this may be a bigger issue than the draft report for examination.

But there's two different scenarios, the first is a competitive supply chain where a product is sold for manufacture in Australia, independently owned and it is a profit maximising entity trying to sell for the highest value to a food processor or to a different company. Now, as their profit maximising entity, the attempt is to make a profit and therefore to pay a tax on that profit.

There's a different scenario for vertical integrated supply chains though, particularly internationally, where you could have a manufacturing facility in Australia sell to the same company abroad, obviously at cost price because the point of that division on the company is not to maximise the profit in that division. The outcome is it's sold overseas and manufactured and then you've got no profit in Australia, no tax paid in Australia.

It could be the case where you've got an environment where you've got an international company that's vertically integrated into Australia that is trying to optimise their tax arrangements overseas, because most cases where large agribusiness companies are headquartered are not in jurisdictions that have high corporate tax arrangements. Now, I'm not saying that this is a particular aspersion on individual companies. Of course, everyone would act rationally in the same way. But is it in the right interests of Australia and is it in the right interest of the Australian agricultural sector?

At a local level, this issue of vertical integration is very acutely borne in the sugar marketing dilemmas that we have. We have an international agribusiness company that makes a lot of food. Sugar is a key input of

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theirs, so they're looking to purchase sugar production assets to secure up their supply and probably even to reduce the costs of their sugar as an input into their food business.

The perception, at the moment in the agricultural community, is that the activity that Wilmar is trying to undertake in accessing sugar in a rather cheap way, is reducing our market power and our ability to receive a maximum price for our cane through the sugar price because there's no real test in the market under the milling proposals to look at transparency in pricing or to maximise the price paid as the sugar leaves Australia. That's a real concern.

But the perception is a big problem for us and it's a reality because it's impacting grower confidence and it's impacting on farm investment. Although your time and schedule wouldn't permit, I'd encourage you to come north to Ingham, pop into the local real estate agent and you'll find so many farms for sale. People aren't trying to sell farms from generational families, if they're making money. The fact that we've got this complete lack of confidence in the industry, which has been accelerated by the issues we have around sugar marketing, is of real concern. It should be of concern to the Commission.

But the Real Choice in Marketing looks to be a circuit breaker for these vertical integration issues and it could be worth applying to other sectors. Why is this important? Because it makes sure that food and product manufactured in Australia cannot be sold below a market rate to an international parent company whether that's for their own vertical integration or whether it's for tax purposes. I think that's a very good outcome, if no other outcome of choice in sugar marketing and ought to be applied in other areas.

There's one last topic that I'd like to raise and that is the geographic concentration of ownership of processing infrastructure in Australia. Now, this is a particular issue in the sugar industry and I know it's an issue in other areas as well, where you've got the same company that's buying up a number of processors within a geographically confined space. The outcome, of course, is a natural monopoly because there's no case with many primary products in agriculture that are perishable to transport over a certain distance.

If we look in Ingham, there are two sugar mills, both are owned by Wilmar Sugar and both don't compete with each other. I mean there's no issue for Wilmar in that but there is an issue for the growers because if we're looking at trying to make competitive tension in the industry, it simply doesn't exist. So I would encourage the Commission to look at

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ways of ensuring that both existing purchases and future purchases of agricultural assets that have the capacity to become natural monopolies is properly scrutinised and, where they do exist, that some sort of attempt can be made to break them up to restore some sort of competitive environment into the supply chain.

So these are the key issues that I would encourage the Commission to investigate in their final report. Thank you for the opportunity to present today.

MR LINDWALL: Well, thank you, Johnathon. Just a couple of questions, given the time. There's a few things we can't really address. Like, the electricity pricing is really out of our remit, unless you were to say the renewable energy target is a regulation. I suppose, one could argue that.

As for vertical integration well, really, it's the Competition and Consumer Act and the ACCC, whatever, roles. I'm interested, when Wilmar purchased both mills in Ingham, was there any case taken to the ACCC about substantial lessening of competition or something like that?

MR PAVETTO: Well, Wilmar's ownership of milling assets is a legacy issue from CSR Sugar. That goes back, certainly before my time.

MR LINDWALL: Yes.

MR PAVETTO: Probably back closer to 100 years than where we are today. So it's a legacy issue that we're trying to deal with. But, you know, if I could, on indulgence, with electricity, the electricity sector is governed by federal regulation and, you know, it really certainly is worth investigation. The impacts on agriculture are significant. It's no different, in my view and I'm sure in the view of many people in agriculture, that electricity impacts farm businesses and farm productivity and farm profitability in no different way than transport regulations, labour regulations. So I'd certainly encourage the Commission to - and if you're looking at issues in other jurisdictions, well it certainly didn't stop the Commission from making an adverse recommendation on sugar marketing to the Queensland Parliament.

MR LINDWALL: Well, we certainly look at all jurisdictions. In terms of environmental regulation, I think we did say in there that if there's a community benefit and the government thinks it should be achieved, it should, in principle, pay for it. I mean, the fact that people are living in a catchment area near the Great Barrier Reef and the Great Barrier Reef is a community asset, well then one could argue that there is a case there, I

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guess. I certainly would think so. We'll explore that a bit more. What else here? Transportation. I think your points are well made. I certainly don't have any problem with anything you've said there. The ag vet chemical side of things. That's an interesting one. Which of the chemicals that were used in sugar growing that are no longer available?

MR PAVETTO: The most recent on is Diuron.

MR LINDWALL: What did it achieve? Sorry, excuse my ignorance.

MR PAVETTO: Yes. No. It's a fairly widespread chemical that was used for controlling weeds and pests and those sorts of things. It was a pre-emergent, to my understanding, so it was very effective. It's no longer available. There were a number of different chemicals that could have been used in the same circumstance, but they were substantially more expensive.

MR LINDWALL: Have you got a guidance of how much more expensive?

MR PAVETTO: Double, triple, quadruple.

MR LINDWALL: Okay. Yes. We've spoken a fair bit about, obviously, the structure and the sugar marketing choice act. Could I ask about QSL itself? It's a monopoly as it is. Do you think farmers are happy that it is marketing efficiently and that it couldn't achieve higher prices or better marketing at a lower cost, say, because in my experience - and I'm not casting aspersions on QSL here but if you look at history, monopolies, especially ones that are protected and are not for profits and therefore not subject to capital market discipline as we've put it, can get a little bit cosy and not really be looking at innovations and so forth.

MR PAVETTO: I think there's a very high degree of confidence in QSL across the industry, particularly from the growers. QSL have always been very proactive in providing information to growers about pricing instruments that are available. They have been innovative in delivering new pricing products. A good example is forward pricing in the sugar industry. It's one of our great strengths now, thanks to QSL and providing its services.

Although, I would hate for the discussion on sugar marketing to hinge on the future of QSL, because I think it's important for the Commission to look at issues across industries, not based on particular companies. So what Choice in Sugar Marketing does is it looks at proliferating competition in the marketing space. Now, it could be QSL. It could be

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another provider. It could be somebody else. You might decide the Productivity Commission served you well so you want to serve sugar abroad internationally. You know, I could too. So what Choice in Sugar Marketing does is enable this level of competition, which is important - - -

MR LINDWALL: It sounds good in principle, but in practice is it likely that there'll be anything other than - I mean, how many farmers do you expect to choose other than QSL?

MR PAVETTO: Well, there could be a case where the mill is going to provide - as an alternate marketer, a mill could provide a good product. There could be a case where I'm sitting in one milling district, and a milling district that has a different mill could be providing a marketing product that could be of value. Time will tell. But the alternate proposals that we have in the industry are to have QSL maintain, as a natural monopoly, by itself, by commercial agreement between growers and millers. There's an alternate view that the milling companies themselves want to market the sugar that they manufacture. Well, that is just simply replacing one monopoly with another. So therefore the same arguments would apply, you know, is that necessarily a good outcome?

So what Choice in Sugar Marketing does, it facilitates the choice in sugar marketing. I think that's very important. It does provide the competitive tension in sugar marketing to provide for innovation in the future. Another thing that it does is that it will keep milling, or mill marketers, honest because mills are making claims that they can achieve high premiums, but there's no proof. There's been substantial investigation into rice premiums. Well, I'd say that a similar conclusion could be found for the mills, if there's no real additional premiums that could be found in the marketplace. So those claims need to be investigated as well.

MR LINDWALL: Thank you very much. I think that will have to do, Johnathan, given the time frame.

MR PAVETTO: Sure.

MR LINDWALL: Thank you. We'd better move on to Julie from Pioneer Canegrowers Organisation Limited. Welcome. If you could just say your names and tell us a bit about the organisation and what you want to say today that'd be great.

MS ARTIACH: Good morning, Commissioners. Thank you for the opportunity to appear this morning. My name is Julie Artiach, and I'm the manager of Pioneer Canegrowers. This is one of our co-chairmen,

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Mr Dean Sgroi and he's a grower, so you'll get the grower's perspective, not just my perspective in this. Our organisation is in a pretty unique position in the respect that it only represents growers who supply sugar cane in the Burdekin to Wilmar Sugar. So I can't speak in relation to any other miller; I can only speak in relation to our interaction with Wilmar Sugar, okay? I've got an opening statement.

MR LINDWALL: Please, yes, yes.

MS ARTIACH: The opening statement is quite short though. I would prefer to spend our time with you asking us questions in relation to what are the issues that you think you've got. Obviously we've put in a submission. The submission response, specifically to the concerns that we had about the comments that the Commission has made in its draft report. Please feel free to interrogate me in that regard in relation to why we formulated the opinions that we have in relation to that and, literally, to, you know, anything else in relation to it. I will say though that we've limited our response to the Commission's draft report just to the regulation of sugar, okay?

MR LINDWALL: Would you be willing to talk about other issues as well?

MS ARTIACH: In the - - -

MR LINDWALL: Well, let's see.

MS ARTIACH: It depends on what the question is. As I said, you've got the grower's perspective sitting right beside me. One of the things we will say, simply because there are so many different cane grower organisations, Pioneer Cane Growers Organisation is not affiliated with Cane Growers Queensland, okay? So we stand alone.

So the dispute between growers and Wilmar Sugar has raged now for some three years and we've attended before various State and Federal Government Committees and Inquiries. The history of this very long journey has been well documented. The history of the Queensland sugar industry and the function of the cane payment formula debunks Wilmar Sugar's cries of alleged injustice and other red herrings, such as interfering with its property rights.

It is incumbent upon the Commission to understand how the sugar industry operates. The pool of sugar generated from the growers' cane is split one-third to the miller, two-thirds to the grower, and this is in accordance with the cane payment formula and all of the history

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associated with how that cane payment formula came into existence back in about 1912.

So GEI Sugar, as the term refers in the Sugar Industry Act now, represents that two-thirds sugar of the private is used to pay growers for their cane. Growers are seeking to influence what they get paid for their cane by choosing who prices and markets that sugar. Growers receive the net revenue from the sale of this two-third slice of the pie. Millers have never had access to this two-third slice of the pie, however access is what Wilmar Sugar has been fighting relentlessly to achieve.

On the other hand, growers are not seeking to interfere with the millers one-third share of the pie or what is now referred to as MEI Sugar. Millers are free to price and market their slice of the pie and influence what they get paid for this share of the sugar.

The issue then is why is it so objectionable to Wilmar Sugar for growers to have the same right. The issue is this, why is Wilmar Sugar seeking to get access to two-thirds slice of the pie when the reward from the sale of the sugar is to the account of the grower. This is what this dispute is really about. So the Sugar Industry Act (Real Choice in Marketing) Amendment Act merely seeks to prevent millers unilaterally accessing this two-thirds slice of the pie by providing growers with the statutory right to choose the marketer that will determine the sugar value of the GEI Sugar. That sugar value is then pumped back into the cane payment formula and that is how growers get paid for their cane.

The Sugar Industry Act provides that there can be more than one marketer and fosters competition for marketing GEI Sugar. Wilmar Sugar's actions, on the other hand must be judged against this backdrop. How is the Sugar Industry Act and, in particular obviously, the 2015 amendments anticompetitive? Is it simply because it stops Wilmar Sugar dictating contractual terms that provides growers must use Wilmar Sugar to grow their cane, and growers must use Wilmar Sugar to market the GEI sugar and determine the value of the sugar and the resultant payments growers receive for their cane? How does Wilmar Sugar's construct of the commercial relationship, that is only Wilmar Sugar providing milling and marketing services, result in a fair and reasonable commercial arrangement with such an equity and bargaining power?

It is also interesting to understand that the concept of grower's choice was actually propositioned by Wilmar Sugar on 23 May 2013, that is Wilmar Sugar propositioned that a grower could choose between QSL and Wilmar Sugar to market GEI sugar as Wilmar Sugar's proposal at that time was within the single best model. So, if it was acceptable to Wilmar

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Sugar in 2013 that growers have a choice of marketer, why is it not acceptable in 2014, 2015, and 2016? So something's changed.

So this dispute is really about growers seeking to protect the fundamental basis upon how they get paid for their cane and to prevent the miller utilising monopsony powers to dictate commercial terms and determine the price for their cane. Millers have not historically had that power. Wilmar Sugar's outrage and its discontent is all about failing to get what it wants, which is a share of the grower's two-thirds part of the pie.

So section 33B of the Sugar Industry Act is the mechanism giving effect to grower's choice. Section 33A of the Sugar Industry Act is the arbitration mechanism. It is this mechanism that gives both parties, millers and growers, the ability to resolve disputes regarding terms and conditions of the supply contract, but on a level playing field. It balances the inequity and bargaining power between Wilmar Sugar and growers.

Wilmar Sugar has demonstrated a willingness to exercise its monopsony powers. Wilmar Sugar, throughout 2015 leading up to the debate to the Sugar Industry (Real Choice in Marketing) Amendment Bill in December 2015, was resolute. It was not prepared to negotiate a different construct to the commercial arrangements, namely it would market all sugar produced at its mills and it was not only entitled but justified in its position. Wilmar Sugar's dogma left growers with no option but to seek political redress.

Growers do not seek to re-regulate the sugar industry. They are not seeking a return to a single desk marketing model. Growers are eager for there to be competition for marketing services to ensure that receive quality service to maximise the return for their cane. In fact, section 33B of the Sugar Industry Act reflects Wilmar Sugar's original proposition in 2013, that of grower's choice.

I'll conclude with the same question as I started, what are Wilmar Sugar's motivations in seeking to control GEI sugar? For us that is the real issue, having regard to all the matters referred to in the Commission's draft recommendations.

MR LINDWALL: How about I start, thank you, by saying what Wilmar told us yesterday, and then you can address it? Because they said (a) that they weren't - they accept the formula and that they only want their one-third share. They said something like - and I'm not - I haven't got a transcript here, but that both the growers and the millers are mutually dependent on each other and that they both get the same benefits when the

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price is high and less benefit when it's low, which is axiomatic if you have a one-third/two-third share, if the price goes up you get two-thirds of the increased price and they get one-third of the increased price, and vice versa if it goes down. They also said that the reason that they - I'm just saying what they said.

MS ARTIACH: Yes, yes.

MR LINDWALL: They said that the reason that they wanted to market the sugar is because they could achieve a higher price than QSL. So I mean, that was their claim. So, I mean, let's go back to it. It's a monopsony in one sense but not in another sense. A monopsony would be able to exercise a power to extract more of the price for itself and less for you. But if you've got a formula dating back to 1912 which splits it two-thirds/one-third then I can't see that there's any monopsony power in that respect because the price is fixed.

MS ARTIACH: Well I'd probably disagree in the respect that it is the activities that go on determining the sugar value which are varied. When you look at Wilmar Sugar - Wilmar International as a trader it sits in a different context to that of, say, for example Queensland Sugar Limited where QSL's only activity is in relation to returning to either the grower or the miller, whichever sugar we're talking about, the best return.

Wilmar Sugar, however, sits in a completely different position because it will - who it is suggesting that's actually going to be the marketer of the GEI sugar is, in fact, Wilmar Sugar Trading which is a Singaporean company which has its own book, trading book, and a completely different construct to that of something like QSL where all of the return is going back to either the growers or the millers.

So I definitely see that because they have the opportunity then, if they have control of the GEI Sugar to intermingle its relationship, or the relationship of that sugar with Wilmar Sugar Trading and its other sugar, then yes it does actually have that ability to extract a bigger return for itself and not necessarily share it with the growers. We've listened to Wilmar Sugar's rhetoric for the last three years now. To suggest there is transparency, having regard to the fact that Wilmar Sugar International is one of the world's largest global traders in sugar, I just think is fanciful.

MR LINDWALL: So is it fair to say that the Queensland Act which, as I said earlier - the risk for the industry is that parliaments act and they repeal and, you know, they can be fickle and you can't be sure that this act will be around. Who knows? Whatever I say or whatever the Commission says is irrelevant in that respect.

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MS ARTIACH: Absolutely.

MR LINDWALL: You know, politics is politics and it changes.

MS ARTIACH: As we expect.

MR LINDWALL: So it would be better for the industry to have a solution that didn't involve an Act, I would've thought.

MS ARTIACH: It would, if Wilmar Sugar was prepared to alter its attitude, and it's not.

MR LINDWALL: Do you think it's purely just because of Wilmar and none of the other millers, or is it just because of Wilmar?

MS ARTIACH: I think, predominantly, it was Wilmar. If we were to go back and have a look at what was transpiring last year leading up to the debate of the bill, absolutely. There were two other millers who were prepared to want to sit and try and negotiate with us. As I said in my statement, Wilmar Sugar's position was absolutely resolute, "It is our sugar we own it, we can do with it as we see fit" and we went, "No, no, that's not the case at all. That is failing to understand the nature and the historical context of the cane payment formula. It is not you can go and do as you see fit. No, it's not".

MR LINDWALL: We may as well go through what Wilmar said also is that the outcome is that it reduces the incentive to invest and that that will come at a cost to the industry overall because, for example, they said that they wouldn't be able to build a new storage facility which, apparently, would mean that they wouldn't be able to sell in what, March and May next year or - the year rather than - where apparently the prices are normally higher.

MS ARTIACH: In relation to Wilmar Sugar's MEI sugar it can do whatever it wants to do in 2017 as it can do in 2016. The only difference is Wilmar Sugar seeking to access GEI sugar. So in relation to its investment, it can now actually compete to get access to the GEI sugar under the legislation. The only thing it doesn't get is to absolutely control the whole of the GEI sugar at its will. That is the only difference.

So how is the difference between its investment today compared to its investment in 2017, dependent upon this legislation? It's not, because if it was prepared to invest in 2016 when it had no access to the GEI sugar, it

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actually gets to compete for the GEI sugar in 2017. It produces a spectacular service, marketing service, and out-performs QSL.

Growers, like any other small business, are going to respond to the best return they can possibly get. What we don't want to be the case is because there is no competition for milling services, if a grower grows sugar can, which is a huge investment, they are limited to Wilmar Sugar milling their cane which means then if there's no legislation or no competition for marketing services, Wilmar Sugar will market sugar and that's the end of the matter because they cannot move their cane to any other miller.

That was one of the things that I found so objectionable about the QPC's report because it looked at the fact that because there had been a dispute between the growers with MSF in the Tablelands, they actually moved sugar from the Tablelands to Mossman. But the Commission didn't have a look at the cost, the cost for something like $18 a ton of cane to move that cane 120 kilometres. So for the QPC to make this absolutely startling comment that there's competition amongst mill areas, was farcical. It was not.

The only reason why it happened in that particular occasion was because a stoush occurred and obviously Mackay Sugar thought there was some financial benefit for it getting access to that sugar. But that is a one off occasion. It's not something where the growers automatically have this right to choose a different miller. To me, that was the biggest fault of the QPC was that there was no financial cost consideration at all in making its recommendation which I thought was just startling.

MR LINDWALL: So this mutual antipathy is not optimal, as I think you would agree with that.

MS ARTIACH: Absolutely.

MR LINDWALL: What if Wilmar decides that it's had enough and it will leave the market altogether? What do you think would happen then?

MS ARTIACH: You mean as far as milling services or as far as marketing services?

MR LINDWALL: Decides it wants to sell up and take its capital - - -

MS ARTIACH: If it sells up, we deal with the miller who buys the asset.

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MR LINDWALL: Well, who would buy the asset? I mean, is there a good market for milling assets? Would growers buy the milling asset for example?

MS ARTIACH: Look that's probably a matter that I couldn't really comment upon. But I would assume that if Wilmar Sugar saw value in purchasing the assets, then obviously some other company would also be prepared to see value. You can see from what exists in Australia that there are quite a few - - -

MR LINDWALL: I heard that some of the milling assets - and I didn't hear this directly from Wilmar, but I must've heard it from somewhere else and I don't think it was in a hearing - but I heard that some of the milling assets were extremely run down, they hadn't been maintained very well and they were basically uneconomic and a lot of maintenance needed to bring them back to capacity to be a good mill. So it's very important to have a mill operator that runs properly and obviously maintains it well, otherwise you get these type of issues.

MS ARTIACH: Well I doubt that Wilmar Sugar is prepared to sell it for zero, so I assume that yes they're - you know, having listened to their rhetoric that they've spent $1.75 billion, I doubt they're just going to walk away. That would be a huge loss. I would assume that Wilmar International, being Wilmar International would not make such a business decision, or I would find it extremely interesting as to what their shareholders would say if they've built up $1.75 billion worth of assets.

MR LINDWALL: All businesses have to take into account what they've done in the past and they have to take into account the future. There's a sunk cost, what's been spent. I mean, if a business thinks that it's not optimal to continue because of whatever, then it will decide to exit despite the fact that it might've spent a billion and a-half in the past. How it exits, that's another issue.

MR SGROI: Your question's speculative, but anyway at the time there was another entity that was looking at buying that business.

MS ARTIACH: Wilmar Sugar far outbid it which is the reason why it ended up purchasing.

MR LINDWALL: Okay. Yes, yes, yes, yes.

MR SGROI: So I could only assume that yes there would be - - -

MS ARTIACH: Interest.

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MR SGROI: - - - others interested.

MS ARTIACH: I'd find it very unusual that there would not be - - -

MR LINDWALL: Is this what you would like to happen is Wilmar to exit the market?

MS ARTIACH: No, no, that - - -

MR SGROI: I'd like them to change their attitude a bit actually.

MS ARTIACH: Yes. It's more how they deal with the growers that is our concern, rather than Wilmar itself.

MR LINDWALL: It hasn't reached the point where it's impossible for it to change its attitude? Because I do get a sense of heat from both sides. You know, people get into - - -

MS ARTIACH: Our position has been - - -

MR LINDWALL: Let me put a marriage analogy here.

MS ARTIACH: I understand.

MR LINDWALL: People often shoot both themselves in the foot in the case of a divorce and it can get very nasty.

MS ARTIACH: Look, all I can say is that - - -

MR LINDWALL: Lawyers are the ones that benefit in those circumstances.

MS ARTIACH: I think all I can say is this, is that Wilmar Sugar's approach at the moment is more that of bullying in relation to "We want what we want". Where we see it ended up at the moment is there's not a lot of power on the growers' side to otherwise ameliorate that because there's no competition for milling services. If the grower could choose a different miller, a whole different kettle of fish. If they didn't like what one miller was offering, you would have the benefit of negotiating with an alternate miller. We don't have that. We're never going to have that in the Burdekin because - don't think we've not tried, we have. We've made approaches to see whether or not someone would build another mill.

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So in that regard there is - Wilmar Sugar has the advantage of having this monopoly power that, at the moment they've demonstrated they are prepared to utilised. There is so much history over the last three years to take us to where we've got now, that it is difficult to articulate the reasons why I have that opinion. I suppose, from a lawyer's perspective which is my perspective, I don't think in 28 years of litigation that I've ever sat down at a table and operated on the basis of I'm going to get everything that I want.

So our attitude when we have sat down with Wilmar Sugar is "Look we want a fair and reasonable contract". We are not sitting here saying to Wilmar Sugar, "We want everything or nothing". It has never been our attitude to do that. The alternate thought, or I should say in the alternate, Wilmar Sugar hasn't demonstrated that same attitude to us. I'm going to be quite direct, in the contracts that Wilmar Sugar have propositioned for example now for 2017, they've altered quite significantly some of the contractual terms in relation to the milling operation. So nothing to do with marketing.

So if the power in the relationship in the existing 2016 contracts is here, Wilmar Sugar has pushed it back to over here. So now we're even fighting to get the milling operation contractual terms back to where we currently are. So, you know, when you see a company negotiating in that way, to me it is not them trying to achieve a fair and balanced outcome; it is, "Well, we're going to push and see how far you're prepared to go because this is now what we want". As I said, those clauses have got absolutely nothing to do with marketing, but that's the circumstance that we now find ourselves in.

So if we had competition for milling services, I don't think that you would see that Wilmar Sugar would be prepared to exercise that power to the extent that we see them doing.

MR LINDWALL: I asked this question earlier and you may not have been here, but another alternative is to treat Wilmar as a contractor and you just contract them to do a job, i.e. milling - - -

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MS ARTIACH: Toll crushing, yes.

MR LINDWALL: - - - and perhaps use the ACCC under part 3A as an access regime. Have you thought of doing that?

MS ARTIACH: If we were to take that line of approach, I think, the difficulty that we've got with Wilmar Sugar will be multiplied tenfold. They are so adamant that if we wanted toll crushing that the cost that they would seek to impose on the toll crushing would be such that it would be exorbitant.

MR LINDWALL: Yes, but the ACCC has a right under the Competition Consumer Act to impose an access regime and set the price, irrespective of what Wilmar says. I mean that is an option surely.

MR SGROI: The biggest problem we've got at the moment is that - is time, really. I mean, also that basically 100 per cent of the crop for 2017 is in the ground now. The investment's been made by the grower. The grower cannot afford to send that cane to a mill next year.

MR LINDWALL: Yes, I do know it's a five year investment.

MR SGROI: As well as a part Queensland Sugar Act we must have a CSA with the miller, and so that basically pushes us to about June next year.

MR LINDWALL: When? June next year, all right, yes.

MR SGROI: So we have that as a backstop. The miller is aware of that and using that as the lever.

MR LINDWALL: Well, maybe you should - I mean it's June next year, you still might be able to get an access regime by the ACCC. I mean, you should explore the possibility surely.

MR SGROI: We certainly don't discount any possibility or opportunity.

MR LINDWALL: Just thinking of another option. Now, could I ask - - -

MS ARTIACH: I think that - - -

MR LINDWALL: Yes?

MS ARTIACH: As I said, the growers aren't seeking to become more adversarial with Wilmar. Quite seriously, if we took that line of approach,

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if we thought Wilmar was being difficult to date, we would see Wilmar Sugar's object multiple tenfold. I think that there would be no ifs or buts about that to speak of. So every time we ventured into that toll crushing type arrangement, their response - if we think they're being difficult now, its magnitude by about a factor of 10.

MR LINDWALL: Could I ask about the - finally, really, the split, the formula that was created in 1912 if I'm not mistaken?

MS ARTIACH: Yes.

MR LINDWALL: That's amazing that a - from an outsider like me, who doesn't know much about sugar marketing, that a formula to split between two-thirds and one-thirds has persisted for 104 years. It's essentially arbitrary, isn't it? Because as sugar processing and as technology changes in terms of growing cane, one could argue that the economic interests of both parties change over time, one may increase, one may decrease and you've locked it in stone 104 years ago.

MS ARTIACH: The formula was devised in such a way so that there was incentive for improvement on both parties. What I mean by that is, the formula goes 0.009 times the sugar value - - -

MR LINDWALL: The first time I've seen it is in your submission.

MS ARTIACH: Yes, in brackets, times the grower's relative CCS minus 4 plus a constant, okay? Now the constant - hang on, I'll go back to the beginning. The 0.009 is based upon the one-third / two-third split. So it adds both together, what was the average CCS and the miller's ability to extract sugar and - sorry - to extract sucrose and create crystal sugar. So if the milling proves milling operations, the 0.009 is referred to as the coefficient of work.

At the moment, we understand that because milling operations have improved, what they now extract out of a stick of sugar cane is more like 103 per cent coefficient of work rather than the 90 per cent, which is what the basis of the formula was. So as the miller improves its productivity it's getting that extra benefit because they only pay the grower based on that 90 per cent approach.

The CCS works on the basis of, if the grower improves its productivity, in relation to both tonnes and CCS, the grower gets the benefit of that. Wilmar Sugar takes the first four units of CCS, so that's extracted straight off, but any improvement on the grower's side, as far as tonnes are concerned, and CCS, is to the reward of the grower. So the

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formula, therefore, works, in the respect that as circumstances are changing it's encouraging investment and improvement by both parties.

Now, the constant was added, I think about in the 70s and 80s, if my memory serves me correctly, and it's changed a little bit over time, to add to the fact that the coefficient of work has improved so much more than what productivity on the grower's side has improved. Because productivity is a function of not only farm practices but also the varieties of cane.

MR LINDWALL: And weather.

MS ARTIACH: And weather. So all of those types of things. So the constant that's being added is to balance that one-third, to take it back more to that one-third/two-third approach. So the cane payment formula, over time, does, in fact, respond to variations that occur and encourages improvement.

MR LINDWALL: Who decides on the, in this case, 0.662 constant?

MS ARTIACH: That was by negotiation with the millers.

MR LINDWALL: So this is an agreement you do each year?

MS ARTIACH: Well, it hasn't changed probably now for about 10 years but the way the formula is structured is certainly the case that, at least in relation to the constant, the other part of the formula hasn't changed since 1912, there was no constant in 1912 when the formula was devised. As I said, the constant came into existence to balance out that one-third/two-third share.

So this is why we say that GEO sugar that Wilmar Sugar is trying so hard to get access to, why? Because the revenue generated from that, under the cane payment formula, is to the account of the grower. Where is Wilmar Sugar losing? If Wilmar Sugar is in a position where it can now compete to access that GEO sugar then it's going to achieve what it wants to achieve, but it should not have the right to win the argument, based on it being a monopoly miller. That should not be the case and the competition legislation exists for a reason, or the national competition policy exists for a reason.

One comment that I want to make, though, finally, is I had a look at the submission that the ACCC put in to the draft report of the Commission and I noted, with interest, that they were silent, in relation to 11.1 and 11.2. Made no comment at all. What inference - is it reasonable them for

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us to draw an inference that it did not think that the legislation offends the competition legislation?

MR LINDWALL: No, I don't think you can draw that inference.

MS ARTIACH: Well, I'm probably going to be a little bit different in saying, yes, I do believe you can make that inference because of the Commission's role. It's not as if - sorry, because of the ACCC's role. The ACCC is well aware of this issue. The Queensland government, the night the legislation passed, sent a letter to the ACCC saying, "We think the legislation offends the competition legislation." So if that was the attitude of the ACCC, why was it silent, in relation to its response to the draft report?

MR LINDWALL: I think it stood to be silent in this respect because it would want to go through the normal process and make a determination separate, rather than through a submission. That's my view, anyway.

MS ARTIACH: It had the opportunity to respond. It didn't have to respond in totality but it could have put in a comment and it chose not to do so.

MR LINDWALL: I can't speak for the ACCC.

MS ARTIACH: Well, I must admit, and I purposely looked at the ACCC's submission, particularly for that point of view, thinking, "Well, what was the ACCC's position in relation to the Commission's draft recommendation?" To me it was quite startling that it had not made a comment at all, in relation to the draft recommendation.

MR LINDWALL: Thank you for explaining the formula. I don't think it's so unusual things to last such long periods of time. I mean, in Bordeaux the 1855 classification is still used for dividing things into first growth, second growth, third growth, fourth growth and fifth growth, and it gets changed very rarely. Thank you for that.

MS ARTIACH: That's okay. As I said, it is really a nature of understanding how that formula works to really cast a light on what Wilmar Sugar is seeking to do. The formula functions for a reason and it divvies up the proceeds. Well, why does Wilmar Sugar want more access to something that it doesn't get a benefit for the financial reward now? There's only one pie. There's only so much to go around. Where is it seeking to push the boundaries of why it is fighting to desperately to get access to the sugar.

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MR LINDWALL: Thank you very much. We've got to move on to our next people. So now it's Cane Growers Burdekin, with Deborah Burden. If you could all introduce yourselves, that would be prefect.

MR MARANO: Thank you, Paul, my name is Phillip Marano, I'm the chairman of Cane Growers Burdekin.

MS BURDEN: Deborah Burden, general manager of Cane Growers Burdekin.

MR SMITH: Wayne Smith, manager of member services, Cane Growers Burdekin.

MR LINDWALL: Thank you.

MS BURDEN: Commissioner, thank you very much for the opportunity to speak to our submission, we appreciate the opportunity. We have read the report in full but we, like other cane grower groups, really only want to talk about your draft recommendation 11.2 and to say that we strongly, strongly feel that that recommendation should be removed from the report.

Just to provide a little bit of an overview, Cane Growers Burdekin is a very small, not for profit, member owned organisation, we've got a voluntary membership. As a collective we offer the region's cane farmers the CBL Cane Supply Agreement and we individually represent approximately 30 per cent of the Burdekin Cane Farmers, which equates to about 2.5 million tonnes.

The Burdekin's economy has a major reliance on the cane industry. The average annual crop is about 8 million tonnes, which equates to about $280-320 million of revenue for our small economy, and the industry is by far the largest employer. To provide an example of the region's reliance on the cane industry, cane farmers pay close to half of the council shire's general rates.

We're part of the cane growers family and we work closely with our fellow cane grower groups, based in Herbert River, Proserpine and Plain Creek. Between our four individual companies we represent over 10 million tonnes of cane and that equates to about 70 per cent of Wilmar's supply and all of our groups can only supply to Wilmar mills.

I know you've heard this before, but Burdekin cane farmers have no choice but we have to contract with Wilmar to have their cane crushed. So just thinking about the whole process very simply, the farmers grow

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the crop, they harvest the crop and they transfer the crop to the designated delivery point. As soon as the cane is delivered, the title to the cane transfers to Wilmar. Wilmar's contractual role is then to manufacture the cane into raw sugar and transport the raw sugar to the Townsville port.

This is important, as soon as that raw sugar is delivered the title to the raw sugar transfers to the marketing company, which is currently QSL and that's a free in store process. The fact is that Wilmar currently holds title to that grower economic interest raw sugar for around 24 hours.

It's also important to realise that the price the growers are paid for their cane is directly related to the market value of the sugar. To be clear, the price the growers are paid for the cane is about two-thirds of the price received for the raw sugar. Growers wear the greatest risk and therefore it's only fair and reasonable that growers have the right to say who markets the raw sugar that impacts the price that they are paid for their cane.

On 3 April 2014 Wilmar attempted to take control of marketing of all of the raw sugar, without growers' agreement. Wilmar put forward what we call their no choice, no QSL marketing proposal and gave notice to exit QSL. They subsequently gave notice to cancel the long-standing Cane Growers Burdekin CSA. Cane Grower Burdekin growers voted unanimously that they condemned the Wilmar's no choice, no QSL proposal, as it takes away their rights to utilise QSL.

Now, QSL is a successful, Australian, not for profit, non-taxable, industry owned marketing company. Many of our growers are well over the age of 55 and QSL has faithfully served their needs for many, many, many decades.

Wilmar's action led to over 18 months of dispute and there was no resolution that could be reached. It was only resolved in December 2015 by the changes made to the sugar industry Real Choice in Marketing Amendment Act. It was not going to be resolved without that change.

Since January of this year we have been endeavouring to negotiate a cane supply agreement with Wilmar for 2017 onwards. It would be fair to say that this negotiation has been extremely difficult, even with those amendments to the Act. As although Wilmar have stated that they will comply with the new requirements to offer growers choice in marketing, the fact is that right now there is no choice, as Wilmar's negotiation position has been such that it's unacceptable to QSL and we understand that there are no other marketers indicating any interest.

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The major issue relates to Wilmar's attempt to completely change the marketing process from FIS to free on board. This small change will mean that Wilmar will go from holding title to the grower economic interest raw sugar from the maximum of 24 hours to an average of 3500 hours, so 145 days.

What we really wanted to talk about is that what would happen if the Commission's recommendation to the Queensland government is actually enacted? So what would happen if those amendments to the sugar industry real choice in marketing, if those amendments were actually repealed? This is our view of what would actually happen.

So our negotiation position with Wilmar for a CSA from 2017 onwards would be dramatically weakened, and that would be due to the loss of the arbitration clause. Secondly, we think that what would happen would be the potential removal of market choice and what would that actually mean? In our view the cane farmers will be stripped of their rights to utilise QSL, and again they'll be stripped of their rights to use an Australian, not for profit, non-taxable, industry owned, niche marketing company that's been the heart of the sugar marketing system, a system that's faithfully served the needs of the Queensland cane industry for over 100 years, they'll be stripped of that right.

Secondly, we feel that the cane farmers may actually receive increased risk and lower return. The reason we say that is the GEO raw sugar would most likely be marketed by Wilmar's chosen marketer, who is a non-Australian, for profit, privately owned, taxable, non-niche marketing company and this could result in farmers facing increased risk and also there's the reduced security of payment.

Now, although Wilmar have been very vocal and you've heard numerous people speak about it today and, I assume, yesterday, they were very vocal that their marketing option is superior to QSL. They spoke about that they're the Picasso of marketing, they're a big canvas. Our view is that they must have kicked over a can of red paint recently because Wilmar's results have been bloody woeful.

You've already seen the results. QSL, when they finally put together a pool it's not even fully comparable to what QSL were doing because they have 100 per cent discretion where QSL only had 30 per cent discretion. But even in that basis, they couldn't match QSL. They were still $30 per tonne of raw sugar behind. The early indications indicate, for 2016, that they're going to be $70 per tonne of raw sugar behind. So if they're saying they're going to perform better, they must be holding themselves back.

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Also of interest we see that Wilmar International has just released their second quarterly results and they state that sugar has made a loss of US $78 million, which was double the loss for the same time the previous year, which is $37 million. They put the comment down to, "Apparently rallies in sugar futures caught out Wilmar's marketing team." I would hate for them to have been marketing the grower economic interest sugar when they were caught out.

The final thing that we talk about is that if that legislation is repealed grower's confidence in the industry will be further damaged. Their willingness to employ and to invest in the cane industry will be constrained. We've heard a lot about the risk that the mill's interest investment in the future will be constrained, well, the growers' current investment is $11.5 billion. Wilmar talk about their $2 billion investment, growers investment is $11.5 billion, estimate.

I just wanted to take the opportunity, and we will go on and address some other particular areas from the report, but I did want to take the opportunity to respond to some comments that Wilmar have made in their submissions and there's two areas that we'd like to respond to. I'll respond to one and Phil, our chairman, will respond to the other.

The first area that I'd like to respond to is on page 4, it's example 3. The reason that we want to respond to - this example is about non-sugar revenue, and Wilmar is saying that molasses and the co-generation underpins the mill's business viability. They go on to say that, I guess they were scared, by the look of it, but on 5 May a grower collective lodged a claim, the claim, against Wilmar for two-thirds of the profits of all non-raw sugar products produced from cane. They say this claim is understood to be in belief that the Act has established, in law, a precedent for grower economic interest, being equated to ownership, that continues throughout the manufacturing process to the finished raw sugar product. Growers now wish to apply this precedent to capture the other two-thirds share of profits from all sugar and non-sugar products produced from cane.

Now, when you read what they've got written there, you'd have to say it's well written and it's a good example and that the Commission, perhaps, could be convinced that due to this comment and this example that Wilmar will not invest further in renewable energy and other non-sugar product divisions and that that could be a reason to have the Act repealed. The reason I raise this is that we are that collective and we wanted to respond because what Wilmar have cleverly put there is not correct. Clearly not correct, in our view.

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First of all, we did not raise a claim. What we, as a tiny little company that Wilmar indicate have scared them into this, what we put forward was a discussion point. It was a discussion point because on 5 May this year Wilmar were refusing to enter into negotiations. So it was an initial discussion point.

Now, we did not put that discussion point forward that we believe that the Act gave us some power and it would set a precedent, we did not do that at all. We put that forward because our view was that we needed to start the discussion because we feel that the cane supply agreement that's negotiated at this point could well be in place for the next 10 years. Our concern was that cane could be used for many different product in the next 10 years and, at the moment, growers are only paid for raw sugar. So what happens if, say, plastics were then used, or bio-products, biofuel? What would happen then? The growers would receive no benefits. We were putting forward a discussion point to say that there should be something in the cane supply agreement that ensured that growers received a benefit for that.

Now, right now the growers are paid for raw sugar, they also receive a small payment for molasses. You'll see I have a copy here of the discussion term sheet that we gave to Wilmar, which I'll hand over, and you'll see the heading of that was that what we were looking for was a fair share, fair, fair share of non-raw sugar products produced from cane.

I just wanted to cover what's happened since the Act was actually put in place in this area. So the first thing that's happened is that Wilmar have endeavoured to remove everything they can from the cane supply agreement. Their basis of doing that is to remove growers' benefit of collective bargaining. They've removed the molasses clause from the cane supply agreement. They've put forward good arguments for it, but they've removed that from there. What that actually means is that - they're saying, "Why are you worried about that? All of the current benefits are in there, nothing's been lost, why are you worried about that?" Well, the fact of the matter is that there's no collective bargaining anymore on molasses and that they can change those conditions going forward.

The other fact of the matter is that when there's another product that comes forward that product will not be collectively bargained so you'll have a small grower, and in the Burdekin over 50 per cent of the growers product crops of less than 10,000 tones. So the ability for any of those growers to be able to negotiate with Wilmar on what they should actually be paid for these additional products is zero.

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So we wanted to raise that because I think that's just one of the clever examples of Wilmar and the Commission could easily be convinced and say, "Wow, yes, that's a real risk and the Act should be repealed." I'll just hand over to Phil, who's going to speak about the other area that we had concerns with.

MR MARANO: The other area that we have concern about is that Wilmar has come out and there's a bit of a press statement, and it's also in the submission that they gave to the Productivity Commission, how they are no longer going forward with a $75 million investment into a sugar terminal. This is an investment that we, as growers, knew nothing about, and you'd think, being one of their main partners in the industry that they would consult with us before wanting to spend $75 million on a sugar terminal.

All the sugar terminals currently are industry owned, which means they are owned by growers and millers and it would appear that Wilmar was simply going to do what's happened in the grain industry, build a terminal that wasn't needed and they were just going to add cost to the industry, be over capitalised in terminals and it was probably a bad investment anyway. So to say that they've stopped building, stopped investment on what we see as a completely unnecessary terminal is a bit cute from Wilmar. It was probably never going to happen because it wasn't needed and their claims that they'd be able to store sugar and get a higher price in different months is just ridiculous, because we can already store significant of sugars and capture those high prices.

If you look at QSL and their pricing structure and their marketing structure, they have nearly always outperformed the world benchmark in pricing, so it was just uncalled for. So that's another claim that they've made that I think is just absolutely ridiculous.

So I will continue and specific response to some of the matters raised in the draft report, under the heading of Regulation of Sugar Market in Queensland. I guess the word "re-regulation", we strongly object to the use of the word "re-regulation" and we are of the view that the amendments to the Sugar Industry Act do not re-regulate the industry. All the amendments have done is endeavoured to stop growers being stripped of their rights to choose who their marketer is and we actually believe that it's actually adding competition into the industry. You've heard many people speak about that so I don't think I need to go into that too much further.

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Also we have some issues where they talked about the transparency and the transparency being offered by Wilmar. The issue has never been if Wilmar marketed the sugar would they be transparent or not, the issue has always been, they could be the most transparent marketing company in the world and if they're doing a terrible job what can growers do about it? Absolutely nothing, because there would be no choice.

So all we're really asking for and all we believe that the amendments to the Sugar Industry Act has done is to actually give growers choice, it's actually delivered competition into the marketing of sugar and it's actually helped the balance in the relationship between Wilmar and the growers. Many speakers already this morning have spoken about that and for me to continue on about that will just be reploughing the field. Deborah?

MS BURDEN: So we're going to do tag team. The next area we wanted to speak about is cost impacts. Wilmar have regularly been in the market talking about how the Act has actually imposed all these additional costs on them. They've had to draft contracts for 2017 and the costs being incurred by them. But really I think little thought has really been given to the resources and costs that are incurred by growers and their representatives, since 2013 when Wilmar initiated this nightmare.

So we're a very small company, as we've already said, with very, very limited resources. The time that's been spent on the marketing issue, since 2013, has been a huge percentage of our operational costs and a huge impact on our business.

The other side of it, from growers, growers have been unable to take advantage of very attractive forward pricing prices for 2017 onwards, as they've been unable to forward price, due to Wilmar's actions. That's due to Wilmar's actions.

There's also some commentary about market failure. We have been really surprised and disappointed that anybody could conclude that there has not been a case for market failure. If you think about what actually happened, Australia has had a market process in place that's benefited growers and millers for over 100 years. We understand that this marketing process is the envy of other countries throughout the world. There's already been discussion today about the memorandum of understanding that was signed by the milling companies and by the growers and by the government and that memorandum of understanding was in place when Wilmar purchased Sucrogen. They were well aware of the conditions that the Australian industry operated under.

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Wilmar International, fresh to Australia, come to growers and said they want to completely smash this process. Growers clearly shouted out, "No. No, it's not to happen." Our region and others voted, unanimously, to condemn Wilmar's proposal. Even though it is growers who have 66 per cent of the risk, Wilmar International ignored growers' wishes and continued with their action. A survey of growers was undertaken and I won't read out the response, but it was like over 95 per cent of growers said no, and it's listed there in our submission. So we just can't see how market failure couldn't be put in place. I'll just pass to Phil, who is going to speak about the cane price formula.

MR MARANO: I don't think there's too much more I can add about the cane price formula. Julie's done a really good job of explaining it to you.

MR LINDWALL: Yes, it's very clear, yes.

MR MARANO: Very clear, we agree with it. The only point I would make is that - and just reinforce what Julie said, the mill actually has no interest in the growers economic interest sugar and they've even stated, in our negotiations which have just freshly started, that they have no interest in the growers economic interest sugar, they will receive no revenue from it. So I can't understand why they're so upset. They get their share through the cane price formula, it's theirs to do with as they wish, even though I personally believe that, as an industry, we would be better off staying with the single desk marketer, which was QSL, which served the industry. That's just my personal view but also I understand that the miller should have the right, just as I believe the grower should have the right, to determine their own economic destiny, and that's all we're asking. So that's about all I can say about the sugar cane price rules.

MS BURDEN: Just moving on to collective bargaining - - -

MR LINDWALL: You don't have too much more time.

MS BURDEN: Actually we might just skip that one, it's probably not as important. Wayne, do you want to talk about investment?

MR SMITH: Do you want to skip forward then, Paul, to investment and innovation and regarding the comments that the amendments of the Act will constrain Wilmar's willingness to invest in the industry? We point out that the investment and innovation in areas such as co-generation, that's for electricity, and biofuel, has been to the sole financial benefit of the milling companies. To our knowledge, growers have received no benefit from these innovations and our lack of bargaining power stopped us from obtaining a flow through of this benefit to growers.

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The forward pricing innovation was only implemented by CSR, who was the then owner of Sucrogen, after a significant push from growers to implement forward pricing. The growers were charged a fee for each and every transaction to cover the cost of developing this system and that fee is still being charged today, even though the system must be well and truly paid for by now.

Any suggestions about mill improvements is questionable in our region, as detailed in the tables provided to you. You can see the best performance in 10 years, from 2002 to 2012 and then compared to the performance of the mills last year, this is looking at crush rate and what we call mill reliability, have basically stayed the same or deteriorated in most cases. We look at last year as a good year because it was what we call a dry crush, so that was a good run through, but when you compare it to the best out of the 10 years, taken from 2002 to 2012, it is still below par.

MS BURDEN: We'll finish off there. We're well aware that the Commission is probably sick and tired of hearing about this particular issue. The reason you're hearing so much about it - - -

MR LINDWALL: I'll be hearing about a totally different issue in Tasmania next week, I can tell you.

MS BURDEN: The reason you're hearing so much about it is because growers are so passionate about this area and it has the potential to have such a huge impact. The reason we're here is to fight for this legislation to stay as it is.

MR LINDWALL: Yes.

MS BURDEN: It's probably not even strong enough as it needs to be but at least what's there, we need to retain. That's us.

MR MARANO: Just me in closing. Perhaps you have some questions, but before we do close, I'd just like to say that at the moment the price of sugar and the price growers will receive for their cane if we can get it all off this year, is at historically high prices. Growers should be optimistic. They should be planning for the future. They should be happy, but instead, because of Wilmar's actions in the Burdekin region, all you've got is anger and despair. It's just terrible. The relationship between miller and grower is at the lowest point in the history of the Queensland sugar industry and that's easy to say. I can say that with hand on heart. It is and it's all because of Wilmar's actions, because I think, as Alf might have

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said earlier on - he was one of the first to speak - they have absolutely no respect for growers. They just want growers to do what they're told and to stay in line.

MR LINDWALL: Thank you. We don't have much time so I'll ask a couple of very quick questions. One, given the act is now in place but Wilmar still hasn't agreed anything with you, how does this all pan out. Assume the Act stays in place, what will happen? What will Wilmar ultimately do, do you expect?

MS BURDEN: The actual negotiation process for our collective is really only in the last month getting underway because Wilmar refused to negotiate until 30 June. Then, of course, they've got a bottleneck because suddenly all of the collectives are ready to negotiate and they haven't got enough people to negotiate. The actual negotiation process is just underway. The biggest bottleneck is going to be with the on-supply agreement between Wilmar and QSL, because that has no protection in the legislation and Wilmar are taking a hard line on the FOB and we understand that QSL are saying a hard line to saying they need FIS. So that will be a very, very difficult area of the whole process. Will something be negotiated? Yes. I think it will have to be. I think you've just heard Dean say that the crop's in the ground. It's going to have to be crushed, but it will be difficult. Will we rely on the arbitration clause? That's not our preferred option.

MR MARANO: The legislation was never our preferred option and Wilmar was well aware of that. We told Wilmar from the start legislation is not what we want. What we want is a miller to actually talk to us and respect growers' wishes.

MS BURDEN: Certainly our negotiation position is that we're there to look at growing the pie more for everyone. We're not there to try and take anything from Wilmar. Unfortunately I think the other side of the negotiation table doesn't have that view.

MR LINDWALL: What percentage is Wilmar's milling capacity in Queensland approximately?

MR MARANO: About 60, 60 per cent of Queensland industry.

MR LINDWALL: If Wilmar had its way, 60 per cent of Queensland sugar would get marketed through Wilmar.

MR MARANO: I can only speculate what Wilmar's intentions are but I believe and this is my belief so don't take me to Court over these

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comments, I believe Wilmar's intention is to completely take over the marketing of all Australian sugar. That's what they came here to do and they were a bit shocked when they found it wasn't going to be as easy as they thought.

MR LINDWALL: Okay. Well that's a good time to conclude then. Thank you.

MR SMITH: That may not be as high as 60. I think it's probably about 15 million out of 30-odd million.

MR LINDWALL: Okay, thanks very much for your time.

MR SMITH: Thank you.

MR LINDWALL: I hope we get a clap at the end. Could we now get Steven Calcagno, I think. Is that right? And Barry Stubbs from Canegrowers Cairns. Welcome. Just say your name and tell us a bit about Canegrowers Cairns and any statements you'd like to make.

MR CALCAGNO: I'm Steven Calcagno. I'm the chairman of Cairns Regional Canegrowers, but more importantly, I'm a cane farmer, cane grower.

MR LINDWALL: And Barry?

MR STUBBS: I'm Barry Stubbs. I'm a director of Cairns Regional Canegrowers and a farmer.

MR CALCAGNO: Just to give you a bit of background, the submission was by a joint submission from Canegrowers Cairns region and Canegrowers Innisfail, so I can speak on their behalf as well. Canegrowers Cairns region and Canegrowers Innisfail, we represent 90 per cent of the cane growers in the northern region of Queensland. That spans an area from the northern beaches of Cairns down to Silkwood in the south and growers supply South Johnstone Sugar Mill and Mulgrave Sugar Mill in the north.

Our sugar farmers, due to the location, we can only supply MSF Sugar, which is owned by Mitr Phol, and then that's the basis of it. Our submission, what we want to address, of course, is the sugar marketing, which I'd say you'd never buy a teaspoon of sugar again after this inquiry, you would have heard enough, but we want to give a different angle to it. Historically, we've negotiated a Cane Supplier Agreement and choice in marketing. I'll go into that. I'm not going to go back into too much

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history, but I've got to go back. I'll cut to the chase at the end, just to let everyone know the sky hasn't fallen in and there's a lot of confidence back in the industry. That's what the end result is going to be when I tell you.

Just to give you a bit of history, prior to the amendments in the Sugar Industry Act, the milling company, MSF, they were one of the three mills who did announce their intention to withdraw from QSL, removing any opportunity of growers' choice. Of course, you know the fight that went on, et cetera, and then the legislation got up. To cut to the chase, to give MSF credit because they did lose a mill area at the Tableland over it and they had to resupply it with new land, et cetera, so it cost them a lot of money, they took the decision that, "You know what. Let's work with the growers and we'll embrace the legislation, grower choice, and let's work on a cane supply contract".

We finished the cane supply contract. They negotiated a contract on supply agreement with QSL and MSF. We've agreed between us and the mills; our cane supply contract is bedded down. Actually we rolled it out yesterday. Growers came in and signed cane supply contracts and in a pricing agreement they ticked the box who they wanted to market their sugar. The two that have been negotiated because you've got to realise a marketer has to have an on-supply agreement with the mill. Basically, the two marketers are MSF Sugar and QSL, that's it.

Growers came in yesterday and if that's not competition, I was sitting there yesterday watching growers come in - I was there because if they had anything to ask about the contract, the fundamentals of the contract - and they were there ticking their boxes, exercising choice, whether they wanted to go with QSL or MSF Sugar. They can even nominate half their sugar, their economic interest, to go to QSL or half to go to MSF or 100 to either. So there's great flexibility and choice. Like I say, after the initial fighting, MSF probably you could say has broken ranks and they've embraced it and they think there's more benefit - let's get the cane supply in and let's address other more serious issues within the industry, within our region sorry.

As far as that, like when you read the draft report, especially how the Queensland Productivity Commission wrote it, where they say about competition et cetera, well we've got MSF over the last four weeks, MSF marketing has been going to see growers, rolling out their products. QSL have been very active coming to roll out their contracts. So what you've got there I think is a good spirit of cooperation. One's not saying anything bad about the other. They're just providing growers with information and at the end it's the growers' choice of where they want to market.

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Our organisations, we are very careful, we're not financial advisers. We don't tell a grower to go one way or the other. It is, at the end, the growers' decision where they market their grower economic interest or sugar.

MR LINDWALL: They've sorted that out now or it's still ongoing?

MR CALCAGNO: Growers have got decisions to make. They don't have to sign it today but a lot did exercise their option yesterday. Others have to take contracts away because there's partners involved and they've all got to sign. It was pleasing too - well, you take it on face value and I trust people. I'm an Italian. I trust them until they wrong me. Like Barry and Hal Cooke, their senior members, they say that they're of the opinion now that growers will always have grower choice. That's one issue, I'd like to think.

Just a few issues, if I could just talk in parallel with how the Productivity Commission got to their resolution at the end. If I could just talk in parallel and what's happened in our area, which I think it might sound a bit mundane but it should clear up a few facts. On page 421.

MR LINDWALL: 421, right.

MR CALCAGNO: I'll read it out. They say that the marketing is likely to discourage investment in milling, resulting in inefficiencies in mill capacity which will in turn lead to reduced productivity in sugar cane growing. Now that statement I don't think is accurate because quite frankly, MSF Sugar, they've embraced market choice. The investment in the mills is unprecedented over the years. They have put excess maintenance into Mulgrave and SJ Mill and the associated rail networks. To give MSF credit, they did buy mills that were from another foreign company that had the philosophy of just rape it and all the infrastructure was there.

MSF, the sugar marketing hasn't stopped them from investing great amounts of money. They have also made major investments when the tree farms collapsed and now banana farms are collapsing. They're making major investments to get that cane back in the farm to help growers to do that. It's not that I'm pushing their barrow. I like that they've decided to get on in life and looked at how we can make all survive in this industry and restructure it.

Also with that, in that comment where they say it will lead to reduced productivity of sugar cane growing, well productivity is a funny word.

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It's what people make of it. What we've got, I think talking generally, is milling companies have got a lot more issues than just the marketing, especially in our area. As they rationalise the milling capacity, we're at our limit now, we've got seasons that start at June to December, we're looking at 19 December due to weather for the milling capacity and I understand the economics of why they did that. Who is taking the hit there is the grower. He's had longer seasons. His CCS has declined, so I don't think that comment is fair that the marketing is going to do that for productivity. The fundamental issues with milling have a larger effect than any little bit of premium on the marketing would.

Actually, I think, just getting off the side track, there's a crossroads happening right now with the mills. Maybe they've got an issue where they've got to spend a lot of millions of dollars to try and get crushing capacity up to handle the cane supply they've got or maybe they look at it that it might be better to just try and get something out of the marketing, but that's my own issue.

Another issue I picked up on the report is of how they get to their conclusion and I'm not going to use the company's name, it's basic to all, it's just to make a point, but the milling companies have said that because it's constraining the sugar marketing, it's forced milling companies in a complex redrafting process, that delay in the drafting of contracts, and people can't forward sell because prices are up. Well, we can forward price now because the mill have sat down with us.

Mind you, we have lost - to be a balanced approach, MSF when they were fighting to have all the grower interests for marketing, in 2013, at the end of that contract, end 2016 contract, they just had a finite line. They withdrew from QSL and growers couldn't price. That has meant a major loss to the area when that happened because growers had a contract that had a dead end. They had no marketer because they wanted to take it all to MSF Sugar. Since then, like I say, they've embraced growers' choice since the legislation passed and everyone's getting on with it, but it's noted that in history. Everyone goes on about - well right there, that thing is that the prices have been the best since 2012. Well, there's only one reason growers can't price and I'd just like to make that point.

Another area, just to go through it, I was interested how the Productivity Commission got into the average size of sugar cane farms and I know it's just a small, fundamental issue. When they compare, Australia increased to 110 hectares and this compares to the United States at 495 at the same time. Well, I don't know how valid that argument is. When you can compare a country that relies on the world sugar price for their income to a country that gets a guaranteed 22 cents a pound.

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I've worked all around the world with sugar. I've spent months in countries, not as a tourist. I just find it a bit offensive that part, because you're looking at labour costs, every other government assistance, and I think it sells our farmers short, whether they be in sugar, grain or anything. We're one of the most efficient farmers in the world, playing against an unbalanced system, and I don't think that's an argument even to come into that to get to that conclusion.

MR LINDWALL: I didn't think we were trying to argue - I wasn't defending the US system by any means.

MR CALCAGNO: No, no, but it does. Going on from that, one of the biggest things and a lot to with where those hectares - I am getting to a point - that hectares is at 110 and they say here 40 per cent of sugar cane growers intend to maintain. Well, age is a factor in our industry. This is where MSF has made the decision to go with choice in marketing, as well as investing in their milling capacity. We're starting next week. They have invested some, but next week myself, of Cairns Region Canegrowers Deputy Chairman, and Joseph Marano, and the Deputy Chairman of Innisfail, we're getting together with MSF Sugar and they want to try and address how to keep the land in the cane as growers get old.

They want to invest money into it to support the farmers to try and grow and to take on - one of the biggest issues in the industry, they want to invest to try and help the farmers and themselves, because that's their business, the environmental challenges and our social licence to grow, to farm with the Great Barrier Reef on the edge. That was there. It's pleasing as a company that they've put the sugar marketing behind them and now there's actual action on the ground and that's where the productivity gains are, not in the marketing. That's it, if we can work together.

I know the comment you made where you asked a question from the other growing areas whether that - like it's been a bitter argument, and if the confidence will return. We did have a bitter argument. We stood as hard as they did. The company has, like I say, changed. It's taken a different view, a different path, and grower confidence has just returned. I think it benefits the company and the growers if they can get over this hurdle. Like I say, the sky hasn't fallen in, actually it's getting a lot brighter; all the clouds have cleared away a lot.

Just a bit of history. Another thing they say here and I hate, like Philip said, reregulation. It's not reregulation. Some people say tomato, some people say tomato, but I'm not going to call it that, the reregulation.

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In the Queensland sugar industry we'll limit the competitive forces driving innovation and productivity growth in sugar cane farming and marketing and innovation in marketing, et cetera. Now back in 2006, just to give you a bit of history, in 2006 when deregulation happened, Mulgrave Sugar Mill was a cooperative. So they did break away and market their own sugar and they set up their own sugar marketing business. That is what MSF has inherited, but what they inherited was pretty mundane, a one size fits all model.

Once MSF took on that marketing and this is what gets lost in the argument, QSL was there offering other pools. So MSF increased their pools to match QSL's product. Now they brought out some different pools and now QSF have adapted, and the winner in that is the growers. So I can't see where anything is non-competitive or lacking innovation. Like I say, I'm giving it from the coalface. We've enacted the legislation. The mill's playing by it and everyone's going in the right direction and going forward.

I think that pretty well covers it. It gets lost. You will hear all about the history, et cetera, and we think it's the wrong thing to dismiss the legislation because we're working under it and there's no problem. It's just a mindset and I think everyone jumps at a few shadows. It's all been a win, win. I think Barry could touch on it, that the mill is very open and there's major investments in the future.

MR LINDWALL: Do you think MSF is happy with it. I mean it's now agreeing and it's going ahead with the arrangements but would it have preferred the previous arrangement when it was going to market everything?

MR CALCAGNO: Probably. Well, I use the point, when we always had that argument of - it's a simplistic argument that I'm going to use but when the mills, and I'm not going to mill bash, I'm just stating it as a fact, when they used to say, "We're only doing this for the growers for them to get a higher price", well in fairness, if you were a milling company and there was nothing in it for you, why would you lose 750,000 tonnes of cane up in the Tableland, a milling area, the whole mill. Why would you lose that if there was nothing in it for you? That's all. Everyone takes their own conclusions out of that. I think now we've got to move on. MSF has come to an agreement and we've come to an agreement with them and I think we're moving on, and that the industry is in a better shape for the future.

MR LINDWALL: Your farmers or your growers have a choice between QSL and MSF?

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MR CALCAGNO: Yes.

MR LINDWALL: Is there a minimum? Has MSF said that I need a minimum of farmers to accept MSF, otherwise we'll have to be QSL? You would think that if it was too small a quantity to market, it wouldn't be worth doing.

MR CALCAGNO: No, no. See they've got Maryborough Sugar. They've got Tableland. They've got Mulgrave. The Mulgrave growers of our region, about 90 per cent of them are MSF marketing because it was a carry on from Mulgrave, from the pricing system. They're happy with the system. All power to them. Other growers are happy with QSL, but no, MSF - I think Maryborough, they're mainly MSF marketing and it's competitive. MSF are around pushing their product. I have no problem if one day MSF marketing is the - let's say a scenario, if MSF marketing is the major marketer up there, well the growers made that choice, not got pushed into a corner to do that and that's it. If they put out a better product, well it's up to the other marketer to adapt to it.

MR LINDWALL: Indeed.

MR CALCAGNO: I thought that was what business and competition was all about.

MR LINDWALL: Yes, that is what business and competition is about.

MR CALCAGNO: Just to add on, I find it a bit strange and like I say, I'm not any Einstein in it, but one thing that we have got going for us in Australia, everyone eats Queensland raw sugar around the world. You're going to get a heap of companies over there trying to get premiums. Well I thought you get the best premium when everyone is singing from the same song sheet and not one is trying to undercut the other. There's another side to that story.

MR LINDWALL: Could I ask a couple of other questions.

MR CALCAGNO: I better let Barry have his say too.

MR LINDWALL: As we talk we get time to ask something that's a bit different. What do you actually negotiate in a Cane Supplier Agreement, since the price split is already set by a formula? What's the actual negotiation about?

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MR CALCAGNO: Delayed cane, like operational matters, harvesting, bin deliveries.

MR LINDWALL: So this farmer, when that farmer harvests and delivers versus this farmer.

MR CALCAGNO: No, no, it's holistic, just an operational approach, and the late cane.

MR STUBBS: It covers everything. How the millers pay for the sugar, how it's delivered to the mill, whose responsibility it is, how the cane analysis system works, so that there's true transparency in how the sugar is measured. It goes right through to the marketing and it covers everything involved in the crushing, the deliveries and season lengths.

MR CALCAGNO: Season length clauses and CCS underwriting, et cetera.

MR STUBBS: What happens if it's wet and things like that, virtually everything. If it's not in the Cane Supplier Agreement, you don't have it. It's got to cover everything.

MR LINDWALL: What happens with the raw sugar from Queensland that is used domestically? So everything that currently that's getting exported via QSL or, in this case, MSF, what happens to domestic raw sugar?

MR CALCAGNO: I'm not an expert in that field. All I know is ours is raw sugar.

MR LINDWALL: Do we make refined sugar?

MR STUBBS: There's a couple of our southern mills I believe supply the domestic market. Our mills don't, I believe.

MR CALCAGNO: Yes, because I think 88 per cent or something of Queensland sugar is exported.

MR STUBBS: We do have refineries in Australia, yes.

MR LINDWALL: Do you know where they mostly get exported to?

MR CALCAGNO: I think the Asian countries because of our proximity but the marketers would be able to tell you that.

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MR LINDWALL: They do like that raw sugar.

MR CALCAGNO: Well my view, from what you read, you can only take what you read, one of them is our proximity to the Asian market. That's a big factor with shipping. Our quality of product and our reliability through the terminals, et cetera.

MR LINDWALL: Those terminals are directly - I think I asked this yesterday in Brisbane - there's no coastal shipping here which was subject to that cabotage rules which make it very expensive. It's much cheaper, as I found out when I was in Hobart, to send a ship from Melbourne to Shanghai, than a ship from Hobart to Melbourne.

MR CALCAGNO: Yes.

MR LINDWALL: It's about a sixth of the price, if I'm not mistaken.

MR CALCAGNO: Yes, well I don't know about maritime matters. If you ask me what to plant in a block I can help you, but not maritime. That's a bit out of my field.

MR STUBBS: Most of the sugar form is exported in that raw form because the buyers want those by-products and not the product itself.

MR LINDWALL: It's in bulk form rather than packaged?

MR STUBBS: It's all bulk, yes. This system is owned by the growers, the millers, the terminals, as you would have heard over the time.

There's a couple of other points that I'd like to touch on and Steven's fairly well covered it, in that the reason why we opposed the draft recommendation 11.2, and that is basically because it is working for us. We've managed it successfully, as Steven said, completed our supply contract and we had a good attitude from the mill, the attitude from the millers when we were negotiating. It was asked, "Are you going to be like the other millers?" and they said, "We're here to get on. We're not interested in what the other millers are doing. We're here to get on with business", and that's what they did. We've successfully done that and they have signed off on the on-supply agreement.

There's a radio interview here I'll table. There's also here an argument - well, not argument, but a lawyer's description on why the industry needed growers' choice, which I was going to table. There's also one other interesting point there that happened in Mulgrave there. As Steven said, most of the Mulgrave growers supply the MSF marketing

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system, but it was put to them in a growers meeting, "Do you want growers' choice?" and it was unanimous. Not one spoke against it; it was 100 per cent. They wanted to keep QSL there as the benchmark, as the policeman in the room. That was a very strong and convincing statement, what they did there.

MR CALCAGNO: I think just one comment before I go. Tom there, on the board at Tully Canegrowers, Tully Mill, this marketing is - I keep hearing about the mills, how it's going to affect them, et cetera. When you see on the board as with the milling capacity at its peak now, you take an area like Tully, they've got a season that long, all they're worried about is the marketing, the mill. They're even stopping the expansion of the industry there because the mill won't invest in what they're supposed to be, the milling sector, to expand capacity. I think this is, yes, the productivity gains are in the paddock. That's where they are.

MR STUBBS: The spirit of cooperation that MSF took on with negotiations, they've got to be commended for it, and they've also got major plans for value added.

MR LINDWALL: Thanks Steven and Barry.

MR CALCAGNO: Thank you.

MR LINDWALL: I think we've got a very short three-minute presentation and then we'll have lunch. Adrian and Colin Ivory. Welcome, Adrian and Colin. Would you just say your names and give a short presentation. I think if you could keep it to about three or four minutes, that would be perfect.

MR A IVORY: I'm Adrian Ivory from Pioneer Growers.

MR C IVORY: Colin Ivory, Adrian's son.

MR A IVORY: We're attempting to negotiate a totally different scheme than all the growers here. I told the mill we wanted to be paid on our total sugar production and the mill to cost the operations of crushing the cane. So far they haven't refused. I did this because CCS served the industry well during regulation but post-regulation I don't think it's suitable. CCS mixes up - gets the quality and quantity very confused. The quantity of sucrose that a farmer is paid on is influenced by the quality he supplies to the mill. I don't think that's suitable.

Also, the quality of other farmer's supply affects CCS by the class fibre system.

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MR LINDWALL: Class fibre?

MR A IVORY: Class fibre. We have a class fibre system which if a farmer supplies a lot of roots and trash and mud in the cane, it goes into fibre. It inflates the fibre, that decreases your CCS, not only his, but yours goes down as well.

MR LINDWALL: It's very hard to differentiate your cane from someone else's cane.

MR A IVORY: Yes, you can't differentiate on fibre at all and on quality. The quality and the mud are combined, they're not separate. So just leave CCS alone. It would be good if we could find out what the miller is actually receiving out of CCS, but you can't find that out, the miller as he adopts the attitude it is his private business, how much sugar he crushes from the cane. That would be all very well if he measured the product properly in the first place. If he doesn't measure the product properly, you can have GI sugar because the product was never measured in the first place, so there's a real problem there.

GI sugar has resulted primarily from the product not being properly measured in the first place. This is why they've put that, I think, through State Government. If you measure the product properly they would have a good argument against GI marketing but they refuse to measure the product properly or canegrowers and other associated bodies have not pressed the issue.

That's basically where I stand.

MR LINDWALL: What type of alternative would you put in place then, if you could? I mean it might be difficult.

MR A IVORY: All the sucrose, the recovery of sucrose, goes to make pol. Pol is the basic element, the basic element, the pol factor in world sugar.

MR LINDWALL: That was something I heard yesterday, something called very high pol, for example.

MR A IVORY: Yes, in sugar it's the pol.

MR LINDWALL: Polarisation, is that what it is?

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MR A IVORY: Yes, polarisation, measuring with the polarimeter instrument, read by polarised light passing through the solution. Now there's no alternative system you can have, so I take all the sugar back that's derived from my cane. They have to work that out and then I'd pay them the number of dollars per tonne they wanted to crush the cane. I put forward the idea. I don't know whether it will be successful or not. I don't know how it will go, but there you are.

MR LINDWALL: Thank you very much for appearing.

MR A IVORY: Okay.

MR LINDWALL: We may as well all go for lunch, I think, now. We should resume at 1.30 with Andrew Rea, a cattle grazier from Eton Vale Station.

ADJOURNED [12.39 pm]

RESUMED [1.33 pm]

MR LINDWALL: You just tell us a bit about - just start with your name and what - you're a cattle grazier, obviously.

MR REA: Yes, yes.

MR LINDWALL: And tell us a bit about the farm and maybe what you want to say today.

MR REA: Right, thank you. Yes, my name's Andrew Rea. Our family own freehold grazing land about 50k west of Bowen and also about 150k west of Rockhampton. That's wholly and solely cattle. We've been copping a bit of a roughing up, if you want to use that word, with resource companies. You know, whether it's coal seam gas, exploring for coal seam gas, or coal, or minerals, and at one point in time we were dealing with ten companies and railway lines.

Now, I think in my original submission I put in one of my big problems is I can't get paid for my time, nobody works free anymore. I thought slavery was gone, and - but apparently it's not.

MR LINDWALL: No. Not when it comes to yourself.

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MR REA: Yes, mate. And the payment of legal fees. Now, that's another one, because when they first turn up, resource companies, with your - what do they call it? - preliminary activities, when they're walking around kicking stones, whatever they do, that preliminary activities, you don't need a compensation agreement, so that's the end of your legal fees.

But when they come to advanced activities, that's when they start getting in with bulldozers and backhoes, whatever else, drilling holes. You've got to have a compensation agreement, and if you take them fellows on without a lawyer I think you're, you know, being a bit silly, really.

But now, the only time they have to pay the legal fees is when there's a compensation agreement signed. So you can either accept the dribble they hand out to you so you get your legal fees paid, or you can take the risk of going for a better deal, and if they don't like it and walk off you're left with a big legal bill. And to me that's totally wrong. I mean, they initiated the action, not me.

MR LINDWALL: Do any law firms offer, you know, like a system where they give you legal advice and then they get the fees after the event?

MR REA: What was that again?

MR LINDWALL: Do any of the legal companies now say that, "I'll work for you to try and negotiate you a good compensation deal, and I'll collect the money once the deal's been signed"?

MR REA: I haven't found one.

MR LINDWALL: No-fee no-win type things?

MR REA: No.

MR LINDWALL: No-win no-fee?

MR REA: No, I haven't found one. Every 30 days I've got to pay. You know, some of these guys could drag it out for three years and then decide "no" and they walk off. And we're owed a fair bit of money for various bits and pieces, but anyway, the biggest - that was on landholder's time and your legal fees, but we're also being faced now with a bigger problem, I believe, is with - we've got a six car railway line coming through from Galilee Basin into Bowen, Abbott Point, and we're dealing with a multinational railway company.

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The power that these fellows have, they can just come onto your freehold land, and if you don't like what they're doing, they go to the government, I don't know who goes to where, but the government just comes and resumes my freehold land. They just take it off. If you don't agree with them, they just come resume your land.

And look, I believe once you've had what they call a state development area, an SDA for short, once you've had an SDA placed over your land, your freehold land - doesn't matter if it's freehold, leasehold, doesn't seem to matter - you know, your rights to protect your property, your family and yourself are gone. They're gone. They're just removed. They just do what they like, and if they don't, the government will do it for them. If you don't buckle under them, the government will do it for them.

And I can't understand this, and the government's running around espousing, you know, how they support small businesses, and yet they just stand back and watch them get run over, and that's what I'm struggling with. Now, three years ago we had a state development area placed over our land, and this has been going on for three years.

MR LINDWALL: This is this railway?

MR REA: The railway, yes, yes, yes, yes, yes, six kms of railway line, that's it. And the amount of time that that's taken us is - well, who would know? I've got a record of all the time, the meetings and the letters and God only knows what else, but you know, we are just being forced to subsidise the under-capitalised under-resourced company. We're just being forced to subsidise it. We get no option.

And so anyway, as we move on down, like, we've got - the place has to be valued. We have no option when it's going to be done. When ours was valued back in 14, in the middle of a screaming drought, property prices were depressed, cattle prices were depressed by about 25 per cent. So there it is straight up, I copped 25 per cent before I even start.

Now, that's one part of it. Now, when we move on, after the line goes through, or before it goes through, or whatever, we've got all this extra infrastructure, because they're just going to cut through water, through paddocks, over fences, whatever.

Now, we've done a costing on that, which I've got here, and I think it was on - should have been an attachment on the original thing.

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MR LINDWALL: Don't know if I've got the attachment. Did you - - -

MR REA: The first one? No, it come the other day, with the second one.

MR LINDWALL: We did have that (indistinct).

MR REA: You have got it? Yes. Now, we've sat down and done all the costings of the extra, and it's going to cost us three quarters of a million dollars to maintain our beef production. Not increase it, to maintain it. Now, that's where the problem starts. We don't only have to put this stuff in, it's got to be maintained.

Now, all the figures we've done - now, these figures, I might add, are not really ours, because - well, they are our figures, but they were governed by - what do they call themselves? Reef Rescue or something. They were running round with schemes to - no, I tell a lie. North Queensland Dry Tropics, it might have been. It's one of those. Tied up with the reef, anyway.

MR LINDWALL: Okay.

MR REA: We put in fencing and waters off the rivers to keep the cattle back off the streams. And this is what - we done a scheme, and this is what all of it. So they're government figures, they're not mine. Or they're my figures, but - - -

MR LINDWALL: No, I know what you mean, yes.

MR REA: Yes, yes. So now we come to the point where I've got to spend the three quarters of a million dollars, now it's got to be maintained. Where's the money come from? Well, the only money that I have is from the compensation, the so-called compensation. So the lifespan of that infrastructure is about 30 years.

MR LINDWALL: So this is a series of fences?

MR REA: Fences, tanks, probs, all that sort of stuff. Yes. So what I done, dug into records, and from 1985 to 2015, a 30 year period, all our input materials of average going up - you know, I'm talking about dips, licks, posts, wire, steel products, all this sort of stuff, have gone up 7.5 per cent per annum. So - and then the previous 30 years to that, inflation has gone up 3.61, and - - -

MR LINDWALL: You should be an economist.

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MR REA: Beg your pardon?

MR LINDWALL: You're an economist.

MR REA: And our maintenance costs, I went back through our financial statements, and according to my figures our maintenance costs are about 2.26 per cent. So if you - you know what I mean by that? You know, if it's $1,000 worth, it's costing you 2.26.

So all right, now the only place, the only money I got is what's left now of the so-called compensation from the - when I take the three quarters of a million out. I put that in the bank, compound interest for every three months, and at the end of 30 years, after I've paid the maintenance cost, this infrastructure is shot, so if you take that out using those figures there's no money left, it's all gone.

So that begs the question, where's the money for my (indistinct) disturbance and what else? There's no money there. This is just free. I get nothing, and I just think it's wrong where somebody can come along and put six k of line through your place and I get nothing out of it.

MR LINDWALL: So this 750,000 that you invested on this is entirely due to that railway - - -

MR REA: Absolutely.

MR LINDWALL: In which case you would have thought that would be part of the compensation in the pool?

MR REA: Who knows? It's not listed, it's nothing, there it is. Plonk. Do what you like with it. And, like, as Eton Vale stands today, I don't need any more water, I don't need any more yards, I don't need any more fences, but because of this I've got to stump up and put another three quarters of a million.

And the place is over-capitalised. And you know, I'm not talking years down the road, because now they're going to holistic management and cell grazing and all that stuff, so whether we go down that road eventually I have no idea, but I'm only talking about today. And I think that's about it in a nutshell, if you can understand me.

MR LINDWALL: Yes, no, I can understand it very well.

MR REA: Yes, yes, yes.

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MR LINDWALL: I mean, the law I thought was quite clear on that, that the compensation should be the full amount of the disturbance that you've been affected by, and in the case of coal seam gas you've got the Queensland Gas Commission - isn't that what it's called, I think? Gas Fields - - -

MR REA: Yes. John Cotter's the chairman of it, yes.

MR LINDWALL: Has that been useful? Been helpful? Not in this - not for the railway, but I'm talking about for - - -

MR REA: Yes.

MR LINDWALL: You had gas - CSG - - -

MR REA: Well, we were dealing with QGC. They want to drill for gas. And yes, well, it's the same old story. It's either their way or the highway. And all I ever wanted was a way of life, was just a fair go and what belonged to me. That's all I want out of things. And you know, I'm only talking about the - the next 30 years is not going to weigh on me, I won't be here, but all I'm talking about is that money for the next 30 years is going to fix that infrastructure. There's no money for the valuation, or (indistinct) they call it, and what do we do from here on in?

I think there's a case there for royalties or something. I know - yes. I just think if the government keep going the way they're going, I really don't know where we're going to finish up. I really don't.

MR LINDWALL: I think it's a fair principle that if you've been affected by a mining company or a government action like that you should be receiving compensation that fully accounts for the extra works that need to be done to restore the property to a working order.

MR REA: Yes. Well, that's what I think.

MR LINDWALL: It's not unreasonable, no.

MR REA: But that doesn't work anymore. And on 17 December 2014, the Queensland government just brought the chopper down and said anybody who hadn't signed, we're just going to issue a notice of intention to resume, so we signed at 5 o'clock on the 17th - we were still negotiating with these fellows, but they just brought the chopper down, and I don't want to bring up politics, but on 3 January they announced the election, so yes, I'll leave that open. Anybody can work out why. Yes. Yes. So - but anyway, that's about it in a nutshell.

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And you know, the government are just backing these fellows all the way, all the way. You know, there's a 500 metre strip through our place now.

MR LINDWALL: So where's the - is this for a mine, or is it for a - - -

MR REA: For coal mine.

MR LINDWALL: Coal mine, yes.

MR REA: Galilee, yes.

MR LINDWALL: That's right, yes.

MR REA: Yes, yes, yes. They've taken a 500 metre strip, state development area. As I understand it, if the rail line goes through they want 100 metres. The other 400 metres stops there. It's not removed. So I've got this stigma for I don't know how long. If any future buyer comes along, well, he's going to say, "What about this?"

And I think if you're silly enough to develop it, even if you did sell it, you're not going to get your money back. You'll be subject to all this sort of stuff. So that's about it. If you want to make it any clearer than that, I'll - - -

MR LINDWALL: I don't know what else to say apart from that you should be receiving fair compensation for that type of thing.

MR REA: Yes. And we're not. You know? I've taken these figures to politicians. I've got to be a bit careful what I take and where I go with them because, you know, if you don't - you signed a confidentiality agreement.

MR LINDWALL: Yes, yes, yes, as you said, yes.

MR REA: Yes. If I don't sign that, they withdraw the offer and into court you go. Well, I haven't got that sort of money to back up - - -

MR LINDWALL: I think we said in our gas report, not related to any of this, of course, that - we said in the gas report that the compensation should be transparent too, so that you know what you're up for, and legal fees should be paid for in advance, and there are a few things in our gas report which would have accounted for that.

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That's why I was saying about the Gas Fields Commission we thought was something in the right direction, and again, it's not relevant for your coal mining - - -

MR REA: Same principle.

MR LINDWALL: The same principle, though, yes.

MR REA: Exactly. Exactly. So you know, the part that I'm struggling with is just backed wholly and solely by the government. I haven't got a leg to stand on, you know? I've got companies standing on this side of the gun head saying, "If you don't sign we're going to take you to court," and I've got the Coordinator-General sitting on this side saying that, "If you don't sign it, we're going to take it off you." I've really got nowhere to go.

MR LINDWALL: No, exactly.

MR REA: And I don't think that's fair.

MR LINDWALL: No, no.

MR REA: And you know, when we got down to the nitty gritty of it, I valued - we've had three valuations, for crying out loud, so I average up the three valuations, I've averaged up the three percentages what they reckon (indistinct) is, put those in, and we're going to be 1.75 million out of pocket. That's what we're going to lose, just like that. I can't handle that sort of loss.

MR LINDWALL: No, no, no. Not many people can.

MR REA: And so where do I get the money from? There's nothing in compensation. It's all gone. I burnt that at the first 30 years. So there's only one place for me to go. I've just got to board up the land and stack a heap of cattle on and wreck the environment, and now they're going to blame me for it. They're going to blame me for the reef. It's not me.

I've got a wife, some kids and grandkids and all the rest of it. I just think it's totally, totally wrong, totally wrong, and I know they're going to say, and it's been put to me, "Well, what's the alternative?" I'd say, "Just get rid of the state development area." If these guys are fair dinkum about putting a railway line through, come and see me.

MR LINDWALL: Yes.

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MR REA: We'll thrash it out if you're fair dinkum. But then they say, "Oh, yeah, but the landholder's going to make, you know, outlandish claims." True. If you turn the page over you've got the resource companies making outlandish claims just like I've got here.

MR LINDWALL: That's why you're supposed to have a system in the middle that arbitrates between those two.

MR REA: Absolutely. It's all there in black and white, there's no argument, there's no hairy fairy, there's no pulling figures out of the sky, it's all there. So I don't know what else I can say. Is there anything else you want to know?

MR LINDWALL: I think you've said everything. Unless you want to talk about some other issues in regulation that you'd like to raise?

MR REA: Mate, there's plenty others, but I think I might just cloud the issue. There's plenty there, there's plenty there, and you know, I could probably bore you fellows for a couple of days, but right now this is the biggest one, and it's going to cost a lot of money.

MR LINDWALL: It sounds like it is, yes.

MR REA: And right now I've got a claim in for our time on this railway line. I know they're not going to pay it. I just put it in.

MR LINDWALL: You have to try, yes.

MR REA: I've got to try, and it's in with the Coordinator-General right now. I know he's not going to pay it. But I have it on record.

MR LINDWALL: Get him embarrassed, yes.

MR REA: And I just - and you know, if you don't turn up to these meetings, well, they just do it their way, so you've got to - you've got to front up. You haven't got any option but to front up and do the best you can.

MR LINDWALL: Exactly.

MR REA: And then we got the rug jerked from under us on 17 December 2014, and I still haven't got over that, probably never will. We were still negotiating - - -

MR LINDWALL: Yes, yes.

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MR REA: - - - and the government just ripped the rug out. So - - -

MR LINDWALL: Well, thank you very much, Andrew, for appearing here, and all we can say is best of luck.

MR REA: Well, yes, I don't know what you fellows can do about it.

MR LINDWALL: We can only use case studies as an example to illustrate, you know, bad behaviour on certain parties, yes. And improve the process, hopefully, yes. We can't necessarily - we won't be able to do anything with your case, but we can certainly hope that some people take notice so that this type of thing doesn't happen in the future to someone else.

MR REA: Because as I understand it, there's one more meeting between us and the Coordinator-General if this thing goes ahead. Now, where that's going to take us, I have no idea. I have no idea.

MR LINDWALL: Well, keep us informed about how things are - yes.

MR REA: And if you want any more figures, you just let me know. I've got an office full of them, so - but anyway.

MR LINDWALL: Good to hear. Well, we like using case studies too.

MR REA: Beg your pardon?

MR LINDWALL: We like case studies.

MR REA: Yes, yes, yes, yes, yes, yes, yes. So yes, mate, that's about it, and agriculture just can't keep this up too much longer. I don't know if you've seen that bit on the bottom of that - and government don't seem to be too perturbed about it on the - I'll just dig it up here in a minute. Report of Targeted Compliance Program - - -

MR LINDWALL: Yes, yes.

MR REA: - - - In Queensland, 0.003 per cent of the 165,000 hectares disturbed by mining has been certified by Queensland Department of Environment. There has been 0.003 per cent rehabilitated out of 165,000 hectares.

MR LINDWALL: Yes.

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MR REA: Shouldn't that send off a bell or two?

MR LINDWALL: You'd think so, wouldn't you? Anyway, thank you again, Andrew.

MR REA: All right. Thanks for your time.

MR LINDWALL: Pleasure. And so we'll now move to Russell Wilkins from the Limestone Association, but I'll just go grab myself a coffee. I'll be five seconds.

If you'd just say your name and the organisation and give us a little bit of an outline of what you'd like to say today?

MR WILKINS: Good afternoon, everyone. My name's Russell Wilkins. I'm from Babinda Mirriwinni North Queensland. I'm born in North Queensland, like young fellow over here, but I represent today the Limestone Association of Australia. You notice the introduction's come from Victoria. Well, we're in North Queensland, but we do talk to each other and we know what's going on.

Limestone. Limestone is not cement. It is calcium carbonate. That's what agriculture people need, and that's what we produce, with dolomites and gypsums. We've been in the sugar - I'm a sugar grower too also, nearly retired but nearly there, all my life. But we've been in the lime industry now for 40 years, and we started up - it was a bit of an accident how it happened.

40 years ago we nearly lost our sugar industry, because no one knew chemistry, but the banana boys did, and when they come up to North Queensland, they kept saying to my dad, "There's something wrong with your cane, it's not right, it doesn't look right," and dad said, "What would a banana grower know?" But they knew their stuff.

And even today the banana growers know their groundwork on growing bananas. They are experts at it. Then we had a chap come up, Eddie Spry from Bundaberg, worked from the BSES. He said, "There's something wrong with the cane out here." So he went out to Chilligurrong, got a load of lime. In those days the road was very rough and he put it down on one of our neighbours up in the granite country, and he said it broke down. He said, "I just threw it out by hand in the end." It was getting on dark. And this is the words Eddie telling me. He's not with us now, unfortunately.

And there it stood out, like organ knobs, next year. The cane was

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level, no rattle pipe, and where it finished the lime, the cane went down and there was rattle pipe. And no one could tell us what was wrong with our sugar industry. So we reckoned it's got to be calcium. Not knowing what the word "calcium" meant, we had to look up the dictionary and find out.

None of the farmers in those days had chemistry degrees, nor do I at this stage. It's all hard work of learning. And we started. Now, pH is - you understand pH?

MR LINDWALL: Yes, 7 is neutral and less than 7 is acidic and higher than 7 is basic.

MR WILKINS: You went to school by the sound of it.

MR LINDWALL: Yes.

MR WILKINS: That's correct. And even today, we're finding farmers at field days don't understand pHs, and the whole industry's based around that. We're pH of 3.5.

MR LINDWALL: Very acidic, yes.

MR WILKINS: That bad, hey, that the cane wouldn't grow. So what did we do? To cut this sort, we bought a lime mine up in the Tableland, and dad was alive then, and we got some books and read how to build a crush, and away we went.

So we got - we started crushing line, and the neighbour said, "We want some lime for our paddock." I could put a half an hour here, that's what I'm talking.

MR LINDWALL: That's all right, keep going.

MR WILKINS: Anyway, so it - so we got registered and sold some lime to them. Because we couldn't - no one could get lime, there was only one producer in the area, and he only had a small operation, you know? And this is what the problem was. No one knew what it was all about. Anyway, way of the industry.

MR LINDWALL: Did he have a quarry somewhere?

MR WILKINS: Yes, Mt Garner, yes, it was, he brought it down. That was 100 miles away. Yes, everything's costing us on transport at this stage.

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MR LINDWALL: Yes, yes.

MR WILKINS: And I'm going into another phase later. We've been in this game for a couple of years, and then we had a chap from Onga Minerals come in and said, "You want to come to the Lime Association?" "What are you talking about?" So they invited us, so we went down to the Australian Association. It was called a different name then, but this has all been modernised.

So anyway, that's how we got mixed up with the Limestone Association. We've been it say for about 35 years, I'd say. And as you see, I'll read this out if you want me to, and I've got two submissions, one from the Limestone Association, which by the way was sent over the weekend to me, and I thought if I could put the local one into it with my company, to try and balance it up from the local point of view.

Submission to the Productivity Commission, re: regulation of Australian agriculture. The Limestone Association of Australia, LAA, represents the interests of producers of limestone products, particularly agriculture lime, in northern, eastern and southern Australia.

Agriculture lime is an important natural derived agricultural import use to combat acidity and improve soil production. The LAA wishes to submit the following in relation to the future competitiveness of Australian agriculture. Mining and quarrying is a small footprint on the land mass of the continent. Limestone used in the supply chain as agricultural lime and in construction of economic infrastructure is an important compound of the agricultural sector. Imports of competing agriculture product should be cut especially where imports threaten the ongoing viability of a sector and the social and economic structure of regions.

Where imported or potentially imported products have quarantine uses around them, these products shall be excluded until it is clearly proven that there would be no potential harm to the population or the agriculture production environment in Australia.

The recent case which has involved restrictions of imported tomatoes from Italy is a useful precedent in the current era. It is misleading in terms of Australian food security to assess that around two thirds of Australian agriculture production is exported. The first might represent value added up the supply chain at export price, but farm gate value is a true indicator, and several studies have demonstrated actual agriculture export measures at farm gate represent a bit over 20 per cent of farm production.

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(2), this demonstrates that Australia doesn't feed the equivalent of multiples of its population overseas, hence food security is an issue, and the barriers to sustainable and expanded production need to be addressed.

Irrigation water needs to be available at affordable prices, especially in times of drought. Water authorities shall be responsible for setting prices at normal profit prices, not at prices where rents are soared and cost of water is greater than cost of agriculture output. We understand such practices have occurred in the lower Murray Basin, where water costs have been in the vicinity of $300 per megalitre. It is important for productivity capacity to maintain during these times for when normal agriculture seasons occur.

If water market forces push capacity out of farming, and the alternative operators evidently move in paying rent prices, those supply chain costs and increased demand reduces depending on its elasticity, and total production is reduced.

Governments have traditionally recognised the need to maintain capacity at cost the market will bear by provision of draft relief - drought relief, sorry, drought relief. Hence maintenance of water market regulation provides net economic and social worth - pardon me, I'm getting dry - social worth to the community. Can I have a drink, please?

MR LINDWALL: Yes, please.

MR WILKINS: The patents for new and expanding mines inquiries which service agriculture such as limestone and gypsum need to be exploited and not held up indefinitely over environmental and native title issues. I just add on that one there, in Victoria a gypsum bloke was telling me that they can't peg any more ground because of this type of thing going on. The government won't release any more ground, and they're going to run out of gypsum.

MR LINDWALL: You can't start a quarry, in other words?

MR WILKINS: Well, quarrying gypsum's quite simple, you don't have to blow, you've just got to dig it out of the earth, simple. Shortcomings in native vegetation and culture heritage assessments are recognised in the Productivity Commission draft report, especially the logistic - I can't say this word, sorry.

MR LINDWALL: Lexiographic.

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MR WILKINS: - - - assessment approach. A (indistinct) and economic and regional approach rather than (indistinct) referrals back to agents is required. Governments need to make decision timelines and enforce them. An absurd example of a hardline approach we are aware of was when a farmer was proceeded against for gathering up sporadic surface rock on his property without a permit when planning to change from grazing to cropping pastures.

Pastoral leases need to be flexible to allow ready adaptation to changes in the market demand and environment and even to freehold as rated in the draft report. The draft report notes no clear evidence that the former Road Safety Remuneration Tribunal, RSRT, orders in relation to increased remuneration was linked to improved safety outcomes. The LAA supports this view and believes the RSRT should not be introduced as such measures push up costs, especially for back loading, make driver-owners less competitive, and adversely affect a quick response and trust build-up between owner-drivers and their regular customers. Should you have any information, contact the Lower (indistinct).

Now, that's - that is - that's self-explanatory?

MR LINDWALL: Yes, yes.

MR WILKINS: Now, this is my local report from Mirriwinni Lime. Now, lime affects everyone in this room, because without lime we're all going to starve. It's very important. Even telling your friend there we even feed it to the chooks. It's called shell grit these days, you know? And that's how it's done. We feed it to the prawn industry, and we feed it - it's used in every agriculture means. So it's a very important feed angle people don't realise.

This is my submission to the Productivity Commission. Mirriwinni Lime is a local family company of 40 years of experience in agriculture limestone for agriculture purposes. The following products - lime, dolomite and gypsum - are directed to Cooktown, Mackay and west to Julia Creek. Gypsum is distributed to the east coast of Australia as well as to the Northern Territory.

With even increased cost of electricity, the most recent being 13.2 per cent from 1 July, and with more increases to come, makes the cost involved of manufacturing lime, dolomite and gypsum a major concern as the power costs have to be passed on to farmers and customers.

Manufacturers can pass on the additional cost, but this will impact on the affordability of the products to the farmer. When farmers cannot

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afford to purchase liming products at increased prices, which is the case with crop production, the country will not have the availability of affordable crops, thus leading to shortage of food.

If the government is forced to keep increasing power prices the nation will suffer when it comes to food production. Soil conditioners - farmers take up to 10 to 12 of (indistinct) cost, the sugar growers are well aware of. That's what it costs, of their farm.

To keep the farming world on course for production of food, the government will have to subsidise - my word, "subsidise" - the farmers, thus permitting them to continue production. Yours faithfully, me.

It's - the angle - I'm not an electrician, but I've only done this weekend job, but what worries us in our manufacturing world, next year we're told it's going to go up - one mine's going to go up $30,000 power, just one mine, that's our main mine. We own a lot of mines, because it's a big country up here, and freight is our biggest cost, so you've got to try and get it to them cheaper.

It's a frightening thing. How far do you go? Because we've had complaints now farmers are saying, "Your lime's getting too dear." It's not our problem. We do our best to try and keep the prices down, but power's our biggest problem now. (indistinct) domestic power bill. What you've got there is the government nominates a certain figure, 40, 45, I don't know how they do it, I'm not an electrician.

But you have a look at the servicing fees. They're worse than what the government regulates. And the government's got no regulation on the service fees.

MR LINDWALL: Do you mean the quarterly fee, the fixed fee?

MR WILKINS: No, there's a - you get your thing, and you've got a service fee. That's not the man coming over for the meter.

MR LINDWALL: I know, that's the fixed fee every month or however long your bill is.

MR WILKINS: Yes.

MR LINDWALL: And then you get a usage fee, which is something like - - -

MR WILKINS: Usage fee, that's right.

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MR LINDWALL: - - - per kilowatt hour or something like that.

MR WILKINS: Yes, what's happening with that? But this other one, it's - and the government's got no power over power, you know? Because what they've - my electrician tells me what's happened is the government - they hand that over to them, the companies do what they like. So where are we going to end up, folks?

All I'm doing here today is sowing the seed so someone who's got the capabilities to sort this out, and that's got to be done pretty smartly, because if we keep putting the price up, Tommy's not going to buy my lime, is he? And that's a serious thing.

MR LINDWALL: Do you want me to ask a couple of - - -

MR WILKINS: Yes, you're welcome.

MR LINDWALL: So is there marble as well with your limestone production, or it's just lime?

MR WILKINS: I'll give you marble if you want it. We use that for gardens.

MR LINDWALL: Yes, of course.

MR WILKINS: That comes from (indistinct). Different (indistinct).

MR LINDWALL: Okay. And what's the optimal pH level for cane growing soil?

MR WILKINS: The lowest you can go, we recommend, is 5.5. Anything below that - you can get a crop at 5.5. Anything below that, the aluminium's come in, and they don't let your fertilisers work. It just locks it up. So people put more fertiliser on it. Doesn't work.

MR LINDWALL: Yes. No.

MR WILKINS: We work in 5.5 to 6.6. To get to 6.6 gets too expensive. But they keep in the 5 range, 5.5 to 5 - no, 5.5 to 6 they'll be doing well.

MR LINDWALL: And what does - like, the farm, you gave me the example with the pH as low as 3.5. How much lime did that need to bring it up?

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MR WILKINS: About eight tonne we had to put on, just by action. The spreader driver drove too slow and she poured out (indistinct) spreader. And that's where it stood out, we had to put that much lime on. See, and the multiplication, as it goes down it gets higher.

MR LINDWALL: Yes, yes, yes, I know.

MR WILKINS: You know? And people don't understand that, how it works.

MR LINDWALL: Yes, I do.

MR WILKINS: You know? And this is what happened. And so we got this organised now, pretty much. But what happened was, when you got this - all this lime put on, we grow beautiful cane but our sugar went down the chute because it's all growth. And we had to adjust everything. You had to adjust your fertiliser and everything because it releases all the trace elements and everything, so - - -

MR LINDWALL: Yes, yes, yes.

MR WILKINS: - - - it's quite a hidden science.

MR LINDWALL: The - in Queensland - I mean, you mentioned the example of Victoria, where you can't really open any new mines or quarries. What about in Queensland? Is it a little bit easier to do that?

MR WILKINS: Yes, we're having no trouble.

MR LINDWALL: No?

MR WILKINS: Yes, we've got - we just opened another one up a couple of years ago. You know, no trouble there at all, you know, and you go through the right channels. We have no trouble with compensation agreements with farmers. Tell them what we want and they can virtually help us, you know? So yes, but this gentleman, he had a different story to me.

MR LINDWALL: Yes, yes.

MR WILKINS: You know? But we don't - - -

MR LINDWALL: Something different, yes.

MR WILKINS: You know, so - yes, we've got (indistinct), you know.

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MR LINDWALL: And so the key issue for you is the increased electricity prices?

MR WILKINS: Yes, yes.

MR LINDWALL: Any other regulatory issues you'd like to raise? Because - - -

MR WILKINS: Well, freight's a big problem. Freight. And fuel. Fuel.

MR LINDWALL: Which is, as you mentioned, they're - - -

MR WILKINS: Yes.

MR LINDWALL: RSRT, yes, Road Safety and Remuneration Tribunals?

MR WILKINS: Yes, we're worried about that.

MR LINDWALL: Yes, well, what about truck size and weight limits? Does that affect you?

MR WILKINS: It does. We have enough trouble with B double loads. Yes, the councils aren't up with it, you know, Main Roads, and you've got to keep your eyes on the ball with that one. Certain D doubles you can't run down certain roads, you know? But as I say, it's a local council thing you've got to adjust to.

We've gone to heavy duty B doubles now for long distance, because we carry gypsum in from Winton to the Tablelands, and some of it goes straight through to Cooktown, to the bananas up there, and some goes down to Bundaberg, and just done some Mount Emerald. They dump it and the farmers do their own thing.

But it's - but we also carry gypsum into Innisfail by the railway (indistinct) special coal wagons and we've got a lot allocated to us, and that system works all right if the railway keeps running, but it keeps breaking down. We don't know how the floods are going to affect the line this time, it could be washed out again.

Yes. But that's it. And this has taken years to get this organised, and it's working pretty well at this stage, you know?

MR LINDWALL: Well, excuse me, labour market issues, do you have

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many employees, and are they temporary employees?

MR WILKINS: Between the sugar and the mines, we employ about 45 people. And - - -

MR LINDWALL: They're permanent employees, are they?

MR WILKINS: Yes, we like to keep permanents on if we can, because - so you've got to train these people, and especially in the mine section, in the special mining operations there, but we spread the lime and everything with our trucks, and we've got a special chap, trucks, for that, blokes who've got to know computers and stuff. That's how it's going, it's all going computer-wise, you know?

MR LINDWALL: Yes, yes.

MR WILKINS: And GPSs and stuff, and our industry doesn't stop, it's just - it keeps on expanding all the time, because demand is getting heavier, you know?

MR LINDWALL: What about workplace health and safety legislation?

MR WILKINS: Don't talk about it. The mines are worse than the workplaces.

MR LINDWALL: I know, yes.

MR WILKINS: The mines - yes, they are - we had to employ a chap - we had to employ a chap who lives in Townsville there, he had to look after all our mine sites and the workplace safety, and he was an engineer, and he had to plan the operation of the mines. Cost us a lot of money to employ him, but we had to do it, because my brother was doing it and it was getting out of scope with him, he couldn't handle it, and you had to be educated in that field. Now we're on good terms with the Mines Department once again, so it's good, you know?

MR LINDWALL: All right. Anything else you'd like to add?

MR WILKINS: No, not really.

MR LINDWALL: Well, thank you very much for appearing then. Now we've got Wayne Thomas from Cane Growers Innisfail.

MR LINDWALL: Sorry, all right. Tom Callow, is it? Yes, first, I think, is that right?

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MR LINDWALL: Welcome, Tom.

MR CALLOW: Thank you. A bit of a ring-in.

MR LINDWALL: That's all right, that's what we're here for, as long as we get to our flights at 4.50 I'll be happy.

MR CALLOW: Well, I'm due to sit in with the CBL Cane Growers Burdekin, and they decided they were going to be needing all the time requested of them. But never mind. I've come through on a totally different concept here, because I was pretty sure that there'd have been a whole lot of chatter going on regards the Wilmar stuff and so forth.

MR LINDWALL: So would you like to introduce yourself today, Tom?

MR CALLOW: Tom Callow, cane grower still. Been on various cane grower representative bodies in the past, and I initially started in the sugar industry with my father when I left Gatton College in 1957. How many of you were born then? And at that time we were growing on our farm (indistinct) peak, as it was called, of 1,449 tonne.

So when I took the farm over a few years later we were growing 2,300 tonne. When I handed over four farms to my kids two years ago we were growing 15 and 16,000 tonne. I didn't stick entirely with the cane industry. We diversified into businesses in Townsville through all that process of so forth. We don't have to go into there, I suppose. But nevertheless, diversification for me was a - put me in a position to be able to purchase more farms.

A single farm in them days, and still today, does not have the capacity to buy another farm. You basically require two farms to buy one farm. It was back then in 1957, 58, and it's still there today. Pretty much. But I would expect that the PC, Productivity Commission, would be driven to have an outcome that was based on reality and not idealism. To me that's a fairly big issue, because there's - you've got to mix idealism with realism.

The points that I wish to implant upon the Commission are (1) that you can't build an industry without there being confidence in the future of that industry. If we look at cane and its offshoot products, then we have to look at the markets that need to be available to position that relative product that that company wished to produce certainly at the outset.

One way to build confidence in the cane industry is to have in place a

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code of practice slash conduct that the Christensen slash Senate inquiry federally recommended. Such a federal code would go a long way to building confidence in the growing and processing industries to develop extra cane production across at least the northern section of Australia and with suitable varieties of cane and maybe other crops with similar offshoot products across a wider Australia.

And right now we've got the government where they're talking about becoming more - thrusting towards having more development in northern Australia, as you're well aware. So we've got to build confidence for people to invest in that.

The risk we growers in Queensland are facing is that if the Queensland Sugar Bill, I'll call it, were to be squashed by the federal government then a lot of present growers, large and small, will turn to more economically productive crops.

An exercise that I have looked at is that if for example Inkerman growers, cane growers, reduce their cane tonnage to a questionable point, the Inkerman mill would close down, and growers would then face the extra cartage cost across the river to whichever Wilmar mill was determined.

When the price of sugar drops, so does the tonnes grown as a result, and less people employed. The exercise then plays out that if there are a lot more people employed - that there are a lot more people employed growing cane, harvesting and milling, than if that same lane were to be growing rice or pumpkins.

Generally in the Burdekin region the productivity that is tonnes of cane slash sugar per hectare is higher on smaller farms, smaller farms being upwards of 20,000 tonne. These farms are able to have better timing for when they need to get jobs completed, and as a rule generally use less chemicals.

I won't go into the monopoly situation that the millers are trying to put themselves into. I want to be able to market my grower economic interest to a market of my choice, keeping in mind that I regard the money that my miller holds back from me is what I pay to toll crush my cane, just as a cotton grower pays a cotton ginnery.

So by leaving in place the Queensland Sugar Bill and recommending the implementation of a federal code of practice as recommended by the Senate inquiry, the Productivity Commission would be going a long way to getting incentive to grow federally the cane plus and other associated

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industry and, in the eyes of the producer, the production obviously would be enhanced.

Thank you for your consideration and looking for a realistic outcome. Thank you.

MR LINDWALL: Thank you. Could I just ask, Tom, about the future of sugar in the world? Do you have an idea of the future demand and the growth of sugar demand in the world?

MR CALLOW: Not - not a real clue at all, no, no.

MR LINDWALL: Would you be optimistic about it?

MR CALLOW: Well, Australia - relative, I suppose, to the total world sugar production - - -

MR LINDWALL: Yes, well, I think - my understanding is that developed countries, you know, sugar consumption increases and levels off and declines, but there's a lot of growth potential in developing countries.

MR CALLOW: There does appear to be a lot of growth across the globe for sugar increase usage, yes. As other undeveloped countries enhance their living standards, that's right, yes. Yes, yes. So no, there is a - there is a potentiality for that certainly to occur.

MR LINDWALL: This code of practice or conduct you mentioned which I'll have a look at, is that - what's been the reaction by the millers and the growers to that code of practice concept.

MR CALLOW: If you'd been in this room when they had the Senate inquiry, it was thunderous, could dare I say? The Senate inquiry got the - very much the message that the growers were very much in favour of that. I haven't been on boards of recent times to be able to say millers' reactions, personally.

MR LINDWALL: Yes, yes. All right. Well, thanks very much.

MR CALLOW: Thank you.

MR LINDWALL: Yes, excellent. We'll now move on to Wayne Thomas from Cane Growers Innisfail. Wayne, if you could introduce yourself and say what you wish to?

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MR THOMAS: Wayne Thomas, manager of Cane Growers Innisfail. I've been involved in the industry in different roles for the last 40 years. I've seen the good, the bad, and the ugly, and probably could add the very ugly.

Of recent years I've become involved with the Sugar Industry Museum, which is just south of Innisfail and Mourilyan, so now I have a fairly depth understanding of the history of the sugar industry way back, from when the first sticks of cane came on the First Fleet.

I thank the Commission for this opportunity to provide an oral addition to the submission I've made, and welcome the Commissioners to seek any clarification points or observations in my submission. Now, I know the Commission's heard much about what my submission contains, and I'll be saying already, but I ask the Commission to bear with me as I reaffirm some of those points.

On the land use regulations, Cane Growers Innisfail, we are very concerned with the Commission's draft finding at 2.2 that it was a sentiment of the Commissioners that establishing policies that protect existing landholders' use of land as a priority objective are unlikely to be consistent with promotion of efficient land use.

So I ask the question, so is the Commission supportive of the rural land being developed for urban development simply because that's the most - - -

MR LINDWALL: Maybe there's a bit of confusion. My understanding of this part of it is that the land holder owns the property above the soil and can do with it within the law, obviously, whatever you want. The Crown owns the subsurface minerals and resources, and that was all that point is.

So you know, in the United States the landholder owns both - all of it, so we have a different settlement here in terms of property rights. Which is better than the other? I don't know. We did a bit of a study, but I haven't reached a conclusion on that.

MR THOMAS: Yes, and that's been kicked around a fair bit. They had the property rights movement developed in Australia, and of course we've heard today about the mining.

MR LINDWALL: So my view on that is that - sorry, I do interrupt you, but is that because the Crown owns the subsurface mineral rights, it therefore has a right to exploit them in one way or another, but the full

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compensation should be paid to the landholder for any disruption to their own activities.

MR THOMAS: Yes, and of course that goes onto my next point, is that I also raise the - express the concern about the - that property rights of the community above the property rights of the freehold land owner, so I guess that again falls within the comment you just made. But I guess it's not the right to veto that the landholder will be looking for, really, it's the right to continue with the activity. I'm more looking at what we have seen as urban encroachment, all of a sudden the urban developers want the rural landholder to do something. All of a sudden the rural residential people saying, "We don't like the dust. We don't like the smell." It should be a right that the existing land use should have some rights.

MR LINDWALL: So is this like a right to farm legislation?

MR THOMAS: Similar, but at least the rights to continue the activity. We see councils start to impose, we see regulations that come in that prohibit spraying, for example, that's a clear one, dust suppressing because of movement of agricultural vehicles. Not allowed to be operating early in the morning, late at night, those sorts of things, which are normal activities of a farm.

MR LINDWALL: Then you get NIMBYs coming in and - - -

MR THOMAS: Yes, exactly. And we have had that where someone has bought a parcel of land and all of a sudden start to demand that the farms around them change their ways. So that's what's happening and community is doing that and the farmer just doesn't have the protection, the ability to say, "Well, hang on, I was here first. You came here and how you're demanding changes." I guess that's - I understand what you're coming from now but also the other broader issue of property rights.

MR LINDWALL: We did raise that part of it in our report too and I have a great deal of sympathy with what you're saying.

MR THOMAS: In our submission we provide a response to the information request, 2.1, and offer a method of alleviating some of the financial burden with higher local government rates that rural property owners face and providing preservation of pre-existing land use by changing the quasi the unimproved land value.

Now, unimproved land value, to me, is a bit of a crock. We discovered this back when the sugar industry was expanding, in the 1980s,

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when a lot of cattle guys decided to invest and develop their land to cane. All of a sudden their unimproved land value went up. Same piece of land, still not improved, but all of a sudden the land goes up. We see it in residential areas where all of a sudden someone gets a re-zoning to put a multiple dwelling on, the land value goes up. Same piece of land but just because it's now rezoned for a multipurpose dwelling all of a sudden they have to pay more in rates and in land tax.

So we thought perhaps maybe our contribution, which all goes to the recommendation of 3.2, for better use of market approaches whether or not we look at how using land zoning as a way of doing it, rather than the land values. So once you've set the land use, that's what it is. For farmers there's an approach there they actually made to trade off some of their land that they want to keep for conservation. At the moment they're reluctant to do that because they want to use every square meter productively and squeeze the little bit out in the bush, squeeze the repairing areas to the max.

If they will recognise that, under the plan of their farm, and technology is there, you can map a block of land and you can have all sorts of separations on it, to me that would then also drive market value. Because the land that you can't use would be then marked, whether it be swamps, creeks, gullies, land that's not productive. Sure, the rating system would then apply the maximum value on the productive land, but the point is a grower can say, "Well, fine, that land I'm not using, fine. If I get low rating on that I feel happy about that." Those sorts of things. But also I think the view of the buyer coming in and saying, "Well, you've got maximum zoning on your land for productivity, to me that's worth more when I buy it."

I didn't mention GM in our submission, but the industry is looking at genetic modification and particularly the sugar cane varieties. Producing a sugar cane variety right now takes 12 years, through natural methods. By getting the flowers of the cane, two hybrids, maybe mixing in a bit of noble, which is the original cane, what they call the noble canes, from Papua New Guinea and Java, throughout the world, and mixing together the flowers. They collect the seeds and grow them and see what we've got. So they might plant 100,000 seedlings and what comes up? Most of them are weeds, ordinary old grasses. Then the ones that do, they regrow them, see how they go, go through all of the testing systems for diseases and finally, after 12 years, out of the 100,000 you might get one or two.

So what the industry now is looking at is transgenic. Not that pure genetic modification, by just looking at the traits within the cane varieties of - - -

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MR LINDWALL: What they call new breeding techniques.

MR THOMAS: It is, but they're still transgenic. So it's taking some genes out of one, or certainly the markers, and putting them into some varieties and making them better. Fundamentally we've got to do that, we've got to find varieties that will take nitrogen better, that will grow with less water, maximise sugar production or the photosynthesis of the cane, all of that. So that's a smarter way of doing it because world-wide there is a market resistance to GM, particularly in Europe.

MR LINDWALL: Come along to my hearings in Hobart next week and you'll hear all about it.

MR THOMAS: I've just heard that you're going to have some fun time down there. But the point is the industry is not interested. They don't even use genetically modified yeast in the mills, purely because of that resistance to genetic modification. Ask any diabetic and unfortunately they've been using genetically modified insulin for years, but by and by, ignore that.

So the industry is looking at how to better use technology and science, but not specifically - I think we're now out of it. We're using Du Pont and paying them $5 million a year to come up with some cane, just so you can spray on Roundup so it wouldn't die. Sorry, that's a waste of money. We can now use spray smarter, hooded sprays, directional sprays, growers can actually spray weeds out much smarter and they don't need to just pour it on. We sit back and we see the resistance in some grains now, in grasses, with glyphosate, we don't want that. Using glyphosate is a very good management tool. In fact, what growers do now, they let the cane grow to a certain point and then they spray and they knock it out to try and reduce the amount of cultivation they actually do on the soil, so a very smart tool. So that's the GM, which I didn't put in our original submission.

The recent failure of the Queensland government's changes to the State Vegetation Act has probably taken away a lot of what our argument was about that, but there's still a number of concerns. We do agree with the Commission's draft recommendation 3.1 for regulation to be consistent and considering economic, social and environmental factors.

An interesting lady approached me, not part of the sugar industry, they've got a lychee farm and what they want to do, they decided to do it in stages, not just go out and clear the bush and leave it there and then slowly grow the trees and develop their farm. Unfortunately they got

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caught because now they can't clear. So the farm now is unsustainable, in terms of its size. They had a program to get to a point and they've been stuck now. They're in their 70s and they certainly would like to retire, but they can't sell it because, again, surrounded by a restriction on the clearing. No doubt they're not the only ones that have been caught up in the way the new changes and regulations are now imposed. It wasn't foreseen. Land clearing has been a part of state developments in all states in Australia and a way of developing. The sugar industry was encouraged to get out there and clear and develop land. It was a policy of the state government to do that, the old bare earth policy of burning everything and developing the land. The regulations have now gone overboard.

What we saw with the recent - - -

MR LINDWALL: Gone from one extreme to the other.

MR THOMAS: Very much so. Too rigid and too restricted in terms - it's a bit of a furphy about sometimes the regrowth is being classed as native vegetation when it is, in fact, regrowth. That's what's showed up in the latest SLATS reports and in Queensland a lot of tree clearing has actually been Brigalow and regrowth, not new land being clear-felled. I was also told that out of that, by and by, it's nothing really here, but only 2 to 3 per cent of it was actually cleared for cropping. So figures were used to make it look really bad.

The heavy vehicle licencing, again, not in our submission but I did hear the comments before and some of the questions you were asking. It is a problem because they tried to do a one regulation fits all, particularly with agriculture. The agricultural vehicles are just not quite - don't fit all. I guess the regulations were really focused on the heavy transport industry across Australia to try and uniform that and I understand that, trucks do across state, go from Perth to Darwin and Darwin to Cairns, so I understand why they need to look at that.

What the industry's been working on, we have an issue with wide loads. There's a restriction on the coastal road, which is the main highway, the Bruce Highway, to get any vehicles over 5 metres wide and that's when you get into trouble; cane harvesters, spray equipment, rippers, coulters. So as of September this year, so we've had a trial going but now we've managed to get both state government or councils in Queensland along the coast and the national vehicle standards to agree to allow wide vehicles to operate on Bruce Highway. Sure, with pilots and all that that comes with it, not a problem. Most growers will quite happily accept that. A lot of it is because of foreign traffic, foreigners on the road, we understand that and just people busy and, again, too many trucks. Of

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course our problem up here is caravaners, a mass migration of southerners coming up here. They're on their way back now but, yes, a lot of traffic like that so I understand all that.

Now, with respect to the Commission's draft recommendation, 11.2, the competition regulation of sugar marketing, our submission does not support the recommendation. We believe that the Commission has formed the incorrect view that sugar cane growers sell sugar cane to milling companies. Growers and milling companies negotiated a cane supplying agreement which deals with supply and processing of cane. It also defines how sugar cane is valued.

The value of sugar cane is determined by the value achieved through the marketing and the pricing of the sugar produced from that cane. So the value of cane is actually in the value discovery process, through the marketing and pricing. So that's the issue. The issue is that the growers have an economic interest in what happens to discovering that value of sugar right from the agreement they signed to the supply of the cane.

Now, a hundred years ago the cane price formula was developed. It's been used in the industry since then, it's worked well, no one's come up with a better way that enables to differentiate the value of what millers get and what growers get. It was actually devised out of an inquiry that, in part, not totally but in part was undertaken because of the failure of milling companies to pay growers the correct value.

The focus of that inquiry was tariffs imposed at the time but a component was because growers just weren't getting paid. So when that Royal Inquiry, I guess it must be forefathers to you guys, the Productivity Commission, but Royal Commissions seemed to be the thing back in the early 1900s.

It is important that the Commission note that the formula has not changed or altered in the deregulation in 2006. So there was no intent in that process of the 2006 deregulation to change that way of how the proceeds from sugar was divided by the industry. Basically it's one-third/two-thirds, there's a couple of figures in there but basically it said that based on the assets of the mills and based on the assets of the growers it was roughly two-thirds/one-third and that's how it came to the formula to divide the sugar proceeds.

Referring to the deregulation in 2006, the industry accepted the move away from the statutory arrangements and it was sort of bundled up because the federal government gave a restructuring package of about $400 million, of which about $300 million was actually spent, and so

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there was a group formed. I think it was a group of about 34 and only about four came from the industry. Anyway, it was decided that deregulation, we'll move away from statutory marketing but the only problem, there was a stalemate and the stalemate, moving from a voluntary marketing system, so what would happen?

So certainly both the federal government and the state government accepted that there had to be deregulation, as part of the restructuring package, agreed that we can't keep some sort of statutory marketing or regulated marketing in there.

So Peter Beattie, the then Premier of Queensland, had the task and he brokered it. He brokered a deal between the milling companies and grower representatives, and that's the famous memorandum of understanding, signed off to say that the QSL would remain as the preferred voluntary marketing body. It had all the structure to take place so it became a fully industry owned marketing company and helped move along some of the issues with the DOHA agreements, but anyway - because there was no longer a statutory marketing body, so it did help with that. I just make that point that at that time the industry agreed that was the way to go.

Now, what's happened since? Anyway there was no argument that - the argument to try and enshrine it and continue in some sort of regulation, that was all brokered away and Peter Beattie did a good job really to get the industry to sit down and sign off on an MoU.

Now, you've heard my friend, Steven over there, when he spoke - that's a completed Cane Supply Agreement, backed by a Cane Pricing Agreement that it contains the ability for grower choice, so it can be done. There's no issues. This didn't cost a lot of money to produce, it's a matter of growers and the milling representatives sitting down and agreeing on the process. I really support MSF Sugar, they sat down from day 1 and said, "Look, we're here and we're going to have grower choice." Sure it wasn't easy sailing, was it Steve? But we got it through. We debated with them but basically they were very receptive. So that is the end result.

Yesterday we had a sign up or sign off on the agreements with our growers and basically over half the growers came in yesterday, on my area the South Johnson Mill area, and signed up. By the end of the month we aim to have all of the growers finalised. If a grower doesn't want to, that's fine. I mean if they want to go and negotiate another deal, if they think they can do something better, we don't deny them that. But this is a collective agreement and I know that's a sticking point with some of the millers, having this collective arrangement, but it is allowed,

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acknowledged by the ACCC that you can have a collective negotiating agreement. But, equally, millers can also opt to do some collective negotiation if they want to, they never have.

I question the tactics and reasons behind some of our milling companies what, in particular Wilmar, are doing. Wilmar are just making it so difficult, I don't know why. Because, at the end of the day, and as in our submission we said, all sugar is priced through the ICE. So all sugar trade in the world is marketed. It's a very strange system, I believe, because I've never, before entering the sugar industry and even within the industry a lot of people don't understand but, basically, you have to have a contract when you supply sugar, or trade sugar. It's not a deal that you sit down around the table and agree on a price and agree on some fundamentals of delivery and shake hands and walk away. You have to go to the ICE, you have to get a contract, both parties have to get a contract, one to sell, one to buy. So when the physical sugar is then delivered then the contract is basically cashed in and the money transferred. So it's a very interesting way of doing it.

We had a series of meetings with MSF Sugar when they first announced they were going to withdraw out of pure sell, back in 2012, so we sat down with them and said, "Why do you want to do it?" Finally got to it, "We think we can get some premiums." We basically said, "What are these premiums?" And the answer was, "On about 10 per cent of the total sugar made we'll get a premium." Fundamental response, "Really not worth it," not for 10 per cent of the sugar to get a few premiums on.

In our submission, right or wrong, we've got a theory about why they're doing it, only time will tell. But the sugar sent into Asia, from Australia, gets a premium, gets that Far East premium. We're just maybe sceptical that that's what they're after, not to pay that and to be able to supply sugar to their clients in Asia at Australian values, not Brazilian values. We'll see, time will tell if I'm right or wrong on that one.

I challenge the Commission's views that the industry would be better off with the marketing companies marketing sugar. In the draft report it made a few points but I don't think milling companies marketing all the sugar will not improve farm size. I don't think milling companies marketing the sugar will help growers service large debts and I don't think that milling companies marketing raw sugar will not improve the availability or stop the loss of suitable agricultural land. All of those three things are influenced by a multifactor of aspects of all of that. Milling companies marketing all the sugar they produce I don't think adds anything to change any of that.

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The claim by milling companies that the amendments will cause loss of jobs, and that was, of course, one of the points they made with the original submissions. Now, that statement was being made when both MSF Sugar and Wilmar were changing loco operations. All the locos have two men. Sorry, I shouldn't say that, two people, because there are some female operators. One was called a pointsman or a fireman, in the old days, so they were changed tumblers or help when they back up and hook up bins and that. So both of those companies have now moved to a single operation using remote control operations of the loco.

So when you look at SJ's situation that's one person on every loco, on three shifts a day, seven days a week and for South Johnson that's 155 days a season. So they were talking that the amendments were going to lose jobs, their own actions, fine, if they want to make their operations more efficient and save costs, fine. But when they were making that statement they were actually reducing employment within the mills, I just make that point. So you guys can do the sums, how many loss of jobs occurring in the milling sector.

Now, despite the theatrics, and I call them theatrics, MSF Sugar are continuing to invest. Sure, they're cooling their heels, and I think that's more of a world-wide issue because Mitr Phol are huge developers in the world, it would seem, but they are still investing. $18 million was spent this year in both South Johnson and Mulgrave Mills, so they are spending money and they're quite prepared to do that. So even though, yes, there were press releases and theatrics about, "No, we're stopping investment because of the amendments."

Finally, I'd really like to take the Commission to task. It's not your fault, but I think it's a message to the minister. Yes, not including the regulation electricity in this inquiry. It's a huge burden on rural Australia and farmers particularly and perhaps it needs its own commission of Inquiry, electricity charges.

MR LINDWALL: Is it worse in Queensland than other states?

MR THOMAS: It's a bit hard to tell because you're only really knowing what's happening here. One of the big things here is that that service charge, because the electricity companies or providers, and even the generating company, are not using the normal depreciation methods that most businesses use, depreciations over a period of time.

They're continuing to depreciate at the same level every year, no matter what. So they're just applying a depreciation and, of course, that's a higher cost. So if you apply the same depreciation year after year on

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everything that they own, every pole, every cross-bar, every piece of wire, every insulator at the same rate and not declining the value of that, but still have that high depreciation, that's where the extra cost is incurring. Everything has an age, so obviously in the electricity industry they don't see that things actually finish and they want to fully cover. But, like I said, that might need its own separate commission of inquiry.

MR LINDWALL: Some of that is due to other policy areas and renewable energy targets and all this type of stuff.

MR THOMAS: But maybe it all needs to come out.

MR LINDWALL: Thank you. Can I ask, obviously competing claims and Wilmar says one thing and I've heard, today, quite the opposite. What do you think would happen if Wilmar is true to its word and it cuts back investment and ultimately leaves?

MR THOMAS: Well, they'd be foolish, they've spent a lot of money. I don't think it's a company that does things like that. We heard a furphy in the recent weeks where they were saying, "Well, because of the issue of using terminals they'd build their own." That's folly. It's only a furphy. It's a tactic they would use. No, producing sugar in Australia is very good, it's very good business.

MR LINDWALL: You're confident about the future of sugar as a commodity to be sold?

MR THOMAS: Absolutely.

MR LINDWALL: I'm just asking about growth prospects.

MR THOMAS: Yes, you asked Tom before. Growth, it's interesting, but growth in the world has been around about 2 per cent per annum. It just hasn't levelled off, it hasn't spiked. It's pretty steady at 2 per cent. This coming 12 months there will be a deficit of 4 million tonnes, that's what the analysts are saying. That's due mainly to the droughts and also the turmoil in Brazil, Brazil is a bit of cot case coming up.

MR LINDWALL: Is that why prices are quite high at the moment?

MR THOMAS: Yes. Who knows where they're going to go. Certainly - that's the fundamental of the market. The market's often driven by sentiment but certainly the fundamental is the deficit. The people that give us advice are saying that some of the sugar producing countries are getting to max, in terms of available land.

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MR LINDWALL: Does that include Brazil, say?

MR THOMAS: Well Brazil, they're cutting back and I think the last two years 130 mills have closed down. Just becoming uneconomic. They have been focused on ethanol, not so much part into crystal sugar. But it's just the operating costs now, it just caught up with them. Their productivity is not that great so they're struggling in terms of that. If they move from manual cutting to mechanical harvesting they'll start to lose big losses there because, unfortunately, mechanical does produce a higher loss of cane.

The biggest producer in the world is actually India but unfortunately they've got a lot of people, they've got people to feed. Their land availability for agriculture, totally, is diminishing. China's facing the same problem. The huge development that's occurred over there, they've lost a quarter of their agriculture land.

MR LINDWALL: So the Australian industry is well-structured and productive could do well out of all of that, in terms of market dynamics.

MR THOMAS: Definitely. We are the key for Asia, there's no argument. There is some potential development to take place, Western Australia and the Ord and, of course, up in the Georgetown area. So if Northern Australian development does go ahead then, yes, there's some great prospects of some very large development taking place.

Australia's still the best producer in the world. I mean the growers that are here today, they know. They grow good sugar cane to manufacture good sugar. Renowned throughout the world. Now, customers are ringing up every day looking for Queensland sugar. That's another side thing, I mean all this that's happening now, we're going to lose that brand. With every miller doing their own thing, what is Queensland sugar now?

MR LINDWALL: What about refining sugar into more refined versions, rather than raw? That's not done too much in Australia?

MR THOMAS: No, it's the handling issue. They did try. The refinery in Mackay actually devised some stainless steel containers to transport refined sugar. The raw sugar is rough and ready, throw it on a ship and let them deal with it at the port of where they're going. At one stage there we were sending quite a bit to Saudi Arabia, that same thing, they were refining sugar over there and sending it on, and they're well placed.

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Better to get that product closer to the end user, rather than us try and do it here.

MR LINDWALL: So as opposed to other industries where there's quite a change from some form of what you'd call a raw sugar equivalent to a refined sugar, you don't have much change in bulk or volume, is that what you're saying?

MR THOMAS: Well, yes. There's no advantage for us here in Australia to produce refined sugar and try and sell it to the rest of the world. There's plenty of options in the rest of the world, whether it be Indonesia, whether it be Singapore or Malaysia, China, of course. It's better to send them the raw sugar and then they deal with it over there.

MR LINDWALL: GM, which I'm interested in this, is that a prospect to also reduce the problems, in respect to the Great Barrier Reef, where you're getting pressure from the environment group?

MR THOMAS: Yes, it's got great potential. I mean if the sugar cane plant can take up nitrogen better and make better use of the nitrogen and use it efficiently in the plant itself, yes. Growers would love it too, because if they only have to put out half of what they're putting out now, because unfortunately fertilisers can be very costly. So that would be of great benefit all around.

MR LINDWALL: So that's a clear environmental benefit?

MR THOMAS: Absolutely, yes.

MR LINDWALL: Because it's interesting, some people, and I'll probably find this next week, who claim that they're interested in environmental outcomes refuse to sanction GM products, which is counter-intuitive.

MR THOMAS: I think it's a problem world-wide anyway. How are we going to feed the world in 50 to 100 years' time? We've got to use science to make the plants smarter. We already know that by doing certain things we can make more food from the land that we've got, and the land is shrinking. So great problems but at the moment - cane's a bit complex, it's got 23 strands so it's not an easy one to - not like wheat or the grains, which you've only got a few and they can manipulate them a bit easier. They're doing it world-wide, we're not the only one.

MR LINDWALL: May I ask one other question, which is to do with the arrangements with the millers? What about that toll type of arrangement

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we spoke of earlier in the day, where you effectively treat the miller as a contractor and maybe get access if they don't have good pricing, using part 3A of the Competition and Consumer Act, the ACCC can determine a price for that?

MR THOMAS: Yes. Again what would a mill charge to do that? And, again, what's in their best interest? They've made the investment in the mill, quite a bit of investment, and they would look to obviously make a recoup of that investment. Then you've got, how do you handle it? How do you move it from the mill to port? There's a few other issues. It sounds nice, it sounds the right way to do it, but I think there's more complications. I mean we've looked at how we might improve the handling of sugar cane. I mean there's no guarantee, the mills do not guarantee anything.

Back in the early 2000s there was a sugar mill that went broke. There was still $25 million of the value of the sale of the sugar and the proceeds to come back to the cane, it went into receivership. There was no guarantee at all of that $25 million to get paid to the growers. We actually work with MSF Sugar to look at ways of doing that. Basically they're saying, "We're a strong company, Mitr Phol behind us, look you can pretty well be sure that we're okay." I'm not too sure about other ones, like Rocky Point or some of the other smaller ones, Arisers, we don't know. If South Johnson went broke, very real possibility.

Perhaps we should have some system of saying, "Well, the mill doesn't own the cane until they fully pay for it." That's used in a lot of industry, the transfer of ownership of the sugar cane is not complete until full payment is received, so there's a couple of other ways but we're happy, generally, the way things are as long as the growers have that - - -

MR LINDWALL: As long as the arrangements are sustainable. You said, earlier, I think, Wayne, that smaller farms have some advantages, are more nimble, is that right?

MR THOMAS: No, I didn't say that, no.

MR LINDWALL: Would you agree with that comment? Are there economies of scale in farming and what's the minimum efficient scale?

MR THOMAS: Farmers operate differently. In our area, South Johnson, half the farms are under 5000 tonne but if we didn't have them we wouldn't have an industry. The flexibility they have is that they can go and work for the council driving a truck, or they can work in the mill.

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MR LINDWALL: So they're like hobby farms, some of them?

MR THOMAS: Well, for 5000 tonnes, a couple of hours a day on the weekend. If you contract all the big work out, the planting and the harvesting, that's all contracted out anyway, yes, they can do it and they can have a second job so there is a place for small farms. When you start to get bigger, yes, it's more complicated. Often then you have to start employing. I remember when I used to work in Herbert I had two growers come to me, two brothers, and they wanted to buy another farm. "Why?" "We've got 10,000 tonnes but we're sitting around in the shed looking at each other."

They wanted more, to keep busy. It depends on your operation. It's not a blanket comment that you can make. Small farms have their place, whether or not they're a cost or a burden to the industry, that's been through a number of inquiries and investigations. But if they're happy, fine. There's a lot of small farms, there's postage stamp farms as well, it's incredible. But they're happy growing some cane.

MR LINDWALL: As long as they're done relatively cleanly and not imposing costs upon other producers.

MR THOMAS: Some may say that because they have to be serviced, but they're quite happy doing it. I remember when I first went to the Johnson there was a grower who was going to retire and he asked me, "How small a farm can I have?" And I said, "Well, it doesn't really matter." And I said, "Why?" He said, "I'm thinking of retiring but I want to keep 2 hectares." I said, "Why?" He said, "Something to do." So just to keep occupied.

MR LINDWALL: We better leave it there, Wayne, thank you very much. I always offer if anyone wants to have a minute or two to say anything finally, they're welcome to. No one wants to. All right, in which case we'll have to adjourn this hearing and we can resume in Hobart next week, if you're interested in hearing about genetic modification. Thank you.

MATTER ADJOURNED AT 3.07 PM UNTIL
TUESDAY, 30 AUGUST 2016 AT 9.00 AM

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Australian Government

Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT HOTEL GRAND CHANCELLOR, HOBART
ON TUESDAY, 30 AUGUST 2016 AT 8.46 AM

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MR LINDWALL: Good morning, welcome to the public hearings for the Productivity Commission Inquiry into the regulation of agriculture. My name is Paul Lindwall, I'm the presiding Commissioner on this inquiry and my fellow Commissioner is Ken Baxter. The Inquiry started with a reference from the Australian government late last year and covers the regulations that have made a material impact on the competitiveness and productivity of Australian agriculture and has examined regulations at all levels of government.

We released an issues paper in December last year and have talked to a range of organisations and individuals with an interest in the issues. We released a draft report on 21 July and have received over a hundred submissions and more than 1,000 personal responses and views since the release of the issues paper. We are grateful to all of the organisations and individuals who have taken the time to meet with us, prepare submissions and appear at these hearing.

The purpose of these hearings is to provide an opportunity for interested parties to provide comments and feedback on the draft report. Today's the eighth and last hearing for the inquiry. Formal submissions to the draft report are invited, preferably in the next two weeks. We will then be working towards completing a final report to be provided to the Australian government on 15 November. Participants and those who have registered their interest in this inquiry will automatically be advised of the final report's release by government, which may be up to 25 parliamentary sitting days after completion.

We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken but at the end of the day's proceedings I will provide an opportunity for anyone who wishes to do so to make a brief presentation. Participants are not required to take an oath but are required, under the Productivity Commission Act, to be truthful in their remarks. They are welcome to comment on issues raised in other submissions. The transcript will be made available to participants on our website following the hearings. Submissions are also on our website. For any media representatives attending today some general rules apply. Please see one of our staff for a handout which explains the rules.

To comply with the requirements of the Commonwealth Occupational Health and Safety legislation you are advised that in the unlikely event of an emergency, requiring the evacuation of this building, you should follow the exit signs to the nearest stairwell, lifts are not to be used. Please follow the instructions of the floor wards at all times. If you

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believe you'll be unable to walk down the stairs it is important that you advise the wardens who will make alternative arrangements for you.

Participants are invited to make some opening remarks that are no more than 5 minutes. Keeping the opening remarks brief will allow us the opportunity to discuss matters in greater detail.

MR THOMPSON: Thanks for the opportunity to address you today. Macquarie Franklin is a (indistinct) company, employs about 20 people working predominantly in agriculture. Works basically in Tasmania and throughout Australia, South Africa, Vanuatu and a few other smaller (indistinct) around the world.

Our areas of specialty are agricultural business management, water, in all aspects in regard to agriculture and waste water reuse with regards to agriculture, product production processes, so loss of production, and environmental management. So it's sort of an integrated package arrangement for agriculture.

From the perspective of being here, I think probably my comments would be from a regulatory perspective. It almost needs to be separated between state, federal and local, but I think probably if we look at the last 10 years of the state governments I think they actually recognise that agriculture, in particular, is one of the key, if not the key, part player in the future of development in Tasmania.

If you look at a lot of the tourism, a lot of the other aspects, they're coming out of food tourism, we're coming out of all agricultural aspects, so I believe there's been a strong play by the Tasmanian government to manage regulation. I think a lot of the regulatory issues that we face are driven by federal regulations and things like EPBC Act, the (indistinct) and associated things that come and then effect the process of state governments acting.

But probably the key point I'd like to make is that the bit that I see is the collision between risk management requirements for agriculture and their ability to manage the risks at a massive level, but the risk aversion of everyone they deal with. I think sometimes regulation is - what's perceived as regulation actually may be risk management by the boards, by the people that are actually enforcing regulation but also even within the corporate sector, like the banks, et cetera. It's one of the - I can't emphasise it too strongly that that issue of that collision of the risk is one of the biggest problems we've seen in that process.

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MR LINDWALL: Chris, could I just interrupt, is it a collision between states and the Commonwealth or is it a collision also with focus on some of the big financial institutions, and I'm not just picking on them, but they're the obvious ones, or the big trading companies, the people like the McDonald's and others, who buy a lot of these products, is it almost a triangle of collision where you've got attempts by Tasmania to exploit it's, to use the phrase, clean and green reputation, it's got the Commonwealth trying to impose consistent regulations, particularly over the EBPC and others, and yet you've got a number of the big processing companies, like, you know, Murray Goulburn - well, that's not a good example these days - but certainly Murray Goulburn, Simplot's, McDonald's and so on, how is that interface between the three groups managed?

MR THOMPSON: Yes, look, that's exactly what it is. I would argue that the corporate interface is often more problematic than the regulatory interface and because of the layers that occur within those institutions and how that's then manifested, at the face, with the agriculture community it varies so much so predictability for what's going to occur is very hard for agriculture. But I think the risk aversion that we've seen, especially probably post GFC, the risk aversion we see in corporate institutions and how they approach farmers, because they essentially see farmers and people like Tasmania as high risk areas.

We've experienced, in the past, where we've had a comment made to us, as a company, from our bank, and we're a very strong financial business, that we don't lend to Tasmania. That was a common phrase, it was three years ago. It's an interesting scenario, it's very much, and I apologise for being vague, I'm not a hundred per cent sure here, but it's certainly an issue that needs understanding for how that can be improved, repaired.

MR LINDWALL: So do you think that companies are more swayed by minority deals than governments even, because the boards are more concerned about a risk of bad publicity or something like that?

MR THOMPSON: Absolutely, yes. So what could be a position that a company has today might vary in six months (indistinct) so agriculture has to predict, probably more than anyone, because their markets are so driven, in general. Because, at the end of the day we're a very small producer of generally high quality products, but you can't get away from the fact that 75 per cent, plus or minus, of our business is commodity based, because of commodities in beef, it's commodities in dairy, it's commodities in fish. Notwithstanding we're at the higher end of the commodity chain, but it is commodity based.

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MR LINDWALL: Is it sufficient if it is at the high end of the chain it's capable of distinguishing it from the commodities?

MR THOMPSON: I think that in the last five years we've seen it in beef, in particular, in the salmon industry, certainly in the viticulture industry and certainly in stone fruit, particularly cherries, we've seen a separation and we're starting to see, I hate to use that word "niche", but we're starting to see a bit of niche positioning. If we look through our client base we're staring to see more success in those areas and definitely more significant pricing, price benefits to those providers. But it's not uniform and we've seen that in the dairy industry. But certainly beef, you could argue with the beef things, the whole southern Australian beef sector, has been strong in recent times. But the Tasmanian process, through the, you know, Cape Grims and people like that, they've done very successful jobs in differentiating themselves in the marketplace.

MR LINDWALL: Well, of course, you and I are old enough to remember the days when (indistinct) used to go around burning his dairy factories or cheese processing factories down and then get the federal government to provide aid to rebuild them and he launched a new product on the basis of a distinction from the commodity based trade.

That aside, it was put to me by one of the senior TFGA members that basically there's no scientific credibility to the GMO stuff, in terms of it's harmful or whatever. His own words were, "That's a pile of crap." But he said, "The important thing is that people in some of our important markets believe it and therefore while as a farmer," he said, "I'd happily grow GMO crops," but he said, you know, "If we market it as non-GMO we're actually unable to distinguish that in some of our key markets." Is that a segment of the market, particularly to Europe, and (indistinct) is likely to grow, or is it a mistaken belief?

MR THOMPSON: Well, It's an interesting one and we, as a company, wrote a report to the government on that. Our economists - it's an interesting one, if I - my personal opinion as a member of the Institute of Engineers, and a member of the Institute of Ag Science, I struggled to find any reason, rational reason, in looking at plant breeding and all those processes why GMO is generally an issue.

However, I think Tasmania, because of its perceived - well, it's an island, but because of its perceived ability to partition itself, because of the nature of the products it grows and small quantities of the products it grows, at this point in time it does seem to be a position that the ability to sell as non-GMO - and I asked this question three days ago of a key

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viticulturist on the east coast, and said, "Do you" - and that viticulturist is a large-scale farm as well, so growing crops and a number of other things. I said, "What's your position?" And he said, "Well, I think it's rubbish, but I need it. I need the position, because my client base is saying, 'Are you GMO free?'" They are asking that question.

MR BAXTER: Well, can I then move - on the same line of questioning, can I move sort of back from that, does that mean that similar principles apply for the way you manage water and that you manage crop rotations and transport?

MR THOMPSON: Look, I think, from Tasmania's perspective, there is no doubt, at the moment, that we have - there's a perception that we're different, it's probably a pretty good argument as well, but there's certainly a perception that we're different. There's a perception that we're isolated from a number of things, and I think rightfully so, we're pretty good land managers, in general. I think that there's definitely a benefit to maintain that position at this point in time. Now, I have severe doubts that in 20 years time that will still be the case, I think food security will overcome some of these things.

But at the moment there is a definite marketing position and certainly a good feeling amongst the agricultural producers that they have an ability to be different, to be special and to potentially gain markets. But the whole process of how we do those things, I mean even the business of should we be marketing ourselves as renewable energy specialists? We produce our agriculture produce from renewable energy. I think those sort of things are serious opportunities for us. I suppose it's (indistinct)

MR LINDWALL: I mean, there's the issue of companies exploiting the market, obviously, for non GM and all the other reasons, but if the science on something is clear, should a government pander to that, just for marketing reasons?

MR THOMPSON: In general, I would say no. My position in Tasmania is that I think because we're so small, at the end of the day we're 450-500,000 people, we're a large modern council, I think that we have the ability to be a meat marketing principal, in a different value arrangement. So I think at this point in time I think the government's probably got to adopt a precautionary principle from the point of view there is a perceived market benefit at this point in time. My (indistinct) would be it's something that should be reviewed, you know, certainly on a five-yearly basis.

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MR BAXTER: I come at it from a slightly different tack. The government, in pursuing the course it has done, does it have sufficient economic data and commercial market data to satisfy its policy making bureaucrats and the population at large, that the claim that it is clean and green does deliver a premium?

MR THOMPSON: I don't know whether I can answer that. My view would be I doubt it. I doubt that there's an ability to because it's almost measuring perceptions. It's not a simple thing to monitor and the trouble is that the only real way to find out is to stop doing it and then you can't go back. So that's probably where I am. Certainly talking to people in recent times in regards to marketing in Tasmania, because I'm part of the group that's trying to look at marketing in Tasmania by agriculture, the general view amongst that group is that the non-GMO clean and green is worth every cent, but they are people all with vested interests.

The engineer and scientist in me says I'm struggling with this but these are people I respect as people who really know and they represent amongst them probably 50 per cent of Tasmania's agricultural output, so they've got very strong views. It's making a change, even simple things like some of the stuff that Ruralco are doing and Roberts are doing with wool internationally. They're definitely getting positions off the fact that we're clean and green and non-GMO just because they're in that European market which has those views.

MR LINDWALL: But markets can be fickle so you'd want to be flexible and change.

MR THOMPSON: Absolutely, and look - and there is no doubt - I mean I'm one of those typical late 50s, early 60s type 2 diabetics, for the record, so I mean if they start producing supportive to help my health and wellbeing, I'll be looking for it. I think that's why it just can't be a lockout. It's got to be considered on a regular basis and I suspect five years is probably the time.

MR LINDWALL: Should GMO be regulated on the product rather than the process?

MR THOMPSON: Well, that's the classic discussion and especially whether it's food based or non-food based. I mean things like the poppy industry here, for its future I've got no doubt it needs that access. Some of the manufacturing basis that goes with the food production we'll need to consider into the future because without doubt there will be stepped changes, stepped changes in how we produce food. So we can't just be rigid.

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MR LINDWALL: Earlier you mentioned, Chris, the precautionary principle. Now that has different meanings to different people. What do you mean by it and what are the implications of it.

MR THOMPSON: Yes, I suppose I agree totally, it's probably not a good statement to make actually. Where I'm looking at is basically at this point in time I think we have a good thing, so we have to be cautious about moving away from it. It's one of those things where by default we effectively have ended up in this position and I think before we take that step of moving away from it, we need to exhaust all the views. Notwithstanding that I think that 95 per cent of the views out there are incorrect and founded on poor information. Getting to this age, I've learnt to actually back my gut feeling and my gut feeling is that right at this point in time it's not a bad thing.

MR LINDWALL: I mean the poppy industry went through a fairly traumatic introduction into Tasmania initially, what happened? How did that evolve to get itself to a status where it is verified by people like GlaxoSmithKline and others, as a credible alkaloids producer.

MR THOMPSON: It even actually predates me slightly that process. My previous boss, Buzz Greene would be a great person to talk to about that. It was certainly a long process to get through the trialling arrangements and to get through the regulatory processes and certainly the logistics. The isolation process of Tasmania was the winner. The ability to sell the fact that it was isolated, so therefore movement in and out of the state by illegal use or whatever was much easier to manage. Certainly if you reflect on it, it's a bit similar to what we're talking about now. The fact that we're isolated and an island gave the ability to actually move forward with that arrangement, not assuming the fact that poppies are grown all over the world. There's a perception there. We still are a major player but certainly France, Spain, Portugal, UK are all growing poppies now so we don't have the advantages we used to have.

MR LINDWALL: I heard that Victoria might be entering that market.

MR THOMPSON: The Tasmanian companies are well regarded. I think that Tasmania's climate and its water availability are ideal for growing poppies. I think that the process elsewhere in Australia would be very slow.

MR LINDWALL: When you spoke about the precautionary principle, some people would say you take no risk but I don't think there is such a thing as a no-risk option.

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MR THOMPSON: No, there's definitely significant risk in any of those things. It's agriculture. I mean the biggest risk agriculture always faces is climate. You can be ready to dig a million dollars' worth of potatoes in a week's time and they're not there after a flood so it's the risk of that is what you have there.

MR LINDWALL: In terms of investment, and we spoke about this earlier, you were saying that some of the banks were saying Tasmania is not a good lending proposition or something like that. What about equity where companies, say foreign companies, have a controlling position in Tasmania, do they have a different calculus there and they might be more reasonably attuned to sending capital to Tasmania?

MR THOMPSON: There is no doubt and I can relate a conversation I had with a seriously big equity group out of the UK about four to five years ago when we were doing some work for them, some due diligence work on Tasmanian property, and I sat in for my own learnings. It was a business analysis and I was keen to understand a bit about it. I asked the question, "Why are you here?" They just said at the time I think it was about dairy because it was milk powder, whey protein concentrate, long-time storage and they said, "Well if you're going to dairy, you're going to build in two places, Tasmania or New Zealand". That was a real eye opener for me and they were talking to 300 people.

There's still a lot of interest from external investors in Tasmania. The hardest thing for Tasmania is to actually put packages together, because the average farm size in Tasmania for dairy is probably a $3 million plus or minus investment. So to get an investment that makes it worthwhile for an investment associated group to actually purchase, you're probably starting at 30, otherwise the fees for the people that drive it aren't enough. So the hardest thing in Tasmania is to roll up the packages to make it worthwhile for investment. That's probably your biggest impediment. Interestingly, that process takes time. So to then be in a position where perhaps those investors may not be able to invest because of the new FIRB rules, that's I'd say probably starting to impact a bit, where people will start to go, "I've got to do all this work. Am I going to be successful in putting them together?"

MR LINDWALL: They'll just consider other options.

MR THOMPSON: Yes, and certainly there's no doubt there's been people who have gone to New Zealand because it's simpler to go there.

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MR BAXTER: Mind you, there's also been New Zealanders who have come to Tasmania for the same reason.

MR THOMPSON: That's the interesting thing is what we have seen is we've seen a foreigner go to New Zealander and a New Zealander may come to Tasmania. New Zealanders have sold up in New Zealand and come to Tasmania and brought properties here.

MR BAXTER: Can I just follow on that, I actually know one of the New Zealand farmers who in fact bought property not far out from Bernie and I asked him why he did it and it was in fact an explanation that was given to us when we were in New Zealand recently, he said I don't see the troubles with nitrogen and with flows into rivers that we've got in New Zealand and it was certainly raised with us as a significant problem in mainly the North Island and the Canterbury Plains of New Zealand.

What happens if the pressure is put on the Tasmanian dairy industry to lift its production and its quality and its diversity of products? What happens to the rivers and the water supplies? I mean one of the great things New Zealand has had is I think a far more regular and consistent supply of water, but implications with run offs, whereas here, I mean you've only got to look at the recent drought when Cradle Lake was down to 7 per cent or something. What's the water implications for that expansion and how does government handle its regulations?

MR LINDWALL: Including for aquaculture such as salmon farming?

MR THOMPSON: Yes, good question. The whole dairy industry nitrogen thing is certainly there and the industry, I'll give it its credit, the industry for a dairy trade, et cetera, is working very hard to train their farmers on those issues. They have programs based around some of the New Zealand programs, "Fert$mart" is one of them, where they train farmers in nutrient management. People like ourselves are running courses in pasture utilisation to maximise the amount of production through the beast of minimising how nutrient is going into rivers.

One of the saviours we have is that outside the circular here, our areas are far more diverse, whereas New Zealand when you look at Ashburton and Canterbury Plains, all of those areas where you've got three grained soils, you've got immediate transfer to the aquifers. In Tasmania in most of the areas we've got a combination of the three-grained root soils in the north-west coast, but the predominance of those are in vegetable production and rotation cropping where they do go back to lower production arrangements. We still have in a lot of those areas quite a lot of native forest abatements. In the other areas where we've got the duplex

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soil types where we've got shallow-type soils, fairly permeable clays, the movement rises on that interface and it's harder for it to travel, which means you've probably got a bit more time to react to fix. But it is something that the industry is well aware of and it does need to address. I think the intensity in Tasmania and the water is the driver, because whilst we're a State that has a firm set of Australia's run off, at the end of the day it is in areas that mean that there's a limitation to how much development can occur. I think that's the saving grace. The problems in New Zealand is the rivers were very big through very productive areas, which means you get significantly intense development, whereas for us it's much more patchwork. So we have an ability to maintain it but it's something that we need to be extremely aware of.

MR BAXTER: Where does then the interface with forestry and agriculture sit in its regulation in the State?

MR THOMPSON: Yes, look it's a really interesting one. At this point in time I know that forestry is far more regulated that agriculture. As anyone who is in the work that I have done in the last 10 years, I've been involved in a lot of large-scale dam construction and things like that, involved in forest practices, plans, involved in management of serene keeping forestry areas. The Forest Practices Code is very significant. It's a very heavily regulated industry now. You can argue that 25 years ago it wasn't. A lot of Tasmania farming now, properties are semi-involved in forestry activities anyway so they have to mix (indistinct).

MR LINDWALL: So I think earlier, Chris, you mentioned that the EPBC Act is more onerous for farmers here in Tasmania that many of the state regulatory issues, is that right?

MR THOMPSON: Yes.

MR LINDWALL: And what are the key parts that are - - -

MR THOMPSON: The realities are that - look, I mean, in general, I am a supporter of the EPBC but being a prescriptive Act, you know, the penalties are quite significant for people that transgress and the issues are that it is very encompassing and it does mean that state regulators have to be mindful of the EPBC in everything they work in. It tends to draw a lot of state regs into it in the way it acts. So it's one of those things where, I think to be frank, for the first 10 years of the operation, the difference between then and now is simply ignorance. People didn't know that it was there and didn't know what it meant.

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Once they actually have an issue to deal with and it might be - the classic is a dam construction, someone who would go through a process of building a dam on their property. They will no doubt strike issues with the EPBC in regard to the flora and fauna, heritage issues or whatever. They then become extremely aware and then that then does potentially affect how they think about everything else they do. It's not a substantive fact that they need to do that.

MR LINDWALL: Would that mean that the person who may not be in fact affected by EPBC is actually acting in a way as if they might be because they are becoming risk averse because of the penalties being so high?

MR THOMPSON: The interesting one with this is where there's a corporate entity involved in the agricultural operation, that is definitely the case because the corporate entities are far more understanding of compliance, fiduciary issues and therefore EPBC is sitting there in big lights and you will see that in - as we go more and more into structured farming in Tasmania, I think - I don't think we'll ever go away from what I call family farming is the major farming but I think those family farms are much more corporate entities now. They are much more cognisant of those issues.

MR BAXTER: Can I just come back? Is the EPBC Act going to be administered by the state or is it going to be administered by officials of the commonwealth resident in the state?

MR THOMPSON: No, it's effectively - I used to be quite an expert on the EPBC but I've drifted a bit now. At the end of the day, the way the EPBC Act works, I mean it's a Commonwealth Act administered by the Commonwealth but it draws - a lot of things like the Threatened Species Act in Tasmania are brought into play by reference to the EPBC.

So state bureaucrats have to act with regards to ensuring that their regulations are compliant with the EPBC. That's my understanding. So you can't have a state flora and fauna regulatory framework that's not compliant with the EPBC. So in my mind, whether the bureaucrats agree with that or not, in my mind the EPBC frames what happens at the state level.

MR LINDWALL: Do you have any more, Ken?

MR BAXTER: No.

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MR LINDWALL: The final question from me, Chris, is about coastal shipping. Previously someone told me that it's more expensive to send produce via a ship to Melbourne than it is to send it from Melbourne to Shanghai. Are you aware of that?

MR THOMPSON: Well, unless something's changed in recent times. I mean I can remember say 15 years ago it cost - I was involved in a company at that time - we could bring a container of fertiliser from Germany to Tasmania for $2,200 and it was $2,400 from Melbourne. Yes, it's still very much the case. It's an extremely expensive piece of water and it's one of the impediments to all the commodity-based processes. Obviously some of the high value stuff gets flown, but still a lot of the salad vegetables and stuff come down by ferry. Most of them use the ferry system but it's very expensive.

MR BAXTER: Back to water again, my understanding is that about 10, 12 years ago, the actual management of water was left in the hands of local councils. Is my memory correct or not?

MR THOMPSON: The Water Act has been replaced since 1957 and then it was reissued in 1999.

MR BAXTER: We'll leave aside the hydro stuff, but who's managed the water for farms and dams and farm pumping and all the rest of it? Who actually controls that?

MR THOMPSON: It's been part of the Department of Primary Industries. It was originally with the Rivers and Water Supply Commission. I do have to say I was the regulator at one point in there. The Rivers and Water Supply Commission management, until it was absorbed into the Department of Primary Industries.

MR BAXTER: When was that, Chris?

MR THOMPSON: They have only just taken it over now as the regulator. I think they do a pretty good job under difficult circumstances. The biggest issue now in Tasmania is with the advent of Tasmanian irrigation water, high purity water, 95 per cent reliability against the water that sits in rivers, nominal metered**,** which is somewhere between 50 and 80 per cent but it's your risk you're taking, and the marrying with the values and the marrying with the regulation and there's both types of water in the same rivers, red and blue water.

Yes, there's some exciting periods over the next 10 years to get the best out of that but I think they're doing - I hate giving the government a

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tick but I'd give them a tick for doing a pretty good job. It's extremely different to mainland Australia. It's very important that we understand that. Most of the basins aren't interconnected. Trading arrangements are very different. Almost no groundwater movement between basins. Very unique completely different micro-climates within two or three kilometres; yes, a very unique system.

MR LINDWALL: Is there any water trading goes on?

MR THOMPSON: Yes. Trading occurs within the irrigation schemes through processes that Tasmania had actually put in place and there is informal trading on the rivers themselves between farmers where you have water licences.

MR LINDWALL: I think we should - - -

MR BAXTER: Yes.

MR LINDWALL: Any final points, Chris, before we finish?

MR THOMPSON: No, I think that's it.

MR LINDWALL: Thank you very much for coming today.

MR THOMPSON: No problem.

MR LINDWALL: I'd like to welcome Dr Dan Norton AO.

DR NORTON: Yes, my name's Dan Norton and I have had a range of roles. My role currently in Tasmania is mostly in the electricity sector, but I thought it would be useful just to come and have a chat with you because I have some views in different areas and I have had extensive experience in some relevant areas, particularly in the port area, so perhaps a couple of comments in relation to transport.

Tasmania obviously is an island state and therefore transport poses additional challenges. There aren't too many options for hauling long distance so things have got to go by road or by ship, et cetera, but high value produce which is air freight. Historically we've had problems I suppose with competition in relation to providing shipping services. The history across Bass Strait has tended to be premium based because the operators being going for a little while but they're going to go out of business. The major operators have changed ownership over time as well.

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I think one point I do want to make is around coastal shipping. There's no doubt that the actions and the capabilities of this national shipping for some coastal services is detrimental to a competitive environment in Tasmania. I think that's been well analysed. It's political obviously around jobs for Australian seafarers but the ultimate cost, if you like, of providing that assistance to jobs for Australian seafarers has been providing exports out of Tasmania to some extent in ports, but mostly exports. That's a challenge that's waxed and waned. It looked as though there may be an opportunity to open up the cabotage arrangements to some extent but that failed in parliament in the Senate. Ultimately it's got to happen but it's an example of the key program to protection.

The ports themselves are reasonable efficient. We amalgamated the ports a decade ago and there have been various reviews that we've undertaken with the Tasmanian Ports Corporation which I am no longer chairman of. I retired in December. You could argue that some rationalisation of ports might theoretically make some sense but in practical reality, there are legacy assets there. There are good reasons for all existing ports to exist. What's happened over time is the speciality of those ports has changed but the notion of having a greenfield port in the north of the state is just pie in the sky because the costs would never justify it.

Robust transport. Roads have improved. Country roads are not so good and as Infrastructure Australia of which I am a board member as identified in the Australian Infrastructure Plan and the national audit, the issue of maintaining roads at a local government level does pose challenges and that ties into the other contentious but I think ultimately very important initiative about road user pricing, yet road user pricing does provide a mechanism to start to generate and hypothecate revenue back to local roads in particular.

MR BAXTER: Can I just ask a question on that? Does the national have any vehicle-regulated operator in Tasmania?

DR NORTON: Yes.

MR BAXTER: Tasmania's a signatory to the agreement?

DR NORTON: Yes.

MR BAXTER: Any views about the efficacy of NHVR?

DR NORTON: I'd rather not comment on that because I'm a consultant and I do work for an organisation, Transport Certification Australia,

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which is the entity that provides telematics support facilities. I'm currently doing some work for them which is feeding into the NHVR, so I think it would be inappropriate for me to make any specific comment about the NHVR. I would say, however, that I think there are a number of important initiatives in the area of heavy vehicle transport, which from a public policy perspective have had and will continue to have some challenges because of different political views about the impact. But certainly I would say, as a board member of Infrastructure Australia, that the obvious place to start with road use of charges is heavy vehicles. The telematics capability is there. Most of the vehicles have that telematics capability and it would be, I think, a much more equitable way of dealing with road use of pricing, but that's work in progress as you well know.

MR BAXTER: That was what we proposed in our infrastructure report.

DR NORTON: Of course, yes. You've proposed it. IA have supported that and continued to promulgate that view. We are very keen to see somebody, whether it's you or us or somebody else, do some more work investigating the implementation of road use of pricing, initially concentrated in heavy vehicles.

MR BAXTER: It has been put to us by a number of the mainland people talking to us that with the closure, particularly with a number of the smaller uneconomic grain lines in Queensland and New South Wales in particular, that heavy road transport is the only option to get into main terminal.

DR NORTON: Yes.

MR BAXTER: It's then been put, two issues: one is the telematics one, of being able to track the vehicles, the second one is the funding flowback to local councils who have got responsibility for a lot of these roads. I think it's in the public domain, but the Department of Infrastructure and Regional Affairs has indicated that they're seriously looking at a means of introducing road charging or road pricing for these heavy vehicles.

DR NORTON: I did work with Transport Certification Australia for well over a decade and they run an intelligent access program. The introduction of high mass limit vehicles was facilitated by the provision of telematic capability to monitor that the vehicles were on compliant roads, that had a slow rollout. In New South Wales it was quite interesting because the New South Wales government finally agreed to it, especially when they realised that while their engineers were arguing that there are certain bridges that they didn't wish to have increased heavy vehicle traffic over, you could identify the routes that were "safe" so to speak and

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issue licenses to use those routes and then have a compliance monitoring arrangement through vehicle telematics.

One of the problems with the high mass limit rollout was the last mile issue. There was a classic, I remember interviewing a truck operator who was transporting from Moree to Melbourne or vice-versa and there was about one kilometre at the end that he couldn't get his vehicle on because local government wouldn't allow it. I think there are examples where local government have started to take a more sensible attitude and use telematics themselves, but there also needs to be some supplementation, in some cases, to ensure that the roads that they're in charge of can be opened to high productivity vehicles.

MR BAXTER: Is that an issue in Tasmania?

DR NORTON: No, not really so much of an issue, it's more of an issue in the mainland.

MR LINDWALL: Did you have anything more you wanted to add? Sorry, we interrupted?

DR NORTON: No, not on transport.

MR LINDWALL: What type of price differential is there for coastal shipping from Tasmania because of cabotage restrictions do you think? If you were to estimate a liberalisation of those restrictions, what type of fall in price might you expect?

DR NORTON: Look, I really wouldn't want to give you an estimate on the floor, but it is quite significant. There are a number of international vessels that call in Tasmania, bringing products in, that go empty, and if they were able to do a call in to Brisbane for instance and then perhaps trans-ship that to Shanghai, it opens up additional export opportunities. So it depends largely on where the end point destination is and what the particular cargo is.

One of the things about international shipping that I've observed over many years of being involved in ports is that there are many vessels around the world that are continually being repositioned, the international shipping companies, some of them specialise in mega-ships, mega-container vessels, but they've usually got a portfolio of vessels and they can move in and out of a market very easily, they don't have significant and setup costs, they've got their own ships, cranes, all they need is a port and cargo and they can enter into an arrangement. We've

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seen that in Tasmania where we've in fact got international shipping in Hobart again for the first time in probably about 12 years.

MR LINDWALL: Shipping what product, Dan, timber?

DR NORTON: Yes, exporting some timber products, basically timber products. But they would wish to develop an opportunity to export other products, paper products which is obviously in the timber area, but anything that they can economically, efficiently issue. So there is capacity for additional competition to come in if there's that issue of cabotage arrangements.

MR LINDWALL: If you were to rank the regulatory issues affecting transport in Tasmania, would cabotage on coastal shipping be number one?

DR NORTON: Yes.

MR LINDWALL: What about for high valued transport by air, are there any restrictions with the airports, say in Hobart and Launceston, that would need expansion to get a greater capacity, for example?

DR NORTON: Well, there's been the Commonwealth government have committed to extend the runway at Hobart to enable larger planes to come in and that may facilitate some additional opportunities for exporting products. I'm not an expert in that area but I don't feel that there's a major bottleneck around the port - sorry, around the airport configuration. That project is now going, so we'll see what impact it has.

MR LINDWALL: Anything more on transport, Ken?

MR BAXTER: No, not on transport.

MR LINDWALL: Well, how about we move on to some other issues, gene technology, is it something that you want to talk about?

DR NORTON: Well, just I wanted to make a point about gene technology. I think to make a general point, I think there's a real problem that we face nationally and it impacts on Tasmania as well, because people and the general public are increasingly not trusting or believing in the science. We're seeing that in Tasmania now, we're starting to see it with aquaculture, we saw it with the small pelagic fishery issue and the super-trawlers, I think we see it with gene technology, GMO availability because there's a moratorium here.

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What tends to happen in a populace campaign comes along and say this is bad, and despite any scientific evidence that's the view. I don't believe that we're sensibly taking a case by case approach and accepting the Commonwealth initiated review of the risks associated with particular gene technology initiatives, and saying what's the payback and what is the risk, and if the risk is low let's do it. The attitude in Tasmania in a number of quarters is, well, we want a moratorium because we want to have the label, "No GMO in Tasmania", that that's a branding issue of some significant benefit; I'm sceptical about whether that's a real benefit. What I am concerned about is if that's impacting on the competitiveness of our agricultural industries in particular, because they are precluded from utilising safe gene technology, then we're (indistinct) them quite frankly.

There's a recent one which I'm not an expert on, but I'm aware of a recent one with potatoes. The competitors are using a particular genetic capability to prevent disease, prima facie it appears that it's not something that can cross into other species itself. So I think, generally speaking, anything that enables a more appropriate assessment of scientific evaluations to be accepted and a reduction in just knee-jerk populace in this, is to the advantage of us. It's to our detriment, especially in Tasmania with agriculture, aquaculture and forestry, anything which just rejects the science.

MR BAXTER: What's the objection, and I've seen it in the recent media reports and nowhere else, what's the objection of the aquaculture industry?

DR NORTON: It's twofold, one is that the faeces from the fish just drops down and messes up the waterways, it's partly aesthetic. There's a proposal to extend aquaculture off the Orford/Triabunna area, a lot of people go down there, (indistinct) and they don't like the idea of having aquaculture pens, fish pens out in the water that they fish in, so they're legitimate concerns. But there is an underlying view I think that it's polluting waterways and the most contentious area is Macquarie Harbour where it's alleged that there's not enough flushing of that harbour to disperse the effluent.

MR BAXTER: Is there any scientific data about that?

DR NORTON: There's a lot of data, yes, this is a regulated industry. But once again, I think the attitude is, well, we don't - it's not properly regulated, the science is flawed.

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MR LINDWALL: This is the type of comment we had about the rejections through the Office of the Gene Technology Regulator and the World Health Organisation and the US Food and Drug Administration on Gene Technology. What can governments do more to help explain to the public the actual science, because I think you're right, there has been a dramatic increase in scepticism to science, whether it be in this space or in vaccinations, for example, anti-vax movement as well.

DR NORTON: Exactly, yes. I don't know what they can do except show some leadership and take it seriously, that there needs to be a sensible public education awareness campaign so that people do understand. At the end of the day, on things like public vaccination, they've just got to draw a hard line, you just can't allow unscientific nonsense to jeopardise public health.

MR BAXTER: Again I come back to the agriculture which would seem to have been a growth industry for Tasmania, a significant growth industry, in which the brand name or names which feature Tasmania quite considerably have resulted certainly - and I can speak only for the Sydney market - but have caused Tasmanian salmon to (a) displace a lot of the European salmons, and (b) to dominate the modules in which fishing-led products are sold in the supermarket. I mean I walked in to Woolworths in Neutral Bay on the weekend and there would have been three of those chair widths of Tasmanian salmon and one about that width of Danish salmon, that was it.

DR NORTON: Yes, it's been a very successful industry. There may be times when there are compliance issues, I'm not defending, I'm not here as an expert on aquaculture, what I am saying though is that I have observed in a number of industries, including aquaculture, this notion that, well, we don't like it and if the science tells us the wrong answer then we don't believe them.

MR LINDWALL: Yes. No, that's a very disturbing trend. Can you comment anything about water markets here?

DR NORTON: Yes, just a couple of points about water. There's been quite a deal of public investment, and in fact Infrastructure Australia has examined several business cases in relation to investment in irrigation schemes, there have been a number of them that have been established over the last decade or so, and I think the general view is that that is going to have a significant impact on Tasmanian agriculture in particular areas. If you drive up the Midland Highway you'll see pivot irrigators all the way along up there, areas that were sort of semi-arid, a bit of grazing, are now cropping.

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There's been some State money, quite a deal of Commonwealth money, and at the end of the day there's got to be some private investment in there as well. Some of those schemes have had difficulty getting take-up by the private sector, there has been one particular investor, some people call him a speculative investor, but an investor who has seen the potential and has bought up those rights. When there's not much water around I think people believe that speculators are ripping them off, but if you don't have people in there showing a view and a belief in the investment then some of these schemes just wouldn't get up in the first place. So I think it's very important that we have an open system and that there is trading in water rights, there is however - and as has been stated by the person spoke to you before me - a lot of these catchments are very isolated and so there's not much capacity to transfer between catchments.

The other real issue, and one of the reasons why I did suggest to Ken that it would be useful for you to talk to Tas Irrigation. Tas Irrigation has been going from a building organisation building dams, they've successfully completed the projects, pretty much all of them on time and on budget as I understand, to now managing the use of the water. A lot of the water goes into rivers and it gets mixed up with non-irrigation water and there will be some significant challenges for Tas Irrigation and the regulator to deal with that, there's no doubt going to be issues where there are claims made that some of the water that is being extracted is river water, when there might be other information suggesting it's actually irrigation water, so who owns what is an issue.

But there's a great potential for the irrigation schemes to significantly improve our capacity to grow crops instead of low value, cheap grazing. The wool industry in Tasmania is a much changed industry over the decades and there's not nearly the emphasis on wool production that there used to be, and that's not likely to change. The good news then is that with the irrigated water, with irrigation and with water you can analyse that land, provided you appropriately look after the soil and you don't get salinity problems, to get much more high value use of that land.

MR LINDWALL: There's issues of urban encroachment into some of the irrigated areas?

DR NORTON: No. There are probably a couple of areas, the Coal River Valley area is probably one where you might say there's potential for urban encroachment, but by and large there hasn't been an issue.

MR LINDWALL: More of a Victorian problem by the sound of it.

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DR NORTON: Yes. Not a real problem here.

MR LINDWALL: I think you mentioned something about food safety regulations?

DR NORTON: Yes, I threw that in because I read the Terms of Reference, and going back to the days when Ken and I were COAG senior officials, then and subsequently a lot of time has been spent on trying to harmonise regulation across jurisdictions. It angers me to see instances where national businesses have to deal with different safety standards or other regulatory standards as well, across jurisdictions. There have been a lot of ticks that have come out of COAG initiated reform of regulation, there have been some areas, electricity retailing is a classic, where despite an apparent agreement, we found some jurisdictions haven't entered into the spirit and joined national arrangements. Once again, it's a matter of political leadership, it's a battle that continues to need to be fought.

Unfortunately, the costs of having inconsistent standards, or having a national standard and then having states tweak them, are largely hidden but they ultimately impact right across the supply chain, from customers and also agricultural producers as well. So it's not a new problem but it's a problem of sorts.

MR BAXTER: It's a theme that's emerging in a number of the States, I mean you're not the only one to have made comments of this kind.

DR NORTON: Yes. I think it seems to be harder these days to get jurisdictions, to go through the process of analysing, identifying, negotiating and agreeing a comment and then implementing a comment so that that stands.

MR BAXTER: Yes, that's right.

DR NORTON: We've almost gone backwards to the notion that, well, we don't really want to be handing over our sovereign right to determine food quality standards to a national entity.

MR BAXTER: Even if it's sensible.

DR NORTON: Even if it's sensible. Once again, it's partly, I think, this populace driver that means politicians not go that route. I mean I could talk on electricity for hours, invariably where jurisdictions have come in and set up their own schemes they've been disasters, they have been disasters.

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MR LINDWALL: Is there anything on the environmental regulation you could comment on or you'd like to?

DR NORTON: Look, I think that is an area that has improved over time, there's obviously this jurisdictional overlap between the Commonwealth and the States. I've had some limited involvement with the forestry industry of recent and I think, by and large, in the relationship between Commonwealth and state environmental regulation is not something that's a major problem from where I would see it.

MR LINDWALL: Ken, did you have anything else?

MR BAXTER: No, that's fine.

MR LINDWALL: I think we forgot to ask about your view about the Tasmanian Freight Equalisation Scheme?

DR NORTON: Well, it's very important from the Tasmanian perspective, there's no doubt that it is a mechanism that effectively reduces the cost penalty that Tasmania has as a result of being an island State, you can argue one way and the other about that, but it is I think, from a national point of view, some recognition of Tasmania's island challenges in transport in particular are important. There are a number of idiosyncrasies in the way the system works because it is not supposed to apply to products which end up being exported, you will find certainly in the agricultural industry, arguments that it should apply to that, especially if we're having to send it across a very expensive bit of water to get on to the ship in Melbourne to go to Singapore or wherever, we're being penalised by cabotage. So the pragmatics or the political trade-offs is that the TFES ought to be used to balance that.

MR LINDWALL: Does that mean that the removal of cabotage restrictions would mean that you would have no need for the Freight Equalisation Scheme?

DR NORTON: Look, I think, I mean you'd still - if there was a removal of cabotage it wouldn't remove the cost penalty that Tasmania faces. There's this National Sea Highway type argument, that if you were travelling, freighting between Brisbane and Melbourne, there's a huge Commonwealth investment in major roads along that route, there's no equivalent investment in major roads between Melbourne and northern Tasmania and this is sort of a bit of an offset for that, plus the subsidy that applies to passenger vehicles on the Spirit. It's part of that Federation that Tasmania is penalised so to speak or has additional challenges and has benefits from it.

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Having said that, I think it is important that Tasmania is not in the situation where it, for instance, stands aside from a national regulatory arrangement or a national set of standards. Or, to go back to GMOs, says, "Well, we're not going to have GMOs", and if that results in a reduction of economic potential or economic activity, then turns around, through horizontal fiscal equalisation, and says, "Well, we want some compensation because we're not doing so well", "Why aren't you doing so well?", "Because, well, we're standing aside from sensible public policy and issues". You can't have it both ways.

MR LINDWALL: Good point, Dan.

MR BAXTER: No, I've got no other.

MR LINDWALL: Thank you very much then, Dan. Did you have any final points that we missed?

DR NORTON: No, I think that is fine. I mean I come here as an expert in very little, but I have some views I guess of a more general nature.

MR LINDWALL: No, we very much appreciate you coming in.

DR NORTON: I welcome the opportunity to have been able to talk to you.

MR LINDWALL: Thank you very much.

MR RICE: My name is Keith James Rice, I am the chief executive of two organisations, of Poppy Growers Tasmania Incorporated and an organisation, the TFGA Industrial Association which trades as Primary Employers Tasmania, it's a registered employer organisation under the Fair Work Act. I have been asked to appear on behalf - I'm a director of the Tasmanian Agricultural Productivity Group, and not to speak on their - but what they are going to put forward would be things that I'd be putting forward anyway, and been asked to speak on them. One of my fellow directors, Nicola Morris from Tasmanian Irrigation will be following me in some form today I think, and Nicola is also a fellow director on that particular board.

I do apologise for the lack of submission in this regard, we rely heavily on we are a member of the National Farmers' Federation, so we do rely heavily on them and have input to all the Commission's work through the National Farmers' Federation and I do have the submission and so forth here. But when I was contacted - - -

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MR LINDWALL: Can I just add, I think we are pleased to get some of the reactions from the individual states because the NFF suffers the same problem as the federal government, they're trying to get an agreed position, and we're dealing with regulation in the agricultural sector, so it covers not only the Commonwealth regulations but also it covers the State regulations. In a number of these areas, particularly over employment and related matters, there are significant variations between the States. There's nothing wrong with that, because in the case of Queensland you've got a very different pastoral industry to what you've got here in Tasmania.

MR RICE: Tasmania, precisely, yes.

MR LINDWALL: So, look, there's no need for you to make any apology over that, and we're actually pleased to see you.

MR RICE: Well, thank you very much. One of the things that - I'm always interested in the Commission's work, one of the things that really interested me was regulation in the agricultural industry and particularly in my role from Poppy Growers Tasmania. I must emphasise I speak on behalf of the growers association and not on behalf of the processes, although I don't think they would have a great objection to anything that I have to say.

Really, with poppy regulations, from my point of view and from that of our organisation, when we received the invitation I was hoping that there would be new regulation in Tasmania, it's before the Tasmanian Parliament, it was meant to go there last week but it was adjourned until the 13th. But we've been consulted very generously by the Tasmanian Government and had a huge amount of input into that regulation. The poppy industry in Tasmania started in approximately 1965 from nothing and it regulates, we grow an alkaloid poppy which is narcotic raw material and Tasmania now provides half of the world's requirements for starter material for the world pharmaceutical and pain management industry, we're rather proud of that.

Over the last couple of years Victoria has commenced to grow poppies and there's been some grown in the Northern Territory, they're now looking at South Australia and New South Wales to grow some poppies, and that will be determined basically on a commercial basis, we had some issues with it going off Tasmania. But to ask a farmer, I'd imagine, about regulation is no regulation, we're happy to do it without regulation, but we live in the real world, we understand, particularly in relation to this industry, it is a narcotic raw material, in the wrong hands it

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can cause enormous grief and enormous harm, so there has to be regulation around it, sensible regulation. We believe here in Tasmania that we have sensible regulation we've had it since 1965, really came into being in 1971. It was mandated - if you're taking notes, tell me to slow down.

MR BAXTER: No, only on that note.

MR RICE: Really, we were the first destination in the Southern Hemisphere to grow alkaloid material in '65, prior to that it was grown in some of the Eastern Bloc countries, Turkey and India, France and Spain. Basically, during the Second World War, the allies were enormously concerned that they may well run out of morphine. In that regard they wanted a secure destination, so they searched the world, and lack or otherwise, Tasmania has proved to be very adept at doing what we do.

But coming back to the regulation, our growers all need to be licensed, they need to go through national police checks, that's something that we support, it's mandated under the United Nations Single Convention on Narcotic Drugs 1961, there's what they call as amended by the 1972 Protocol. The Australian government, which is a signatory to that convention, has adopted the convention, as I said, is a signatory to the convention. The Tasmanian government, in consultation with all the other States and the Commonwealth back in 1965, then in 1971 formed what was known as the Poppy Advisory and Control Board in Tasmania which regulates the industry.

Now, we're just looking at some new contemporary measures going through the parliament, we use five year licenses now for established growers, so there is a raft of regulation around the industry but we accept that regulation.

MR BAXTER: Is that a separate piece of legislation for the poppy industry?

MR RICE: It's covered under the Poisons Act. That's one of the issues that have come up, that was found over the last few years with quite a massive expansion since 2000. The crop from 1965 increased from nothing to about 8000 or 9000 hectares in 1999, then 2000 onwards it went to 21,000 hectares, then it's escalated in peaks and troughs over that period of time, we got to 32,000 hectares in 2012/13, at the moment we're sitting on about 9000 hectares.

So we've had a look at all of that with the government and said we're established and it's mature, we need to look at this legislation and

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streamline it, simplify it, take out unnecessary red tape. From our point of view that's happened. Instead of having a yearly license we'll now have a five year license for established growers, the national police checks have been made much easier.

So I really come to you with a good story in this one as far as regulation goes. We understand the need for regulation, it gives us an enormous amount of credibility within the UN and within those countries that buy our product, the US, western Europe and in parts of Asia, that the industry here in Tasmania in Australia, there isn't any diversion of the crop into the illicit market, and so we're very proud of that. If that takes legislation to do that, we need to do that.

Sadly, we've had - goodness me, since 1991 was when we're keeping records of this, and I didn't check this - eight - six fatalities from people allegedly tampering with the crop, going into the crop and dealing with an illicit substance. Apart from if you do that one thing is guaranteed, you'll make yourself violently ill, and sadly for some people, there's been a reaction. Now, most have a fatal reaction to it and so we're very conscious of that type of thing, of warning people on our website and those types of things.

I'm happy to answer any questions in regard to that, the poppy regulation, but we're very comfortable with what the Tasmanian government - the Federal government doesn't put any regulation on us, they regulate the process, there's three processing companies, they regulate them, but all our regulation comes from Tasmanian government.

MR LINDWALL: So the relationship between the growers and the processing companies is quite good?

MR RICE: It's excellent. Very, very good.

MR LINDWALL: Quite contrary to the sugar growers and millers?

MR RICE: Well, I'm not familiar with that so I can't comment.

MR LINDWALL: Just as well for you.

MR BAXTER: Very lucky.

MR RICE: Look, we do have a very good relationship with the three companies, we don't always agree of course, but we have contract negotiations each year and they're usually robust.

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MR LINDWALL: Who are your three companies, out of interest?

MR RICE: There is a company called Tasmanian Alkaloids which was, up until July of this year, a subsidiary company of Johnson and Johnson in the US. It's now owned by a company or a group called SK Capital Partners, it's a US investment company in high-end product. Then there was the organisation that founded the poppies in Tasmania was GlaxoSmithKline, Glaxo welcomed straight Glaxo. Last year they sold off their poppy division to Sun Pharmaceutical Corporation in India, but both of the two companies have a large holdings in the United States, which is the biggest market. Then we have a small - or it started in Tasmania as a privately owned company and then it went publicly owned, a company called TPI Poppy Processing, and now that's moved from Tasmania and is based in Victoria, is where its headquarters and that are.

So they are our companies, they are the ones that we deal with, and they are regulated by the Federal government. As you said, all the companies have field offices, they go and contract with the farmer, they help the farmer with the crop and give agronomic advice with the crop. We have an oversight, we have approximately 91 per cent of growers, at the moment there's about 460 growers, we've had up to 900 growers, we've got a low area this year, world over-supply.

But quite honestly, we have what I would call a very strong relationship with the two major companies, with the smaller TPI company it hasn't been that good, we did end up in the Victorian Supreme Court with them over some defamation things last year and the year before, but never mind that, that's settled and out of the way and I think we're heading on a reasonably good trajectory at the moment.

MR LINDWALL: Could you explain, because of my sugar reference earlier, how the market works in terms of from the end product which the consumers buy of course, through to the sale of that from pharmacists?

MR RICE: It's like a triangle, at the bottom there's this huge area and we grow a poppy plant. We used to be called opium and we don't like it called opium because we don't grow opium, we now grow a far more sophisticated crop where it goes out till it's dry and then it's harvested, crushed and taken to the three companies. The companies then extract the alkaloids out of that and put it into a white powder called NRM, narcotic raw material, they then on-sell that up to an intermediary through there, someone like MacFarlan Smith in Edinburgh or other companies throughout the world, where it becomes API, active pharmaceutical ingredient, then it goes another step, up into dosage or tablet form, up into the high-end user. That's where we believe, sadly, the money is made,

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then money made in that trickles down, even the companies here will tell you that, but that's really the market.

So Tasmanian Alkaloids for instance and Sun Pharma and TPI, they don't have any impact or - no, that's not the right word - they are not selling into the retail market, they are selling into a wholesale market where further processing takes place.

MR BAXTER: Keith, can you say, a poppy producer in Tasmania, who presumably signs a contract with one of these companies to supply?

MR RICE: Yes.

MR BAXTER: Can that producer, during the course of that contractual period, make a decision to change or is he bound for the full period of the contract?

MR RICE: He's bound for the full period. He does that annually, he gets a contract to grow. It seems to be rather convoluted but it isn't. What happens is the companies - the UN mandates the growing of this material for pain management and scientific purposes, they don't set quotas but they like to see within the UN, in a controlled substance, about one years' supply in the world, given that it's an agricultural crop they don't like to see - there's enough supply to meet demand but there's not an over-supply. While they don't control that they can make very strong recommendations if you're carrying too much stock, that's not been a problem for Australia because the stuff is so expensive that they can't afford to carry an inventory.

So we're looking at, in the UN, each year the Australian government will go to the UN, they would have met with the three companies, they look at what orders the three companies have for the coming 12 months, they would look at that and there would be projections forward, okay, based on these orders, this is how much we need to grow and we need to have a little bit of safety stock in case there's an issue, then that goes into the estimates for the United Nations. It's not a matter of ticking it off, it's a matter of good policy under the UN convention, that they have been able to establish, yes, the supply is in line with demand, and it ebbs and flows a little bit.

At the present time we've had some interesting seasons, but last season was a very good season, and on that basis - and we had a good season throughout the world so we have quite a lot of stock, the world is carrying about 17 months' supply at the present time. Added to that, in 2013 there was an artificial demand had been building for a number of

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years within the United States in over-use of prescription drugs, there was a presidential White Paper came out in 2012/13 which said we've got to do something about this, we cannot have this artificial demand. I could take your x-ray sort of thing and get six months' supply of oxycodone or something of that nature, now it's really tightened up. Some would believe at the moment there's an under-supply, the doctors in the US are really concerned that the DEA, the Drug Enforcement Administration might knock on their door or something of that nature.

But that's what we live with and it is no different to your sugar and your wheat, and that, from our point of view, while it's controlled and we accept that, but we deal with the weather, we deal with all of those, the inter - the currency, we deal with all of those things. But normally what happens, we'd have contract negotiations in May and then all of the prices and the ancillary matters would be agreed, there's not much opportunity to disagree by the way, but the fact of the matter is that's the way it is and we know how much the companies are going to grow. Each of the companies then would, in May/June, go out and contract land, and they know who they're going to go to, the best growers and the like, the crop will go in, it's been a bit wet in Tasmania of recent times, so the crop will go in, and that's as we speak, the crop is going in.

I do need to apologise for the chairman of poppies - that's a bad blue - he was going to be here but he's desperately needing to get his poppies into the ground.

MR BAXTER: We understand that, well and truly.

MR LINDWALL: I was going to ask about each of the growers, are they then given a quota of how much to grow, is that what you're saying?

MR RICE: Area. So they will contract with a company, Sun Pharma or TA or TPI and they have a contract to grow 50 hectares, 20 hectares of a particular variety poppy, they all know that, and then a field officer then gives them prescriptions, advises them on chemicals and those types of things that they go and use for that crop. So they grow that through and water it and fungicides, herbicides and so forth, right through till mid-January, January/February are usually busy, that's when the crop comes on, then that's the cycle it goes around each year.

MR LINDWALL: But doesn't the yield from each hectare vary over time?

MR RICE: Dramatically.

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MR LINDWALL: Based from this, because of water plus also other products?

MR RICE: One of the issues that we're dealing with as an organisation, in concert with the Tasmanian government and the poppy companies concerned, is the average for the world is about 12 kilograms of what they called active alkaloid per hectare. For Tasmania that's approximately - and as you realise from farming, there aren't any subsidies in Australia or anything like that for farmers, so the only way we can compete in the world is productivity, we just can't compete if we didn't have productivity - so our productivity is around 25 kilograms per hectare.

Research and development by the companies, research and development application by the farmers has been absolutely enormous, you'll hear shortly about the irrigation schemes in Tasmania and they are just absolutely superb. When I started in this business 30 years ago there would be less than 10 per cent of the crops were irrigated, they were dry land, now there'd be less than 10 per cent of the crops are dry land, they'd be all irrigated now. That's really where we are with - I just lost my train of thought there for a minute.

MR BAXTER: With the quota, with the productivity?

MR RICE: Yes. So they get a contract to grow so many hectares, each year that goes around because the companies can't project right out there at the present time. Some of them do have some forward contracts where they will guarantee whatever they will need so the grower can forward plan a little bit, but there's not a lot of leeway in there at the present time. Once you have that with the company you are then obliged, committed to grow that crop right out and that poppy company owns that crop, that poppy company will come along and organise for it to be harvested, will organise for it to be transported in a sealed bin back to the company, back to the factory, and you can choose then the next year.

We say there's, on good land on the north-west coast, probably three complete years out of poppies as far as rotation goes, down through the Midlands and some of the harder country it's probably you can get six and seven years out of poppies between your rotations. So that's where we sit with it at the moment.

MR LINDWALL: So there's no single marketer?

MR RICE: No, no.

MR LINDWALL: The industry doesn't see the benefit of such a thing?

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MR RICE: No. Look, we've always accepted it's a commercial crop and the Sun Pharma has its customers, Tas Alk has its customers, TPI have their customers and they then go to contract with that, they're bound by the laws of the Commonwealth and laws of the state and the convention of the UN.

MR LINDWALL: Exactly, yes.

MR RICE: So that is a very competitive market, very competitive.

MR LINDWALL: How is it with the other states who are starting to come into the market, Victoria, New South Wales, and I think you said the Northern Territory?

MR RICE: Well, I shouldn't smile, but with a great deal of difficulty, I'd be less than honest if I said we didn't oppose that. There was a 1971 agreement between the Commonwealth and all the states, that Tasmania would be the only place to grow, that wasn't legally binding, it was a handshake amongst all the states and the Commonwealth at that time. Since that time, there was some issue about five/four years ago, Tasmania had run out of land to grow poppies and there was a large hue and a cry, we'd put a big effort into that, there'd been some dry areas and then some wet areas but we'd always delivered, the fact of the matter was we'd always maintained.

That's something that you would be interested in, is that if we get to the stage where Tasmania has run out of good land to grow poppies on its rotation, it should then go to mainland Australia, we should never, ever import poppy raw material from overseas for biosecurity reasons, but for any other reason, and we can grow it here in Australia, we should be supporting that here in Australia and we maintain that. There is an application before the Federal government at the moment to bring poppy material from Turkey, from Portugal and Hungary, we are bitterly opposed to that. Biosecurity is the first one, we've had a very strong strain of systemic mildew in 2014, it was particularly hard on some areas of the crop. So we will continue that fight.

MR LINDWALL: What about genetic?

MR RICE: I've got a thing about it. The only thing we disagree with the Tasmanian government on, and I note it within the NFF paper, is GM. We have GM poppies, they were trialled in the late-1990s to be herbicide resistant, we have some strains of poppy, what we call Red Poppy and Poppy Fire and some diseases in poppy that, if you put it on, you kill the

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whole crop and so you need to get that out. We spend a lot, poppies are very expensive to grow, a minimum of about $2000 a hectare, and half of it is your crop input, then of that probably $1000, depending on just where you are and what the season is like, at least $1000 goes to fungicides and herbicides on the crop. Our view is that if we can, it's not a food crop, if we are able to bring in something to be able to treat the weeds and the bugs and slugs, and the other little bits and pieces on this crop that reduces the cropper growing, will make us far more competitive, will be good for the environment.

In that regard, so this started back when the moratoria came in in 2000/2001, we argued vehemently against that at that time. The two major companies have since - TPI wasn't about then, it only started in 2007 - but our view is and remains that we don't own the seed, the companies develop and own the seed so clearly they should be able to make a commercial decision if there's any pushback from some parts of the world, in western Europe or wherever it might be. Clearly there's no pushback in the US about GM, and particularly in this, a highly - what would you say - extracted crop, it bears no resemblance on what it was when it came out of the ground, is that if the commercial resources are there, it passes all the regulatory reviews of the OGTR that the Tasmanian moratorium is, is there a commercial benefit, whatever that - how you ever explain that, or an image, I forget the words now that the Tasmanian government used.

MR LINDWALL: Yes, "Clean and Green".

MR RICE: I hate that term, "Clean and Green", it is a dreadful term. But environmentally sustainable, if we are able to do that and it doesn't impact upon the saleability and the image of Tasmania. Now, how you ever do that I don't know. We have GM in the dairy industry and all - - -

MR LINDWALL: But essentially, what you're saying is that the non-GM crops that you're using here end up as, say oxycodone?

MR RICE: Yes.

MR LINDWALL: Then you could have a GM crop that also ends up as oxycodone, that end product is identical in every respect, is it not?

MR RICE: Precisely. Identical in every way.

MR LINDWALL: It would be nonsense to label one as GM free and the other one not GM free, surely?

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MR RICE: GM and the other one not GM, precisely. From where we stand, and I've spoken to the companies about this, where they are at the moment, they are high-profile international companies that are growing this, unless - and their view has been, as we've been through various moratoria, we've been used as a blunt instrument I think to be up there pushing for this - but the fact of the matter remains, is that they are of a view now and have been for some years, that we're not going to put our head up above the parapet to go and lobby for GM.

We have extensive research and development trials now across the world that they're doing, and are very successful at them, which isn't for GM but it is advanced breeding procedures, and we're not going to do that and cop the wrath of public opinion if the government is not supporting us, if the government is prepared to support us we'll go out and spend the money. But their view is, to get something ready on a research and development and go to the OGTR while it's not fully costed, it's been my advice from the two major companies that it's going to cost them about $1 million to get the approval through the OGTR.

Something we've put to the Tasmanian government that's fallen on deaf ears is you've got the cart before the horse. We're going to go to the OGTR, then we're going to come back here and then see if it meets the Tasmanian marketing thing. Why can't we, if it needs to be there - and we argue vehemently it shouldn't be there to start with - at least let us run out a proposal, see if it gets the tick down here and then run it through the OGTR before you go into all of this effort to do that, and there's no saying that they are not - look, I am conscious of the time. So in that regard they have now withdrawn significant research funds - and I'm advised both of them - from GM material, on the basis of that they are not prepared to put all the effort and all the time and all the expense into that, they've now gone to other avenues to look at what they're doing.

MR BAXTER: Keith, by the Tasmanian government and others taking this view about GM, does it run the risk that the companies might eventually turn around and say, well, we can get it in Victoria, we can get it in New South Wales in the future, just let the Tasmanian poppy industry decline?

MR RICE: You've hit the nail on the head from where we are. That's one of the reasons, and it's never been stated publicly by the company so I can't say it is.

MR BAXTER: No, no.

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MR RICE: But the underlying thing is, we're in Victoria or New South Wales or wherever, growing poppies, that's where we're going to trial our GM. Whether the future is there or not, I don't know, but my golly, that's where our productivity - we were speaking about productivity here a little while ago - that's where productivity is. Our average is about 25 kilograms per hectare, when you look at what our best growers are doing for both - all of the major companies, we haven't hit 100 kilograms yet, we've hit 94 kilograms a hectare, 90 kilograms a hectare and even 50 kilograms, that's on the north-west coast, but if you know Tasmania through the Midland country, through Woodbury, it's challenging country, good growers there are getting 50, 55 kilograms a hectare there.

So there is an enormous opportunity to increase - all about what the Commission is about - productivity in that area, but we see GM is only a tool in the toolbox. If there was something there the companies believe that they could use and manipulate within the growing of the crop, within the same species of plant, we would like them to have the opportunity to be able to do it, they've got to assess the market if there's going to be a pushback.

MR LINDWALL: Well, we probably should move on to labour market with you.

MR RICE: To the labour market.

MR LINDWALL: Yes, we're not to neglect that.

MR RICE: Now, I'll just note that when I was looking at that - and I don't want to take up too much time, but I have my Primary Employers Tasmania chairman, Glen Williams - who was previously chairman of Poppy Growers Tasmania, so has come in - is also an apology. Sadly, his daughter is in the mainland having quite a serious operation on her leg with cancer at the moment, as we speak, so he does apologise profusely and would have really liked to have been here.

Now, the one that is going to come right up, right front and centre, is backpacker tax. We are before the Deloitte inquiry next Monday here in Hobart in that regard, we were working closely with the NFF and their submission will go in this week. From our point of view, the backpacker tax, the assumptions made in it are ill conceived. What we're hearing from the new politician boys on the block that have been up there from Tasmania over the last week, is Treasury are of the view that why have this tax and we should tax these people because we don't want these backpackers coming in. We can then utilise the unemployed in Australia.

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MR LINDWALL: Treasury is of that view, is it?

MR RICE: That's the view that is permeating, appears to be, not written anywhere, coming out and then we won't have to pay unemployment support. We can have them out there. The cold hard facts of the day are we can't attract out of Sydney and Melbourne or really anywhere people that will come along.

I had an irate farmer or a concerned orchardist on the phone the other day that's rather robust in his language, so I can't tell you exactly what he said. But as he explained to me, he said, "I'm not a man of variety and a man of this, Keith, but I say it as I see it". He said, "In 2014 I needed to get my crop off and I needed pickers to come and I went to Centrelink and then sent me 12 people". He said, "And I looked like having a million dollars' worth of fruit on the ground if I couldn't get this off". He said, "They sent them to me". This chap lives on the north-west coast near Devonport. "The CS sent me out 12 people. I gave them a brand new pair of steel-toe work boots, new worth clothes, shirt and that, because it was a very harsh environment working out on an orchard". He said, "They fronted and we gave them an induction for an hour. This was on the Monday or the Tuesday, whenever it was, and by the time they came back at 12 o'clock there was one left. This was far too hard. We can't do that."

He then went around the contacts and so forth in and around there and got some backpackers who were between - overseas workers I should say, who were between jobs or the jobs were slowing until the next job, so we got a week's work out of those and they got the crop off. Sadly that's an indictment as part of NFF, but from Fruit Growers Tasmania, from all of those farmers that we represent, but particularly horticulture, but it comes into vegetable processing and vegetable harvesting. It even comes into the dairy industry, particularly this time of the year when we're carving and we'll go into silage shortly when there's a high demand. No matter what you do, you honestly just can't get people to come and work for you.

MR BAXTER: We've been right around Australia virtually and we've heard exactly the same story from places like Mildura, Northern New South Wales, and the Toowoomba area of Queensland. It's been a very similar set of affairs.

MR RICE: When you look at 560 million as the estimate, what's the estimate based on because the people - some will still come. We won't say they won't all not come but the anecdotal evidence that we're receiving right at this moment is there will be a large percentage choose - there's demand in New Zealand. There's demand in Canada and other

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places in the world. We still firmly believe a 19 per cent tax from day 1 on everything you earn, still makes us more competitive than New Zealand in gross take home money and in respect of Canada. You can't get it back. You pay it. From our members, they all agree they should pay some tax. They shouldn't get away with no tax loss. "Get away" is not the right word but they shouldn't be allowed to not pay any tax at all because they use the goods and services. They spend it in Australia and it will generate - on our estimation on the figures that we've got in and backpackers coming to Australia at the moment, the figure is declining by about 5 or 6 per cent a year. It's going to decline further if this comes in. That one clearly is at the top of our list.

MR LINDWALL: What percentage of the workers in the growing industry are backpackers?

MR RICE: In the fruit industry?

MR LINDWALL: Do you have seasonal workers too?

MR RICE: No, we don't have the seasonal worker program. It's just too cumbersome for us to manage and (2) the industry is not a particular employer in Tasmania. It's just not big enough for the Pacific Island seasonal workers. It just doesn't work. It costs you about $2000 to get them here which you've got to pay up front. You can get some of it back. Really we have not participated. That's more in Mildura and in those really big areas.

Probably as an example we've got one large company here, mainland company that's over here, that grows a whole range of berries up on the north coast of Tasmania and it's got a major investment up there and looking to make more investment. It employs currently 1100 people through its peak picking season in Tasmania. Now they're not really forthcoming with a lot of detail on it but I proposed to them that 50 per cent of those would be backpackers and they said, "No, you're way off the mark. It's a lot higher than that". I managed to get 75 per cent of those would be backpackers to come in to pick strawberries, raspberries, blueberries, all of those fruits that come in.

Speaking to the cherry growers, one of our two bigger cherry growers, apple growers come cherry growers, they have group certificates ranging from 600 to 800. Of those, 75 per cent of those are backpackers. Now there's a range of nationalities that come, a lot from Japan and Asia that come down. They like the girls better because they don't knock the fruit about like the boys do, to be quite honest, and particularly with cherries.

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They come from all over, a lot from the UK, a lot from the US, Canada and Western Europe come into here.

Dare I say, I know there's been some bad publicity about that and we don't condone that at all and we have really been very strict as an organisation and we've had the total support of all of our members regarding practices that don't meet Australian standards and that. It's really the one company. They haven't had underpayment problems and most of it is piecework that these people work on and they've been paid.

Where we do get a problem and one came up with a big grower two years ago now, was they didn't look far enough behind and they had a contractor who was of the same nationality, was from the Philippines that were coming here, and they organised it so they paid for these people to come to Australia and they were almost entailed when they came here and they supplied that organisation. All the payments were correct but what we didn't know was what was behind it and what we've now really come down on and are looking behind, it was the exorbitant amount of money these people paid for accommodation and for the ubiquitous white van that moved them about to transport them. They ended up with no money. It was hot bedding too; the bed never got cold. So those types of things were - and we're right on top of that from our point of view.

MR LINDWALL: That's important.

MR RICE: That's not to say it doesn't happen and you've got to be right on top of it.

MR LINDWALL: Some of the labour hire companies were - - -

MR RICE: We're very fortunate here that we now know the labour and we've got a very strong group of labour hire companies, not that many but probably half a dozen. We all know them and so they are the ones that are used now in that regard.

MR BAXTER: Does Tasmania have an equivalent to some of the mainland states of a Rural Workers Accommodation Act?

MR RICE: No, we don't have.

MR BAXTER: There's no statutory requirement in relation to - - -

MR RICE: No, not like New South Wales and Queensland, no. We do have what was known as the old picker huts and those sort of things that have been renovated for these people to use. We're conscious of the fact

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that we cannot get - one farmer said, "I could have had a million dollars' worth of crop on the ground if it didn't come off". I don't think many people understand the sensitivity of getting the crop off. Even something like artichokes and brassica and those types of things - what's the vegetable I want? I'll think of it as soon as I leave here, but you have two picks a day when it's in its prime, and so if you don't pick it, there's no point the next day. The same with our fruit. It isn't any point if it's the next day. It's got to be prime quality and that's why it's so important.

This brings us to the Fair Work Act and the four year review that we're having on that. I think just about universally everybody would agree, both the union movement and ourselves, that it is resource intensive and you have a Fair Work Commission, where years ago we would be appearing before - the union would serve a log of claims. Yes, it might have been a bit cumbersome. We'd bond to those claims. You'd go to an arbitration and you'd put your evidence. Now it's really the Commission that's telling you, "This is what we're going to do. These are the new provisions we're going to bring in. This is what's going to happen. Now you give us a written submission or you appear before us in this regard."

Part of where we are with the modern award objectives now that were introduced by the previous Labor Government, is having to look at unsociable hours, weekend work and overtime hours. When we look at the pastoral industry and the horticultural industry, we, for the 30 years I've been involved and well before me, some very astute people. Again, not me, but they were arguing in this regard in this space to whip the union and it was much of where we are with our awards at the present time was by agreement.

The other ones were very hard fought arbitrations, about shearing, about piecework rate in the food industry, about fruit industry, about hours of work and those types of things. Now we could lose that in one fell swoop and this is something that's developed over 100 years. The Pastoral Award is the second oldest award in Australia, 1907. From our point of view when we talk about fair work, that's not fair if you can use by a stroke of the pen and lose those types of things. Now I can't say we are going to lose them. We're spending enormous resources at the moment arguing before Fair Work Australia.

MR LINDWALL: But there's a threat.

MR RICE: There is a very strong threat that that could happen. Unfair dismissals still remain a problem. As far as we're concerned, you go to conciliation, have the conciliation conference over the telephone and no matter how good you think it is, the conciliator doesn't have any power

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whatsoever and so nothing's changed. The threat is always, "Oh well, if you want to go this - you need to reach an agreement. If you don't reach an agreement where I can sign off on this, then it's going to go to the Federal Court and that will cost you a lot of money. So if you pay five or six weeks' pay now, it will go away", when you clearly know in your own mind or you feel in your own mind you've got a very, very strong argument. So you pay, your employer pays, simply to avoid the huge cost of being in court.

I've just done one. Workers' compensation clearly is a state act but one of the things that we're finding with that and we've made representations to the state government and all the bodies in this regard, and I need to put up front, we do not argue at all with a person who is genuinely hurt at work receiving the benefits that they deserve and the payments and the rehabilitation.

What we do find really frustrating is with the introduction 10 years ago now of stress claims. We've always had a problem with those unseen claims of a bad back or a shoulder or an elbow, but now we've introduced stress into it, stress related to work. When the history of the people that we're dealing with and we deal with the larger farmers that have processing facilities for vegetables and some of our people do milk, where you're in a situation it's well known there's a volatile situation at home within a relationship and then the next moment you're trying to deal with some behavioural problems or procedural problems at work and you can back it in, within a week you'll have a stress claim on workers' compensation.

You try and ask the doctor, "How is this related to work," when it was a normal function that we need to reorganise or we needed just to challenge a little bit to say we need to do this, that and something else, rather than what we know to be a very challenging set of circumstances at home. They can stay off for 12 or 18 months or longer and you can't get a resolution on it. It's enormously frustrating from our point of view.

MR BAXTER: Do you find a very wide prevalence of that in any particular situation?

MR RICE: Commissioner, no, in essence, no. We're probably dealing with about four of those ongoing matters out of - well, we have 600 members. If I was to put to you they're 3300, 3400 farms in Tasmania and the last ABS figures of 2013, 2014, there are 800 farms earning more than $350,000 a year. So we're covering nearly all of those bigger ones.

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MR BAXTER: I mean the reason I ask that is it appears, certainly if you look behind the figures in the agricultural sector on the mainland, the stress issue, the way you describe it, appears to surface, especially in parts of the dairy industry, dairy and horticulture, more so than in the traditional pastoral industries, such as wool growing, beef cattle.

MR RICE: That would be a fair comment. In our pastoral areas through the sheep, cattle country, we haven't had that issue down there. We do have the issue with the Monday morning pulled a muscle in for work and that type of thing and you know they've been playing football that weekend, but that's another story.

MR LINDWALL: I know the time is limited, but are there any on work health and safety that you'd like to talk about and responsibilities?

MR RICE: I see where NFF have written in there and it was my instigation that it's there, so I've got to put my hand up in that that there is - and we find it in Tasmania, not to a large degree, but it puts the whole issue of work, health and safety - it sends it backwards when they really look for a prosecution, rather than how can we work with these and do things.

We had an instance several years ago with an auger, a grain auger, and this is just one that comes to mind is the young lady was a backpacker, as it so happened, who was there. "Whatever you do, don't put your hands down in that" and she was rather colourful too. "Well I'm not stupid. I'm not going to put my hand down in that." The employer was away for the morning and it tore the ends of those two fingers off. Even then, she still can't - it's a colourful explanation on how she got there - but she's got no idea of why she put her hand in there but what she did.

The first thing when it arrived was, "We're going to prosecute". That by itself went through the district like wildfire. Of course, they knew this person, the employer, was enormously safety conscious, perhaps to being perhaps over the top with it, some would say. So we're dealing with that and we're speaking to the government. We're speaking to WorkSafe Tasmania and those types of things but it is an issue.

Just to finish off, I noticed that you were speaking before I came in and I've got in my notes here Bass Strait's shipping cabotage and all of those sorts of things. I don't profess to be - I was some years ago heavily involved in that but I'm not now, but I bring to you an anecdote that I had. On my 40th birthday, it was the River Torrens in Devonport, it was a self-unloading grain vessel, the first one that had come into there, so this is

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beaut. It can unload by itself. We don't need - if a crane comes over it sits it into a hopper, and we went into a major dispute then with - it must have been the Waterside Workers Federation at that time, because they wanted four men, one on each point upstairs, plus an overseer to look and the same down, so it was 10 men, down on the wharf, one on either leg to see it come down.

Things have improved since then dramatically but our view is there's still room for improvement. I know there are some within Tasmania that believes cabotage in Tasmania and the like should continue and Australian-manned ships. As farmers, we're not protected from the world. We're not protected from currency. We're not protected from the seasonal activities, from fluctuations in the market and those types of things. We need the most efficient, cost-effective transport system available to us and we support your previous recommendations in that regard.

MR LINDWALL: Thank you very much. Thank you.

MR RICE: I do appreciate the amount of time. I realise I had half an hour.

MR BAXTER: We appreciate it too.

MR LINDWALL: We do too, yes.

MR RICE: I'm happy once I've spoken, I haven't given you - I haven't taken a breath.

MR LINDWALL: I think there's something you can eat over here so we might just break for morning tea.

ADJOURNED **[10.50 am]**

RESUMED **[11.10 am]**

MR LINDWALL: Please introduce yourselves and give a statement as you wish.

MS O'CONNOR: Thank you. I'd like to thank the Commission for holding hearings in Hobart. My name is Cassy O'Connor. I'm the leader of the Tasmanian Greens and I'm here today to represent

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Andrea Dawkins, MP, who's our member for Bass and spokesperson for primary industries and the author of our submission to the Productivity Commission. Joining me here today is our policy adviser, Thomas Whitton.

As I said, thank you to the Commission for holding its hearings in Hobart. We're very concerned about the draft Productivity Commission report and the recommendation that moratoria on genetically modified organisms be lifted. We think there's a specific Tasmanian context that I hope the Commission makes itself more aware of because the draft report doesn't acknowledge the value of Tasmania's brand, the fact that our brand is built on clean, green and natural.

We're also a bit concerned about the line-up of today's hearings. There's a number of interests that we think the Commission should speak to in relation to the proposal to lift the ban and that is Fruit Growers Tasmania, Cape Grim Beef, The Tasmanian Beekeepers Association, the Tasmanian Red Meat Industry Council, Tasmanian salmon producers, and we recognise that the question of genetically modified organisms doesn't just relate to crops, that there are other organisms potentially that could come into our production and supply chains that aren't specifically related to crops.

I guess I just wanted to give the Commission a bit of context here. There are very few issues where you will find complete tripartisan support and the moratoria on genetically modified organisms is one of them. The Greens position is that the moratoria should be extended to a permanent ban on genetically modified organisms in Tasmania. We have an issue with some of the statements and assumptions that are in the draft report about what industry feels about GMOs in Tasmania and the moratoria, because as DPIPWE has made quite clear in their genetically modified organisms annual environmental scan of December 2015, there is no collective viewpoint across industry sectors as to whether there's an imperative to change the current policy position.

The key finding of DPIPWE's report is that there is no need to trigger a review of the moratoria on the commercial release of GM into Tasmania's environment at this time. Politically, I think if the Productivity Commission's final report makes a recommendation to government that States not be allowed to implement GM moratoria or bans on economic grounds that they currently are, that you will have the mother of all fights on your hands in Tasmania because there's a strong political will that we maintain our GE free status. There's a strong political recognition that our brand is one of our most valuable economic assets and we just cannot support a lifting of the GMO ban.

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One of the issues that I see in the draft report is a failure to recognise that the markets are actually driving this and the markets have spoken in many nations around the world and our key trading partners' consumers are very wary of consuming GM products and that's the reality. That's the reality that we're dealing with and we've got an agricultural export sector that's worth around $1.4 billion a year. It's an absolute pillar of our economy and it sets us apart. Our brand sets us apart from many of our competitors in the agricultural space. We're a very small State but we punch above our weight in terms of our exports and we're recognised for quality of our exports.

I would urge the Commission to seek testimony from companies like Cape Grim Beef and Fruit Growers Tasmania and those other stakeholders that I talked about before because their perspective is really important.

MR LINDWALL: Thank you. I got an email from Bob Phelps of Gene Ethics this morning, or late last night actually, and he said that we hadn't invited anyone. I just want to put it on the record that we welcome everybody and we don't have any policy to invite people in particular or not invite them. Anyone who wants to register is welcome to testify at our hearings at any time.

MS O'CONNOR: Sure.

MR BAXTER: Could I also add that I have had a long association with Tasmania. I sat on the board of the Hydro which won't help exactly the words you want to hear but I sat on the board of the Hydro for 11 years.

MS O'CONNOR: We love Hydro.

MR BAXTER: I worked for five years for Senator Reid, the late Senator Reid, and then worked for another four years for Senator Rae and sailed the Deputy Premier's Batt's boat to allow him to win the Melbourne to Hobart on one occasion. So I've had a fair association with the state and, as a consequence, several of the people that you spoke of, Cape Grim, in particular, I actually, in addition to the publicity that was given, contacted them and said, "We would very much like to hear from you" and several others in exactly the same category. Paul has been I think on ABC radio to make it very clear that we were coming to Tasmania.

MR LINDWALL: We did advertise on the radio, yes.

MR BAXTER: There's a number of people who couldn't appear today, to who it was what they regarded as short notice. What we have indicated

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is Paul will be overseas in I think a couple of weeks' time but probably Rowan, who's sitting there on the other side of the table, and I will probably be back to Hobart - well Launceston and Hobart, because a lot of these people are focused on Launceston - while Paul's away, not for a formal hearing but at least to meet and hear from what they've got to say.

Can I say Tasmania is living up to its reputation of punching above its weight and the most likely reaction is we'll have complaints from Queensland, New South Wales and Victoria that we aren't giving them equal treatment to the Tasmanians. So we're well aware of the importance of this issue to Tasmania.

MR LINDWALL: Do you distinguish the situation in Tasmania to the one in South Australia where people who, for example, have some testimony that a farmer in New South Wales wanting to export something to move it across to Western Australia has to go to a special route so it doesn't go through South Australia.

MS O'CONNOR: I obviously can't speak for South Australia but they have had a moratoria in place for some time and they've made that decision on strategic economic grounds. It's an important state's rights issue. States, parliaments, governments should be able to make laws in the State's interests and I know that's vaguely heretic from the Productivity Commission's point of view to open borders.

MR LINDWALL: Our recommendation was that the state government remove them in the draft report. It was that the state government remove them, not the federal government override the state governments.

MS O'CONNOR: Yes, I understand that but it's still quite a strong recommendation in the draft report that the states remove their moratoria. I don't think the draft report examines closely enough why different jurisdictions, in fact, five jurisdictions have put in place moratoria. With respect to the authors of the draft report, I think the fact of the market and consumer demand, the fact that there's strong support across a number of sectors for the moratoria in those different jurisdictions should be respected. You've got a majority of Australian jurisdictions having in place moratoria on GMO products because I think fundamentally there's a recognition that it potentially provides a market edge and we would argue it does provide a market edge, but it's also about the precautionary principle.

There's still quite fierce base in scientific communities about GMOs and from the Tasmanian point of view we think that the precautionary principle needs to be acquired. I have to say I could be sitting here with

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the Liberal Premier of Tasmania and the Labor Opposition Leader, and we'd probably all be in furious agreement on this issue. So I will just again flag with the Commission that you will have quite a fight on your hands if your final report recommends that states overturn longstanding moratoria that are based on very sound reasoning, and from a Tasmanian point of view, an absolute determination to protect our brand and what we regard as a marketing edge.

MR LINDWALL: How would you explain - apparently in Victoria which doesn't have a moratorium, it has a price premium some people say for non-GM products over GM, and yet they're able to exist side by side.

MS O'CONNOR: But you're talking about them existing side by side on the shelf.

MR LINDWALL: Yes.

MS O'CONNOR: You're not actually arguing, I don't think, that you can have GM crops growing side by side with non-GM crops. Well I think that's a really flawed assumption in the Commission's report and I know you quote the *Marsh v Baxter* case from WA. But if anything, what that case exposed is the weakness in the Australian legal framework to protect organic farmers and farmers who don't want GM crops because it's clear there was contamination.

MR BAXTER: With due respect, there are places in Northern New South Wales and Southern Queensland where you have GM product or crops along with non-GM. Again, due to my age, can I go back over history when one of the complaints as to when they cleared a lot of the country in Northern New South Wales which had been traditionally sheep and cattle breeding and they pulled down all the fences and went to a wide range of crops, including cotton, that you had complaints from a number of producers of the food grains which was then the brans and the oats and others. Standard wheat was coming across and influencing and affecting the oats and the bran or the oats and the other grains that were next door.

Aren't there two distinctions in this? One is a question of good farming practices and the second one is the scientific issue of the validity of the science that's involved with genetically modified organisms. You can have many places, certainly in mainland Australia and I suspect Tasmania, where you have farmers who will look after their pastures. They will be growing pastures which are necessary for either high milk production or what-have-you. Next door neighbour fails to deal with his weed problem and you get things like fireweed which are absolutely toxic

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to ruminant animals, grown adjacent to ryegrasses and others which are aimed at fattening cattle.

Now I find an inconsistent view over the GMO argument when the greatest threat certainly in many places in Australia is poor farm management in dealing with weeds and second-grade pasture crops, adjacent to a farmer who's attempting to be a very good farmer and minimise his weed infestations and maximise his pasture growth. Now you make no noise about that. Very little is said and very little is done to avoid the weed problems.

MS O'CONNOR: If you want to talk about creating another issue where there's contaminant problems for adjacent property owners, in order to argue that you should have GM crops side by side with organic or non-GM crops, I think that's a flawed argument. There will be situations in the agricultural sector and there long have been, as you've noted, where you get contamination across property boundaries. You can't deny the fact that wind blows, that animals move across crops and you will get contamination.

MR BAXTER: Exactly.

MS O'CONNOR: It's not an argument for introducing another potential contaminant. It's just not a sound argument.

MR BAXTER: No, I'm not saying that but I find that if you look at major costs to the efficiency of Australian agriculture, the GMO issue is at the lower end of the scale.

MS O'CONNOR: That's what you say.

MR BAXTER: No, no, let me finish.

MS O'CONNOR: On the evidence. What's the evidence?

MR BAXTER: On the evidence, the massive cost of weed infestation across this country is enormous and would far outweigh any of the so-called costs - well, not so-called, but the costs that are alleged in relation to GMOs.

MS O'CONNOR: Again, I think that's a really subjective statement from your point of view.

MR BAXTER: No.

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MS O'CONNOR: Well just let me finish for a minute. Part of the reason that many producers have problems with weeds is because of farming practices that are over reliant on chemicals. We would argue that if you have good strong low chemical use or organic practices, that you're not creating situations where you've got weeds cropping up that are resistant and out of control. So if you go to a good, healthy organic farm or a permaculture farm where they've moved away from the use of pesticides or chemical fertilisers, you'll find that weed problems are minimised. You can talk to people who work in the organic farming sector that will tell you that. It's actually the weed problems are a significant part, I'll put to you, as a consequence of industrial, agricultural practices that are heavily reliant on chemical fertilisers and pesticides.

MR BAXTER: That might be a Tasmanian view but can I say to you and we agree or disagree, it is that the vast areas of Queensland and New South Wales and parts of Victoria have very little pesticide ever applied to them because the areas are just so vast that the cost to use pesticides would be absolutely impossible and they'd go out of business. Again, with due respect, yes, I know a fair degree about the permaculture and others but they're a very small part of Australian agriculture.

MS O'CONNOR: They're growing.

MR BAXTER: No, not very much. They're a very small part of it and the big weed problems exist in the broad acre areas of either grazing and farming of New South Wales, Western Australia to a lesser extent, and Queensland. I don't think it's worth pursuing this at this stage but there's in fact an unwillingness on some of the groups in Australia who focus on the GMO issue not to apply the same degree of energy in dealing with what are very serious weed contamination problems.

MS O'CONNOR: Well we've had weed contamination problems here obviously with weeds like ragwort and thistle but we would argue that once you start changing the chemical structure of soil through the heavy application of chemical fertilisers, you're actually creating situations where weeds will flourish.

MR BAXTER: Yes, but a lot of this country in central and western New South Wales and Queensland doesn't have that application.

MS O'CONNOR: Of chemical fertilisers? Really?

MR BAXTER: Of chemical fertilisers, yes.

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MR LINDWALL: Could I ask about - the moratorium we're talking here that it states it is based upon economic issues. We can get on to the scientific stuff later perhaps. The market is fickle. Let's say a GM product is developed which I've been told is on the way that provides positive health benefits, for example, it reduces blood pressure, reduces cholesterol levels or something like that and people start clambering for it. I wouldn't be surprised that would happen. Why would you want a permanent moratorium? Surely you should be flexible to adjust that suddenly the market says we now value the GM product more than the non-GM product. Why would you want to stick to only non-GM.? Can you conceive that it's possible that technology could advance in such a way that the environmental and health benefits of GM products are so overwhelming that the public would accept them?

MS O'CONNOR: Of some GM products.

MR LINDWALL: Perhaps, yes.

MS O'CONNOR: That time may come in the future. I'm quite prepared to concede that. But again, if you just go back to first principles, if you have government policy and direction of funding into preventative health programs, good diet programs, it's not necessary to take a pill every time you want to improve someone's health, this notion that GM products are going to be the panacea of humanity. It's not bearing itself out, I think, anywhere in the world.

If you have a look at what GM cotton has done to farmers and farming communities in places like India, where it's broken them and you have poor farmers committing suicide because they cannot afford to keep buying the seed that Monsanto requires them to buy. There are a whole lot of issues with the GMO industry. Of course there will be advances in medicine and technology that can improve the health and wellbeing, not only of people, but potentially lead to significant environmental benefits and, of course, you should look at them.

Right now we're in a frame where the Tasmanian Government, with tripartisan support and broad sector support, has looked at the evidence, looked at the risk, examined the value of Tasmania's brand to the greatest extent possible and made a determination that we don't want GM products contaminating the agricultural sector or the broader primary industry sector in Tasmania. That's in place until 2019 and I'll be extremely unsurprised if the moratoria is extended for another five years.

MR LINDWALL: What is it about regulating GM on to the process, rather than the output? We had testimony this morning, for example, that

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you can have GM poppies and non-GM poppies. They ultimately get processed through to morphine which is chemically identical in each respect. Why should people be so concerned about the process leading to an output, rather than the output itself?

MS O'CONNOR: Isn't the issue here about the policy approach and what legislation you have in place and a concern from organisations like Cape Grim Beef that once you make a strategic decision as a State to lift a moratoria on a narrow basis, which is what you're arguing here, that it will damage the brand, because we won't be able to go into the markets that we're so reliant on and say Tasmania is a GM-free State. That will undoubtedly have an impact on our experts and on our brand. As I've said earlier, our brand is one of the most valuable and treasured economic assets that we have, which is why in a state where you have political disputes over so many things.

MR LINDWALL: You don't have it over this.

MS O'CONNOR: On this issue we don't have it.

MR LINDWALL: It doesn't make it all right though, does it?

MS O'CONNOR: Well we think that it makes it right because we've applied - we've looked at the evidence. We have looked at the value of our brand and we've applied the precautionary principle. Like the four other jurisdictions that have moratoria in place, we've weighed the evidence and decided the risk is not worth it. Therefore, from a state policy point of view, we would argue that's right.

MR LINDWALL: We've had testimony from the Office of the Gene Technology Regulator and other biochemists and they've told us - and I think I said at a previous hearing that I'm an economist and an ancient historian and I can tell you what's good literature there. I can't really tell you what good literature in gene technology is. These scientists say to me and to Ken that the science is absolutely overwhelmingly clear. It's like climate change. It's like the benefit of vaccinations - that the dispute over science is not correct. Who am I to argue about that?

MS O'CONNOR: Well, the Office of the Gene Technology Regulator is going to say that, aren't they?

MR BAXTER: No, I'll pull you up on that.

MS O'CONNOR: There's plenty of dispute over the science, plenty of dispute.

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MR BAXTER: There's certainly plenty of dispute but I'll pull you up on that. Certainly mine and I think Paul's experience with Federal Government scientific bodies has been that first of all the people who inhabit that space are scientists of first of all usually very good education; secondly, they're very experienced; and thirdly, regard their professional integrity very, very highly and are not prepared to compromise themselves.

I spent several years, in fact, five or six years, as chairman of the Australian Dairy Research Commission in which we had a serious set of diseases, one being Johne's disease, which still hasn't been resolved and impacts quite heavily on the dairy industry in Tasmania. The science arguments surrounding Johne's disease were very considerable and in relative terms probably with the same intensity that the pro and negative scientific views exist, but we had a series of scientists who stood by certain views which they regarded were scientifically justified. I think to impugn people of that kind, and particularly OGTR, I don't think is justified.

MS O'CONNOR: Well hang on a second. The desire was not to impugn.

MR BAXTER: Well you said, "They would say that, wouldn't they?"

MS O'CONNOR: Well yes, but the organisational momentum of the Office of the Gene Technology Regulator is towards the regulation of genetically modified organisms, so there's a scientific momentum that I think we should acknowledge here. When you were talking I was remembering that the former chief scientist made recommendations in 2007-8, that would have allowed the dispersal of pulp mill waste potentially containing dioxins into Bass Strait from a proposed pulp mill in the Tamar Valley.

Now on a purely clinical, scientific basis, weighing up the potential environmental detriment to the - well, weighing that up, you can kind of understand why the chief scientist could say that. But it was a real indication to me of the flaws in scientific arguments because Bass Strait is a shallow body of water that takes about 90 days to flush and that effluent would have contaminated scallop fisheries, yet the chief scientist put in place a set of conditions for the dispersal of that effluent. Nonetheless, the chief scientist okayed the dispersal of dioxin-containing effluent into Bass Strait. So I'm not going to sit here and agree that scientists are infallible.

MR BAXTER: Yes, but that's a different - - -

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MS O'CONNOR: One of the things scientists don't examine is intrinsic values and scientists aren't looking at the value of our brand. They're not looking at the way producers here feel. Feelings don't come into science, whereas feelings are quite legitimate.

MR BAXTER: Can I just say, I understand the brand argument and the brand argument is something that anybody who's got something they regard as special and distinguishing them from another product or products in the market, they will pursue and exploit to the Nth degree. Whether it's Tasmania Incorporated doing it or whether it's Woolworths or whether it's somebody else, whether it's one of the big, wicked, evil petroleum companies trying to convince you that buying a litre of BP petrol is better than buying a litre of Shell petrol, that is going to be exploited to the Nth degree. I've got no problem with that and while the phrase may be misinterpreted, if you can get away with that for as long as possible, very good luck to you, because clearly in a number of agricultural products, including Cape Grim Beef, which I buy, highly expensive but which I purchase, it's a valid marketing ploy.

There is, I think, a very clear necessity to be honest on an intellectual basis of whether what happens if that brand starts to get diminished, not because of GMO but because either Europe, which is the major driving force at the moment for this clean, green thing, or Japan, turns around and says, "Well, we've had that. We're launching off on another thing", in exactly the way that the Chinese for a short period of time bought Australian, not just Tasmanian, Australian-produced baby food. Then for reasons of market or political intervention, decided, no, that they were going to produce it all internally and imported skim milk powder.

MS O'CONNOR: One of the biggest customers for Tasmania's agricultural products is China and they buy it because they want clean produce of high quality that is not containing contaminants that are harmful to humans.

MR BAXTER: And at this stage they're prepared to pay for it.

MS O'CONNOR: That's right. At this stage they are prepared to pay for it, yes, that's true. As Thomas has just pointed out to me, you've relayed a sequence of hypotheticals to me which actually are not necessarily all that relevant to the argument about why we're so fiercely defensive about brand down here and will continue to be so.

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MR BAXTER: Well no, they're not irrelevant. If you've got a marketplace which regards your product, whether it's right or not, but regards your product as being better than another product.

MS O'CONNOR: Because it is.

MR BAXTER: No, but whether it is or not doesn't matter a great deal, but if they perceive it to be and they accept it as being, then you're perfectly entitled to pursue that to the Nth degree. I have no problem with that. In exactly the same way that General Motors used to convince us that a Holden car was the best car to buy, which frankly was a pile of rubbish but my generation in early days accepted that owning an FJ Holden was the absolute doyen of affordable motor cars.

MS O'CONNOR: Okay. Well I'll put another hypothetical to you. The world is becoming increasingly polluted. Agricultural systems are under increasing pressure. Population is increasing. There are now fierce contests over land and clean water and it is not unreasonable to project an increased demand for products that come from places that are recognised as having a clean environment. The world's environment is not getting healthier and that's why we believe that our brand will only increase in value. I'm not going to project to you why you buy Cape Grim Beef, but maybe you buy Cape Grim Beef because you know it's from cows that come from a place that's got the cleanest air in the world and is uncontaminated.

MR LINDWALL: But this is all about Maslow's hierarchy of needs, isn't it, that as people become wealthier they demand things such as the environmental benefits, when previously when they were poor they were demanding housing and food basically. They wouldn't care so much about the quality of the food when people are poor. Lifting them out of poverty is what's giving them the environmental foresight.

MS O'CONNOR: I think that's a fairly brave assumption that people who are poor don't care about the quality of the food that they consume.

MR LINDWALL: Well they don't have much choice often times.

MS O'CONNOR: That's different. In Tasmania we're seeing each year increase in the value for organic produce. I think it's increasing in value at about 16 per cent a year. When you look globally at demand for organic produce and non-GM produce, you can't deny the fact that consumers want to be able to access those products and they want them labelled.

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MR LINDWALL: What about the paradox that one person who testified to us that GM and some conventional food is regulated to a far greater extent than organic which isn't, and in his view anyway, that it was much safer to eat GM food than organic which is unregulated and unsafe.

MS O'CONNOR: Well I don't know whose testimony.

MR LINDWALL: He's a biochemist in Perth.

MS O'CONNOR: He's a biochemist.

MR LINDWALL: I can't remember his name.

MS O'CONNOR: A biochemist?

MR LINDWALL: Yes.

MR BAXTER: This is not the subject of this inquiry but there is a far broader argument which is arguable on both sides or on multiple side of the fence about what the poor of any large country like India or parts of Africa get. I put this in for what it's worth. I chaired a government-owned company in South East Asia which built infrastructure and we saw people who were just more than happy to get food of any kind because they were starving and there was no alternative to what was being provided.

MS O'CONNOR: Companies like Nestle exploited that by selling contaminated baby milk products into Africa that made babies sick, so there's an ethical argument here for not assuming that GM foods are going to provide the panacea to poor countries, and if you didn't have an industrial agricultural complex that exploited the need to feed people who are living in countries of great disadvantage, you might have a higher focus on working within natural systems.

I attended the first Parliamentary Prayer Breakfast that I've ever been to a couple of weeks ago and the keynote speaker was Bruce French, Order of Australia medal, a Tasmanian icon and living treasure. He talked about - he's been to many, many countries in the world and examined their plants and their natural food plants and has prepared the world's most comprehensive database of native food plants for each country and he was quite scathing of GM products of their potential to disrupt natural food systems and this failed belief that you have to move away from natural systems. By the same token, he was equally concerned about the application of chemical fertilisers and pesticides.

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This guy is not a greenie. This is a gentleman who trained as an agricultural scientist and had his grounding in first learning about natural food plants when he went to Papua New Guinea and realised that the locals had been planting a particular type of crop that was failing for them. He went back to find out what their natural food plants were and actually worked with those communities to establish sustainable agricultural systems that supported those communities.

The planet created - I mean there are plants that are there to feed people. Yes, the world's population is increasing and it's placing increased pressure on the world's natural systems, but if we just for a moment don't have the arrogance to think that we have to distort life forms in order to feed people. I mean there may be some arguments for genetically modified crops of some sort but it's not the answer to everything because sustainable agricultural methods are far more effective at feeding local communities in disadvantaged areas, I would argue, than GM crops.

MR LINDWALL: I don't think there's any disagreement about the fact that we want agricultural practices to be sustainable in the long term and also that people need to be fed, but what about the argument that without new technologies you're unable to feed the world's population, that traditional methods of organic farming would lead to mass starvation of a kind that's never been experienced in the history of the world.

MS O'CONNOR: There's already mass starvation happening in places like South Sudan and Sierra Leone. There's huge food supply problems for people living in poorer countries, so I'm not sure what your argument is here. There's huge pressure.

MR LINDWALL: We had testimony from another person who said that we should move to a very traditional, which I took to mean pre-industrial revolution form of agriculture, which would be in Malpas' time be impossible to feed a population of today's standards obviously.

MS O'CONNOR: What's the question, sorry?

MR LINDWALL: The question is that the technology we use to produce agricultural products is necessary to feed the population of the world we currently have.

MS O'CONNOR: Some of those technologies are but obviously the technologies haven't provided all the answers because there are still people starving in places that are resource rich.

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MR LINDWALL: Yes, well that's true and there's usually a whole lot of issues, including bad covenants, and corrupt governments and all sort of evils that affect transparent systems.

MS O'CONNOR: Actually, there are still in Tasmania - the Heart Foundation, I think it was, did a study a couple of years ago that found - okay, I'm not going to put a number on it but there's a significant and disturbing percentage of Tasmanian families and children that don't have access to clean, fresh food.

MR BAXTER: Can I just add, my first visit to Tasmania was back when Henry Jones still owned every hop growing entity - - -

MS O'CONNOR: And fruit orchard.

MR BAXTER: - - - because they had all the debt between basically just north of here and right up the Derwent. I can remember my first encounter with real poverty was in the Derwent Valley when there were small people living and operating roast houses that Henry Jones operated in the small orchards and that was within seven to 10 kilometres of the city of Hobart and it was severe poverty. At that stage I was working with the University of New England on a federal program.

MS O'CONNOR: It still exists.

MR BAXTER: Yes, and it still exists in other parts of Australia.

MS O'CONNOR: That's why you're seeing probably the reversal of the move towards large-scale industrial agriculture. You're seeing a return to community-grown food, community gardens. At most of Tasmania's neighbourhood houses now there's a community garden. There's an increased interest in and focus on local food production, sustainable local food production, food forests, people growing their own vegetables. It's happening and that's a good thing. I'm not saying it's the solution to all the world's problems because clearly it's not but it's part of feeding people who are living in food deserts.

MR BAXTER: I've got no more.

MR LINDWALL: Did you have any final points you'd like to make, Cassy?

MS O'CONNOR: I hear what you're saying about speaking to those other representative stakeholders and I understand your concern about now showing any favouritism towards Tasmania, but it would be I think

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helpful to the Commission's findings in its final report to speak to some of those producers who are heavily reliant on our clean, green natural brand, and are strongly supportive of the moratoria on GMOs in Tasmania. I've read through the chapter; is it chapter 6? I've read through the chapter and absolutely stand by the criticisms that we've made of your assumptions and findings and, unfortunately, I think biases contained within that chapter.

MR LINDWALL: Well that's what it is, a draft report. We are seeking feedback.

MS O'CONNOR: I would urge you to just please talk to those Tasmanian producers who will help you.

MR LINDWALL: Could I ask a question on a totally unrelated subject?

MS O'CONNOR: Sure, are we on the record?

MR LINDWALL: Yes. On my other inquiry is telecommunications universal service obligation, so this is out of left field.

MS O'CONNOR: Yes.

MR LINDWALL: Is there anything you can talk about telecommunications services in Tasmania that would be helpful to me?

MR BAXTER: We will be conducting hearings on that topic.

MS O'CONNOR: Thirty seconds or less I'll give you. We've had I think, probably more than some other jurisdictions, had a reasonably good rollout of the NBN. Personal experience, it took us 18 months to get the NBN and we live five minutes from the city centre but certainly in a place like Tasmania it has enabled people to live in New Norfolk and work in London and that makes a huge difference to a place like this where we're fiercely independent and island-minded but I like to contribute.

MR BAXTER: Can I add on to that, we're focused on GMOs but, as I say, having been involved with Tasmania for a very long part of my life, one of the key issues has always been the transport of this product between Tasmania and the mainland and export markets. We have heard a considerable amount of evidence from Tasmanians and others who would support very strongly abolition of cabotage which currently adds quite significant cost to the export of Tasmanian products, and reduces the frequency of vessels, particularly sailing out of northern Tasmanian ports. I understand from one of our witnesses that it's only recently that the

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cargo vessels returned to the port of Hobart. What's your views about the transport issue? If you go through our report you'll see we've recommended the removal of cabotage which at the moment gives priority to Australian flagged and Australian crewed vessels, but in so doing adds an enormous expense to getting the clean, green product, whether it's to Melbourne or to other parts of the world.

MS O'CONNOR: I'm not an expert on these things and I think you should talk to someone like Senator Nick McKim or Senator Peter Whish-Wilson, but my understanding is that there is a Bass Strait freight equalisation scheme which mitigates some of the export costs. There's been some work done by the Liberal Government down here to extend elements of that subsidy to international exports and we're never going to back in policy that allows probably exploited cheap labour from overseas to take Australian jobs in the shipping industry. But like I said, I'm not an expert, I'm just talking from the gut.

MR LINDWALL: That's all right. Thank you very much for coming.

MS O'CONNOR: Thank you. Thanks for your time.

MR BAXTER: Thank you.

ADJOURNED **[11.57 am]**

RESUMED **[12.51 pm]**

MR LINDWALL: The usual thing, you just say your names and organisations and give us a bit of a statement and we'll go from there.

MR STEEL: Nick Steel, so I'm the rural affairs manager of the Tasmanian Farmers and Graziers Association.

MR BEVAN: Andrew Bevan, director of Tasmanian Farmers and Graziers Association.

MR STEEL: So we provided a draft submission - - -

MR LINDWALL: Thank you, yes.

MR STEEL: - - - to the Commission, so - - -

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MR LINDWALL: And sorry about the late notice for the hearings. This is an added hearing, so - - -

MR STEEL: But we thank you for the extension to provide our submission up to the end of the week, and some of the main reasons behind the extension is to consider the views from our peak bodies.

But TFGA is the peak body for agriculture in the state. We've got some 3,000 members which represent about 80 per cent of the production of agriculture in Tasmania. The key, I suppose, thrust across our submission is we're very supportive across the draft report. We think - the opening comment, I think, within the report about no one-off inquiry such as this or red tape reduction target will be able to eliminate or reduce regulatory burdens, but obviously we see this as an opportunity to put our issues on the table, get the government to consider some of those, and where we can find some improvements.

Some of the main sort of issues we've discussed in our submission are around land use, so that's in regard to giving examples around the right to farm legislation. So Tasmania's one of the only states with a particular legislation around that. The environmental one, that's more in regard to consultation, so making sure farming organisations are on the consulted list for government.

On farm regulation of water, I think we've got a really good example there in regard to the four entities we have within Tasmania who are managing water, and certainly we can discuss that further. Animal welfare, it's certainly very important to farmers, and we believe the past model, the Australian government with the Animal Welfare Advisory Committee, was a good one to consider the standards and guidelines, and something that should be reconsidered, and we've noted within ours around the Tasmanian committee, the AWAC committee, that it does work, has got good representation sitting around that committee.

Let me talk about the ag and vet chemicals. So that's a fairly hot topic in regard to Tasmania's around GMOs. The TFGA stance on the moratorium is that we are supportive of it, but point out that it's a prohibition and not a ban, and that's why we are supportive, whereby we can review it, or the minister can review it, as and when needed.

Now, we believe obviously there's an opportunity there if a product comes on the market, like GM ryegrass, that's when you consider it. So as a member-based organisation with GMOs we have to try and find that common ground, and that's, at this stage, we're supportive of it, and not supportive of the recommendation within the report around having a

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federal ban.

Also we touched on biosecurity in regard to people coming onto farms, taking the law into their own hands. So we've spoken about that. We've touched on the National Heavy Vehicle Regulator and permit system, how that can be improved. Also around coastal shipping laws, supportive of that, the new approach there, or reforms, I should say. Plus we're supportive of the foreign investment in Australia as well.

So that's I suppose the basis of our submission. I'd be happy to take any questions.

MR LINDWALL: Well, you may as well start, Ken, I think.

MR BAXTER: I'm not quite sure where I start.

MR LINDWALL: Okay. Well, why don't you start - - -

MR BAXTER: Yes. I think perhaps start on the - somewhat ironic, but the right to farm issues. And just as a preface, we've had discussions with all the state governments, but in particular New South Wales and to a lesser extent Victoria and Queensland, who are wrestling with the whole question of rights to farm. The expansion of what they might call sort of hobby farms on the edge of regional areas, which I don't think is the same problem, or is not a problem that largely exists within Tasmania, or not to the degree it does with some of the growth centres in Queensland and New South Wales.

So interested to hear the approach you've got, and included in it, because we've found that it's one of the things that happens quite often when mum and dad have been operating a farm for a long period of time, they get to the age of, you know, 65, 70, and decide they want to quit, and they've got a large enough farm to divide it into a couple of reasonable sized blocks, and sons and/or daughters then be given the blocks, and they find themselves up against a peri-urban area, and it's then that the muck hits the fan, if I might use the phrase, because the local inhabitants don't like - or the residential inhabitants don't like either a piggery or a dairy or some other operation being adjacent to them, and I'd be interested to hear what TFGA's view is about this, and how it's been handled, as a start.

MR STEEL: Yes, okay. I suppose from a Tasmanian perspective, we've got the Primary Industry Protection Act, so that's the overarching act, which is the US term "right to farm", and that's around common uses, so to try and protect the farmer to continue farming operations, their normal daily business, so be it ploughing or being in the tractor, so making noise,

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understanding that farming is a 24/7 business.

So that is to try and assist the farmer, stop those - stop people who are coming into rural areas, the hobby farmers as you're saying, the lifestylers, providing a nuisance report to the council. Tasmania's also going through a planning scheme reform, so having an overarching Tasmanian planning scheme. Now, within that draft there's two zones, the agriculture zone and the rural zone, and that's to try and delineate between, I suppose, full-time agriculture versus rural zone being farming businesses or farming-associated businesses.

So that's to try and assist, I suppose, those who are moving to understand this is full-time productive agriculture. The question I think was around those who are entering - no, it was in regard to farm - - -

MR BAXTER: It was a succession - it was a situation that, say for example I owned a 1,500 hectare wool-growing beef-growing property, it was on - say, adjacent to Burnie or Devonport, one of the north-western places. There are two or three kids, parents were going to move into town or just stay on the house on the property. The farm was then split as part of succession plan and one of the kids decided to go into either say a dairy or a piggery, and yet there is a hobby farmer who came in sitting next door suddenly finding - or not having asked the right questions finds he is next to an agricultural operation and then starts objections to councils.

And examples were given to us in both New South Wales and Victoria where there had been prolonged litigation that had taken place to resolve this issue, and not totally satisfactorily.

MR STEEL: That's where the planning scheme comes in.

MR BAXTER: Yes.

MR STEEL: So instead of having 28 different - 29 different planning schemes, 29 councils, we've got one overarching scheme, and within that, within the draft they've got buffer zones for particular activities, be it like piggeries or feed lots. I can't think of the actual meterage, but in terms I think the piggeries might be 500-odd thousand metres. That would assist in that process.

MR BAXTER: Yes.

MR STEEL: So therefore you don't put it up against the boundary fence, you've got an actual buffer from the other person's boundary.

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MR LINDWALL: But essentially this Primary Industry Protection Act is well supported in the community as well as amongst - - -

MR STEEL: It is. It can be improved, because it's subservient to other legislation, so other legislation comes first and this comes in.

MR BAXTER: What's the legislation that precedes or overrides it?

MR STEEL: Any other legislation.

MR LINDWALL: Any other? So it specifically says it's subservient, does it?

MR STEEL: It doesn't, but in terms of its use, it doesn't have - has the power - - -

MR LINDWALL: Yes, yes, very weak powers.

MR STEEL: I suppose it can be improved. I think one way it can be improved is around communication, so let people know when they're moving into that environment that something like the local council can provide a document to say farmers are in the area, they do this, this and this, this is what will - basically, they've got right to farm.

MR BAXTER: What's the processes in terms of the powers that local councils might have in Tasmania? Because you've had a rationalisation, haven't you? There used to be something like 125 councils or something ridiculous.

MR STEEL: We've still got 29.

MR BAXTER: 29.

MR STEEL: For 500,000 people.

MR BAXTER: What powers have the council got in this process, or is it a jump from land owner to Department of Planning at the state level?

MR STEEL: Well, the councils can still put in by-laws, particular by-laws. There's no examples at the moment, but if a council wanted to put in a by-law around land use they could potentially do that. But that's where the planning scheme's coming in to try and give rules around overarching planning scheme rules, so this is what you can and can't do. And then for each council to go, "I'm going to have that zone, that zone, or that code for my particular council."

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MR BAXTER: And have there been many instances or any instances in, say, the last 5 or 10 years where members of yours have had confrontations with councils which have ultimately ended up either in the courts or being determined by the Planning Department here in Hobart?

MR STEEL: Not so much in the courts, but it's in terms I suppose people building up around them, so therefore they will have to stop an activity because it's deemed outside hours. There was one near Westbury in terms of he was cutting pine wood, so he was a pine wood operator, and also had a primary - had sheep and cattle, so he's gone industry, and it was too close to suburbia, because they'd built around, and they were providing, I suppose, rules to him whereby he couldn't do that outside business hours, even though he's classed as a primary producer. He could say, under the Act, that was normal business for him.

MR BAXTER: Okay. And has TFGA got any view as to where that regulatory regime should head? Because presumably, you know, Launceston and Hobart are expanding, and it's likely to encroach further on rural land use.

MR STEEL: Well, hopefully within the zoning, so the rule zone, the ag zone, the new zones, it will give councils a degree of, I suppose, scope to say, "No, you can't build there, or you can't build urban houses there because this type of activity is there." So to try and minimise the potential for nuisance.

MR BAXTER: Okay.

MR LINDWALL: Now, on transport, and you spoke about the NHVR, in the mainland states it's often a big issue moving across state borders and that, and I would have thought here coastal shipping would be a big issue obviously, and we talk about that. What are the main NHVR issues that you'd like to raise?

MR BEVAN: Yes, well, possibly the biggest one for us is the seasonal movement of large machinery, and primarily you could use the summer harvest period as an example, whereby if we applied the NHVR ruling we would be applying for permits per move. Well, Tasmania's an intensive agricultural state. We could have several moves in one day and the timings are unknown, so we would be asking that there be consideration for a seasonal or an extended permit over a given period of time, and that may even be one or two years if the machinery didn't change.

MR LINDWALL: Which I think is what we said in our draft report.

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MR BEVAN: Yes, so we support that.

MR LINDWALL: Is there any issue - and that's a good point, but any issue about the different sizes of trucks and so on that can - - -

MR BEVAN: Yes, yes. So in terms of varying machines, you mean?

MR LINDWALL: Oh, heavy vehicles moving, like, live cattle or something and having access to the last mile, and they have to change to a different type of smaller truck.

MR STEEL: You use usually doubles.

MR BEVAN: Yes, we do. The documentation of B double routes is getting better all the time. There are avenues to access extenuating circumstances and get movements on non-scheduled roads. However, they can also be arduous. I guess the network is growing. It's in the more remote regions that that potentially could be an issue.

MR BAXTER: Where's the interface in Tasmania between NHVR dealing with the agricultural sector and presumably - I mean, there is still logging taking place in Tasmania, and the big log trucks, do they fall under the same category?

MR BEVAN: Under the - my understanding, they would fall under the NHVR regulation.

MR BAXTER: Right.

MR BEVAN: One comment I perhaps would make from a Tasmanian perspective is maybe the communication about NHVR and its enforcement within the agriculture industry is perhaps not as good as it should be.

MR BAXTER: That's been a common observation right throughout the country.

MR LINDWALL: Yes. Has the TFGA approached the heavy vehicle regulator to express these concerns?

MR BEVAN: Nick, you might help me on that one? I'm not sure - - -

MR STEEL: Probably - it's been a while, but we have. In terms of communication, I think we can all do it better.

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MR LINDWALL: Yes, yes.

MR STEEL: But let's try and develop a - - -

MR LINDWALL: Well, I mean, sending a message, that should be simple, yes. That's fair enough. What about coastal shipping and the cabotage restrictions that exist?

MR STEEL: Yes. We're supportive of the recommendation, the comments within the draft around recommendation 8.5. We see there's an opportunity to increase competition, certainly in terms of exports as well, that's probably the main area, to utilise ports like Burnie where it's an open sea port to get the larger ships in, and as agriculture increases our exports should increase, in that port, obviously.

MR LINDWALL: Exactly.

MR STEEL: This will increase our productivity here.

MR LINDWALL: Because most of the agricultural product would be moved by ship, I assume?

MR STEEL: Yes, about 98 per cent.

MR LINDWALL: Yes, and is the rest by air?

MR STEEL: Yes.

MR LINDWALL: Now, is there anything on the aviation side that's worth noting?

MR STEEL: I think they're certainly open it.

MR LINDWALL: Because they're extending the runway here.

MR STEEL: They are. Hobart is, so that's a huge plus. Launceston is being considered, but for an opportunity like air, there's an opportunity to ship it or air freight it straight into the Middle East. That's a potential. So that sort of thing should be considered even further with the air freight, the different types of products.

MR BAXTER: Does most of your sea cargo at the moment go northern ports to Melbourne?

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MR STEEL: Yes, so Port of Melbourne's our main port. I think it's about 50 per cent of their freight.

MR BAXTER: Right.

MR STEEL: Not by volume, by containers. So we've got two main private ones are Toll and Searoad, and then you've got the private operator in TT Line.

MR LINDWALL: Are you happy - I mean, set aside the cabotage issue, coastal shipping issue, are you happy with the efficiency of the ports that you deal with, both here in Tasmania and in Melbourne, for example, and pricing?

MR STEEL: I think overall, yes. I think with increased competition - and we're seeing that potentially with bigger boats coming on board, both the private operators. This is good for the state, good for agriculture. But all in all I think - - -

MR LINDWALL: Which is the main port used in Tasmania for shipping agricultural products?

MR STEEL: It's pretty much divided, but - - -

MR LINDWALL: Okay, so no one stands out?

MR STEEL: So Burnie and Devonport would be the main ones, and then Bell Bay I suppose is mainly dealing with the gypsum lime.

MR LINDWALL: On the environmental issues, and we've touched on that and native vegetation clearing, and the conflicts between the EPBC Act at the federal level - well, let's start with that. What are your concerns about that, and what do you like about it?

MR STEEL: I suppose EPBC Act, it actually states what it does and what it covers, which is a good thing, so (indistinct) sites, wetlands, that sort of thing, threatened species. The issue for us is I suppose it's a very powerful act in terms of it can come in and take certain aspects of the state land. It's onerous for a farmer to understand that legislation. We have multiple layers of legislation out there. It's another piece they need to understand from the federal point of view. The fines within it are very high, so they need to know that. Can it be communicated better to know, for a farm, what they need to do? Yes, it can be. So once again communication of that Act would be a good thing.

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MR LINDWALL: Because from a previous witness I had the understanding that farmers in general would act in a risk-averse fashion because the penalties are so high that activities that might in fact be permitted under the EPBC are not undertaken because of fear that they might violate it. Is that something that - - -

MR STEEL: Potentially. I think Tasmania's a bit different from the mainland, and we're talking about large scale clearing, it's 40 hectares or under, where on the mainland it's a lot higher. We've got a forest practices system too whereby it's regulated, so as a farmer, someone like Andrew who wants to clear forest, you'd have to go through the FPA, the Forest Practice Authority, and they've got a system there. So I think most farmers certainly know about that, so it's not so much being scared of the EPBC Act, it's understanding it.

MR LINDWALL: Okay, yes.

MR BAXTER: I mean, if you look at degrees of understanding, what - how would you measure the federal legislation as against the state forestry legislation?

MR STEEL: I think the state forestry are a lot higher than the federal one.

MR LINDWALL: But more understanding?

MR STEEL: More understanding locally.

MR LINDWALL: Yes, yes.

MR BAXTER: And easier to understand in the way it's drafted?

MR STEEL: Is it easier? I think there's a go-to person that you can talk to.

MR LINDWALL: It does come down to communication, doesn't it?

MR STEEL: Yes, I suppose you could say it's a local, where they can talk to someone, but from a federal point of view it's hard to find that contact, even from a TFGA perspective too. I would like to have a bit more time to do that on behalf of a member.

MR LINDWALL: Overall would you say that the balance of regulation on the environmental side is reasonable, or - - -

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MR STEEL: I suppose the biggest issue from a farming point of view is it seems that it's take, take, take, so if the public wants it, they have that perception that they need something - - -

MR LINDWALL: They get a free of charge - - -

MR STEEL: - - - there's not very much compensation back to the farmer.

MR LINDWALL: Yes.

MR STEEL: Generally farmers are doing the right thing, and then if there's a bit of legislation, a threatened species, they have to lock up that land or make it into a reserve, the compensation process is very hard to go through. And that's even from a state perspective too, with forest practice plans.

MR BAXTER: So how long would it take, roughly - let's assume you owned (indistinct) some country you wanted to clear - between the date you decided that you wanted to clear that country and getting approvals, the sort of timeframe?

MR STEEL: It all depends. It depends if there's - obviously you have to go through the assessment process.

MR BAXTER: Yes.

MR STEEL: I think that's 6 to 12 months, but - and then it depends if they find something, a Wedgetail Eagle's nest or a threatened species, and in the process of going through the compensation committee in terms of will you get compensation, and that could take years, because there's actually no timeline within the Act to say the minister must make a decision about this, and that's the issue farmers have.

MR BAXTER: I mean, there's been several examples given to us on the mainland. One in particular which I think has stuck in Paul's and my mind was a wine grape grower and general farmer on the edge of the west coast of Melbourne who the Department of the Environment alleged that there was - what was it? A Growling Grass Frog?

MR LINDWALL: Frog, yes.

MR BAXTER: In one of the creeks. And he'd never sighted it, and nobody else had sighted it, and this is what started the process about five or six years ago, and he's still battling to get some resolution to the issue.

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I mean, is this - - -

MR LINDWALL: And they've declared large amounts of his property unusable for agricultural purposes - well, in this case grape growing.

MR STEEL: We actually had a TFGA forestry committee last week, and a comment that came out of that is our productive forests we know a lot about, being private and owned by Forestry Tasmanian, which is in the public as well, but the ones in reserves or heritage we don't know much about. So potentially we could have species there that might be considered threatened but they're in abundance, so there's an opportunity there to do more studies within our reserves and world heritage to find out what sort of species we have there. Because that species of Galaxia fish within private, they're saying threatened, potentially it could be abundant somewhere else.

MR BAXTER: So how long could it take for a resolution on that sort of issue?

MR STEEL: We've had farmers five years, six years, potentially trying to get a compensation claim because there's been a threatened species. So if there could be a timeline in terms of they need to make a decision on this, that's going to help everyone, so not only the farmer or government, the community as well, so it can answer their expectations, so to speak.

MR BAXTER: So this principle of getting some sensible resolution would apply to both federal and state legislation?

MR STEEL: Yes. I'm unsure about the EPBC Act in terms of resolutions.

MR BAXTER: Yes. Would you mind doing that? Because it appears to be an issue that will be raised in the other states as well, or has been raised.

MR STEEL: Yes. Yes.

MR LINDWALL: The 3,000 members you've got would obviously vary in size.

MR STEEL: Yes.

MR LINDWALL: Is it true in Tasmania as compared to other states - in the other states there's been a tendency for what I would call a bifurcation of the industry, where larger companies getting amalgamated and

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becoming quite large and then there's still quite a lot of these small hobby farms where generally they're family or they might have other work outside the farm. Is that true here, or is it less so?

MR STEEL: What do you think, Andrew?

MR BEVAN: I think by nature of Tasmania it's less so. There are still a lot of, you know, farmers that we would consider larger could possibly still be family owned. There would be a handful of corporates, but the majority would be sole operators.

MR LINDWALL: Yes, yes. And foreign investment for agriculture, is that usually in the form of debt, equity, or where the business is just taken over holus bolus?

MR BEVAN: We're seeing a little bit of example of both. We're seeing outright purchasers come in, particularly with the higher value properties, whether it be what was considered dairy or fresh fruit, but there is also, Nick, am I correct in saying, a bit of a shift into being equity partners too.

MR STEEL: Yes.

MR BEVAN: For varying reasons. One is (indistinct) acceptance - - -

MR LINDWALL: In fact, and also that the people managing the farm are doing a job - a competent job, I suppose?

MR BEVAN: Correct, yes.

MR STEEL: We're also seeing that with the Australian superannuation funds too, foreign investors.

MR LINDWALL: Yes, yes.

MR STEEL: So there's quite a few instances there in terms of properties being equity-owned.

MR LINDWALL: Are these industry funds or retail funds or managed super funds?

MR STEEL: Industry funds.

MR LINDWALL: Sorry?

MR STEEL: Industry funds.

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MR LINDWALL: Industry? So taking up fairly large positions, then, because they're not listed assets on the stock market, they're unlisted, obviously, yes. Let's move on to animal welfare - sorry - - -

MR BAXTER: Is part of the equity growth in the farming side influenced at all by the attitude of the banks to lending to the farm sector in Tasmania? What's the general view of the Australian banks to the farm lending?

MR BEVAN: I don't think they're averse to lending. I think the issue that we're seeing is that foreign investment particularly is willing to pay prices that are being asked over and above local interest, and that seems to be the deal falls that way because they've got the money, I think.

MR LINDWALL: And I assume that these are - sometimes they're older people whose children don't want to take over the children and - is that the type of reason

MR BEVAN: It can be, not always. I think most farmers are businessmen, and they see a business opportunity to get the best price on the day, and the best price on the day is not necessarily perceived that by a local. So a foreign person has a different view on that and pays the money.

MR LINDWALL: Well, that's fair enough. It has been resisted, obviously, in some other places. On the animal welfare, you're supportive of our proposal, effectively, which was to have an independent body. In terms of an independent body, do you have any thoughts about its structure or its membership?

MR BEVAN: I think the previous one worked, so the AWAC model for Australia, I think that worked. I think it still sat in Department of Ag, so I don't know if it was independent. I think the independence is more around the membership, so making sure we've got a good cross-section. That shows with our submission from the Tasmanian one, where from department personnel through to industry associations, RSPCA, there's even Animals Australia on there as well, so it's a good cross-section, and that applied their views to consider the standards and guidelines. And that assist government I would have thought quite well.

MR LINDWALL: And what's the reaction in Tasmania by farmers, some of whom I guess have tried to use practices that their parents have used and their parents' parents have used and was generational, which may be poor animal management practices in terms of welfare, animal

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welfare? Is it generally accepted, or do you have resistance in pockets?

MR STEEL: Yes, I think they've moved away from that. I think it's certainly a business now in terms of understanding stocking (indistinct), so animal welfare, understanding how you handle livestock, understanding what stresses livestock. That's certainly a productive issue in terms of meat quality, so it lowers the meat quality if they're highly stressed.

MR LINDWALL: Yes, yes.

MR STEEL: And a lot of it also is driven by QA. So particular markets will tell the farmer, "You need to do this quality assurance program," and that assists, obviously, the livestock in a way as well.

MR LINDWALL: Are you using analgesics for de-horning and de-budding, you know, say the dairy industry, which I've heard that sometimes is not being used, partly because it's not available so easily?

MR STEEL: Yes.

MR LINDWALL: Is that true or - - -

MR STEEL: I suspect in the dairy one, there's a Tasmanian Dairy Industry Code of Practice, which was signed off by the industry, including groups like RSPCA, that the best practice is to use those type of sprays. So it is widely used.

MR LINDWALL: Okay.

MR BAXTER: Are you exporting any livestock over and above what you send to Flinders Island and other places? Is there any major either sheep or cattle live exports?

MR STEEL: So the majority, when we talk about going across the water, Bass Strait, goes to Melbourne, and that's under the Bass Strait Shipping Code, so there is a code there that the farmers need to do with their livestock (indistinct) at the ship and then obviously the (indistinct) the shipping operator (indistinct) across the water.

MR LINDWALL: In terms of irrigation, are there any regulatory issues about irrigation that are negatively affecting the farmers in terms of getting access to irrigated water, for example, or the trading regime?

MR BEVAN: One of the issues that we see is there's now a number of

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bodies, with the expansion of irrigation in Tasmania, and I'm thinking we're up to somewhere in the half a billion dollars' worth of investment in infrastructure, there are now several bodies that we need to be dealing with at any one time, potentially because the amalgamation of systems and the sources of water have now brought those bodies closer together, and as the TFGA we feel that there needs to be some streamlining with that process to make some of the regulatory requirements easier and more quickly obtainable. And Minister Rockliff has acknowledged publicly that he sort of sees the potential to streamline those problems.

MR LINDWALL: That seems reasonable. But apart from that, it can be streamlined, but you don't - the arrangements are not bad? The access to irrigation is still reasonable here, isn't it?

MR BEVAN: Yes, yes.

MR BAXTER: Can I just - - -

MR LINDWALL: I mean, we heard good evidence from the Poppy Growers Association about the dramatic increase in irrigation of poppies here in Tasmania with the massive increase in productivity.

MR BEVAN: So in the last ten years, the water - irrigation development throughout Tasmania has been exceptional, so - and you've obviously heard about the opening up of access to water out of Arthur's Lake, which has given the midlands guys, which are traditionally dry land, you know, secure water.

MR BAXTER: Is all this dam water, or is it any of it ground water that's pumped out of aquifers?

MR BEVAN: No, it's all - to my knowledge, it's all ground water - it's all dam water.

MR BAXTER: It's all dam water?

MR BEVAN: Yes.

MR BAXTER: And influenced at all, particularly in light of the last 12 to 18 months, by the uses that the hydro might make of generation water?

MR BEVAN: Particularly some of the schemes that draw water out of the highlands, yes.

MR BAXTER: Okay. And do farmers have to take second place to the

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hydro in terms of access to water? What's the situation? If I own a farm, say, close to one of the northern storages such as Barrington, can I draw the water I've bought or been granted access to regardless?

MR BEVAN: In the last dry spell over the last couple of years we were essentially rationed water, so that may be for a number of reasons. It may be the fact that the storage level was diminishing, therefore there wasn't enough to allocate a hundred per cent, and/or there may be other priorities on that water.

MR LINDWALL: The labour market, and the access to labour, we heard earlier from the Poppy Association that it was something of a - working holiday-makers was a very large issue. Is that elsewhere in the agricultural sector?

MR STEEL: Yes, certainly across berries and dairy, they certainly use those visas, so I'd see that working currently, with the working visas.

MR LINDWALL: The tax part of it, yes.

MR STEEL: There is an opportunity for the federal government to take heed to what the industry is saying and not have a tax rate of 30 - I think it's 32.5, so have a lower tax rate, and that's especially the case for Tasmania because most people come to Melbourne, which way am I going to go, there'll be initial cost to get across to Tasmania, so - - -

MR LINDWALL: Yes, yes.

MR STEEL: - - - we want those as a consideration for our market.

MR LINDWALL: Have there been some bad practices amongst some of the employers - well, labour hire companies, probably, actually, in some parts of Australia. Are there any - many - is it improved here in Tasmania, or (indistinct) the same issues?

MR STEEL: We haven't heard anything about that. I think on the whole it's worked well. Those companies are doing the right thing.

MR LINDWALL: Yes.

MR BAXTER: Does the TFGA act as the industrial representative of the farm-owning sectors (indistinct) within the Pastoral Industry Award (indistinct) and are you a respondent to that award?

MR STEEL: Yes, so we've got a relationship with the Tasmanian

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Chamber of Commerce, whereby they've got legal people there who provide advice to our farmers, to our members, on - one of them is the Pastoral Award.

MR LINDWALL: Now, access to chemicals of course is very important, and sometimes we've heard that, as we said in the report (indistinct) for minor use and sometimes chemicals are just not available for whatever reason, or the timeframe to get approval is very long. Is there anything that you can give examples of where that's been felt here in Tasmania?

MR BEVAN: I can't think of any offhand.

MR STEEL: I suppose the only one that was a good one is around footrot, so the footrot vaccine. So Footvax was banned in Australia a few years ago because it was - it came through New Zealand, so it was a live vaccine, so it was potential for foot and mouth from the United States, so that was banned. But there was an opportunity to develop a different serum, so footrot vaccine specific serum. The issue we've got here is in terms of how big the industry is compared to the world market. So sheep is very important to Australia, but population-wise across the world it's not that high.

MR LINDWALL: Yes, yes.

MR STEEL: So it's the science, but here's an opportunity, I suppose, to get those minor uses through. But the chemical companies have to make that choice, because it's the market, and Australia's not that big a market.

MR LINDWALL: Well, that's true. But sometimes, I mean, we heard from a veterinary for goats where an analgesic wasn't available to be used because it was meant for, you know, sheep and so forth but not for goats, and specifically even though the goats need a higher dose, so it would be illegal for the vet to use the particular pain medication which can be used for the sheep, even though it's effective and even though the goat is suffering pain otherwise, so - - -

MR STEEL: Yes, I think they've got a good issue to raise there, and I suppose that's something to work with APVMA around to get that efficacy around that chemical for goats.

MR LINDWALL: Yes. As you noted before, Nick, the membership is split between those supporting GM and those not, but implicitly you're supporting the ones who don't since you support the moratorium, but that's the status quo in a way, yes.

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MR STEEL: Yes, it's the point of that common ground, and I suppose it's - with the recommendation from the Productivity Commission, having a blanket ban, it's minimising our ability to push the brand, Tasmania brand, our image, to provide - hopefully to get those premiums for different markets, and that's why we're supportive of a moratorium, which is a short-term prohibition, not a ban, and potentially if something does come on the market the minister can review that with industry, with the community, whether we bring that on board or not as a GM product.

MR LINDWALL: So it's a marketing thing, economic thing, rather than a scientific concern about - - -

MR STEEL: We're not against the science, but we can see there's potential there as shown with canola. They do get a premium with their market, neat, you could say, through our Tas feed lot and groomers, which is the (indistinct) beef. So there are markets there that are getting a premium. It's whether we can get those in other industries, and we think the government's got a role there to push that even harder, so in marketing terms.

MR LINDWALL: Yes. All right, Ken, did you have any - - -

MR BAXTER: No. (indistinct). I mean, my view is that if you've got a brand and the brand works, you beat the daylights out of it to make sure it works for as long as possible, and the people I've spoken to who I know as farmers in the Tasmanian sector who are members of yours who've said, well, that's fine, we support the brand, and as long as it continues to be backed or supported we're not confident that in the long-term totally banning GM is the logical course.

MR STEEL: Well, given the hypothetical, if we're going to bring in any GM ryegrass, you could play it out as similar to with the vegetable seed industry, where they have exclusion zones, so you can't plant within three kilometres of another crop, so therefore you can have that co-existence, potentially, so that may be a model we can look into the future if potential products come onto the market that our members want.

MR BAXTER: I mean, you were here when I had that slight contretemps with Cassie this morning about the weeds problem.

MR STEEL: Yes.

MR BAXTER: I mean, certainly the reflection of a lot of the mainland farmers would be that effective control of noxious weed is probably far more significant in the current circumstances than is arguing about GMO

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or not, and again, it's not a situation in Tasmania, but in any of the borderland farming and sort of on the slopes and plains of New South Wales you're absolutely dependent on people making sure they're good farm managers, control their weeds, make sure that they don't flow over into other people's properties. Far more significant, particularly with things like Bathurst Burr Fireweed, all of this, which you guys would all know about.

MR LINDWALL: Is there a concern about that, about proliferation of small farms, some of which are not well managed, and often, as Ken is saying, you get weed infested or something and end up - they walk off the farm and leave it as it is. Is that a concern? Or not so much?

MR BEVAN: It does happen, there's no doubt about that, but I suppose that comes down to relationships between each of the farmers, how they can work together, and then the other issue I suppose is around public land as well.

MR LINDWALL: Yes. Yes. Well, public land is another issue.

MR BEVAN: (indistinct) managing their resource (indistinct) and also fire management too.

MR BAXTER: Can I refer back to the discussion we had earlier about the EPBC? I mean, there are significant obligations going to be put on farmers under the new biodiversity legislation. Is that same obligation going to be put on the state in Tasmania in terms of them making sure they look after their own vegetation?

MR BEVAN: I don't know if there is, but I suppose from a state perspective we've been working with the Department of Primary Industries in terms of setting up a good neighbour charter, so therefore you're responsible for managing your side of the fence, so pests, weeds, diseases, fire, that sort of thing.

MR BAXTER: And feral animals?

MR BEVAN: That's pests, but yes. It's not a legislative thing, it's a charter, so it's a policy, but to us it's a step in the right direction. Under the Boundary Fences Act, the public's exempt under it, they don't have to pay, but we think we can still continue to work with government to try and reduce those issues.

MR LINDWALL: Well, I think we probably should draw it to a close, due to our next guest is here, so thank you very much Nick and Andrew

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for coming today.

MR BAXTER: G'day, how are you?

MR MOORE: Yes, good. Both got the same name, so - - -

MR BAXTER: Yes, yes.

MR LINDWALL: You call yourself Kenneth, actually, don't you?

MR BAXTER: Yes, yes, I use that, that's my - - -

MR MOORE: Yes, I do sort of (indistinct).

MR BAXTER: She who must be obeyed.

MR LINDWALL: Well, Kenneth, just introduce yourself, and give us a statement about what you'd like to say.

MR MOORE: Yes, I'm representing NRM South, one of the three NRM bodies in Tasmania. My role is in agriculture I manage agricultural program, and my title is Sustainable Agriculture Consultant.

So just a bit of background on NRM South, we are an incorporated community organisation managed by a board, so we differ from some of the other states which are statutory authorities, but our charter's set by the Tasmanian Natural Resource Management Act 2002, and we're referred to in the Act as the committee (indistinct) become an incorporated community organisation.

So there's the Act, we're contracted by the Australian government to deliver the national landcare program in southern Tasmanian. We don't have any regulatory powers in relation to agriculture, and we don't have an advocacy role apart from advocating for good natural resource management. But we differ from an industry association like Tasmanian Farmers and Graziers Association.

That means that we don't have a position or a public position on issues like GMOs. So our activities comprise two streams. We have a sustainable agriculture program which helps farmers improve management of agricultural land and water resources, and we have a biodiversity program to help protect and conserve southern Tasmania's native flora and fauna, terrestrial landscapes, waterways and coastal landscapes.

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Both those programs work in concert with each other. Because we're a very small organisation to be effective we have to work in partnerships with community organisations, individual farmers, industry bodies, local governments, the university and business.

So as a general comment, we don't see current regulation as a constraint for agriculture in southern Tasmania, and in fact it's more likely to result in improved practices in relation to things like biodiversity on farms, weed management, water quality, animal welfare, chemical management and workplace health and safety.

The best prospects for Tasmanian agriculture are really high value niche markets, and having our regulatory backing for protecting farming catchment natural resources may provide greater assurance to consumers that our practices are sustainable. And that's particularly so in relation to markets like China.

I went to China in April talking to the Chinese Academy of Agricultural Sciences and it sort of helped that - we're not a government organisation but it helped that we had the backing of an act of parliament in talking to the Chinese, which as we know, is a highly regulated (indistinct).

But I think that's an important point, that regulatory backing can be a competitive advantage and a marketing advantage, particularly in relation to high value niche markets.

We would also acknowledge, as you say in the draft report, that the number and complexity of regulations affecting farm business is a high burden on farmers. There's no doubt about it. It's - there are numerous regulations and they are quite complex, and it certainly would assist in the future growth of agriculture for regulations to be streamlined, simplified as far as possible, and for there to be greater consistency between regulations at the local level, state level and federal level.

Regional NRM bodies are well-placed to help farmers understand the regulations that affect them because you operate at a regional and local level, we have a lot of contact with farmers, so that we are well-placed to inform them and help them understand regulations.

And in this respect, we - thank you very much.

MR BAXTER: Thank you.

MR LINDWALL: This is good service.

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MR BAXTER: Start again.

MR MOORE: Yes. The three NRM bodies in Tasmania got together with the Environmental Defender's Office Tasmania, and we helped fund a book on farming and the law, a set of guidelines, really, for farmers. And coming out of that, we're going to deliver two Farming and the Law workshops in the southern Tasmanian region this year.

I've been to one of those workshops held in the north, and they are truly excellent in, you know, making fun of what regulation applies to them and in a simple, practical way, explaining, you know, how it impacts on them, or how they need to comply.

So in regard to your report, we're generally supportive of the draft recommendations, and think that if they were adopted by government they will have a positive impact in southern Tasmania. As mentioned before, we don't have a public position on the current Tasmanian moratorium on GMOs.

MR LINDWALL: That's all right. So would you basically say that if farmers are provided information through the NRM and so on they are able to improve their environmental stewardship?

MR MOORE: Definitely, Paul, yes.

MR BAXTER: Can I just come back a step? That the Environmental Defender's Office - - -

MR LINDWALL: There's - - -

MR BAXTER: Yes, I know, but what's the role of it and the relationship with the NRM - or the NRM?

MR MOORE: Well, Environmental Defender's Office sounds a bit scary.

MR BAXTER: That's why I'm asking. It doesn't look scary, but it sounds scary.

MR MOORE: No, but they do have a role in, I guess, providing legal advice on the law as it applies to the environment, and in that sense the law as it applies to agriculture. So we've worked with them in a very objective way in producing that publication. It's not an advocacy publication, it's very much factual, and it's been a very cooperative

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relationship, and we've found them to be expert in delivering workshops and establishing a good rapport with farmers. I know the EDO does get involved in some political issues, but our relationship wasn't in there.

MR LINDWALL: These workshops, how long and what's the duration of them?

MR MOORE: The one I went to was a four hour one held in the evening, but what we're going to do in the south is have a whole day one because, yes, it was just too much material to get through. It doesn't cover all law, it covers things like planning regulation, environmental impact assessments, vegetation clearing, working in waterways that are on properties, water management, agricultural spraying, mining on properties, and the question of what can farmers do, pest control and weed management and Aboriginal heritage, you know, if you find relics on your farm what you do or what are you required to do by the law.

MR LINDWALL: And if you've been - farmers are finding, what, that they're keen to go on this type of workshop?

MR MOORE: Well, we hope so.

MR BAXTER: Just a factual question, is any of the land - any of the agricultural land in Tasmania covered by the Native Title Act?

MR MOORE: No, I can't - I can't answer that one, Ken, yes, I don't - - -

MR BAXTER: I mean, the reason we ask that is that in both Queensland and Western Australia it was indicated that some of the land, and most particularly, and correct me if I'm wrong, Paul, but much of the land that was regarded as native title, the whole thing hadn't been really tidied up, and the Crown still had considerable control over it, and a similar situation in Queensland.

My own personal recollection, which might not be correct, is that there is no native title land in Tasmania, or if there is it's been tidied up and dealt with, but I'm just wondering if that's not the case how does the NRM or the Environmental Defender's Office deal with native title matters where they are also rural lands?

MR MOORE: Yes, I'm not aware that any native title does apply to farms in southern Tasmania, but I could be incorrect.

MR BAXTER: Okay.

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MR MOORE: You'll have to ask someone else.

MR BAXTER: Yes, no, well, we will, I just thought you might - - -

MR LINDWALL: Does the NRM have a position on animal welfare?

MR MOORE: Not in a political sense, but in the sense of farmers - - -

MR LINDWALL: So our recommendation, you'd be supportive of the recommendation that we made?

MR MOORE: Yes, yes.

MR LINDWALL: That's - do you have any thoughts on how the independence of the organisation we propose should be - because we were very open on that, we haven't come to a firm landing on that, what type of factors should lead to better independence of such an organisation?

MR MOORE: Better independence of an animal welfare office, I think it was?

MR LINDWALL: Well, we called it a body, I think.

MR MOORE: Body, yes, yes. I think independence is vital. I mean, animal welfare has become a very controversial and political issue. There are a lot of activist groups involved in it, and a lot of farmers are sceptical of the arguments that have been put forward. I think it would be extremely necessary that an office like that is seen to be totally independent, and also that its work and recommendations are based on good science.

MR LINDWALL: Now, one of the recommendations we have mentioned in our report was that it would also be used to inform the community about good animal welfare practices and gauge community reactions to it, because animal welfare is a bit of a normative question about how much you should have.

MR MOORE: Sure.

MR LINDWALL: Would the NRM have any - the three here in Tasmania, would you see them having a role in that process of community consultation?

MR MOORE: Definitely, yes. Animal welfare is an issue that we deal with in working with farms.

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MR LINDWALL: Ken, I'm sorry, I interrupted you.

MR BAXTER: No, no, I'm fine, I'm fine.

MR LINDWALL: What about NRMs and your thoughts on irrigation in Tasmania? We've heard a bit about irrigation and for example the Poppy Growers Association this morning was saying that it's made a dramatic improvement to the productivity of poppy growing in Tasmania where the yields have been substantially greater than they were.

MR MOORE: Yes. I'd agree with that, totally. In southern Tasmania in the past we've been very much a sheep and cattle dry land grazing sector here, but the expansion of irrigation schemes is certainly changing that. In the Derwent Valley, for example, we've got quite a number of dams have been established around that amazing water resource. I think - so in the past agriculture land in southern Tasmania, as distinct from the north, has been, I guess, of low intensity, low profitability, and yes, irrigation's certainly important in new industries in this region like dairy, horticulture, vegetable growing, orchards, poppies.

MR LINDWALL: Yes, yes.

MR MOORE: Although there's some issues around that industry, but - - -

MR LINDWALL: Well, what issues in particular?

MR MOORE: I think just the oversupply at the moment, yes. Not around irrigation, I don't think.

MR LINDWALL: That's all right. And the NRM here in Tassie is an incorporated community organisation?

MR MOORE: Yes.

MR LINDWALL: How are you funded?

MR MOORE: We're funded largely through that contract with the federal government to deliver - - -

MR LINDWALL: Yes. So the Tasmanian government doesn't provide funding?

MR MOORE: Sorry?

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MR LINDWALL: Does the Tasmanian - - -

MR MOORE: The Tasmanian government does provide a bit.

MR LINDWALL: They have? But not much?

MR MOORE: Not a lot, no.

MR LINDWALL: No.

MR MOORE: But we are looking to diversify our income sources. Just getting back to that question of irrigation, Paul, the other thing that is worth mentioning, it does mean that there shouldn't be any great pressure on the need to clear further land in southern Tasmania.

MR BAXTER: Is there a prospect of that happening?

MR MOORE: Not really I don't think, no.

MR BAXTER: I would have thought that you're pretty much up to the limits of certainly arable or pastoral country in the south?

MR MOORE: Certainly, yes, yes. So I don't think there is great prospects, although there still is marginal (indistinct).

MR LINDWALL: Yes.

MR MOORE: But the other thing is too, some of it - when you get really good practice on an irrigation farm, I think you get far better outcomes in relation to soil health, water quality, biodiversity on farms. So you know, there is an argument that there can be detrimental impacts through irrigation, particularly on fragile soil, saline soils, but if farmers use best practice I think the outcome's more likely to be positive.

MR LINDWALL: And good technology there too.

MR MOORE: Yes, yes.

MR LINDWALL: Your role, as you say, in diversifying into activities is probably sensible given that you perform a communication and educational role for the community of farmers in southern Tasmania.

MR MOORE: Yes, we do, yes.

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MR BAXTER: And do you have any interface with the private foresters?

MR MOORE: Yes, we do. We talk to private foresters. We often used them in our workshops and field days. The other thing, I just heard you talking to the previous people in here about small farmers and the issue of weeds. We do run a property planning course for small landholders, which has been very successive, and that is held over a three month period and covers pretty much everything about managing a small landholding.

MR LINDWALL: That's good, because some of the small landowners can be, you know, well-meaning on things, but in some cases their animal welfare practices can be appalling - - -

MR MOORE: They can.

MR LINDWALL: - - - and some of their management of biohazards also can be poor, so education is vital there, I would have thought, so - - -

MR MOORE: Yes. But we have found that I know small landowners do have a reputation for poor practice, but we have found that people who come to our courses anyway, they are wholly motivated, (1) to learn and they want to adopt good practice. So I do some important (indistinct) for that sector of farming.

MR LINDWALL: Which I assume is a growing sector, in a way?

MR MOORE: It is, yes, yes.

MR LINDWALL: People move to Tasmania for lifestyle reasons, and part of that is having - growing their own food, I guess.

MR MOORE: Yes, and a lot of them do come out of Sydney, Melbourne or even Hobart, have got no idea managing a - but as I said, the people we come into contact with are wholly motivated. They want to learn and apply good practice.

MR LINDWALL: That's excellent, Ken. I don't have any more questions, do you, Ken?

MR BAXTER: No, I've got no - - -

MR LINDWALL: Well, thank you very much for appearing.

MR MOORE: That's okay, pleasure to be here. And good luck with the final report.

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MR BAXTER: Well, thank you very much.

ADJOURNED **[1.52 pm]**

RESUMED **[2.23 pm]**

MR LINDWALL: We might get started, so if you'd just say your name and what you want to say and then we'll get going.

MR BOURKE: Thank you. I'm Lindsay Bourke and I'm a farmer. I am an insect farmer, a honey bee pollinator. I pollinate the honey bees, crop pollinate one of the largest ones in the State, one of the largest ones in the country. Honey bees and pollination is very, very important for our country, especially here where we have cherries. Our whole cherry industry relies on them and around Cressy and Longford where we pollinate.

The beekeepers in Tasmania pollinate enough seed to feed Australia for 20 years, every year and that's a very, very important growing industry. Every year, especially this year, of course it's increasing, it's so successful, those farmers rely on us and they get extremely good bees because we have one very short honey crop every year, which happens at Christmas time. It's a crop, so it only runs for a certain time, like six to eight weeks. If we don't do it correctly, if we don't prepare our bees correctly, we won't get that honey crop.

If you look at the RBS figures, Tasmanian beekeepers produce just as much honey as anybody else does in the whole of Australia and mainland beekeepers can harvest honey for eight to 10 months of the year by going probably some times through three states, but we can't. We're contained on our little island and we can only get our Manuka and Leatherwood in the rain forest and we have one crop. So it's very, very important to us that we get our bees in such a healthy state and have reserves coming on that they can get that. So we prepare our bees and make them the largest honey bees in the whole world to get our short crop. It's very important for us.

We get very good prices for our honey because we've got Manuka. It was the original Manuka before Manuka floated over to New Zealand and pollinated that little island as well but the original Manuka came from Tasmania and you get good prices for that. We also produce the best

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honey in the whole world from our rainforest, not contaminated with agricultural crops or anything like that, which is called Tasmanian Leatherwood.

Every two years we have a World Congress for Beekeepers and it was held in South Korea last year and a little honey from Tasmania, called Tasmanian Leatherwood, won the best honey in the whole world from 140 countries.

MR LINDWALL: Congratulations.

MR BOURKE: It is very, very good product and we get good prices for it, higher than anybody else does. One of those reasons is that we sell our honey into Europe which doesn't tolerate any GMO pollen whatever, none. We have other countries that compete with us like New Zealand. They don't have much GMO in their pollen either. That's our main competitor for our Manuka but for our Leatherwood and things like that, we have very good crops that we export. We rely on exporting in Tasmania and we rely on our very good name for having the cleanest, best product in the world. The last three years my little company has won the best small business exporter in Tasmania, three years in a row. We try to do our best here in Tasmania.

You can do without any other animal. If you took dairy cows out we'd survive and if you took beef cattle out, sheep and cattle, anything, take anything out and we'd survive, but you can't survive without the honey bee. It is most important for us. It is a European insect that pollinates our European food that we eat here. Keeping our products extremely good like that without any GMO pollinate is very important, but we have to stick our little toe into the pond to come here and pollinate these crops.

Quite often when you go to a beautiful crop that you are pollinating, clover or something like that, you get the seed for it and we do get a very high germination rate for our pollination here in Tasmania. Some of these crops are right next door to a poppy crop. We don't mind that. We're all in it together but bees do like a variety to keep themselves healthy they get a variety of pollens and they keep them separate in the cones. You get a little bit of pollen in there, stick, horribly, gooey stuff it is and it doesn't always come out when you extract that clover honey. With those empty cones we take them back down to the Leatherwood and we collect our Leatherwood honey and it could be in that extraction or the next one after that that pollen will come out and mix into the honey.

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Now there is pollen in all honey, even the brightest sieved honey that you can see. Even some of the big companies, they finely filter it, but when you put it into a spinner and wash it and wash it and wash it, you put it under the microscope, you'll see the identity of that pollen, what that crop is. It's in all honeys. That's why it's so healthy for bees; it's a natural food for them. There is pollen in all honey. We can't avoid it. We don't want to withdraw our services from pollinating. Not every beekeeper does the pollinating. There are only a few beekeepers that do it. There are actually beekeepers here in Tasmania, very good commercial beekeepers who produce the most beautiful honey but they won't go anywhere near agricultural crops because it is such a threat to them. It's a threat to them only because of ignorant agricultural practices that some farmers still practice.

As I said, we have a very short period leading up to our crop and we can't be checked in any way, otherwise we won't get our crop. We have standing orders for our honey. We haven't been able to get a very good crop for the last four years, because of different reasons. Mainly it's climate and that has happened to us a few years in a row. We're quite annoyed that some people really want to pull in GMO for their small benefit, but at the detriment of all of us. We get very good sales for our honey because we have got a very good name in Tasmania.

I really am disappointed when this keeps coming back and coming back and coming back. I did a lot of work towards it before and we've got more important things to do in our industry at the moment. We've got to keep Varroa destructor and Varroa jacobsoni out and we have a small incursion in Townsville and we're sending beekeepers up there to help with it and we're on all sorts of things, like categorisation of the pest and containment of it. We've gone to the national management group to work out how to get the money to do all that and I shouldn't have to keep coming back and watching my own back door.

I'm a Liberal voter and it's a Liberal Government that's here and this is a bipartisan thing. We have a GMO moratorium here in Tasmania and we shouldn't have to come back with this thing time in and time out. There's only two or three crops that will benefit from it, the GMO ryegrass maybe and GMO poppies. Canola, we don't have to have GMO canola. Ninety-nine per cent of all canola in the world is GMO, yes, but we're a little bit different. We've got GMO free which you can sell those at the premium price into Japan.

In this little submission, 6.1, I see that it's questionable that we get higher prices. Well we would be getting no price at all if it came in that we had GMO pollen in our honey that we sell to Europe. It's not

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questionable whether we get a better price or not; it's no price. It keeps coming back to it, doesn't it, back and back and back again.

I haven't had much time to rehearse things by the way. I've read it all before and I've lost it all in the car on the way down again because I had no notice.

MR LINDWALL: No, you're very clear.

MR BOURKE: So now I'm a little bit annoyed by it because I had no notice. I rang your office in Sydney and I got a very good reception and very helpful. Senna, it was and I was very pleased with that.

MR LINDWALL: Canberra, that is, yes.

MR BOURKE: I had to try and do this in the car on the way down. We put a submission in and I think that we should have been notified to come and appear, choose whether we wanted to appear or not, and I would have liked to have heard what the other people on the agenda here were to say today and I missed out on that. I would have definitely been here if I had known but finding out this morning, it's a little bit late for me but I am here.

So it's a bipartisan that we have a GMO moratorium here in Tasmania. I don't think we should even look at it until that time elapses. It's really hard to say that they can coexist side by side but that's bull, because we have flying insects that can go three kilometres to another crop. We can't contain them. The farmers desperately need us. They can't get enough. They can't get enough for any crops. They can't get enough for the almonds or any crops at all because of what's happened in the past. The carrot industry has grown another 20 per cent this year and they haven't got enough bees to pollinate it and that's putting more pressure on people like myself to be able to do these things. I don't want to put them all there because they overlap when we go to our crop. For the whole year we prepare for one main crop and the carrots, sometimes they overlap into that and we can't get the bees enough. So I sacrifice production for it.

Now sometimes farmers will complain that the pollinating costs a lot. For the carrots, it's $150 per hive. Last year I earnt, including that $150 per hive, I earnt $700 per hive. I've got 3600 of them and we employ a lot of people. We have people coming to us. For the first few years it was us going to them and now they come to us. Delegations come almost on a weekly basis and during the honey flow they sometimes come out into the rainforest with us and I'll get a frame of honey out and they'll taste it and

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it's really good and it helps sales, because they want to see where it came from. We're so fortunate because we have a rainforest that's many kilometres away from human beings and human beings are the ones that go against organic certification.

We do pretty good things. Next week I'm flying to Victoria because I won the best food in the Australian Fine Food Awards which is held in Victoria. We won it last year as well. We do one here in Tasmania. We won our own Tasmanian Fine Food Awards. We've got premium products and we don't want them to be tarnished with anything that's got GMO on it. In fact, some of my neighbours have "GMO-free" right in the front. I shouldn't have to worry about those sort of things.

Would you like to ask me any questions?

MR LINDWALL: Thank you for coming. As for the short notice, I apologise for the short notice. The hearing here is an add on because of requests. I thought that all the people who had made submissions would have been emailed to let them know it was on. We did something through the ABC and also in the newspapers, so maybe we stuffed up. I don't know.

MR BOURKE: Well I'm a farmer. I'm working hard. We've been getting ready for the queen bees and all those sorts of things. I've missed it.

MR LINDWALL: Anyway, I apologise for that. Your concern about GM is about the marketing to Europe, in particular.

MR BOURKE: Correct.

MR LINDWALL: As I was asking someone else earlier today, GM or any science changes over time, there are new breeding techniques that are being used that are quite different to traditional GM and some of them I've been told could have major health benefits. What I'm getting to is that European Union's ban on GM for food consumption, one possible is that it might change in the future. You can't exclude the possibility it might change. If the European Union started demanding GM products, would that be something that would change your view?

MR BOURKE: The way to answer that is when you can convince the whole world that GMO is a good thing, I'll embrace it, but nobody believes that at the moment. You may have your success with that GMO products are really good to feed the starving people in the world, but not people who want high priced foods and the best that they can buy for not

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only themselves and their children and their family, they want the very best, it's that it won't wash.

MR LINDWALL: As we had the poppy growers people here - - -

MR BOURKE: Yes, I would have loved to have heard them, heard my friend Keith.

MR LINDWALL: Sorry you weren't able to. They made the point that if you have two poppies, one of which is GM and one's non-GM, the final product, which is Oxycodone or some morphine-type substitute, is identical in every respect to a molecular level. So in all of this it seems like the concern is about process of getting from A to B, rather than the end product. Is that basically it?

MR BOURKE: Yes, I would have loved to have the poppies. I missed them.

MR LINDWALL: You can read the transcript in due course.

MR BOURKE: I'll get it in a couple of days' time. They're a very successful company and they're doing a wonderful job. They're actually oversupplying at the moment and doing an extremely good job. If they can come up with a GMO product will it help them in their yield? I mean if it's against getting crops pollinated and all those and it is directly against getting crops pollinated because we won't go near it if it's going to be there. We won't go near it. You can manufacture all the codeine you like in the world but if there isn't people there to eat it, it's no good doing it, is it? We have to feed the world. We're only a small industry, only $90 million a year, but we pollinate $4 billion worth of Australian crops, year in, year out. They're all on record. We're up against it. We're up against it because Varroa destructor is right around the whole world now. Everyone in the world's got it except Australia. We're doing everything we can to keep it out.

MR LINDWALL: Sorry, what is it?

MR BOURKE: Varroa destructor.

MR LINDWALL: That's a type of bee?

MR BOURKE: No, these are a parasite that gets on the bee and it came from the Asian bees. In Asia it only attacked the drone group which was much larger and that incubated for 24 days. About 60 years ago they learnt how to get in our European bees and they go into the brood cycle,

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the normal worker cycle that only has a duration of 20-and-a-half days. The poor old bee hatches with half of the row of the six females that were laid in there. Three of them aren't mature and they die but three of them are mature and they will be successful. This is a terrible thing because it's not only the Varroa destructor that sucks the baby bees in their cones, but it also gives them viruses called deformed wing virus. So the bee comes out and it can't do anything much. It can't even fly so it's useless and it's really bad. It's really bad for our honey bee industry over the world.

The thing is they're trying to kill it with chemicals and they used two different types of miticides to kill this thing and they almost killed the bees. They killed the Varroa, almost killed the bees, but those things are going and leeching into the wax and leeching into the honey. The whole world is very concerned about this because they're becoming immune to it and you can't breed it out. It's just the sole female lays a male and then six females in the cocoon with the bee and they bite a weeping hole into the side of that bee and they feed off it while it develops and it develops into a useless insect and they can't pollenate. They can't do all those things. So we're very concerned about that.

We don't want any more setbacks. Probably here in Tasmania we have the healthiest bees in the whole world. We don't have the small hive beetles as well, which has come right down through the eastern parts of Australia. It came from South Africa and that's a really bad thing as well. Varroa destructor and small hive beetles would kill all the feral bees everywhere, wherever they get. Then it will only be up to the pollinating beekeepers, the ones who choose to stay in the industry.

When it happened in New Zealand, half the beekeepers walked off because they couldn't afford the $32 a hive that it takes and all the work to keep these things healthy. So the larger beekeepers got larger and it will be all down to that. I'm very concerned if it gets into Australia because we have such a laid back lifestyle here in Australia and we're not desperate. It's hard to find young people to work for you know because they all want to do their beekeeping with computer studies and it's not like that. It's a physical hands-on job. You've got to go out there and actually do something. It's like gardening.

MR LINDWALL: Is our biosecurity system sufficient in Australia to protect us for some of these hazards you're mentioning?

MR BOURKE: We're doing everything we can, everything we can. I'm chairman of the Australian Honey Bee Industry by the way, as well as President of the Tasmanian Beekeepers. So yes, we are, we're having meetings. We're going to have a meeting with Planned Health on

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Wednesday to talk about the categorisation of whether the government has to spend 50 per cent to help us or 20 or 80 per cent. All that's going to happen.

We've got to roll out a better security for our ports and our quarantine system. We do have a camera monitored unmanned that's been developed. It's only in Queensland at the moment. We've got to roll it out. The CSIRO have identified all the ports that we've got to protect. It's ongoing, very busy and ongoing, and we're very, very concerned because it's in New Zealand, it's everywhere. These Asian bees are coming in now from Papua New Guinea. They came from somewhere else. They came from Indonesia and they have Varroa jacobsoni which is another parasite. It's not quite as bad as destructor. Up until five years ago we didn't think that it would propagate in the European honey bee but it's happened in Papua New Guinea unfortunately. Some have worked out how to reproduce on our European honey bees.

That's why we're so concerned because they are in Townsville at the moment. We did have an incursion in Cairns five years ago and now they're in Townsville. We estimate it will take one to five years to link up, but this new incursion we've got has got Varroa jacobsoni on it which is a very big concern for us because if there was a lot of Asian bees that were infested with jacobsoni, then the next thing is they would infect our European bees as well. Our European bees are used for pollinating all over the country. The almond industry can't get enough of these to pollinate, so they truck them down from Queensland and everywhere else. You could very quickly infest our country, so we are very concerned. We don't need any setbacks on these minor things. We need to get the best price for our products that we can.

MR LINDWALL: And also the appropriate chemicals, I guess, too.

MR BOURKE: The chemicals on miticides are really bad. Where we've got these incursions in Townsville, we want to get rid of them without poisoning them if we can help it, because if we poison them with Fipronil, which is the most terrible, social insect killer in the world. If you kill one bee, you're certainly going to kill everything in the area. It will be like nuking the whole place. We want to find these individual hives if we can and that's what we're doing up there at the moment. Beekeepers throughout Australia are putting their hand up and going up in blocks of four to work with the Queensland Government to try and beeline and find these bees and trace them back to where they live so that they can kill them. We're checking all our European honey bees to make sure that they haven't got any of the mites in there as well.

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MR LINDWALL: Basically the solution is to selectively kill the ones.

MR BOURKE: Selectively kill, yes. We tried that in Cairns and we couldn't do it, so it got away from us. The Federal Government at the time gave us $2 million dollars to transition.

MR LINDWALL: You mentioned the European bees. They were introduced obviously at some stage. What did Australia have previous to that in terms of bees?

MR BOURKE: We have flightless bees that pollinate macadamias and things like that, and short, little bees with little tongues that do our little flowers that we have here in Australia. The solitary bees; we've had 200 varieties of solitary bees, but when we've brought our European food to Australia, we then quickly learned that we had to get a European pollinator out here which we did. We are lucky enough to go into a forest, into a Tasmania forest everywhere, because we leave a soft footprint. We're the eyes and the ears of the forests.

We work pretty well with forestry. Our industry, which is Tasmanian Beekeepers Association, we are members of FSC. We try to get better certification for our forests here. The private forests have got FSC certification. We'd like to see our Tasmanian Government forests get that as well because then they'd harvest the timber in a more responsible way, which we are in line with. We'd like to see them more successful so that they can look after their road access which we enjoy. We've had a lot of roads flooded out in this last season. We had some massive floods and we had bushfires before that, very large bushfires. Then we had these really bad floods that washed our bridges away and culverts and things like that.

I'm actually going to see our Minister in a couple of days' time to see if he can help us beekeepers because we're only working people. Three years ago another beekeeper and myself spent $60,000 repairing one of Tasmania's bridges which is owned by Forestry Tasmania but it goes to parks land over the Arthur Bridge. So we spent the $60,000 on a public bridge which is one of Tasmania's public bridges and we don't think we should have had to do that because we come and pollinate crops for everybody else and do all the right things and yet we have to maintain bridges which we can't even insure or lock up or anything. So I've got to go and see the Minister this time which I am going to do.

MR LINDWALL: The labour market issues you mentioned, the workforce, what's the future of the workforce in beekeeping in Tasmania?

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MR BOURKE: The future of the work force is very, very good. Three years ago I worked out that we have to employ our own people which we did. So with TAFE three years ago I employed the first of category 3 beekeepers. They've passed now and the second-year ones are through their first year, and I've just put on four more for this year, the starter beekeepers. It's working very well. They're not coming from another company where they drive on the wrong side of the road and learn their practices and then go back home again. We are training our own crew.

MR LINDWALL: So you don't use any backpackers like some people do?

MR BOURKE: We have done in the past and some of them have been good and they've got in and worked very hard for us and some of them have been not good. You spend all the time teaching them because we are very fussy. We want to produce our honey the best way that we can and extract it correctly and do all those sort of things. So we're training our own beekeepers. We've got some passed, some on the way, and some new ones just employed.

MR LINDWALL: That's good. Transport, you export your product to Europe, as you were saying, but is that by air transport or by sea?

MR BOURKE: Some of it is. The creamed honey we export goes on the planes, so 50 tonnes goes to China each year, creamed honey, because it's got to be kept cool and quickly. On planes we send many pallets of live bees to Canada. We are lucky here. In fact, I'm the largest exporter of live bees in the country because we don't have small hive beetle and Canada doesn't want to get small hive beetle. So they get a lot of bees from when we finish in the Leatherwood and then we pack those bees up and send them off to Canada, so they go in planes as well. The rest are sent on shipping overseas. Sixty per cent of our product, no, nearly 70, is exported.

MR LINDWALL: Ken, you should ask. I've been asking all the questions so I'm interrupting you for a bit.

MR BAXTER: You mentioned the almond industry, and I gather that recently one of the biggest horticultural exporters in Tasmania, Webster, have bought a very significant almond plantation in the Murrumbidgee Basin. You talked about the threat of flying insects and of course the fruit fly is a major insect in that south-west corner of New South Wales. How do you deal with an industry that moves, such as the almond industry has done, from a reasonable sized operation in Tasmania to a very large operation - or what will be a very large operation in New South Wales?

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MR BOURKE: Yes, well it's not coming from Tasmania. I'm not aware of it. We've got walnuts and things like that here in Tasmania but almonds are in Robinvale and three places on the mainland. So we can't pollinate any almonds from here because we've got a little insect as well that no one else has called the Braula fly, so we can't go over there. I know that they can't get enough bee hives for the expansion of the almond industry. It's going in leaps and bounds and they are under threat too because if the honey crop came at the same time, they're going to make a lot more money getting honey for pollinating almonds because they're not paying quite the equivalent.

California, of course, produces more than 90 per cent of the almonds in the world and they're paying their beekeepers more than what the Australians are. It's subject to negotiations, of course. The Australians have been reasonably happy with what they're getting at the moment, but the almond industry have been cutting them a little bit short and I hope it doesn't come to bite them because if the honey crops comes, then the beekeepers are going to make a lot more money.

MR BAXTER: Where would they get the bees to pollinate what is a very substantial area of almonds that they're growing on the Hay Plains?

MR BOURKE: They get them from three States. They go interstate. We're just worried that if Varroa destructor came to one of the States, then it would close the borders and people wouldn't be able to leave that and pollinate the almonds within that State. We've done scenarios on these things before. Robinvale was one that we did and the South Australian chief vet said he would close the border and that you could only do it within your State, but they wouldn't have enough hives within the State to do that because there's three main areas where they do grow almonds.

New players are coming on the scene too with growing almonds. I can't see where the end will come but the only way they can do it is for the beekeepers to work pretty hard and split their hives and put another queen in so they've got two to be able to do it. That's really the step at the moment. That gets me back to the huge, world record crops we get here in Tasmania and that's because we don't split them because we have to keep our hives extremely strong because we've got our main crop directly after it, so that's why. So they get very good value from Tasmanian beekeepers.

MR LINDWALL: What else?

MR BAXTER: I've got nothing else.

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MR LINDWALL: That's a big threat, as you are saying. Are you optimistic that it will be contained?

MR BOURKE: The one in Townsville, if everything comes to the worst we'll have to go to the last thing and that will be to kill everything in the area. I can't talk too much because it's privileged but they are finding some up there which is a bit of a worry. They're find them and pollinating them.

MR LINDWALL: It's a very interesting industry I know very little about.

MR BOURKE: It intrigues people of all walks of life, of all walks of life in our beekeeping industry.

MR LINDWALL: I'm pleased to hear that you're getting a new labour force in because we visited some people in Townsville recently, more cane growing, and I had a sense that like in many agricultural sectors it's an ageing population and some of the children don't wish to take over the business.

MR BOURKE: That is correct. That is correct. The actual age of beekeepers is four years older than farmers; it's 58 and so we do need younger people to help us. I employ 10 beekeepers actually, so I'm responsible for their wellbeing and their families.

MR LINDWALL: It's a good living for those that are interested?

MR BOURKE: Yes, it is a very good living. Some of them even choose to stay and repair things in the winter. They go out and do other things. I've got two people who actually cut firewood and find that more profitable than beekeeping in the winter, so it's good for them.

MR LINDWALL: Is there anything else that you'd like to say that we've missed out on, do you think?

MR BOURKE: No.

MR LINDWALL: You've given a pretty thorough exposition of what your concerns are; yes?

MR BOURKE: Yes, I just don't want to get GMO. The other industries that think they need it, they don't. They're doing very well at the moment without it, extremely well.

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MR LINDWALL: Thank you very much then, Lindsay.

MR BOURKE: Thank you very much.

MR BAXTER: Thanks for driving all the way down too.

MR BOURKE: That's all right - at the last minute. That's all right.

MR BAXTER: And I'm a great consumer of your Leatherwood.

MR BOURKE: That's very good.

MR LINDWALL: So am I.

MR BOURKE: Well you know foods complement each other, so you need a little bit of dairy with it, and a little bit of cream cheese and it really tops it off. Thank you.

MR LINDWALL: Thanks, Lindsay. Is this Brett?

MR HALL: Yes, it is.

MR LINDWALL: If you could just say your name and organisation and a bit of a presentation of what you'd like to say today.

MR HALL: Thank you. My name's Brett Hall and I'm from the Tasmanian Red Meat Industry Council, and I'm here particularly today to address your draft report which under finding 6.1 states, "There is no economic or health and safety justification for banning the cultivation of genetically modified organisms".

I sent you a covering letter and also a copy of a report I did on the beef industry in Tasmania in 2013 and I believe the content of that is still relevant today, things haven't changed. In addition to that I'd just like to table to you a copy of the Tasmania Red Meat Industry strategic plan, a value chain case study that I did on the Tasmanian Red Meat Industry, both lamb and cattle, and that's just a copy of the letter that I submitted.

MR LINDWALL: Thank you very much.

MR HALL: Our position quite clearly is to strongly support the continuation of the Tasmanian moratorium on GMO use because of the significant economic benefit it has generated from providing access to premium priced markets across the world. Our argument is mainly around

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market access and developing new markets and our industry focuses on customers and this is the feedback we're getting from customers as to what they actually want. So that's why we'd like to see the moratorium kept up. We have a few main markets and GMO-free features highly in all those markets. I'll go through them one by one.

The Japanese market: this market is worth about $50 million a year to Tasmania alone and there are four parameters going through the Tasmania feedlot that service that market. The four things that the animals have to be is HGP-free, hormone growth promotant free; they have to be no antibiotics, high marbling and feed no GMO material or bone meal. That's the basis of all the whole trade there. So without being GMO-free in the intake, those animals are not eligible for that market.

USA has got most of its cattle finished in feedlots and they use GMO corn over there as their main food source. A market's been developed over there from health-conscious people who want beef that is produced as natural as possible without antibiotics, drugs and that type of thing, are not being fed GMOs and no grain in the diet. So with Tasmania being declared GMO free, it's become a marketing point of difference for the State's two main processors, that being J B Swift and Greenham Tasmania. The strength of the demand for GMO beef in the US is reflected in Greenham Tasmania Limited's successful effort in establishing the Cape Grim beef brand as the first Australian food brand to be certified in the USA based non-GMO project protocol.

The other markets are Korea. In Korea you've got mandatory labelling of GMO products and very few GMO products are actually sold there due to the negative public attitudes to GMOs. The other large area is EU. So support for GM food is around 30 per cent and declining across the EU states and from the Eurobarometer survey in 2010, it showed that 66 per cent of the people surveyed are either fairly worried or very worried about GMOs in food or drinks, if you refer to page 15 of that.

As far as the economic situation goes, there was some work done in Tasmania by Macquarie Franklin a number of years ago now but that was fairly biased I found towards GMO introduction. At present there's only one allowable GMO crop approved by the regulators that could be grown in the State of Tasmania, that's GM canola. Now the projections for the benefit of growing this crop in Tasmania show an estimated annual farm gate value of four million. It actually came from that Macquarie Franklin report. That's .15 per cent of the annual 2.7 billion Tasmanian food and agricultural sector turnover. That's Macquarie Franklin's figures from that 2012 report.

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The amount of potential risk involved in growing this GMO crop for such a small gain does not stand the test of being an option economically. Since this estimation was completed by Macquarie Franklin, there's been a huge increase in sales of Tasmanian GM-free canola to Japan at a premium price and the Tasmanian agricultural producers themselves have estimated that could reach six to seven million in the next five years. So the potential for the industry is rather small in comparison to the rest of agriculture and one of our markets alone, Japan, is over $50 million a year turnover. That's its risk from an economic viewpoint.

To finish there, something that was identified in my letter was about the situation where the dairy industry is keen to grow GMO grasses in Tasmania, specifically ryegrass across the dairy industry. For such a thing to happen would be very difficult to establish in the environment. A GMO canola crop stands out quite markedly from the rest of the environment, whereas grasses, you would not be able to stop their spread because it would be extremely difficult, apart from a few experts being able to identify them in the landscape. We see that as a big risk, especially when given that the Tasmanian situation which is identified in our industry strategic plan, it's one of the few regions in the world with a positive agricultural outlook from the impacts of climate change. I don't think anywhere else in Australia has an improvement in the climate conditions for agricultural productions but it's certainly the case down in Tasmania with the forecasts.

What has been forecast is that by 2085 annual dry land pasture production from ryegrass is expected to increase by 10 to 100 per cent, depending on the region. Irrigated ryegrass yields are expected to increase by between 20 to 30 per cent by 2040. Now the basis of introducing a GM-species of ryegrass is to increase production. Now the climate predictions are showing we're getting amazing and significant increases in production just from the effects of climate change. So really to be looking at introducing another grass species in to increase production is clearly nonsense because we're going to get that through the climate change forecasts.

MR LINDWALL: Thank you, Brett. I don't want to criticise you on this but you're saying that this other industry which is worth an amount of money which you say is not very much should be banned because it might affect you. Well other industries might be saying the same about your industry, so you've got to be careful about saying that you should ban an industry you don't like for some particular reason.

MR HALL: Our industry is a proven industry. It's got proven markets and the basis of our markets is because of this GMO-free status. So we're

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responding to what the consumers are telling us. We're not arguing whether scientifically this can be proven or there are no long term health implications of using GMO technology, but I think the jury is still out in that area as well. We're simply saying we're listening to our customers and our customers from our target markets, our key markets, are all telling us, "You keep producing your GMO-free product that's clean and green and safe and we'll keep buying it from you".

MR LINDWALL: I think your arguments on marketing could be soundly based and I can understand the economics and particularly you heard with the beekeeping before and other areas. But on the science I think that it's a bit clearer on that because the scientists that we've spoken to have been unanimous in saying that the safety of GM products has been well established over many years.

MR HALL: I still don't think it's been entirely established that the long term safety of human consumption of GMO products has been proven to be safe because that hasn't been done.

MR LINDWALL: But those products are identical in some cases at a molecular level. The example I gave earlier was that you can produce poppies, GM poppies and non-GM poppies, and the Oxycodone that you get at the end is identical at a molecular level. You cannot distinguish one from the other and it would be silly to label one lot GM-free and the other not, surely.

MR HALL: In the case of poppies, because they're going into the pharmaceutical industry, that would be a different kettle of fish to products that can potentially be going into the food stuff of the livestock we're raising. That's a different area really.

MR LINDWALL: What about scientists have also told us about things called new breeding techniques which directly target the genes and the genomes of particular species and they are not treated as genetically modified but they are able to make quite significant changes and therefore there's been a shift away in some ways from GM production because of the negative viewpoint by a number of people of it, even if it's misinformed in some cases perhaps, according to the scientists, to these other ways of changing the genomes. Is that something that would cause concern or is that not something that's affecting the market, I suppose?

MR HALL: I think what you're identifying there generally consumers are a little bit more comfortable with that because they see that in some ways replicating what's happened with their natural genetic selection, so they're probably a lot more comfortable with that, rather than putting

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genes out of a different species into another. That's where quite a lot of concern is raised.

MR LINDWALL: Did you want to talk anything about the GMs?

MR BAXTER: No, I think I'd like to compliment Tasmania for an extraordinary effort in selling a brand name and playing well above your weight.

MR LINDWALL: Yes.

MR BAXTER: I mean I've been involved in Tasmania for nearly 30-odd years. Can I also add, and I've probably got a conflict of interest, that I am a regular purchaser of Cape Grim beef. Not because it's GM-free but because the Cape Grim owners have managed to present through Harris Farm markets a set of beef products which is a very thin strip of beef and being one of those ageing people with no children left at home, it suits my wife and I. So it meets a market that the traditional mainland beef producer or beef processor has not met.

Because of this inquiry, among other things, I take a particular interest of the products that are in the shelf. For whatever reason, the Tasmanian industries, which include you and the beekeepers and a whole lot of others, have managed under pressure several years ago when you were having difficulties, to develop a range of products. If you look at meat, bees for one, or honey, you look at the wine industry which has gone from being largely non-existent or certainly at the lower end of the market 20 years ago, to now in the number of wine types as being dominant in parts of the Australian market. I have absolutely no problem if you use to a maximum all the assets you've got to penetrate a brand and once you've established that brand, to pursue it and maintain it.

The question I'd ask is the one which results from the query over ryegrasses. Are there no ryegrasses at all in Tasmania?

MR HALL: Yes, there are existing ryegrasses in Tasmania, yes. You'll see in the additional information I provided to you just then that the grass is a critical marketing factor in our beef brand. It's seen as a natural product and they see grass as natural, even though there's species that have been introduced to improve the pastures here in Australia. So that's still seen as being quite different to genetically modified.

MR BAXTER: Yes, and I understand that but they are here.

MR HALL: Yes.

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MR BAXTER: So it's not as if you're introducing a totally new species into the stable?

MR HALL: Well I'd tend to argue that a GM species of ryegrass will be totally different.

MR LINDWALL: We've heard in these hearings in Hobart quite a lot about GM, so I'd like to use another topic because it's relevant to the industry, animal welfare. We made a proposal in our draft report about a body which was independent to provide advice on animal welfare standards to both farmers and to help educate the community about what are good practices and poor practices. Did you have any comment on that?

MR HALL: There's no doubt that animal welfare has been raised a lot amongst the community and it's a strong community concern. A number of years ago there was some advisory committees but I think they got probably fairly unwieldy and probably too large, but we saw in the past great benefit in those because there was wide industry consultation. We think that that method, if they were reintroduced, that would be satisfactory to go, rather than have a higher tiered organisation especially made, because it would probably be a lot more costly.

MR BAXTER: You guys are not exporting any live animals, are you, apart from across to Melbourne or to the islands between here and Victoria? Is there any large type exports going from Tasmania?

MR HALL: Yes, there are live exports because we export dairy cattle internationally. We export Angus cattle for breeding purposes and they've gone into a number of countries, and more recently, obviously China, so yes, there are some live exports going on.

MR BAXTER: And sheep?

MR HALL: Sheep nowhere near the volume that there used to be but if somebody buys our sheep in another State and at the end of their lifetime they may go overseas as mutton, something like that.

MR BAXTER: Do you get concerns then about the cost of coastal shipping from ports in Tasmania which are quite expensive?

MR HALL: Yes, quite expensive and certainly, from our point of view, the Victorian government looking at privatising the port of Melbourne would be a bit concern to us because we're totally reliant on that port.

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MR BAXTER: You think that there's a risk that it would be privatised and prices would shoot up quite a lot.

MR HALL: Well we're yet probably to see a privatised business becoming cheaper than what the government one was, as far as our costs go. I think just access to that port for Tasmania, the last figures I saw on that was about $75 million for that access to that port and that port's about 25 per cent of the throughput from Tasmania. So really we haven't got anywhere else to go that could be cost competitive.

MR BAXTER: Any other transport issue that's of note to mention?

MR HALL: Well freight is the big one for Tassie, because you've got freight from the other two main islands, King Island and Flinders Island, and as you know, they can be fairly rough waters crossing there.

MR BAXTER: Occasionally.

MR HALL: Having large enough facilities and ships to be able to handle all seasons, all weather is a big concern and that infrastructure in place.

MR BAXTER: Relationship with the supermarkets. I notice, for example, Tasmanian meat, and at the top end of the frame, such as Cape Grim, at least my observation as a Sydneysider are in Harris Farm, Woolworths and a couple of the specialist markets. What's your view about supermarket power and ability for you to extract the prices you're getting? Let me take an example. The Cape Grim beef that I buy from Harris Farm, what I bought would be a kilogram and it cost me about $32. Now I walk around to Woolworths and get a similar product but not identical by any means, and I am talking say $22 in the current market. What's the relationship between the Tasmanian suppliers and the major Australian supermarkets and chains?

MR HALL: Well I guess really the big drivers for the Tasmanian meat industry are interstate sales and international sales. It would probably come as a surprise to many Tasmanians that not a lot of Tasmanian product, as far as beef goes, actually ends up in the local supermarkets.

MR BAXTER: Because you're getting the premium price overseas?

MR HALL: Yes, getting premium prices and also the supply centre for a Woolworths, for example, operates out of Sydney. So they're not going to buy local cattle here in Tasmania, take them up to New South Wales,

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background them, put them into that supermarket over there and then ship them down here necessarily.

MR BAXTER: So your members don't slaughter on their own behalf in the first instance and then sell product packaged to Woolworths and Coles. You still go through the normal process of say either the sale yards or consignment shipment. The cattle go to an abattoir in Tasmania or in Melbourne and then it's the purchaser who then puts it into the various supermarkets?

MR HALL: Yes, mainly going through the main - - -

MR BAXTER: Yes, so it's not a pre-packaged thing that goes?

MR HALL: In some cases different processors will have their own brands that will go into those supermarkets, or in other cases they will be contracted to supply certain brands to those supermarkets. A lot of the supply that comes into Tasmania's supermarkets comes from interstate. It's known as Australian beef rather than Tasmanian beef. If you walk into the supermarkets you'll see, "Proud Australian Beef", but it's a lot more higher percentage of lamb that actually gets into the Tasmanian supermarkets.

MR LINDWALL: Have you thought of marketing overseas with "Proudly Tasmanian Beef"?

MR HALL: A little bit of that is done, especially Greenham in the US have promoted it and certainly what gets promoted over in Japan is all clearly identified as Tasmanian product.

MR LINDWALL: Which is why you get that premium over the rest of the country basically?

MR HALL: Yes.

MR BAXTER: I've also seen it in Singapore.

MR HALL: Yes.

MR LINDWALL: How much of a premium do you think you're getting from that?

MR HALL: An example would be probably about 80 per cent of the cattle in Tasmania would be Angus and until recently there was a

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premium in identical sized calves at six months of age of $50 to $100 a head for cattle that were eligible to go into the Japanese market.

MR LINDWALL: For the record, what percentage is that of the total price?

MR HALL: Well that would have been 10 to 20 per cent in most years. Yes, so there's a significant premium out there for animals that are meeting the specification. The specifications are broadened now to include basically all British breeds, rather than just Angus. So you're seeing less of a premium for the Angus, but you're certainly seeing a premium in the marketplace for all those British breeds now.

MR LINDWALL: Thanks very much, Brett. Do you have any final points that you'd like to make?

MR HALL: No, no, I think this just follows on. Tasmania, as you say, has moved on from being a commodity supplier to a specialist high value premium supplier.

MR LINDWALL: Thank you very much for coming then, Brett.

MR HALL: No, thank you.

MR LINDWALL: Is there anyone else who would like to make a final presentation before we finish up? In this case, this is the last hearing for the inquiry and thank you all for coming. That's the end of it.

MATTER ADJOURNED INDEFINITELY AT 3.19 PM

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