

ANNUAL REPORT



Department of
Agriculture



AGRICULTURE, FOOD AND FIBRE INDUSTRIES CONTRIBUTING
TO THE SUSTAINABLE BENEFIT OF ALL WESTERN AUSTRALIANS

ANNUAL REPORT 2003 - 2004

DEPARTMENT OF AGRICULTURE WESTERN AUSTRALIA



Annual Report

Department of Agriculture

2003 – 04

The Honourable Kim Chance, MLC
Minister for Agriculture; Forestry and Fisheries
Parliament House
PERTH WA 6000

Sir

In accordance with Section 62 of the *Financial Administration and Audit Act 1985*, I hereby submit for your information and presentation to Parliament the Annual Report of the Department of Agriculture for the year ended 30 June 2004.

The report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.

The Department's report is presented in four sections:

- the report on operations, providing an overview of its achievements;
- the key performance measures and outputs;
- the financial statements; and
- the report on governance and statutory information.

Yours sincerely



Ian Longson
A/DIRECTOR GENERAL
DEPARTMENT OF AGRICULTURE

DEPARTMENT OF AGRICULTURE

ANNUAL REPORT 2003/04

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DEPARTMENT PROFILE

Mission

The Department of Agriculture will accelerate the success of agriculture, food and fibre industries through information, science and innovation, responsible management of the resource base, policy and regulation across all elements of the supply chain.

Vision

Meeting the needs of current and future generations through simultaneous environmental, social and economic improvement of Western Australia's Agriculture, Food and Fibre sector.

Stakeholders

The Department of Agriculture's main customers are in the agricultural sector. As well as primary producers they include rural communities, agriculture, food and fibre businesses, rural and producer organisations, research institutions, service providers, agricultural consultants and other State and Commonwealth Government agencies. The Department also provides the Government with advice on agricultural matters and produces public information ranging from specific agricultural issues to a pest and disease information service to the public.

OPERATING ENVIRONMENT

The 2003/04 year saw an improvement in growing conditions in Western Australia resulting in improved returns to producers after a number of drought-affected years. Although the rising Australian dollar impacted on the competitiveness of the State's exports, and therefore reduced returns to the Agriculture Food and Fibre industries. A record 14.7 million tonne grain crop was delivered to Co-operative Bulk Handling Ltd.

The discovery of Bovine Spongiform Encephalopathy (BSE) in the United States resulted in Japan importing a record amount of Australian beef products in 2003/04. It again highlighted the need for Western Australia to maintain its strict biosecurity enforcement measures.

The State Government gave the go ahead for plans to build a state-of-the-art livestock centre at Muchea to replace the current Midland saleyards. The WA Meat Industry Authority (WAMIA) will build, own and operate the facility.

The rejection of a shipment of live sheep to the Middle East on the MV Corno Express created considerable concern to the industry and the Australian Government. The Department was able to assist in negotiating their unloading in Eritrea.

Under the newly enacted *GM Crops Free Areas Act 2003*, the State Government took a cautious approach to the adoption of Genetically Modified technology by designating the State as an area in which genetically modified crops could not be cultivated, however, controlled and approved research trials would still be supported.

The Department of Agriculture commenced negotiations with three of the State's tertiary institutions, Murdoch, Curtin and the University of Western Australia to form an Integrated Agricultural Institute with the aim of combining resources to more effectively support the State's Agriculture, Food and Fibre industries.

DEPARTMENT STRUCTURE

DEPARTMENT OF AGRICULTURE
STRUCTURE AS AT 30th JUNE 2004

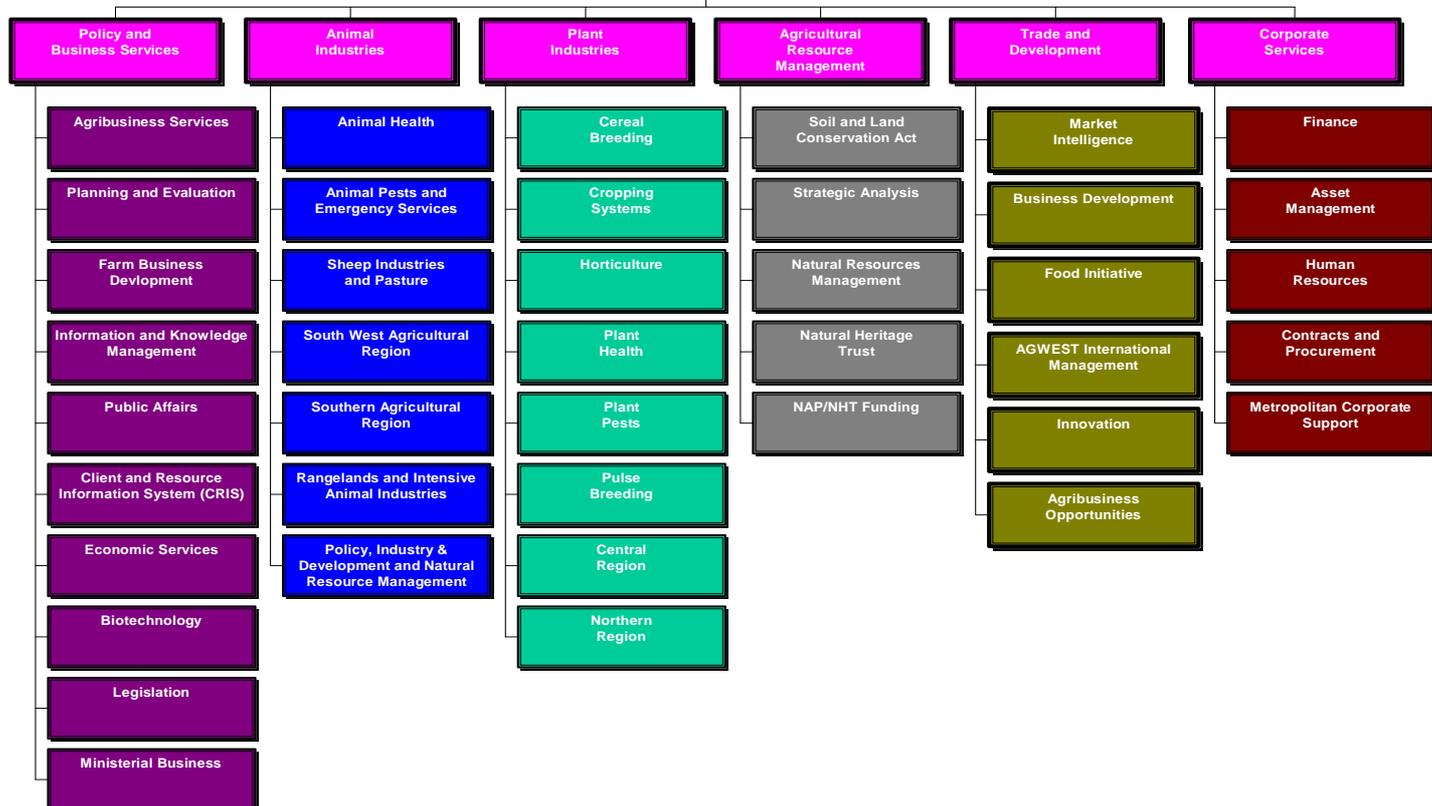
MINISTER FOR AGRICULTURE, FORESTRY AND FISHERIES

DIRECTOR GENERAL
DEPARTMENT OF AGRICULTURE

Agriculture Protection Board

Rural Business Development Corporation

Internal Audit



In February 2004 Dr Graeme Robertson, the Department of Agriculture's Director General since 1995, retired and Mr Ian Longson was appointed as the Acting Director General.

CORPORATE EXECUTIVE



A/Director General,
Mr Ian Longson



A/Executive Director, Policy and
Business Services
Mr Rob Delane



Executive Director, Animal
Industries
Mr Charlie Thorn



A/Executive Director,
Plant Industries
Dr David Bowran



Executive Director,
Agricultural Resource
Management
Mr David Hartley



Executive Director, Trade
and Development
Mr Henry Steingieser



Executive Director,
Corporate Services
Mr Mike Marsh

PEOPLE AND FINANCES

The State Government remains the major source of funding for the Department of Agriculture. Other major sources of funding are the Commonwealth Government, a range of industry sources (including various industry research and development corporations), fees for services rendered and MOU agreements. The Department's main areas of expenditure are on staff, followed by services and contracts and grants.

Chart 1: Sources of the Department's Funding

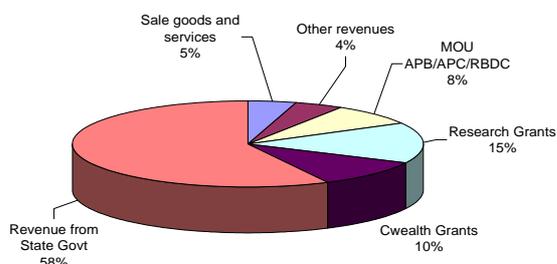
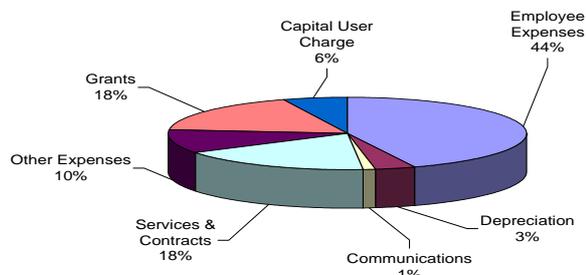


Chart 2: Departmental Budget Allocation by Category



The following graphs detail how the Department allocates its expenditure amongst its three main high level outputs that it delivers for Government, plus services it provides to the Rural Business Development Corporation. The three high level outputs are:

1. Food and Fibre Industry Development;
2. Agricultural Resource Management; and
3. Biosecurity.

The second graph illustrates how the Food and Fibre Industry Development output's expenditure is broken down amongst industry areas.

Chart 3: Departmental Budget Allocation by Output

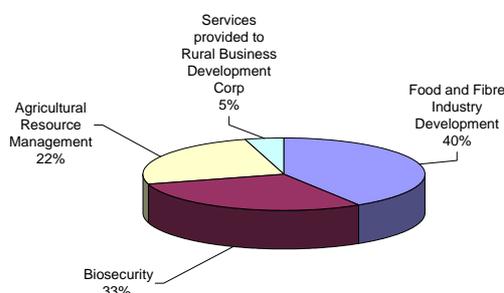
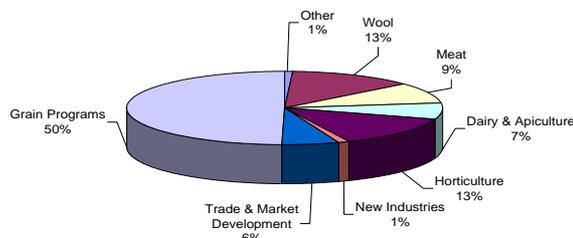


Chart 4: Food and Fibre Industry Development Budget Allocation by Industry Area



Below is a snapshot of the Department's FTE levels taken at the 30th June for the last five years. The reduction in staff numbers for 2003/04 is mainly due to staff being transferred from the State Quarantine Inspection Service, to the Commonwealth who took over this service.

Chart 5: Department FTE totals as at 30th June 2004

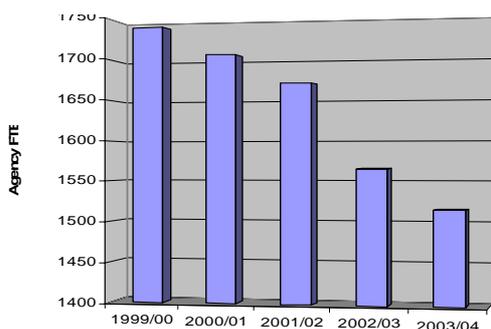
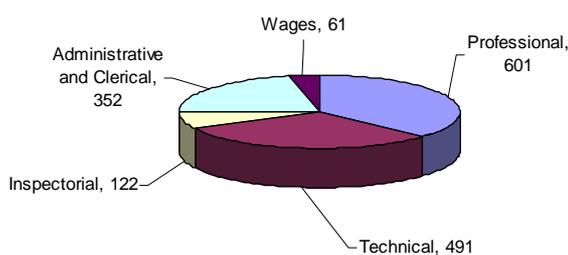
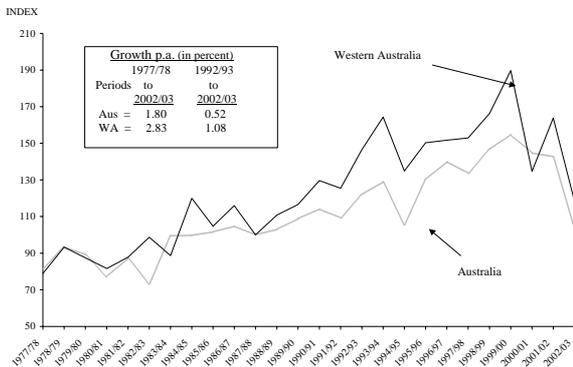


Chart 6: FTE allocations by categories



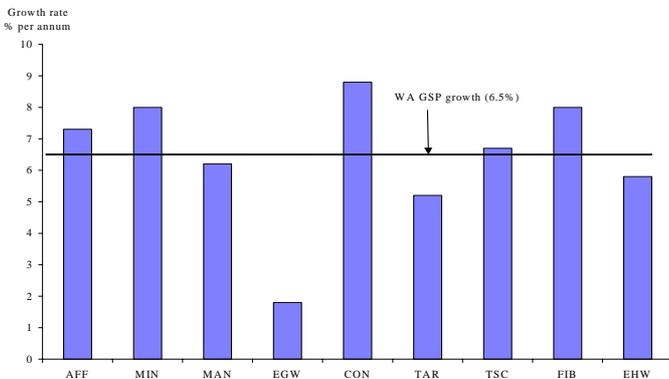
SECTORAL SNAPSHOT

Chart 7: Output growth comparison of Western Australia and Australia



Due to a series of adverse seasonal and market related issues the WA and Australian agriculture sectors have experienced some reductions in productivity in recent years. The chart shows that the output growth for WA agriculture has exceeded Australia's output growth for most of the past 15 years.

Chart 8: Contribution by sector to Gross State Product (GSP) 1991/92-1999/2000



AFF: Agriculture, forestry and fishing; MIN: Mining; MAN: Manufacturing; EGW: Electricity, gas and water; CON: Construction; TAR: Wholesale and retail trade, accommodation and recreation; TSC: Transport, storage, and communication; FIB: Finance, insurance and business services; and EHW: Education, health, welfare and other.

In recent years the agriculture sector in WA has also outperformed its counterparts in other Australian States. In the 1990s, it averaged more than a four percent contribution to the GSP in WA compared to less than three percent for the rest of Australia. The non-agricultural sectors also benefit from the expansion in agriculture. Examples include the food processing, transport and marketing sectors on the downstream connections, and the fertiliser, chemical, machinery industries, and various services on the upstream linkages.

Chart 9: Employment in WA by sector - 2001

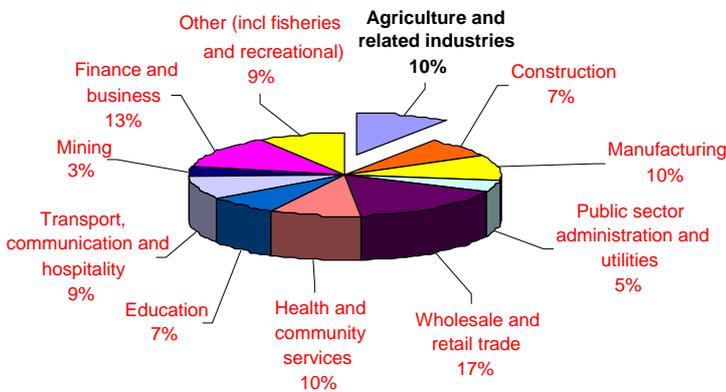


Chart 10: Production of WA Agri Food and Fibre 2003/04 - A\$6.95 Billion

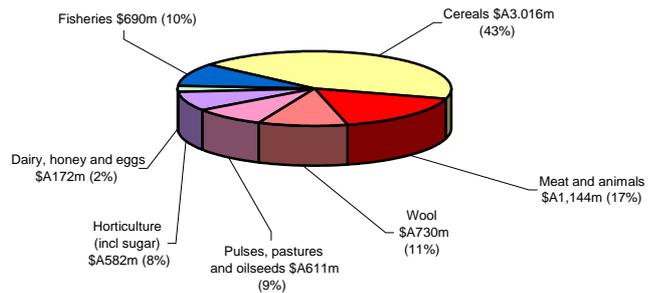
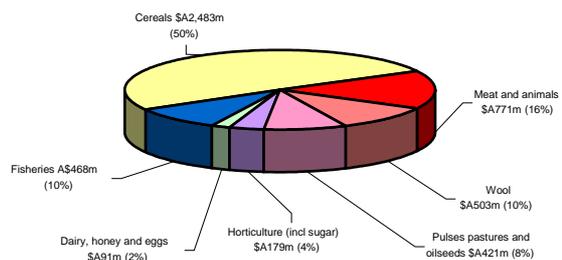


Chart 11: Exports of WA Agri Food and Fibre 2003/04 - A\$4.9 Billion



DEPARTMENT KEY ACHIEVEMENTS FOR 2003/04

Key achievements, which relate to all outputs, are presented below. Specific output achievements are presented in the following pages.

New Varieties

- The Department continued to assist the State's grain producers by developing three new wheat varieties with Enterprise Grains Australia, EGA Blanco , EGA Jitarning , and EGA Castle Rock  and a high performing triazine tolerant, canola variety Tranby  was released specifically for the short season environments of the WA wheatbelt.
- A new high quality hybrid waxflower, Laura Mae Pearl  was released. This Pearlflower fills a market gap between the early flowering releases and the mid season releases, allowing exporters to seamlessly target the bridal markets in the USA, Asia and Europe. These superior varieties return a 25% premium over the standard waxflower varieties.

New Industries

- The Department developed a new process to make milk from lupins and alternative dairy products such as yoghurt and ice-cream. The prototype products have equal or greater sensory appeal and nutritional content to equivalent soybean products and appear highly cost efficient to produce.

New Techniques

- The Department completed a two year research trial into an irrigation pulsing technique to reduce summer fruit shed in avocados which is a key impediment to increasing production per hectare. The research results displayed a potential to significantly reduce the summer fruit shed by up to 50% depending on the season.
- Deep-litter housing systems have been widely adopted by the Western Australian pig industry following the success of the Department's research and extension activities. Benefits to the industry include minimising checks in post-weaning growth without the use of antibiotics, and improving efficiency and carcass quality in deep-litter systems.

Market Development

- The Department launched a Western Australian generic brand in Singapore through a "Western Australia's Finest" and "Seasons Best" promotions in partnership with Cold Storage supermarkets, the leading Singaporean retailer. This has resulted in a commitment from the retailer to source and promote WA products through their participating 37 stores. The brand was launched in April 2004 with the first "WA's Finest" promotion resulting in a 250% increase in the sale of WA fresh produce to this market.

Industry Development

- A Western Australian Department of Agriculture project, aimed at increasing the profitability and sustainability of the Kimberley Aboriginal pastoral industry, received international recognition. The United Nations congratulated the Department for being the first Government agency in the world to have a fully-integrated, long-term strategy which considered the economic, environmental, social and cultural sustainability of indigenous people.

FOOD & FIBRE INDUSTRY DEVELOPMENT ACHIEVEMENTS

HORTICULTURE

- A joint project with CSIRO developed a new packaging technique for moisture control in export cauliflowers. A highly successful test shipment to Singapore using this post harvest technology was conducted in February 2004. This technology is being progressed towards commercialisation in conjunction with CSIRO, the Warren Cauliflower Group (Inc.) and a commercial manufacturing partner.
- A new high quality hybrid waxflower, Laura Mae Pearl  was released (see Department Key Achievements for 2003/04 earlier).
- Industry was provided with a package of information to facilitate adoption of bulk shipments of lettuce for processing to SE Asian and other export markets, as well as the technical feasibility of bulk shipping other fresh vegetables to export markets.
- A Horticulture Australia project conducted by the Department proved for the first time that a commonly used fungicide is responsible for a condition known as 'black dot' in heading Chinese cabbage resulting in crop losses for more than 20 years in commercial production. It has been a factor contributing to loss of export market share for this crop over the period.
- The Department completed a research trial into irrigation pulsing to reduce summer fruit shed in avocados (see Department Key Achievements for 2003/04 earlier).
- Red Delicious apples were successfully bulk exported from Manjimup in the 2004 apple season through a new approach to supply chain management which hinged on a group of growers cooperating with DAWA to manage their crop to the import specifications. Bulk shipping of apples (in bins) reduced grading and packing costs in Australia as these processes were undertaken in India. This allowed the use of a specific carton with a new brand that led to a closer matching of product with market needs.
- Post harvest research aimed at reducing the incidence of post harvest diseases and disorders of export carrots was completed during the year. This work was completed with the collaboration of both growers and exporters. Guidelines for best practice post harvest handling of carrots were included in the updated Hazard Analysis Critical Control Point (HACCP) manuals for export carrots. Further detailed post harvest protocols have been drafted for inclusion in the Carrot Manual due to be published in late 2004.
- Over the past ten years the Department, in partnership with industry, has been developing the supply chain to enable the industry to successfully export mangoes to the European markets. A new supply chain model for export was tested successfully in 2003. A pilot promotional program was developed and tested in the UK resulting in significantly increased sales of mangoes. The project will move into full commercial trials next season.

FOOD & FIBRE INDUSTRY DEVELOPMENT ACHIEVEMENTS (cont)

GRAINS

- The Department released three new varieties of wheat which it developed with Enterprise Grains Australia. EGA Castle Rock  is a triple rust resistant Australian Hard Wheat with high levels of resistance to diseases. The other varieties were EGA Blanco , a steamed bread wheat, and EGA Jitarning , a soft wheat.
- A high performing triazine tolerant, canola variety Tranby  was released in January 2004 specifically for the short season environments of the WA wheatbelt. This variety is the culmination of a small but highly focussed breeding effort by the Department to target the low rainfall environmental niche in WA.
- The Department developed a process to make milk and alternative dairy products from lupins (see Department Key Achievements for 2003/04 earlier).
- Widespread adoption of management practices developed and promoted by the Department contributed significantly to a reduced incidence and severity of stripe rust in the 2003 wheat crop.
- An extension and promotion campaign was conducted in 2003/04 focused on overcoming harvesting difficulties in field peas, which was identified as the major barrier to adoption by growers. Kaspas , a new high yielding, erect, semi leafless variety that is easy to harvest was promoted in large scale, header-width, field trials and demonstrations along with other new varieties.
- The use of DNA markers for anthracnose resistance has changed the way lupins will be bred. This technology enables anthracnose resistance to be tracked in all new breeding material more cost effectively and efficiently than traditional screening approaches.
- A small two tonne parcel of fast-tracked anthracnose resistant albus lupin was developed and is being bulked-up commercially in 2004. It is the first of a series of lines designed to re-establish an industry wiped-out by anthracnose in 1996.
- With the arrival of stripe rust in WA in 2002 and the ongoing risk from new strains of leaf and stem rusts, a major thrust in the Department's wheat breeding in 2003 was the establishment of improved selection systems to select and maintain rust resistance in the program.

FOOD & FIBRE INDUSTRY DEVELOPMENT ACHIEVEMENTS (cont)

SHEEP AND PASTURES

- A quantitative measure of Pasture Growth Rate (PGR) was made available as a commercial service through Fairport Technologies. The technology has been developed to predict Pasture Growth Rate up to seven days in advance as well as providing a real-time quantitative estimate.
- The United Kingdom's largest retailer of wool clothing re-engineered its largest selling women's knitwear product using a finer diameter WA wool. The product was successfully re-engineered in collaboration with international wool processors and manufacturers. Consumer testing indicated a preference for the softness in the total easy care nature of the knitwear.
- An interactive web-site was developed that allows wool producers and wool users access to market based information about the wool supply. Wool producers can use the web site to benchmark the price they received for their wool in relation to other similar wools sold at auction.
- Economic analyses of sheep production farming systems for the South Coast Region of WA were completed for a wide range of sheep meat, wool and grain prices. Sheep remain a competitive enterprise for land use in this region. A self-replacing merino ewe flock utilising surplus ewes for carryover cross-bred lamb production is the most profitable flock at current prices and is the most robust flock for the prices received for sheep meat, wool and grains over the past ten years.
- In collaboration with the A-Sheep Group in Esperance a Lambing Planner information kit was produced. Over 2,000 copies were produced and are now sought nationally with a second printing of the information kit being completed. The kit responded to the strong demand from sheep producers who wanted the complex information presented in a practical and usable format.
- The inaugural Agribusiness Sheep Updates were held in Perth in August 2003 with over 200 participants from across the industry. The survey of participants showed that the Conference was highly successful and provided useful and timely information. The Agribusiness Sheep Updates was followed by six regional sheep update meetings from Moora to Esperance that were attended by over 600 sheep producers.
- Six new annual pasture legume cultivars, developed through the National Annual Pasture Legume Improvement Program (NAPLIP), were released to Australian agriculture over the last two years. They either provide new opportunities to derive benefits from pasture or replace existing cultivars. Two new French serradella cultivars, Erica  and Margurita , produce high levels of hard or dormant seed resulting in long term persistence. Like Cadiz  French serradella, they are highly productive on a range of soil types and the pod is easily harvested using conventional machinery.
- Cavalier  and Scimitar  are burr medics that have a higher rate of hard seed breakdown and regenerate at greater densities than the older cultivars Circle Valley and Santiago. Cavalier  is suited to areas with greater than 450mm of annual rainfall and Scimitar  greater than 350mm. Both cultivars have shown promise in slightly saline and waterlogged situations.
- Izmir  is an early maturing cultivar of subterranean clover that suits areas with greater than 300mm of annual rainfall. It has a higher level of hard seed than Nungarin or Geraldton and this will lead to greater persistence particularly in tight crop rotations. Coolamon  is a mid maturing cultivar of subterranean clover for areas with 500mm to 700mm annual rainfall and is resistant to both races of clover scorch.

FOOD & FIBRE INDUSTRY DEVELOPMENT ACHIEVEMENTS (cont)

RANGELANDS AND INTENSIVE ANIMAL INDUSTRIES

- The Department continued to target the Northern Agricultural Region for increased beef cattle turnoff. The priority information needs of cattle producers were identified, and interaction with producers increased. Key production and market information for this region was also provided. The advantages of a supply chain based on rangelands cattle finished in the agricultural region have been progressed with pastoralists.
- Increasing the year-round supply of beef was a major objective of industry. Production trials evaluating the effects of autumn and winter calving on the productivity of herds and the more efficient use of pasture were undertaken. Associated with this initiative, retail beef yields were assessed, and the economics of each production system in year-round supply evaluated.
- A survey of pig producers, who supply pork to Singapore, was conducted to identify the farms which best meet the carcass requirements for this major market. The survey focussed on the product specifications of belly fat thickness and pork colour which are key attributes sought in the Singaporean market, and provide a competitive advantage for Western Australia.
- Deep-litter housing systems have been widely adopted by the Western Australian pig industry (see Department Key Achievements for 2003/04 earlier).
- In the Northern Rangelands new research initiatives were developed in conjunction with local producers. Key components included a project assessing the performance of young breeder cattle in the Kimberley and Pilbara that has received funding support from Meat & Livestock Australia; a project assessing current carrying capacities for Kimberley grasslands (with funding support from the Tropical Savannas CRC); and a project to assess introduced pastures in the Kimberley.
- The Dairy Catch project established four on-farm sites to monitor the effectiveness of best practices in managing nutrient loss from dairy farms. Farmers received assistance to plan and implement best practice effluent management and a set of guidelines will be released later in 2004.
- The first phase of the Vasse Milk Farmlets research project was completed. This project has shown clear opportunities for dairy farmers to reduce milk production costs by improving pasture management and utilisation, and focussing on the quality of conserved forage. This research allows farmers to achieve above-average milk production levels while reducing grain inputs.
- The Department's milk quality management tools were combined into a single software package to enable farmers and consultants to rapidly identify and correct sources of bacterial contamination in milk. MilkHy will help the industry to maintain its unsurpassed standard for milk quality.
- Significant contribution to the Pastoral Industry Working Groups, established as a result of Gascoyne Musters I and II, occurred throughout the year, including considerable input into the Government response to all submissions received.
- Professional and scientific advice on range condition trend throughout the rangeland was successfully delivered to the Pastoral Lands Board, as required by the MOU. Refinements and advancements to the pastoral lease inspection program were developed to ensure that range condition trend is assessed with enhanced levels of rigour to ensure sustainable grazing is practised.

FOOD & FIBRE INDUSTRY DEVELOPMENT ACHIEVEMENTS (cont)

TRADE AND DEVELOPMENT

- The Department facilitated a \$2.5 million investment in a starch and gluten factory, by Nagata Sangyo, one of the largest wheat gluten and starch manufacturers in Japan and continued development of a UK investment in WA pig production valued in excess of \$1 million.
- The Department coordinated participation of more than 50 WA agri-food companies at major international food fairs including: Gulf Food Dubai (December 2003); Food and Hotel Korea (March 2004); Food and Hotel Asia Singapore (April 2004); Taipei Food Show and Food and Hotel China. The Department's activities directly contributed to those companies launching new products, building new relationships and actively marketing WA products in those markets.
- The Department provided support and assistance in the planning and development of the State Government's new Trade and Investment Office in South Korea to promote trade and investment between South Korea and Western Australia. This will form the basis for the development of the State Government trade initiative - "Focus Korea".
- The Department launched a Western Australian generic brand in Singapore (see Department Key Achievements for 2003/04 earlier).
- Commercial negotiations have progressed with potential third parties for the Department's In-Vitro soil technology which aims to enhance plant propagation techniques.
- The Department successfully negotiated a technological evaluation deed with George Weston Foods that could lead to an improved method for the production of lupin-protein based dairy substitutes potentially creating new market opportunities.
- The Department, won and successfully managed a number of projects in Asia and the Middle East, attracting funding through international organisations focused on providing training and technical services. The Department is a major contributor to the rebuilding of Iraq through the following projects: Rehabilitation Assistance Facility Iraq (RAFI); study tour to Western and Southern Australia for high level Iraqi Ministry of Agriculture officials; and the Iraq Human Resource Development project.
- The Department has increased its contribution to the development of the WA food industry with investment in food research and development, input into food integrity measures and facilitation of capability building events. The Department's Food Initiative has sought to leverage Australian Government funds through involvement in the National Food Industry Strategy (NFIS).

PLANNED 2004/05 FOOD AND FIBRE INDUSTRY DEVELOPMENT INITIATIVES

- Establish a clear market focus through strategic alliances with agriculture, food and fibre industries. Emphasis will be on investment attraction and helping agriculture, food and fibre industries to better understand and target key markets. A sample of the initiatives include:
 - continuing to promote the “Made by Japanese in WA” initiative and capitalise on new opportunities as they arise. This year the Department of Agriculture will target the vegetable processing and pig supply chains;
 - strengthening the relationship with Chinese Government agencies and industry;
 - conducting food promotions in China with leading supermarket/hypermarket chains to promote Western Australian agri-food products;
 - planning a schedule of activities and events to capitalise on the launch of the Western Australian Government Office in Seoul, including participation in trade shows and targeted meetings to facilitate trade relations between Western Australia food and beverage companies and Korean businesses and Government;
 - developing relationships with Oman and Saudi Arabia beginning with the signing of an Memorandum of Understanding (MOU);
 - promoting the Western Australian industry in major food and agriculture exhibitions including Gulf Food 2004 in Dubai;
 - following up and defining projects for cooperation regarding the MOUs with Kuwait, Jordan, Libya, the United Arab Emirates and Egypt; and
 - developing formal contractual arrangements with a major Singapore supermarket to secure supply of products and increase export of value-added products annually.
- Implementation of an integrated Agricultural and Natural Resource Management Research Institute to increase the State’s critical mass in Research and Development (R&D) for Agriculture and to facilitate an increased involvement of industry with the directions and priorities of R&D and teaching.
- Use research, development and extension to enhance the productivity of agriculture, food and fibre industries. Emphasis will be on:
 - releasing three new grain varieties, all of which are expected to have significant impacts on yields;
 - the export hay industry in Western Australia has undergone significant expansion in the last three years, with many farmers seeking to move into this area. A rigorous analysis of the supply chain economics of hay production is planned in order to understand the extent to which further growth can be sustained and the opportunities and risks that will arise from further expansion;
 - formalising agreements with ten leading Chinese universities/academies on student exchange, germplasm exchange and collaborative projects in cereal breeding and molecular science to secure access to improve effectiveness of breeding programs in breeding better cereal varieties faster;
 - developing and working with grower groups in the fruit industry to support growth and profitability of the industry. This will be achieved with a focus on both existing varieties through new market development and targeted production packages, and on developing new varieties to generate competitive advantage for the industry;
 - releasing two new superior plum varieties will be released for field testing on Western Australian orchards. Western Australia is Australia’s largest State exporter of plums;
 - increasing the production efficiency of the export vegetable industry. This includes the development of alternative production systems that support the introduction of harvesting machinery complementary technologies and increasing industry capacity;

-
- increasing the profitability of the export cauliflower industry by reducing the number of commercial cauliflower crop harvests required to two by applying new research information to improve producer practices;
 - the provision of information on new irrigation practices that will result in improved water use in vineyards will be extended to industry. Research on techniques to improve water collection using roaded catchments will be finalised and reported to industry; and
 - developing new industry and market opportunities using innovative technologies and products developed from research projects, such as In-Vitro Soils (IVS) plant propagation and new varieties of Australian native plants and new sea freight technologies. This will include commercial partnerships and pilot in-market testing.
- Develop and implement a strategy to identify and capture supply chain linkages/investment in wheat breeding to add market focus and improve delivery and end-point royalty collection rates for new wheat varieties from the program.
 - Evaluation of the effects of lupin kernel flour on postprandial glucose and insulin response, satiety, appetite and food intake in overweight individuals. There is growing support for the proposal that legumes can play an important role in reducing the risk of obesity, diabetes and cardiovascular disease. Lupin kernel flour, which contains both fibre and protein, might be expected to reduce postprandial glucose and insulin responses.
 - Commence breeding initiative into sub-tropical perennial grasses.
 - A paddock scale whole farm feed budget calculator will be developed in collaboration with Fairport Technology. A producer will be able to display the feed demand for the different classes of stock and match them with the feed supply from each paddock on their farm. Paddock scale, satellite-based pasture information will be automatically imported into the calculator.
 - Evaluate the genetic and biological relationships between the non-dimensional properties of wool and their effects on product performance, particularly pilling and shrinkage in knitwear.
 - Benchmark the beef production systems in the Northern Rangelands and the Northern Agricultural Region. Establish an activity that defines production systems in terms of working back from market targets, defining inputs (grazing and supplements), their timing in regard to nutritional needs of cattle and gaps/limitations, and how they can be overcome economically.
 - Improve the eating quality of pork by using dietary manipulation, management strategies and genetic marker assisted technologies to impact on quality parameters such as intramuscular fat and tenderness.
 - A lamb production improvement team has been developed for the West Midlands at the Moora Office. The team will research production systems with particular emphasis on finishing heavy export lambs.

AGRICULTURAL RESOURCE MANAGEMENT ACHIEVEMENTS

- During 2003/04, the Agricultural Resource Management Program directed many of its resources to supporting the regional natural resource management (NRM) groups in preparation for their participation in the National Action Plan on Salinity and Water Quality (NAP) and the Natural Heritage Trust (NHT2). While Western Australia had signed up to the NAP in 2003, full participation in the program was confirmed with the Premier, Dr Gallop's announcement of \$158 million in matching contributions in April 2004. Together, the NAP and NHT2 programs will involve investment of about \$400 million by 2007-08 (matching contributions by both State and Commonwealth), much of it to implement accredited regional strategies through the Avon Catchment Council, South West Catchments Council, South Coast Regional Initiative Planning Team, Northern Agricultural Catchments Council, Swan Catchments Council and the Rangelands NRM Coordinating Group. These groups will administer around 80 per cent of total funding and require considerable support to prepare for this role. Three draft regional strategies for the agricultural areas were completed and submitted for public review prior to accreditation.
- Two State priorities under the State Salinity Strategy are the \$6 million Catchment Demonstration Initiative (CDI) and \$4 million Engineering Evaluation Initiative (EEI) to help provide long-term economical solutions to salinity management. The selection phase for four CDI projects (at Coblinine, Fitzgerald Biosphere, Wallatin Creek and West-Koojan-Gillingarra) is complete and detailed design has begun. A major project in each agricultural region aims to combat salinity at sufficient scale to have worthwhile impact and demonstrate management options. These include surface water management, greater use of deep-rooted perennial plants and establishing large areas of salt-tolerant plants.
- A joint State Salinity Strategy/ NAP project, *Rural Towns - Liquid Assets* to cost \$6 million over three years, was launched in May. This will implement water management plans and pilot schemes across 16 towns and the four regions to alleviate salinity and develop new water resources through improved townsite water management. The project involves other organisations including CSIRO, Local government and universities.
- Rapid Catchment Appraisal was extended by a further 1.83 million hectares over the year. This included the Moore River catchment in the Northern Agricultural Region, Beaufort Zone of the Blackwood Catchment, and the Bremer-Gairdner area of the South Coast. Total area appraised was less than expected earlier because of the need to divert resources to supporting the NAP regional strategies.
- NRM planning by Government at all levels, by companies and individual land managers can only be effective if based on reliable and consistent information. Updating and improvement of important statewide databases has continued. These include soils, landscape systems and Agbores database which allow ready access to groundwater information.
- The Department provided significant input to the State Water Strategy and Irrigation Review, including State and National water policy reform, analysis of future demands for agriculture, and determination of the economic value of water used for agricultural enterprises.
- Staff prepared the agricultural and land use sections of the WA Greenhouse Strategy, and were involved in analysing the economic potential for carbon sequestration in WA arising from greenhouse gas abatement.
- Surface water assessment was completed for the Buntine-Marchagee and Lake Toolibin Recovery Catchments for the Department of Conservation and Land Management. This analysis is providing important information useful in other areas. To lift awareness of engineering options in water

management, two farm water kits were produced and released to farmers, Community Landcare Co-ordinators, shires and consultants.

- Drainage regulations were revised and improved Notice of Intent to Drain forms and procedures were provided to industry.
- A Waterwise=Saltwise campaign began in wheatbelt towns to emphasise the benefits of improved water management in tackling salinity.
- Sustainable Grazing on Saline Lands (SGSL) research focused on design and management criteria for profitable and productive saltbush-based pastures. The work has also shown that a 10 per cent increase in the quality of saltland pasture has potential to double the economic benefit obtained. The SGSL Grower Network expanded from 40 to 61 groups which are undertaking farmer-initiated research projects. A forum for more than 120 farmers, researchers and advisers enabled much greater sharing of experience and information.
- The Nutrient Management Project continued to develop its profile through involvement in national programs including Better Fertiliser Decisions, DairyCatch, DairySAT and the Coastal Catchments Initiative. A nutrient management forum in Albany in April was attended by 80 people. Seven papers were accepted for podium presentation at the International River Symposium in 2004/05. Collaboration with the Rangelands and Intensive Animal Industries Program on the DairyCatch program has provided a suite of practices for reducing nutrient loss from dairy farms.
- Development of farm forestry strategies in the South West, Great Southern and Avon regions was extended. Staff assisted in the passing of the *Tree Plantations* and *Carbon Rights Acts* through State Parliament. The Department's world class research in integrating trees into farming systems was acknowledged with two papers being accepted for the 1st World Agroforestry Congress in Florida, USA.
- The development and testing of the Simulated Transitional Economic Planning (STEP) model that enables farmers and their advisers to determine the economic impact of changing practices within a farm system context continued. Training workshops and manuals have been produced for both farmers and their advisers.
- The Sustainable Agricultural Practices Working Group, appointed and chaired by the Minister, is providing guidance to the Department in developing a recognition scheme for farmers managing their businesses in a sustainable way. A discussion paper has been prepared outlining the concept of a sustainable management system, the production elements and practices that will define this and the means by which recognition will be provided to farmers adopting the approach. A launch of the initiative is scheduled for early 2004/05.

PLANNED 2004/05 AGRICULTURAL RESOURCE MANAGEMENT INITIATIVES

- Development of an integrated information and knowledge management process to support farmer decision making in relation to agricultural resource management.
- Implementation of commitments under the State Sustainability Strategy including:
 - responding to the Sustainability Code of Practice for Government Agencies, to develop Sustainability Action Plans that reflect the Department of Agriculture's commitment and response to sustainability;
 - carrying out strategic land use analyses in relation to resource condition targets. Support diversification and landscape-scale change towards sustainable land use. This will be implemented as targets emerge through the regional Natural Resource Management plans;
 - developing with industry participation, performance standards and recommendations for sustainable agricultural practices to provide the basis for farm sustainability certification or recognition;
 - implementing commitments under the State Greenhouse Strategy by collaborating nationally on research to quantify the emissions of non-CO₂ greenhouse gases from agriculture and quantify the impacts of changed management on these emissions and carry out assessments to evaluate the impacts of climate change in high risk areas; and
 - supporting the development of regional and sub-regional Natural Resource Management strategies for the rangelands region as the basis for future investment under the Natural Heritage Trust and the involvement of local governments and local communities, including indigenous communities, in that process.
- Continued support to the implementation of the National Action Plan for Salinity and Water Quality (NAP) and Natural Heritage Trust (NHT) programs including:
 - technical support provided to regional NRM groups to accredit regional NRM strategies and prepare Regional Investment plans to guide investment;
 - support for community empowerment to make informed decisions on priority actions and evaluate efficiency and effectiveness of investment; and
 - improving the capacity to utilise predictive modelling to assess impacts of intervention/investment on resource condition targets and analyse proposed investments.
- Catchment water management and related drainage demands will have increased focus. Support will be provided for surface water management (SWM) and water harvesting at farm and catchment scales, including provision of technical support to farmers, catchment support officers and catchment groups for SWM design work. Associated with this, nine projects will commence as part of the Engineering Evaluation Initiative, to identify the most effective engineering options for water and salinity management.
- Finalisation of systems to track and audit the implementation of best management practices under the Coastal Catchment Initiative. Water quality and management action targets will be developed at enterprise level, case studies of implementation at dairies completed and agreements reached on approaches that require, encourage or influence the uptake of actions to reduce phosphorus loads to target levels.
- Increase the adoption of nutrient management and water saving technologies to assist growers to meet industry sustainability and efficiency targets in key Horticulture production areas with the aim being to improve water application efficiency and groundwater management. Key industries here include Viticulture, Sugar on the Ord River and Vegetable production on the Swan Coastal Plain.

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- Conduct a risk analysis of low disturbance cropping systems to identify the role that key biotic and abiotic stresses may play in limiting the continued operation of this successful system. A review of the roles of nutrient and stubble management, herbicide resistant weeds, the changing nature of disease and the advent of new insect pests will be critical factors to be examined. In addition the role of these systems in limiting greenhouse gases from agriculture will be analysed.
 - A key initiative in Soil Management is to address the environmental impacts of nutrient management in Western Australia's high rainfall cropping systems. A multi-agency collaborative project, which includes partnerships with fertiliser industry and grower groups, has been proposed for co-funding by GRDC. If approved, the project will identify hidden and emerging nutrient management problems and opportunities in the Western Australian grains industry. The development of innovative methods to maximise the efficiency and effectiveness of nutrient management, while minimising the catchment and waterway implications of nutrients will be a key component of this work.
 - The Western Australian State Sustainability Strategy has farming enterprises moving to improve management of price, climate and natural resource risks associated with agriculture. A series of modules for risk management training of broadacre producers will be developed and tested, with the aim of allowing farmers to seek environmental and production accreditation for their farm.

BIOSECURITY ACHIEVEMENTS

- GrainGuard and HortGuard provided input to develop national plant industry biosecurity plans, as well as incident management and preparedness. Significant contributions were made to develop a draft National Cost Sharing Agreement for eradication of emergency plant pests.
- Plant industry specific biosecurity plans, developed as part of the HortGuard and GrainGuard process, were integrated with the Department's respective industry development plans.
- In consultation with industry, the Department implemented area-wide surveys and pre-harvest crop inspections for melon thrips in the Ord Irrigation Area in lieu of individual produce inspections. This allowed the free movement of produce without the need for inspections.
- Four livestock industry Consultative Groups were established and have improved industry liaison and input on a number of key issues. The cattle, sheep and goat, avian species and bee consultative groups have progressed the implementation of Biosecurity Plans in their respective industries and considered a range of research and development issues.
- Implementation of the National Livestock Identification System (NLIS) was progressed with industry agreement on many of the principles required and the establishment of 35 Producer Demonstration sites in WA. Industry funding of \$2.25 million enabled the installation of infrastructure at saleyards, abattoirs and export depots to be progressed along with a rebate paid to producers for NLIS devices.
- The Department was accepted as a Core Partner in the new Australian Biosecurity CRC for Emerging Infectious Diseases. Officers from DAWA are filling key roles in the CRC as a Program Coordinator and member of two Standing Committees.
- The Department's role in animal welfare was significantly enhanced with the appointment of 10 General Inspectors under the new Animal Welfare (AW) legislation and the promotion of a greater role of departmental staff in improving AW for livestock.
- Over 100,400 vehicles entered Western Australia through Kununurra and Eucla checkpoints, with more than 20,470kg of fruit and vegetable produce being seized. Of the 1,930 interceptions samples submitted, 100 were classified as significant. Major interceptions included painted apple moth, banana rust thrips, oriental fruit moth, pyralidae caterpillars and cicadellidae bugs.
- With a total of 1,703,063 passengers arriving on interstate air flights, detector dog handler teams seized more than 1,946kg of produce. Major interceptions included mango seed weevil, codling moth and Queensland fruit fly.
- Quarantine surveillance was carried out on 167,849 rail and ship containers, resulting in 4,217 orders for inspection being issued.
- A significant increase of \$200,000 in Biosecurity funding through the Office of the Chief Plant Protection Officer (OCPPO) and Plant Health Australia (PHA) has enabled the acquisition of "state of the art" microscopes and digital imaging equipment to support the development of a diagnostic centre of excellence for plant pests and diseases.
- A service delivery agreement for the provision of quarantine detector dog services at Perth Domestic Airport was developed in consultation with Australian Quarantine and Inspection Service.

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- Protocols to be used for consignment and adult emergence techniques for sterile male Mediterranean fruit fly (medfly) to eradicate a future outbreak in Kununurra were tested. The use of the sterile insect technique and release methods suitable for outbreaks in town and horticultural areas was evaluated.
 - The threat prioritisation database (Pest Threat Questionnaire) was demonstrated at workshops in Brisbane, Adelaide and Perth. It was presented at the Australian Post Harvest Technical Conference in Canberra and the Experts Meeting on Global Invasive Species Information Network in Baltimore, Maryland, USA.
 - Continued collaborative research agreements were achieved with CSIRO, the University of Western Australia, the Australian Wool Innovation and the Commonwealth Government for research into integrated management of weeds. These agreements apply to Paterson's curse, cape tulip, blackberry, mesquite and Parkinsonia. Annual funding from the Department of Agriculture is \$165,000 with total leveraged funds from other sources exceeding \$1 million.
 - The Skeleton Weed Program was reviewed and an industry based Skeleton Weed Committee approved a \$4.5 million operational program for 2003-04. The program included the provision (for the first time) to landholders of financial support for the searching of infested paddocks. An auto detection and spray boom for the automated detection and control of skeleton weed in summer was also developed.
 - The Pest and Disease Information Service (PDIS) was launched in March 2004 by the Minister for Agriculture. This service is the window to the Department's biosecurity surveillance services and seeks to engage the public in surveillance. The PDIS provides high quality technical information to the community on home and gardening enquiries, as they relate to animal and plant pests, diseases and weeds, as well as providing a free specimen identification service.
 - The Small Landholder Information Service (SLHIS) was launched in February 2004 to improve biosecurity and land management practices of the 40,000 small landholders in the State, in an effort to reduce the risks they pose to commercial agriculture. Over 160 direct enquiries have been serviced and eight joint learning events (280 participants) delivered.
 - In January 2004, the Department and Agriculture Protection Board released a Discussion Paper to key rural stakeholder groups that proposed the general concept of a new approach for the management and funding of regionally significant animal and plant pests.
 - Animal Health staff assisted the Australian Government in developing contingency plans for handling over 50,000 sheep on the "Cormo Express".

PLANNED 2004/05 BIOSECURITY INITIATIVES

- Significant enhancement of the State's capacity to effectively manage the risks associated with the threat of Emergency Animal Disease incidents like Foot and Mouth Disease and BSE (Mad Cow Disease). Additional staff will be employed to strengthen the Department of Agriculture's response and surveillance capabilities.
- Full implementation of the National Livestock Identification System by July 2005. The Government will assist producers through infrastructure development and electronic ID device rebates.
- The Agriculture Management Bill and legislation to amend or replace both the *Plant Pests and Diseases (Eradication Funds) Act* and *Cattle Industry Compensation Act* will be introduced into Parliament and all Regulations supporting the Agriculture Management Bill will be drafted.
- Cost-effective industry biosecurity measures will be implemented in partnership with all major industries under the GrainGuard, HortGuard, StockGuard and BeeGuard initiatives with costs borne appropriately by Government and industry. Industry consultation on biosecurity matters will be based around the biosecurity plans and biosecurity plans will be integrated into broader industry development plans as they are developed.
- Further harmonisation of international and domestic quarantine policy and regulation will be achieved through improved national consideration of the State's area freedom status and regional differences in biosecurity risk status. Science-based review of domestic quarantine protocols will ensure an appropriate level of protection to the State, without imposing inappropriate restrictions on trade.
- Improved livestock identification and traceback and vendor declaration arrangements will improve the State's ability to both respond to emergency animal diseases and demonstrate to premium export markets the State's outstanding animal health status.
- A key initiative in the integrated pest management area is to address the issue of pesticide use especially in relation to pesticide resistance. The proposed work aims to produce a decision support system that will assess integrated pest management for all major weed, disease and insect pests. The system will allow farmers to balance competing pest control priorities, to make management decisions based on their combined effects on all pests, and to examine the economics of pest control options. It is proposed to review a number of areas of pest resistance to pesticides, with insecticide resistance in grain production, handling and storage being a key focus in the initial work.
- Implementation of the National Animal Health Information System.
- Commence upgrade of the State Barrier Fence to a standard that excludes wild dogs.
- Reduce the impact of wild dogs on the State, in conjunction with the Agriculture Protection Board and the State Wild Dog Management Advisory Committee, through research into new techniques for control, increased training of land holders in best practice control techniques and ensuring the effectiveness and availability of wild dog bait products.

PERFORMANCE INDICATORS

Certification of Key Performance Indicators

As proscribed by *Treasurer's Instruction 904*, the Key Performance Indicators provide information to assist readers to assess the performance of the Department of Agriculture in meeting its mission and outcomes.

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Agriculture's performance, and fairly represent the performance of the Department of Agriculture for the financial year ended 30 June 2004.



Ian Longson
A/DIRECTOR GENERAL
DEPARTMENT OF AGRICULTURE



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

**DEPARTMENT OF AGRICULTURE
PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004**

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Department of Agriculture are relevant and appropriate to help users assess the Department's performance and fairly represent the indicated performance for the year ended June 30, 2004.

Scope

The Director General's Role

The Director General is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

**D D R PEARSON
AUDITOR GENERAL
September 29, 2004**

Output 1: Food and Fibre Industry Development

Outcome: Increased market competitiveness and profitability of agri industry

Output description: Generation, integration and application of knowledge which together with appropriate industry policy increases the international competitiveness and market opportunities for State agriculture food and fibre industries.

Effectiveness Indicators

PI 1 The benefit-cost ratio and net present value of the agency's research and development activity

To achieve the outcome of increased market competitiveness and profitability, programs of the Department of Agriculture Western Australia apply benefit-cost analysis as a tool for the allocation of funds to areas likely to make the largest contribution to the State's economy. Programs also use *ex post* analyses to assist in performance monitoring and improvements to future projects.

Table 1 shows results of ten analyses recently completed or partly completed projects. Projects were selected for analysis from among the projects not reported before (except one). Although the Intensive Beef Program project was reported in 2002/2003, it has been reworked to include significant research findings of the last twelve months to highlight the fact that the reported results of the partly completed project are in general conservative estimates. The number of projects selected for this report remains the same as reported in 2002/2003.

Table 1 Project benefit-cost analyses in Department of Agriculture in 2003/04

Program and project	Benefit-cost ratio	Net present value (\$'000)
Cereals		
Barley Agronomy Project	1.3	950
Integrated Weed Management Projects	13.7	21,100
Lupin Breeding	4.1	12,200
Wool		
Reposition of Marks and Spencer's Lambswool Knitwear	7.25	931
Meat		
Precision Sheep Production – Pasture From Space	8.3	9,200
Indigenous Management Support	1.1	2,120
Intensive Beef Program ^a	9.5	7,517
Horticulture		
Exotic Fruit Fly Trapping and Monitoring	1.8	920
The Avocado Project	4.3	2,800
The Citrus Project	3.1	2,600

^a As mentioned in the text this project has been reevaluated with the inclusion of significant research findings.

As mentioned earlier, for initial assistance in the allocation of resources to projects, programs undertake *ex ante* analyses to determine the likely returns to each project. Projects that return benefit-cost ratios less than 1.0 are not funded. The *ex post* analyses are used to evaluate the assumptions of *ex ante* analysis. This provides an excellent indication of the effectiveness of *ex ante* analysis in increasing the likelihood that projects undertaken will result in positive benefits to agriculture, food and fibre industries.

The primary outcome or objective of the projects that are assessed, is to increase the market competitiveness and profitability of agri-industry. The high returns of most projects provide a strong indication of their contribution to this outcome.

PI 2 Uptake of crop varieties developed by the Department of Agriculture

Variety choice with regard to crop production is a major contributor to market competitiveness and profitability. The ability to select varieties specifically suited to our soil and climate as well as offering benefits in terms of

disease resistance and end-product quality, results in increased production and lower input costs for growers. The Department of Agriculture, solely or in partnership with others, is the main provider of new varieties for the dominant export crops grown in Western Australia (eg wheat, lupins and barley) despite growers having the option to select varieties bred by other breeders (predominantly from interstate and overseas).

The following table shows the Department maintained its strong market share of crop varieties sown for season 2003. All major crops listed show a greater than 80% inclusion of Department of Agriculture lines, although in total there has been a slight increase from 87.9% in 2002 to 88.3% in season 2003. These results continue to provide a strong indication that the Department bred varieties provide the majority of producers with the best opportunity for competitiveness and profitability.

Table 2: Uptake of crop varieties developed by the Department of Agriculture

Variety	% of WA crop area sown to crop varieties developed by the Department	Hectares planted	% of WA crop area sown to crop varieties developed by the Department	Hectares planted
	2002		2003	
Wheat	85.7	4,350,000	86.1	4,458,000
Barley	89.6	1,088,000	90.6	1,140,000
Oats	95.2	287,000	96.1	314,000
Lupins	99.9	920,000	99.7	795,000
Field Peas	5.9	70,000	9.0	51,000
Chickpeas	97.8	6,000	97.5	6,000
Total	87.9	6,721,000	88.3	6,764,000

PI 3 The extent to which new market opportunities are developed or maintained for Western Australian agricultural produce

The Department of Agriculture is committed to developing the trade of agri-food products and increasing investment into the Western Australian agri-food industry. One of the Department's key roles is to assist companies in the identification and development of markets for export produce. This requires long-term relationship building with overseas buyers and often takes many years to produce tangible results. Table 3 shows a range of products the Department has focused its efforts on in various markets over a number of years. Efforts to develop export markets can be impacted by a range of adverse measures including, the outbreak of diseases such as BSE (Mad Cow Disease) and Avian Bird Flu, currency fluctuations and global conflicts and uncertainty.

Table 3: Trade opportunities developed in export markets

Commodity	Destination	2000/01 (\$'000)	2001/02 (\$'000)	2002/03 (\$'000)	2003/04 (\$'000)
Pork	Total exports	15,195	22,529	26,985	30,272
	Singapore	14,454	21,623	23,996	27,972
Beef	Japan	10,616	6,733	14,017	36,353
	Taiwan	4,621	4,376	4,768	5,331
	South Korea	4,016	9,113	12,188	16,290
	Kuwait	1,699	1,713	2,539	4,407
Wheat	Jordan	0	0	12,713,430	0
Lamb	Japan	343	456	3,099	5,831
Apples	India	149,423	448,933	333,151	109,988
Milk	Singapore	10,713	11,703	14,568	13,123
	Taiwan	0	261	1,693	2,718
	Malaysia	626	1,307	1,581	2,068
	Hong Kong	3,545	6,226	6,835	7,779
Hay	Japan	50,994	59,850	82,945	69,142

Source: ABS

This year, the Department has engaged in a number of on-going activities that have contributed to Western Australian agri-food producers and companies securing new export opportunities. The Department has continued with its efforts to encourage and develop stronger trading relations for Western Australian producers with markets in the Middle East and Asia.

Middle East

- The Department assisted a Jordanian company to assess investment opportunities in a new feedlot assembly area and stock feed plant in Western Australia.
- The Department hosted a visit of potential buyers from the United Arab Emirates (UAE) in December 2003 which generated new barley exports estimated at over US\$3.5 million, with further sales expected.
- Following the Gulf Food Trade Exhibition, orders have been placed for WA food products including cakes, juices, nougat, ice cream, meat and sprouts. This includes the sale of beef and lamb, valued at over \$16 million to Kuwait and a range of new export opportunities in the UAE.
- The Department coordinated a Ministerial delegation to Jordan, Kuwait, Oman, Syria, Egypt and the UAE resulting in:
 - The signing of Memoranda of Understanding's with Jordan and Kuwait to develop bilateral relationships and the first delegations from Jordan and Kuwait are expected to visit WA in 2004.
 - The request of a bilateral Memorandum of Understanding by the Ministry of Agriculture and Fisheries, Oman.
 - The changing of Syrian regulations to allow imports of Australian sheep into Syria.
- Coordinated the promotion of WA industry in the International Trade Fair in Libya. As a result Libyan companies made inquiries on barley, meat, wheat and grain handling facilities, and orders were placed.

Taiwan, China and South Korea

- The Department, in conjunction with the Taiwanese Chamber of Commerce WA, Taipei Economic and Cultural Office in Canberra and Department of Industry and Resources (DOIR) conducted a series of business networking events in Taiwan. As a result new export opportunities for milk, meat, flour, salt, wine and processed foods valued at over \$10 million have been generated.
- Completed an assessment of the agri-food sector in southern China resulting in the establishment of Western Australian representation in the Greater Pearl Delta Region of China to promote WA and develop trade and investment opportunities.
- Participated in Food and Hotel China-Southern China to increase the profile of WA agri food products with 20 WA agri-food companies participating and supply contracts being negotiated.
- Coordinated participation of WA agri-food companies in Food and Hotel Korea in March 2004 has raised expectations of sales in the future.

Japan

- The Department facilitated a major investment to construct a starch and gluten factory in WA from Nagata Sangyo, one of Japan's largest wheat gluten and starch manufacturers.
- Coordinated a product and investment seminar in Japan in November 2004 in conjunction with the Hyogo/Kansai Mission, led by the Minister for State Development resulting in the sale of noodles, beef products and salt valued at almost \$200,000 and negotiation for future exports undertaken.
- Identified a new opportunity to produce white butter for export to Japan. Attracted \$35,000 funding to research processing technologies in conjunction with Curtin University, Vasse Research farm and a Japanese dairy company.

Singapore

- The Department launched a Western Australian generic brand in Singapore through "Western Australia's Finest" and "Seasons Best" promotions in partnership with Cold Storage supermarkets, the leading Singaporean retailer. This has resulted in a strong commitment from the retailer to source and promote WA products through their participating 37 stores. The generic brand was launched in April 2004 with the first "WA's Finest" promotion contributing to a 250% increase in the sale of WA fresh produce. Additional promotions are planned with Cold Storage for 2004/05 with the WA industry participants making solid commitments and recognising that an overarching "Western Australia's Finest" brand has wide reaching benefits for WA products to be marketed in Singapore through the Cold Storage group and providing an opportunity for the generic brand and the associated products to be introduced into other markets.
- In conjunction with DOIR, coordinated participation by the Western Australian Government and industry in the Food and Hotel Asia exhibition in Singapore to increase the awareness of and promote WA Agri-foods in the region.

India

- In conjunction with the Western Australian Trade Office India, the Department produced the report “India’s Imported Food Market Opportunities” and organised its launch. The report analyses the Indian markets and consumption habits and identifies export opportunities for WA agri-food products.
- Organised a Western Australian food promotion in Kolkata India promoting seven WA company products resulting in immediate export sales expected to expand to at least \$770,000 per annum by the end of 2004.
- Conducted market evaluation and promotion activities for WA apples in India that resulted in trial bulk shipments of Hi Early and Red Delicious apples (value of \$60,000) to India with future exports expected and the signing of an MOU between the partners to address trade issues and make commitments on costs.

Investment Attraction

- The Department continued the facilitation of a UK investment in WA pig production which is valued in excess of \$1 million.
- The Department assisted a newly listed ASX company in the establishment of their business to produce collagen from sheepskins including facilitation of introductions between the company representatives and prospective financiers/partners in Australia and Taiwan and advising the company on the best areas to conduct business.
- The Department assisted a company to resolve issues to allow establishment of a 600 hectare carrot farm in the Dandaragan Shire. The farm is now operational and producing export quality carrots.
- Conducted a pre-feasibility study of opportunities for utilising water resources in inland areas. The privately funded study provided the requesting company with various enterprise options to assist with future investment strategies.

PI 4 The extent to which the outcomes of research, development and extension projects improve the profitability or potential profitability of rural industries

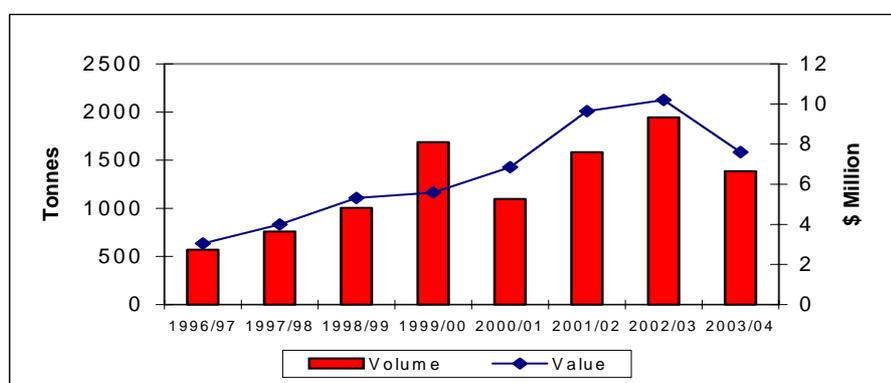
The Department undertakes research, development and extension activities across a range of agri-industries aimed at improving, or maintaining the profitability of rural industries. The following industry sectors provide examples of the outcomes of this work. The examples of lime adoption by WA producers used in last years report did not have information collected by the ABS for this year and so was removed, exports of tables grapes also do not appear and exports of seed potatoes have been used instead.

Strawberries

The strawberry industry in WA accounts for the majority of Australia's strawberries exports by volume and value and State production has more than doubled in 10 years. However, because of a sharp appreciation of the Australian dollar in 2003/04, increased exports to the Eastern States because of high prices being offered and some seasonal issues, the volume and value of strawberries exports declined by approximately 30%.

The Department of Agriculture has maintained a close working relationship with the strawberry industry since the late 1980s including work on integrated pest management, breeding and selection, irrigation and nutrition and quality assurance.

Figure 1: Volume and value of Strawberry exports (A\$)

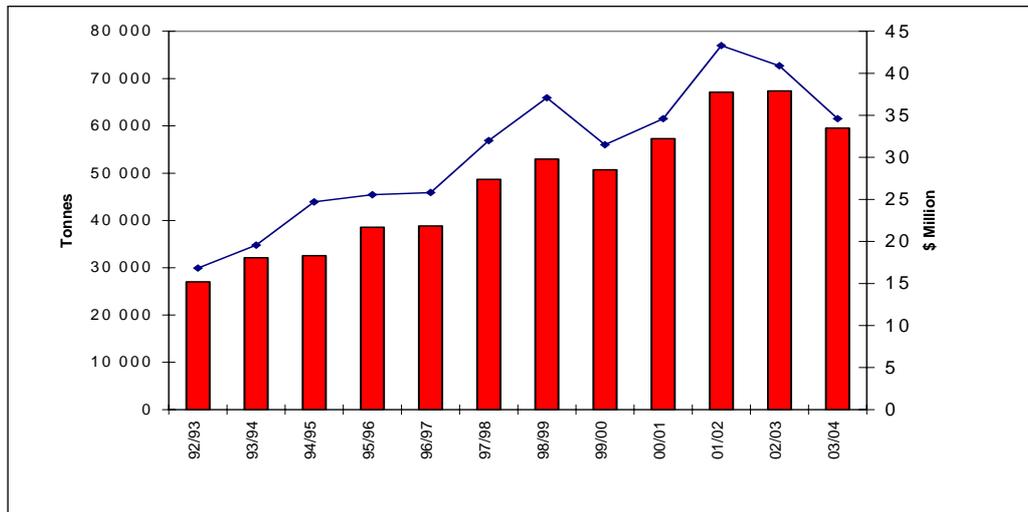


Source: ABS

Carrots

During 2003/04 the State's carrot industry faced an appreciation of the Australian dollar, increasing freight rates to Asian destinations and strong competition in the market place from exports from China, however, even with these factors impacting on exports, the volume of carrots exported from WA has grown nearly 300% since 1990 and were valued at \$35 million dollars this year. The Department's research and development has been funded collaboratively by industry and Government, involving integrated crop management (including irrigation and nutrient management), soil-borne and post harvest disease management and quality assurance, which have produced tangible results for the carrot industry and an impressive growth record.

Figure 2: Volume and value of Carrot exports (A\$)



Source: ABS

Potatoes

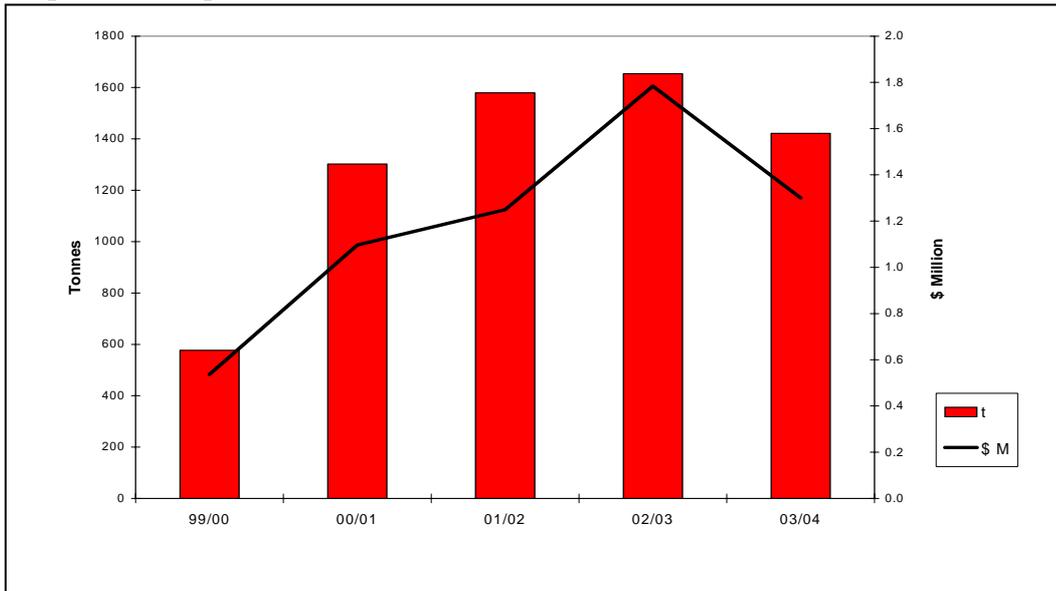
The industry has seized new opportunities for export seed potatoes. WA has a competitive advantage in this high-value, international market because of our State's freedom from major potato diseases.

Seed exports have increased from 600 tonnes in 99/00 to 1,300 tonnes in 03/04. The volume is still relatively small but the increase is nearly 200% and set to grow. Although our market share of Australian seed potato exports is just 7%, we are the major supplier in some markets including Indonesian, Mauritius and Sri Lanka.

The Department of Agriculture is assisting the development of the export seed market with projects to demonstrate the performance of WA seed in new markets. Projects in Indonesia, Sri Lanka and Vietnam are underway. The Department also plays a critically important role in maintaining the low disease status of Western Australia.

New seed markets are slow to develop but the growth rate achieved in the last three years and the prices received indicate that a new, sustainable market will be available for Western Australian potato growers.

Figure 3: Exports of Seed potatoes from Western Australia (A\$)



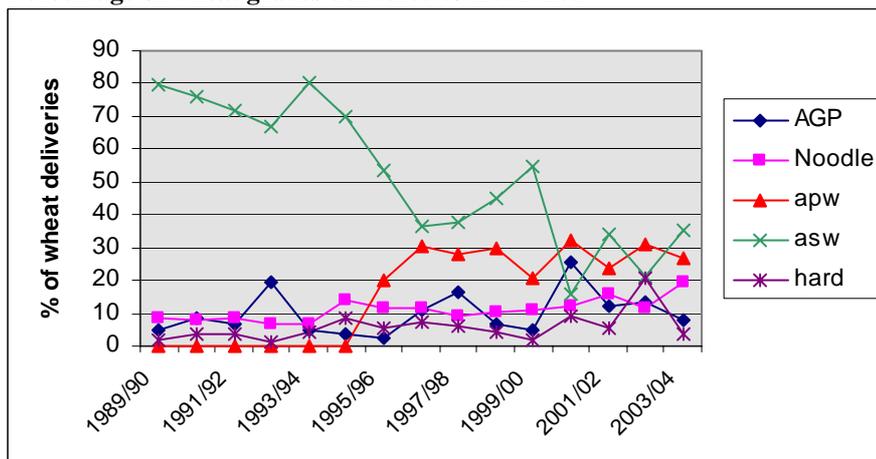
Source: ABS

Diversification of Wheat Grades

The Department of Agriculture has been innovative in developing and enhancing the value of the WA wheat industry. During the 1980s and early 1990s concerns were expressed about the decline in wheat quality, particularly as the area sown increased, wheat was established on more marginal soil types and tighter crop rotations. International markets became more discriminating in terms of quality and began to apply discounts for poor quality and offer premiums for some quality characteristics.

The Department responded to these market signals and jointly invested with the Grains Research Development Corporation to develop agronomic packages and premium quality wheat varieties and for specific market requirements and products. The Department of Agriculture also worked jointly with the AWB Ltd to develop appropriate grain segregations and quality testing procedures. Below is a summary of the AWB Ltd wheat grade data from 1989/90 to 2003/04. The main grades of wheat are shown as percentages of wheat deliveries each year.

Figure 4: Percentage of wheat grades delivered to AWB Ltd



Source: AWB

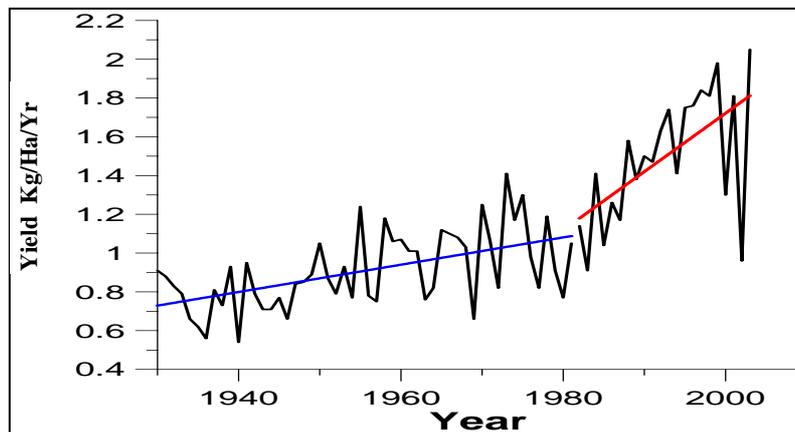
Western Australian wheat yields

The Department of Agriculture has worked to increase the yields by the State's wheat producers through a range of activities. These include promoting a high input/high yield package and many better management techniques e.g. early sowing with more nitrogen, better rotations, better disease control. As shown in KPI 2 the Department

has also developed higher yielding varieties which have had a high rate of adoption by the State's wheat industry.

These activities have resulted in a marked increase in the rate of crop yield improvement over the last 25 years. Between 1930-1981 wheat yields increased from 7kg/ha/year, this has increased to 30 kg/ha/year between 1982-2003. This is an over four-fold increase in productivity increases. For Australia the equivalent increases have been 12kg/ha/year (1930-1981), to 26 kg/ha/year (1982-2003), just over a doubling in productivity increases.

Figure 5: Average wheat yields in Western Australia (Kg/Ha/Yr)



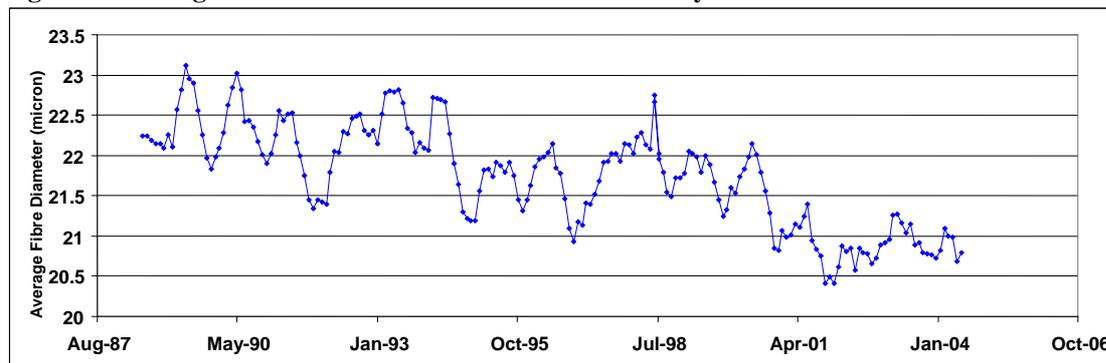
Source: ABS

Wool

The Woolmark Company has highlighted that the fastest growing textile fibre market in the world is for luxury fine wool. The demand and volume of this wool from Australia has more than doubled over the past 12 years and its value has tripled. Over time, there has been a substantial shift in the diameter of the WA wool clip, decreasing from being the second highest to now being the equal finest wool clip in Australia. This trend is the most dramatic change in the wool clip that has ever occurred.

The Department has contributed to this by running a series of workshops on Wool Market Awareness to improve the understanding of the market by wool producers, and conducted sheep selection workshops to show the effectiveness of using measurements in the selection of sheep that have better quality wool and deliver high profitability. Economic analysis clearly showed in 2001/2 that those producers with productive flocks of Merino sheep with finer wool had a 20% improvement in profit for a 10% decrease in diameter. Micron was the major driver of increased profit in 01/02.

Figure 6: Average diameter of wool sold at auction in WA by micron



Source: Australian Wool Exchange (AWEX) public auction data

Efficiency Indicator

PI 5 Average cost per unit of knowledge

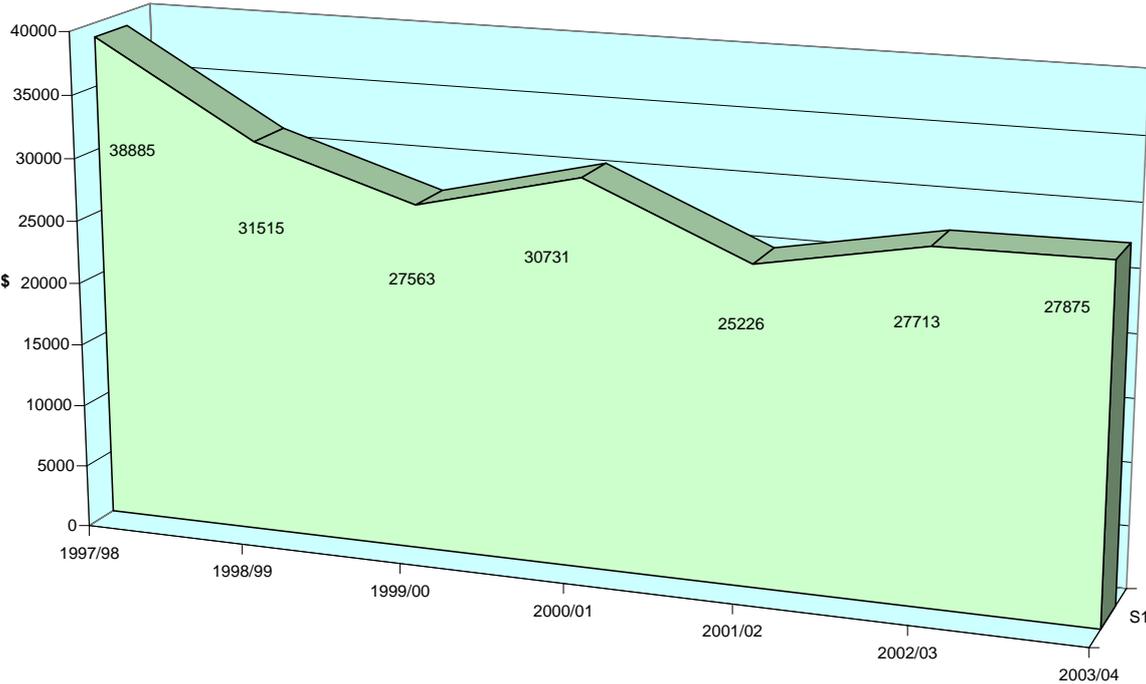
The Food and Fibre Industry Development output is described as the generation, integration and application of knowledge that increases the international competitiveness and market opportunities for the State’s agriculture, food and fibre industries.

R & D organisations tend to have particular difficulty determining meaningful and measurable units of output in order to report efficiency. It is not cost effective to measure each individual piece of R&D and the component processes. In this regard, the output produced is knowledge, and this can take many forms each requiring different resources and commitment. Some organisations, such as the Bureau of Rural Sciences, have elected to count variations in person days or hours committed to research. This is input focussed and not a true determinant of efficiency (i.e. Inputs to outputs).

To fulfil our reporting requirements, in 1998/99, the Department of Agriculture instituted a process to enable annual collection of numbers of publications produced by Department staff associated with Food and Fibre Industry development. Publications are considered the most suitable means of capturing - in the form of units of output - the knowledge produced. In addition, another key form of knowledge generation, integration and application are the key strategies directly related to improving the productivity and competitiveness of producers. These strategies include the TopCrop, Prograze and WoolPro initiatives.

The following graph presents the results of this efficiency measure for the past seven years.

Figure 7: Average cost per unit of knowledge 1997/98 - 2003/04



Food and Fibre Industry Development’s efficiency has increased gradually over time. In 2003/04, the Department achieved a similar level to the previous year for its efficiency in generating knowledge for its stakeholders through the Food and Fibre Industry output. Given the nature of our operations, the outputs of research and development will fluctuate between years depending upon the complexity of the research and the duration. A great number of research projects have a time frame of between five and ten years. Overall the Department has continued to improve its processes and improve efficiency and effectiveness of its knowledge generation and transfer operations. This trend is expected to continue into the future.

Output 2: Agricultural Resource Management

Outcome: Improved ecological sustainable development of agri-industry

Output description: Generation, integration and application of knowledge which, together with appropriate investment policy and regulation, develops the capacity of rural communities and industries to profit from environmentally responsible agriculture.

Effectiveness Indicators

The ecological sustainability of agri-industry will be improved if primary producers are able to:

- adopt sustainable land management practices;
- sustainably and profitably manage their businesses; and
- be responsive to change and open to opportunities.

The Agricultural Resource Management (ARM) output contributes to all these areas.

PI 6 The impact of Department activity on the adoption of management practices that address off-site environmental impact or contribute to the long-term sustainability of the natural resource base

The adoption of management practices that address off-site environmental impacts or contribute to the long-term sustainability of the natural resource base is crucial to the development of profitable agricultural industries in Western Australia. The Department is involved in raising awareness of sustainability issues and assisting in the uptake of these management practices through development and extension activities. PI 6 includes information on a number of measures that reflect the Department's effectiveness in achieving increased adoption of sustainable management practices.

Agricultural extension research shows that an increase in the levels of farmer knowledge and skills contribute to an increase in the adoption rates of recommended practice. The 2003/2004 ARM survey found that, of those who had attended at least one Department extension event in the last 12 months, 75 percent felt that the event had improved their understanding of Landcare and natural resource management issues.

This positive result suggests that the Department has had an impact on levels of knowledge and skills and on the subsequent adoption rate of management practices that address off-site environmental impact or contribute to the long-term sustainability of the natural resource base.

Tables 4, 5 and 6 list a suite of management practices that the Department promotes through its publications and its work with primary producers. The figures presented are findings from Department-commissioned surveys of primary producers in 1999/2000, 2000/01, 2001/02, 2002/03 and 2003/04. In the surveys conducted in May of each year, producers were asked which practices they used in the last 12 months. Thus the responses in May 2004 relate to practices in the 2003 growing season and ensuing summer and autumn.

Table 4: Percentage of Western Australian primary producers in the Sheep/Wheat agricultural areas who used selected sustainable land management practices

	2000	2001 (n=205)	2002 (n=201)	2003 (n=200)	2004 (n=200)
Agronomy practices					
Planted non-irrigated perennial pasture species			34	31	36
Planted saltland pasture species		21	23	15↓	21
Farmed to soil type		69	71	68	75
Stubble retention or mulching practices	68	69	62	48↓	71↑
Land Conservation Management					
Tree/shrub planting	64	53	63	57	56
Preserve or enhanced areas of conservation value	60	82↑	61↓	59	66
Excluded stock from areas impacted by land degradation	43	75↑	62↓	66	72
Protected river or creek frontages from grazing animals	45	54	42↓	50	44
Resource Monitoring					
Regular soil testing for nutrient levels		68	71	58↓	74↑
Regular soil testing for pH			71	59↓	74↑
Regular monitoring of pasture/vegetation cover on sandy/light soils			57	53	60
Surface water management					
Water on sloping land (eg grade banks)			57	48	61↑
Water on the valley floors using surface drains			32	29	41↑
Water on the valley floors using deep drains			17	12	16

↑ Denotes a statistical increase at 95% confidence level

↓ Denotes a statistical decrease at 95% confidence level

The Department of Agriculture encourages the planting of non-irrigated perennial pasture species in the Agricultural Region. Table 4 shows that about one third of farmers planted non-irrigated perennial pasture species in each of the three years ending May 2004. Responses to a new question in the ARM survey in May 2004 reveal that non-irrigated perennial pasture species are a part of the farming system for 55% of farmers in this region. As this is much higher than one third, this indicates the cumulative response of landholder behaviour to programs that encourage the practice.

The survey found that saltland pasture species are a part of the farming system for only 33% of farmers in this region, which shows a similar cumulative response in the landholder population, as only 15% planted saltland pasture species in 2002/03, and 21% did so in 2003/04.

Improved seasonal conditions in 2003/04 reversed the adverse impact of successive poor seasons on the adoption of sustainable practices in this region in 2002/03. This is reflected in the survey results. The area of grain planted and harvested also recovered. This could help to explain the changes in adoption rates of stubble retention or mulching. With less area planted to crop, greater pressure is placed on the use of stubble for grazing.

As a result of the poor seasons before 2003/04, many farmers were faced with significantly reduced incomes. Therefore, the high establishment costs associated with saltland pastures may have acted as a deterrent and may account for the low adoption levels reported by the survey for 2002. The increase in the proportion of respondents planting saltland pasture species in 2003/04, while not statistically significant, may be a sign of change. Such a change could be expected to take full effect only after the extra liquidity generated by December 2003 harvest returns. The subsequent planting season commences after the May 2004 survey. It is expected that the Department's continued effort in this area will improve the adoption levels.

Generally the results show there is a high proportion of primary producers who continue to use sustainable practices such as responsive livestock management and preservation of high conservation areas, reflecting continuing Department activity in this area. This reflects the Department's activity in this area over a number of years.

The results of past Department ARM surveys are supported by the results for the wheat-sheep and high rainfall zones of Australia in an ABARE Report titled “Natural Resource Management on Australian Farms” published in May 2004. The ABARE NRM survey was for the year 2001/02. Results from ABARE survey questions which closely approximate the wording of ARM survey questions were:

- soil or plant tissue tests - 65% (DAWA survey 71% in 2001-02)
- use of deep rooted perennial pasture species - 45% (DAWA survey 34% in 2001-02)
- tree/shrub establishment and maintenance - 60% (DAWA survey 63% in 2001-02)
- exclude stock from areas affected by land degradation - 53% (DAWA 62% in 2001-02)

Table 5: Percentage of Western Australian primary producers in High Rainfall agricultural areas who used selected sustainable land management practices

	2000	2001 (n=90)	2002 (n=95)	2003 (n=90)	2004 (n=90)
Agronomy practices					
Planted non-irrigated perennial pasture species			39	41	51
Land Conservation Management					
Tree/shrub planting	59	43	50	48	51
Preserve or enhanced areas of conservation value	75	48↓	50	50	46
Excluded stock from areas impacted by land degradation	69	37↓	39	34	40
Protected river or creek frontages from grazing animals	40	32	48↑	41	41
Resource Monitoring					
Regular soil testing for nutrient levels			52	61	66
Regular soil testing for pH			54	67	66
Regular monitoring of pasture/vegetation cover on sandy/light soils			42	34	52↑
Surface water management					
Water on sloping land (eg grade banks)			22	28	27
Water on the valley floors using deep drains			8	12	13

↑ Denotes a statistical increase at 95% confidence level

↓ Denotes a statistical decrease at 95% confidence level

There was an increase in the percentage of landholders in high rainfall agricultural areas regularly monitoring pasture/vegetation cover on sandy/light soils. It is likely that this is in part due to the encouragement given by the Department’s extension programs on sustainable pasture management and utilisation.

Table 6: Percentage of Western Australian primary producers in the Rangelands who use selected sustainable land management practices

	2000	2001 (n=110)	2002 (n=110)	2003 (n=110)	2004 (n=110)
Permanent control methods on stock water supplies	67	67	68	69	76
Rotational pasture spelling during plant growth season	50	57	50	51	53
Fencing to land systems	64	57	53	56	64
Conduct a prescribed burn for management purposes	24	36	34	30	33
Preserve or enhance areas of conservation value	50	66↑	46↓	46	54
Excluded stock from areas impacted by land degradation	56	66	70	64	73
Protected river or creek frontages from grazing animals	36	36	27	29	39
Formal monitoring of vegetation/pasture conditions	82	83	80	77	82
Specifically spelled pasture for subsequent use by export cattle	23	32	24	17	24

↑ Denotes a statistical increase at 95% confidence level

↓ Denotes a statistical decrease at 95% confidence level

Overall the results in Table 6 show there is a high proportion of primary producers who continue to use sustainable management practices. This reflects the Department of Agriculture's efforts to promote the adoption of sustainable management practices in the pastoral areas, especially in the areas of formal monitoring of vegetation/pasture condition, exclusion of stock from areas impacted by land degradation and permanent control methods on stock water supplies. In particular the high level of vegetation monitoring will have been the result of an extension program with the focus "Grazing for Profit".

As seen in the other regions the activities involved in preserving and enhancing areas of conservation value peaked in 2001, which coincided with a peak in Government assistance schemes involved in these activities.

Seventy six percent of landholders in the rangelands used permanent control methods on stock water supplies, which has also been a particular focus of the Department's extension program in rangeland areas. These results are supported by the results for the pastoral zone farms of Australia in ABARE Report 04.7, Natural Resource Management on Australian Farms, published in May 2004. The ABARE NRM survey was for the year 2001/02. Results from ABARE survey questions which relate to practices which have the same effect were:

- headworks to control water flow from artesian bores - 55%
- piped bore water supplies for stock - 72%

PI 7 The impact of Department activity on improving the capacity of primary producers to sustainably and profitably manage the agricultural resource base

An economic evaluation of the original Farm Business Improvement Program (FarmBis) (Alexander and Goesch, 2002) reported that the participation of farmers in education and training programs can provide broader social and environmental benefits, both on and off farm. The FarmBis 1 evaluation reported that around 70 percent of farmers who undertook training in a natural resource component believed they would incorporate what they had learnt into their farm management practices. Furthermore it found that in Western Australia 65 percent of farmers believe attending the course will benefit the farm's sustainability.

The Department recognises the importance of enhancing the business and natural resource management skills of primary producers as an important step to achieving profitable and sustainable agri-business. Therefore, the Department has a number of initiatives in place to contribute to the development of primary producers management skills. FarmBis is one such initiative that the Department actively promotes and administers, aimed at enhancing the business management skills of primary producers.

Table 7 shows the number of farmers participating in courses has increased between 2002 and 2004. The proportion of farmers undertaking training in natural resource management and production management has increased, but the NRM proportion is at such a low level to be of concern in terms of the balance sought for sustainability. Both of these courses contribute to improving primary producers' capacity to sustainably and profitably manage their properties.

Table 7: Percentage of the primary producers participating in training that undertook formal training in the areas specified

Training course category	2002 (%)	2003 (%)	2004 (%)
People Management	8	9	18
Financial Management	7	3	4
General Business Management (including Quality Assurance)	72	49	28
Marketing	1	7	4
Production Management (including Adverse Seasons)	12	27	38
Natural Resource Management and Biodiversity	1	5	8
TOTAL	100%	100%	100%
Total participant numbers	4,583	4,512	5,409

Table 8 shows the percentage of respondents who undertook training by regions over three years. The results show a decrease in the South West Region in the year ended May 2004, but there has been no overall pattern of change in the proportion of Western Australian participants who undertook formal training in any year, which is approximately one third. The changes in proportion of South West respondents undertaking formal training is likely to be due in part to adjustment in the dairy industry.

Table 8: Percentage of respondents who undertook formal training by region

	Respondents undertaking formal training		
	2002 (%)	2003 (%)	2004 (%)
South West Region	23	34	19↓
Agricultural Region	41	29↓	36
Pastoral Region	26	34	38
Total	37	30	33

Source: ARM survey

↓ Denotes a statistical decrease at 95% confidence level

PI 8 The impact of Department activity on the capacity of agri-industry to manage change and respond to opportunities

To profitably and sustainably manage the agricultural resource base in the long term, in the face of declining terms of trade in agriculture and increasing community and market demands for environmentally responsible agriculture, it is important that agri-industry have the capacity to adapt to change and respond to opportunities. In response, the Department actively promotes risk management strategies as a means of building capacity in this area through its publications and its work with primary producers. Table 9 presents results from the 2004 ARM Survey in which respondents were asked if they had used at least one of five risk management strategies.

Table 9: Percentage of Western Australian primary producers who have adopted one of 5 risk management strategies

	2000/01	2001/02	2002/03	2003/04
Percentage of respondents	86	88	80↓	87↑

The results in Table 9 show there is a high proportion of primary producers who have adopted risk management strategies, especially in the areas of strategic planning and drought proofing. The reduction between 2001/02 and 2002/03 can be readily explained by changes in seasonal and market conditions. Wool prices rose by about 35%, wheat prices rose by about 15%, and total grain production fell. This reduced the value of hedging on wool and grain futures markets and reduced cash available for off-farm investment. In the year to May 2004 these market trends have been reversed. The percentage of respondents who have adopted one of five risk management strategies has returned to the levels observed in 2001/02.

ABARE Report 04.7, Natural Resource Management on Australian Farms, on the ABARE NRM survey for the year 2001/02, found that Western Australia is the State which had the highest rate of participation (55%) in Landcare or similar groups. Nearly half of those involved in these groups indicated that their involvement had resulted in on-ground works implemented on their farm and 95% of those who had gained skills or information said that they were applying these on farm. Farmers involved in Landcare were more likely to have undertaken training than non-participants and to have had higher landcare related expenditure. The Department of Agriculture established the Landcare movement in WA and continues to support the networks.

Efficiency Indicators

The agricultural resource management output accounts for a myriad of activities that can be summarised as:

- information products and services;
- hectares assessed for risks, options and impacts;
- regulatory actions under the Soil and Land Conservation Act;
- landcare grant administration; and
- farm business development and rural community development.

The PIs for efficiency of the ARM output relate directly to the above activities. In most cases, the efficiency indicators consist of aggregate data from a number of different activities contributing to the same sub-output, e.g. an information product or service.

The figures in the following tables were allocated from the total ARM output cost of \$53,600,000. Note that these amounts include the total value of grants approved and advanced to community members of \$19,479,248. While contributing to the total cost of the output, these figures do not form part of efficiency determinations.

PI 9 Average cost per information product

This was calculated by recognising that information products produced by the output are manifold and can be divided into the following categories:

- Publications which include serials, monographs and refereed papers;
- Cartographic products;
- Contributions to corporate publications; and
- Audio visual products such as CD ROMs and videos.

In all, 13 projects within the Department contributed to this indicator in 2003/04 including three Farming Systems projects. The Department's efficiency has improved slightly over the last year.

Table 10: Average cost per information product

	2001/02	2002/03	2003/04
Total number of information products	706	624	734
Total Cost (\$)	15,341,806	14,177,015	\$15,817,928
Average cost per information product (\$)	21,731	22,720	21,550

Source: Project Managers, ARM Program, Department of Agriculture

Note: In 2002/03 the Department commenced Farming Systems activities that were aimed at providing better information to the Department and community about local conditions within the regions. The activities have now been going for two years and so it is appropriate that their performance is included in this report. As the Farming Systems projects mainly generate formal information products as reports and other public documents it has been decided that this cost per information performance measure is the most appropriate indicator for including Farming Systems output. As such the 2002/03 figures have been revised to include the information products figures of the Farming Systems projects produced in 2002/03, as well as the \$5,625,078 of Farming Systems funding that was excluded from last year's reports.

PI 10 Average cost per hectare assessed for risks, options and impacts

Dryland salinity is one of the most urgent environmental problems facing community in Australia. Under the Western Australian Government's State Salinity Strategy (2000) the Department of Agriculture has obligations to provide all landholders in the agricultural areas with:

- An assessment of current salinity;
- Options for managing those risks and their likely impacts; and
- Help in accessing further assistance.

This is a major initiative for the Department with a five-year target of 19 million hectares and is being facilitated through the Rapid Catchment Appraisal activity. Fewer hectares were assessed in 2003/04 as resources were put into developing regional NRM plans causing the efficiency measure to decline slightly.

Table 11: Average cost per hectare assessed for risks, options and impacts

	2001/02	2002/03	2003/04
Total number hectare assessed for risks, options and impacts	2.19 million	2.2 million	1.83 million
Total Cost (\$)	\$4,117,316	\$4,265,083	\$4,266,087
Average cost per hectare assessed for risks, options and impacts (\$)	\$1.88	\$1.94	\$2.33

Source: Project Managers, ARM Program, Department of Agriculture

PI 11 Average cost per regulatory activity processed

The Department manages the regulatory process under the Soil and Land Conservation Act. This involves processing a number of regulatory instruments including Notices of Intent to clear land, Notices of Intent to drain, woodchip permits, and compliance. The Commissioner of Soil and Land Conservation oversees this process and is responsible for keeping records on each regulatory action initiated under the Soil and Land Conservation Act. As shown in Table 12, the number of regulatory actions increased in 2002/03 and again in 2003/04. The nature of regulatory action and litigation has progressively become more complex over time and as a result, the average cost has tended to increase in recent years.

Table 12: Average cost per regulatory activity processed

	1999/00	2000/01	2001/02	2002/03	2003/04
Total number of regulatory actions processed	195	164	248	256	288
Total Cost (\$)	2,921,199	4,399,307	2,900,983	5,092,955	5,322,948
Average cost per regulatory action processed (\$)	14,981	26,825	11,697	19,894	18,482

Source: Register maintained by the Commissioner of Soil and Land Conservation

PI 12 Average cost per Landcare grant administered

The Department provides an important service to the community and agency through the administration of landcare grants on behalf of the Commonwealth and State Governments. The reduced number of landcare grants processed in the last two years is a reflection of the new delivery mechanism introduced in 2002/03 as part of the transition phase to Natural Heritage Trust 2. Under this new system, fewer but larger projects are submitted through the regional Natural Resource Management group structure.

Table 13: Average cost per landcare grant administered

	1999/00	2000/01	2001/02	2002/03	2003/04
Total number of landcare grants processed	495	418	216	154	171
Total Cost (\$)	5,384,807	4,399,307	3,450,804	1,102,942	1,276,586
Average cost per landcare grant processed (\$)	10,878	10,525	15,976	7,162	7,465

Source: Natural Heritage Trust Secretariat

PI 13 Average cost per participant in farm business and rural community development activities

This indicator demonstrates the efficiency in delivering farm business development and rural community development activities. In 2003/04 efficiency has continued to improve.

Table 14: Average cost per participant in farm business and rural community (FB/RC) development activities

	1999/00	2000/01	2001/02	2002/03	2003/04
Total number of participants in FB/RC development activities	3,870	3,669	6,242	4,552	5,413
Total Cost (\$)	7,377,358	8,363,719	12,958,781	7,485,078	7,437,203
Average cost per participant in FB/RC development activities (\$)	1,906	2,280	2,076	1,644	1,374

Source: FarmBis Coordinator, Department of Agriculture

Note 1

Comments on surveys used to obtain performance indicator information: population and sample sizes, response rates and levels of sampling error.

ARM Survey

In 2003/04, a survey was commissioned by the Agricultural Resource Management Program and conducted by market research company – Market Equity. A total of 400 telephone interviews were conducted with Western Australian primary producers. The sample was drawn from Department of Agriculture's Client Resource Information System database of primary producers as a random stratified sample.

The population of commercial primary producers in Western Australia is estimated at some 10,000 (ABARE 1997/98). The total sample of the general farming community had an associated maximum sampling error of $\pm 4.8\%$ at the 95% confidence level. That is, if the entire population was sampled, there would be 95% confidence that the results fell within $\pm 4.8\%$ of those quoted for the whole sample.

A stratified sample was constructed and a sample was drawn from each region. The final "overall" WA results were weighted to ensure that total survey results were representative of the population.

Area	Number of farms	Survey sample	Weights for population
South West	3,376	90	0.88
Agricultural	13,135	200	1.54
Pastoral	561	110	0.12
TOTAL	17,072	400	

Respondents were telephoned and asked if they agreed to participate in the survey, and if they met the specified criteria. An interview response rate of 41% was achieved.

The response rate was calculated as follows:

Total contacts	1,079	
Total in scope	980	
Not suitable/incorrect numbers	211	21.6%
Insufficient English to complete survey	13	1.3%
Refusal	354	36.1%
Terminated	2	0.2%
Interviews	400	40.8%

Prior to the commencement of the data analysis, the data was weighted to reflect the actual distribution of farming properties both regionally and by main activity. As such, any of the aggregate results quoted are representative of Western Australia as a whole.

In more detail, the sample was quota'd to ensure that the sample was representative and of sufficient size to comment on individual program areas and individual regions (minimum sub-samples were 50). The data was weighted based on information provided in a producer-by-program table entitled 'WA Farms by Industry by Agriculture WA Region 1998/99' supplied by the Department's Marketing Economics and Rural Adjustment Unit.

Output 3: Biosecurity

Outcome: Protection of the productive resource base

Output description: Generation, integration and application of knowledge, policy and regulation to ensure agriculture and related resources are protected and that safety and quality standards are upheld.

Effectiveness Indicators

Key output areas of the protection program include those activities which prevent, or ensure early detection of, incursions by exotic pests, diseases and other biological and chemical threats. These threats have the potential to cause serious damage through loss of market access, productivity losses or cost increases.

A certain frequency of incursions is inevitable, to which the response is to remove or minimise the risk of spread or damage. Removal of properties from quarantine signifies the effective local eradication or management of a pest or chemical threat.

Three streams of recorded activities are used to demonstrate program effectiveness. These reflect the diversity of activities but also focus on matters of greater significance to the industry.

PI 14 Animal disease identification

PI 15 Pest interceptions by interstate and international barrier quarantine activities.

PI 16 Quarantine releases

The aggregated statistics are shown in Table 15. The table includes numbers of pests and diseases as well as numbers of identifications and interceptions. This to some extent corrects for the exaggerated influence of multiple occurrences associated with a single incident.

Table 15: Indicators

	Output Measures	2001/02	2002/03	2003/04
1	Identifications of notifiable animal diseases	69	23	22
2	Number of animal diseases	15	9	5
3	Interceptions of significant pests, diseases & weeds	530	278	367
4	Number of pests, diseases & weeds	61	81	65
5	Removal of properties from quarantine	105	122	119

PI 14 Animal Diseases

For animal disease identification, early identification is critical to successful control of a disease. A primary focus is the identification of potentially serious diseases. A disease is designated as being notifiable if it matches a set of criteria that relate to the likely scale of impact on agriculture and human health.

The list of Notifiable Stock Diseases of Western Australia was modified considerably in March 2002, 2003, 2004 to bring the State list into line with the National list, and will again be modified in March 2005. The decline in data values does not mean a reduction in reports.

PI 15 Interception of significant pests, diseases and weeds

The total excludes interceptions of insects from international sources, which are reported to the Commonwealth Government. Indicator 4 - number of pests, diseases and weeds - is meant to minimise undue influence of individual pest species on the total, this indicates that 65 individual pests, diseases and weeds were intercepted a total of 367 times.

For pest interceptions by interstate and international barrier quarantine activities, effectiveness is the exclusion of quarantine risk material. Sampling indicates successful exclusion of insect pests, plant diseases and weeds. A given pest is deemed significant when it is capable of inflicting a high damage cost.

PI 16 Quarantine

For quarantine releases, two activities - footrot eradication and chemical residues - were included to demonstrate effectiveness. When a property, flock or herd is released from quarantine, which may be by the issue of a permit, this signifies either freedom from a pest threat or control of the problem by virtue of management arrangements

in place. Progressive releases indicate wider freedom from the threat, and thereby reduce the number of properties or flocks subject to future release.

There was a further reduction in the total number of properties quarantined because of footrot or chemical contamination in 2003/04. Thirty-three properties were removed from chemical residue quarantine and 86 from footrot quarantine. The 86 properties released from footrot is an increase from the number of 59 for 2002/03, however, the 33 properties released from chemical residue is lower than last year (63).

Efficiency Indicators

PI 17 Cost per freight consignment cleared or certified

PI 18 Passenger quarantine checking cost (per passenger)

PI 19 Cost per property management plan for animal disease

PI 20 Cost per diagnostic samples processed (animal and plant disease and plant pest)

The activities relating to the Agriculture Protection output have generally been classified according to the key areas of:

- Providing barrier quarantine and export standards;
- Managing animal and plant pests and diseases; and
- Surveillance and preparedness activities (systems to detect incursions and outbreaks and take appropriate action).

Table 16: Agriculture protection output cost measures

Average cost per output (\$)	2000/01	2001/02	2002/03	2003/04
Cost per freight consignment cleared or certified	181	215	283	294
Passenger quarantine checking cost (per passenger)	2.08	3.26	6.10	5.39
Cost per property management plan for animal disease	23,515	10,649	6,594	6,991
Cost per diagnostic sample processed	272	355	184	370

The figures in Table 16 were allocated from the total output cost of \$43.429 million (2003/04), \$50.479 million (2002/03), \$41.166 million (2001/02) and \$32.69 million for 2000/01. In 2003/04 the Australian Quarantine and Inspection Service (AQIS) assumed full responsibility for international quarantine matters effective from January 1, 2004. This change impacts on the indicators for freight consignments cleared and passenger quarantine numbers checked as numbers and funding were only available until December 2003. There was a small increase in asset management costs, combined with an increase in overhead and management charges. The total amount of funds spent by the Department for agricultural protection was \$63.270 million, but includes approximately \$19.841 million from the Agriculture Protection Board (APB) under a Memorandum of Understanding and Contract for Service with the Department. This expenditure is accounted for in the Board's Annual Report. The following observations and conclusions were drawn from the 2003/04 results.

PI 17 Cost per Freight Consignment

This indicator for 2003/04 includes domestic and international freight consignments up to December 2003, and then only domestic freight consignments checked after January 1st 2004 as no international passenger numbers have been made available to WA since AQIS assumed full responsibility for international quarantine matters. The average cost per freight consignment cleared or certified increased by \$11 or 4% from 2002/03. This increase in the average cost per freight consignment cleared was due to increased resources being applied to this area to enable a more thorough check of freight consignments to be undertaken to ensure that the risk of quarantine material entering WA was minimised.

PI 18 Cost per passenger

This indicator includes for 2003/04 domestic and international passenger arrivals up to December 2003, and then only domestic passenger checked after January 1st 2004 as no international passenger numbers have been made available to WA since AQIS assumed full responsibility for international quarantine matters. In 2002/03 the Commonwealth Government significantly increased the funding being allocated to WA (an extra \$6 million) to enable tighter security and more detailed checks to be undertaken at airports and seaports.

PI 19 Cost per property management plan

The average cost per inspection to monitor property management plans increased by 6% in 2003/04 due to a reallocation in staffing resources. In order to decrease the number of properties that were subject to a management plan, this strategy necessitated a higher level of time input per property than in the past. The number of properties under a management plan for chemical residues decreased from 676 to 651.

PI 20 Cost per Diagnostic sample

The average cost per diagnostic sample processed in 2003/04 returned to around the average of 2001/02 after an increase of 93% in the number of diagnostic samples processed during 2002/03 because of Wheat Streak Mosaic Virus which was detected in other States necessitating a substantial increase in grain sample analysis and field surveillance. The number of animal samples tested in 2003/04 was 28,070 whilst the number of plant samples tested decreased by 11,000 to 3,206 for the year, which is close to the annual average.

OUTPUT MEASURES

Output 1. Food and Fibre Industry Development

(AS DEPICTED IN THE 2002/03 BUDGET STATEMENTS)

Outcome: Increased market competitiveness and profitability of agri-industry.

Output Description: Generation, integration and application of knowledge which together with appropriate industry policy increases the international competitiveness and market opportunities for State agriculture, food and fibre industries.

Performance Measures for Output 1

	2002/03 Actual	2003/04 Target	2003/04 Actual	Reason for Significant Variation between 2003/04 Target and 2003/04 Actual
Quantity				
Estimated person hours involved in research and industry development for the grains sector....	774,882	768,617	734,822	
Estimated person hours involved in research and industry development for the horticulture sector	294,455	281,850	275,558	
Estimated person hours involved in research and industry development for the meat, dairy and other animal products sector	232,465	220,332	237,506	
Estimated person hours involved in research and industry development for the wool sector.....	185,972	184,293	178,176	
Estimated person hours involved in investment attraction and market intelligence and development	61,991	58,173	91,853	
Quality				
Funding from sources other than State Government	\$27 million	\$25 million	\$32 million	The Department was successful in attracting more non-State Government funds than estimated
Timeliness				
Percentage of research and industry development milestones achieved within time parameters	92%	92%	91%	
Cost (Efficiency)				
Average hourly cost per person involved in research and industry development for the grains sector	\$51.92	\$61.48	59.91	
Average hourly cost per person involved in research and industry development for the horticulture sector	\$44.44	\$63.71	61.64	
Average hourly cost per person involved in research and industry development for the meat, dairy and other animal products sector	\$57.29	\$64.34	51.68	
Average hourly cost per person involved in research and industry development for the wool sector	\$57.11	\$61.53	57.16	
Average hourly cost per person involved in investment attraction and market development	\$66.66	\$64.98	61.29	
Full Time Equivalents (FTEs)	768	736	736	

Output 2. - Agricultural Resource Management

Outcome: Improved ecological sustainable development of agri-industry.

Output Description: Generation, integration and application of knowledge which, together with appropriate investment policy and regulation, develops the capacity of rural communities and industries to profit from environmentally responsible agriculture.

Performance Measures for Output 2

	2002/03 Actual	2003/04 Target	2003/04 Actual	Reason for Significant Variation between 2003/04 Target and 2003/04 Actual
Quantity				
Number of estimated person hours involved in salinity and Natural Resource Management (NRM)	341,848	142,373	203,034	Resources were reallocated within the department to ensure the development of rural NRM plans.
Number of estimated person hours involved in rural capacity building programs	122,512	46,049	65,658	As above
Number of estimated person hours involved in resource protection - land clearing and drainage regulation.....	21,736	22,985	32,788	
Number of estimated person hours involved in natural resource condition analysis and strategic direction.....	77,064	39,621	56,505	As above
Number of estimated person hours involved in rangelands management	19,760	34,245	48,816	
Number of hectares assessed for risks, options and impacts.....	2.2 million	5.6 million	1.88 million	Fewer hectares were assessed as staff were assigned to other areas of higher priority.
Quality				
Land clearing and drainage assessments involving comprehensive property inspections.....	75%	77%	79%	
Customers who feel that attendance at Department of Agriculture initiated events improved their understanding of natural resource management issues	74%	65%	75%	
The proportion of Western Australian Rangelands monitoring sites showing improvements or stabilisation.....	85%	85%	76%	The majority of sites were in areas currently experiencing drought conditions.
Timeliness				
Regulatory assessments (land clearing and drainage) completed within the 90-day statutory period.....	98%	99%	71%	There were a larger number of clearing assessments than expected, and increased compliance activities required.
Cost				
Average hourly cost of persons involved in salinity and Natural Resource Management ..	\$40.11	\$60.19	68.10	
Average hourly cost of persons involved in rural capacity building programs.....	\$50.16	\$80.20	77.65	
Average hourly cost of persons involved in resource protection - land clearing and drainage regulation.....	\$41.49	\$43.10	41.69	
Average hourly cost of persons involved in natural resource condition analysis and strategic direction.....	\$38.98	\$53.20	51.46	
Average hourly cost of persons involved in rangelands management	\$125.06	\$76.30	73.90	
Average cost per hectare assessed for risks, options and impacts.....	\$0.77	\$0.61	1.48	As fewer hectares were assessed the average cost per hectare has increased.
Value of Landcare grants administered	\$12,979,638	\$15.5 million	\$18.9 million	
Value of Adverse Season and Exceptional Circumstances grants administered	\$4,707,491	Nil	\$1.49 million	Exceptional Circumstances grants can be difficult to forecast until the season occurs.
Value of FarmBis grants administered	\$1,345,987	\$2.4 million	\$3.8 million	
Full Time Equivalents (FTEs)	323	269	318	

Output 3. - Biosecurity (Inclusive of Services provided to the APB)

Outcome: Protection of the productive resource base

Output Description: Generation, integration and application of knowledge, which, with appropriate policy and regulation, ensures the natural base of agriculture, is protected and that safety and quality standards are upheld.

Performance Measures for Output 3

	2002/03 Actual	2003/04 Target	2003/04 Actual	Reason for Significant Variation between 2003/04 Target and 2003/04 Actual
Quantity				
Number of diagnostic samples processed (animal and plant disease and plant pest)	49,374	25,800	31,276	
Number of import freight consignments cleared and export consignments certified	78,545	76,000	53,220	The figures for freight consignments cleared was reduced as the Commonwealth took over checking foreign consignments from the State Quarantine Inspection Service at the beginning of 2004.
Number of passengers subject to quarantine procedure	2,308,086	2,435,000	2,047,231	The figures for passengers checked was reduced as the Commonwealth took over checking all foreign passenger arrivals from the State Quarantine Inspection Service at the beginning of 2004.
Number of property contacts for animal pests and plant pests & diseases (inspection, audit & advice).....	31,351	32,867	33,387	
Number of properties where agency control/eradication activities are undertaken for animal pests & plant pests & diseases	1,072	1,930	807	The number of properties where activities have taken place to control animal pests has dropped as the Agriculture Protection Board is moving to a system of encouraging property owners to accept responsibilities for managing their own property.
Number of property management plans for animal disease	768	830	743	
Quality				
Infected properties released from animal disease quarantine	44%	60%	53%	
Emergency incident responses using a prepared contingency plan	100%	100%	100%	
Timeliness				
Biosecurity risk assessments, surveillance and control activities undertaken within agreed timelines	91%	92%	92%	
Cost (Efficiency)				
Average cost per diagnostic samples processed (animal and plant disease and plant pest)	\$184	\$280	\$370	
Average cost per freight consignment cleared or certified	\$283	\$192	\$294	Fewer freight consignments checked resulted in a higher average cost.
Average cost per passenger quarantine checking cost	\$6.10	\$3.79	\$5.39	Fewer international passenger arrivals checked resulted in a higher average cost.
Average cost property contact for animal pests and plant pests and diseases (inspection, advice and audit)	\$413	\$451	\$493	
Average cost per property contact for Department control/eradication activities for animal pests and plant pests and diseases	\$2,474	\$1,545	\$4,180	Although the average cost per contact has risen under the new scheme, the APB still provides matching funds to landholder groups, undertakes aerial baiting and provides risk assessments for property owners to help control wild animals.
Average cost per property management plan for animal disease	\$6,594	\$9,310	\$6,991	
Full Time Equivalent (FTEs)	575	561	463	

Output 4. - Services provided to Rural Business Development Corporation (RBDC)

Output Description: Provision of contractual services to Rural Business Development Corporation assist farmers enhance their skills, leading to improved sustainable long-term profitability and better capacity to deal with risks inherent in farming.

Performance Measures for Output 4

	2002/03 Actual	2003/04 Target	2003/04 Actual	Reason for Significant Variation between 2003/04 Target and 2003/04 Actual
Quantity				
Number of applications for grants.....	272	75	250	Greater than anticipated number of applications submitted due to two new Exceptional Circumstances declarations being made in July 2003. Greater number of Exceptional Circumstances applications due to two new Exceptional Circumstances declarations being made in July 2003 resulted in higher number of grants advanced.
Number of grants advanced.....	321	207	294	
Quality				
Extent to which recipients were satisfied with the way schemes are administered	94.2%	86%	91%	
Timeliness				
Average turnaround time to consider applications for support (days):				
Average turnaround time to consider applications for support (days) - EC Centrelink Certificate	1	1	1	
Average turnaround time to consider applications for support (days) - EC Interest Subsidy	21	26	23	
Cost				
Average amount of each grant advanced	\$25,370	\$25,109	\$24,087	
Administrative expenditure per application approved or rejected	\$1,927	\$4,189	\$2,202	Greater number of applications processed without a proportional increase in resources utilised.

FINANCIAL STATEMENTS

Certification of Financial Statements

The accompanying financial statements of the Department of Agriculture have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ending 30 June 2004 and the financial position as at 30 June 2004.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Ian Longson
A/ACCOUNTABLE OFFICER
31 August 2004



Mike Marsh CPA
PRINCIPAL ACCOUNTING OFFICER
31 August 2004



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

**DEPARTMENT OF AGRICULTURE
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004**

Audit Opinion

In my opinion,

- (i) the controls exercised by the Department of Agriculture provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Department at June 30, 2004 and its financial performance and cash flows for the year ended on that date.

Scope

The Director General's Role

The Director General is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Output Schedule of Expenses and Revenues, Summary of Consolidated Fund Appropriations and Revenue Estimates, and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

**D D R PEARSON
AUDITOR GENERAL
September 29, 2004**

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

DEPARTMENT OF AGRICULTURE

Statement of Financial Performance
For the year ended 30 June 2004

	Note	2004 (\$'000)	2003 (\$'000)
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	5	94,750	103,044
Depreciation & amortisation	6	7,204	7,067
Communications		2,422	2,372
Services & contracts	7	38,065	37,090
Other expenses from ordinary activities	8	21,940	17,840
Grants, subsidies & transfer payments	9	38,013	25,119
Capital user charge	10	12,371	10,360
		<hr/>	<hr/>
Total cost of services		214,765	202,892
Revenues from ordinary activities			
Revenue from operating activities	11		
User charges and fees		25,965	24,537
Commonwealth grants and contributions		21,524	35,152
Grants and subsidies from non-Government sources		31,620	26,893
Interest revenue		1,028	663
Revenue from non-operating activities			
Proceeds from disposal of non-current assets	12	552	255
Other revenue from ordinary activities		7,838	7,297
		<hr/>	<hr/>
Total revenues from ordinary activities		88,527	94,797
		<hr/>	<hr/>
NET COST OF SERVICES		126,238	108,094
		<hr/>	<hr/>
REVENUES FROM STATE GOVERNMENT			
	13		
Output Appropriation (1)		118,449	127,186
Resources received free of charge		993	865
Initial recognition of assets not previously recognised		34	-
Liabilities assumed by the Treasurer		2	1,150
		<hr/>	<hr/>
Total revenues from State Government		119,478	129,201
		<hr/>	<hr/>
CHANGE IN NET ASSETS			
		(6,760)	21,106
		<hr/>	<hr/>
Net (decrease)/increase in asset revaluation reserve	26	12,271	(3,545)
Total revenues, expenses and valuation adjustments recognised directly in equity		12,271	(3,545)
		<hr/>	<hr/>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS		5,511	17,561
		<hr/>	<hr/>

The Statement of Financial Performance should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE

Statement of Financial Position
As at 30 June 2004

	Note	2004 (\$'000)	2003 (\$'000)
CURRENT ASSETS			
Cash assets	14 27(a)	4,147	17,706
Restricted cash assets	15 27(a)	31,472	34,962
Inventories	16	3,638	3,108
Receivables	17	8,210	5,456
Amounts receivable for outputs	18	17,646	4,500
Prepayments	19	2,675	1,464
Total current assets		67,788	67,196
NON-CURRENT ASSETS			
Restricted cash assets	15 27(a)	2,494	2,178
Amounts receivable for outputs	18	3,939	14,730
Land	20	52,284	43,887
Buildings	20	69,730	68,489
Plant & equipment	20	10,293	9,453
Vehicles & transportation equipment	20	4,021	3,654
IT equipment	20	3,531	2,355
Furniture & fittings	20	302	344
Capital works in progress	21	1,362	18
Investments	22	540	486
Total non-current assets		148,496	145,594
Total assets		216,284	212,790
CURRENT LIABILITIES			
Payables	23	9,189	9,400
Accrued salaries	24	3,816	2,271
Provisions	25	15,628	16,405
Total current liabilities		28,633	28,076
NON-CURRENT LIABILITIES			
Provisions	25	8,265	10,484
Total non-current liabilities		8,265	10,484
Total liabilities		36,898	38,560
EQUITY			
Contributed equity	26	475	830
Asset revaluation reserve		127,478	115,207
Accumulated surplus		51,433	58,193
Total equity		179,386	174,230
TOTAL LIABILITIES AND EQUITY		216,284	212,790

The Statement of Financial Position should be read in conjunction with the accompanying notes.

DEPARTMENT OF AGRICULTURE

Statement of Cash Flows
For the year ended 30 June 2004

	Note	2004 (\$'000)	2003 (\$'000)
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM STATE GOVERNMENT			
Output appropriations		111,207	127,186
Holding account drawdowns	18	4,887	-
Net cash provided by State Government		<u>116,094</u>	<u>127,186</u>
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(88,712)	(95,361)
Communications		(2,434)	(2,293)
Services & contracts		(37,495)	(35,282)
Capital User charge		(12,371)	(10,360)
GST payments on purchases		(10,250)	(7,679)
GST payments to taxation authority		-	(110)
Other payments		(21,924)	(26,840)
Grants, subsidies & transfer payments		(40,809)	(22,259)
Receipts			
Revenues from services		78,372	92,615
GST receipts on sales		4,916	4,585
GST receipts from taxation authority		4,994	3,129
Net cash provided by / (used in) operating activities	27(c)	<u>(125,713)</u>	<u>(99,855)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(7,220)	(3,357)
Proceeds from the sale of non-current physical assets		461	255
Net cash provided by / (used in) investing activities		<u>(6,759)</u>	<u>(3,102)</u>
Net increase/(decrease) in cash held		(16,378)	24,229
Cash transferred from other sources	26	(355)	(300)
Cash assets at the beginning of the financial year		<u>54,846</u>	<u>30,917</u>
Cash assets at the end of the financial year	27(a)	<u>38,113</u>	<u>54,846</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Output Schedule for Expenses and Revenues <i>For the year ended 30 June 2004</i>	Food and Fibre Industry Development		Biosecurity		Agriculture Resource Management		Services provided to Rural Business Development Corporation		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
COST OF SERVICES										
Expenses from ordinary activities										
Employee expenses	45,766	46,058	32,225	38,955	16,323	17,649	436	382	94,750	103,044
Depreciation & amortisation	3,602	3,286	2,305	2,558	1,297	1,223	-	-	7,204	7,067
Communications	1,163	1,082	812	860	447	430	-	-	2,422	2,372
Services & contracts	12,220	10,850	12,319	12,427	4,632	4,320	8,894	9,493	38,065	37,090
Other expenses	12,061	8,725	6,359	5,738	3,318	3,193	202	184	21,940	17,840
Grants, subsidies & transfer payments	7,365	6,428	5,291	1,738	25,357	16,953	-	-	38,013	25,119
Capital User charge	6,186	4,817	3,959	3,750	2,226	1,792	-	-	12,371	10,360
Total cost of services	88,363	81,247	63,270	66,026	53,600	45,560	9,532	10,059	214,765	202,892
Revenues from ordinary activities										
Revenues from operating activities	4,118	3,899	10,804	9,091	1,511	1,488	9,532	10,059	25,965	24,537
User charges and fees	-	-	5,424	10,681	16,100	24,471	-	-	21,524	35,152
Commonwealth grants and contributions	22,469	18,824	2,965	2,599	6,186	5,470	-	-	31,620	26,893
Grants and subsidies from non-Government sources	541	560	140	58	347	45	-	-	1,028	663
Revenue from non-operating activities	276	119	177	92	99	44	-	-	552	255
Proceeds from disposal of non-current assets	1,551	3,392	3,768	982	2,519	2,923	-	-	7,838	7,297
Other revenues from ordinary activities	28,955	26,794	23,278	23,505	26,762	34,439	9,532	10,059	88,527	94,797
Total revenues from ordinary activities	59,408	54,453	39,992	42,521	26,838	11,121	-	-	126,238	108,095
Net cost of services										
Revenues from State Government										
Output Appropriations	59,003	65,445	49,603	48,639	9,843	13,102	-	-	118,449	127,186
Resources received free of charge	496	402	318	313	179	150	-	-	993	865
Initial recognition of assets not previously	21	-	9	-	4	-	-	-	34	-
Liabilities assumed by the Treasurer	1	535	1	416	-	199	-	-	2	1,150
Total revenues from State Government	59,521	66,382	49,931	49,368	10,026	13,451	-	-	119,478	129,201
CHANGE IN NET ASSETS	113	11,929	9,939	6,847	(16,812)	2,330	-	-	(6,760)	21,106

The Output Schedule of Expenses and Revenues should be read in conjunction with the accompanying notes.

**Summary of Consolidated Fund Appropriations and Revenue
Estimates for the year ended 30 June 2004**

	2004	2003	2004	2003	2004	2003	2004	2003	Variation	Variation
	Note	Estimate	Actual	Actual	Note	Actual	Actual	Actual	\$'000	\$'000
		\$'000	\$'000	\$'000		\$'000	\$'000	\$'000		\$'000
PURCHASE OF OUTPUTS										
Item 36										
Net amount appropriated to deliver outputs	32.1	120,267	118,299	118,299	32.8	118,299	127,036	127,036	(1,968)	8,737
Amount authorised by Other Statutes - Salaries and Allowances Act 1975		150	150	150		150	150	150	-	-
Total appropriations provided to deliver outputs		120,417	118,449	118,449		118,449	127,186	127,186	(1,968)	8,737

DETAILS OF EXPENSES BY OUTPUTS

Outputs:

Food and Fibre Industry Development	32.2	94,502	88,363	88,363	32.9	88,363	81,247	81,247	(6,139)	(7,116)
Agricultural Resource Management	32.3	39,143	53,600	53,600	32.10	53,600	45,560	45,560	14,457	(8,040)
Biosecurity	32.4	58,577	63,270	63,270	32.11	63,270	66,026	66,026	4,693	2,756
Services Provided to Rural Business Development Corporation	32.5	5,504	9,532	9,532	32.12	9,532	10,059	10,059	4,028	527
Total Cost of Outputs		197,726	214,765	214,765		214,765	202,892	202,892	17,039	(11,873)
Less Total revenues from ordinary activities	32.6	(75,720)	(88,527)	(88,527)	32.13	(88,527)	(94,797)	(94,797)	(12,807)	(6,270)
Net Cost of Outputs		122,006	126,238	126,238		126,238	108,095	108,095	4,232	(18,143)
Adjustments (I)		(1,589)	(7,789)	(7,789)		(7,789)	19,091	19,091	(6,200)	26,880
Total appropriations provided to deliver outputs		120,417	118,449	118,449		118,449	127,186	127,186	(1,968)	8,737

Summary of Consolidated Fund Appropriations and Revenue Estimates (cont.) for the year ended 30 June 2004

	Note	2004 Estimate \$'000	2004 Actual \$'000	Variation \$'000	Note	2004 Actual \$'000	2003 Actual \$'000	Variation \$'000
CAPITAL								
Item 133 Capital Contribution								
Capital Expenditure								
Purchase of non-current physical assets	32.7	8,671	8,797	126	32.14	8,797	3,603	(5,194)
Adjustment for other funding sources		(8,671)	(8,797)	(126)		(8,797)	(3,603)	5,194
Capital Contribution (appropriation)		-	-	-		-	-	-
ADMINISTERED								
Item 37 Amount provided for Administered Grants, Subsidies and Transfer Payments								
Administered capital appropriations		1,178	1,178	-		1,178	1,178	-
Total Administered appropriations	33.8	1,178	1,178	-		1,178	1,178	-
GRAND TOTAL OF APPROPRIATIONS		121,595	119,627	(1,968)		119,627	128,364	(8,737)
DETAIL OF REVENUE ESTIMATES								
Revenues disclosed as Administered Revenues		1,178	1,178	-		1,178	1,178	-

(I) Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation. The Summary of Consolidated Fund Appropriations, Variances to Budget and Actual should be read in conjunction with the accompanying notes. This Summary provides the basis for the Explanatory Statement Information requirements of Treasurer's Instruction, TI 945, set out in note 32.

DEPARTMENT OF AGRICULTURE

Notes to the Financial Statements

As at 30 June 2004

1 Department mission and funding

The Department's mission, "the Department of Agriculture will accelerate the success of agriculture, food and fibre industries through innovations in production, processing, marketing and stewardship of our natural resources".

The Department is predominantly funded by Parliamentary appropriation. The fees charged are determined by prevailing market forces. The financial statements encompass all Funds through which the Department controls resources to carry on its functions

2 Significant accounting policies

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the previous year.

General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, Statements of Accounting Concepts and authoritative pronouncements of the Australian Accounting Standards Board and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effects are disclosed in individual notes to these financial statements.

Basis of accounting

The financial statements have been prepared in accordance with Australian Accounting Standard AAS 29.

The statements have been prepared on the accrual basis of accounting using the historical cost convention, with the exception of certain non-current assets which have been stated at valuation as provided by the Valuer General's Office (see note 20). Additions to non-current physical assets since valuation are stated at cost.

Administered assets, liabilities, expenses and revenues are not integral to the Department in carrying out its functions and are disclosed in the notes to the financial statements, forming part of the general purpose financial report of the Department. The administered items are disclosed on the same basis as is described above for the financial statements of the Department. The administered assets, liabilities, expenses and revenues are those which the Government requires the Department to administer on its behalf. The assets do not render any service potential or future economic benefits to the Department, the liabilities do not require the future sacrifice of service potential or future economic benefits of the Department, and the expenses and revenues are not attributable to the Department.

As the administered assets, liabilities, expenses and revenues are not recognised in the principal financial statements of the Department, the disclosure requirements of Australian Accounting Standard AAS33, "Presentation and Disclosure of Financial Instruments", are not applied to administered transactions.

(a) Output Appropriations

Output Appropriations are recognised as revenues in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited into the Department's bank account or credited to the holding account held at the Department of Treasury and Finance. Appropriations which are repayable to the Treasurer are recognised as liabilities.

(b) Contributed Equity

Under UIG 38 "Contributions Made to Wholly-Owned Public Sector Entities" transfers in the nature of equity contributions must be designated by the Government (owners) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions in the financial statements. Capital contributions (appropriations) have been designated as contributions by owners and have been credited directly to Contributed Equity in the Statement of Financial Position. All other transfers have been recognised in the Statement of Financial Performance. Prior to the current reporting period, capital appropriations were recognised as revenue in the Statement of Financial Performance. Capital appropriations which are repayable to the Treasurer are recognised as liabilities.

(c) Net Appropriation Determination

Pursuant to section 23A of the Financial Administration and Audit Act, the net appropriation determination by the Treasurer provides for retention of the following moneys received by the Department:

	2004	2003
	(\$'000)	(\$'000)
Proceeds from:		
Direct Mail Services	4	44
Land Management Services	-	37
Animal Health Services	1,731	1,347
Seed Quality Services	707	550
Research Support Units Operations	4,024	3,746
Services to Industry & Commonwealth:		
- Industry Research & Development	31,797	25,513
- Natural Heritage Trust Fund	14,019	24,948
- Tuberculosis Freedom Assurance Program	325	330
- Australian Quarantine Inspection Services	5,047	11,462
- Other Commonwealth	499	331
Consultancy Services	190	132
Sale of Intellectual or Genetic Property	2,506	1,802
Program Revenue	1,131	5,964
GST Input Tax Credits	9,910	7,333
Services Contracted by:		
- Rural Business Development Corporation	9,329	10,058
- Agricultural Produce Commission	1,187	1,171
- Agriculture Protection Board	5,682	4,352
FarmBis	681	1,110
	<u>88,270</u>	<u>100,230</u>

Retained revenues may only be applied to the outputs specified in the 2003/04 Budget Statements.

Details of retained revenues are disclosed in the Summary of Consolidated Fund Appropriations and Revenue Estimates on an accrual basis.

(d) Grants and Other Contributions Revenue

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when the Department obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of, and amounts pertaining to, those undischarged conditions are required to be disclosed in the notes to the financial statements.

(e) Revenue Recognition

Revenue from the sale of goods and disposal of other assets and the rendering of services, is recognised when the Department has passed control of the goods or other assets or delivery of the service to the customer.

(f) Acquisitions of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Assets acquired at no cost or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

(g) Depreciation of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is provided for on the straight line basis, using rates which are reviewed annually. Useful life of each class of depreciating asset are:

Buildings	20-40 years
Vehicles & Transportation Equipment	8 years
IT Equipment	4 years
Furniture & Fittings	10 years
Plant & Equipment	5 – 10 years
Office Equipment	5 – 10 years
Farm Equipment	10 years
Laboratory & Scientific Equipment	5 years

(h) Inventories

Inventories comprising livestock and grains are valued at net realisable value. Stores comprising chemicals and poisons are valued at the lower of cost and net realisable value.

(i) Employee entitlements

Annual leave

This benefit is recognised at the reporting date in respect to employees services up to that date and measured at the nominal amounts expected to be paid when liabilities are settled.

Long service leave

Leave benefits are calculated at remuneration rates expected to be paid when the liabilities are settled. A liability for long service leave is recognised after an employee has completed 4 years of service. An actuarial assessment of long service leave undertaken by Pricewaterhouse Coopers Actuaries in 2004 determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments.

This method of measurement of the liability is consistent with the requirement of Accounting Standard AASB 1028 "Employee Benefits".

Superannuation

Staff may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. All of these schemes are administered by the Government Employees Superannuation Board (GESB).

The superannuation expense comprises the following elements:

(i) change in the unfunded employer's liability in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme; and

(ii) employer contributions paid to the Gold State Superannuation Scheme and West State Superannuation Scheme.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided by the Department in the current year.

A revenue "Liabilities assumed by the Treasurer" equivalent to (i) is recognised under Revenues from Government in the Statement of Financial Performance as the unfunded liability is assumed by the Treasurer. The GESB makes the benefit payments and is recouped by the Treasurer.

The Department is funded for employer contributions in respect of the Gold State Superannuation Scheme and the West State Superannuation Scheme. These contributions were paid to the GESB during the year. The GESB subsequently paid the employer contributions in respect of the Gold State Superannuation Scheme to the Consolidated Fund.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses (See notes 5 and 25).

(j) Leases

The Department has entered into a number of operating lease arrangements for motor vehicles, buildings and office equipment where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the operating statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(k) Receivables

Receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubts as to collection exist.

(l) Accrued Salaries

The accrued salaries suspense account consists of amounts paid annually into a suspense account over a period of ten financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account (refer note 15).

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to the net fair value (refer note 24).

(m) Payables

Payables, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

(n) Joint Venture Operations

Interests in joint venture operations have been reported in the financial statements including the Department's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories. Details of the Department's interest in assets are set out in Note 36.

(o) Cash

For the purpose of the Statement of Cash Flows, cash includes cash assets and restricted cash assets. These include short-term deposits that are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

(p) Research and Development Costs

Research and development costs are charged against income in the Statement of Financial Performance as incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond reasonable doubt, to be recoverable.

Deferred costs are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial production of the product.

The unamortised balance of research and development costs deferred are reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such deferred costs are no longer considered recoverable, they are charged to the profit and loss account for the financial year.

(q) Resources received free of charge or for nominal value

Resources received free of charge or for nominal value which can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

(r) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

(s) Valuations of Assets

Valuation of Non-Current Assets

Land and buildings are valued at fair value. The annual revaluations undertaken by the Valuer General's Office for the Government Property register are recognised in the financial statements (see note 20).

(t) Goods and Services Tax

In accordance with the grouping provisions the right to receive GST and the obligation to pay GST rests with the Department of Agriculture in regard to all GST transactions incurred by members of the group. As a result separate GST transactions are not recognised within the individual members' financial statements as they are all brought to account in the Department of Agriculture's financial statements.

3 Memorandum of understanding service costs

The Department of Agriculture has a memorandum of understanding with the Agriculture Protection Board, the Agricultural Produce Commission and the Rural Business Development Corporation. The objective of this arrangement is to establish the types and standards of services to be provided, the basis for determining the level and the costs of services and responsibilities of the parties to the memorandum.

4 Outputs of the Department

Information about the Department's outputs and, the expenses and revenues which are reliably attributable to those outputs is set out in the Output Schedule. Information about expenses, revenues, assets and liabilities administered by the Department are given in note 40.

The four key outputs of the Department:

Output 1 – Food and fibre Industry Development

Generation, integration and application of knowledge which together with appropriate industry policy increases the international competitiveness and market opportunities for State agriculture, food and fibre industries.

Output 2 - Agricultural Resource Management

Generation, integration and application of knowledge which together with appropriate investment, policy and regulation develops the capacity of rural communities and industries to profit from environmentally responsible agriculture.

Output 3 - Biosecurity

Generation, integration and application of knowledge, policy and regulation to ensure the agriculture and related resources are protected and that safety and quality standards are upheld.

Output 4 - Services provided to Rural Business Development Corporation of Western Australia

Provision of contractual services to Rural Business Development Corporation to assist farmers to enhance their skills, leading to improved sustainable long-term profitability and better capacity to deal with risks inherent in farming.

	2004	2003
	(\$'000)	(\$'000)
5 Employee expenses		
Salaries, wages & allowances	81,907	83,231
Superannuation	7,634	9,184
Change long service leave provision	(2,988)	1,295
Change in annual leave provision	31	1,512
Memorandum of understanding service costs		
- Agriculture Protection Board	1,526	1,549
- Rural Business Development Corporation	435	382
Other related expenses (I)	6,205	5,891
	<u>94,750</u>	<u>103,044</u>

(I) These employee expenses include superannuation, workers compensation premiums and other employment on-costs associated with the recognition of annual and long service leave liability. The related on-costs liability is included in employee benefit liabilities at Note 25.

6 Depreciation and amortisation

	2004 (\$'000)	2003 (\$'000)
Current Year:		
Plant & equipment	2,212	2,213
IT equipment	1,340	1,323
Furniture & fittings	71	68
Vehicles & transportation equipment	1,109	1,038
Buildings	2,472	2,425
	<u>7,204</u>	<u>7,067</u>

The Department had amended the useful life of its buildings in 2002/03 to properly reflect their future economic benefit expected to be consumed.

7 Services & contracts

Consultants and contractors	10,190	10,145
Other services	7,922	7,884
Lease or rent payments	4,723	4,865
Resources received free of charge (see note 13)	993	865
Memorandum of understanding service costs		
- Agriculture Protection Board	4,156	2,667
- Agricultural Produce Commission	1,187	1,171
- Rural Business Development Corporation	8,894	9,493
	<u>38,065</u>	<u>37,090</u>

8 Other expenses from ordinary activities

Carrying amount of assets disposed		
- Buildings	166	8
- Vehicles & transport equipment	136	105
- IT equipment	18	23
- Furniture & fittings	1	4
- Plant & equipment	148	122
Total carrying amount of assets disposed	<u>469</u>	<u>262</u>

Maintenance & repairs	9,544	5,359
Supplies expenses	5,272	5,021
Electricity, Gas & Fuel, Water	2,148	2,140
GEHA Housing Subsidies	1,494	1,494
Recoups to External Funds	363	931
Distribution of shared royalties	610	475
Stockmovement	557	388
Change to Provision for Doubtful Debts	(100)	201
Doubtful Debts expense	13	89
Other	1,570	1,480
	<u>21,940</u>	<u>17,840</u>

9 Grant, subsidies & transfer payments

Research grant allocations	27,822	16,943
Compensations	1,943	114
Grants to farmers - adverse seasonal conditions support	637	1,664
Grants to farmers - dairy assistance package	147	686
Grants to farmers - other	4,168	3,819
Scholarships	81	163
Other	3,215	1,730
	<u>38,013</u>	<u>25,119</u>

	2004	2003
	(\$'000)	(\$'000)
10 Capital User Charge	12,371	10,360

A capital user charge rate of 8% has been set by the Government for 2003/04 and represents the opportunity cost of capital invested in the net assets of the Department used in the provision of outputs. The charge is calculated on the net assets adjusted to take account of exempt assets. Payments are made to the Department of Treasury and Finance on a quarterly basis.

11 Revenues from ordinary activities

Grants & subsidies	53,144	62,045
Sale of goods & services	9,432	8,956
Interest received	1,028	663
Other revenue	7,838	7,297
Memorandum of understanding service costs		
- Agriculture Protection Board	5,813	4,352
- Agricultural Produce Commission	1,188	1,171
- Rural Business Development Corporation	9,532	10,058
	<u>87,975</u>	<u>94,542</u>

Grants & subsidies consists of:

Agriculture Research Grants Account No. 1

Rural Industry Research Funds

Meat Research Corporation	185	252
Cotton Research & Development Corporation	171	109
Dairy Research & Development Corporation	500	308
Grains Research & Development Corporation	11,915	10,115
Land & Water Resources Research & Development Corporation	464	422
Rural Industry Research & Development Corporation	345	207
Sugar Research & Development Corporation	27	63
Grain Research Committee	22	103
Grain Licensing Authority	150	-
Australian Wool Innovation Pty Ltd	2,012	127
Australian Centre for International Agricultural Research	333	255
Australian Pork Limited	127	110
Centre for Legumes in Mediterranean Agriculture	260	158
National Landcare Program Third Party Grants	377	788
CRC Research Grants	1,784	1,604
Commercial Grants	4,716	4,553
Grape & Wine Research Corporation	-	36
NRM State Funding Grants	1,484	766
Enterprise Grains Australia	3,600	2,736
	<u>28,472</u>	<u>22,712</u>

Agriculture Research Grants Account No. 2

Horticulture Industry	1,102	1,648
Commercial Grants	384	530
	<u>1,486</u>	<u>2,178</u>

Governmental Operating & Trust Accounts

Pig Industry Compensation	-	9
Plant Research & Development	43	71
Sheep Lice	-	54
	<u>43</u>	<u>134</u>

11 Revenues from ordinary activities...continued	2004	2003
	(\$'000)	(\$'000)
<i>Commonwealth Grants & Advances</i>		
Commonwealth Agriculture Activity Grants	15,888	19,789
FarmBis	118	1,110
Tuberculosis Freedom Assurance Program	258	277
Quarantine & Inspection Service	4,943	10,015
Natural Resource Management	90	394
Natural Heritage Trust Fund	20	3,451
Environment Australia	207	116
	<u>21,524</u>	<u>35,152</u>
<i>Other grants & subsidies</i>	<u>1,619</u>	<u>1,869</u>
Grants & subsidies	<u>53,144</u>	<u>62,045</u>
 12 Net profit/(losses) on disposal of non-current assets		
<u>Profit on the disposal of Non-Current Assets</u>		
Vehicles & transport equipment	323	113
IT equipment	9	3
Plant & equipment	41	19
	<u>373</u>	<u>135</u>
Gross proceeds on disposal of non-current assets	<u>518</u>	<u>252</u>
<u>Losses on the disposal of non-current assets</u>		
Buildings	160	7
Vehicles & transportation equipment	11	5
IT equipment	16	23
Furniture & fittings	1	4
Plant & equipment	102	103
	<u>290</u>	<u>142</u>
Gross proceeds on the disposal of non-current assets	34	3
Total proceeds on the disposal of non-current assets	<u>552</u>	<u>255</u>
Net profit/(losses) on disposal of non-current assets	<u>83</u>	<u>(7)</u>

	2004 (\$'000)	2003 (\$'000)
13 Revenues (to)/from State Government		
<u>Appropriation revenue received during the year ^(a)</u>		
Output appropriations (I)	118,449	127,186
<u>Resources received free of charge (II)</u>		
Determined on the basis of the following estimates provided by agencies:		
Health Department - laboratory services	1	5
Department of Land Administration - mapping, land details	992	594
Office of The Auditor General - audit services (III)	-	148
Valuer General's Office	-	2
Crown Solicitor	-	116
	993	865
<u>Initial recognition of assets not previously recognised in the financial statements (IV)</u>		
- Plant and equipment	28	-
- IT equipment	6	-
Total assets not previously recognised	34	-
^(a) Proceeds from the sale of land and buildings are not reflected in the financial accounts as these proceeds are held by the Department of Treasury & Finance.		
The following liabilities have been assumed by the Treasurer during the financial year		
- superannuation ^(v)	2	1,150
Total liabilities assumed by the Treasurer	2	1,150
Total revenues (to)/from State Government	119,478	129,201

(I) Output appropriations are accrual amounts reflecting the full cost of outputs delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(II) Where assets or services have been received free of charge or for nominal consideration, the Department recognises revenues (except where the contributions of assets or services are in the nature of contributions by owners in which case the Department shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

(III) Commencing with the 2003-04 audit the Office of the Auditor General will be charging a fee for auditing the accounts, financial statements and performance indicators. The fee for the 2003-04 audit (\$176,000) will be due and payable in the 2004-05 financial year.

(IV) Where assets have been discovered or have not been previously recognised in the financials, the Department recognises the corresponding credit as revenue.

(V) The assumption of the superannuation liability by the Treasurer is only a notional revenue to offset the notional superannuation expense reported in respect of current employees who are members

of the pension scheme and current employees who have a transfer benefit entitlement under the Gold State scheme.

(VI) From 1 July 2002 non-discretionary non-reciprocal transfers of net assets (ie. Restructuring of administrative arrangements) have been classified as Contributions by Owners (CBOs) under TI 955 and are taken directly to equity. Discretionary transfers of assets between State Government agencies are reported as Assets assumed/(transferred) under Revenues from State Government.

For the purpose of the Statement of Cash Flows, cash includes cash assets and restricted cash assets. These include short-term deposits that are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

	2004	2003
	(\$'000)	(\$'000)
14 Cash assets		
Petty Cash/Travel Advance	44	44
Cash at bank	4,103	17,662
	<u>4,147</u>	<u>17,706</u>
15 Restricted cash assets and amounts in suspense		
Current		
Controlled trust accounts		
Agriculture Income Tax Deductions	1	22
Agriculture Research Grants Account No. 1	6,760	6,231
Agriculture Research Grants Account No. 2	3,483	3,475
Cattle Industry Compensation Fund	7,472	7,449
Commonwealth Agriculture Activity Grants	2,016	1,061
Commonwealth Agriculture Activity Grants - Interest	7,967	13,234
Departmental Receipts in Suspense	145	188
Land Conservation Districts Fund	56	70
Pig Industry Compensation Fund	1,627	1,664
Plant Research & Development	1,945	1,568
	<u>31,472</u>	<u>34,962</u>
Controlled trust accounts - receipts & disbursements are in accordance with the Trust Statement (see note 41).		
Non-current		
Accrued salaries suspense account	<u>2,494</u>	<u>2,178</u>
Accrued salaries suspense account consists of amounts paid annually to a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account. Amounts transferred for 2003/2004 totals to \$316,000. (\$185,000 - 2002/2003)		
Accrued salaries suspense account is represented by a cash balance and is therefore equivalent to the net fair value.		
Total restricted cash assets	<u>33,966</u>	<u>37,140</u>
16 Inventories		
Stores	1,589	1,381
Livestock	2,049	1,727
	<u>3,638</u>	<u>3,108</u>
17 Receivables		
Trade Debtors	6,186	4,215
Less: Provision for doubtful debts	(190)	(301)
Interest receivable	78	66
GST receivable	1,200	1,140
Other receivables	936	336
	<u>8,210</u>	<u>5,456</u>

	2004	2003
	(\$'000)	(\$'000)
18 Amounts receivable for outputs		
Current	17,646	4,500
Non-current	3,939	14,730
Total amounts receivable for outputs	<u>21,585</u>	<u>19,230</u>

This asset represents the non-cash component of output appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

The reconciliation at the beginning and the end of the current and previous year is set out below:

Opening balance of Holding Account	19,230	11,814
Non-cash appropriation	7,242	7,416
Departmental drawdown	(4,887)	-
Closing balance of Holding Account	21,585	19,230

19 Prepayments

Registrations	106	196
Goods & Services	1,084	133
Lease Rental	1,485	1,135
	<u>2,675</u>	<u>1,464</u>

20 Property, plant, equipment and vehicles	2004	2003
	(\$'000)	(\$'000)
Land		
At fair value (a)	52,284	43,887
<i>Total land</i>	<u>52,284</u>	<u>43,887</u>
Buildings		
At fair value (a)	69,730	68,489
<i>Total buildings</i>	<u>69,730</u>	<u>68,489</u>
Plant & equipment		
At cost	25,401	22,664
Accumulated depreciation	(15,108)	(13,211)
<i>Total plant & equipment</i>	<u>10,293</u>	<u>9,453</u>
Vehicles & transportation equipment		
At cost	9,635	8,543
Accumulated depreciation	(5,614)	(4,889)
<i>Total vehicles & transportation equipment</i>	<u>4,021</u>	<u>3,654</u>
IT equipment		
At cost	12,688	11,107
Accumulated depreciation	(9,157)	(8,752)
<i>Total IT equipment</i>	<u>3,531</u>	<u>2,355</u>
Furniture & fittings		
At cost	726	699
Accumulated depreciation	(424)	(355)
<i>Total furniture & fittings</i>	<u>302</u>	<u>416</u>
Total assets		
At cost	48,450	43,013
Accumulated depreciation	(30,303)	(27,207)
Total at cost	<u>18,147</u>	<u>15,807</u>
At Fair Value	122,014	112,376
Accumulated depreciation	-	-
Total at Fair Value	<u>122,014</u>	<u>112,376</u>
Total non-current assets	<u>140,161</u>	<u>128,182</u>
At cost and fair value	170,464	155,389
Accumulated depreciation	(30,303)	(27,207)
Total non-current assets	<u>140,161</u>	<u>128,182</u>

(a) The Fair Value reported above for Land and Buildings are as at 30th June 2004 based on valuations provided by the Valuer General's Office. Fair Value of Land has been determined on the basis of current market buying values or current use values. The Fair value of buildings has been determined by reference to the current replacement cost as the buildings are specialised and no market evidence of value is available. The Valuations were made in accordance with regular policy of annual revaluation. Buildings (see also Note 26).

20 Property, plant, equipment and vehicles (continued)

Reconciliations

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the current and previous financial year are set out below.

	Land (\$'000)	Buildings (\$'000)	Plant & equipment (\$'000)	Vehicles & transportation equipment (\$'000)	IT equipment (\$'000)	Furniture & fittings (\$'000)	Total
2004							
Carrying amount 1 July 2003	43,887	68,489	9,453	3,654	2,355	344	128,182
Additions ^(a)	-	59	3,200	1,613	2,534	29	7,435
Disposals ^(b)	-	(41)	(108)	(136)	(13)	-	(298)
Adjustments for category changes	(199)	199	-	-	-	-	-
Revaluation ^(c) Increments/(decre ments)	8,596	3,621	-	-	-	-	12,217
Depreciation	-	(2,472)	(2,212)	(1,110)	(1,340)	(70)	(7,204)
Write-off of assets	-	(125)	(40)	-	(5)	(1)	(171)
Carrying amount 30 June 2004	52,284	69,730	10,293	4,021	3,531	302	140,161
2003							
Carrying amount 1 July 2002	50,328	70,950	10,330	4,032	2,643	416	138,699
Additions ^(a)	14	281	1,475	764	1,063	6	3,603
Disposals ^(b)	(1,965)	(1,254)	(66)	(103)	(24)	(5)	(3,417)
Revaluation ^(c) Increments/(decre ments)	(4,490)	945	-	-	-	-	(3,545)
Depreciation	-	(2,425)	(2,216)	(1,037)	(1,323)	(70)	(7,071)
Write-off of assets	-	(8)	(70)	(2)	(4)	(3)	(87)
Carrying amount 30 June 2003	43,887	68,489	9,453	3,654	2,355	344	128,182

^(a) Additions include adjustments and restated assets.

^(b) Disposals include adjustments and retired assets.

21 Capital works in progress	2004	2003
	(\$'000)	(\$'000)
Sheep Yards	162	10
District Offices	78	-
Eucla Remote Power Facility	346	-
Vasse RSU Redevelopment	189	-
Plant & Machinery under construction	509	-
Irrigation system	72	-
Other	6	8
	<u>1,362</u>	<u>18</u>

22 Investments

Investment valued as at 30 June 2004

Listed shares	383	326
Unlisted shares	157	160
	<u>540</u>	<u>486</u>

Listed shares have been revalued to reflect their current market price as at 30 June 2004. Unlisted shares and unit certificates are stated at their par value. The Department has no investment powers. The shares held were received at no cost under a trading agreement.

23 Payables

Trade Payables	8,229	8,984
Other payables	960	416
	<u>9,189</u>	<u>9,400</u>

The carrying amount of accounts payable approximates their net fair values.

24 Accrued salaries

The accrued salaries provision is represented by:

(a) The amount due to staff but unpaid at the end of the financial year as the end of the last pay period for that financial year does not coincide with the end of the financial year.

Amounts owing for the 9 working days from 18 June to 30 June 2004 (2003 – 20 June to 30 June, 7 working days)	2,769	2,271
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(b) An accrual to recognise the current year impact on the wage increase to be effective 2004-2005 under the Public Service General Award for the pay periods 28 February 2004 to 30 June 2004.

	1,047	-
Total accrued salaries	<u>3,816</u>	<u>2,271</u>

The carrying amount of accrued salaries approximates the net fair value.

	2004	2003
	(\$'000)	(\$'000)
25 Provisions		
<i>Current</i>		
Annual leave	9,436	9,444
Long service leave	6,192	6,961
	<u>15,628</u>	<u>16,405</u>
<i>Non-current</i>		
Long service leave	8,265	10,484
	<u>23,893</u>	<u>26,889</u>

Employee entitlements are estimated by an actuarial assessment using the new accounting standard.

The amount of superannuation included in the above employee entitlements is:	1,166	1,594
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The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation and workers compensation premiums. The liability for such on-costs is included here. The associated expense is included under Other related expenses (under Employee expenses) at Note 5.

Where employee benefit liabilities have been measured at their present value, the Accounting Standard encourages disclosure of:

- a) changes in the estimated timing and amount of future cash outflows to settle employee benefit liabilities: and
- b) the weighted average discount rate used, and its source (that is, the bonds used).

26 Equity

Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

Contributed equity

Opening Balance	830	4,250
Capital contributions (I)	-	-
Distribution to owners (II)	(355)	(3,420)
Closing Balance	<u>475</u>	<u>830</u>

(I) From 1 July 2001, capital appropriations, termed Capital Contributions, have been designated as contributions by owners and are credited to equity in the Statement of Financial Position.

(II) Distribution to Owners is the non-reciprocal transfer of assets to the Department of Education & the Agricultural Produce Commission.

26. Equity...continued	2004	2003
	(\$'000)	(\$'000)

Asset revaluation reserve

The asset revaluation reserve represents the portion of equity resulting from the revaluation of non-current assets.

Opening Balance		
Investments	180	180
Non-current assets	115,027	118,572
	115,207	118,752
Revaluation during the year		
Investments	53	-
Non-current assets		
Land	8,597	(4,490)
Buildings	3,621	945
	12,218	(3,545)
Total revaluation	12,271	(3,545)
Closing Balance		
Investments	233	180
Non-current assets	127,245	115,027
	<u>127,478</u>	<u>115,207</u>

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note.

Accumulated surplus

Opening Balance	58,193	37,087
Change in net assets resulting from operations	(6,760)	21,106
Closing Balance	51,433	58,193

Total Equity	179,386	174,230
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27 Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank, cash on hand, restricted cash and amounts in suspense. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

Cash assets (refer to note 14)	4,147	17,706
Restricted cash assets – current (refer to note 15)	31,472	34,962
Restricted cash assets – non current (refer to note 15)	2,494	2,178
	38,113	54,846

(b) Non-cash financing and investing activities

During the financial year, there were no assets/liabilities transferred/assumed from other Government agencies not reflected in the Statement of Cash Flows.

<i>27. Notes to the statement of cashflows ... continued</i>	2004	2003
	(\$'000)	(\$'000)
(c) Reconciliation of net cost of services to net cash flows provided by/ (used in) operating activities		
Net cost of services (Statement of Financial Performance)	(126,238)	(108,095)
Non-cash items:		
Net (loss)/profit from sale of assets	83	(7)
Depreciation and amortisation	7,204	7,067
Superannuation liabilities assumed by the Treasurer	2	1,150
Resources received free of charge	993	865
Provision for doubtful debts	(100)	89
Change in assets and liabilities		
(Increase)/decrease in inventories	(530)	115
(Increase)/decrease in receivables ^(a)	(2,583)	598
(Increase)/decrease in amounts receivable for outputs	-	(7,416)
(Increase)/decrease in prepayments	(1,211)	(3)
(Increase)/decrease in investments	(54)	17
(Increase)/decrease in accrued salaries	1,545	268
(Increase)/decrease in liability for employee entitlements	(2,996)	2,806
(Increase)/decrease in payables ^(a)	(1,428)	3,329
Net GST receipts/(payments)	(340)	-
Change in GST in receivables/payables ^(b)	(60)	(638)
Net cash used in operating activities	<u>(125,713)</u>	<u>(99,855)</u>

(a) Note that the ATO receivable/payable in respect of GST and receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they are not reconciling items.

(b) This reverses out the GST in receivables and payables.

28 Resources provided free of charge

During the year the following resources were provided to other agencies free of charge for functions outside the normal operations of the Department of Agriculture.

Agriculture Protection Board	10,884	10,537
The University of Western Australia	188	19
Mid West Development Commission	10	-
Pastoral Lands Board	345	-
Department of Environment	1	-
Agricultural Produce Commission	5	5
Perth Zoological Gardens	33	27
Poultry Industry Trust Fund	-	6
Land Conservation District Committees	10	37
	<u>11,476</u>	<u>10,631</u>

29 Commitments for expenditure

	2004 (\$'000)	2003 (\$'000)
(a) Capital expenditure commitments		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Not later than one year	<u>1,131</u>	<u>-</u>
	<u>1,131</u>	<u>-</u>
(b) Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	1,932	2,746
Later than one year and not later than 5 years	1,055	1,545
Later than 5 years	<u>167</u>	<u>65</u>
	<u>3,154</u>	<u>4,356</u>
Representing:		
Non-cancellable operating lease commitments	<u>3,154</u>	<u>4,356</u>

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 4% per annum. An option exists to renew the lease at the end of the five year term for an additional term of five years.

(c) Direct grants and subsidy commitments

Not later than one year	<u>1,151</u>	<u>2,925</u>
	<u>1,151</u>	<u>2,925</u>

(d) Guarantees and undertakings

There are no guarantees and undertakings at balance sheet date, not otherwise provided for in these financial statements.

30 Contingent liabilities

In addition to the liabilities incorporated in the financial statements, the Department has the following possible liabilities that, when grouped, have a potential maximum financial effect of \$607,000.

(a) Litigation in progress

The Department has litigation pending that may affect the financial position.

- An action for damages has arisen from the Department's provision of advice or services
- Two actions for negligence arising from a work place injury.

(b) Other

- In a claim for damages against the Grain Pool of WA the State of Western Australia (through the Department of Agriculture). The court has made a determination which is favourable to the Department. However the decision is subject to an appeal.

The Department has insurance with Risk Cover that is considered to be adequate to meet the cost of all the contingent liabilities mentioned above.

31 Events occurring after reporting date

On 28 July 2004, the West Australian Industrial Relation Commission announced a pay rise for all State Public Servants. The pay increase is effective from 27 February 2004 and is applicable to all Government employees covered by the Civil Service Association. The financial impact of this decision to the current year reporting has been accounted for in Note 24.

32 Explanatory Statements

	2003/04 Estimate (\$'000)	2003/04 Actual (\$'000)	Variation (\$'000)
The Summary of Consolidated Fund Appropriations and Revenue Estimates discloses appropriations and other statutes expenditure estimates, the actual expenditures made and revenue estimates and payments into the Consolidated Fund. Appropriations are now on an accrual basis. The following explanation are provided in accordance with Treasurer's Instruction 945.			
Note <u>Significant Reason For Variance between 2003/04 Estimate and 2003/04 Actual</u>			
32.1 Net amount appropriated to purchase outputs	<u>120,267</u>	<u>118,299</u>	<u>(1,968)</u>
The amount appropriated was decreased for the following reasons:-			
Unspent balance of Dairy Adjustment Package funding			(1,066)
Savings arising from introduction of Recruitment Advertising Management system			(7)
Reduction in Capital User Charges and Depreciation expenses resulting from the extension of the useful life of buildings			(895)
Total			<u>(1,968)</u>
32.2 Food and Fibre Industry Development	<u>94,502</u>	<u>88,363</u>	<u>(6,139)</u>
The variation of \$6.14m relates to the following:			
A decrease in the number of grants submissions approved by Grain Research and Development Corporation during 2003/04. This was not anticipated at the time of preparing the budget for 2003/04.			(5,800)
Expenditure was lower from Cotton Research, Grain Licensing Authority and Horticulture Australia funding.			(300)
Total			<u>(6,100)</u>

	2003/04 Estimate (\$'000)	2003/04 Actual (\$'000)	Variation (\$'000)
32.3 Agriculture Resource Management	<u>39,143</u>	<u>53,600</u>	<u>14,457</u>
The variation of \$14.45m relates to the following:			
The commencement/continuance of projects in relation to Commonwealth funded (National Heritage Trust) activities from funds carried over.			12,700
Natural Resource Management funding was approved after the budget papers were printed.			1,200
Total			<u>13,900</u>
32.4 Biosecurity (Inclusive of Services Provided to Agriculture Protection Board)	<u>58,577</u>	<u>63,270</u>	<u>4,693</u>
The Program has reported an overspend of \$4.70m as a result of the following:			
Additional service delivery agreement expenditure on Skeleton Weed activities and maintenance program on the State Barrier Fence.			2,300
Additional expenditure to support the State's Biosecurity Program as a result of reallocation of approved State carryover and industry funds.			2,300
Total			4,600
32.5 Services Provided to Rural Business Development Corporation	<u>5,504</u>	<u>9,532</u>	<u>4,028</u>
The higher than anticipated expenditure relates to the additional Exceptional Circumstances applications, Farmer Training Assistance Scheme activities, Dry Season 2002 Assistance Scheme extension and the increase administration expenditure to support the increased number of applications for the Exceptional Circumstances Interest Rate Subsidy Support program.			4,028
Total			4,028

	2003/04 Estimate (\$'000)	2003/04 Actual (\$'000)	Variation (\$'000)
32.6 Total revenue from ordinary activities.	<u>(75,720)</u>	<u>(88,527)</u>	<u>(12,807)</u>
Revenue retained by the Department was \$12.82m more than budgeted as a result of retention of funds in accordance with external funding agreements			
Services provided to Rural Business Development Corporation for Dry Season Assistance Scheme and Exceptional Circumstances payments to farmers resulting in higher Commonwealth recoups.			(4,029)
Commonwealth and State national Action plan funding to support the State's Natural Resource management program.			(4,265)
Additional industry funding from Australian Wool Innovation and Enterprise Grains Australia to support the Sheep and Grain Programs research and development projects.			(4,521)
Total			<u>(12,815)</u>
32.7 Capital Expenditure	<u>8,671</u>	<u>8,797</u>	<u>126</u>
Expenditure on capital investment included:			
Capital projects at Eucla, Avondale, Vasse, Wongan Hills and other centres.	1,142	1,469	327
Initial Planning for New Headquarter Facilities	1,000	-	(1,000)
Externally Funded Equipment Program (Not Treasury Funded)	506	676	170
Capital Equipment Replacement Program	5,923	6,652	729
Capital Works Planning	100	-	(100)
Total	<u>8,671</u>	<u>8,797</u>	<u>126</u>
<u>Significant Reason For Variance between 2003/04 Actual and 2002/03 Actual</u>			
32.8 Net amount appropriated to deliver outputs	<u>118,299</u>	<u>127,036</u>	<u>8,737</u>
The variance is a result of:			
Cessation of Dairy Adjustment Assistance Package funding			4,732
Drought-affected farming communities assistance finalised			3,400
Expenditure Review Committee, Priority and Assurance Savings Initiatives			1,725
Red Imported Ant funding requirements reduced			1,718
Adverse Season Funding finalised			600
Cost escalation adjustments and the removal of minor funding initiatives			(1,626)
Accrual Appropriations were adjusted to reflect GESB, DTF and VGO revised position for Superannuation, Leave entitlements, Capital User Charge and Depreciation.			(1,812)
Total			<u>8,737</u>

	2003/04 Estimate (\$'000)	2003/04 Actual (\$'000)	Variation (\$'000)
32.9 Food and Fibre Industry Development	<u>88,363</u>	<u>81,247</u>	<u>(7,116)</u>
The variation of \$7.12m relates to the following:			
Additional research and development funding from Enterprise Grain Australia, Australian Wool Innovation, Plant Research and development Trust Fund Cooperative Research Corporations and other R&D corporations.			(4,220)
Adjustment schemes payments to former milk distributors			(500)
Research stations increased their livestock holdings and implemented new technology			(1,250)
Additional work carried out in 2003/04 for Wheat Breeding, Grain Legume Management, Indigenous Management Support and Soil Management			(1,160)
Total			<u>(7,130)</u>
32.10 Agricultural Resource Management	<u>53,600</u>	<u>45,5606</u>	<u>(8,040)</u>
The increase of \$8.04m is mainly due to:			
Natural Heritage Trust grant applications were higher in 2003/04			(4,300)
National Action Plan for Salinity commenced in 2003/04			(1,900)
FarmBis and Natural Resource Management activities were higher in 2003/04 due to funds being carried over.			(2,100)
Total			<u>(8,300)</u>
32.11 Biosecurity (Inclusive of Services Provided to Agriculture Protection Board)	<u>63,270</u>	<u>66,026</u>	<u>2,757</u>
The decrease of \$2.76m is mainly due:			
Department of Agriculture staff transferred to Commonwealth Quarantine Inspection Services			4,550
CF projects were delayed in 2002/03 and additional work was carried out in 2003/04 including the State Barrier Fence and Biosecurity Awareness and Small Properties			(910)
Increased State quarantine and surveillance activities			(590)
Total			<u>3,050</u>
32.12 Services Provided to Rural Business Development Corporation	<u>9,532</u>	<u>10,059</u>	<u>527</u>
The reduction in expenditure mainly relates to a decrease in the amount of grants and subsidies paid. There was also a reduction in the Department of Agriculture contractors and a similar reduction in consultancy charges from business units.			

	2003/04 Estimate (\$'000)	2003/04 Actual (\$'000)	Variation (\$'000)
32.13 Total revenue from ordinary activities.	<u>(88,527)</u>	<u>(94,797)</u>	<u>(6,270)</u>

Operating revenue retained by the Department was less than the previous year mainly as a result of the following:

Transfer of Australian Quarantine Inspection Services activities to Commonwealth			(5,070)
Reduced Natural Landscape Program 3 rd Party Grants			(680)
Reduced FarmBis training activities			(530)
Total			<u>(6,280)</u>

32.14 Capital Expenditure	<u>8,797</u>	<u>3,603</u>	<u>(5,194)</u>
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Expenditure on capital investment included:

Capital Projects at Eucla, Wongan Hills, Merredin and other centres	1,469	399	(1,070)
South Perth Planning	-	14	14
Geraldton Regional Office	-	18	18
Capital Equipment Replacement Program	6,652	1,612	(5,040)
Capital Works Planning	-	251	251
Externally Funded Equipment Program (Non Treasury Funded)	676	1,146	470
Other capital works & equipment expenditure	-	163	163
Total	<u>8,797</u>	<u>3,603</u>	<u>(5,194)</u>

33 Remuneration and retirement benefits of senior officers

Remuneration

The number of senior officers whose total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year, fall within the following bands is:

	\$	No. of Officers	
		2004	2003
30,001	- 40,000	1	-
110,001	- 120,000	2	2
120,001	- 130,000	3	2
130,001	- 140,000	-	1
140,001	- 150,000	-	1
150,001	- 160,000	1	-
230,001	- 240,000	-	1
320,001	- 330,000	1	-

	2004	2003
	(\$'000)	(\$'000)
The total remuneration of senior officers is	1,124	991

The superannuation included here represents the superannuation expense incurred by the Department in respect of senior officers. No senior officers are presently employed who are members of the Superannuation and Family Benefits Act Scheme.

34 Related bodies

There are no related bodies with the Department of Agriculture.

35 Affiliated bodies

There are no affiliated bodies with the Department of Agriculture.

36 Joint Venture Operations

(i) Major Cooperative Research Agreements

Joint Venture name and principal activities

	Output Interest (%) 2004	Termination Date
Cooperative Research Centre for Weed Management Systems	12.6%	30/06/08
Cooperative Research Centre for Value Added Wheat	10.6%	30/06/08
Cooperative Research Centre for Tropical Savannas	4.9%	30/06/08
Cooperative Research Centre for Emerging Infectious Diseases	6.4%	30/10/10
Cooperative Research Centre for Australian Sheep Industry	10.2%	30/06/08
Cooperative Research Centre for Spatial Information	6.6%	14/06/11
Cooperative Research Centre for Plant Based Mgt of Dryland Salinity	11.8%	30/06/08
Enterprise Grains Australia	21.9%	31/10/04

(ii) Other Joint Ventures

The Department has collaborative arrangements with other parties to perform research and share in the outputs (ie intellectual property) in proportion to each participant's research input, initial intellectual property or cash contributions. These collaborative arrangements also share the characteristics of joint venture operations. The principal activities of these joint venture operations are scientific research and development, extension and technology transfer with the ultimate aim are scientific research and development, extension and technology transfer with the ultimate aim impractical to list separately. The Department's contributions to these joint ventures are included in the Department's operating statements

37 Financial instruments

(a) interest rate risk exposure:

The following table summarises the Departments' financial instruments which have an exposure to interest rate risks.

2004	Weighted average effective interest rate %	Variable interest rate (\$'000)	1 year or less (\$'000)	1 to 5 years (\$'000)	Over 5 years (\$'000)	Non interest bearing (\$'000)	Total (\$'000)
<i>Financial Assets</i>							
Cash assets		-	-	-	-	4,147	4,147
Restricted cash assets & amounts in suspense	5.11%	22,551	-	-	-	11,415	33,966
Investments		-	-	-	-	540	540
Receivables		-	-	-	-	29,795	34,682
Total financial assets		22,551	-	-	-	45,897	73,335
<i>Financial Liabilities</i>							
Payables		-	-	-	-	9,189	9,189
Accrued Salaries		-	-	-	-	3,816	3,816
Lease liabilities		-	-	-	-	-	-
Employee entitlements		-	-	-	-	23,893	23,893
Total financial liabilities		-	-	-	-	36,898	36,898
2003							
Financial Assets	4.78%	27,482	-	-	-	52,536	80,018
Financial Liabilities		-	-	-	-	38,560	38,560

(b) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

38 Supplementary Information	2004 (\$'000)	2003 (\$'000)
<u>Write-offs</u>		
Non-current assets written off ^(a)	171	87
Irrecoverable amounts ^(b)	11	89
	<u>182</u>	<u>176</u>

(a) \$113,380.57 was written off under the authority of The Accountable Officer and \$57,478.58 was written off under the authority of The Minister.

(b) \$11,133.12 in Bad Debts were written off under the authority of the Accountable Authority during the year ending 30 June 2004.

Insurance recoveries (replacement value) on losses amounted to \$17,220 on assets with a carrying value of \$13,659.

39 The Impact of Adopting International Financial Reporting Standards

The Department is adopting international accounting standards in compliance with *AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards (IFRS)*.

AASB 1 requires an opening balance sheet as at 1 July 2004 and the restatement of financial statements for the reporting period to June 2005 on the IFRS basis. These financial statements will be presented as comparatives in the first annual financial report prepared on an IFRS basis for the period ending 30 June 2006.

AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards requires financial reports to disclose:

Transition Management

The Department has established a project team chaired by the Director Finance and reports quarterly to the audit committee. The Department has engaged the consulting services of Pricewaterhouse Coopers to provide technical advice.

The Project Team

- has identified the key differences in accounting policies, disclosures and presentation and the consequential impacts and risks to the Department;
- will assess the changes required to financial management information systems and processes;
- will identify the necessary staff skills and training requirements
- will prepare a plan to convert accounting policies, financial management information systems and processes so that the Department can account and report on the IFRS basis.

To date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the Department.

Key differences in accounting policies

Major changes identified to date are:

Inventories: Under Accounting Standards *AASB 102 Inventories* introduces a new class of inventory for not-for-profit entities called "inventories held for distribution" that are measured at the lower of cost and current replacement cost. The Department does not hold any inventories under the new class. The Department will continue to value its inventories at the lower of cost and net realisable value as allowed under the *AASB 102*.

Agriculture: *AASB 141 Agriculture* requires the recognition and valuation of biological assets (e.g. livestock, orchards, crops) and agricultural produce (e.g. grain, wool) by entities that are involved in agricultural activities. The current equivalent standard *AASB 1037 Self Generating and Regenerating Assets* was not adopted and the Department continues to account those assets under *AAS 2/ASSB 1019 Inventories*. The current valuation of the Department's biological assets and agricultural produce are at net realisable value which is representative to *AASB 141* fair value less estimated point of sale.

A significant financial impact on adoption of *AASB141* is the recognition of crops planted but not harvested before the reporting date. The initial recognition of the crops value will be at the estimated cost of planting.

The Department is required to provide comprehensive disclosure in its annual financial statement to account for the financial and physical movements of assets

reported under AASB 141.

Property, Plant & Equipment: *Accounting Standard AASB 116 Property Plant and Equipment:*

- Requires the financial disclosure on the disposal of assets to be reported on a net basis. The Department currently reports the financial details on the disposal of assets on a gross basis.
- The Department's current revaluation policy and accounting treatment of its significant assets (land and building) measured at fair value (current replacement depreciated) is consistent with AASB 116.

Impairment of Assets: Accounting Standard AASB 136 Impairment of Assets requires an annual impairment test to be performed. The Department is designated as a not-for-profit entity and its significant assets in land and buildings are reported at fair value which is representative of written down replacement cost and is equivalent to AASB 136 recoverable amount. A survey of the Department's depreciation methodology and assigned useful life of its assets held at cost (Plant and Machinery, Information Technology, Motor Vehicles, Farm Equipment) indicates no impairment issues for those classes of assets.

Staff Entitlements: *Accounting Standards AASB 119 Employee Benefits* calculation for long service leave liabilities continues to be measured on a present value basis. The discount rate will be based on the use of a Government bond rate.

AASB 119 is consistent with the existing standard AASB 1038 where annual leave liabilities expected to be undertaken within 12 months are measured at the nominal value. For calculation of annual leave liabilities greater than 12 months the present value basis must be used as opposed to the nominal value allowed under the existing standard AASB 1038. It is unlikely that there will be a significant financial impact as accrued annual leave is usually expected to be taken within 12 months.

Assets held for sale: *Accounting Standard AASB 5 Non Current Assets Held for Sale and Discontinued Operations* introduces a new class of assets "held for sale" and are measured at the lower of carrying amount and fair value less costs to sell, and the depreciation on the assets is to cease. The Department at the reporting date has identified assets that falls within the new class of assets under IFRS. The Department in accounting for these will be required to make the necessary financial adjustments to its comparatives under AASB 1.

	Note	2004 (\$'000)	2003 (\$'000)
40 Administered Transactions			
(i) ADMINISTERED EXPENSES AND REVENUES			
EXPENSES			
Interest Payments		507	568
Loan Fees		15	16
Total administered expenses		<u>522</u>	<u>584</u>
REVENUES			
Appropriation		1,178	1,178
Total administered revenues		<u>1,178</u>	<u>1,178</u>
(ii) ADMINISTERED ASSETS AND LIABILITIES			
CURRENT ASSETS			
Cash Assets		474	276
Total administered Current Assets		<u>474</u>	<u>276</u>
CURRENT LIABILITIES			
Accrued Interest		106	116
Total Administered Current Liabilities		<u>106</u>	<u>116</u>
NON-CURRENT LIABILITIES			
Borrowings		7,002	7,450
Total Administered Non Current Liabilities		<u>7,002</u>	<u>7,450</u>
Total Administered Liabilities		<u>7,108</u>	<u>7,566</u>
(iii) CASH FLOWS FROM ADMINISTERED TRANSACTIONS			
CASH INFLOWS FROM ADMINISTERED TRANSACTIONS			
Receipts from appropriations ⁽¹⁾		1,178	1,178
Total administered cash inflows		<u>1,178</u>	<u>1,178</u>
CASH OUTFLOWS FROM ADMINISTERED TRANSACTIONS			
Repayment of Borrowings to WA Treasury Corporation		979	1,029
Total administered cash outflows		<u>979</u>	<u>1,029</u>
Net cash inflows/(outflows) from administered transactions		<u>199</u>	<u>149</u>

⁽¹⁾ Administered items are represented by:

(a) An appropriation of \$1.178m to cover loan repayments owed to the WA Treasury Corporation by the Meat Industry Authority

These are not considered to form part of the Department's operational outputs.

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TITLE CATTLE INDUSTRY COMPENSATION FUND

PURPOSE AND OPERATIONS TO HOLD FUNDS, IN ACCORDANCE WITH SECTION 21(1) OF THE CATTLE INDUSTRY COMPENSATION ACT (THE ACT), FOR THE PURPOSES OF ADMINISTERING THE ACT AND PAYING COMPENSATION IN ACCORDANCE WITH THE ACT

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2003		2004
\$		\$
7,249,801	BALANCE B/F	7,449,200
	<u>ADD RECEIPTS:</u>	
215,359	Fees, Charges, Levies	328,349
379,139	Interest	378,503
17,072	Other revenue	14,778
611,570		721,630
7,861,371	<u>SUB TOTAL</u>	8,170,830
	<u>LESS PAYMENTS:</u>	
81,876	Salaries	110,167
330,295	Operating	556,913
-	Capital	31,530
412,171		698,610
7,449,200	BALANCE C/F	7,472,220
	THIS IS REPRESENTED BY	
7,449,200	Cash at bank	7,472,220

TITLE COMMONWEALTH AGRICULTURE ACTIVITY GRANTS

PURPOSE AND OPERATIONS TO HOLD FUNDS FOR THE PURPOSE OF CONDUCTING COMMONWEALTH-FUNDED AGRICULTURAL RESEARCH

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2003		2004
\$		\$
815,301	BALANCE B/F	1,060,626
 <u>ADD RECEIPTS:</u>		
16,999,493	Grants & Advances	6,099,956
1,601,582	Other Revenue	748,620
<u>18,601,075</u>		<u>6,848,576</u>
19,416,376	<u>SUB TOTAL</u>	7,909,202
 <u>LESS PAYMENTS:</u>		
11,880,986	Salaries	5,146,544
6,449,355	Operating	721,902
25,409	Capital	24,969
<u>18,355,750</u>		<u>5,893,415</u>
 <u><u>1,060,626</u></u>	BALANCE C/F	 2,015,787
 THIS IS REPRESENTED BY		
 <u><u>1,060,626</u></u>	Cash at bank	 <u><u>2,015,787</u></u>

TITLE	DEPARTMENTAL RECEIPTS IN SUSPENSE
<i>PURPOSE AND OPERATIONS</i>	TO HOLD FUNDS PENDING IDENTIFICATION OF THE PURPOSE IN ACCORDANCE WITH SECTION 9(2)(c)(iv) OF THE FINANCIAL ADMINISTRATION AND AUDIT ACT 1985

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2003		2004
\$		\$
	50,967 BALANCE B/F	188,367
	<u>ADD RECEIPTS:</u>	
	127,707 Receipts to suspense	31,554
	127,707	31,554
	178,674 <u>SUB TOTAL</u>	219,921
	<u>LESS PAYMENTS:</u>	
	(9,693) Transfer from suspense	74,608
	(9,693)	74,608
	188,367 BALANCE C/F	145,313
	THIS IS REPRESENTED BY	
	188,367 Cash at bank	145,313

TITLE LAND CONSERVATION DISTRICTS TRUST FUND

PURPOSE AND OPERATIONS TO HOLD FUNDS FOR THE PURPOSE OF PROMOTING SOIL CONSERVATION IN DISTRICTS THROUGH RESEARCH AND IMPLEMENTATION OF SOIL CONSERVATION MEASURES AND PRACTICES

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2003		2004
\$		\$
97,837	BALANCE B/F	70,430
<u>ADD RECEIPTS:</u>		
28,140	Fees, Charges, Levies	-
31,338	Direct Grants & Subsidies	107,314
4,632	Interest	3,454
24,440	Other Revenue	12,829
88,550		123,597
186,387	<u>SUB TOTAL</u>	194,027
<u>LESS PAYMENTS:</u>		
24,764	Salaries	39,915
91,193	Operating	97,918
115,957		137,833
70,430	BALANCE C/F	56,194
THIS IS REPRESENTED BY		
70,430	Cash at bank	56,194

TITLE PIG INDUSTRY COMPENSATION FUND

PURPOSE AND OPERATIONS TO HOLD FUNDS IN ACCORDANCE WITH SECTION 13 (1) OF THE PIG INDUSTRY COMPENSATION ACT, FOR THE PURPOSES OF ADMINISTERING THE ACT AND PAYING COMPENSATION IN ACCORDANCE WITH THE ACT

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2003		2004
\$		\$
1,606,435	BALANCE B/F	1,664,209
<u>ADD RECEIPTS:</u>		
259,315	Fees, Charges, Levies	239,872
77,573	Interest	77,806
<u>336,888</u>		<u>317,678</u>
1,943,323	<u>SUB TOTAL</u>	1,981,887
<u>LESS PAYMENTS:</u>		
100 Salaries		43
279,014	Operating	355,000
<u>279,114</u>		<u>355,043</u>
<u>1,664,209</u>	BALANCE C/F	<u>1,626,844</u>
THIS IS REPRESENTED BY		
<u>1,664,209</u>	Cash at bank	<u>1,626,844</u>

TITLE **PLANT RESEARCH AND DEVELOPMENT TRUST FUND**

PURPOSE AND OPERATIONS TO HOLD FUNDS FOR THE PURPOSE OF PLANT RESEARCH AND DEVELOPMENT IN WESTERN AUSTRALIA

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2003		2004
\$		\$
1,223,840	BALANCE B/F	1,567,899
<u>ADD RECEIPTS:</u>		
168,191	Direct Grants & Subsidies	42,842
50,729	Interest	75,670
1,853,419	Other	1,802,304
40,240	Provision of Goods & Services	86,718
2,112,579		2,007,534
3,336,419	<u>SUB TOTAL</u>	3,575,433
690,745	Salaries	587,918
1,062,764	Operating	872,343
15,011	Capital	170,252
1,768,520	<u>LESS PAYMENTS:</u>	1,630,513
1,567,899	BALANCE C/F	1,944,920
THIS IS REPRESENTED BY		
1,567,899	Cash at bank	1,944,920

TITLE SHEEP LICE RESEARCH TRUST FUND

PURPOSE AND OPERATIONS TO HOLD FUNDS, IN ACCORDANCE WITH THE SHEEP LICE ERADICATION FUND REPEAL ACT 1993 FOR THE PURPOSE OF SHEEP LICE RESEARCH AND RELATED MATTERS

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2003		2004
\$		\$
154,136	BALANCE B/F	-
<u>ADD RECEIPTS:</u>		
6,067	Interest	-
<u>6,067</u>		<u>-</u>
160,203	<u>SUB TOTAL</u>	-
<u>LESS PAYMENTS:</u>		
1,270	Salaries	-
158,933	Operating	-
<u>160,203</u>		<u>-</u>
<u>-</u>	- BALANCE C/F	<u>-</u>
THIS IS REPRESENTED BY		
<u>-</u>	- Cash at bank	<u>-</u>

GOVERNANCE AND STATUTORY INFORMATION

Appendix 1 - Compliance Reports

Disability Services Plan Outcomes

The following are the achievements made in the area of disability services.

Outcome 1 Existing Services are adapted to ensure they meet the needs of people with disabilities.

- Increased information provided to clients is available via the Internet.
- External reading material continues to contain advice that the material is available in alternate formats on request.
- Relevant staff continue to be aware on how to utilise the National Relay Service.

Outcome 2 Access to buildings and facilities is improved.

- A process to identify and prioritise areas requiring attention continues to be enacted as part of the disability services planning process.

Outcome 3 Information about services is provided in formats which meet the communication requirements of people with disabilities.

- Increased information about the agency is available through the Internet.
- A process to identify and prioritise areas requiring attention has been enacted as part of the disability services planning process.

Outcome 4 Advice and services are delivered by staff who are aware of and understand the needs of people with disabilities.

- Training of relevant staff in the needs of people with disabilities has been conducted.

Outcome 5 Opportunities are provided for people with disabilities to participate in public consultations, grievance mechanisms and decision making processes.

- Future customer service surveys will provide opportunities for people with disabilities, and all other customer groups, to provide feedback on how the agency could better meet their needs.

Equal Employment Opportunity Outcomes

The Department has set the following Equity Targets for June 2005 and is making progress towards them.

Equal Employment Opportunity groups					
	Women	Indigenous Australians	Culturally and Linguistically Diverse	People with Disabilities	Youth
Percentage Employed	39	3.1	1.8	1.1	6.3
Equity Index	53	9	136	72	N/A

Initiatives for 2003/4 to enhance the agency's Equal Employment Opportunity (EEO) performance have included:

- Implementation of the Department Indigenous Australian Employment Strategy:
 - Continuing to focus on services to Indigenous Australian clients.
 - Additional trainees being recruited into core business and administrative traineeships.
 - Indigenous Australians being recruited into technical officer positions by utilising section 51 of the EEO Act.
 - Former trainees who have graduated being employed by the Department.
- Continued identification and encouragement of women to participate in the agency's Professional, Management and Executive Development Programs.
- Continuation of regular refresher training for the Department's Grievance and Contact Officers.
- Ongoing training in recruitment and selection skills.
- Ongoing training in Equal Opportunity Awareness.
- The inclusion of family friendly practices in the Department's industrial agreements.
- Ongoing monitoring of the employment status of the Department's female staff.
- All new job description forms include statements relating to the application and accountability of managers in relation to equal opportunity principles.

Cultural Diversity and Language Service Outcomes

The Department has publications in Japanese, Korean, Chinese and Arabic which it uses within its Trade and Market Development Directorate to market the State's produce in foreign markets. It also takes account of cultural differences through the use of tailored products, one example being a halal version of its "Banquet to the World" video which is often shown to visiting delegations from overseas.

Youth Outcomes

The Graduate Recruitment Program is a proactive approach to the recruitment and development of high quality graduates. In 2003/2004, ten (10) graduates with qualifications in the areas of agricultural science and agribusiness joined the Department under the Program. 70% of the intake are based in regional centres. For some of them this means a return to the rural area that they left to undertake their higher education.

The Department of Agriculture has a strong education program in place. The aims of the program are to raise awareness of agriculture (including biosecurity) in schools, and to increase the uptake of agriculture-related topics for classroom learning by teachers. Another aim is to link with the Department's careers in agriculture program to increase enrolments in agriculture-related courses at tertiary level, and so increase the pool of potential graduates available for employment by the Department.

For hands-on involvement, the Department's Royal Show display has a three-year focus on careers in agriculture, with a design emphasis on education and interactivity for young visitors. This program will continue in 2005.

Waste Paper Recycling Program

The Department's "greening" strategy to reduce energy and paper consumption produced the following achievements:

- Installation of wind and solar power at the Eucla checkpoint, reducing greenhouse gas emissions by 37 tonnes per annum;
- Energy audits conducted in South Perth and regional offices and the retrofit of lighting to reduce energy use;

- Purchase of 2 hybrid electric cars and replacing of 6 cylinder with 4 cylinder cars where practicable;
- Completion of a TravelSmart survey and Workplace Access Audit;
- Retrofit of irrigation to sub-surface irrigation in the entrance of the South Perth site, reducing water use by up to 40%;
- An assessment of water use in South Perth to identify areas to improve water efficiency;
- Waste audit completed on the South Perth site to obtain baseline data before the upgrade of the recycling program;
- Printer and toner recycling program implemented in South Perth;
- Introduction of an Electronic Finance Authorisation System (EFAS) to reduce paper use; and
- The provision of 33 networked digital copiers/printers around the State was complimented by a reduction in the number of desktop printers and analogue copier technology.

The Department has continued in 2003/04 its practice of encouraging all staff to recycle waste paper. Approximately 3,125 kg of waste paper per month was collected for recycling, for the financial year ended 30 June 2004. Waste paper recycling forms and integral part of the Department's current strategy for achieving environmental sustainability.

Energy Smart Government Program

In accordance with the Energy Smart Government policy the Department of Agriculture has committed to making a 12% reduction in non-transport related energy use by 2006/07. The target for 2003/04 was a 6% reduction, the Department achieved a 4.2% reduction.

Energy Smart Government Program	Baseline	2003/04	Variation %
Energy Consumption (GJ)	49,492	47,436	Reduction of 4.2%
Energy Cost (\$)	\$1,751,280	\$1,662,776	Reduction of 5.1%
Performance Indicators (eg)			
MJ/sqm	559	535	
MJ/FTE	27,163	28,271	

State Sustainability Strategy

The Department of Agriculture is working to implement the actions of the State Sustainability Strategy (2003) including supporting the development of regional Natural Resource Management Plans and developing processes to monitor and evaluate progress in tackling environmental issues. The Department is committed to improving the sustainability of its operations and is implementing a range of initiatives as part of a Greening the Department Program. It will also continue to play a major role in encouraging the development and adoption of standards for sustainable land management through its Agricultural Resource Management and Industry Program Directorates.

Regional Development Policy

The Department of Agriculture has made, and continues to make, a major contribution to the growth and development of regional Western Australia. It is implementing the State Regional Development Policy through the industry and biosecurity research and development it funds which contributes to growing the regional economy, and to the many industry and market development activities it undertakes and regional investment attraction opportunities that it promotes. The Department also continues to promote sustainable land management in the regions and this is reflected in the uptake of sustainable land management practices by the State's producers. The Department's activities are detailed in the achievements and the performance indicator sections of this annual report

State Strategic Planning Framework

The Department is aligned with the State Strategic Framework and delivers services to the economy, the environment and the regions of Western Australia as detailed in the achievements and performance indicator section of this report. Future annual reports will be framed to further demonstrate this compliance and reflect the structure of the State Framework.

Appendix 2 - Compliance with Public Sector Standards (Section 31(1) of the Public Sector Management Act 1994)

In the administration of the Department, I have complied with public sector standards in human resource management, the Public Sector Code of Ethics and the Office's Code of Conduct. Standards in human resource management continue to be applied and policies and procedures designed to facilitate and ensure compliance are actively being developed and promoted.

Controls for the monitoring of compliance against the standards continue to be developed and reinforced.

Applications for a review to assess processes do determine if a breach of Standards had occurred and the corresponding outcomes for the period to 30 June 2004 are detailed below:

Number lodged	3
Non-material breaches found	Nil
Multiple breaches	Nil
Applications under review	Nil
Material breaches	Nil

Code of Conduct

The Department's Code of Conduct has been revised and distributed to all staff. Matters under the Code of Conduct are brought to the attention of Executive through both normal management processes and through internal audits of specific areas under the Code of Conduct. The Code of Conduct is provided to new staff members and amplified at the orientation and induction sessions. In addition, specific sections of the Code of Conduct are referred to in various Department-wide training courses and management development courses.

Freedom of Information

A total of 15 FOI applications were received for the year. Twelve were non personal, three were personal and one was subsequently withdrawn. Two applicants requested internal reviews of the initial decision and were resolved without the need for an external review.

Records Management

Information pertaining to the documents the Department holds and how they can be accessed under the FOI Act, is contained in the Department's Information Statement. The Information Statement is reviewed annually and made available on the Department's website.

Public Interest Disclosures

Under S23 (1) of the Public Interest Disclosure Act 2003, agencies should report on the extent to which the principal executive officer of the agency has complied with the obligations under the Act.

In the above regard, I confirm the following:

- a) The occupant of the position, Manager, Internal Audit & Review, was designated the position Public Interest Disclosure Officer with the authority as the person responsible for receiving disclosures of public interest information
- b) The agency has developed a Public Interest Disclosures Policy and Public Interest Disclosure Procedures. Both documents are on the agency's intranet, and notification of the new legislation was advised to staff through a broadcast email. There were also two articles published in the last twelve months in the agency's internal newsletter, on the Public Interest Disclosure Act 2003
- c) During the year to 30 June 2004, there were no public interest disclosures received by the Public Interest Disclosure Officer. Consequently, no investigations were conducted as a result of any disclosure.

Compliance with Electoral Act 1907 section 175ZE (1)

Any public sector agency required to publish an annual report under the FAAA or any other law is required under section 175ZE (1) to include a statement in the annual report setting out details of all expenditure in relation to engaging advertising, media, polling and market research organisations.

In compliance with the above, I submit the following details:

Advertising agencies	\$40,552	Bowtell, Clarke & Yole Marketforce Productions
Market research organisations	Nil	Nil
Polling organisations	Nil	Nil
Direct advertising organisations	Nil	Nil
Media advertising organisations	\$31,735	Artek Signs Discus Digital Media Decisions Stroudgate Australasia Toucan Display
Total expenditure for 2003/04	\$72,287	



Ian Longson
A/DIRECTOR GENERAL

31 August 2004

Appendix 3 - Corporate Governance

This statement outlines the main Corporate Governance practices that were in place throughout the financial year.

Authority to Act

The Agriculture Act 1988 established the Director General of Agriculture as a corporate body and sets out the powers and duties of the office. The Act was last amended in 1998.

Executive Management (Corporate Executive)

A/Director General

Ian Longson. Commenced acting in February 2004. (Appointed to Executive Director position in 1995)

A/Executive Director, Plant Industries Directorate

David Bowran. Appointed in February 2004.

Executive Director, Corporate Services Directorate

Mike Marsh. Appointed in August 1997.

A/Executive Director, Policy and Business Services Directorate

Rob Delane. Commenced acting in 2004. (Appointed to Executive Director position in September 1997)

Executive Director, Animal Industries Directorate

Charlie Thorn. Appointed in January 1998.

Executive Director, Agricultural Resource Management Directorate

David Hartley. Appointed in September 1998.

Executive Director, Trade and Development Directorate

Henry Steingiesser. Appointed in September 1996.

In February 2004 Dr Graeme Robertson, who had been Director General of the Department of Agriculture since 1995, left the Department. Mr Ian Longson is now the Acting Director General.

The Corporate Executive meets every week to report and review key performance measures relating to program delivery, financial, human resource, contracts, key business improvements and risk management.

In accordance with Public Sector guidelines, all senior management of the Department have performance agreements in place, which are reviewed annually. Members of the Corporate Executive have a particular focus on Corporate Governance.

Audit and Governance Committee

The Audit & Governance Committee provides assistance to the Director General by;

- monitoring and reviewing the operational efficiency, effectiveness and comprehensiveness of the internal audit and risk management functions, together with the coverage, processes and relevant governance mechanisms. The monitoring and reviewing includes ensuring high inherent risk activities are addressed, and high residual risks are adequately monitored;
- providing advice and strategic direction on internal audit, risk management and corporate governance issues;

-
- monitoring the promotion of the Department's quality management information, and evaluating compliance with sound internal controls and good business processes and practices;
 - ensuring appropriate and timely action is taken by management to address issues requiring attention as identified by the internal and external auditing process, risk management and general governance processes;
 - monitoring compliance with legal and ethical standards including the Department's Code of Conduct;
 - monitoring the activities of the Department's Internal Audit and Review Branch;

The Audit & Governance Committee consists of the following personnel:

Members:

- One external independent member with expertise in internal audit, risk management and corporate governance nominated by the Director General for a period of three years renewable, who shall be the Chair.
- The Director General (permanent member).
- One Executive Director of the Department (rotated annually).
- One Board Member representative from the Agriculture Protection Board.

Attendees:

- The Manager, Audit and Review
- A representative from the Office of the Auditor General
- The Manager, Planning and Evaluation
- The Director of Finance

Invitees

- The Executive Director Corporate Services
- Other officers from within the Department who may be called upon to address the Committee as required.

The Executive Officer of the Audit & Governance Committee is the Manager, Audit & Review. The Department's external auditor is the Office of the Auditor General.

Internal Audit

The Internal Audit & Review Branch continued to broaden its focus on strategic issues during the year, whilst performing operational and compliance reviews in accordance with the 2002/04 Strategic Audit Plan. The flexibility of the Branch's planning approach was, however, evident as a small number of planned audits were either postponed or cancelled, whilst work on three additional reviews was commenced at the request of management.

A second senior auditor was appointed and a contract auditor was engaged for a four-month period.

The Branch also engaged an internal economics expert from the Policy and Business Services Branch to assist in a review of *Competitive Neutrality*.

The Internal Audit & Review Branch was itself reviewed towards the end of 2003 as part of the Office of the Auditor General's examination of internal audit functions across six Government agencies. The Branch was found to be carrying out an effective internal audit function.

Specific Corporate Governance Issues

Risk Management

Procedures are in place to safeguard the assets and interests of the Department of Agriculture and to ensure the integrity of reporting. The system of internal controls ensures an appropriate division of responsibilities and provides a reasonable assurance that control procedures are monitored and reviewed. Written confirmation is obtained from senior management on internal controls, including risk management and the contents of the published accounts.

Ethics, Standards and Performance

The Corporate Executive acknowledges the need for all staff to adhere to the highest standards of corporate governance practice and ethical behaviour. Procedures are in place to meet the requirements of the Government of Western Australia Code of Conduct Supplementary Provisions – Conflict of Interest, and the Anti-Corruption Commission document Anti-Corruption Commission Act 1988 – Reporting Under Section 14 – Guidelines and Annual Summary.

Appendix 4 - Corporate Information

Staffing

The Department's budgeted Average Staffing Level for 2003/04 was 1517 Full-Time Equivalent (FTE) employees. The actual usage as at 30/6/04 was 1516 FTE, with the average usage for the financial year being 1450 FTE. During this period FTEs reached a high of 1506 in June 2004 and a low of 1382 for July 2003.

A transfer of the Australian Quarantine Inspection Service (AQIS) function to the Commonwealth effective November 2003 resulted in a reduction of 192 FTEs or 230 employees. The figures used above exclude AQIS staff for the full year.

The distribution of staff (headcount) across the work classifications within the Department between 2002/03 and 2003/04 is shown below:

Category	2002/03	2003/04
Professional	561	601
Technical	431	491
Inspectorial	321	122
Administrative and Clerical	306	352
Wages	<u>65</u>	<u>61</u>
TOTAL STAFF	1684	1627

The transfer of AQIS function also accounts for the significant drop in Inspectorial staff.

Corporate Support Reform

The corporate support activities are undergoing major changes to ensure that effective service is delivered at greatest efficiency.

The Government commenced a major initiative to effect a reform of whole-of-government corporate services. This initiative continued throughout 2003/04 with some of the required resources being provided by the Department. The procurement procedure is being revised for implementation in late 2004.

Additionally, the support services are extensively involved in the planning associated with the establishment of an integrated research institute. The Institute will see the R&D functions of the Department integrate R&D and teaching functions at Curtin, Murdoch and the University of Western Australia.

Workplace Reform

The Department, consistent with Government policy on Labour Relations, has negotiated and registered an Agency Specific Agreement. The Agreement retains and incorporates specific clauses and entitlements which continues to provide the Department and employees with mutually beneficial conditions of employment and cost effective and efficient work practices.

In negotiations for the replacement of other public sector General Agreements, where the Department is a named respondent, there has been active and on-going participation in the consultation process with the Department of Consumer and Employment Protection, to ensure the retention and enhancement of "non-core" conditions of employment and entitlements that will continue to enhance the Department's core business outcomes.

Leave Liability Management

Weeks per FTE	2002/03	2003/04	Increase
Actual leave liability	8.43	8.64	2.5%

The Department's liability for long service leave and annual leave as at 30 June 2004, was an average of 8.64 weeks (324 hours) per FTE as at 30 June 2004. This represents an increase of 2.5% on the previous year.

The management of the Department's leave liability will continue in 2004/05. The initiatives for leave reduction include:

- Managers accountable for establishing and reaching targets for reduction of liability within their Division/Region.
- Inclusion of provisions for cashing-in or compaction of leave within the Department's Agency Specific Agreement.
- Christmas closure of non-essential services.
- Inclusion of leave liability management at performance reviews with staff.
- It is discouraged for new appointees on promotion or transfer from other Public Sector agencies to carry over leave entitlements to the Department.
- The use of an on-line leave rostering system.

Training

2003/04 saw the enhancement and continuation of existing programs along with the implementation of new initiatives.

Outcomes achieved included:

- Continuation of a basic first aid awareness course for all staff to complement the existing training in workplace first aid.
- Evolution of the accredited "Women into Management" course to a Certificate 3 in Business for men and women designed to increase the team and supervisory skills of junior staff while continuing to improve the proportion of women suitable for promotion.
- Continuation of the accredited Management Development Program for first and second line managers with 160 people now participating in or completed the program.
- Implementation of a new Executive Development Program for Senior Managers focusing on developing the Strategic Leadership, Change Management, Diversity Management and Innovation Management skills.
- The ongoing training of Department staff in Equal Employment Opportunity.
- Continuing to raise the safety of the work environment through a number of specific occupational, health and safety training initiatives.
- The continuation of a scholarship for Corporate Services staff to complete courses of study relevant to their current and future careers. Since its inception in 2000, thirty-three officers have been granted a scholarship. Eight officers have successfully completed studies to date. Currently fifteen officers are continuing their studies.
- The Indigenous Australian Cross Cultural Awareness Course has been implemented and approximately 650 staff have attended so far.

Staff Development Activities

Other activities intended to enhance the professional capability of the Department include:

The Graduate Recruitment Program is a proactive approach to the recruitment and development of high quality graduates. In 2003/2004, ten (10) graduates with qualifications in the areas of agricultural science and agribusiness joined the Department under the Program. Seventy per cent of the intake are based in regional centres. For some of them this means a return to the rural area that they left to undertake their higher education.

The Visiting Specialist Program encourages staff from other institutions to work with the Department of Agriculture to develop the Department's international networks and to enhance the Department's reputation as a centre of excellence in research, development and extension. The Year's Visiting Specialist Program resulted in 5 professionals joining the Department. They came from The Philippines, Wales, Canada, Sri Lanka and Canberra.

Staff Reward and Recognition Program

The Staff Reward and Recognition Program is designed to acknowledge staff who provide an outstanding level of contribution towards goals of the Department.

All Department staff, regardless of their classification or field of endeavour, are eligible for nomination under the Program. Both individual and team efforts are recognised.

The Department's Excellence award:

- (a) recognises excellent work in all parts of the organisation;
- (b) supports a culture of excellence in the organisation;
- (c) fosters an environment of innovation and creativity;
- (d) recognises staff whose publications result in significant change in the agricultural, scientific and/or industry sectors;
- (e) recognises staff who attract levels of external funding that result in significant change in the agricultural sector, scientific and/or industry sectors; and
- (f) appeals to staff values.

The Department's Length of Service Awards continue to acknowledge the loyalty and commitment of employees who have achieved length of service milestones in excess of 20 years. This program provides recognition for employees who have achieved the service milestones of 20, 30, 40 and 50 years. The award presentations for the milestones were; 14 for 20 years, 7 for 30 years and 1 for 40 years.

External Awards

Department staff won two of the three State West Credit Awards provided to individuals for Excellence Provided to the Western Australian Community. The award for "Employees working in a non managerial position," was won by Kim Carter for his work with Indigenous Australian station owners in the Kimberley. The award for "Employees in a managerial or professional position," was won by Rod Randall for his researching and writing of the world's largest compilation of weed species.

Occupational Safety and Health

The Department was assessed using the Worksafe Plan assessment tool. It was found to have achieved a satisfactory standard for its occupational safety and health (OSH) systems and their implementation. The Department achieved a score of 66%. The score required to achieve a satisfactory standard is 60%.

During the year other OSH initiatives were implemented as follows:

- Development of guidelines for recovery of off-road vehicles.
- Continuation of first aid training initiative for all staff.
- Provision of animal handling training.
- Development of OSH process for purchase or design of new machinery and equipment.
- Commenced upgrading silos to new standards.
- Provision of new elevating work platforms and providing appropriate training.
- Completion of manual handling risk assessment program for quarantine and one region.
- Initiation of work for two chemical facilities to be upgraded.
- Completion of review of application of process-based hazardous substance risk assessments for agricultural chemicals.

The Department of Agriculture has continued its representation on Worksafe Commission's Agricultural Industry Safety Advisory Group. This group is to assist in formulating policy and strategy to improve occupational safety and health in agriculture in WA. This is additional to its association with Farmsafe Alliance which is an industry based group seeking to improve farmer safety.

Workers' Compensation

Departmental performance in workers' compensation and injury management are measured by the following statistical information.

	2001/02	2002/03	2003/04
Premium/contribution rate <i>(Total premium paid/wages declared)</i>	0.86	0.85	0.63
Cost of claims incurred per \$100 wage roll	0.60	0.45	0.41
Frequency rate <i>(Lost-time injuries per million hours worked)</i>	6.8	6.3	7.6
Rehabilitation success rate <i>(Index of successful rehabilitation cases)</i>	1.0	1.0	1.0

Asset Management

Capital Works

The Capital Works Program has focused on regional projects delivered through the Regional Accommodation Program. In addition to this, preliminary strategic planning has commenced on the new proposed Integrated Research Institute.

Major initiatives in 2003/04 include:

- Alternative energy installations at Eucla and Kununurra checkpoints, reducing reliance on diesel generators, with "clean" solar and wind generating options. Project partly funded through the Sustainable Energy Development Office (SEDO). Both projects are currently under construction.
- Energy Smart initiatives have been completed at 12 Regional offices and two metropolitan sites to meet SEDO saving targets for energy and greenhouse gas emissions.
- A major plant breeding facility at Wongan Hills is currently under construction.
- A statewide Chemical Storage Facility upgrade program has been implemented, and works are now being documented for tender, in a phased program.
- Planning is well advanced for the proposed new South Boulder Quarantine Inspection Yards.
- The Vasse Research Centre has been refurbished and extended.
- A joint co-location project with CALM at Ravensthorpe is currently being documented for tender.
- Farm infrastructure works has been completed to selected sites.
- The completion of service upgrade works to the Merredin and Northam District Offices.
- The completion of the Information Technology Network stage 2 project.
- The announcement of the New Integrated Research Institute has initiated the strategic infrastructure planning for this project.
- Preliminary planning work has commenced on the Kimberley Regional Office Redevelopment (Frank Wise Institute).

Capital Equipment Replacement Program

The annual program has been completed, with equipment purchased to meet current and projected R&D demands and supporting core business activities. Equipment purchased included farm, laboratory, IT and corporate services support infrastructure equipment.

Property Rationalisation Program

The program has been very active in 2003/04. Both acquisitions and disposals are aligned to the Department's current and projected core business needs, with the sale of surplus assets providing funding for future capital works.

Key milestones achieved in 2003/04 include:

- The vacated offices at Katanning, Manjimup and Busselton were sold.
- Jerramungup office is being transferred to the Shire of Jerramungup in preparation for a major expansion of the facility, in co-operation with other prospective occupants.
- Ten (10) other properties are being prepared for sale.
- Land has been acquired to increase the research capacity at the Katanning Research Station and the Vasse Research Centre.
- Land has been acquired at Halls Creek, to improve servicing of the region.
- Negotiations are well advanced through DPI for the purchase of land at South Boulder for the New Quarantine Inspection Yards.

Maintenance Program

The annual regional and metropolitan programs were completed and a major housing maintenance task was substantially completed.

Procurement

The Department issued a total of 7320 Purchase Orders during F/Y 2003/04. This is an increase of 800 orders on the previous year and the increase resulted from improvements to processes and an increasing focus on compliance.

Purchase Orders had a total value of \$28 m and 197 each exceeded \$100,000 in value and required formal tender procedures.

The Department has maintained a focus on Corporate Card controls and currently has a total of 1117 cards issued to staff. Corporate Card expenditure for the FY 2003/2004 was \$9.5 m. This was an increase of \$0.5m over the 2002/2003 and was generated by increased use of card payments for utilities, non-asset procurement and low value purchases.

Fleet Management

The Departmental passenger and light commercial fleet had a total of 461 vehicles as at 30 June 2004. This is a reduction of 48 units (9.4%) since June 2003. This reduction is partly due to the transfer of a number of AQIS vehicles from the fleet in January 2004 and also as a result of maintaining minimum thresholds for vehicle usage, the continued requirement of a rigorous business case for all new vehicles and the roll-out of the electronic Vehicle Booking & Management System.

The Department was awarded a Greener Motoring Certificate for Energy Efficiency Best Practice in Vehicle Fleet Management in August 2003 and also a National Certificate of Commendation for achievements in Fleet Environmental Management in June 2004 - both awarded by the Australasian Fleet Managers Association.

Appendix 5 - Statement from the Commissioner of Soil and Land Conservation

A report on the Commissioner's operations during the year was submitted to the accountable officer in accordance with Section 25 F of the Soil and Land Conservation Act.

Delegations

The delegation of powers under Part II of the Act by the Commissioner to the Deputy Commissioner, State Mining Engineer to administer land clearing, and to two Water and Rivers Commission Regional Managers to administer conservation covenants, remains in effect.

Land Clearing Assessments

In 2003/04, 165 Notices of Intention (NOI) to clear 10,064 ha of native vegetation were registered and assessed. This figure includes requests for advice on 14 Licence to Clear Applications submitted to the Water and Rivers Commission for areas controlled under the Country Area Water Supply Act.

The Commissioner did not object to the clearing of 1143 ha. This included 929 ha for infrastructure, pastoral clearing and non-rural purposes such as road construction and extractive industries.

Thirty-seven proposals totalling 2383 ha were referred to the Environmental Protection Authority for consideration of environmental impacts that are beyond the scope of the Soil and Land Conservation Act. A further 11 proposals to clear a total of 134 ha in Country Area Water Supply Catchments were referred to the Water and Rivers Commission.

The relatively high level of land clearing activity appeared to be driven by fears of tighter controls in the proposed amendments to the Environmental Protection Act now before Parliament.

Table A Areas of no objection to clearing in 2000/01, 2001/02 and 2002/03 (ha).

Component	2001/02	2002/03	2003/2004*
Rural Zoned Land	153	251	213
Non-Rural Zoned Land	911	420	930
Total area of no objection	1064	671	1143

* This figure includes the outcomes of NOIs not finalised at the time the 2002/03 report was published.

Compliance

Blatant breaches of the regulations seemed to be a perverse outcome of the new clearing legislation before Parliament. Neither the penalties under the Soil and Land Conservation Act nor the threat of vegetation conservation orders under the Environmental Protection Amendment Bill have deterred this clearing.

The Commissioner is investigating 63 complaints and will take appropriate action under the *Soil and Land Conservation Act 1945* as well as informing the Director General of the Department of Environment for possible action under the Environmental Protection Amendment Bill.

During 2003/04 two summonses were issued for breaches of Soil Conservation Notices and nine summonses were issued for failure to notify clearing under Regulation 4 of the Act. An injunction was also issued by the Supreme Court to prevent further clearing within an area protected by a Soil Conservation Notice.

Seven prosecutions for failure to notify resulted in fines from \$350 to \$1000, with costs to \$508 imposed. Two charges were dismissed as evidence was not submitted, and two cases are still before the courts.

Woodchip Permits

Four woodchip permits were issued in accordance with the authority delegated to the Commissioner by the Minister for the Environment. These permits authorise applicants to supply an estimated 5200 tonnes of timber to WA Chip and Pulp Co Pty Ltd for chipping.

Agreements to Reserve and Conservation Covenants

Under Part IVA of the Act, the Commissioner registered 16 Agreements to Reserve on Certificate of Title to protect 226 ha of native vegetation. A further two Agreements, which protected 96 ha, were discharged.

The Commissioner registered 11 Conservation Covenants on Certificate of Title protecting 1387 ha of native vegetation.

Soil Conservation Notices

The Commissioner issued two Soil Conservation Notices under Part V of the *Soil and Land Conservation Act*. One was issued to prevent notified land clearing and the other in response to a land clearing complaint.

The Commissioner also discharged two Soil Conservation Notices issued in earlier years.

Table B Area of vegetation protected under Soil and Land Conservation Act in 2001/02, 2002/03 and 2003/04.

Component	2001/02	2002/03	2003/04
Soil Conservation Notices issued (ha)	3,323	2,082	372
Agreements to Reserve lodged	64	399	226
Conservation Covenants (non-Remnant Vegetation Protection Scheme) lodged	374	4,267	1,387
Total area protected	3,761	6,748	1,985

Soil Conservation Notice Appeals

Three landowners lodged objections to Soil Conservation Notices with the Minister in accordance with Section 34 of the Act. Two appeals from the previous year were finalised and the Minister's decision was pending on six appeals at 30 June 2004.

Land Drainage

The drainage of groundwater to manage salinity is regulated under the Soil and Land Conservation Regulations. Landowners submitted 49 Notices of Intent to drain in accordance with regulation 5 during 2003/04. This resulted in 42 landowners being issued letters of no objection.

Although compliance with the regulations remains a contentious issue, only four complaints alleging breaches of the regulations were registered during the year.

Land Conservation District Committees

At 30 June 2004, 147 Land Conservation Districts were established under the *Soil and Land Conservation Act*. Of these, 50 have no committee currently appointed and are effectively in recess. The number of members now totals 1,384 (compared with 2,008 a year earlier), following the re-appointment of 26 District Committees and 16 individual members. The reduction in numbers of appointed members reflects the increasing number of committees in recess.

Condition of the Resource Base

Agricultural region

The wind erosion problems of 2002/03 abated during the year with generally good crops leaving heavy stubbles over the following summer. However, in the first half of May, stubble burning in preparation for the growing season left some soils exposed to strong winds. Dust storms were reported, particularly in the Lake Grace District.

Rangelands

The Western Australian Rangeland Monitoring System (WARMS) provides an indication of change in pastoral rangelands at broad scale. It does this through a set of representative, point-based sites on which attributes of soil surface condition and perennial vegetation are recorded. WARMS has 1,632 sites, comprising 998 shrubland and 634 grassland sites (Figure 1). Grassland sites are reassessed on a three-year cycle and shrubland sites every five years.

All leases larger than about 50,000 ha contain at least one WARMS site. However, WARMS is designed to report at regional or district scale rather than on individual leases. WARMS data and photographs are stored in the WARMS database. This database also contains information on about 4,000 old WARMS and Pastoralist Monitoring Sites.

Site installation began in 1993 and ended in 1999. Kimberley sites have been assessed three times. To date, about 90 per cent of the shrubland sites have been assessed twice.

Pilbara and Kimberley

In the Pilbara and Kimberley, 163 WARMS grassland sites were assessed during the 2003 field season in the Broome, Halls Creek, North Kimberley and Roebourne Land Conservation Districts.

Results from 92 sites assessed in both 2000 and 2003 suggest that the majority (83%) of sites for which a judgement can be made were stable over that period. Around 10% showed declines (although this was not confined to any one area or vegetation group), and the remainder improved. A total of 82 Kimberley sites have been reassessed three times, at three-year intervals. Perennial grass frequency has generally increased over that time (Table 1) for each vegetation group. However, as perennial grass frequency on many sites is approaching the maximum of 100, this suggests that further improvements may be marginal.

While between one-fifth and one-third of sites showed decreased frequency between any two dates (for example 1997 and 2000), no site exhibited a consistent downward trend over the nine years.

Table C Average frequency of perennial grasses for all Kimberley sites assessed in all four years (1994, 1997, 2000, 2003), grouped by vegetation type.

Vegetation type	Number of sites	1994	1997	2000	2003
Black Soil	24	83	85	92	93
Curly Spinifex	17	86	89	85	89
Coastal Vegetation	8	97	99	93	80
Frontage Grass	2	83	95	96	95
Limestone Grass	1	29	60	67	85
Northern Ribbongrass	10	94	88	95	95
Southern Ribbongrass	2	71	92	95	99
Soft Spinifex	18	82	85	91	87
Total	82				

Southern Rangelands

The number and canopy size of shrubs and trees have increased on most sites in the Southern Rangelands over the last decade. Recruits were observed on almost all sites and for most species. This improvement came at the end of a sequence of very wet years, but has continued in many areas that are

suffering the effects of a prolonged drought, sufficiently severe for large areas to be declared eligible for Exceptional Circumstances funding.

At the end of 2003 the overall change on the 711 shrubland sites was assessed, with particular emphasis on the effects of the dry period. These sites on about 70% of the leases were divided into three groups based on the date of reassessment and whether or not the lease was within the area submitted to the Commonwealth Government for Exceptional Circumstances. Of the 711 sites, 410 were either outside the EC-declared (ECD) area, or were assessed before 1 August 2001, i.e. before the impact of the dry seasons (Group 1). Group 2 consisted of 151 sites in the ECD area and were reassessed between 1 August 2001 and 1 August 2002, i.e. in the early part of the dry period. Group 3 comprised 150 sites in the ECD area, reassessed between 1 August 2002 and 11 October 2003, i.e. further into the dry period. Note that while sites in Groups 2 and 3 were reassessed during the dry period, they were all installed prior to July 1999, in years when rainfall was higher.

The data were summarised by comparing (1) shrub and tree numbers at reassessment with numbers at installation; and (2) canopy size, taken as the sum of the canopy width and height, between installation and reassessment.

The dry seasons have impacted on shrub and tree populations. However, the impact was not large, certainly not catastrophic, except on a few isolated sites. It is possible that the full impact of the extended dry period had not expressed itself by the time the sites were reassessed, even though Group 3 sites had experienced three or four consecutive dry winters.

For sites either outside the EC area, or reassessed before the impact of the dry period (Group 1), shrub and tree populations remained the same or increased on 87% of sites by an average of 54% (Table 1). Both statistics were less for sites in the ECD area during the dry period (Groups 2 and 3). For Group 3, around half the sites (46%) showed increased or unchanged populations and half decreased. The average change was close to zero (-1%). The pattern for canopy size was similar with a negative impact in the ECD area during the dry period.

Table D: Vegetation changes found on 711 shrubland sites for different groups

	Group 1	Group 2	Group 3
Per cent of sites with same or increased shrub and tree numbers	87%	66%	46%
Average change (%) in shrub and tree numbers by site	+54%	+10%	-1%
Per cent of sites with same or increased total canopy size	98%	89%	53%
Average change (%) in total canopy size by site	+38%	+16%	+3%

These results suggest that pastoral activities during the very dry period did not have region-wide severe impacts on shrub and tree populations, at least on WARMS sites within those areas reassessed. However, pastoral lease inspections have identified some leases where unacceptable impacts have occurred over the same period. Should the dry period continue through 2004, the scale of negative impact will almost certainly increase.

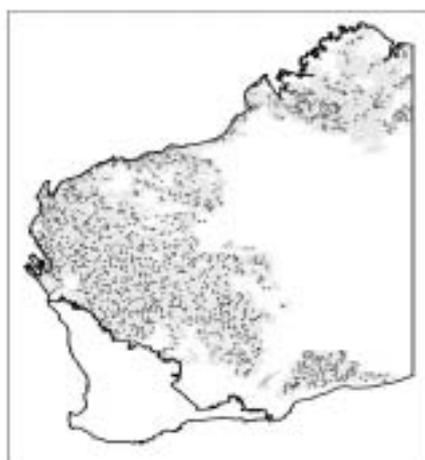


Figure 1: Location of 1,628 WARMS sites in rangeland areas

Appendix 6 - Legislation

Enabling Legislation

Agriculture Act 1998

Legislation Administered by the Department Of Agriculture for the Minister for Agriculture at 30 June 2004

Aerial Spraying Control Act 1966*
Agricultural and Veterinary Chemicals (Taxing) Act 1995
Agricultural and Veterinary Chemicals (Western Australia) Act 1995
Agricultural Practices (Disputes) Act 1995
Agricultural Produce (Chemical Residues) Act 1983*
Agricultural Produce Commission Act 1988
Agricultural Products Act 1929*
Agriculture and Related Resources Protection Act 1976*
Agriculture Protection Board Act 1950*
Argentine Ant Act 1968*
Artificial Breeding of Stock Act 1965*
Beekeepers Act 1963*
Biological Control Act 1986
Bulk Handling Act 1967
Cattle Industry Compensation Act 1965
Chicken Meat Industry Act 1977
Dairy Industry and Herd Improvement Legislation Repeal Act 2000
Exotic Diseases of Animals Act 1993
Fertilizers Act 1977*
Genetically Modified Crops Free Areas Act 2003
Grain Marketing Act 2002
Industrial Hemp Act 2004
Marketing of Eggs Act 1945
Marketing of Potatoes Act 1946
Ord River Dam Catchment Area (Straying Cattle) Act 1967
Perth Market Act 1926
Pig Industry Compensation Act 1942
Plant Diseases Act 1914*
Plant Pests and Diseases (Eradication Funds) Act 1974
Potato Growing Industry Trust Fund Act 1947
Poultry Industry (Trust Fund) Act 1948
Royal Agricultural Society Act 1926
Rural Business Development Corporation Act 2000
Seeds Act 1981*
Soil and Land Conservation Act 1945*
Stock (Identification and Movement) Act 1970*
Stock Diseases (Regulations) Act 1968*
Veterinary Preparations and Animal Feeding Stuffs Act 1976*
Veterinary Surgeons Act 1960
Western Australian Meat Industry Authority Act 1976

Legislative Changes

The Policy and Business Services Legislation Unit coordinates the department's legislation program in consultation with Executive Directors and Program Managers. Legislative changes during 2003-04 include:

New legislation enacted and amendments made

- The *Tree Plantation Agreements Act 2003* came into operation on 24 March 2004 along with the *Carbon Rights Act 2003* and consequential amendments to certain other Acts. This legislation will facilitate the registration on land titles of tree plantation agreements, carbon rights and carbon covenants.
- The *Genetically Modified Crops Free Areas Act 2003*. This enables the Minister to order that a specified genetically modified crop or genetically modified crops generally may not be grown in a specified area of the State (which may be the whole State). The *Genetically Modified Crops Free Areas Order 2004*, made for the purpose of preserving the identity of non-genetically modified crops and published under the Act in March 2004, prohibits the cultivation of GM crops in Western Australia.
- The *Industrial Hemp Act 2004*. This allows the commercial production of industrial hemp (low THC cannabis) under a licence.
- A few very minor amendments were made to some Agriculture legislation and the *Wild Cattle Nuisance Act 1871* was repealed by the *Statutes (Repeal and Minor Amendments) Act 2003*.
- The *Acts Amendment and Repeal (Competition Policy) Act 2003* repealed the *Wheat Marketing Act 1989* and amended the *Chicken Meat Industry Act 1977*, the *Perth Market Act 1926* and the *Western Australian Meat Industry Authority Act 1976*, in line with National Competition Policy.
- The *Plant Pests and Diseases (Eradication Funds) Act 1974* was amended to remove the expiry provision. The Act will now remain in place until it is replaced by new legislation.

Legislation currently before Parliament

- The *Marketing of Eggs Amendment Bill 2004*. This will provide for the expiry of the *Marketing of Eggs Act 1945* on or before 31 December 2005 and fulfill the State's National Competition Policy obligations in relation to egg marketing.
- Amendments to the *Veterinary Preparations and Animal Feeding Stuffs Act 1976*. These amendments will enable regulations to be made for the control of use of veterinary chemicals.
- The *Pig, Potato and Poultry Industries (Compensation Legislation) Repeal Bill 2003*. This will repeal the *Pig Industry compensation Act 1942*, the *Poultry Industry (Trust Fund) Act 1948* and the *Potato Growing Industry Trust Fund Act 1947* and transfer funds to committees established under the *Agricultural Produce Commission Act 1988*.
- The *Gene Technology Bill 2001*. This legislation will complement the Commonwealth *Gene Technology Act 2000* to provide a national system for the regulation of dealings with genetically modified organisms.
- The *State Administrative Tribunal (Conferral of Jurisdiction) Amendment and Repeal Bill 2003*. This will amend various Acts within the Agriculture portfolio (and across all portfolios) to provide for appeals from certain administrative decisions to be made to the State Administrative Tribunal rather than the Minister, courts or statutory Boards.

Legislation being drafted or approved for drafting

- The Agriculture Management Bill. This will involve the repeal of the Acts marked * in the forgoing list and the incorporation of the relevant provisions of those Acts into one Act and regulations made under it.
- *Grain and Seeds Crops (Pest Control Funding) Bill 2003* to replace the *Plant Pests and Diseases (Eradication Funds) Act 1974*.
- Legislation to repeal the *Agricultural Practices (Disputes) Act 1995*.
- Legislation for Grazing Industries Animal Health Protection Schemes.
- Amendments to the *Agriculture and Related Resources Protection Act 1976* in relation to raising rates for control of declared plants and animals.
- Legislation to establish a scheme to enable loans to be made by Government to co-operative companies processing or marketing primary produce. Eligible co-operatives that meet the requirements of section 120(1)(c) of the *Income Tax Assessment Act 1936* will be able to claim deductibility of principal repayments of loans under the proposed scheme.

Other Legislation that impacts on the Department of Agriculture's Activities

Animal Welfare Act 2002
Carbon Rights Act 2003
Conservation and Land Management Act 1984
Corruption and Crime Commission Act 2003
Disability Services Act 1993
Electoral Act 1907
Electronic Transactions Act 2003
Environmental Protection Act 1986
Equal Opportunity Act 1984
Explosives and Dangerous Goods Act 1961
Financial Administration and Audit Act 1985
Firearms Act 1973
Forest Products Act 2000
Freedom of Information Act 1992
Government Employees' Housing Act 1964
Government Employees Superannuation Act 1987
Health Act 1911
Industrial Relations Act 1979
Land Administration Act 1997
Library Board of Western Australia Act 1951
Minimum Conditions of Employment Act 1993
Occupational Safety and Health Act 1984
Occupiers Liability Act 1985
Parliamentary Commissioner Act 1971
Poisons Act 1964
Public and Bank Holidays Act 1972
Public Sector Management Act 1994
Salaries and Allowances Act 1975
State Records Act 2000
State Superannuation Act 2000
State Supply Commission Act 1991
Transfer of land Act 1893
Waterways Conservation Act 1976
Wildlife Conservation Act 1950
Workers' Compensation and Rehabilitation Act 1981
Workplace Agreement Act 1993

Statement of Compliance with Relevant Written Laws

I have attempted to comply with all written laws and have exercised controls which provided reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of public property and incurring liabilities have been in accordance with legislative provisions.



Ian Longson
ACTING DIRECTOR GENERAL

Appendix 7 - Department Offices

Department of Agriculture offices – Metropolitan

South Perth
Forrestfield

Department of Agriculture Offices – Regional

Albany	Katanning
Broome	Kununurra
Bunbury	Lake Grace
Busselton	Manjimup
Carnarvon	Meekatharra
Derby	Merredin
Esperance	Moora
Eucla	Narrogin
Geraldton	Northam
Jerramungup	Three Springs
Kalgoorlie	Warooka
Karratha	

Community Agriculture Centres (CACs)

Boyup Brook	Plantagenet (Mt Barker)
Corrigin	Pingelly
Gillamii Agriculture Centre (Cranbrook)	Ravensthorpe
Gingin	Wagin
Kojonup	Wickepin
Narembeen	

Research Stations

Badgingarra	Manjimup
Beverley	Medina
Esperance Downs	Merredin
Gascoyne	Mount Barker
Geraldton	Newdegate
Katanning	Vasse
Kununurra	Wongan Hills

District Agriculture Protection Offices

Beverley	Hyden
Boddington	Margaret River
Bridgetown	Mukinbudin
Denmark	Port Hedland
Donnybrook	Southern Cross
Dowerin	Williams
Goomalling	Yalgoo
Halls Creek	

Appendix 8 - Publications

The Department of Agriculture produces a vast range of published material including:

Farmnotes
Bulletins
Miscellaneous Publications
OTHER Publications Not in a Series
Technical Bulletins
Technotes
Journal of Agriculture
WAAFFI - Western Australian Agriculture, Food and Fisheries Industries
Primary Focus
Infonotes & IRP (APB) Publications
Garden Notes (Only from Department of Agriculture Pest and Disease Information Service)
Posters
Displays
New Industries INFO NOTES
Weednotes
Treenotes
Natural Resources Information publications

Copies of publications are available from the Department of Agriculture's main office at:
Department of Agriculture
3 Baron-Hay Court
SOUTH PERTH WA 6151

Tel: (61) 9368 3333
Fax: (61) 9368 1205

Internet: www.agric.wa.gov.au

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