

**PORTFOLIO
BUDGET STATEMENTS
2007-08**

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

BUDGET INITIATIVES AND EXPLANATIONS OF
APPROPRIATIONS SPECIFIED BY OUTCOMES AND OUTPUTS BY AGENCY

BUDGET RELATED PAPER NO. 1.1

© Commonwealth of Australia 2007

ISBN 0-9775116-7-7

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to:

Commonwealth Copyright Administration
Attorney-General's Department
Robert Garran Offices
National Circuit
Canberra ACT 2600

or posted at:

<http://www.ag.gov.au/cca>



HON PETER MCGAURAN MP
MINISTER FOR AGRICULTURE, FISHERIES AND FORESTRY

President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

Speaker
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Mr Speaker

I hereby submit Portfolio Budget Statements in support of the 2007-08 Budget for the Agriculture, Fisheries and Forestry Portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement on the funding requirements being sought for the Portfolio.

I present these statements by virtue of my ministerial responsibility for accountability to the Parliament and, through it, the public.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter McGauran', written in a cursive style.

Abbreviations and conventions

The following notation may be used:

NEC/nec	not elsewhere classified
-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million
\$b	\$ billion

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Enquiries

Should you have any enquiries regarding this publication, please contact the Chief Finance Officer of the Department of Agriculture, Fisheries and Forestry on (02) 6272 4398.

A copy of this document can be located on the Australian Government Budget website at: <http://www.budget.gov.au>.

CONTENTS

Purpose and structure of Portfolio Budget Statements.....	vii
Purpose	ix
Structure	x
Portfolio overview	1
Agency Budget Statements	9
Department of Agriculture, Fisheries and Forestry	11
Australian Fisheries Management Authority	87
Australian Pesticides and Veterinary Medicines Authority	109
Australian Wine and Brandy Corporation.....	129
Biosecurity Australia.....	155
Cotton Research and Development Corporation	175
Fisheries Research and Development Corporation	195
Grains Research and Development Corporation	213
Grape and Wine Research and Development Corporation	235
Land and Water Australia.....	255
Rural Industries Research and Development Corporation	275
Sugar Research and Development Corporation	299
Wheat Export Authority	319
Glossary	339
Index	343

**PURPOSE AND STRUCTURE OF
PORTFOLIO BUDGET
STATEMENTS**

Purpose of the Portfolio Budget Statements

The purpose of the 2007–08 Portfolio Budget Statements (PB Statements) is to inform Senators and Members of Parliament of the proposed allocation of resources to government outcomes by agencies within the portfolio. Agencies receive resources from the annual appropriations acts, special appropriations (including standing appropriations and special accounts), and revenue from other sources.

A key role of the PB Statements is to facilitate the understanding of proposed annual appropriations in Appropriation Bills No. 1 and No. 2 2007–08 (or Appropriation Bill [Parliamentary Departments] No. 1 2007–08 for the parliamentary departments). In this sense, the PB Statements are Budget-related papers and are declared by the Appropriation Acts to be ‘relevant documents’ to the interpretation of the Acts according to section 15AB of the *Acts Interpretation Act 1901*.

The PB Statements provide information, explanation and justification to enable Parliament to understand the purpose of each outcome proposed in the Bills.

As required under section 12 of the *Charter of Budget Honesty Act 1998*, non-general government sector entities are not consolidated into the Commonwealth general government sector fiscal estimates; accordingly, those entities are not reported in the PB Statements.

Structure of the Portfolio Budget Statements

The PB Statements are presented in three sections, aligned in several ways to the Budget Papers, as outlined below.

Part	Description
User Guide to the Portfolio Budget Statements	
	An introduction, explaining the purpose of the PB Statements, the structure of the document, and styles and conventions used.
Portfolio Overview	
	A brief overview of the portfolio. Portfolio outcomes are depicted in a chart outlining the structure of the outcomes to which the portfolio contributes. This includes a table for Australian Indigenous Expenditures for the portfolio.
Agency Budget Statements	
	For each agency within the portfolio, a budget statement is presented in five sections:
Section 1: Overview	A brief overview of the agency.
Section 2: Resources	A reconciliation of agency resourcing information from the <i>2006–07 Mid-Year Economic and Fiscal Outlook</i> to the 2007–08 Budget. Includes key changes to the agency's estimates and a table of appropriations and other revenue sources for both Administered and Departmental appropriations.
Section 3: Outcomes	A brief description of the agency's outcomes and, where applicable, Budget measures in summary form. Details the contribution of the agency's outputs to the outcome(s), performance information for the outcome(s), outputs and administered activities, and planned evaluations. Notes upcoming competitive tendering and contracting that is of a material or sensitive nature. Links the resources appropriated and their application to the agency's outputs and to Administered items.
Section 4: Other reporting requirements	Includes purchaser–provider and cost recovery components.
Section 5: Budgeted financial statements	The agency's budgeted financial statements in accrual format, covering the Budget year, the preceding year and three out-years.
Glossary	Explains key terms.
Index	Alphabetical guide to the PB Statements.

PORTFOLIO BUDGET STATEMENTS AND BUDGET PAPERS

Comprehensive information on all government decisions announced in the Budget are in Budget Paper No. 2, *Budget Measures 2007–08*. The PB Statements include Budget appropriations for this Budget in each agency’s Table 2.2, 2007–08 Budget Measures.

The following chart shows the parts of PB Statements which relate to specific Budget papers.

Budget Paper	PB Statements
Budget Paper No. 1: Budget Strategy and Outlook	
Statement 1: Fiscal Strategy and Budget Priorities Overview of the fiscal and economic outlook	Portfolio structure (Agency) Overview (Agency) Resources for 2007–08
Statement 2: Fiscal Outlook Budget aggregates and variations to the fiscal balance estimates	(Agency) Resources for 2007–08
Statement 10: AAS Financial Statements Accrual financial statements for the general government sector	(Agency) Budgeted financial statements
Budget Paper No. 2: Budget Measures	
Budget revenue, expense and capital measures	(Agency) Resources for 2007–08
Budget Paper No. 3: Federal Financial Relations	
Information on the Australian Government’s relations with states, territories and local government, in particular, Specific Purpose Payments (SPPs)	(Agency) Resources for 2007–08 (Agency) Outcomes
Budget Paper No. 4: Agency Resourcing	
Resourcing for Australian Government agencies, including Appropriation Bills	(Agency) Resources for 2007–08

Departmental and administered distinction

Under the Australian Government's accrual-based budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies decide (departmental transactions) are separately budgeted for and reported on from transactions agencies make on behalf of others (administered transactions). This ensures that the transactions decided by agencies are reported separately from other transactions in their accounts.

Departmental

Revenues, expenses, assets and liabilities in relation to an agency or authority that are controlled by the agency. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services.

Administered

Revenues, expenses, assets and liabilities that are managed by an agency or authority on behalf of the government according to set government directions. Administered expenses include subsidies, grants and personal benefit payments and administered revenues include taxes, fees, fines and excises.

Appropriations in the accrual budgeting framework

In the accrual budgeting framework, separate annual appropriations are provided for:

- departmental price of outputs appropriations: representing the government's funding for outputs from agencies
- departmental capital appropriations for investments by the government for either additional equity or loans to agencies or payments from previous years' outputs
- administered expense appropriations: for the estimated administered expenses relating to an existing outcome, a new outcome or a Specific Purpose Payment to the states and territories
- administered capital appropriations: for increases in administered equity through funding non-expense administered payments.

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven or involve transfers to state governments). The appropriation framework is discussed further in the introduction to Budget Paper No. 4, *Agency Resourcing 2007–08*.

Components of agency financial statements

Reporting requirements for budgeted financial statements differ between agencies (for example, according to whether the agency participates in administered transactions). Therefore, not all agencies are required to report against all schedules.

The budgeted financial statements contain the estimates prepared in accordance with the requirements of the government's financial budgeting and reporting framework, including the principles of the Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration. They show the planned financial performance for the 2007-08 Budget year and each of the forward years from 2008-09 to 2010-11. The statements also include the estimated actual for 2006-07 for comparative purposes.

The schedules included in the budgeted financial statements for 2007-08 are as follows.

Schedule	Purpose
Budgeted departmental income statement	Shows the expected financial results for the agency. Identifies full accrual expenses and revenues, which highlights whether the agency is operating at a sustainable level.
Budgeted departmental balance sheet	The financial position of the agency. It helps decision makers to track the management of assets and liabilities.
Budgeted departmental statement of cash flows	Provides information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.
Budgeted departmental statement of changes in equity — summary of movement	This is a new statement for Portfolio Budget Statements that represents the movement of parent entity (the Commonwealth) interest in the agency. The statement has been prepared to reflect the net operating result, movements of capital return and additional capital injections from the Commonwealth.
Departmental capital budget statement	Shows all planned departmental capital expenditure (capital expenditure on non-financial assets), whether funded through capital appropriations for additional equity or borrowings, or from funds from internal sources.
Departmental property, plant, equipment and intangibles — summary of movement	Shows budgeted acquisitions and disposals of non financial assets during the Budget year.

Purpose and structure of Portfolio Budget Statements

Schedule	Purpose
Schedule of budgeted income and expenses administered on behalf of government	Identifies the main revenues and expenses administered on behalf of government.
Schedule of budgeted assets and liabilities administered on behalf of government	Shows the assets and liabilities administered on behalf of government.
Schedule of budgeted administered cash flows	Shows cash flows administered on behalf of government.
Schedule of administered capital budget	Shows details of planned administered capital expenditure.
Schedule of administered property, plant, equipment and intangibles — summary of movement	Discloses details of movements in administered non financial assets.

PORTFOLIO OVERVIEW

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO OVERVIEW

PORTFOLIO RESPONSIBILITIES

The Agriculture, Fisheries and Forestry portfolio aims to advance the interests of Australia's agriculture, food, fisheries and forest industries in ways that protect and enhance the natural resource base and are underpinned by sound scientific and economic research.

The portfolio comprises the Australian Government Department of Agriculture, Fisheries and Forestry and fourteen portfolio agencies. These portfolio organisations implement policies, programmes and services to assist industries to deal with the challenges they face and improve their sustainability, competitiveness and profitability.

The portfolio is structured to contribute to the achievement of the government's objectives of:

- helping Australian agricultural, food, fisheries and forestry industries become more competitive, profitable and sustainable
- enhancing the natural resource base on which these industries rely
- delivering scientific advice and economic research, policy advice, programmes and services to help deal with the challenges faced by agricultural, food, fisheries and forestry industries
- maintaining Australia's highly favourable animal and plant health status through quarantine, export inspection and certification and food safety standards activities
- improving trading opportunities for Australian agriculture and food industries.

From 1 July 2007 the portfolio is expected to consist of:

- The Australian Government Department of Agriculture, Fisheries and Forestry, including the Australian Quarantine and Inspection Service (AQIS), the Bureau of Rural Sciences (BRS) and the Australian Bureau of Agricultural and Resource Economics (ABARE).
- Three agencies prescribed under the *Financial Management and Accountability (FMA) Act 1997*:
 - Biosecurity Australia
 - The Dairy Adjustment Authority
 - The Australian Pesticides and Veterinary Medicines Authority.

Portfolio Overview

- One statutory marketing authority:
 - The Australian Wine and Brandy Corporation.
- Two regulatory authorities:
 - The Australian Fisheries Management Authority
 - The Wheat Export Authority.
- Seven Research and Development Corporations:
 - Cotton; Fisheries; Grains; Grape and Wine; Land and Water Australia; Rural Industries; and Sugar.

The Australian Pesticides and Veterinary Medicines Authority is scheduled to become a prescribed agency under the *Financial Management Accountability Act 1997* from 1 July 2007 (legislation currently before Parliament).

The Forest and Wood Products Research and Development Corporation (FWPRDC) is currently undergoing a process to form a new industry-owned company called Forest and Wood Products Australia. It is intended that this new entity will operate from 1 July 2007, and the FWPRDC has therefore not been included in this document.

Each agency within the portfolio has an outcome and one or more outputs that contribute to the portfolio outcome. Details are provided in each agency's section of this document.

The Department has also transferred a number of water programmes to the new Department of Environment and Water Resources pursuant to the Administrative Arrangements Order dated 21 September 2006 and amended 30 January 2007.

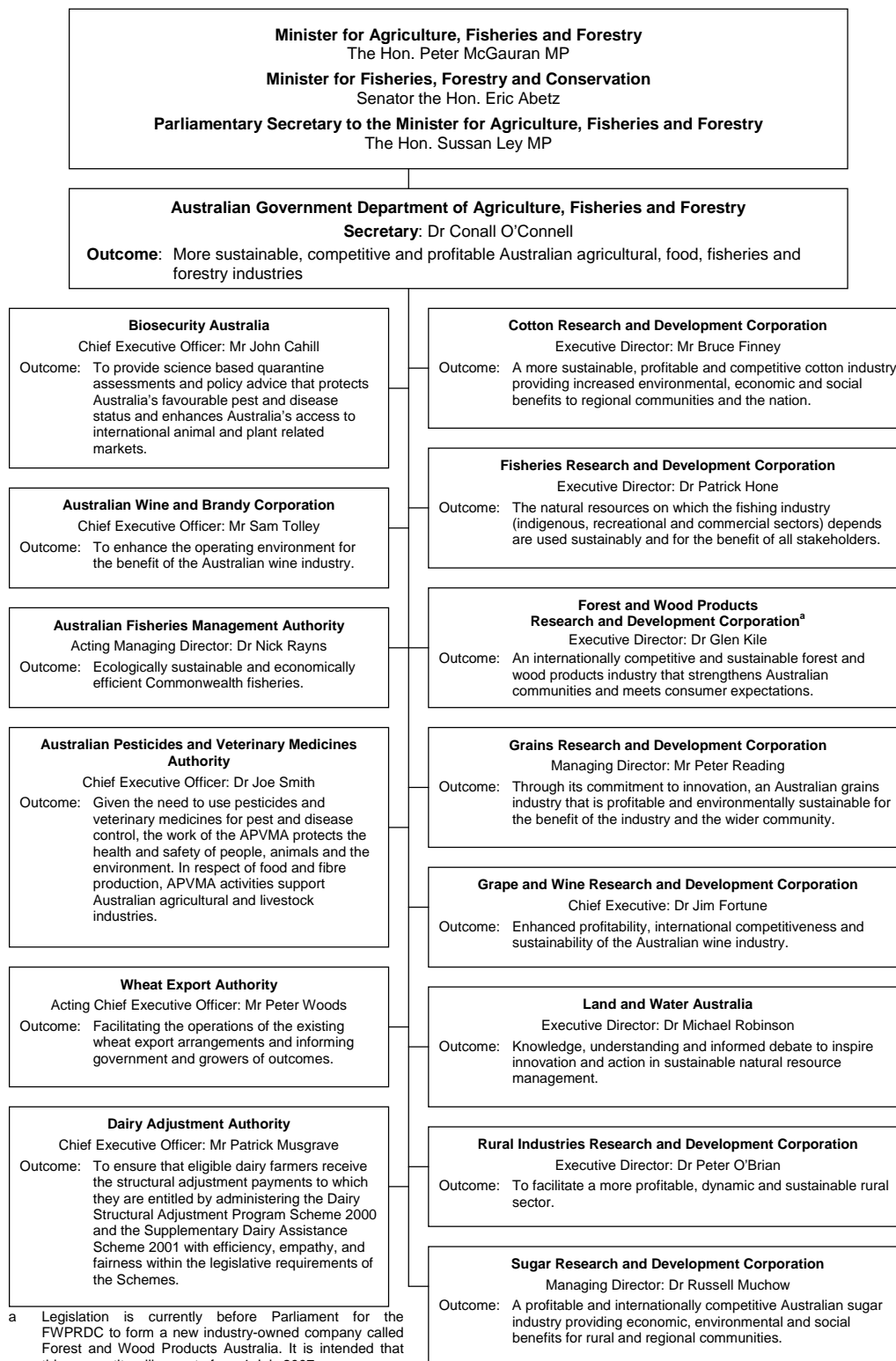
APPROPRIATIONS AND VARIATIONS AT THE PORTFOLIO LEVEL

The Department is receiving funding of \$2,303.6 million in 2007–08. This represents an increase of \$282.8 million from the 2006–07 Additional Estimates as detailed in the Department's part of the document.

The Australian Fisheries Management Authority will be receiving \$10.8 million less (\$5 million in 2006–07 and \$5.8 million in 2007–08) in revenues from government following a downward revision in the estimate for the number of illegal foreign fishing vessels being apprehended and the transfer of the Horne Island facility to the Australian Customs Service.

Biosecurity Australia is receiving additional ongoing funding (\$2.6 million in 2007–08) for supporting an improved import risk analysis process.

Figure 1: Portfolio structure and outcomes



AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Portfolio table 1: Australian Government indigenous expenditure

Outcome	Appropriations				Other	Total	Cross reference
	Bill No. 1	Bill No. 2	Special Approp	Total Approp			
More sustainable, competitive and profitable Australian agriculture, food, fisheries and forestry industries	\$'000 (A)	\$'000 (B)	\$'000 (C)	\$'000 (D)	\$'000 (E)	\$'000 (F)=(D)+(E)	(G)
Department of Agriculture, Fisheries and Forestry Portfolio							
Administered 2007–08	50	150	-	200	-	200	
<i>Administered 2006–07</i>	<i>100</i>	<i>150</i>	<i>-</i>	<i>250</i>	<i>-</i>	<i>250</i>	
Departmental 2007–08	540	-	-	540	-	540	
<i>Departmental 2006–07</i>	<i>418</i>	<i>-</i>	<i>-</i>	<i>418</i>	<i>-</i>	<i>418</i>	
Fisheries Research and Development Corporation							
Departmental 2007–08	324	-	-	324	-	324	
<i>Departmental 2006–07</i>	<i>312</i>	<i>-</i>	<i>-</i>	<i>312</i>	<i>-</i>	<i>312</i>	
Total Outcome 2007–08	914	150	-	1,064	-	1,064	
<i>Total Outcome 2006–07</i>	<i>830</i>	<i>150</i>	<i>-</i>	<i>980</i>	<i>-</i>	<i>980</i>	
Total AGIE 2007–08	914	150	-	1,064	-	1,064	
<i>Total AGIE 2006–07</i>	<i>830</i>	<i>150</i>	<i>-</i>	<i>980</i>	<i>-</i>	<i>980</i>	

BUDGETING AND REPORTING BY PORTFOLIO AGENCIES

Under the Australian Government's accrual budgeting framework introduced from the 1999–2000 Budget, twelve of the Agriculture Fisheries and Forestry portfolio statutory authorities and Biosecurity Australia, a prescribed agency under the *Financial Management and Accountability Act 1997*, fall within the general government sector. Each agency has provided input into the 2007–08 Portfolio Budget Statements. Of these, the Grains Research and Development Corporation has been categorised by the Department of Finance and Administration as a 'material agency', while all other organisations have been categorised as 'small agencies'.

To comply with government reporting requirements, each agency appearing in the PBS is required to provide:

- overview information
- agency outcomes, outputs and performance information
- financial statements for 2006–07 (estimated actual), 2007–08 (budget estimate) and three forward years.

The boards of the respective agencies are responsible for the preparation of their PBS entries. They are accountable for their performance to the Australian Government and through it to Parliament, which provides their statutory base, and also to their levy payers. Accountability to Parliament is achieved through the tabling of annual reports, containing audited financial statements, while accountability to industry is achieved by the presentation of annual reports at annual general meetings.

Figure 1 (Portfolio structure and outcomes) shows the various statutory agencies within the portfolio. Each is categorised as one of the following: Statutory Marketing Authority; Research and Development Corporations; Regulatory Authorities; Advisory/Other bodies, Selection Committees; or Joint/Intergovernment bodies. All agencies except for Biosecurity Australia and the Australian Pesticides and Veterinary Medicines Authority (APVMA) are subject to the *Commonwealth Authorities and Companies Act 1997*. Biosecurity Australia is a prescribed agency under the *Financial Management and Accountability Act 1997* and APVMA will be subject to this Act from 1 July 2007.

Except for Biosecurity Australia, the agencies reporting in the Agency Budget Statements section are not funded directly by appropriation and thus do not have any budget measures, administered funds, special appropriations or special accounts.

The majority of portfolio statutory authorities are funded partially or fully by levies collected from the respective industries.

The Research and Development Corporations derive their objectives, functions and powers from the *Primary Industries and Energy Research and Development Act 1989*. This enabling legislation provides the foundation for the corporations' accountability to Parliament, the portfolio Ministers and Parliamentary Secretary and industry for securing the greatest possible returns from the research and development in which the corporations invest.

All other agencies derive their objects, functions and powers from their enabling legislation.

STATUTORY PLANNING PROCESSES OF PORTFOLIO AGENCIES

The information provided by the statutory authorities and presented in the Agency Budget Statements section includes estimates only and is subject to change, as the planning and ministerial approval cycle of these entities is not aligned with the timing of the Portfolio Budget Statements.

The planning requirements for each statutory authority are set out in its enabling legislation, which does not require annual operating plans to be finalised in line with the Budget preparation cycle.

The seasonal nature of the levy income of some corporations means that the firm indication of their budget positions and finalisation of annual operating plans will not take place until late May.

AGENCY BUDGET STATEMENTS

Department of Agriculture, Fisheries and Forestry.....	11
Australian Fisheries Management Authority.....	87
Australian Pesticides and Veterinary Medicines Authority	109
Australian Wine and Brandy Corporation	129
Biosecurity Australia	155
Cotton Research and Development Corporation.....	175
Fisheries Research and Development Corporation	195
Grains Research and Development Corporation.....	213
Grape and Wine Research and Development Corporation.....	235
Land and Water Australia.....	255
Rural Industries Research and Development Corporation.....	275
Sugar Research and Development Corporation	299
Wheat Export Authority	319