

Annual Report 1998-99

DPI's *Vision*

A primary industries sector confidently competing in a world market.

DPI's *Mission*

The Department is a rural economic development agency bringing together government and industry in partnership to increase the profitability of primary industries-based enterprises on a sustainable basis.



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About the Annual Report

This Annual Report provides details of the Department's achievement of its key business and financial targets during 1998–99.

To get copies of the Annual Report

Copies of the Annual Report are available on request from:

DPI Information Centre
Primary Industries Building
80 Ann Street
Brisbane Q 4000.

The report can also be accessed through the DPI Home Page on the Internet, at <http://www.dpi.qld.gov.au>

For further information about obtaining copies please contact the DPI Call Centre on 13 25 23.



A message from the Director-General

As we move towards the 21st Century, it is important that we build on our role as an innovative and responsible partner within the food and fibre sectors of Queensland. The primary industries that we know so well must be positioned in these sectors in order to achieve success. It is a fact that consumers in domestic and export markets will increasingly drive change by demanding ever higher levels of quality in the products and services they purchase. We must develop our knowledge and skills in these areas in order to leverage maximum benefits for the State.

I am very proud of DPI's many achievements and I believe we can continue to learn and develop smarter approaches to the way we do business. During the past year DPI has made some significant contributions which have included:

- biotechnology—continuing work on the use of gene technologies to achieve zero pesticide use and enhance food safety through the removal of toxins, allergens and contaminants in processed food;
- DPI's Centre for Climate Applications, recognised as a world leader in climate research and provision of climate applications technology;
- successful trade missions which resulted in trade outcomes and a high level of interest in Queensland products;
- development of new value-added products, adoption of food safety and food quality systems and technology;
- maintenance of partnerships with producers, industry and government agencies to create joint approaches to service delivery;
- development and promotion of environmentally friendly techniques such as reduced tillage practices, effective use of chemicals, non-chemical control methods of insects and waste minimisation and utilisation technologies;
- activities under Northwatch designed to increase surveillance and enhance response capabilities in remote areas of Cape York and Torres Strait;
- establishment of a process for declaration of new fish habitat areas to provide protection for fisheries resources and their habitats.

Beyond these achievements, we have worked assiduously on a wide front to develop and introduce new technologies, new varieties and disease control mechanisms. We have learnt more and managed to improve the quality of our own decisions and those of our customers.

DPI will continue to build on its partnerships in the food and fibre sectors through the following key areas:

- innovative science and technology;
- development of high-value, highly specified products and services;
- trade and market development;
- sustainable development;
- rural community development.

The appointment of internationally renowned scientist Dr Joe Baker to the position of DPI Chief Scientist recognises the importance we place on ensuring a strategic and coordinated approach to DPI's research, development and extension. Current and future alliances with organisations such as CSIRO, Food Science Australia, universities and other government agencies have strengthened, and will continue to strengthen, our ability to meet client demands, maximise benefits to the community and address a wide range of complex issues. An improved focus on supply chain management will optimise our ability to assist



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primary industries to meet the demanding needs of consumers. The Department will take a strong interest in helping to improve the quality of products along the supply chain. Associated with these developments will be an increased focus by DPI on food safety. DPI will also play a major role, in conjunction with other government agencies, in developing strategies to address the outcomes of the South East Queensland Regional Forest Agreement.

I recognise the importance of not only managing our current business but also ensuring that the Department thinks about and prepares for the future. One of the few things that we can predict with any certainty is accelerated change, in terms of both client needs and our environment. I am confident that work currently being done, through DPI's Positioning for the Future project, will ensure that we are ready to meet any challenges the future may hold.

DPI is working closely with industry, agribusiness and rural communities to ensure their long-term viability. Industry development councils have been created to build strategic partnerships with major primary industry groups and help them to set their future directions. Successful work is continuing with rural communities through programs such as Building Rural Leaders and Futureprofit, to develop leadership potential and business performance.

In closing, I would like to express my thanks to DPI's staff. During the past year, they have clearly shown their dedication and commitment to the development of Queensland primary industries and their willingness to help clients. I am confident that the staff have the skills and abilities to respond to the challenges of the new millennium.



Highlights

- Implemented a comprehensive fruit fly trapping surveillance program in major growing areas and ports that provides early detection and retains Queensland's access into international markets.
- Commenced a major education and extension program aimed at raising the level of animal welfare awareness within the livestock industries.
- A trade mission to the United Arab Emirates and Saudi Arabia achieved trade contacts for Queensland companies to supply seafood, horticulture products, and processed food valued at approximately A\$100 000, with expected export trade to reach approximately A\$10 million over the next three to five years.
- The Building Rural Leaders program assists people in the rural sector to identify and learn skills such as leadership and strategic thinking so their community can have a viable future.
- Developed an innovative software tool and training program in waste minimisation for food processing factories.
- Doubled the shelf life of fresh Queensland seafood through research using modified atmosphere packaging (MAP); this research is likely to have significant benefit for many aspects of the value chain from fisher/aquaculturist to retailer.
- Produced fisheries resource condition and trend publications that report the statewide status of fish stocks and their associated aquatic habitat.
- In partnership with Birkdale Nursery, was chosen to undertake the worldwide commercialisation of Wollemi pine, a rare primitive tree. This project is expected to generate 50 jobs and has the potential to be a significant export earner.
- Planted 4691 ha of timber plantation during the year, a 21% increase on the previous year, to replace harvested plantation trees and provide for future timber supplies.
- Focusing on improving efficiency and applying a 'paddock-to-plate' approach to ensure food safety along the entire food chain, DPI contributed to reform of food regulatory arrangements.
- Released two new wheat varieties, that have greater disease resistance and higher yield potential, and could save Queensland up to \$125 million in reduced losses.
- Heliothis research resulted in the registration of Gemstar, a natural residue-free pesticide that effectively controls the disease while leaving desirable predatory insects unharmed. Its use is being combined with the use of trap crops to attract heliothis to a crop where they can be destroyed as part of an overall integrated pest management strategy.



of the Year

- Undertook research into the use of antibodies as a residue-free alternative to growth promotion in cattle.
- Strobilurins, a new range of fungicides developed from mushrooms, are proving highly effective against avocado diseases and also show promise against a range of diseases on other crops.
- Began evaluating opportunities for the sheep and wool industry to diversify into goat and sheep meat production.
- Identified potential markets for goat and sheep products in Brunei and Malaysia.
- Developed a low-virulence vaccine that will significantly reduce poultry losses from coccidiosis and could be marketed worldwide.
- Implemented an integrated human resource and financial management system.
- Completed National Competition Policy reviews of the dairy, chicken meat and grain industries.
- The *Futureprofit* program involves family members in flexible learning opportunities that assist them to develop and implement strategic planning processes in managing their farms' natural, human, financial and production system resources.
- On-the-spot fines were introduced for a range of fisheries offences.
- In partnership with the timber industry, the Araucaria Australia Group Inc. was formed to manage a market development program to reposition hoop pine as a premium timber species in domestic and export markets.
- Scientific information on the breeding and rearing of mud crabs for aquaculture purposes was published.
- Produced a best management practices manual for the control of giant rats tail grass.
- Successfully eradicated black sigatoka, detected in bananas, in the Thursday Island area.



Clients – DPI's commitment

In our last Annual Report, we talked about how DPI seeks to improve its client focus. For DPI to be effective, all staff need to understand clients' circumstances and their needs, now and as they are likely to evolve in the future. We also need to hone our capacity to respond flexibly to emerging needs and expectations. Last year's report mentioned:

- the merging of traditional client categories of primary production, processing, recreational resource use, and rural communities. This has been occurring as, for example, primary producers extend their businesses to include on-farm processing;
- a decline in the number of farm businesses, coupled with a rising trend in total agricultural turnover;
- an increase in average farm size, larger farms accounting for almost three-quarters of total agricultural output;
- the aging primary producer profile.

Better understanding of clients and their needs led the Department to develop a number of improvement strategies:

- better coordination of consultation to further advance the understanding of client needs;
- development of local focus groups to examine localised factors important for business success;
- customer service training for DPI staff who provide regulatory services;
- better communication with funding bodies;
- research into new and emerging industries;
- assessment of client expectations and appropriate support from DPI in relation to new and emerging industries, and development of an appropriate response;
- provision of an improved contact structure for processors seeking information from DPI;

- development of an improved client database.

The Department has since introduced a number of initiatives to implement these strategies, in some cases placing more emphasis on services currently delivered:

- The Department established an external fund coordinators group responsible for coordinating communications with major external sources of funding.
- Work started on redevelopment of the DPI Web site to provide users with easier access, via multiple pathways, to information available from the Department.
- The Department is monitoring international trends to identify opportunities in new and emerging industries and pass them on to Queensland's primary producers.
- Climate and market information is being provided to support client decision making.
- A training package was developed for all animal and plant health inspectors, incorporating regulatory policy and customer service. Training is due to start early in the current financial year.
- A CD was produced to inform and train staff in the Department's customer service protocols.

In addition the DPI Call Centre, which has received more than 120 000 calls, is providing business groups with analyses of monthly client call patterns to enable them to identify information needs relating to new and emerging industries. The Department continues to work with primary producer clients to build on and improve the strategic business skills.

The Department will be testing the effectiveness of its efforts to improve client service with another client satisfaction survey in late 1999.

Women as clients

The challenges confronting primary producers, agricultural industries and the communities that support them are widely publicised. DPI is very conscious of the need for diverse leadership to help the agricultural sector manage.

As women take on an increasing share of the management of farm businesses and contribute to farm and community viability through their paid and unpaid work, on and off farm, it is vital that we draw more effectively on their perspectives, skills and experiences. By increasing this diversity, we can help develop a culture that is outward looking, embraces change and emphasises self-reliance.

Opening the inaugural meeting of the Advisory Committee for the Queensland plan 'A Vision for Change', the Minister noted that its purpose was 'to ensure that organisations throughout Queensland's primary industries work individually and collectively to diversify decision making for the future'. He also pointed out that the committee 'was drawn from a cross-section of Queensland rural organisations to ensure that all the good work currently being done could be shared and celebrated'.

DPI has a strong commitment to its women clients and has a number of programs in place which work to ensure that rural industries achieve diversity. These include the Queensland Action Plan for Rural Women, Building Rural Leaders, Futureprofit, and Rural Partnerships. Moreover, the National Plan for Women in Agriculture and Resource Management, released in November 1998, is a guide for rural women, community organisations, industries and government on how to support roles of women in agriculture.

DPI recognises the importance of women as contributors and participants, as leaders and decision makers, and as clients. To realise the full potential of rural women it has set a number of objectives, such as increasing the number of women taking advantage of DPI's services and the number involved in leadership and direction setting, and improving the profile of rural women in the media.

In the past, the contributions of women to Australian agriculture were not well recognised or publicised. By hosting forums such as World Rural Women's Day and International Women's Day, DPI is providing a focus for women to participate, and make visible their contributions. Building on the success of the ABC-sponsored Rural Woman of the Year Award, a new award focusing on skills development and community benefit is being planned.

A major achievement of the year was finalisation of the Queensland plan 'A Vision for Change: Women Working for the Future of Rural Queensland'. This plan incorporates the strategies contained in the National Plan, but is tailored to the needs of Queensland's rural women. The Queensland plan contains many tips on how to reduce the barriers that prevent women from participating in leadership roles. These include such things as organising workshops during school hours, offering child care, and providing an opportunity for women to speak as equal farm partners and not just as 'farmers' wives'. The plan also profiles individuals who have shown that with perseverance women can attain leadership positions within their industries. A workbook is included for self-assessment of skills and abilities and on how to write a CV and address selection criteria.

A low-cost and extremely effective strategy used by the Department to provide its women clients with up-to-date information on opportunities, research results and information sources is the circulation of a monthly newsletter. The Department has received excellent feedback on this and each month many new women ask to be placed on the distribution list.

DPI is also supporting:

- new enterprises such as Enterprising Queenslanders and Young Primary Producers (EQYPP), a support network targeting young people interested in exploring new developments in agriculture;

- events such as the Combined Rural Traders' series of rural women's symposia;
- the 'Sweet Horizons' Conference of Canegrowers Network Mackay District.

This work helps to offer new opportunities for women and creates an understanding of the issues that affect them.

The formation of a ministerial advisory committee consisting of key representatives from industry and community organisations and from government is helping to ensure that the participation of women and young people in agriculture is increased at all levels of the agricultural sector.

To ensure that these strategies are effective, we must set benchmarks and monitor our progress. All levels of staff across DPI are now working in partnership to provide qualitative and quantitative data that will include:

- the participation rates of women in workshops and training sessions;
- case studies featuring women who are actively involved in diversifying their businesses, or are involved in leadership roles within their industries;
- the percentage of women on DPI's statutory boards;
- the percentage of women employed at all levels within DPI.

Staff are also asked to consult formally and informally with rural women when developing new workshops and training packages, and promote and mirror throughout the Department the strategies contained in the plan 'A Vision for Change'.

Only with this data can DPI identify the more elusive barriers, make recommendations for change, and fine tune its strategies to ensure that it is providing the necessary impetus for cultural change across all levels of business, industry and government.

global trading



The global trading environment*

Queensland's primary industries operate in an increasingly globalised environment, dominated by international factors. A number of these factors have had a significant impact on the State's primary industries in 1998-99, and are expected to continue to do so during the coming year.

1998-99 in review

The Australian economy

The Australian economy grew by 4.8% in 1998-99, up from 3.2% in 1997-98. This high rate of growth has been brought about by a number of factors, including a resumption in housing activity and improved consumer demand. Inflation in 1998-99 averaged 1.6%, and interest rates were around 7.8%. After remaining relatively stable on a trade-weighted basis in late 1998, the Australian dollar gradually strengthened against the US dollar between early January and mid-May 1999. This commodities-driven rise weakened the competitiveness of agricultural and mineral exports and had a negative impact on the Australian economy. Consequently, the current account deficit rose to \$32.5 billion in 1998-99, or 5.5% of GDP.

World commodity markets

World commodity markets have been significantly affected by economic upheavals in most of Asia and in Russia and Latin America. Weaker demand for a number of commodities, together with increased supplies in many cases, has adversely affected commodity prices on world markets. Agricultural commodity prices declined by around 20-30% in 1998, largely in response to assumptions of a weak world economic outlook. In August 1998 Russia devalued the rouble and dumped its commodities onto the world market in a desperate bid for foreign exchange.

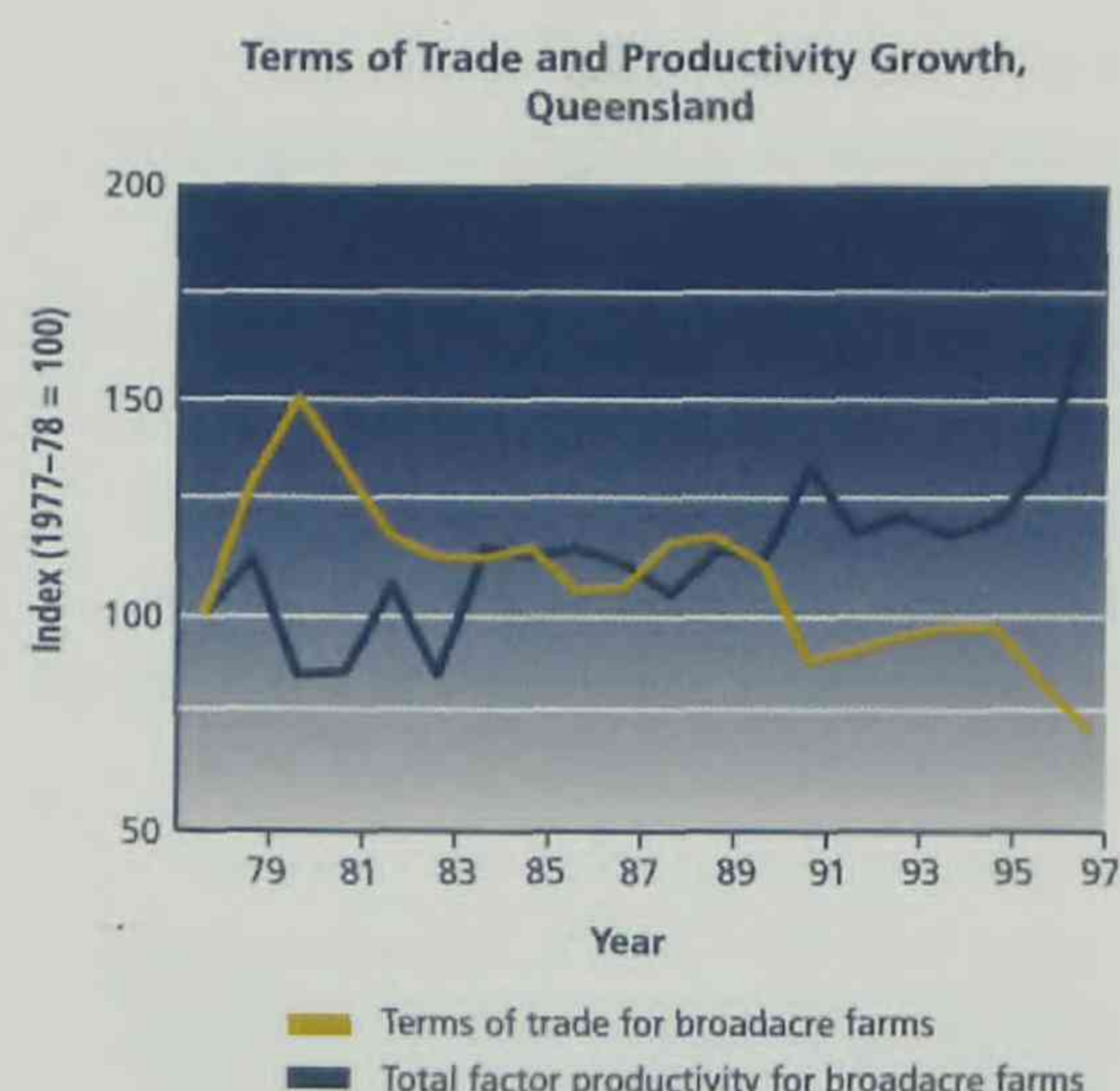
Substantial price declines for many agricultural commodities in 1998-99 have reflected record levels of world production. For example, world wheat and oilseed production increased by around 14% and 10% respectively, while consumption rose

by only 6% and 5%. Similarly output of beef and veal for export in major producing countries increased by around 9%, against a rise of only 2% in imports by major consuming countries.

The Queensland cattle industry experienced improved export competitiveness, largely because of a lower exchange rate against the US dollar for part of the year. Falling sugar prices have been a particular concern for Queensland's 4 345 sugar producers: raw sugar prices in 1998-99 were about US 7.1 cents/pound, the lowest since 1984-85, due to an over-supplied world market. High levels of fibre availability also contributed to a build-up in stocks of processed and semi-processed wool. As a result wool prices fell substantially during 1998-99. After peaking in 1997-98, cotton consumption in China and the US is estimated to have declined by around 5% and 7% respectively in 1998-99.

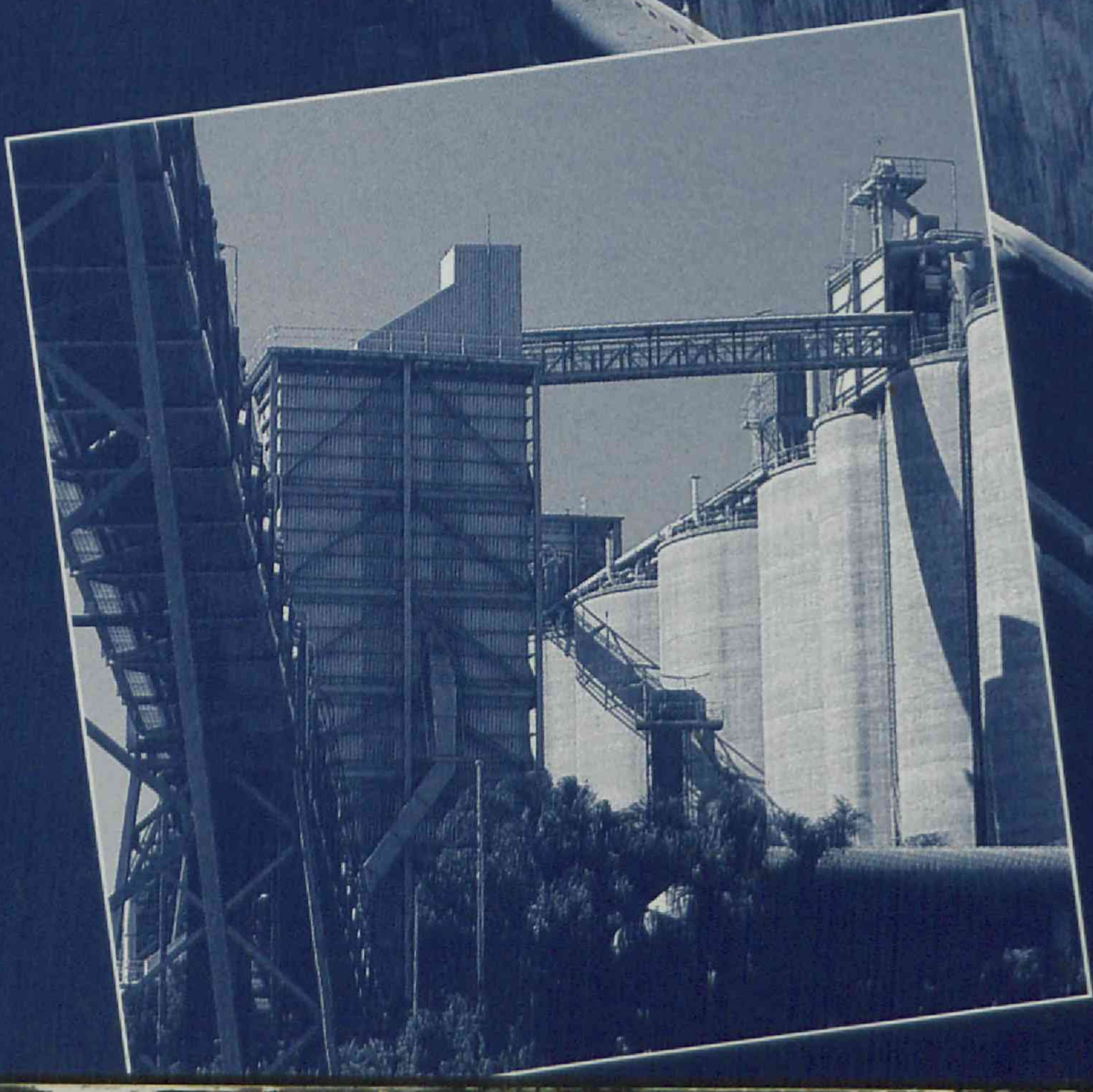
The Asian financial crisis

Export trade figures for 1997-98 and 1998-99 (preliminary) reveal that the impact of the significant economic and social disruptions in Asia on Australian food exports to the region has been minimal, and certainly much lower than had generally been predicted. Total Queensland food exports to Asia have fallen only slightly in the past two financial years. While the export-based Queensland food industry as a whole has been able to diversify its markets in response to difficulties in Asia, some individual industries have been unable to raise exports to pre-crisis levels. Large declines in shipments of crayfish, abalone and prawns to Japan have not been offset by shipments to other areas. Live cattle shipments to Indonesia and Malaysia almost ceased for 8-10 months, although exports have since recovered slightly as trade has expanded in the Middle East and new trade has opened up in Vietnam. Exports of fresh fruit and vegetables to Indonesia and potatoes to Korea declined during the year. However, rural exports to Hong Kong were maintained.



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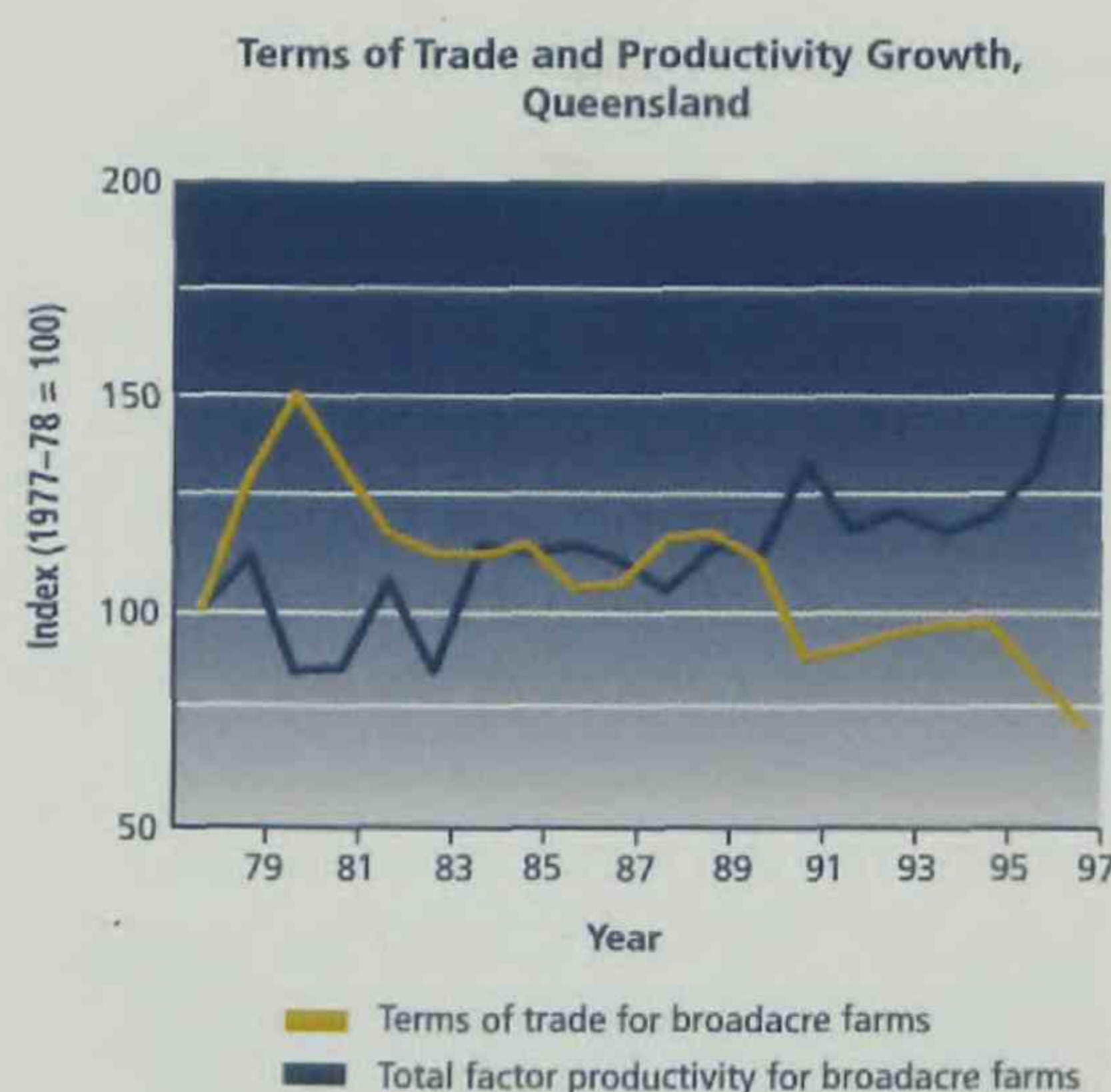
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In some South East Asian trade destinations, substantial devaluation has drastically reduced the affordability of imported food products. The economies of Thailand and Korea showed signs of improvement towards the end of the year. Food sales to Japan have on the whole been maintained, while those to China increased substantially in 1998–99. As nearly all international food trade is denominated in US dollars, fluctuations in food exports to the Asian region have tended to reflect shifts in relative market competitiveness, rather than aggregate market growth.

The Japanese economy

Japan's economy is second in size to that of the US, and the country is the largest importer of many commodities. In 1997–98 it accounted for around 18% of Australia's and 26% of Queensland's agricultural exports. Economic weakness in Japan has therefore been a major concern to Australian commodity producers and exporters, although some signs of improvement were evident late in the year.

Subdued economic performance in Japan was a major cause of weakness in the world economy in 1998–99. While Japanese household and public spending partly recovered in late 1998, consumer and business confidence has remained low and private investment expenditure has declined. Japan's credit squeeze has contributed significantly to suppressed domestic demand, and as a result demand for imports has contracted sharply: total imports in US dollar terms fell by around 9% in 1997–98. Imports from Australia were however largely maintained.

China as a commodity trader

Economic activity in South East Asia in 1998–99 was supported by growth in the Chinese economy. Higher government infrastructure spending and expansionary lending policies have stimulated the economy, though growth was reported to have slowed from 8.8% in 1997 to 7.8% in 1998.

Because of its rapid and sustained economic growth China has become one of the world's major consumers of

commodities; it is also a significant producer of commodities such as coarse grains. China has thus emerged as an important participant in world commodity markets. It is also an important market for Queensland commodities: in 1997–98 Queensland's rural exports to China were valued at A\$155.5 million, almost 300% more than five years earlier (A\$39.1m in 1992–93).

A stronger US economy

Economic growth in the US remained strong in 1998–99. Unemployment has been at historically low levels without a significant increase in inflation. Estimated growth was around 4% in 1998, slightly higher than in 1997.

Strong US economic growth during the past year has been partly a result of the 'wealth effect' generated by higher equity prices and low interest rates. Technology is a key factor driving the US economy: information and communication technologies (ICT) are now regarded as an essential competitive advantage for the US and play a major role in global business. Investment in ICT is rising as capital spending shifts from the manufacturing to information technology industries.

Agricultural trade liberalisation and protectionism

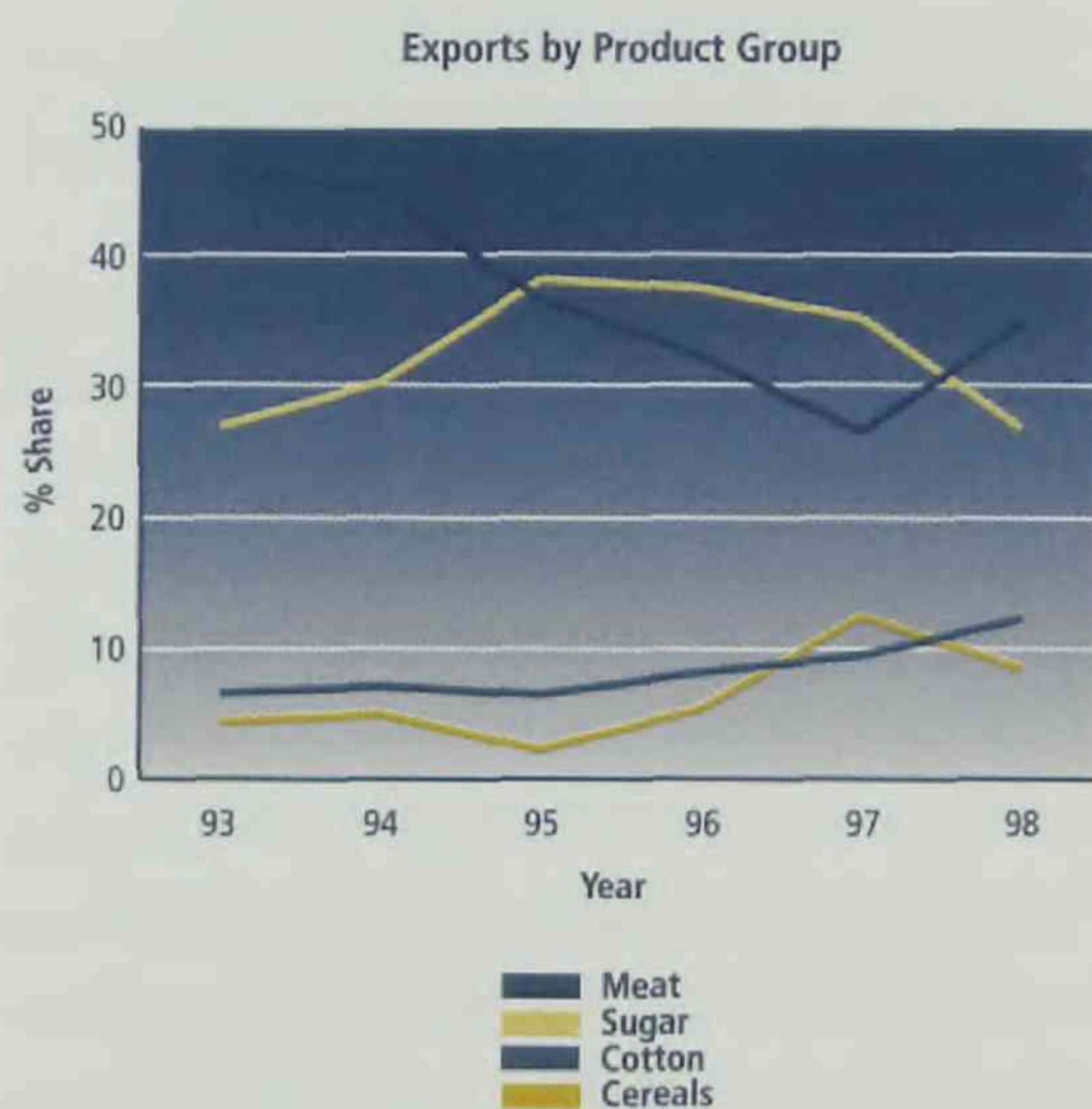
A new round of trade liberalisation negotiations is due to open in November 1999 in Seattle. Australia is one of the main supporters of these negotiations but some major economies, including the US, are yet to commit themselves. A recent restriction on lamb trade to the US has raised concerns regarding the credibility of the US as a free trade advocate. Some concern also exists that the European Union (EU) may seek to delay the agreed timetable for the opening-up of markets.

Although trade protection has generally been reduced from the high levels of the mid-1980s, levels of support in some developed countries remain high. Potential therefore exists for significant benefits from further negotiations. According to the Australian Bureau of Agriculture and Resource Economics (ABARE), Australia could directly benefit by around

\$7.3 billion from the further reduction of trade barriers.

The Euro

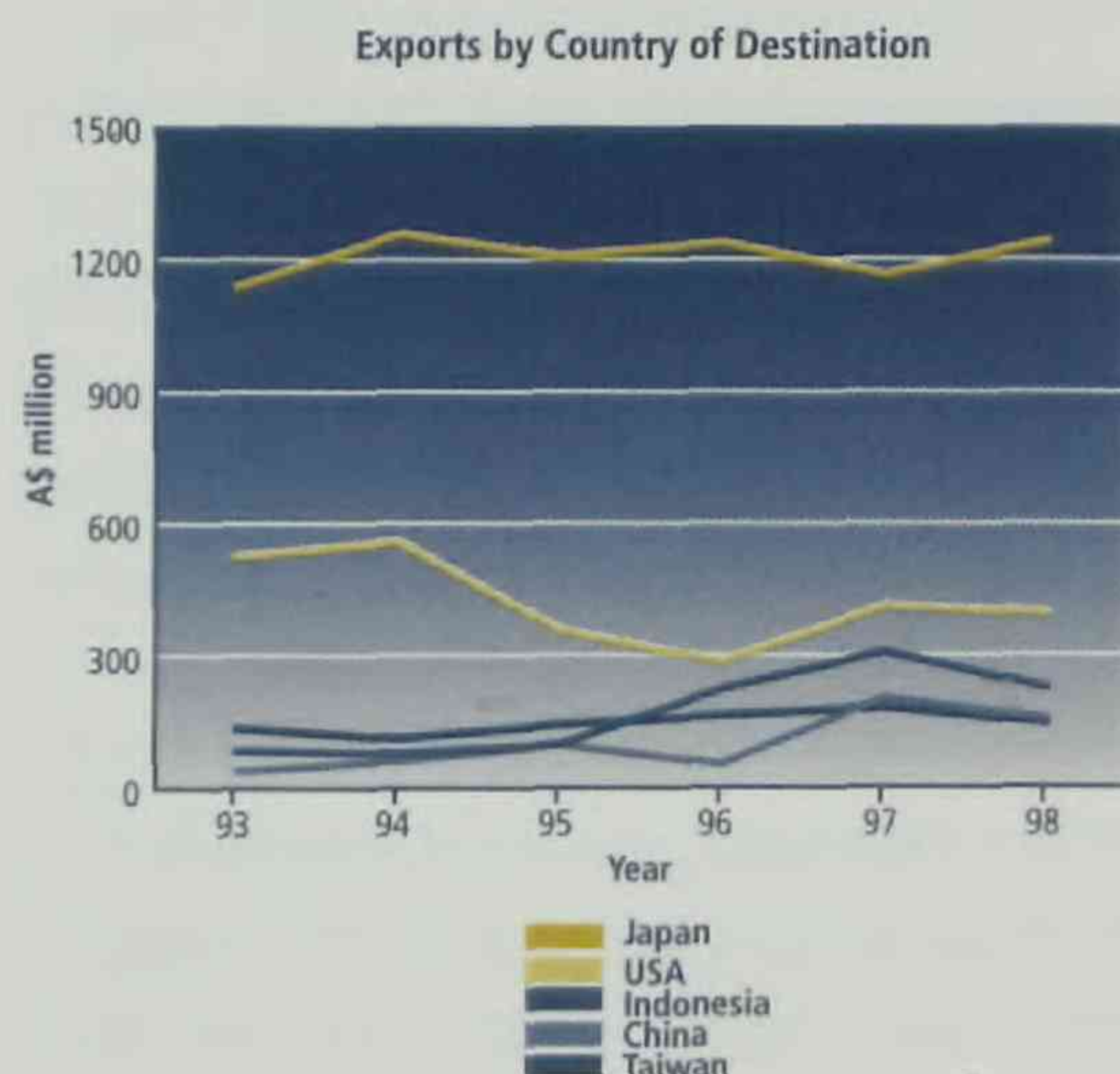
A single currency, the Euro, was launched by the European Monetary Union on 1 January 1999. This currency is expected to bring substantial benefits to international trade with and within Western Europe through reduced transaction costs and improved efficiency.



The Euro has important implications for business in Queensland. It should substantially reduce exchange rate uncertainty and foreign exchange transaction costs between Australia and European countries for both exports and imports. Foreign exchange dealings will also become easier and more direct. A more competitive European market will benefit Australian importers and investors, but could be more difficult for exporters. When major agricultural producing countries such as Hungary, Poland and the Czech Republic are added to the EU market, agricultural trade within the EU will dominate and the region is likely to provide more competition for Australian exports. On the other hand, many Australian farmers could benefit from big cost savings if imports of farm machinery from more than one country in Europe are transacted using the Euro. Furthermore, economists are predicting that the centre of world economic power is shifting from the Pacific Rim to the Atlantic Basin, suggesting that Australian exporters and investors may shift their focus from Asia to this region.

Globalisation and the Internet economy

World trade experienced unprecedented integration in 1998–99, with unparalleled consequences. According to the latest available figures flows of foreign direct investment increased 39% in 1998 to \$644 billion. For the first time in history all regions of the world are interlocking their economies and becoming increasingly interdependent through the widespread use of worldwide electronic networks. The use of ICT has stimulated global integration in fields such as economics, trade and communications. As a result,



Australian businesses have moved beyond local and national perspectives to adopt a broader view of an interconnected and interdependent world. About 21% of Australian businesses had access to the Internet in 1997, and updated statistics are expected to show a strong increase. The Australian Bureau of Statistics estimates that at March 1998, 45% of farms had a computer and nearly 12% were connected to the Internet.

The impact of GMOs (genetically modified organisms)

In recent years the world has clearly entered the age of gene manipulation—and with it the possibility of widespread consumer backlash. Developments in gene technology seem likely to have profound implications for the future competitiveness of agricultural industries.

The area planted to genetically modified crops worldwide was estimated at 28.2 million hectares in 1998, or about 3% of the total area under crops. This included 15 million hectares of soybeans, 8 million hectares of corn, 2.5 million hectares of cotton and canola and 0.2 million hectares of vegetables. Around 112 field trials of genetically modified organisms have already been undertaken in Australia. Three commercial genetically modified crops have been released in Australia to date—two varieties of carnation and one of cotton.

There is intense public debate over the acceptability of biotechnology. Research undertaken by the University of Central Queensland on consumer attitudes to GMOs in Australia has found that attitudes are largely affected by knowledge of science and technology and attitudes to nature and God, and by age, sex and educational level.

For Queensland to take advantage of the significant opportunities in the market place, there may be a need to service the market requirement for both GMO and non-GMO products. This is an issue of labelling and requires an ability to trace food inputs through the production and distribution chain.



1999–2000 outlook

Australia: the effects of continued growth

Australian economic growth is expected to be strong in the coming year. GDP is forecast to grow by around 4%; inflation is expected to rise to 2.8%. Capacity constraints such as rising interest rates and higher wages, combined with low productivity of manufacturing industries and improved business conditions, are expected to cause businesses to raise prices. Continued strong growth is likely to lead to higher imports and place further pressure on Australia's foreign debt.

Given the outlook for economic growth and low commodity prices, the Australian dollar is expected to hold fairly steady at a rate between US 65 and US 70 cents in 1999–2000. The exchange rate between the Australian dollar and other currencies is a determinant of the competitiveness of primary product exports, and could have a significant impact on trade flows. A relatively low rate increases Australia's competitiveness, making Australian primary products comparatively less expensive than equivalent US and European goods; a higher rate has the opposite effect.

Weaker commodity prices

Low commodity prices are expected to be a crucial issue for producers in the next few years because of a weak world economic outlook and increased supplies.

For wheat, a moderate improvement in world prices is forecast in 1999–2000, largely as a result of lower production and reduced stocks. Maize prices are predicted to be on average lower, partly due to increased world stocks. Prospects of weak to modest world economic growth over the short-to-medium term, along with intensified competition among fibres, are likely to present major challenges to wool and cotton producers. Decreased export competitiveness as a result of a strengthened Australian exchange rate against the US dollar is expected to lead to lower prices for export cattle. Raw sugar

prices are forecast to fall to a 15-year low in real terms in 1999–2000.

Prospects in South East Asia

Over the medium term, prospects for the financially troubled South East Asian economies will largely depend on implementation of structural reforms, especially in the banking and corporate sectors. Economic growth in these countries is not expected to recover significantly in the short term. However, the agribusiness industry is likely to be a major factor for recovery in the region, and is expected to remain strong in the medium-to-long term. Even in a flat or declining food market in 1999–2000, Australia's share of the South East Asian market is likely to expand, largely reflecting a competitive exchange rate in relation to some regional currencies.

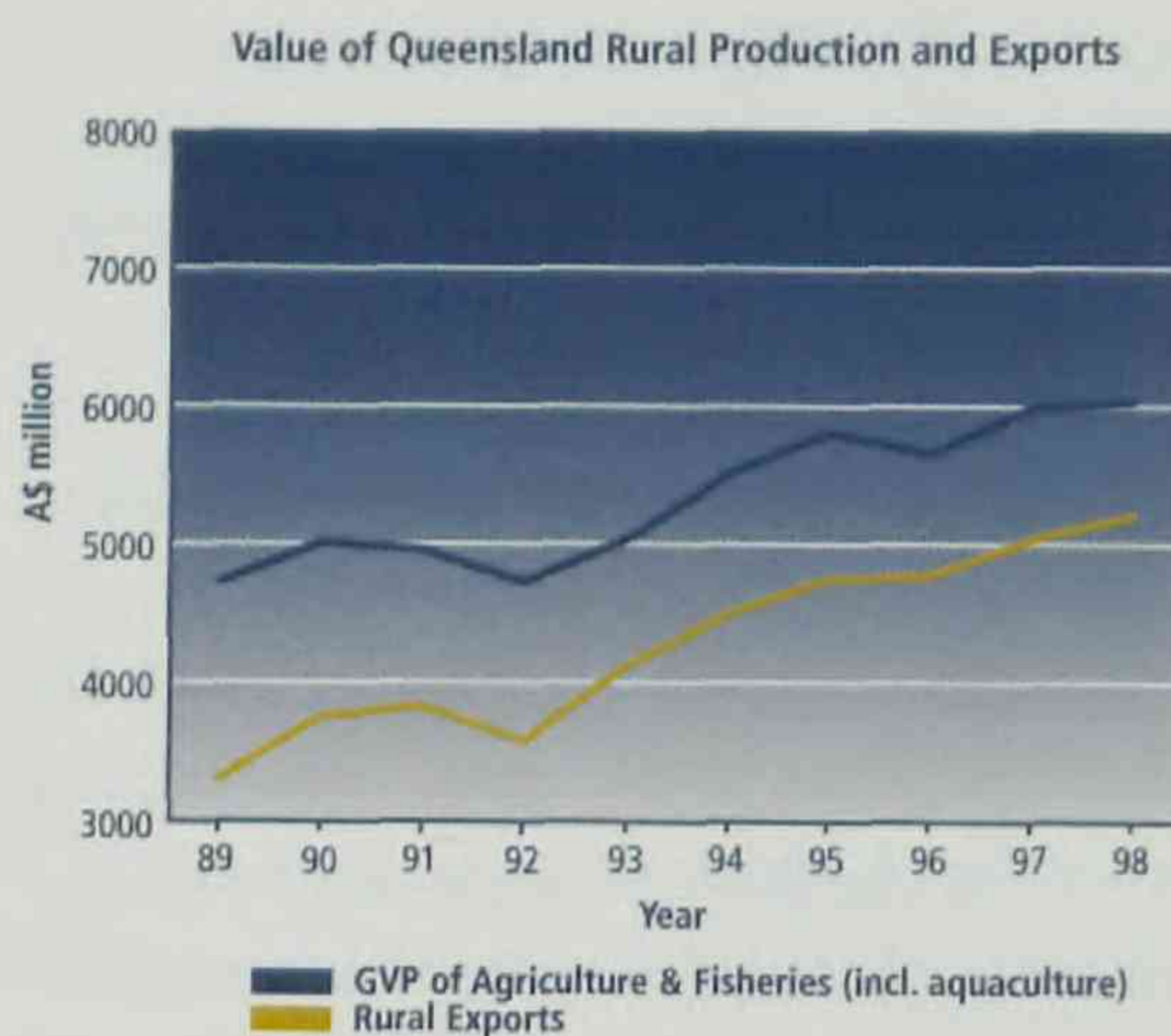
Muted recovery in Japan

Japan's economy returned to positive growth in the 1999 March quarter for the first time in 18 months, and the outlook for 1999–2000 appears to be one of recovery. Housing and public investment are expected to grow, but private capital spending could fall sharply again and consumption is likely to be flat. Because of inventory adjustment industrial production may hit a cyclical low during 1999–2000, but rising interest rates and the strong yen remain risks to the economic outlook.

Japan is a significant market for Queensland primary products, in particular meat, seafood, cereals, hides and skins, sugar and cotton. The weak economic outlook is likely to affect the high-value industries with high elasticity of demand, such as seafood, fruit and vegetables, wool and possibly cotton. Exports to Japan of cereals, meat and sugar are not expected to fall significantly in the short-to-medium term.

Chinese economic reforms

In the short term, economic growth in China is likely to continue to ease. Export performance could weaken as economic



disruption in many other Asian countries gradually subsides and their exports expand because of their devalued currencies. The Chinese economy requires significant reforms of State-owned enterprises to sustain high growth. China's banking sector, which suffers from a high level of nonperforming loans, also requires significant reform. Structural reform has slowed significantly since the Asian economic upheavals, but will be an important determinant of macroeconomic stability in China over the next few years.

Traditionally, agricultural trade between China and Queensland has been small. In 1992–93 1% of Queensland rural exports were to China, but the figure rose to 3% in 1997–98 and further increases are expected. In recent years Queensland has gained access to the Chinese market for its agricultural commodities, particularly fruit and vegetables, hides and skins and malting barley. Furthermore, Australian exports to China are expected to grow substantially following the finalisation of a bilateral deal on the terms of China's access to the World Trade Organization (WTO).

US economic performance

In 1999–2000 economic growth in the US is expected to moderate to around 3%. The predicted slowdown follows a period of over-investment and a boom in the stock market; as a result interest rates and inflation could rise in 1999–2000. The impact of the 'Y2K bug' may also dampen financial market activity. Currently around 80% of US agriculture is in recession and only 15% of the 1.9 million US farms are profitable.

Although the proportion of agricultural exports from Queensland to the US fell from 14% in 1992–93 to 8.5% in 1997–98, the US is still a major export market for Queensland primary products, in particular prawns, boneless meat, dried beans, cotton, raw cane sugar and cane molasses.

Threats to trade liberalisation

The fourth round of WTO agricultural negotiations, due to open in November 1999, will be crucial for agricultural trade reform. It will provide an opportunity to

make substantial inroads into the reduction of international market distortions.

Despite the WTO agreement on agriculture, most of the long-established distortions in agricultural markets remain. In addition, new types of non-tariff barriers, such as quarantine barriers, have evolved in recent years and are expected to continue in different forms. Given recent currency destabilisation and low or negative growth in many developing countries, some countries may turn to inward-looking protection policies, which would not only curtail trade but exacerbate the extent to which economic problems are transmitted to trading partners. There is also a possibility that non-tariff barriers will be used to exclude GMOs (see below).

The rise of e-commerce from e-business

Electronic commerce (e-commerce), the electronic sale of and payment for goods and services, is beginning to be recognised as a key subset of electronic business (e-business), and is growing faster than e-business at an exponential rate. A plethora of businesses currently make use of electronic transactions. The Internet is helping businesses enter new markets, improve their customer service, create additional revenue streams, redefine their business relationships, and lower costs dramatically (the cost of a banking transaction varies from around \$1.07 via a bank teller to \$0.27 at an automatic teller machine and just \$0.01 through the Internet). By the year 2000, e-commerce is predicted to be worth around \$2 billion in Australia and \$150 billion worldwide.

While Australian business traditionally faced restrictions because of the small domestic market and distance from the large northern hemisphere markets, today those markets are easily accessible through the Internet and e-commerce provides significant opportunities for Australian farm businesses to sell directly to manufacturers throughout the world. E-commerce is also used for obtaining weather and market information and technical advice.

Around the world, governments have been reluctant to regulate the use of e-business. Difficulties in keeping pace with developments in technology have been recognised, and practical problems arising from the borderless nature of the Internet are also starting to emerge.

Opportunities from GMOs

The effects of GMOs in the new millennium are likely to be determined mainly by consumer acceptance, government regulatory arrangements, market power and international agreements. Consumer acceptance has become a critical and uncertain factor for the expansion of gene technologies in the food industry of the future.

GMOs have been widely accepted in the US and Canada, but there is strong consumer resistance in Europe and Japan. This resistance arises from perceptions of risks to human health and the environment. For their part Australian consumers are seeking more information and clear labelling of GMOs. The potential dangers of biotechnology have led to government regulatory procedures aimed at preventing the release of modified organisms that pose unacceptable risks. The regulatory approaches in the US and Canada have been successful in allaying public concerns over safety.

A challenge has emerged to supply GMO-free products or ingredients. For example, countries such as Argentina are setting up supply chains to guarantee GMO-free grains. Queensland also has an opportunity to market GMO-free primary products, produced in a 'clean and green' environment in line with market demands. At the same time Queensland also needs to take advantage of gene technology where appropriate.

The regulatory process in Australia began in December 1998 under the Australia and New Zealand Food Authority (ANZFA). An understanding of how market forces may fail to produce desirable social outcomes from the use of gene technology is important in deciding when and how governments should intervene. Given the increasing rate of world developments in gene technologies, inappropriate policies could seriously handicap Australia's competitiveness in world markets for agricultural commodities.

Positioning *DPI* for the Future

'What will our future operating environment be like?'

'In 2010, what public benefit will an agency like DPI be delivering?'

'Is business as usual a realistic expectation?'

These are some of the fundamental questions DPI is asking itself and its key customer and stakeholder groups as it prepares for the new millennium.

For DPI to continue to deliver services that contribute to the well-being of Queensland, it must be aware of the forces shaping its future. Thus towards the end of 1998, the Department embarked on a new project 'Positioning DPI for the Future'. Its purpose is to build DPI's capacity to monitor and respond to global and domestic trends and issues affecting rural Queensland, thereby enabling DPI to refine its service delivery strategies.

A high-level steering committee chaired by the Director-General, is guiding the project. Some early insights from the project are reported below.

More than ever before DPI's scientific and technical capacities will be tested by community expectations on sustainable production systems, greater productivity from smaller areas, and the safety of new technologies such as the genetic modification of plants and animals. In addition, much of what the Department does in the future will be influenced by the polarisation occurring in the size and financial performance of rural businesses, patterns of urban settlement, changing age profiles in communities, and infrastructure needs in major centres.

Influences further afield will shape our future services and perceptions, too. Globalisation is increasing the interdependence of all regions of the world, and is opening up new economic opportunities. Trade liberalisation will deliver longer term positives that will far outweigh more immediate negatives. Effects of international agreements may test relationships between jurisdictions, while new and evolving technologies will reshape our industries, businesses and society much as railways, the telegraph, and the emergence of mass production shaped the years leading to Federation.

Why worry about the future?

All organisations are created to deliver benefits to their stakeholders. Successful organisations clearly understand the needs of their stakeholders, and maintain a good fit with their operating environment. For

this reason managers must divide their time adequately between attending to today's business and preparing for tomorrow's business. The 'Positioning DPI for the Future' project is DPI's response to this management imperative.

About the project

The Department is seeking to gain a detailed understanding of the forces reshaping the future operating environment of itself and of rural Queensland. Scenario planning techniques will assist DPI to increase its understanding of the future, while an organisational learning approach will enhance its capacity to produce the outcomes its customers and other stakeholders desire.

'Scenarios are specially constructed stories about the future, each one modelling a distinct, plausible world in which we might some day have to live and work.'

-Lawrence Wilkinson, Global Business Network

A key design aspect is the notion of DPI as an 'owner-builder' of its own future by developing, trialling and implementing processes that help it respond to change.

Specific objectives

Building a learning organisation

The development of a learning philosophy is being fostered by establishing 'learning networks' throughout the Department. By the end of 1998-99 more than 20 learning networks had been formed. They gather ideas and information about key issues including biotechnology, consumer lifestyles, human resources, farm performance measures and information management. They use processes that facilitate ongoing review of key assumptions and approaches.

Shared understanding

DPI's customers and external stakeholders throughout the agribusiness value chain, along with community stakeholders and selected experts, are being interviewed to gather ideas and perspectives about possible futures for rural Queensland. This information is to be discussed in workshops with DPI staff and stakeholders.

Awareness of emerging global and domestic trends and issues

Information on global and domestic trends is being collated and made available to all learning networks; the networks can use this information with DPI stakeholders to assist in identifying new opportunities for effective future positioning.

Several examples of such trends are mentioned above in 'The global trading environment'; others are changing community lifestyles and attitudes, globalisation of markets, the changing demographic profile of Queensland, and environmental and climate changes. Ongoing analysis of major trends is being established as core business for DPI.

Consideration of new directions

The activities described above will help DPI shape scenarios of possible futures for rural Queensland. Analysis of these scenarios will enable the department to assess service delivery and management strategies for achieving the 'best fit' with its operating environment.

Desired outcomes

The outcomes sought from the project are:

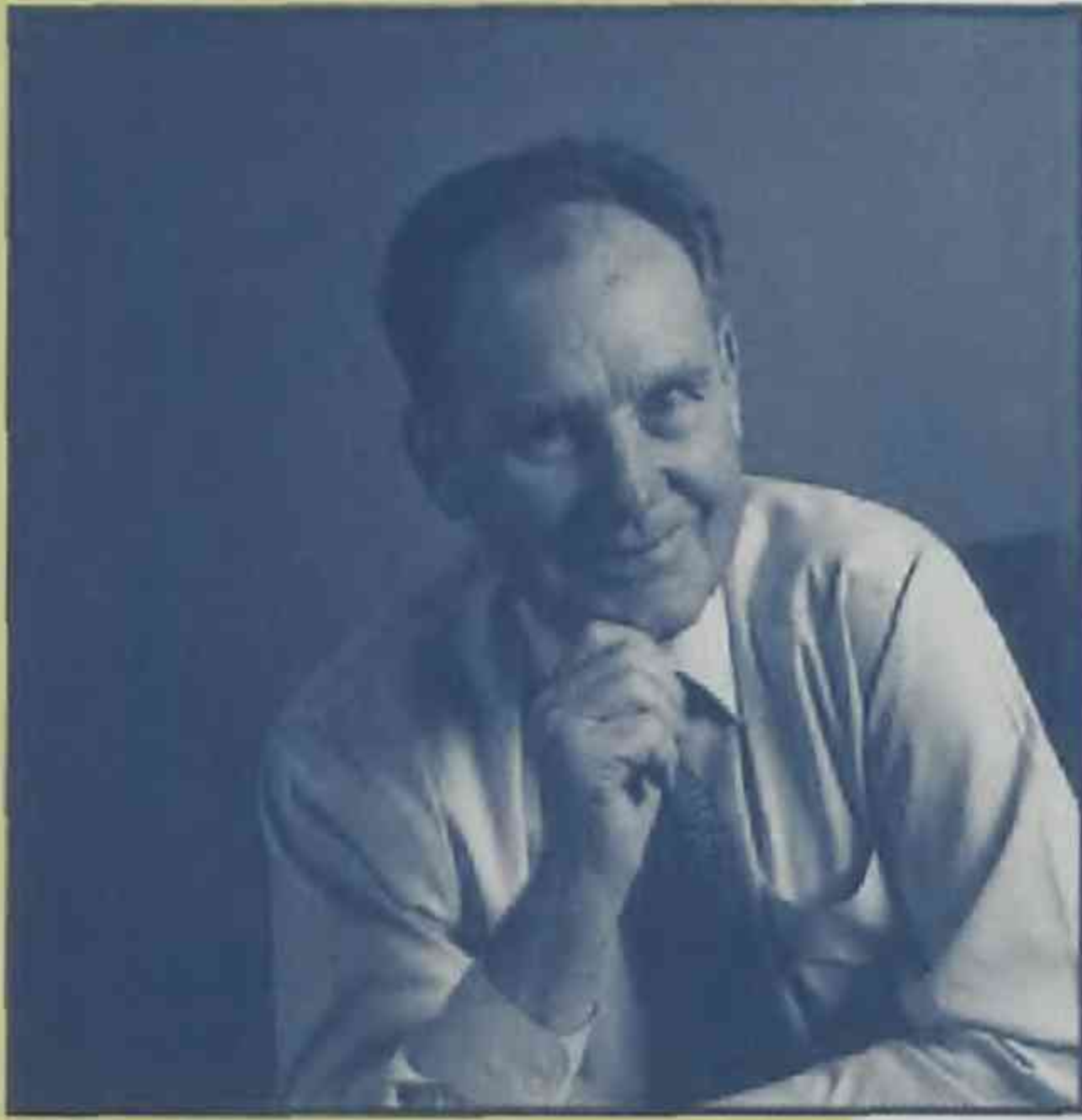
- a range of plausible future scenarios that help DPI and its stakeholders better understand the forces of change;
- a shared view of the strategies, services and staff skills needed to continually understand and adapt to future change;
- a capacity within DPI to continually excel in delivering services and products for Queensland's primary industries sector, and meet the needs of the Government.

Timeframe

'First-cut' scenarios will be developed and assessed by the end of 1999, in time to inform 21st century planning processes.

The project has already demonstrated that DPI is well placed to implement changing government policy imperatives which, themselves, reflect changing community perceptions about the environment, health and well-being, food safety, food quality and affordability.

Positioning *Food & Fibre Science* in DPI



Joseph T. Baker
Ph.D., M.Sc., OBE, FTSE, FRACI

As the position of Chief Scientist in DPI was taken up only in June 1999, this report is mainly about the position, my impressions gained from the first few weeks, and the future.

All reports on research, development, extension and commercialisation (RDE&C) must necessarily embrace the future, while building on the performances of the past. In that way, the philosophy of this very short-term report is not unusual.

The duties and responsibilities of this position are exciting, matching the enormous diversity and range of the Department's RDE&C activities, and the interactions that involve its staff with colleagues in other departments, other institutions and industry groups, and with the community.

My strict terms of reference are only to the RD&E components, but already it is obvious to me that I must emphasise the commercialisation aspect because of the enormous potential for Queensland and its people—of today and of the future—to actively seek economic benefits from the fruits of the Department's RD&E.

Yes, research, development and extension can all lead to economic benefit as well as to the social and environmental benefits that will characterise Queensland's planned moves to ecologically sustainable development (ESD).

In summary, my duties and responsibilities are to work with all people to ensure that they understand the significance and value of DPI's RD&E efforts; to enhance those efforts even above their current high levels of excellence; to communicate the outputs of those efforts to all sectors of society; to maximise the prospects of applying those outputs to secure social, economic and environmental well-being; and to ensure that scientific and technological perspectives are essential components in the development of government policy.

To help me in those roles, I will seek cooperation in all sectors of government and in all sectors of the community. I already have the strong support of the staff of the former DPI Research and Extension Unit, which is now within the

Office of the Chief Scientist. Together, we will work to maximise the sustainable internal and external benefits of, and to, the Department's RDE&C efforts.

There are many indications of change in the future refinements and developments of the biotechnologies that have contributed to the current strong position of Queensland's primary industries, and of DPI in the joint roles of support for and leadership of those industries.

The move from whole-of-organism biotechnologies to molecular and genetic biotechnologies is a natural consequence of advances in scientific knowledge and in instrumentation and other technologies. Those advances must be responsibly applied and communicated.

This particular aspect is a classic example of the need to ensure that 'extension' is integrated with R&D from the very outset of project development.

With all of the changes that may occur, there is no doubt that primary industries will remain significant in Queensland's planned sustainable future.

I come with a firm belief in the need to ensure the triple bottom line of ESD—social, economic and environmental well-being—and with a commitment to help revitalise rural Queensland, and look forward to sharing the challenge with all the people of Queensland.

Joe Baker
Chief Scientist

Business Framework



Terence N. Johnston
M.Nat.Res., B.Sc.(For.), Dip. For.

Overview

During the 12 months to 30 June 1999, the Department has continued to develop its knowledge of production-to-market links, strengthen relationships with the rural sector, and develop technical expertise vital to the economic, social and environmentally sustainable development of Queensland.

DPI has reinforced government priorities through the specification of three major departmental outcomes: competitive industries and viable businesses, vital rural communities, and sustainable production systems. These outcomes are delivered through a suite of services provided across the State. Most of these services contribute in some way to the achievement of all three outcomes. For example, future survival and growth of rural communities depends on the long-term viability of primary industries, which in turn depends on sustainable production practices.

To keep abreast of client needs, the Department has instituted a comprehensive project entitled 'Positioning DPI for the Future'. I am a strong advocate of this project and believe that it will strengthen the Department's capacity to monitor, predict and respond to global and domestic trends and issues affecting rural Queensland.

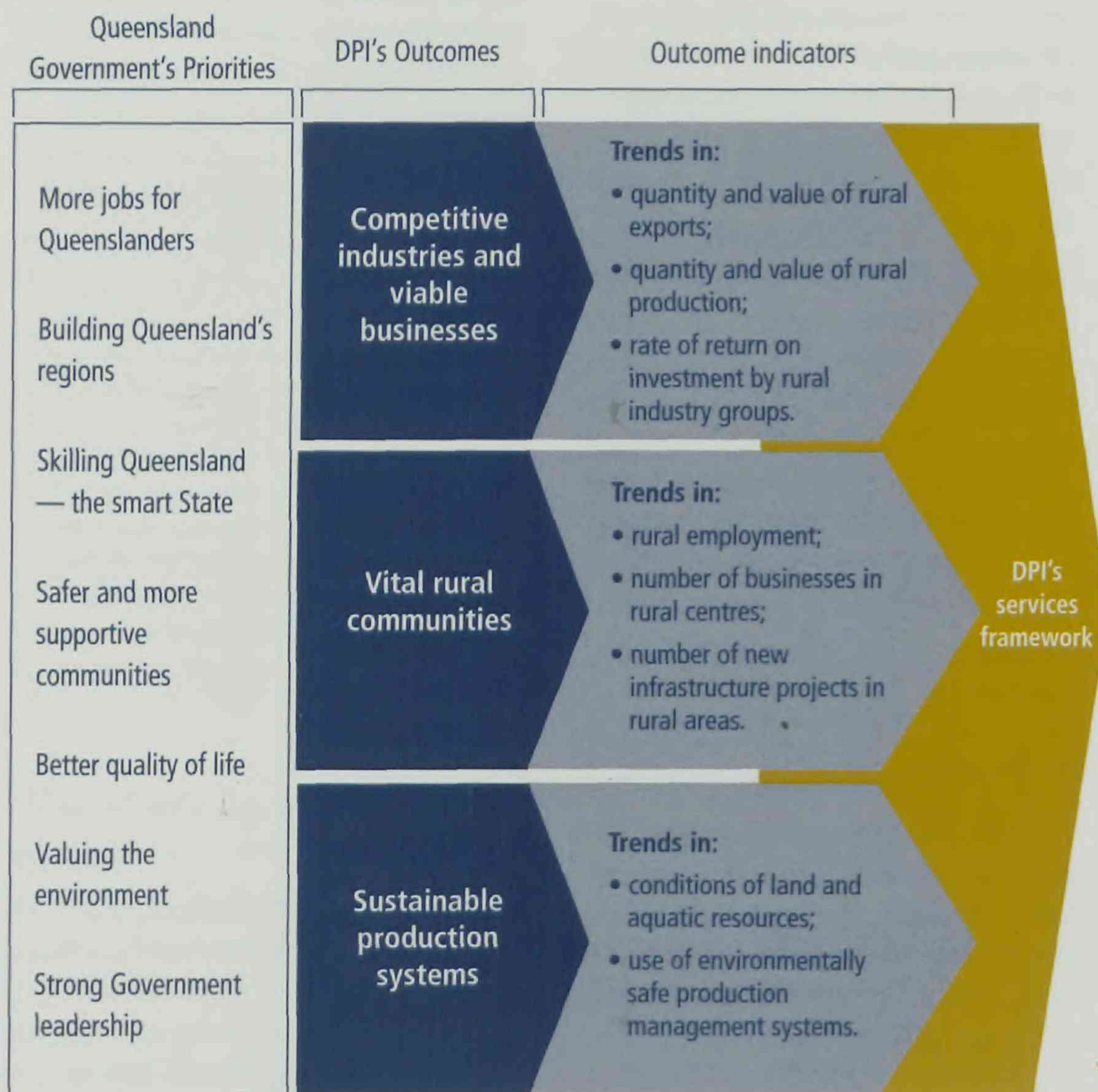
We are also developing a management strategy incorporating a services framework, a performance management framework (see diagram opposite), and a measurement framework using what is commonly known as the balanced scorecard methodology. The methodology allows us to focus on the results we wish to achieve while still devoting significant attention to the things we need to do as an organisation. These things include meeting the needs of our clients and the community, building values, leadership and learning, continuously improving our business performance, and making smart use of our resources.

Given this emphasis, we have identified the following key result areas:

- Clients and community;
- People, learning and growth;
- Internal business processes;
- Resource management.

Implementation of this performance management framework will enhance our ability to measure results and deliver better outcomes for clients and government. Both the Senior Management Team and the Board of Corporate Governance have endorsed this process.

Our business strategy 1999–2004



* see 'Services and products'

Strategic performance management framework

This framework underlies the Department's implementation of the Government's 'Managing for Outcomes'. A learning approach to implementation is being undertaken to maximise opportunities for making the necessary cultural change.

Another significant event for the Department is the recent appointment of Dr Joe Baker to the new position of Chief Scientist. His appointment will enable the Department to look at opportunities to enhance operations relating to research, development and extension. One of the

immediate priorities is the evaluation of institutes and the Centre for Food Technology. The institutes' boards are involved in this process.

Organisational result areas	Sample organisational strategies	Selected organisational indicators
Clients & community <i>Meeting the needs of the people we serve</i>	<ul style="list-style-type: none"> Client service excellence Effective partnerships 	<ul style="list-style-type: none"> Satisfaction ratings Dollar investment in new/emerging industries
People, learning & growth <i>Developing people and ideas</i>	<ul style="list-style-type: none"> Workforce profile A learning culture Sustainable knowledge systems 	<ul style="list-style-type: none"> Workforce demographics Satisfaction rates Knowledge created and retained
Internal business processes <i>Continuously improving our business performance</i>	<ul style="list-style-type: none"> Rethinking strategy Value adding Innovation opportunities 	<ul style="list-style-type: none"> Risk exposures managed Unqualified audit Business intelligence system
Resource management <i>Using our resources wisely</i>	<ul style="list-style-type: none"> Securing resources to achieve outcomes Good governance 	<ul style="list-style-type: none"> Return on assets Ratio analysis (e.g. reduction of overhead costs)

The Senior Management Team

continues to lead the development of the strategic direction, establishment of priorities, allocation of resources and assessment of business performance. Its members are shaded in the organisational chart to the right.

Delivery of industry-specific services across production and marketing chains is the responsibility of the **institute and centre directors**.

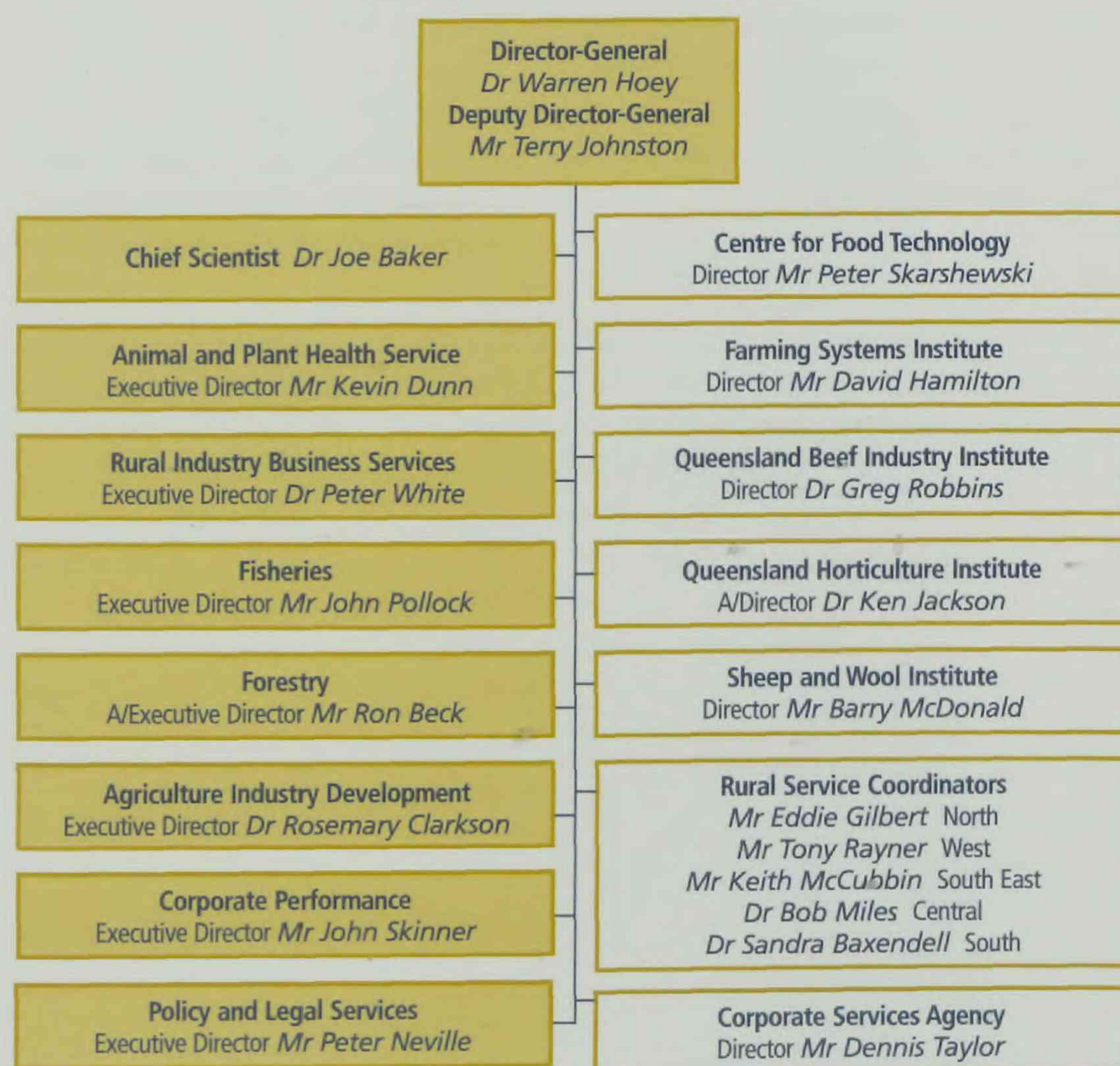
Service delivery throughout regional Queensland continued to be supported through the Department's service centres and its **Rural Service Coordinators**.

Lastly, I would like to congratulate all DPI staff on the extensive work undertaken to ensure Year 2000 compliance. The Director-General signed off for the Department on 31 May 1999; DPI was the first department to do so.

I look forward to continuing to work with staff and clients as we further refine our processes in order to better serve our clients and meet government priorities.

Terry Johnston
Deputy Director-General

DPI organisational chart



Services and products

Generic services

Specific services and products

Agribusiness community development supports the development of the agribusiness communities by building their capacity to manage change.

Building rural leaders
Rural partnerships
Rural planning and development
Promoting the role of rural women
Animal welfare standards
Boating safety

Policy and planning for industry development support industry consultation and development and the management of government policy and legislation.

Research and extension policy
Industry development
Legislative and policy support and review
Support to industry organisations
Native forest management policy
Greenhouse implementation policy

Processing technology research, development and extension provide technology, technical information, skills and advice relating to the processing of food, fibre, feathers, tobacco, timber and medicinal products.

Food analysis services
Technology for the transport and packaging of processed products
Processing of by-products
Food information services
Value adding
Non-invasive quality assessment
Food safety

Commercial production sells, on a commercial basis, forest products from Crown forests throughout the State to regionally based processors, other local clients and interstate and international clients.

Plantation timber
Native forest timber
Quarry materials
Tree seed and seedlings
Forest management
Timber expertise and technologies

Market access and development services aim at enabling industries to be nationally and internationally competitive by achieving high standards of health, quality and wholesomeness.

Surveillance and control of pests and diseases
Promotion of responsible chemical use and residue control
Export development
Investment advice
Agrifonet
Emergency response capability

Generic services

Specific services and products

<p>Production research and extension services aim at improving the efficiency and sustainability of primary production, enhancing the quality of primary products and developing new products tailored to customer demands.</p>	<p>Biotechnology, propagation, breeding Whole-of-enterprise management systems Integration of farm production systems Improved management practices Product innovation Product improvement</p>
<p>Information products and services ensure that clients receive timely and relevant information through various media.</p>	<p>Information centres Primary Industries Week Call Centre Web services Library services Monitoring emerging global trends and issues</p>
<p>Business management and development services aim at improving clients' skills, knowledge and capacity to manage their businesses including financial performance, risks, and the development of business strategies.</p>	<p>Future<i>profit</i> program Property management planning Farm financial counselling Climate risk assessment Profitability and performance</p>
<p>Resource management and services support the protection and sustainable management of natural resources and the avoidance of adverse environmental impacts.</p>	<p>Research and development into resource management and animal and plant sources of human illness Development of sustainable production systems Greenhouse issues Native forest management Intensive livestock codes of practice Protecting marine habitats Resource farming and management</p>

programs



Animal and Plant Health Service

Overview

Major global trends are continuing to affect international trade in agricultural products. Consumers are demanding greater assurances about quality and safe food and fibre, and communities have evolving expectations in relation to animal care and protection and agricultural practices, especially in relation to the use of chemicals. In 1998–99 the Animal and Plant Health Service (APHS) continued to demonstrate its positive influence on the competitiveness of Queensland's primary industries and the quality of life of the broader community within this challenging and changing environment.

The key strategic issues being tackled by APHS in its service delivery and long-term planning are:

- the increasing need for rapid information on the occurrence and distribution of pests and diseases (including residues within food) to satisfy trade agreements and World Trade Organization standards.

Demands by the EU that Australia demonstrate its freedom from transmissible spongiform encephalopathies (TSEs) such as 'mad cow disease' are being met through an APHS surveillance project monitoring cases of nervous disorders in cattle and sheep. Targets developed nationally were delivered in 1998–99 and all cases were diagnostically excluded as TSE cases, thus protecting Queensland's valuable trade in meat products to Europe.

A fruit fly surveillance project incorporating a network of insect traps is maintaining market access of horticultural product into major destinations such as Japan and New Zealand. Also the recent outbreak of a devastating new virus (Nipah virus) in Malaysia affecting domestic animals and humans called for the rapid development of a surveillance system covering domestic pigs to demonstrate Queensland's freedom from this virus and thus satisfy specific markets.

Demands of this type are likely to continue to proliferate as biological agents adapt or mutate and world trade protocols become increasingly non-tariff based.

- increasing consumer pressure for wholesomeness of food and increasing awareness of environmental and ethical standards associated with its production.

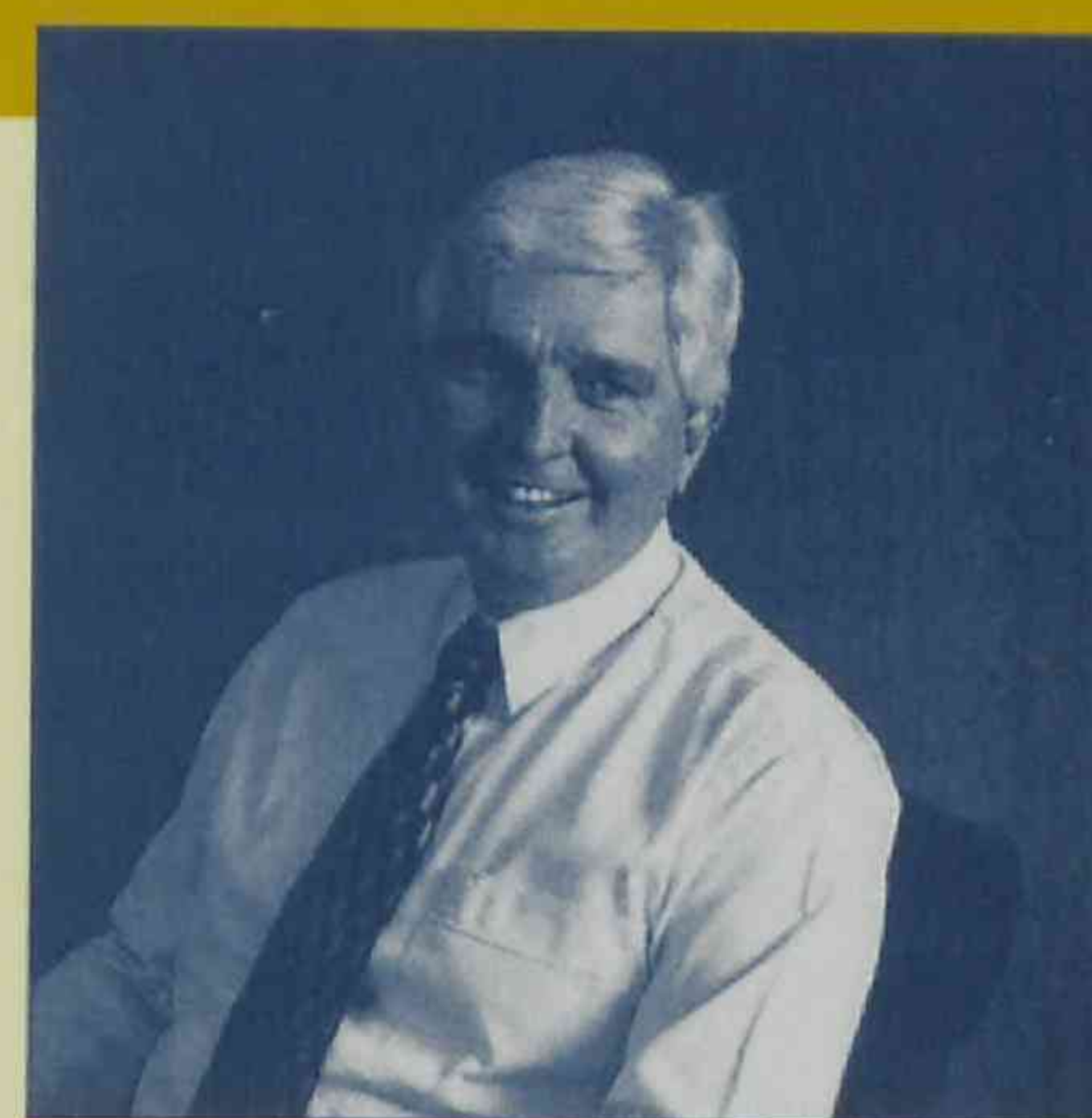
APHS began policy development and pilot programs in support of the industry-initiated National Livestock Identification System (NLIS) to improve the ability to trace back food components to farm production systems. This will progressively provide appropriate management of food safety, product integrity and quality assurance in food products.

DPI's active participation in the national organochlorine residue minimisation (NORM) program continued to reduce the negative influence on the beef and sheep industries of previously used environmentally persistent organochlorines.

- vulnerability of Queensland agriculture to new pests and diseases such as papaya fruit fly (PFF) and black sigatoka of bananas.

International acceptance of eradication of PFF from north Queensland in April 1999 was a major achievement of immense benefit to Queensland's horticultural industries. However the threat continues as summer incursions into Torres Strait increase. Coupled with the detection of black sigatoka at Bamaga and subsequently on Thursday Island in 1999, this fully justifies the direction of resources into the Northwatch project, which is designed to increase surveillance and emergency response in remote areas of northern Queensland and Torres Strait.

- the need for effective responses to the emergence of new diseases such as Australian bat lyssavirus and equine morbillivirus ('Hendra virus').



Kevin J. Dunn

B.V.Sc.(Hons)

'The real impacts of APHS on market access and trade have been manifest in our high international credibility. This credibility is built on the technical and professional resources provided for surveillance throughout Queensland; on our pest and disease diagnosis capability based on clinical assessment skills and laboratory techniques; on our capacity to legislatively control movements of plants, livestock and their derivatives; and on our ability to contribute to national and international reporting systems. We are building on these strengths by increasing our inputs into community awareness and education programs that will strengthen our relationships with broader community sectors in areas such as animal welfare, food safety and the use of chemicals.'

The third case of Hendra virus in horses was diagnosed north of Cairns in January 1999, highlighting the random occurrence of this serious zoonotic disease and Queensland's continued vulnerability to emerging diseases, including those associated with wildlife reservoirs. APHS continues to support research into such diseases in animal populations to increase the capacity to manage those of them that can affect human health.

- the growing need for appropriate policies to deal with availability and use of agricultural and veterinary (agvet) chemicals.

APHS has a strong leadership role in the future implementation of the recently developed national strategy for management of these chemicals. The strategy sets out components of best management practices to reduce reliance on chemicals; provides for assessments and approvals for their use; contains measures to reduce risks to the environment and to human safety; and specifies safe disposal systems.

Detection of endosulfan, a chemical used extensively in the cotton industry, in an export shipment of beef and in planned survey samples in 1998-99 exemplifies the need for intense scrutiny of agricultural products now and in the future, and for education about and awareness of 'best practice' approaches to pest management in diversified agricultural systems.

- increasing community and market expectations that acceptable animal welfare standards are clearly defined and met.

The key to APHS delivery in this area is the promotion of animal welfare standards through public education. This is being supported by compliance monitoring and the drafting of new legislation. The legislation will provide new approaches to animal care and protection and has the support of animal welfare groups such as the RSPCA.

The above issues are providing new challenges that demand the development of new skills and altered priorities. We will need to be resourceful and innovative and maintain close consultative links between industry and the community to develop and implement best practice policies and, where necessary, appropriate legislation.

The major thrusts I see for the future are:

- the development and introduction of the animal welfare legislation mentioned above, a review of all Queensland's legislation on the use of chemicals, and examination of a new livestock bill;
- providing increasing educational and extension programs on responsible use of agvet chemicals, on animal welfare and on pests and diseases, including the incorporation of community-assisted surveillance;
- enhancing the competitive advantage of Queensland's animal and plant health status, through targeted pest and disease surveillance systems and refinements to diagnostic and response capabilities that reflect the technological and biological changes occurring worldwide;
- implementing response programs for specific pests and diseases, within guidelines agreed through national and state consultation and planning frameworks;
- contributing to food safety and quality by developing and implementing major quality systems to manage residues and contaminants, and by supporting innovative techniques for detection, livestock identification and industry quality assurance.

All these challenges are surmountable. I am confident that the skills and experience within APHS, working with industry and the community, can continue to deliver benefits to all Queensland through high standards in the health of livestock and crops, the quality of agricultural products and practices, and the welfare of animals.

Kevin Dunn
Executive Director

The program

Major areas of service

APHS delivers regulatory, educational and advisory services in:

- **pest and disease surveillance programs for market access**—providing information on where pests and diseases of animals and plants are occurring, at what rate they are occurring and if Queensland is considered free;
- **emergency response capability that assists early detection and a rapid response**—planning and preparedness for exotic and emergency pest and disease incidents;
- **longer term response programs for significant pests and diseases**—developing and implementing containment, control or eradication programs for significant pests and diseases that become established;
- **programs for responsible use of agvet chemicals and residue or contaminant management**—ensuring responsible use of agvet chemicals and providing control of chemical residues and contaminants of food and fibre;
- **defining, promoting and legislating animal welfare standards**—ensuring that the welfare of animals in Queensland meets community and market expectations.

Supporting these services are activities that provide:

- quality-assured diagnostic and analytical services for primary production;
- research where required into significant pests, diseases and chemical residues;
- assistance to public health agencies to prevent agricultural pest and disease conditions that may affect human health;
- a livestock brands registration system to facilitate identifying the ownership of livestock.

Partnerships

APHS has developed strong partnerships with industry and with other government agencies at state and national levels. Its outcomes are consistent with national programs coordinated through bodies such as the Australian Animal Health Council (AAHC). A national Plant Health Council is being developed along similar lines. State policies are developed in consultation with industry and community groups. In the case of animal health, the Queensland Animal Health Council (QAHC) now plays a key role in providing strategic policy advice to government. It has developed recommendations for funding new services and a compensation system for animal surveillance and disease control, and has supported the implementation of key recommendations on cattle tick policy.

A major feasibility study into the development of an Animal Health Institute was completed in 1998–99. Options are being reviewed by the participating organisations—The University of Queensland, DPI and CSIRO.

Achievement highlights

Pest and disease surveillance programs for market access

Market access for primary produce, and early warning of presence of new pests and diseases, were achieved by:

- Northwatch project implementation. Following an initial pilot stage in 1997–98, a fully funded new initiative of \$3.1 million over four years led to:
 - appointment and cross-cultural training of all project staff;
 - completion of a target list of priority pests and diseases likely to enter Cape York Peninsula and high-risk urban coastal areas;
 - a revised fruit fly trapping program, following eradication of PFF;
 - initial work on a host distribution database;

- a survey for tomato leaf curl virus that identified some cases at Karumba and Kowanyama;
- detection and elimination of cotton rust (*Phakopsora gossypii*) at Cooktown;
- distribution of animal post-mortem kits for community surveillance for animal diseases to 40 properties in Cook, Carpentaria and Mareeba shires;
- detection of banana black sigatoka on Thursday Island and several nearby islands in Torres Strait; these outbreaks are being eradicated;
- more than 8000 vehicle inspections at the Coen Information and Inspection Centre, which is fully operational;
- completion of structured surveillance for black sigatoka in Queensland's 46 banana districts;
- completion of the first year of TSE surveillance of cattle and sheep;
- active surveillance of the State's cattle population for Johne's disease, supporting Queensland's status as a protected zone within the related Australian cattle Johne's disease market assurance program; start of surveillance for ovine Johne's disease;
- completion of processes for accreditation (under the National Association of Testing Authorities (NATA)) of animal health laboratories in Townsville and Toowoomba and at the Animal Research Institute in Brisbane;
- implementation of a comprehensive serological survey of pigs to establish freedom from Hendra and Nipah viruses;
- development and implementation of a new surveillance protocol for exotic fruit flies.

Australia is once again free from the serious pest papaya fruit fly (PFF) following the formal declaration on 30 April 1999 of PFF eradication from north Queensland after a four-year campaign. The declaration significantly enhances the viability of Queensland's \$1 billion horticultural industry by establishing market access and eliminating substantial control costs.

The declaration of eradication, well ahead of schedule, followed the establishment in August 1998 of Area Freedom for PFF throughout the former pest quarantine area in north Queensland, and the subsequent removal of roadblocks and all PFF quarantine requirements on horticultural produce. Formal declaration of eradication had to await the results of intensive monitoring for PFF throughout the summer breeding season for fruit flies. These proved to be negative for PFF, confirming that the population has indeed been eradicated.

Australia's international trading partners have accepted the declaration of eradication, and no longer require quarantine treatments for PFF on horticultural products exported from north Queensland. This facilitates market access to Japan and New Zealand in particular.

An account of the campaign is being compiled by the Animal and Plant Health Service for publication. This will be supplemented by the technical procedural manuals that were published during the campaign to document the methods used, technical progress reports, and scientific papers arising from research and development undertaken during the campaign. These publications will ensure that the knowledge gained in eradicating PFF is not lost and can be drawn on for use against future incursions of fruit flies and exotic pests and diseases generally.

Expenditure by government on the PFF eradication campaign is estimated at \$33.5 million. Industry also bore direct and indirect costs estimated at up to \$100 million.

Emergency response capability

- Papaya fruit fly in Torres Strait:
 - DPI and Australian Quarantine and Inspection Service (AQIS) continued to maintain a joint program to ensure early detection of, and response to, seasonal incursions of PFF in Torres Strait. The intensity of outbreaks has increased over recent years; male annihilation blocking was first required in the 1997–98 summer and again in the 1999 summer.
 - In 1998–99 PFF was detected for the first time in the Thursday Island group. A comprehensive prophylactic blocking of all major islands began in March 1999; this is an interim strategy due to be reviewed in mid-1999 to develop a more stringent surveillance and response program for the 1999–2000 season and beyond.
- Action was taken to eradicate black sigatoka in Torres Strait (see above).
- Two outbreaks of Newcastle disease of poultry (in November 1998 and March 1999) called for the rapid mobilisation of staff. The second outbreak required the destruction of more than 1.9 million birds, and controls over product movements.
- DPI provided emergency response training to animal health authorities in Indonesia, and epidemiology training to combat the outbreak of Nipah virus in Malaysia.

Longer term response programs for significant pests and diseases

The impact of pests and diseases on industry and the community was reduced by work in the following areas:

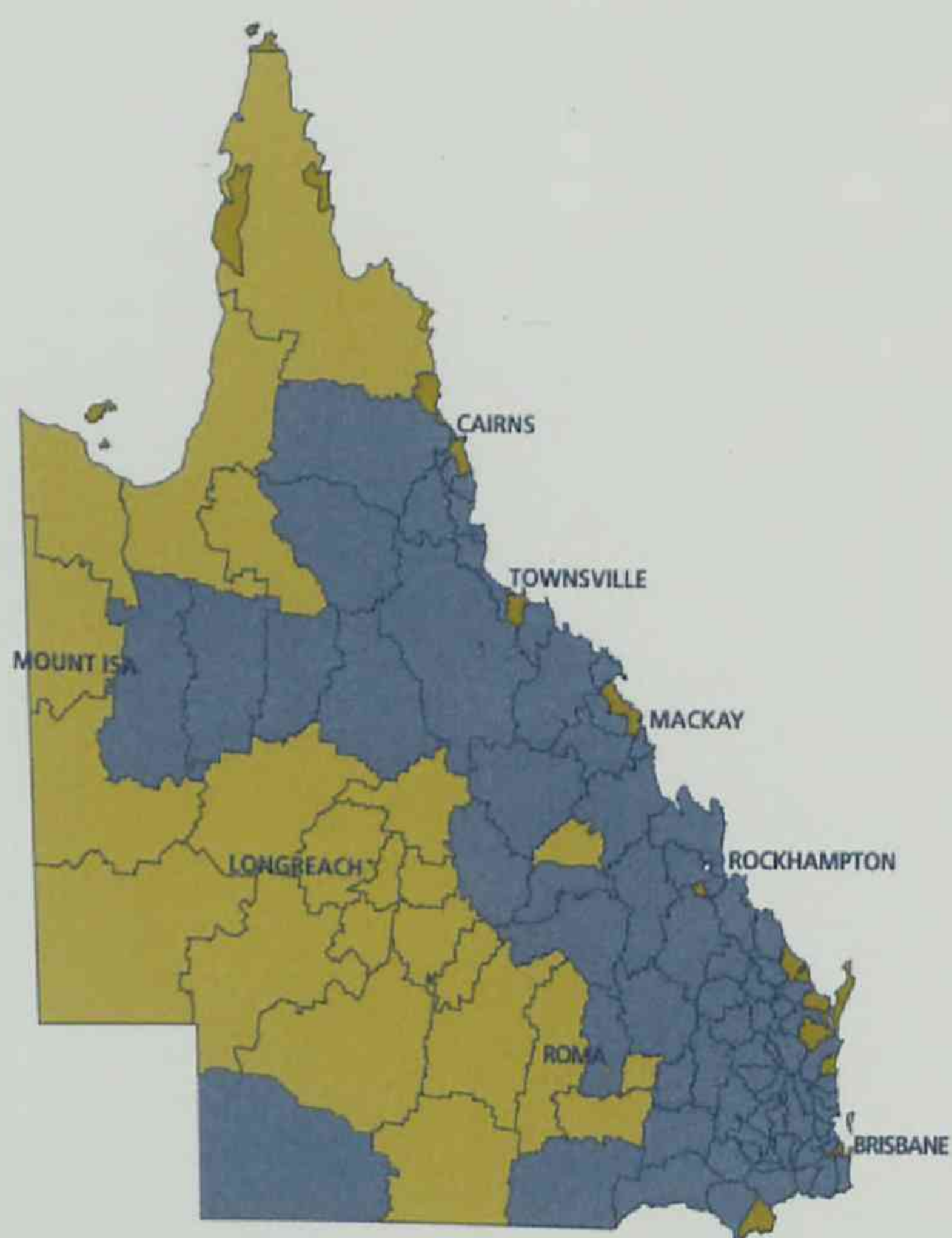
- eradication of PFF from Queensland—see box;
- research into Hendra virus and Australian bat lyssavirus, focusing on identification of risk factors for infection, both at an individual and at a population level;
- cattle tick control and eradication:
 - control—a review of cattle tick control policy was completed with recommendations supporting retention of the cattle tick free areas by regulated inspection and treatment of livestock. These were endorsed by QAHC.
- the extension of Interstate Certification Assurance (ICA) to 90% of horticulture growers requiring such assurance, replacing costly and labour-intensive supervision and inspection of quarantine treatments for interstate movement of product. Developed in

Development and implementation of regulatory reform processes incorporating risk management further improved the ease of movement of livestock, while still retaining the integrity of the cattle tick free area of Queensland.

Examples of measures to reduce cost and inconvenience were the establishment of approved tick free yards in the Infected Area at Cloncurry (allowing tick free export cattle to be processed through Cloncurry without treatments); introduction of an owner treatment scheme for competition horses; and development of concessional movement schemes for controlled feedlots and low-risk meatworks in specific protected areas.

eradication—the success of voluntary eradication schemes led to changes to the official cattle tick areas of Queensland: 1020 properties in the Wondai–Kingaroy eradication scheme were included in the South Queensland Cattle Tick Protected Area; 122 properties in the Cherbourg and Coolabunia areas were included in Provisionally Protected Areas; and approximately 300 properties in the Injune, Taroom, Wandoan and Cadarga areas were declared part of the Cattle Tick Free Area;

National Granuloma Submission Program
(Part of the Tuberculosis Freedom Assurance Program) – Submissions between 1 July 1998 and 30 June 1999



Number of Submissions per Shire



Queensland, ICA was accepted nationally as the preferred system;

- histopathological analysis of 1427 granuloma samples from slaughter cattle in all major producing areas, under the Tuberculosis Freedom Assurance Program (TFAP);
- control of spiraling whitefly: a nursery was established at Cairns to breed the *Encarsia* wasp—a biological control agent. More than 5000 of the wasps were released in the Cairns district.

Responsible use of agvet chemicals and residue or contaminant management

Market and community acceptance of primary products from Queensland was enhanced by significant achievements including:

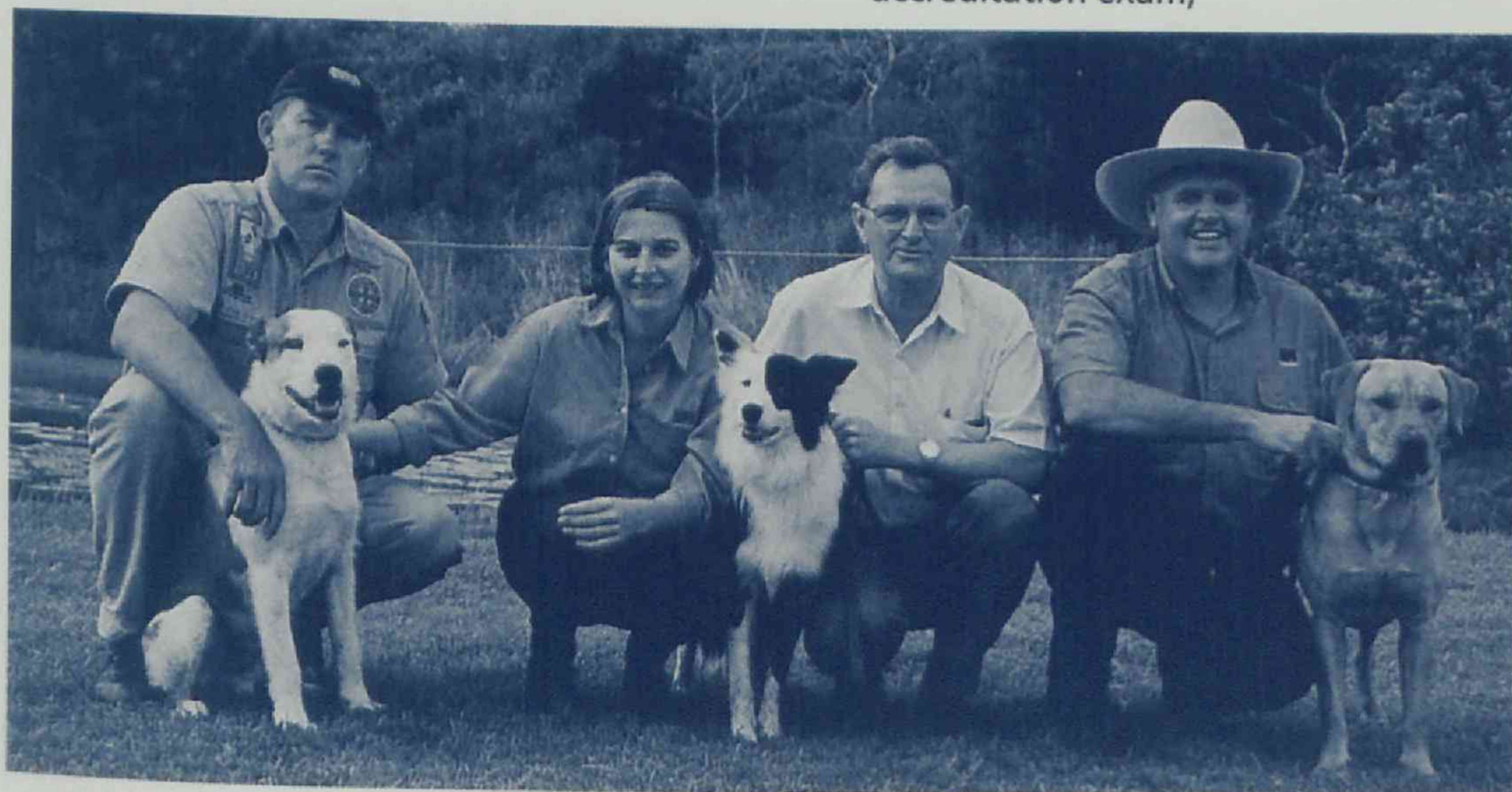
- a progressive reduction in the number of new organochlorine (OC) residue detections in samples from slaughter cattle, under the NORM program. DPI's role in the program involves helping with on-property risk assessment, managing property status data and auditing risk minimisation plans;
- the innovative use of trained sniffer dogs for the detection of OC chemicals in the environment or on raw products such as wool. Norm, the original sniffer dog, is on target to be fully operational in 1999–2000. A new dog, Mel, began training which is expected to be completed by September 1999. Jess, a wool sniffer dog, successfully completed training and passed her accreditation exam;

- participation in 40 workshops to implement public education elements of the National Strategy for the Management of Agricultural and Veterinary Chemicals. APHS also carried out safety and efficacy reviews on more than 50 chemicals;
- inclusion in the INFOPEST database and CD-ROM of animal health registered products and more than 4000 labels;
- active participation in a major endosulfan survey funded by Cotton Australia and Cattle Council Australia. APHS helped establish targeted risk areas and properties, followed up investigations of detections of significance, investigated complaints of potential damage from application of chemicals, analysed samples, and facilitated best management practices by industry;
- a start on pilot studies into the effectiveness of specific identification systems under the NLIS.

Animal welfare

DPI undertook a number of activities to enhance Queensland's reputation for animal welfare:

- completion of comprehensive consultation and development of policy guidelines for new legislation to take over from the *Animals Protection Act 1925*. Cabinet approved the principles and the new legislation is being drafted;
- development of a livestock producer awareness program to increase understanding of animal welfare principles, the codes of practice and the scope of the proposed legislation;
- review of the effectiveness of animal ethics committees in the context of DPI operations, and the provision of training for them to carry out their responsibilities.



From left: private dog trainer Craig Murray with Mel; DPI Canine Odour Detection Project leader Allison Crook; Bob Armstrong, Principal Husbandry Officer, Sheep and Wool Institute, with Jess; DPI inspector Greg Horrocks with Norm.



Rural Industry Business Services

Overview

Earning a living from primary production and processing is not easy. Our dependence on international markets, erratic weather patterns, and limited water and land resources make agribusiness in Queensland particularly challenging.

We in the Rural Industry Business Services (RIBS) group within DPI have a commitment to:

- sustained farm profitability and a prosperous rural Queensland within the global context;
- the vitality of rural communities through development of strong rural-based economies.

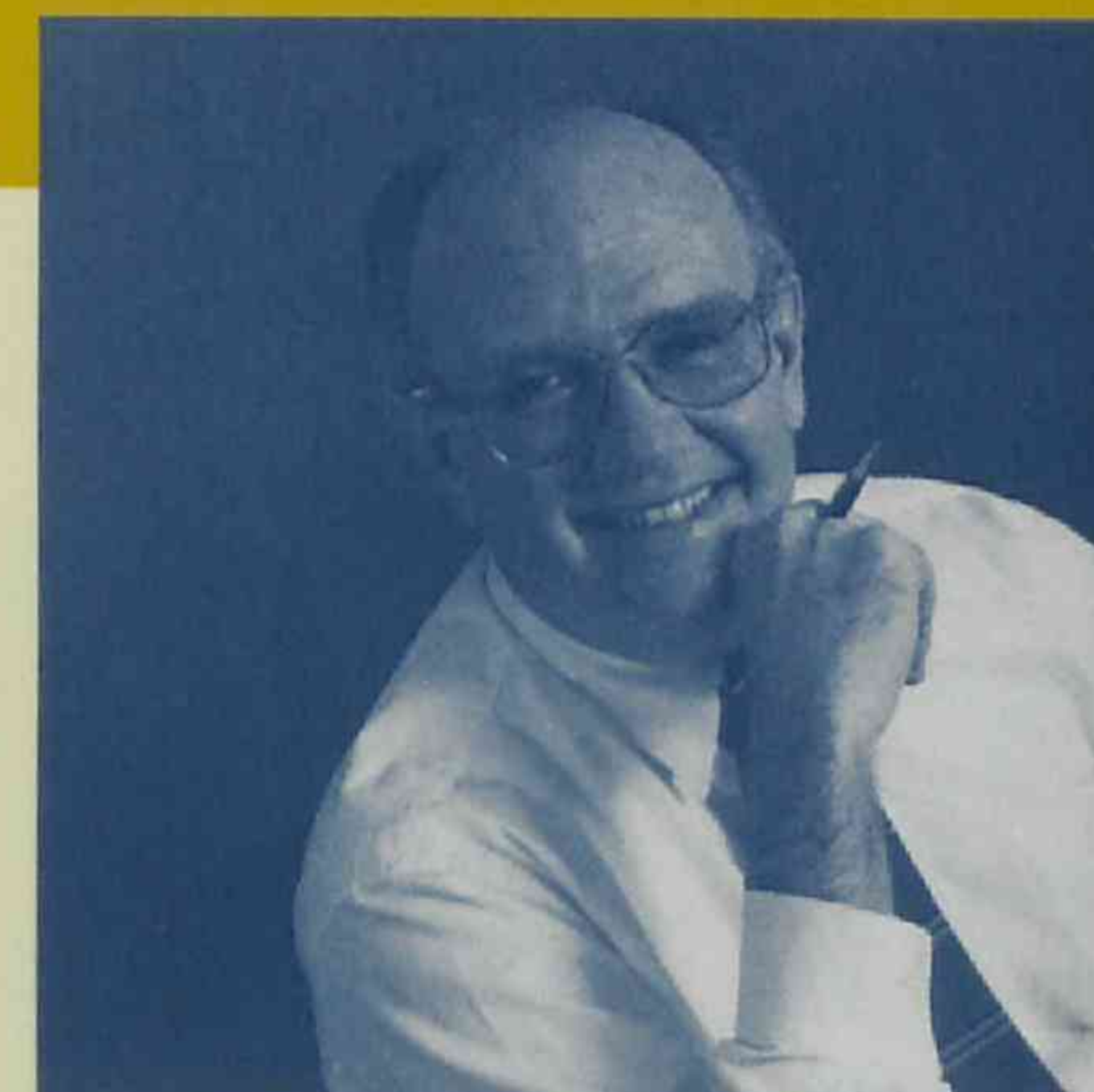
Accordingly, RIBS assists those engaged in rural-based industries to make more informed business and market decisions. We provide information and expertise and, more importantly, we provide the tools that rural people can use to independently analyse data and make decisions affecting their profitability and quality of life. RIBS also offers a range of services designed to promote attitudes and cultures that are innovative, open, flexible and self-reliant. In partnerships with rural groups RIBS promotes alignment of on-farm or regional resources—human, ecological, skills-based, technical, physical—with domestic and overseas consumer trends. Ultimately, our services assist Queensland agribusiness to minimise the adverse effects of globalisation and rapid change, while maximising the benefits.

Using the global context to our advantage presents one of our greatest challenges and greatest opportunities. Some of us may hope for a 'level playing field' for agriculture and an upturn in agricultural commodity prices. In reality, Queensland producers are competing in international markets corrupted by protectionism, controlled by international political forces, and subject to steadily falling commodity prices (and/or demand) in key production areas. It is said, with some justice, that the fate of Queensland rural producers is determined in the boardrooms of Washington and Tokyo. Consequently, our primary producers need to understand the political and macroeconomic context

within which we operate. The skills and efficiency of Queensland producers will not necessarily guarantee competitive advantage. We may have little control over external factors. However, the skill and efficiency of Queensland primary producers indicate that we can manipulate other variables that are essential to sustainable competitive advantage in the global arena. Queensland rural industries have the option to produce high-quality, value-added products aligned with identified consumer trends. We can differentiate our products on the basis of quality, convenience, 'green-ness', health, or some other unique feature, such as association with environment or lifestyle concepts. Product diversification and market differentiation provide vehicles for management of risk and growth of niche industries, thus directly contributing to stabilisation of income, profitability and industry and community vitality.

We believe in a strong future for rural Queensland. It will not be easy. However, the partnership of primary producers, processors, agribusiness and DPI can seize the very real opportunities offered by rapid, global change to ensure a prosperous rural sector.

Dr Peter White
Executive Director



Dr Peter J. White

Ph.D., MBA, M.Agr.Sc., B.Agr.Sc., BA, FAICD

'We are in the business of informed decision making. RIBS provides information, expertise and the tools that rural people can employ to assist them in making decisions which affect their profitability and quality of life.'

The partnership between DPI and Growzone Development Network is succeeding in identifying global food and fibre opportunities that have potential to return greater profits to Queensland's economy.

Agribusiness management in a global era

The rapid pace of change and its pervasive nature has hugely affected the production and marketing choices confronting Queensland's rural producers. In consequence, the relevance of their skills, their financial security and their future as viable business entities are threatened. Our role in RIBS is to transfer the necessary business and financial management skills to rural clients to help them cope with change and use it to their own advantage.

Achievement highlights

The Farm Financial Counselling Service (FFC) provided 400 new clients with detailed financial analyses, and ongoing help was given to 1300 existing clients.

The necessity for leadership and change management skills for long-term viability is reflected in growing demand for Building Rural Leaders (BRL) foundation programs throughout the State. Graduates have initiated successful diversification and value-adding activities such as Alternative Uses for Native Timbers in the South West. BRL has also developed an advanced program and an action learning facilitator program to increase flow-on effects.

To enhance continuous adult learning customised for rural clients, RIBS and the Department of Employment, Training and Industrial Relations coordinated complementary training services. Queensland producers will have easier access to training, opportunities for training recognition and articulation pathways from 'informal' to 'formal' training where a nationally recognised qualification is sought, and improved access to information on training options relevant to the rural sector.

Futureprofit workshops assisted more than 1000 primary producers to develop a whole-farm management approach to their agribusinesses. While Futureprofit concentrates on long-term, sustainable capacity building, client feedback also indicates more immediate outcomes, such

as significant regional changes in natural resource management.

Entrepreneurs in the global market

RIBS recognises that market diversity—that is, diverse market options for Queensland products and diverse high-quality, value-added products aligned to the State's markets—is essential for long-term rural prosperity. In partnership with agribusinesses, it identifies innovative product opportunities and new markets through timely and accurate intelligence, established networks, and relationships in supply chains and international markets. RIBS specialises in analysis and tools that increase client awareness of global trends, consumer patterns, and trade, investment and business environments and enhance understanding of how these factors affect farm and industry viability.

Achievements highlights

Following the opening of the Chinese and Vietnamese markets for Queensland live cattle exports, the first shipment was despatched to Vietnam in early 1999. This will contribute to stability in the beef industry in Queensland.

Market research and workshops conducted by RIBS and the Sheep and Wool Institute identified considerable export opportunities for the goat industry in Taiwan, the US and Malaysia. Increased exports will lead to profitable value-adding opportunities, particularly in south-west Queensland.

The Horticulture Portfolio, a promotional brochure with technical information on a diverse range of Queensland's top quality fruit and vegetables, was launched during a recent trade mission to the Middle East.

Preliminary market research indicates that Poland, the Czech Republic and Hungary offer considerable opportunities for Queensland agribusiness. RIBS aims to establish key industry and government links for a three-year export development drive.

The highly successful trade mission to the Middle East, part of a strategic market penetration program, resulted in:

- immediate trade outcomes of A\$100 000;
- expected medium term (1 year) trade outcomes of A\$800 000;
- expected long-term (3 years) trade outcomes of A\$10 million;
- expressions of interest in Queensland products by Saudi supermarkets.

To develop rural marketing skills and knowledge, Futureprofit produced four marketing modules covering competitor strategies, branding and promotion. The modules have been well received by producers in horticulture, beef and seafood and have resulted in development of marketing strategies for their businesses.

'Reclaiming the future'—partnerships and alternative industries

Despite the relatively high efficiency in Australia's primary industries, the market status of many traditional, undifferentiated commodities is bleak. Consequently, RIBS is keen to improve rural sector profitability and viability through promotion of innovative industry development in production, processing and trade. It has formed partnerships with industry to develop value-added, differentiated products, niche markets and supply chain alliances.

Achievement highlights

Futuring and strategic scenario planning projects were undertaken with the Fisheries Industry Development Council (FIDC) and the Horticulture Industry Development Council (HIDC). The projects are designed to increase both the sustainability and profitability of these industries in relation to emerging global trends. The success of these projects has led to an overwhelming demand from other industry sectors.

The first goat meat marketing cooperative in Australia, a DPI-producer partnership, has given Queensland leadership in Australia's \$10 million goat meat export industry.

DPI and the Central Australian Camel Industry Association completed a comprehensive market analysis for the Australian camel meat industry, with funding by the Rural Industries Research and Development Corporation (RIRDC), to increase market share.

To stimulate the development of the feed grain industry, DPI assisted in the formation of a market-driven supply chain involving government, millers, producers, malters and plant breeders.

DPI initiated, and supplied trade and marketing support to, the Burnett Food Alliance, a group of producers seeking to target and supply overseas retail food chains. The group is developing opportunities in Asia and the Middle East.

The Growzone project identified key industries with import replacement or export potential. Several industry working groups including grain, beef and fruit and vegetables were formed and a branding strategy developed.

Funding by the Horticultural Research and Development Corporation (HRDC) enabled DPI to identify export market opportunities for organic and low-chemical frozen vegetables in Japan, France and Germany. Market relationships are currently being built to accredit organic and low-chemical products in these markets.

The Rural Partnership Initiative works with diverse rural industry groups across the State to advance industry and market diversification projects. Rural Partnership officers played a major role in helping groups secure over \$1 million in Commonwealth funding for projects.

More than 300 participants representing some 67 Queensland rural communities across the State attended the annual Positive Rural Futures Conference in Goondiwindi, and developed action plans to be implemented in their communities. The conference was judged extremely successful.

Tools for the Information Age

Our era has been dubbed the Information Age; the mass of available knowledge doubles every two weeks. RIBS believes that informed business decisions enhance business, risk and financial management. Information is therefore crucial to the competitive advantage of Queensland agribusiness. Globalisation also imposes the need to appreciate the impact of consumer trends, macroeconomic patterns, market forecasts and competitor activity on local production and market choices. Consequently, RIBS supports Queensland producers' increasingly sophisticated information requirements through state-of-the-art information management systems.

Achievement highlights

The 'Emerging Global Trends and 21st Century Issues' presentation is based on predictions of key 'megatrends' likely to occur in the next 5–20 years. It has received very positive feedback from over 550 internal and external clients.

To promote the economic efficiency of the rural sector, agricultural economists undertook a feasibility assessment of new water infrastructure development with the Department of Natural Resources, and a Windows version of the BREEDCOW/DYNAMA software package for decision making on beef properties.

RIBS published *Queensland Primary Industries and Their People*, summarising key economic trends in Queensland primary industries. It is also undertaking an analysis to identify systems required for Australia's agricultural statistics.

FarmLink, a new information service based on a segmented database and featuring targeted information delivery by e-mail and fax, was launched and is being further developed by the Department's regional information specialists.

An example of a specific long term success is the establishment of a viable herb industry in the Callide region that has resulted in increased regional employment opportunities and a more viable and vibrant rural community.

DPI Web Services:

- trained some 1500 people in use of the Internet—almost 600 in central Queensland alone. Internet training activities are integrated into programs such as BRL, *Futureprofit* and Rural Extension Centre courses;
- attracted an average of 45 000 visits per month to its Web site.

DPI Publications:

- produced more than 155 publications: books, brochures, corporate documents, newsletters and CD-ROMs;
- operated training facilities, ran workshops (in Brisbane and in regional centres), and provided advice and training for DPI officers.

DPI Library Services:

- initiated desktop access to a wider range of electronic databases to support the research activities of the Department and provide its clients with the latest information in business, management, human resources, political and general news relevant to agriculture;
- coordinated a government consortium to purchase the database Emerald, which will provide access to over 100 full-text electronic journals in the human resources, management, marketing and training areas;
- provided a 'virtual library' service to users across the State;
- coordinated the 1999 Information Supermarket, which was connected to Longreach, Roma, Mareeba and Biloela by videoconferencing facilities.

The DPI Call Centre, winner of the national customer service award and finalist in the 'call centre of the year' award (run by Telstra and the Australian Teleservice Association), handled its 120 000th call since its inception in July 1997.

DPI Public Affairs:

- provided emergency communication assistance to the Department following the incursions of papaya

fruit fly and spiraling whitefly and outbreaks of black sigatoka in bananas, Nipah virus in Malaysia and Newcastle disease in poultry in New South Wales;

- represented DPI at a National Emergency Management Committee meeting in Canberra;
- coordinated a series of high-profile events to increase awareness of the role of primary industries in Queensland's economic and social well-being, including Primary Industries Week, the Primary Industries Achievement Awards, urban community education events, and the Primary Colours streetscape mural on the corner of George and Turbot Streets in Brisbane, painted by primary school students.

Diversity in decision making—tapping the human capital of rural Queensland

RIBS recognise the very significant contribution of all rural industry participants including rural women, rural youth, Aboriginal and Torres Strait Islanders, and non-Anglo-Saxon cultural groups to prosperity, sustainability and innovation in the rural sector. Accordingly, it seeks to enhance awareness of the contribution of the 'invisible' members of primary industries and agribusiness. Recognition of a diverse client base also enables RIBS to provide customised services suited to the discrete needs of client sectors within rural Queensland.

Achievement highlights

Futureprofit is working closely with indigenous communities in northern and southern Queensland to assist them to develop management plans for their properties. Communities include:

- the Korrawinga Aboriginal Corporation, which is developing skills in land and business management;
- the Binthi Clan in far north Queensland, which is developing commercial resource strategies for

cultural tourism, cattle raising and bush tucker.

More than 600 stakeholders in business, government, community and industry organisations were involved in the development of the Queensland action plan for rural women, 'A Vision for Change: Women Working for the Future of Rural Queensland'. The plan was published and launched by the Minister during Primary Industries Week and aims to:

- increase the diversity of participation in decision making in the rural sector;
- support access by women and young people to decision-making roles in their business sectors, industry organisations and communities.

The Minister convened a high-level advisory committee in April 1999, to direct implementation of the plan over the next five years.

More than 400 women across rural and remote Queensland participated in a satellite link-up for World Rural Women's Day. The use of information technology demonstrated that distance need not be a barrier to the inclusion and recognition of rural women in political, social or industry discourse in Queensland.

The group Enterprising Queenslanders and Young Primary Producers (EQYPP) received \$20 000 for a Web site and a support network exploring options for the development of the rural sector, specifically aimed at encouraging young people to consider their future in primary industries in Queensland.

RIBS continues to assist Commonwealth and state agencies to achieve a more balanced representation of gender, age and background in board and representative positions on national committees.

Fourteen Queensland women attended the Second International Women in Agriculture Conference in Washington, DC, sponsored partly by DPI. One participant has since become the first woman to be elected to a directorship on a large industry board.

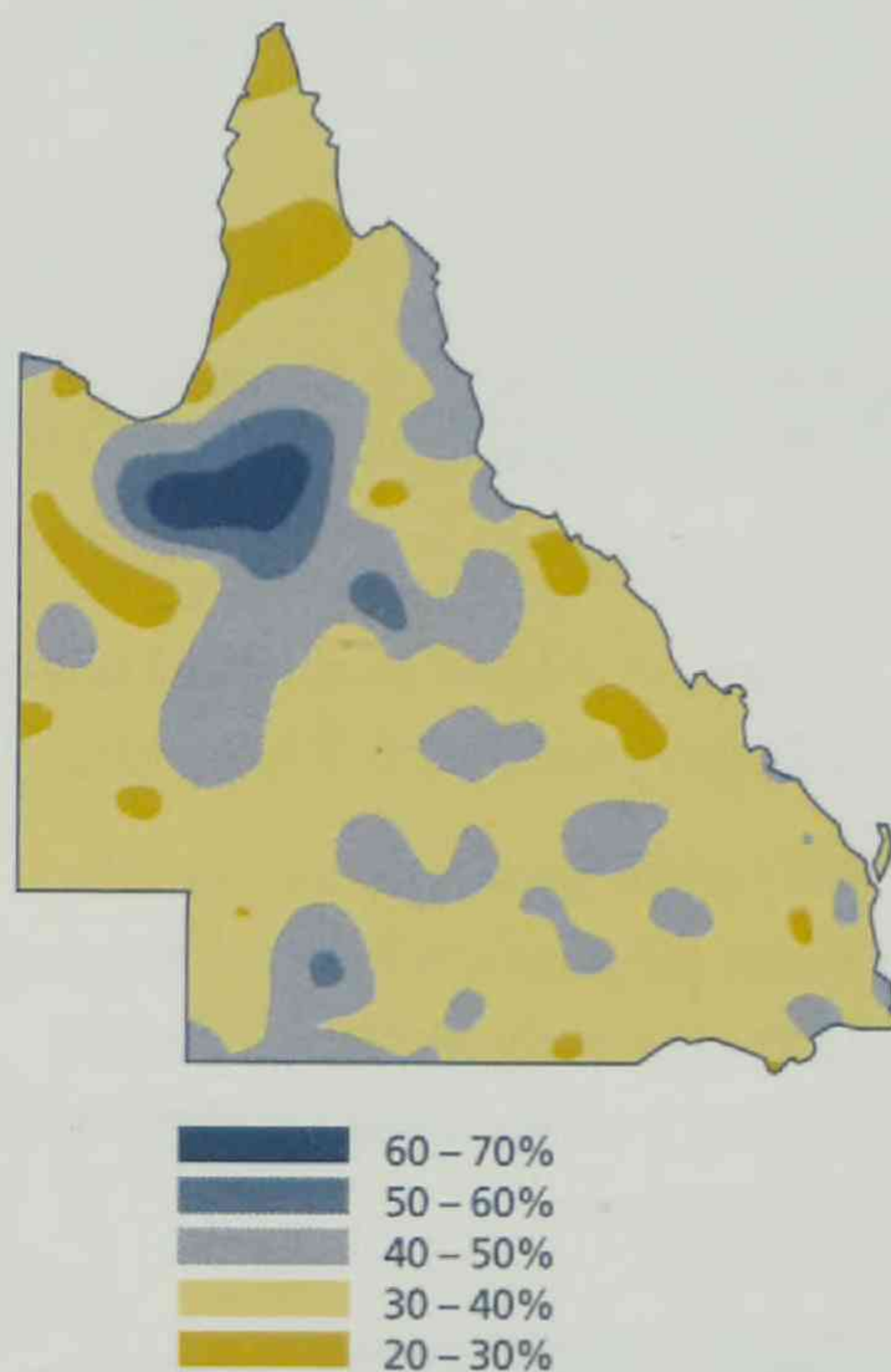
Risk management— scenarios, planning and strategy

All good businesses that plan to stay in business, plan. It's an old truism, yet no less relevant for Queensland's primary producers than for any other business sector. RIBS provides a suite of services designed to support effective risk management planning.

Achievement highlights

The Queensland Centre for Climate Applications (QCCA) provides the world's only climate applications/decision support software packages, two recent releases being Droughtplan and an updated version of Rainman. The software enables Queensland producers to optimise production-based risk management by varying production choices, such as using drought-resistant crop varieties or destocking, in accordance with climate forecasts.

Probability of Exceeding Median Rainfall
for July–September
based on consistently near zero phase
during May–June



QCCA conducted over 50 climate applications training sessions and Managing For Climate workshops to assist Queensland primary producers make business decisions that incorporate climate management planning.

QCCA's international research alliances with South America, South East Asia, India, southern Africa and the US also give Queensland primary producers a competitive edge in global markets. The ability to predict climate-related crop failure overseas enables local producers to capitalise on the ensuing export market gaps. Accurate climate forecasting benefits Queensland's economy to the extent of tens of millions of dollars annually.

RIBS also provides a range of extension-based services to help farms and regions cope with extreme adverse conditions such as drought, flood or untimely storms.

In partnership with key industry groups and other government departments, RIBS began a review of Queensland's drought policy. Preliminary results indicate strong support for continuing to encourage self-reliance in managing climate variation such as drought.

Following a significant improvement in seasonal conditions, all State Area Drought Declarations were lifted. The demand for freight subsidy assistance fell sharply: only 448 claims were processed compared with 1704 in 1997–1998 and 2605 in 1996–1997.

Twenty-three group projects were successfully completed as part of the Drought Regional Initiative Program in north Queensland. These projects involved the reclamation and stabilisation of country previously eroded by cattle movement, overgrazing and drought, as well as the reorganisation of property infrastructure.

Centre for **Food Technology**

Overview

Improving product quality and safety, consumer acceptability and shelf-life, and reducing processing costs through effective minimisation and use of waste streams are some of the ways in which the Centre for Food Technology continues to assist the Queensland food industry.

The Centre provides commercial food technical and research services to the postharvest sector of the industry. It is one of Australia's largest providers of food testing, R&D, quality assurance, auditing and training services.

The Centre's 80 staff include food technologists, microbiologists, chemists, engineers, product development consultants, quality assurance consultants and auditors and professional trainers.

In 1998-99 the Centre attracted a record \$3.98 million in external funding. Half of this came directly from the food industry in fee-for-service consulting and half from the Federal Government's R&D corporations, which fund longer term research with industry-wide benefit. Because of the food industry's contribution to these research funds, the total amount it provided to the Centre approached some \$3 million.

Achievement highlights

Following are some of the Centre's significant achievements in 1998-99:

- The Centre had a major impact on enhancing product quality and safety in Queensland's horticulture industry.
- The Centre developed a range of frozen pie products for local company Tastee (formerly McMain Bakeries), helping it attain market leadership in Queensland.
- New export products were developed for Queensland ginger processor Buderim Ginger.
- The Centre continued to lead Australian research into near-infra-red non-invasive quality assessment of fruit varieties.
- In conjunction with the Queensland Commercial Fishermen's Organisation, the Centre won a \$1.3 million Fisheries Research and Development Corporation (FRDC)/SeaQual project in a national tender; as a result a national centre for the delivery of technical services, value adding and quality standards to the seafood industry is to be established at the Centre.
- The Centre developed an innovative software tool and training program in waste minimisation for food processing factories, and won a major life cycle assessment research project with the Dairy Research & Development Corporation (DRDC).
- Market research showed that both customers and industry rate the Centre as skilled and expert in a number of key areas; 82% of customers rate the Centre's customer service as good or very good.



Centre for Food Technology Board

Bill Widerberg (Chair)

John George, Mrs Crocket's Kitchen Pty Ltd

Noel Carruthers, National Hide Processors Pty Ltd

Ewan Colquhoun, Macarthur Agribusiness

Barry Kelly, Golden Circle Ltd

Ray Teh, Karlgold Pty Ltd

Steven Myler, Chisholm Manufacturing (resigned November 1998)

Gregory Williamson, Intersect Strategic Consulting (resigned April 1999)

Dr Peter White, DPI



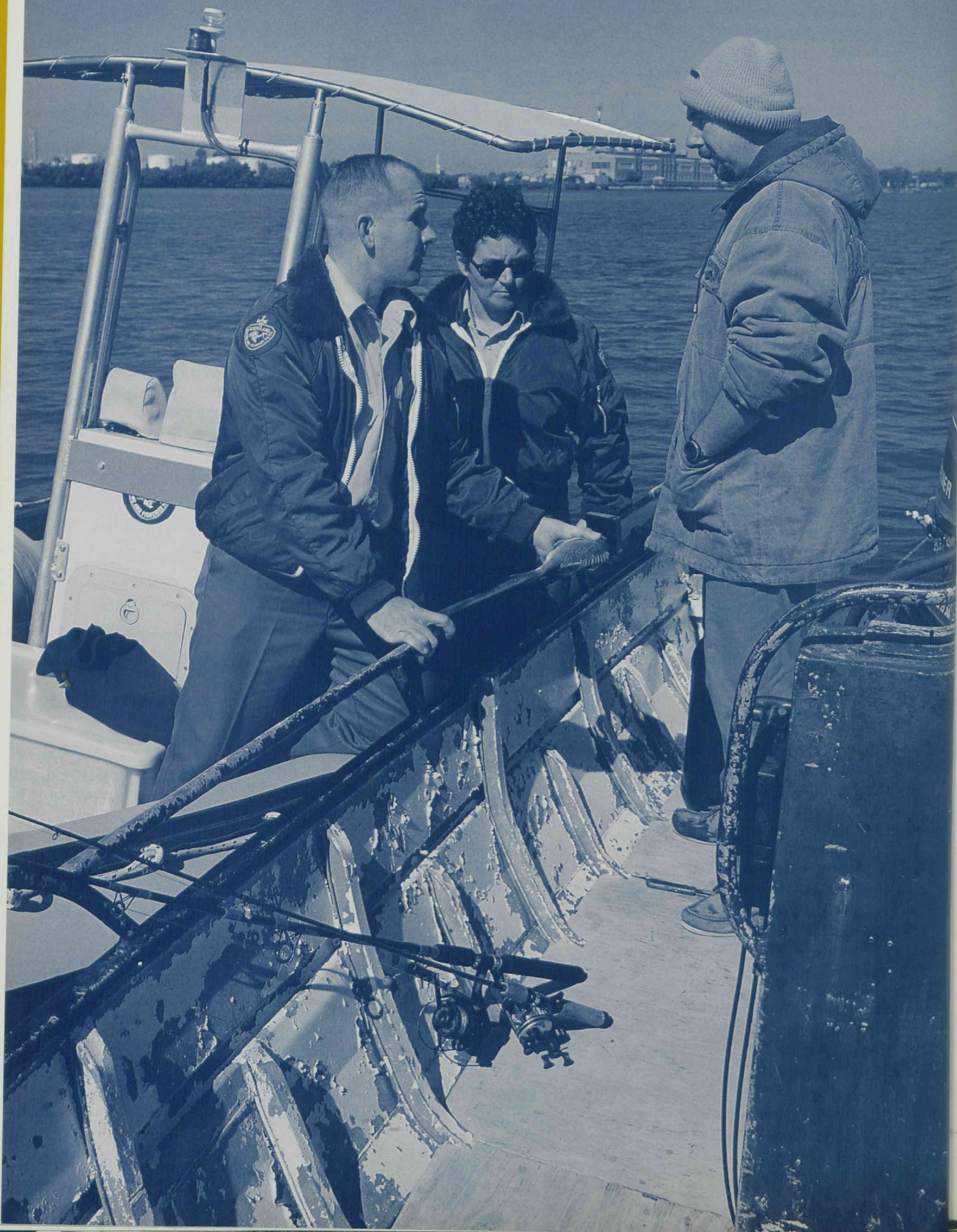
- The Centre doubled the shelf life of fresh Queensland seafood through research using modified atmosphere packaging (MAP); this research is likely to have significant benefit for many aspects of the value chain from fisher/aquaculturist to retailer.
- The Centre developed Australia's first training course in farmhouse cheesemaking (see photograph below); all courses are fully booked for the next 12 months.



Participants in the Centre for Food Technology's Farmhouse Cheesemaking workshop.
Photo courtesy: Queensland Dairyfarmer.

- Advanced research was carried out into anti-microbial and wound-healing properties of Australian honeys.
- The Centre organised a popular and successful international seafood conference, Innovations for Seafood '99, at the Gold Coast. It initiated a national innovative seafood product competition that attracted over 35 entries.
- The Republic of Korea recognised the Centre as an approved inspection organisation for Australian seafood exports.
- The Centre delivered 73 courses in food safety planning based on Hazard Analysis Critical Control Point (HACCP) principles; it is recognised by the food industry as a leading provider of training in HACCP-based food safety.

In addition the Centre maintained strong strategic alliances with both DRDC and FRDC, and continued to help the Queensland mushroom industry design and implement crucial quality standards.



Summary of key achievements

- Fisheries resource condition and trend publications that report the statewide status of fish stocks and their associated aquatic habitat were produced.
- On-the-spot fines were introduced for a range of fisheries offences.
- Scientific information on the breeding and rearing of mud crabs for aquaculture purposes was published.

Overview

Queensland's fisheries-based industries continued to diversify and grow in the past year, and management of our fisheries resources has also seen significant milestones and challenges. The complexity of fisheries management has increased as a greater appreciation has developed of the interactions of commercial fishing and aquaculture with the aquatic ecosystem. The objectives of the *Fisheries Act 1994*—to sustain our fisheries resources, to obtain optimum benefits from their use, and to ensure fairness in access—are appropriate and relevant in today's commercially and environmentally aware climate.

Our commercial wild harvest seafood industry maintained a landed catch value of some \$325 million. The wild harvest and aquaculture sectors were exposed to the Asian economic downturn, which had negative impacts on prices and demand for quality. In the wild harvest sector there was greater awareness of the need for sustainable and 'friendly' fishing practices. Bycatch has emerged as a significant factor in issues and practices affecting resource allocation and sustainability. The seafood sector has shown commendable leadership in developing and promoting quality of seafood for nutrition, safety and sustainability.

Recreational fishing continued to grow as both a pastime and an industry. The Recreational Fishing Industry Coalition was formed in May 1999 and the result has been increased public policy input and greater recognition of the regional economic importance of recreational

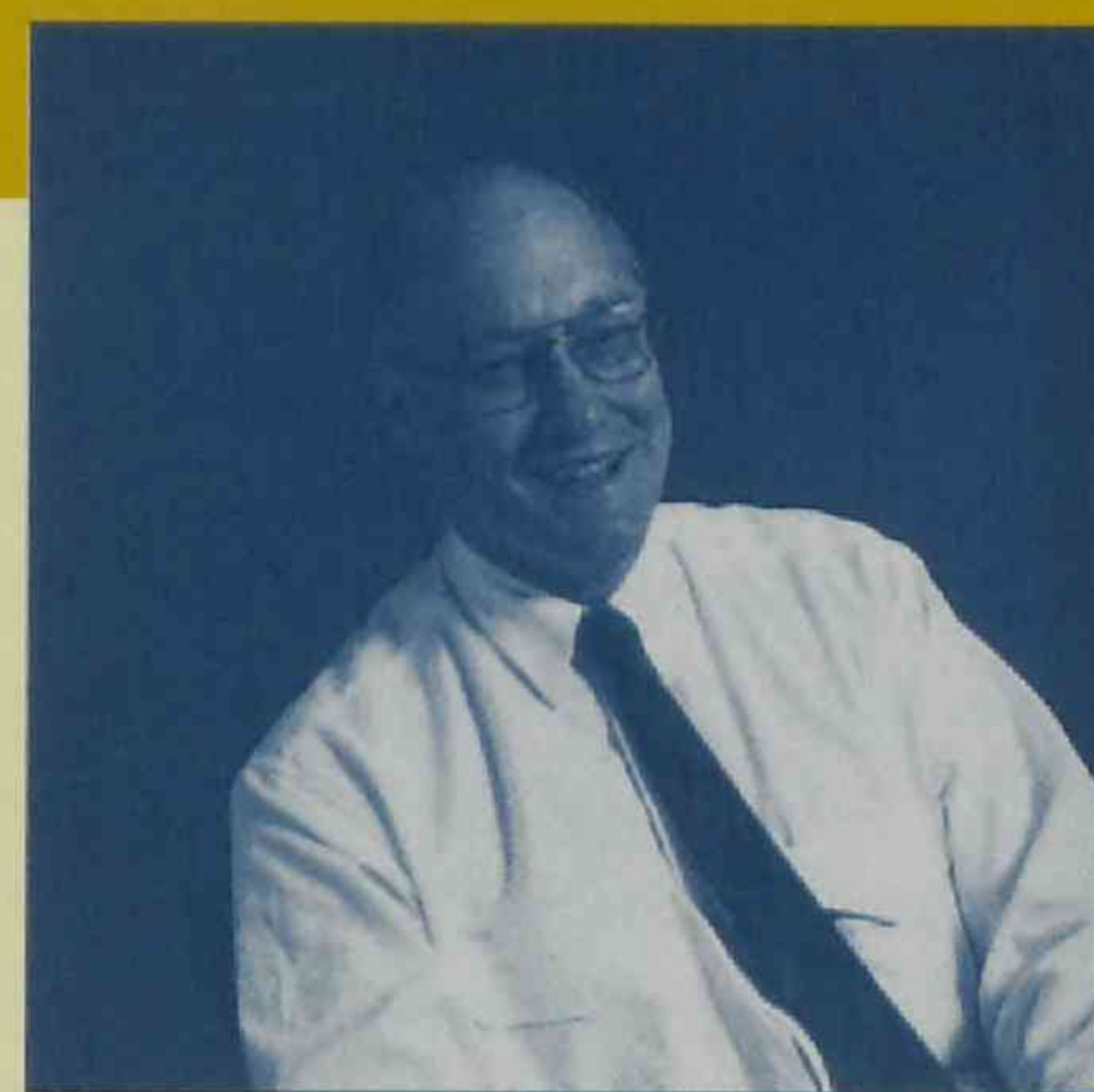
fishing. Fish stocking continued to provide major recreational and economic benefits to many communities. The Fisheries (Freshwater) Management Plan, gazetted in early 1999, provides a more solid funding base for fish stocking groups through the introduction of a modest access fee for impoundment fishing.

The value of Queensland's aquaculture production continues to rise. It reached some \$40.5 million in 1997–98 as diversity and capacity increased. Aquaculture is increasingly exposed to the need for sustainable farming practices, the quality of discharge water being most under public scrutiny. Investor confidence in the sector will increase as planning, approval and risk management strategies are developed and better understood.

DPI's Fisheries Group and the Queensland Fisheries Management Authority (QFMA) achieved significant milestones in 1998–99. Three management plans were approved, the culmination of extensive policy development, research, public consultation and drafting. Fisheries resource management generally has come under increased scrutiny to satisfy wider obligations from the Commonwealth's Oceans Policy and to deal with likely impacts from Commonwealth environment and biodiversity legislation and marine park planning and management.

The Fisheries Group assisted industry development through future visioning and planning involving all sectors and service providers.

Research efforts achieved notable conclusions and successes. A major DPI/CSIRO project on the effects of trawling in the Great Barrier Reef Marine Park provided benchmarks for future management of the trawl fishery. In aquaculture there were breakthroughs in mud crab culture and mangrove jack breeding, and continued improvement in feed composition. A major economic research project is under way that will provide essential information on the regional structure and performance of the commercial fishing sector.



John Pollock
M.Agric.Sc., Q.Dip.Ag.

'We have the drive and capacity to lead the world in our understanding, management, use and appreciation of our fisheries resources.'

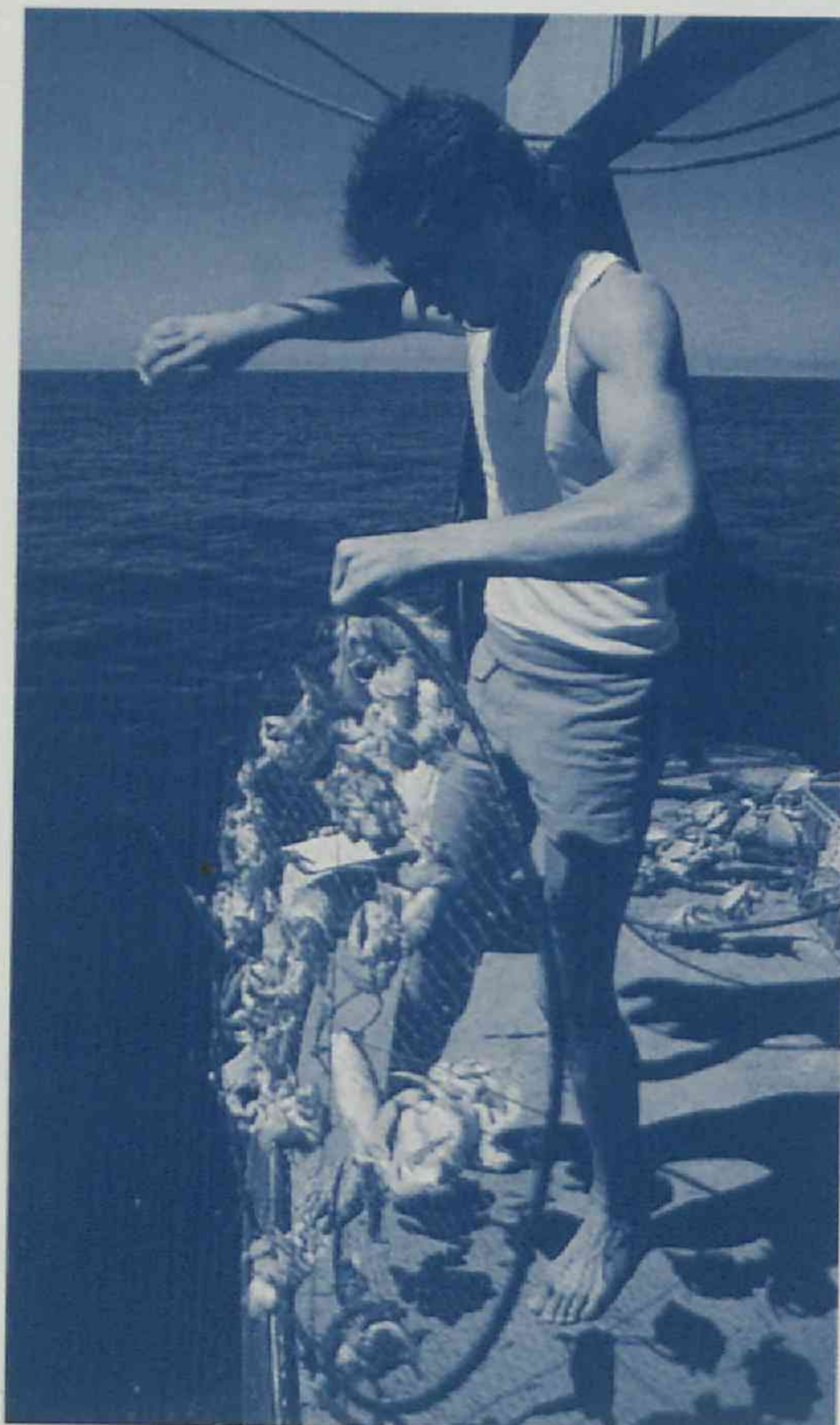
Commercial fisheries productivity and development

A long-term monitoring program for Queensland's fisheries resources and fisheries habitats began in June 1999. Field teams have been established at both south and north Queensland fisheries centres, and resources allocated for monitoring high priority commercial and recreational species, in consultation with fisheries stakeholders.

An independent assessment committee considered options for removing commercial fishing nets from Trinity Inlet and Trinity Bay–Barron River. Negotiations with industry will be finalised in late 1999.

A major economic study of the Queensland commercial fishing industry was under way in 1998–99. A publication that identifies for the first time the characteristics of commercial fishing in Queensland will be released shortly as a result of this study.

Preparation of the second 'condition and trend' report on Queensland's fisheries resources continued. Additional reef, freshwater and other species are being incorporated in this report, which is due for release late in 1999.



Recreational fisheries development and enhancement

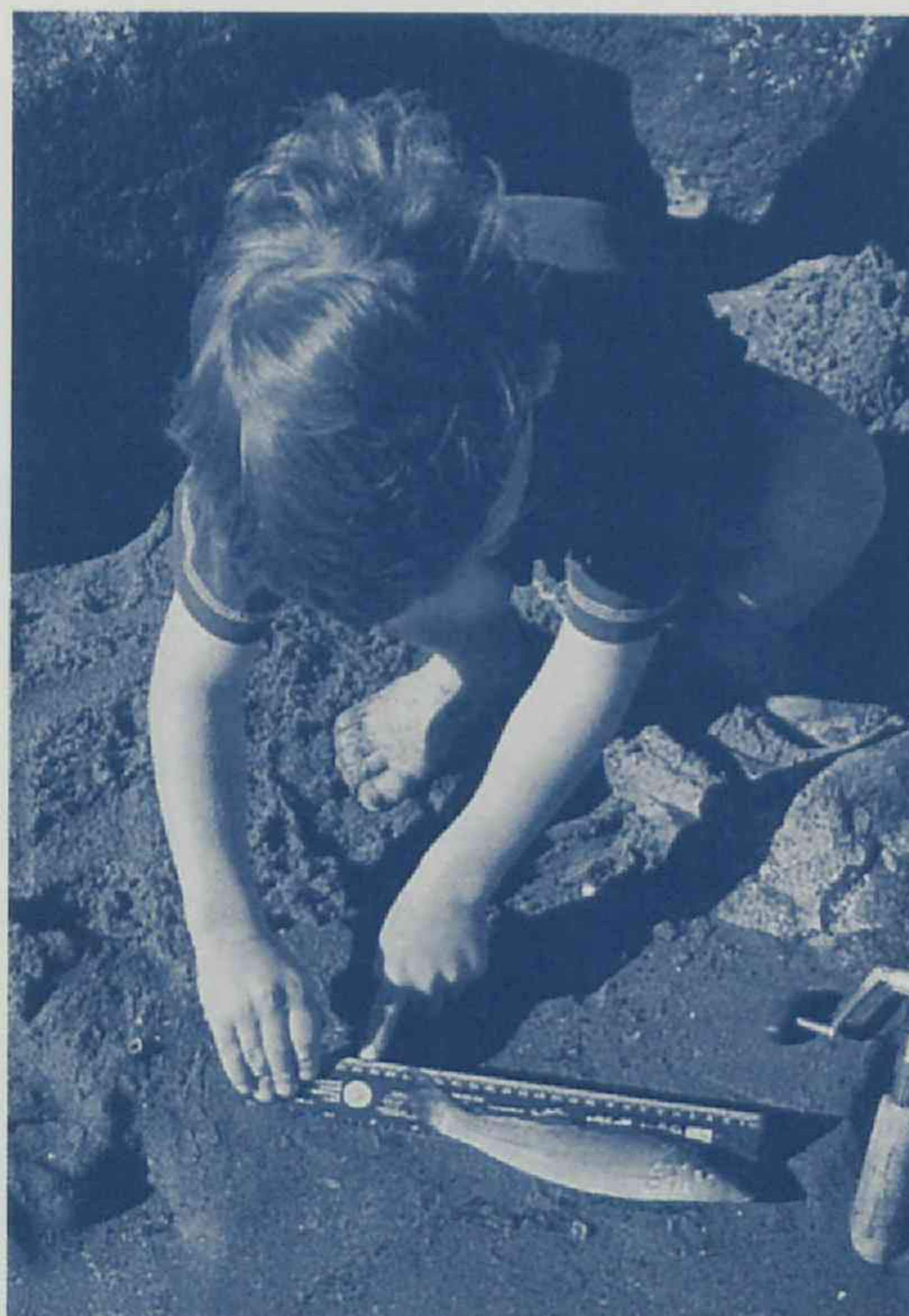
Freshwater fishing was enhanced by further stocking of fingerlings in impoundments, development and distribution of material promoting tourist fishing in stocked areas, and improved collaboration with more than 67 fish stocking groups throughout rural areas by the appointment of an additional industry development officer. More than 940 000 fingerlings were released.

Juvenile mangrove jack were successfully raised by DPI for the first time, from broodstock transferred from the Northern Fisheries Centre at Cairns to the earthen ponds at the Oonoonba Veterinary Laboratory complex, Townsville. This work has been undertaken in close cooperation with industry. Fingerlings were used to study tagging methods and about 1000 juveniles were stocked into Copperlode Dam near Cairns to assess their suitability as a recreational species in stocked impoundments.

The Department convenes an inter-agency and community recovery group that is implementing a recovery program for the endangered Mary River cod, a prime angling species. The program includes rehabilitation of cod habitat and hatchery production of genetically diverse fingerlings for restocking into their natural habitat. In 1998–99, 40 000 cod fingerlings were released into the Mary River.

Two research teams have been evaluating fishway designs on weirs, barrages and dams in north and south Queensland. The results of these studies are being incorporated into DPI policies and advice to fishway engineers for the design and operation of fishways.

**Boating and fisheries
Patrol officers are working
in co-operation with
Queensland Police in the
highly successful Fitzroy
Riverwatch Program.**



Fisheries management and resource protection were enhanced through the establishment of a community consultative committee for exotic pest fish. The committee has prepared a draft strategy for the control of exotic pest fish in Queensland.

Information brochures were produced to help inform the Vietnamese clientele of the basic laws and regulations relevant to the fishing environment in Queensland waters. The brochures support the communication signposts that have also been written in Vietnamese.

In 1998–99 DPI published a comprehensive guide to fishing in stocked freshwater impoundments across Queensland. The initial print run of 5000 sold out in the first three months, demonstrating the growing interest in inland fisheries. The book has now been reprinted.

A project to promote recreational fishing tourism, commercial charter, guiding and aspects of marketing was established as a trial in Bundaberg and Hervey Bay–Maryborough. This project is already achieving good community participation.

In 1998 a second statewide survey of recreational fishing activities was conducted, using the same sampling methodology as used in the first (1996) survey. The results suggested a slight reduction in the participation rate of people who had fished in the preceding 12 months (from 28% to 26%), but a 25% increase in the number of people fishing freshwater impoundments (from 56 000 to 70 000).

The table below shows the number of residents 15 years and older in the Western, Tropical Coast and South East districts who reported fishing freshwater and marine locations in the 12 months to October 1998.

District	Percentage of the population aged more than 15 yrs who fished	Total fishers*	Freshwater fishers	Marine fishers
Western	22	42 300	32 000	24 700
Tropical Coast	29	163 800	59 200	152 100
South East	20	432 700	102 800	413 500
State total	23	638 800	194 000	590 300

* Some respondents fished both freshwater and marine locations.

DPI has, in partnership with the community, embarked upon major fish restocking programs aimed at improving the ecological diversity of our waterways while creating resources for recreational anglers and commercial fisheries.

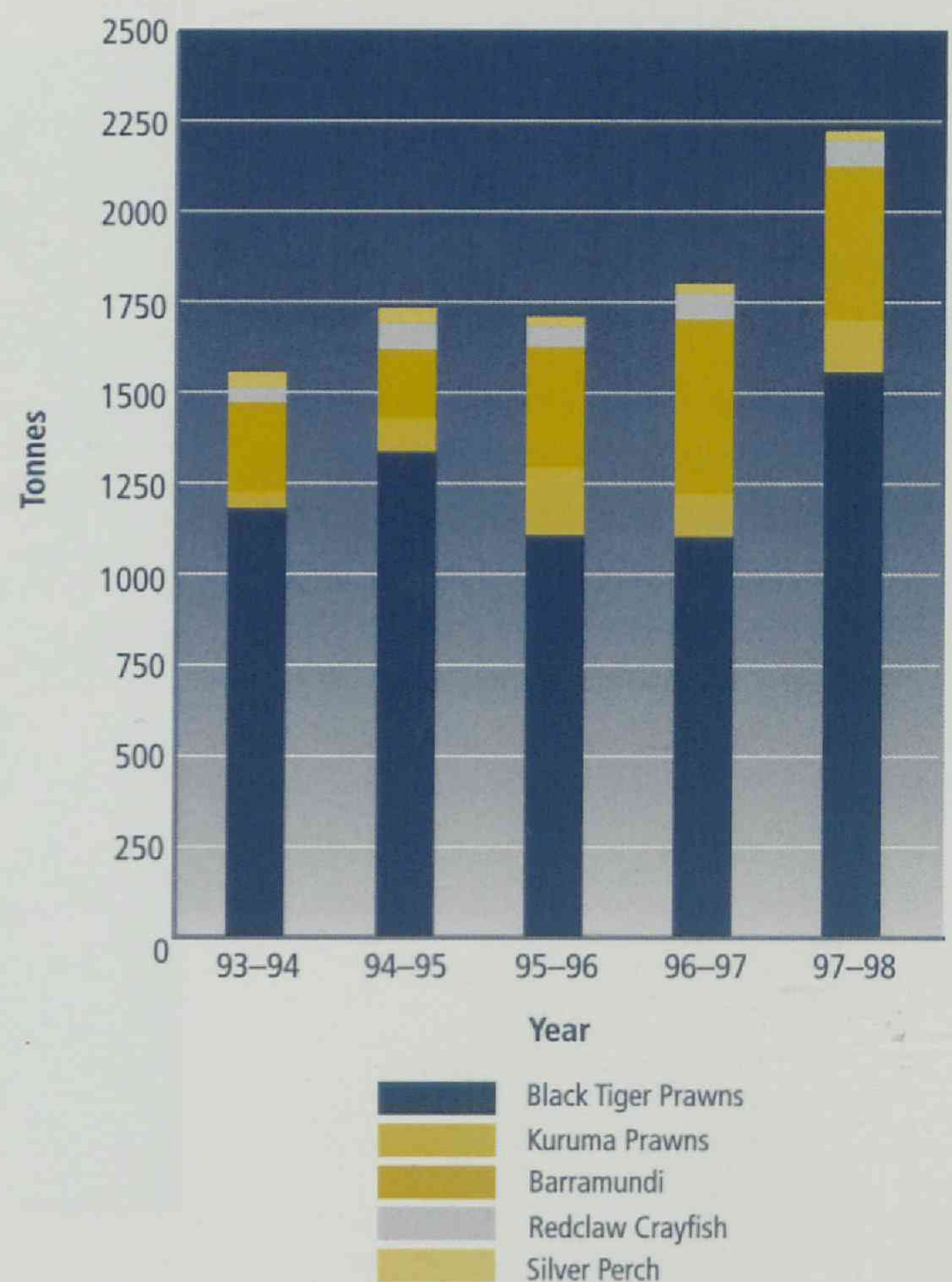
Further information on recreational fishing in Queensland was obtained from a voluntary diary program covering the year 1997. It involved about 4000 recreational fishers who reported details of their recreational fishing activity, such as where they fished and how many fish they caught and kept.

Whiting was the species most caught and kept by recreational fishers throughout Queensland in 1997 (about 7.4 million fish), followed by bream (about 2.7 million). The data also suggested that 1.2 million crabs, 1.2 million tailor, 788 000 flathead, 718 000 sweetlip and 70 000 barramundi were caught (see table below).

Breakdown by region of main species caught by recreational fishers in 1997

Species	Western District	Tropical Coast District	South East District	Total
Whiting	168 000	652 000	6 613 000	7 433 000
Bream	68 000	392 000	2 249 000	2 709 000
Crabs	835 000	403 000	20 000	1 258 000
Tailor	57 000	6 000	1 160 000	1 223 000
Flathead	22 000	93 000	673 000	788 000
Sweetlip	38 000	427 000	253 000	718 000
Barramundi	6 000	61 000	3 000	70 000
Total	1 194 000	2 034 000	10 971 000	14 199 000

Queensland aquaculture production



Queensland Boating and Fisheries Patrol

QBFP has responsibility to deliver services associated with fisheries and boating safety education and enforcement as well as the Queensland Shark Control Program. In 1998–99 QBFP officers continued to work closely with recreational, commercial and indigenous fishers and with charter industry operators and aquaculturists to ensure compliance with boating and fisheries legislation.



QBFP officers detected 2165 fisheries offences. Overall, compliance with fisheries laws was 94.4% for recreational fishers and 88.8% for commercial fishers, similar to the levels for the previous year. In the area of small craft safety, 79 661 contacts were made and 5332 offences were detected; compliance with laws was 86.2%, slightly higher than in 1997–98.

Following the introduction of a fisheries infringement notice system in early 1999, QBFP officers now have the capacity to issue on-the-spot fines for a range of less significant offences. This should reduce paperwork and provide officers with greater opportunities for field duties.

QBFP took possession of a new 25 m patrol vessel, the K.I. Ross, to be based at Gladstone. It has a range of 1100 nautical miles and is one of the best equipped marine enforcement craft in the country.

The vessel monitoring system which so effectively reduced illegal activity in the scallop fishery in 1997–98 is now being extended to all east coast trawlers except those operating in Moreton Bay. More than 600 vessels are now covered by this system.

The protection and sustainability of Queensland's fisheries resources continued to be supported through the provision of extension and information services, with a focus generally on increased education. The Fishcare Volunteer scheme increased its contacts with recreational fishers from an average of about 500 per month to an average of about 650.

An Aboriginal liaison officer joined the patrol in 1998 and has made a significant contribution to improving links with Aboriginal communities.

The Department and QBFP staff are currently negotiating arrangements for officers to move from the administrative and operational streams to the technical stream (for details see 'Staff profile').

Once again there were no shark attacks on beaches under the protection of the Shark Control Program. A major review of the program was finalised, and as a result drum lines replaced shark nets either permanently or for specific periods at some beaches in Cairns and Townsville. The Department continued research into and testing of mechanisms to reduce inadvertent bycatch without affecting bather safety.



Forest Production

Overview

The past year has brought significant challenges for Queensland's forest and timber industry, including strong competition in timber markets, uncertainty about future timber supplies from some State-owned native forests and protracted wet weather conditions affecting forest production in many areas of the State.

As the State's principal forest grower, DPI Forestry worked closely with the timber industry and other stakeholders during the year to keep timber supplies flowing to customers while working to position Queensland's forest and timber industry for strong growth and increased competitiveness into the future. Significant advances were made towards expanding the State's plantation resource base and increasing forest production efficiency to underpin an internationally competitive processing sector; enhancing timber marketing arrangements; further improving the environmental integrity of forest production activities; and applying DPI Forestry's scientifically based forestry expertise to increase profitability across the industry.

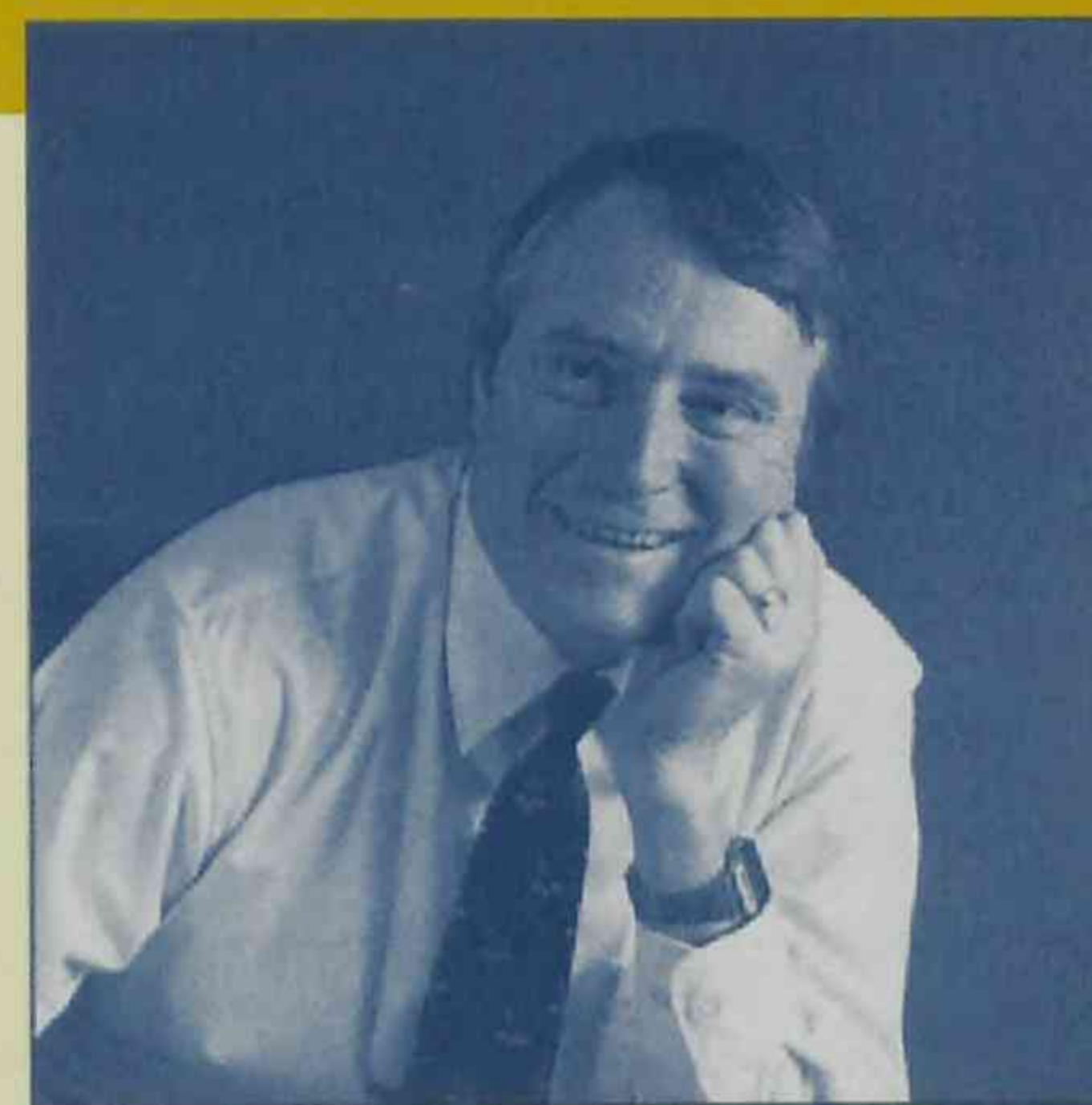
DPI Forestry aims to significantly expand coastal exotic pine plantations in south-east Queensland and north Queensland through the purchase of suitable privately owned land and through joint ventures with private sector partners. In June 1999, DPI Forestry entered into a landmark joint venture with Allied Timber Products of Burpengary to establish a 187 ha exotic pine plantation at Beerburum. Under the joint venture, the timber resource will be shared by the parties based on their financial input. Earlier (November 1998), DPI Forestry entered into an unincorporated joint venture with Stanwell Corporation to establish a seed orchard and sell produce from it. More than 8 ha surrounding the Stanwell Power Station, near Rockhampton, were converted to a seed orchard in 1998-99, and a further 12 ha will be planted out near the present site in the coming year. DPI Forestry also reviewed a range of land purchase options for plantation expansion during the year, commencing negotiations for acquisition next year of significant areas of land to

augment the existing 178 000 ha State-owned plantation estate.

To help meet industry demand for timber, DPI Forestry sold about 124 000 m³ of uncommitted log timber from plantations in the Tuan-Toolara area, (between Gympie and Maryborough) during the year. The sale has allowed local timber processors to maintain or raise their levels of operation, assisting economies of scale and therefore competitiveness, and delivering economic and employment benefits. DPI Forestry also sold significant quantities of log timber from plantations in the Byfield area, near Rockhampton, for processing at Maryborough and in the central coast area.

DPI Forestry released a discussion paper on possible future timber supply arrangements to meet strong industry demand for State-owned plantation exotic pine timber resources in south-east Queensland. Based on consultation with industry, DPI Forestry expects to recommend to the Minister early in 1999-2000 a revised policy for allocating this major exotic pine resource.

Over recent years increased competition from imported radiata pine in traditional hoop pine markets for mouldings, furniture timber and boards has presented a significant challenge for Queensland's hoop pine processing industry. DPI Forestry responded to the industry's concern about these competitive pressures in 1997-98 by implementing substantial temporary log-price discounts and changed utilisation standards for hoop pine processors. In a further initiative to restore industry competitiveness, DPI Forestry and the timber industry formed the Araucaria Australia Group Inc. (AAG) during 1998-99. The group will manage a market development and R&D program, and has pursued a number of key marketing initiatives. These include the development of a marketing plan aimed at re-positioning hoop pine as a premium timber species in domestic and export markets as well as a market-focused R&D plan for the hoop pine processing industry, and the organisation of an industry tour of China and Japan to gain an insight into market requirements.



Ronald D. Beck
MBA, B.Sc.(For.)(Hons), B.Sc.,
Dip.Comp.Sc.

'Forest management in Queensland is facing significant challenges. I am confident however, that DPI Forestry—through its commitment, its focus on getting things done, its teamwork and its comradeship—will rise to those challenges to deliver a progressive future.'

To support government processes to develop a Regional Forest Agreement (RFA) for State-owned native forests in south-east Queensland, DPI Forestry supplied scientifically based information on timber resources and forest management options to industry and community stakeholders during the year. At the same time, DPI Forestry maintained timber supplies to affected native forest sawmills in the region to avoid mill closures and job losses. This was done in accordance with the amended Interim Forest Management Agreement protecting conservation options pending finalisation of the RFA in 1999–2000.

Security of access to State-owned native cypress pine resources was also a key issue for sawmillers and communities in south-west Queensland. By year's end, DPI Forestry was close to finalising arrangements to support a commitment by the Minister to offer 15 year wood supply agreements to the industry.

Both in Australia and overseas, forest growers and timber processors have experienced difficult trading conditions over the past couple of years brought about by ongoing pressure for efficiency reform in both growing and conversion sectors; reduced demand for timber products due to the Asian economic crisis; and increased competition in domestic markets.

These competitive pressures have significantly affected DPI Forestry and its timber processing customers, a situation exacerbated by the relatively low levels of dwelling construction over the last three years in Queensland, which has largely missed out on the building recovery experienced in southern States.

Despite these market pressures, DPI Forestry's earnings in 1998–99 before interest and tax were up 15% on the previous year to \$15.9 million. The improved profit result is in large measure attributable to effective cost control across all operational areas. Returns to the State in the form of dividend, debt servicing and tax equivalents from the year's trading are expected to be \$17 million.

DPI Forestry supplies over 80% of the log timber used by Queensland's timber processing industry each year. The timber industry therefore relies on DPI Forestry's ability to produce and sell timber efficiently and competitively. To enhance its commercial focus and production efficiency, DPI Forestry instigated a major review of its management practices in the areas of plantation establishment and maintenance, road construction and maintenance, R&D and business support activities during the year. The review resulted in significant efficiency improvements in 1998–99 with increased savings expected to flow over the next few years.



DPI Forestry's Enterprise Agreement is also providing a strong basis for continuous performance improvement in collaboration with staff. During the year, productivity improvements worth more than \$3 million were achieved across the organisation. Also, under a program to develop a commercial customer service culture, DPI Forestry surveyed its customers to identify current satisfaction levels and how customer service can be improved. As a result, a more commercially oriented customer service policy will be introduced in 1999–2000, supported by a range of customer service improvement initiatives.

A number of organisational changes were made during the year to further separate commercial activities from industry development functions within DPI. In particular, the Forest Industries Development Division—whose role encompasses private forestry and industry development—was transferred to the department's Agriculture Industry Development business group (August 1998). DPI Forestry also streamlined its internal organisational structures during the year to enable more effective and efficient coordination of R&D, silvicultural and marketing policy development, and field operations.

Through its Queensland Forestry Research Institute (QFRI), DPI Forestry continued a range of cooperative R&D programs with Queensland's timber industry to improve the quality and competitiveness of Queensland's timber products. The institute's research into timber grading, gluing, moisture content, and joint and drying design for the Metaform project contributed to the successful launch of a new range of high-quality furniture products using native hardwood. This year QFRI expanded its hardwood research to include western Queensland timbers in a project for the Department of Natural Resources (DNR) and community landholder groups. The project is expected to be extended in 1999–2000 and will encourage the sustainable use of these timbers by landholders. Comprehensive hardwood research is also being undertaken at the institute investigating the genetics, silviculture, pests and diseases, and wood products of hardwood

species to support an expansion of native hardwood plantations.

QFRI has secured Natural Heritage Trust (NHT) funding for widespread hardwood trials and a three-year study to develop sustainable forest management practices for private native forests in the Wet Tropics region. NHT funding is also supporting a collaborative project investigating the use of treated sewage on commercial plantations for two shire councils. Meanwhile, a four-year study for the RIRDC started in north Queensland to find new ways to grow red cedar in plantations while keeping them safe from the insect that defeated earlier cedar plantation efforts.

To enable DPI Forestry's timber processing customers to seek eco-labelling of their products and maintain competitive advantage, particularly in export markets, the organisation continued to enhance its Environmental Management System (EMS) to enable independent certification to ISO 14001 standard by 31 December 1999. To facilitate this process, an external certification agency was engaged to undertake an initial gap analysis audit during the year, and new sound practice indicators (SPIs) with a focus on environmental management have been put into practice.

DPI Forestry also took a major step forward in the commercial application of its advanced tropical and subtropical forestry expertise during the year. In partnership with Birkdale Nursery, DPI Forestry was selected by the Royal Botanic Gardens (Sydney) to undertake the worldwide commercialisation of Wollemi pine, a rare primitive tree discovered 150 km north-west of Sydney in 1994. Using QFRI expertise, more than two million plants will be produced annually for sale, mainly into export markets. DPI Forestry's role in the project is to propagate and supply plants for sale by the joint venture partner. The project is expected to generate 50 jobs and has the potential to be a significant export earner.

During the next few years, DPI Forestry will significantly scale up its operational implementation of major advances in clonal forestry achieved by QFRI scientists.

Superior exotic pine clones will be increasingly included in the south-east Queensland annual planting program, promising a quantum leap in plantation productivity, timber quality and product uniformity and a significant boost for industry competitiveness. This important initiative was enthusiastically supported and promoted by Dr Gary Bacon, DPI Forestry's former Executive Director, who retired in December 1998.

In 2000, Queensland will celebrate 100 years of sustainable forest management. This long experience of continued evolution and growth of a diverse and sophisticated timber industry provides a strong foundation for confidence in the future potential and growth of Queensland's forest industry.

Ron Beck
A/Executive Director

Program description

The Forest Production program encompasses the management and marketing of Crown plantation and native forest timber, quarry materials and other forest products on a commercial basis. Other products and services of the program include tropical and subtropical forestry expertise, technologies and R&D services. DPI Forestry is the commercialised departmental business group responsible for the program. Customers include the timber processing industry, quarry operators, graziers and pastoralists, apiarists, research organisations, aid agencies, other government agencies and the general community.

Objective

Manage State-owned forest and quarry material resources to earn commercial returns while observing the Government's environmental and other relevant policies.

Priority areas

- Profitability
- Business growth
- Environmental integrity
- Customer and community relations
- Best practice business management



Primary Industries Minister Henry Palaszczuk turns a sod of soil as Allied Timber Products Director Col Galley plants an F1 seedling to mark the company's joint venture with DPI forestry.

Achievement highlights

- DPI Forestry achieved an operating profit (earnings before interest, tax and timber revaluation) of \$15.9 million, up 15% on the previous year.
- Returns to the State in the form of dividend, debt servicing and tax from the year's trading were \$17 million.
- In accordance with its Enterprise Agreement, DPI Forestry achieved productivity improvements worth more than \$3 million through continuous improvement processes involving staff.
- DPI Forestry supplied more than 80% of the log timber used by Queensland's timber processing industry comprising:
 - 1.42 million m³ of plantation timber, down 6% on the previous year;
 - 83 000 m³ of native forest timber, about the same as in 1997–98.
- Quarry material sales, largely supporting infrastructure development projects throughout the State, were up 2% on the previous year to 2.05 million m³.
- To replace harvested plantation trees and provide for future timber supplies, DPI Forestry planted 4 691 ha of timber plantation during the year, a 21% increase on the previous year.
- DPI Forestry supported Government processes to develop an RFA for native forests in south-east Queensland by providing scientifically based forest resource information to government, community and industry stakeholders. Consistent with the amended Interim Forest Management Agreement protecting conservation options pending development of the RFA, DPI Forestry maintained timber supplies to affected native forest sawmills to avoid mill closures and job losses.
- Further progress was made towards enhancing DPI Forestry's Environmental Management System for independent certification to ISO 14001 standard by 2000. This will enable DPI Forestry's timber processing customers to seek eco-labelling of their products and maintain competitive advantage, particularly in export markets.
- DPI Forestry and the timber industry formed the Araucaria Australia Group Inc. to manage a market development program aimed at re-positioning hoop pine as a premium timber species in domestic and export markets.
- In partnership with Birkdale Nursery, DPI Forestry's Queensland Forestry Research Institute (QFRI) was selected by the Royal Botanic Gardens (Sydney) to undertake the worldwide commercialisation of Wollemi pine, a rare primitive tree discovered 150 km north-west of Sydney in 1994. This project is expected to generate 50 jobs and has the potential to be a significant export earner.
- DPI Forestry's QFRI undertook a wide range of cooperative research and development projects with industry and other research bodies, including projects to underpin private forestry based on plantation hardwoods and to improve timber processing technology and value-adding.



Overview

Several achievements stand out in two major areas of activity in this program.

In the sphere of industry policy, progress with reviews of the *Sugar Industry Act 1991*, the *Meat Industry Act 1993*, the *Farm Produce Marketing Act 1964* and the peanut industry, while not always easy, has been very satisfying. The consultation processes have drawn together different sectors to explore what role government should have in their future development, what roles they should assume responsibility for and what new factors are influencing the business environment.

Industry development councils (IDCs) have won admiration for their courage in looking at the really big questions facing their supply chains, the way they have worked to use hard data on trends to develop scenarios that challenge today's thinking, and their process for taking these to the wider industry. Similarly, the preparedness of people to give up their time and become involved in the IDCs being formed augurs well for these councils and the processes they may choose to use to foresee developments in the industries concerned.

Most stimulating is the quality of the relationships developed as industry and government add new dimensions to the partnership while working together in the ways I have highlighted.

Rosemary Clarkson
Executive Director

Program description

The program provides policy and technical advice and services and specialised research and extension services, and builds strategic government and industry partnerships through IDCs. It provides expert and technical advice to the Government on issues relating to supply chains for food, fibre and other plant and animal products. Through these services the program contributes to viable, sustainable and internationally competitive primary industry enterprises. It contributes to government priorities by boosting the development of Queensland's primary industries, generating intellectual capital and creating more jobs for Queenslanders.

Emerging issues

Emerging issues for the program are:

- developments in biotechnology and their significant impact on production and marketing systems;
- domestic and global expectations for an increasing variety of convenient, clean and safe food;
- responsiveness to rapidly changing consumer and community values and their impact on supply chains for food, fibre and other plant and animal products;
- catering for nursery, flower and landscape type products and activities;
- commercial reorganisation and rebuilding of industries to meet the challenges of the future.

Achievement highlights

Extensive Livestock Industry Development

- Support was provided to the Meat Industry Task Force, set up under the Queensland Meat Processing Development Initiative, in relation to abattoir rationalisation, work cover issues and further value-adding to Queensland meat products.
- The Beef Industry Development Advisory Council considered and



Dr Rosemary Clarkson

Ph.D., B.Sc., Grad. Dip. Manage., Dip. Teach., MASM, MAICD

'A goal that is uniting the world is "achieving sustainable development". The foresighting undertaken by industry and the Department shows that it is embedded in community consciousness and translated in consumer values. The challenge is to make it a major opportunity for agribusiness in Queensland.'

helped implement important industry initiatives such as national livestock identification, Meat Standards Australia, a review of the *Brands Act 1915* and the *Stock Act 1915*, and saleyards rationalisation and development.

- The Livestock Export Advisory Committee was supported in efforts to help the north Queensland beef industry cope with the repercussions of the Asian crisis on live cattle markets. A joint forum between West Australian, Northern Territory and Queensland ministers looked at ways to tackle common problems with the live export market.
- DPI and the Sheep and Wool Institute Board made a joint submission to the Wool Industry Future Directions Review investigating the ongoing crisis in Australia's wool industry. Their input reflected a collaborative view on future funding for RD&E.

Sugar Industry Development

- As a result of the 1996 review of the sugar industry a Sugar Industry Bill is to be introduced and is expected to be enacted by 1 January 2000. The Bill will involve significant changes to current legislation, intended to stimulate a more sustainable and internationally competitive, export-oriented industry.
- A bulk sugar terminals (BST) management group, established in June 1998, is developing details of an industry-owned company, Sugar Terminals Limited, to which Queensland's BST assets will be transferred. The transfer will bring about a more effective use of infrastructure.
- The Sugar Industry Development Advisory Council was established. It consists of members drawn from the four major sugar-producing regions, and will develop the strategic future direction of the industry.

Research and Extension

- DPI established the new position of Chief Scientist to advise on issues relevant to food- and fibre-based science and technology. The position will also help ensure that public investment in science and technology is directed in accordance with State Government policy (see also 'Positioning rural science in DPI').
- DPI continued its participation in a range of collaborative arrangements to respond more effectively to industry needs, including cooperative research centres, The University of Queensland's Institute of Molecular Bioscience and the Indooroopilly Natural Sciences Precinct.
- DPI's Rural Extension Centre trained a further 126 extension professionals. It has now trained more than 700 such professionals from throughout Australia since its inception in 1993.
- DPI secured over \$3 million in external funding as leader of 21 projects for the Australian Centre for International Agricultural Research. Fourteen consultancies worth over \$350 000 were undertaken (in Papua New Guinea, Vietnam, the Marshall Islands, China, Kyrgyzstan, Myanmar and the Philippines).

Horticulture Industry Development

- Three new horticulture-related industry development councils operated successfully. The Horticulture Industry Development Council focused on developing a comprehensive industry plan for the future of the fruit and vegetable sectors. The Nursery, Landscape and Allied Industries Development Council and the Winegrape Industry Development Council (WIDC) undertook planning for key industry development priorities. WIDC commissioned an industry survey to generate data on the present size and value of the industry and future trends.

- A statewide consultative committee of representatives from industry, government and the environmental movement was formed to look into industry and environmental concerns about flying fox damage to Queensland fruit crops.
- A review of the *Farm Produce Marketing Act 1964* was undertaken in accordance with its sunset provision and consistent with National Competition Policy guidelines. A small independent steering committee oversaw major progress towards corporatising the Brisbane Market Authority in accordance with the *Government Owned Corporations Act 1993*.

Field Crops Industry Development

- The Industrial Hemp Advisory Committee, an industry-government partnership, put in place a policy and legislative framework to allow Queensland growers to test the potential of industrial hemp as a new commercial fibre crop.
- DPI participated in groups associated with the Standing Committee on Agriculture and Resource Management aimed at dealing with national and cross-jurisdictional issues affecting Australian plant-based industries, including gene technology, weeds, seeds, pastures, agrometeorology, pulse improvement, plant genetic resources and plant breeders' rights.
- Following a review of the Queensland peanut industry, the industry and government began implementing a series of recommendations. The changes are intended to ensure the continuing international competitiveness of the industry.
- The Tobacco Industry Liaison Committee, comprising growers, manufacturers, marketers and tobacco farm input suppliers, focused on initiatives to provide tobacco processors with the leaf quality necessary for the Australian market (see also 'Farming Systems Institute').

Food and Biotechnology

- Uptake of international standard quality assurance (QA) systems by businesses continued through financial assistance under the Agribusiness Exporters Quality Assurance Scheme. Thirty-two businesses have implemented QA under the scheme (with \$1.8 million provided to date) and a further 38 are still developing QA systems.
- DPI contributed to reform of food regulatory arrangements focusing on improving efficiency and applying a 'paddock-to-plate' approach to ensure food safety along the entire food chain. It provided input to the Blair review of food regulation, a review of a range of food Acts, and development of food safety standards. DPI also continued its collaboration with other government agencies to prepare food industry development strategies as part of a Queensland food industry strategy.
- DPI refined strategy and policy development processes to deal with such issues as the uptake of biotechnology by industry and community concerns about the impact of biotechnology. It contributed to the development of regulatory processes for gene technology and Queensland and national strategies for biotechnology.

Forestry Industry Development*

- Projects undertaken to improve the investment environment for private forestry in Queensland included the production and distribution of an information brochure on the Queensland tree tenure system; changes to the farming lands valuation concession system under the *Valuation of Land Act 1944*; and establishment and maintenance of hardwood plantations on public land. Taking their lead from government, private operators planted a further 1500 ha of timber plantations.
- In 1998–99, the last year of the Private Forestry Plantation Initiative

Joint Venture Scheme, 35 landholders established 399 ha of plantations on a joint venture basis with DPI—78 ha in north Queensland and 321 ha in south-east Queensland. In addition, 20 ha of demonstration plantations were established in the Mackay–Proserpine area and 18 ha in the Monto area.

- Support for the Queensland timber industry was provided through the Metaform project, a market repositioning for Queensland hardwood furniture in export markets; a hoop pine market repositioning project; and the development of Queensland timber information sheets for export markets.
- The importance of the timber industry in everyday life was emphasised in the television documentary *Behind Every Queenslander* (Part II), partly funded by DPI and shown on 'The World Around Us' on 21 March 1999. The documentary received exceptional ratings and generated great public interest.

Queensland Agricultural Biotechnology Centre

- In a world first, pathogenic prawn viruses were grown in laboratory cultures of prawn cells. This is essential to understanding how the viruses cause infection and is a major step in coping with diseases that have caused substantial losses in Queensland's prawn aquaculture industry.
- Peanut plants were genetically modified for resistance to exotic stripe disease, providing Queensland's \$40 million industry with a means of protection from a devastating virus that is endemic in Indonesia.
- Commercial lettuce varieties were genetically modified for resistance to viruses, and are ready for controlled field testing in the Lockyer Valley. Losses from virus disease cost the lettuce industry approximately \$5 million annually.

The first ever Memorandum of Agreement between DPI and the Bureau of Sugar Experiment Stations was developed to ensure that priority outcomes could be delivered from government investment in sugar research and extension.

*These activities were moved from DPI Forestry to Agricultural Industry Development in 1998–99.

Farming Systems Institute Board

Margaret Cover (Acting Chair),
graingrower (Meandarra)

Allan Williams, Executive Officer,
Australian Cotton Growers Association
(Narrabri)

Jim Hitchener, Seed and Grain IAMA
(Toowoomba)

Bob Hansen, Peanut Company Australia
(Kingaroy)

Dr Don Byth, scientist (Pullenvale)

Dr Rosemary Clarkson, DPI

Lyn Brazil (Chair), grain and cotton
grower (Brookstead) (resigned April 1999)

Geoff Johnson, grain grower and
industry representative (Theodore)
(resigned April 1999)

Director's overview

The contribution of broad-scale field crops to the Queensland economy is very important. The range of cropping situations and the diversity of crops, combined with new diseases, pests and market needs, provide agricultural researchers with constant challenges to maintain and if possible increase sustainable production. In the Farming Systems Institute (FSI) the main areas of activity are:

- the development of improved winter cereals by the Leslie Research Centre in Toowoomba and the Hermitage Research Station near Warwick. An example of this work was the release of two new wheat varieties (see 'Achievement highlights' below);
- research into plant pathology, including the significant use of biotechnology. Gene mapping was used to identify desirable genes allowing accelerated development of new disease-resistant crop varieties. FSI's genetic resources laboratory in Biloela, which houses genetic material from a wide variety of sources, will be very important to field crops in the tropics in the future;
- pest management, which remains a challenge as insect pests develop resistance to pesticides. Research at FSI laboratories in Toowoomba and at Indooroopilly revealed that insects have developed resistance to fumigants used to protect 80% of Australia's stored grain. FSI's entomology team has developed new and improved methods of pest management. Its work in environmentally friendly control methods (integrated pest management—IPM) achieved new benchmarks for pest control. FSI field entomologists throughout the State are adding to knowledge of pest management and helping producers with new strategies;
- FSI's Sustainable Farming Systems Project, which combines IPM, reduced tillage, ley pastures and controlled traffic to develop farming systems

with long-term sustainability. The Institute's extension teams worked with local producer groups to implement these techniques and also gained important feedback from participants that contributed to the overall research effort;

- pulse crops, an important part of sustainable farming systems. The pulse team at Kingaroy worked on disease control and developed improved varieties to meet market needs;
- the northern farming systems and tobacco teams, which developed best practice techniques for this area. In Mareeba research was undertaken on new tobacco varieties and on adoption of farming techniques to meet the changing needs of the Australian market (see 'Achievement highlights' below).

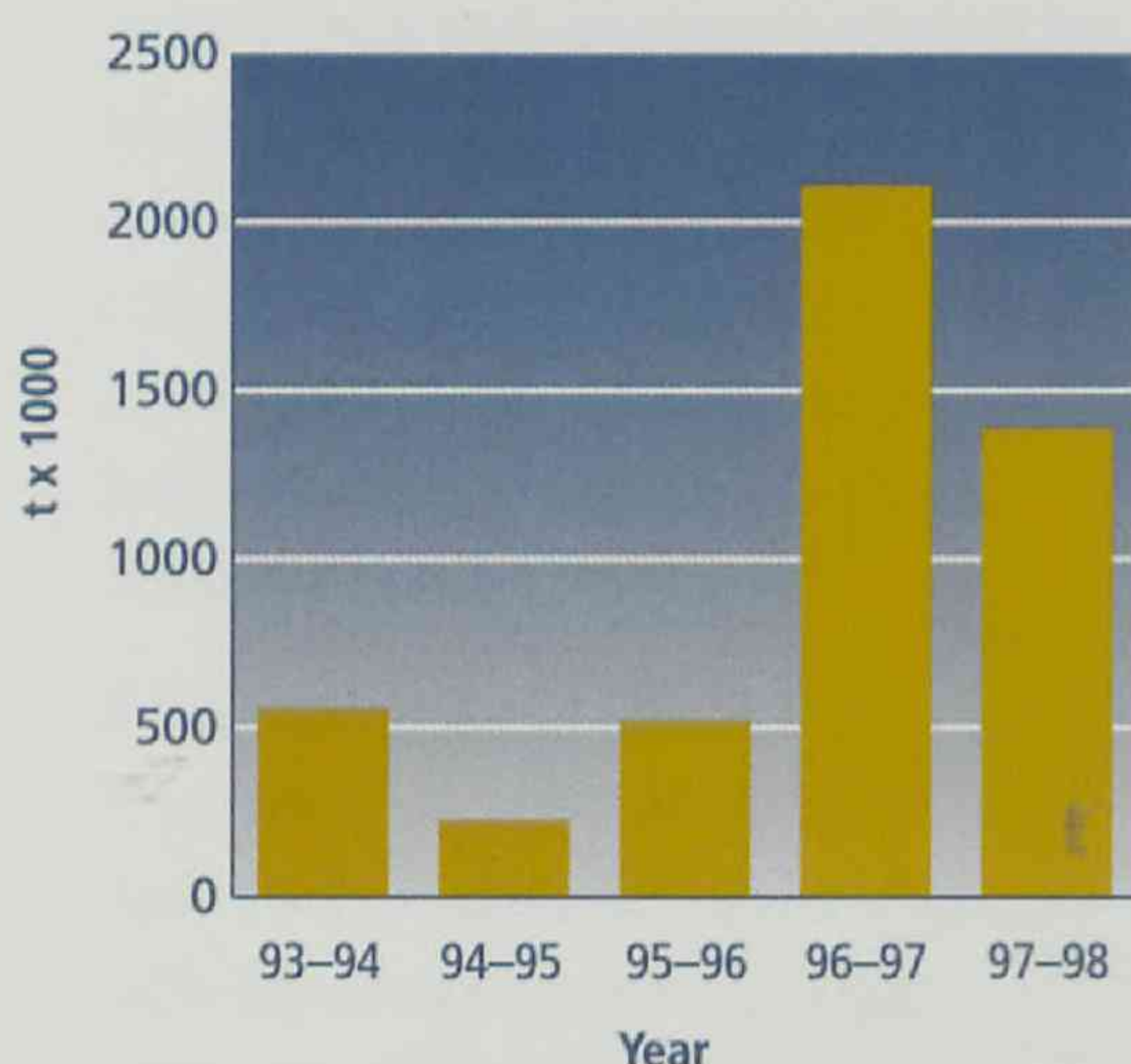
Broad-scale farming in Queensland depends on the industry's ability to research, develop and apply the best available technology, goals to which FSI remains fully committed.

Achievement highlights

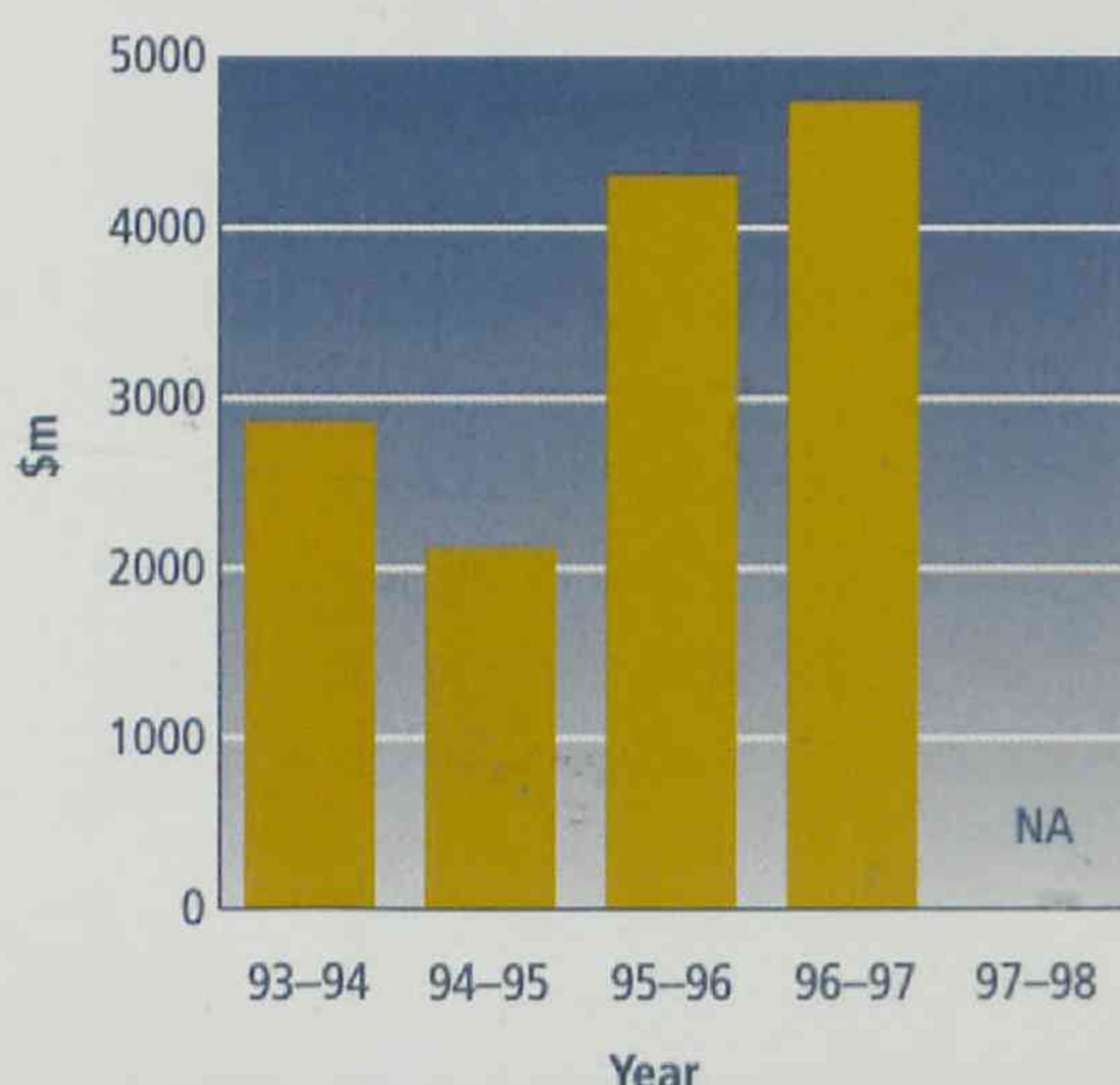
FSI has made a significant impact on the profitability and international competitiveness of Queensland's field crop industries. Highlights for 1998–99 include:

- The Institute's wheat breeding program released two new wheat varieties, 'Baxter' and 'Kennedy', with a potential worth of up to \$125 million to Queensland in reduced losses due to greater disease resistance and higher yield potential. They could significantly increase the State's wheat exports. 'Kennedy' has resistance to yellow spot fungus, which severely affected the State's 1998 wheat crop, and both have tolerance to root lesion nematodes.
- FSI's Northern Barley Improvement Program brought a new variety, 'Lindwall', to the final stages of commercial evaluation. 'Lindwall' is seen as better adapted to Queensland conditions than other varieties and has a high likelihood of producing malting grades. Its introduction could

Wheat production, Queensland



Wheat gross values, Queensland



- lead to a reduction in the State's annual malting barley imports of up to 60 000 tonnes, which would be worth \$8.4 million. Additionally, the premium paid for malting barley over feed grade provides the potential for Queensland producers to earn an extra \$2.4 million a year.
- FSI collaborated with researchers across Australia to develop a new objective measurement of barley brightness and yellowing for adoption by industry. Discolouration of feed barley has multi-million dollar ramifications for Queensland producers: up to 350 000 tonnes of feed barley is downgraded each year due to non-objective visual assessment. In another approach to help industry overcome this problem FSI is breeding improved varieties with higher resistance to grain discolouration, as a result of investigation into the genetic basis of yellowing.
 - Improved crop management methods to reduce the prevalence of aflatoxin were well received by the peanut industry, and have the potential to reduce losses from this cause (estimated at around \$6–10 million) and to improve the viability of industry.
 - Significant progress was made in the production and distribution of new sorghum germplasm lines, using biotechnology. These new lines have the potential to produce new commercial sorghum varieties with near total midge resistance. If universally adopted by the industry this would largely eliminate midge as a production constraint, and could save the Australian sorghum growing industry \$10 million a year. The germplasm material has been purchased by the seed industry in Australia and overseas for further confirmation work. Industry and export sales reflect the move to increased use of biotechnology and the royalties that result from commercialisation of hybrids.
 - The cooperation of farmer groups for on-farm trial and development of sustainable farming systems demonstrated the continuing high regard of FSI's work by rural producers. Projects involved such areas as controlled traffic, reduced tillage practices, the viability of alternative crops, water and nitrogen management, and the use of legumes. These practices are essential to the environmentally sustainable use of agricultural land in Queensland.
 - FSI work in north Queensland resulted in a reduction in total alkaloids and increased sugar levels in tobacco leaf. This has helped tobacco growers meet increasingly stringent market needs, and has been reflected in increased returns of 25 cents/kg for producers, injecting an additional \$800 000 into the economy of the northern tablelands.
 - In the sugar industry, low sugar content and the need to improve farm viability in the wet tropics are being tackled in a joint project funded by FSI and the Sugar Research and Development Corporation. Extension staff are working with farmer groups to develop farm plans, identify farming system options and run on-farm demonstrations of promising options. The project brings together FSI, the Yield Decline Joint Venture, the Bureau of Sugar Experiment Stations and industry organisations.
 - The increasing impact of heliothis in Queensland led to the establishment of a project to develop IPM techniques to combat this pest. Heliothis causes losses estimated at \$36 million a year to Queensland field crops, a figure that has threatened to multiply as the pest developed resistance to synthetic pesticides. Research by FSI entomologists resulted in the registration of Gemstar, a natural residue-free pesticide that effectively controls heliothis while leaving desirable predatory insects unharmed. Its use is being combined with the use of trap crops to attract heliothis to a crop where they can be destroyed as part of an overall IPM strategy.
 - FSI researchers in central Queensland established a research protocol for evaluating INGARD cotton and other plants carrying insecticidal transgenes. This resulted in National Registration Authority approval for the commercial production of INGARD cotton for the 1998–99 crop in this significant cotton growing area. The FSI team generated the required research data on performance and viability well inside the time allocated. There was an immediate 20% uptake of INGARD cotton in the first season, reflected in a 50% reduction in insecticide use on the crops concerned.
 - FSI established a new database, the Australian Plant Genetic Resources Information System (AusPGRIS), providing a common interface that allows Australian plant scientists coordinated and flexible access to information about genetic material held at the seven genetic resource centres around Australia.
 - FSI's detailed investigations into the causal fungus and control of fusarium wilt in cotton resulted in several key initiatives, including producer and industry education, identification of the role of weeds in the incidence and maintenance of the disease and, in conjunction with the chemical industry, development of a disinfecting agent to reduce the spread of the disease by machinery. Work on breeding varieties resistant to fusarium wilt has also been undertaken.

Queensland **Beef Industry** INSTITUTE



Overview

The mission of the Queensland Beef Industry Institute (QBII) is to conduct high-quality extension and research focused on a sustainable and profitable beef industry. QBII targets priorities and clients anywhere from the consumer (domestic or foreign), back through the distribution and processing chain, to the on-property production sector, including the land, water and forage resources that support beef enterprises.

Through its work QBII seeks to enhance industry's capacity to:

- produce beef cattle, meat and other beef cattle products that match market requirements and boost industry's competitive ability and profitability;
- implement efficient post-farm-gate practices that add value to products;
- implement sustainable practices for managing grazing land;
- adopt a whole-property, business management approach;
- adopt value-based trading systems;
- minimise chemical use and responsibly manage pests and diseases;
- minimise adverse environmental effects of beef production systems;
- develop new enterprises and production systems.

The Institute also supports industry development by conducting producer education and training sessions, supporting quality assurance systems and encouraging better marketing practices.

Strategic priorities of the Institute are set by its board, most of whose seven members are from industry. The Institute collaborates with other industry groups, other providers of RD&E, companies, educational institutions and individuals. Apart from the industry itself, major funders and/or collaborators are Meat and Livestock Australia, the Natural Heritage Trust, the Department of Natural Resources (DNR), The University of Queensland, Central Queensland University, James Cook University, and the cooperative research centres (CRCs).

Achievement highlights

The board

- Moving Forward, QBII's strategic plan for RD&E, was developed following extensive consultation between the board, industry members, stakeholders and staff. It emphasises partnerships with clients, stakeholders and funding bodies. Key program issues focus on beef and live cattle markets, how to meet market needs, animal welfare and environmental sustainability.
- The board moved to strengthen ties with industry groups, especially the regional beef research committees (RBRCs), by inviting them to propose projects to QBII. Stronger links are being developed with the Beef Industry Development Advisory Council (BIDAC).

Programs

Breeding and feeder cattle production

- In the search for more effective tick fever vaccines and accurate diagnostic and detection tests, QBII along with the Australian Centre for International Agricultural Research (ACIAR) commenced a project based in Queensland and Zimbabwe.
- QBII began a collaborative project with ACIAR to extend beef cattle genetics and improved nutrition to Vietnam's fledgling beef cattle industry.

Pasture-based production

- In the search for organic or low-chemical production systems for beef, QBII began testing sensory and visual attractants for cattle buffalo fly. Progress towards a synthetic attractant has been excellent.
- QBII continued its collaboration with AQIS to assess the weed risk of exotic species as part of an AQIS program to list species that may be brought into Australia. The Institute worked with DNR and the Environmental Protection Agency to manage weed risk associated with introduced pasture varieties.

Queensland Beef Industry Institute Board

Dr John Vercoe (Chair), agricultural R&D consultant

Jocelyn Birch-Baker, veterinarian (central Queensland)

John Bethel, beef producer (north Queensland)

Gavin Emery, agribusiness and rural finance consultant (southern Queensland)

Claire Rodgers, beef producer (north-east Darling Downs)

Dr Rosemary Clarkson, DPI

Kev Shaw, DPI

DPI facilitated a business alliance of border region beef producers focused on both the domestic and export markets with long-term contracts of grainfed beef for a large domestic supplier. The producer meets consumer expectations as identified by Meat Standards Australia (MSA) eating quality specifications 3★★★ or 4★★★★. This has resulted in the value adding of the product, a higher level of consumer satisfaction and support for MSA research in which DPI is a core partner.

Feedlot production

- Pellets of bagasse, a by-product of the sugar industry, were successfully tested as a replacement for traditional roughages in feedlot rations.
- As part of work towards a live viral vaccine to prevent respiratory disease in feedlot cattle, the molecular characterisation of Australian strains of bovine herpes viruses and pesti viruses was completed.
- Research into the ecology of the rumen and of the feedlot environment has provided indications that these factors could have significant impacts on the environment, on production and on feed safety. New work has begun to test hyper-ammonia-producing bacteria that break down protein in the rumen.

Live cattle exports

- The first project to objectively assess the suitability of Queensland cattle for the Asian live export trade was completed by QBII and the north west branch of the Beef Improvement Association.
- Agricultural attachés from the Chinese, Indonesian and Philippine embassies were conducted through north Queensland to improve awareness of beef trade opportunities. These visits are helping to ensure continued market access for Queensland's live cattle as well as creating flow-on effects in other areas.

Integrated enterprise management

- QBII collaborated with industry groups, Meat and Livestock Australia, private providers and other units of DPI in projects to improve the business and marketing skills and management capability of industry clients.

Grazing land management

- QBII continued to provide the only reliable information in Queensland on the contribution of grazed woodlands to greenhouse gas accumulation; this information has been used by federal agencies to calculate the national greenhouse inventory.
- A best management practices manual for the control of giant rats tail grass was prepared in consultation with the Giant Rats Tail Grass Producer Advisory Group, DNR land protection officers, and QBII and NSW Agriculture research and extension officers.

Product enhancement

- Continuing studies of physiological factors controlling the quality of beef carcasses and meat produced promising results indicating that the use of antibodies could provide a residue-free alternative to growth promotion. These studies are in association with the CRC (Meat Quality) and private venture capital funders.
- The Beef Marketing Project, incorporating Storelink, continued to stage training and information events to encourage and enable beef producers to undertake value-based marketing.

Queensland Horticulture Institute Board

John Gibson (Acting Chair), Australian Horticultural Corporation

Edward Bunker, Redlands Nursery

Dr Elizabeth Heij, CSIRO

Joe Moro, fruit and vegetable producer (Mareeba)

Kim Morris, amenity horticulture consultant (Cairns)

Noel Stevenson, papaya, banana and sugar cane producer (near Innisfail)

Paul Ziebarth, vegetable grower (Laidley)

Peter Neville, DPI

Carl Hoffmann (Chair), Brisbane Market Authority (left 30 April 1999)

The Queensland horticulture industry generates production valued at more than \$1100 million per annum and is the second largest contributor to agriculture in the State. The Queensland Horticulture Institute (QHI) is the main provider of research, development and extension services to the sector.

Achievement highlights

In 1998–99, 538 horticulture businesses were involved in training for quality management offered by QHI. The Queensland vegetable industries have been quick to take advantage of QHI-run training: 270 vegetable businesses have participated in such courses (quality management and approved supplier training) in the past two years. A specific QA program with potato producers has met with strong consumer demand resulting in greater sales of the quality assured product. More than 50 apple growers and packers formed a quality management training group and have contracted consultants to help them implement quality systems in their businesses.

IPM systems continued to gain in popularity, particularly in the citrus, strawberry, tomato, brassica, sweet corn and deciduous fruit industries. Sweet corn crops can now be grown relying on natural predators, biological insecticides and tolerant cultivars. Thousands of tiny wasp parasites aimed at controlling grapevine mealybug were released in orchards (apples, pears, stone fruit, grapes) in the Granite Belt.

A significant achievement in IPM in bananas has resulted from applied research and extension. The amount of active chemical pesticide used by banana growers to control scab moth in north Queensland has dropped from 85 000 litres to just 593 litres in the past 14 years.

QHI continued to provide quality information to producers through the Agrilink series. The tomato industry responded enthusiastically to the new tomato information packages: 168 copies of the tomato Agrilink manual were sold following its release in December 1998, and 253 copies of the handbook *Growing Tomatoes* were sold after its release the preceding April. Enquiries to GrowSearch, an information service for ornamental horticulture, continued to rise.

Major scientific breakthroughs are occurring in the management of plant diseases. Strobilurins, a new range of fungicides developed from mushrooms, are proving highly effective against avocado diseases and also show promise against a range of diseases on other crops.

Investment in plant breeding continues to result in the release of new commercial cultivars. DPI licensed a new tomato cultivar for release, particularly for the Bowen region. In addition four plum, one mango and two new strawberry cultivars were identified for release, and a new apple cultivar was granted provisional plant breeder's rights.

QHI is repositioning its services for the amenity and environmental horticulture industry through a major initiative to redevelop the Redlands Research Station. The aim is to transform the site into a multi-organisational R&D joint venture involving The University of Queensland, Griffith University and major amenity, gardening and lifestyle horticulture organisations.



Sheep and Wool INSTITUTE

Overview

Despite unfavourable global markets and low commodity prices, Queensland's sheep and wool industry in 1998–99 increased its sheep flock to an estimated 11.2 million, a rise of 6.6%. Based on this figure, Queensland's share of the national flock has risen to 9.4%.

Estimated wool production rose to 48.9 million kg greasy, up from 47.7 million kg in 1997–98, whereas wool production fell in every other Australian state. The gross value of wool production in Queensland in 1997–98 was \$208 million.

The value of Queensland goat meat exports rose by 160% from \$4 million to \$10.4 million, and represents 46% of the national total.

The second year of the Institute presented real evidence of its new direction and its impact on industry. Highlights include the Institute's contribution to goat industry growth in volume and value; the increasing number of producers involved in project design and evaluation; the development of expertise in the evaluation of markets in Asia for sheep and goat products; the continuing success of Bestprac (benchmarking wool producer groups); and the continuing commitment of resources to environmentally safe and responsible meat and wool production.

Sheep and Wool Institute Board

Simon Campbell (Chair), woolgrower (Blackall)

Michael Lyons, woolgrower (Augathella)

Robert Pietsch, woolgrower (Inglewood)

Simone Tully, woolgrower (Cunnamulla)

Laurie Piper, CSIRO Division of Animal Production

Brian Roberts, land use consultant (Toowoomba)

Mac McArthur, DPI

Barry McDonald, DPI (Institute Director)

Challenges

The Institute services a sector of Queensland's primary industry with a combined gross value of production of \$240 million. Many remote and isolated towns and communities rely on a viable sheep and wool industry to support local economies and employment.

The challenge for the Institute is to maintain the contribution of the sheep and wool industry to the State economy. In response to this challenge it intends to play a vital role in developing new industries and employment opportunities for remote areas of Queensland in order to restore the viability of rangeland production systems.

Core business

The Institute aims to enhance the economic benefits and long-term viability of the Queensland sheep and wool industry through innovative and effective RD&E. Its impact on improving on-farm business enterprises is based on:

- benchmarking to improve productivity;
- evaluating opportunities for diversification and for new markets;
- optimising parasite management with minimum use of chemicals;
- developing an understanding of selling options and risk management;
- refining the management of total grazing pressure.

Achievement highlights

During the past year the Institute has contributed significantly to industry viability. In particular, it:

- began evaluating opportunities to diversify into goat and sheep meat production;
- identified potential markets for goat and sheep products in Brunei and Malaysia;
- conducted Safe Carrying Capacity (SCC) assessments on 253 properties (43% of the total) representing 50% of the area of south-west Queensland, providing more environmentally sustainable land use. The SCC system was also used by the DNR to conduct assessments on 85 properties as part of the South West Strategy readjustment scheme;
- started a large-scale evaluation of Lucitrap, a non-chemical means of managing sheep blowflies;
- conducted 1316 Wormcheck (worm presence and identification) tests;
- conducted a major drench resistance survey which indicated that resistant worms pose a significant threat to 40% of Queensland's sheep flock.

Resources

The Sheep and Wool Institute's 74 staff deliver services to Queensland's sheep, wool and goat producers from 13 centres including remote bases such as Richmond, Julia Creek, Longreach, Blackall, Charleville and Cunnamulla. The Institute is also responsible for managing the \$6.2 million allocation through DPI for services to the industry.

Australian Tropical Dairy Institute Board

Mal Lanham (Chair), dairy farmer (Nambour), Vice President, Queensland Dairyfarmers' Organisation

Ralph Leutton, Executive Officer, Queensland Dairyfarmers' Organisation

Dr John Ternouth, University of Queensland

Dr Michael McGowan, University of Queensland

Dr Rosemary Clarkson, DPI

John Walthall, DPI

Australasian Pig Institute Board

Bruce Lockwood (Chair), pig farmer (Toowoomba), Queensland Pork Producers' Organisation

Bruce Trout, pig farmer (Kingaroy), Queensland Pork Producers' Organisation

Dr Keith Hughes, University of Queensland

Dr Bruce Young, University of Queensland

Dr Rosemary Clarkson, DPI

John Walthall, DPI

Queensland Poultry Research and Development Centre Board

Ralph Hohl (Chair), egg industry (Gold Coast)

Geoff Stewart, egg industry (Toowoomba)

Gary Sansom, chicken meat industry (Beaudesert)

Dr John Dingle, University of Queensland

Dr Bob Pym, University of Queensland

Ron Dullaway, processor (Ipswich)

Dr Rosemary Clarkson, DPI

John Walthall, DPI

Overview

Intensive livestock industries contribute more than a billion dollars to regional economies in Queensland every year.

To enhance the competitiveness and sustainability of three of the larger of these industries—the dairy, pig and poultry industries—unincorporated joint venture institutes have been established to integrate and lead the RD&E, education and training services of DPI, The University of Queensland (UQ) and the industries themselves. Specific DPI services to these industries are delivered through the three institutes.

Recognising the critical importance of ecological sustainability, the Department has established a dedicated team of researchers, extension officers and regulatory staff for its intensive livestock industries. This group has been delegated responsibility for administration of the *Environmental Protection Act 1994* as it applies to the intensive industries, including cattle feedlots (see also 'Queensland Beef Industry Institute').

Research, extension and regulatory services are also delivered to other intensive livestock industries such as deer, apiculture and crocodile farming.

Institute achievements

Australian Tropical Dairy Institute (ATDI)—a joint venture of DPI, UQ and the Queensland Dairy Farmers Organisation

A clear priority for the Queensland dairy industry in 1998–99 was to prepare for the profound changes expected to result from deregulation. This and related changes within the dairy industry necessitated redesign of the Queensland Dairy Accounting System (QDAS), resulting in a 30% increase in producer participation in this financial accounting scheme. Dairy farmers Australia-wide are now participating in a version of the QDAS program and by obtaining financial and physical analysis of farm performance are able to accurately measure the economic impact of their management decisions.

Producers' business management skills were improved through the Smartmove-

Futureprofit program. Workshops attracted 130 farm families, post-workshop evaluation indicating that the greatest benefits had been increased skills for the interpretation of performance indicators, the development and assessment of new business options, estate planning, and family communication.

To increase access to and use of relevant information by the dairy industry, a portable computer training facility was established. Some 300 producers across the State participated in this computer training, which emphasises use of the Internet to obtain information, and of financial and farm management computer packages to enable better decision making.

A new tropically adapted pasture system based on perennial species and annual legumes using minimal till techniques was developed to fill the critical autumn feed gap on Queensland dairy farms. These forages can be reliably established and provide cost-effective pastures of high quality. Their adoption is rapidly escalating, although management of the system still needs further refinement.

Development of an environmental code of practice is helping the dairy industry demonstrate its environmental stewardship, an aspect of production gaining increasing importance to consumers. Mitigation of environmental impacts arising from the intensification of dairy farms as a result of industry deregulation is being pursued through research and through the regulatory responsibilities prescribed in the Environmental Protection Act.

Development work started on a fungal biopesticide with the potential to provide a new and cost-effective means of controlling ticks on dairy cattle, and promising initial laboratory results have attracted a great deal of interest from the industry and from other research organisations. This concept provides exciting possibilities to overcome the tick resistance problem while minimising the use of chemicals.

Australasian Pig Institute (API)—a joint venture of DPI, UQ and the Queensland Pork Producers' Organisation

During 1998–99 the Institute continued to help pig farmers through the critical financial situation facing the industry. Activities included:

- three statewide 'future options' workshops to enable producers to reduce operating costs or determine their future;
- four 'awareness' seminars for financial institutions and stockfeed millers;
- fifteen technical workshops, co-sponsored by Ridley Agri Products, to help improve producer efficiency and competitiveness. More than 100 pig producers attended these workshops; evaluations indicated that the greatest benefits were increased skills for interpreting production performance.

By the end of 1998–99, 25% of Queensland's 65 900 sows had been assessed by AUSPIG, a complex decision-support tool that measures key production factors affecting enterprise profitability. AUSPIG assessment, on average, enhances enterprise profitability by \$100 per sow per year; the bottom line benefit to Queensland producers is estimated at \$1.65 million annually.

In 1998–99 ten on-farm production reviews were carried out. These piggery assessments make recommendations to increase the profitability of the enterprise, on average boosting profitability by approximately \$10 000 per enterprise per year.

Development of a suite of new diagnostic tests allowed pig producers to initiate more effective prevention and control of Glasser's disease, which can cause acute deaths in growing pigs from the bacterium *Haemophilus parasuis*. In order to be effective the vaccine for this disease needs to be matched to the strain present in the affected pigs. An initial diagnostic test made this possible, and a second test using a high-tech DNA fingerprinting approach was developed, allowing the source and the movement from farm to farm of a disease outbreak to be tracked.

This service, a first in Australia, applies biotechnology to gain in a significant reduction in the reliance by producers on the preventive use of blanket antibiotic treatments.

DPI's administration of pig farming under the Environmental Protection Act is leading to environmental security for both pig producers and the community. It provides an opportunity to work closely with producers to ensure that reasonable and practical standards of operation are being undertaken to reduce potential off-site impacts. The development of an environmental code of practice has set the standards of operation for piggeries throughout the State and will enable producers to benchmark their operations against expected environmental outcomes. Current environmental research projects aim to reduce impacts of piggery enterprises on neighbours and the community.

The API board ratified an agreement with Darling Downs Bacon (DDB). Under this agreement DDB will contribute to API's operating funds and also provide project funds, which will be matched by the Pig Research and Development Corporation, to coordinate the provision of services to the 145 pig producers who supply DDB. The aim is to establish greater cooperation in the alliance between processor and supplier.

Queensland Poultry Research and Development Centre (QPRDC)—a joint venture of DPI, UQ and the poultry industry

Development of a low-virulence vaccine should significantly reduce poultry losses from coccidiosis. The research was conducted with funding support from the Rural Industries Research and Development Corporation. The vaccine lines are being released to a partner, Eimeria Pty Ltd, for commercial development into a comprehensive live vaccine effective against all the parasites that cause poultry coccidiosis in Australian poultry. This would be the first registered commercial coccidial vaccine in Australia, and the trials currently under way have important implications not only in Australia but overseas. The benefits of developing and using this vaccine include

In Emerald, a small team of DPI scientists has developed leading edge technologies targeting the weak links in the life cycle of the heliothis moth, using integrated pest management strategies and transgenic cotton plants. The work is now recognised worldwide, is regarded as world's best practice and is being adopted by other Queensland industries to protect their future.

long-term, economical protection against the disease; ability to manage existing and developing resistance to anti-coccidial compounds; and reduced risk of chemical residues in poultry products. International sales of the vaccine are also expected. The Australian poultry industry has been spending more than \$10 million annually on chemicals alone to control coccidiosis.

In the search for alternative feed sources pearl millet has proven superior to sorghum in yield and feed value and at least equals maize as a feed grain for poultry. This establishes pearl millet as a valuable alternative stock feed for poultry. It is now to be assessed as a feed resource for pigs.

Environmental research

Through new initiative funding significant staff and resources have been committed to environmental research for intensive livestock industries. The focus of current research is to increase the value of wastes by turning them into resources.

Organic wastes from cattle feedlots and sawmills (manure and sawdust) can lead to environmental problems if inappropriately managed. However, with funding support from the Cattle and Beef Industry Cooperative Research Centre and the Timber Research and Development Advisory Council, laboratory and on-site trials are developing practical management procedures for combining manure and sawdust to produce compost.

Approximately fifty five per cent of the premises registered are located in Brisbane and the Gold Coast and Sunshine Coasts with twenty-two per cent in the remaining coastal areas and twenty three per cent in rural Queensland. It would be fair to say that the great majority of practices based in south east Queensland cater mainly for companion animals while large and herd animal practices are combined with small animal practice in the rural and north coastal regions.

Registered veterinary practitioners with large and herd animal practices provide services to the state's beef (\$1222m), dairy (\$322m), aquaculture (\$300m), poultry (\$227m), sheep (\$181m) and pig (158m) industries. In this category issues such as disease identification and quarantine issues that affect the state's export market are addressed in addition to human health and safety.

In addition to companion animals, veterinary practitioners also provide considerable assistance and expertise in the racing and sports industries though provision of services to racing horses, hounds and equestrian eventing horses. These services would include health care, screening, and other related matters.

Practitioners registered as a veterinary surgeon in Queensland must hold a Bachelor of Veterinary Science degree from a recognised university or an equivalent qualification from a recognised university in Queensland.

Review of the Fisheries Act 1994 and associated Regulations

There has been a lack of effective restrictions has resulted in fisheries resources being used in an unsustainable manner.

Issues identified in this issues paper include regulatory mechanisms identified in this issues paper include processing, storage requirements, licences and authorities, carrier crew licences, management provisions, codes of practice, statutory provisions, and inspection and open access provisions, and inspection and open access provisions, and inspection and open access provisions.

Alternatives may be considered when reviewing fisheries regulation: alternatives may be considered when reviewing fisheries regulation: alternatives may be considered when reviewing fisheries regulation:

- Maintain the status quo
- Introduce alternative fisheries regulation
- Introduce self regulation/management
- Introduce no fisheries specific legislation

It is not appropriate for fisheries managers to rely on any one category of management to maintain the sustainability of the resource. Hence the task of the FRRC is to identify an appropriate combination. The review should identify regulations that have no useful purpose, and suggest mechanisms to achieve the goals of the Act that do not impose unnecessary costs to individuals and groups.

The Fisheries Regulatory Review Committee emphasises that the alternatives raised in this Issues Paper do not reflect any decision to support or oppose any particular option. The alternatives have been identified at this time purely for the purpose of stimulating debate. The alternatives may be raised and considered during the review process and it may be that a combination of any or all of the options identified will be preferred.

4.0 THE VETERINARY SURGEONS ACT 1936

4.1 History of Regulation and powers of the Act

In a report titled *The Veterinary Surgeons Board of Queensland - A Twenty-Five Year Survey* in December 1962, the author A L Clay stated "prior to the enactment of the *Veterinary Surgeons Act of 1936*, any person could set up a practice in veterinary surgery in this state with little imagination to visualise the kinds of situation which arose and the desirability for legislation constantly..."

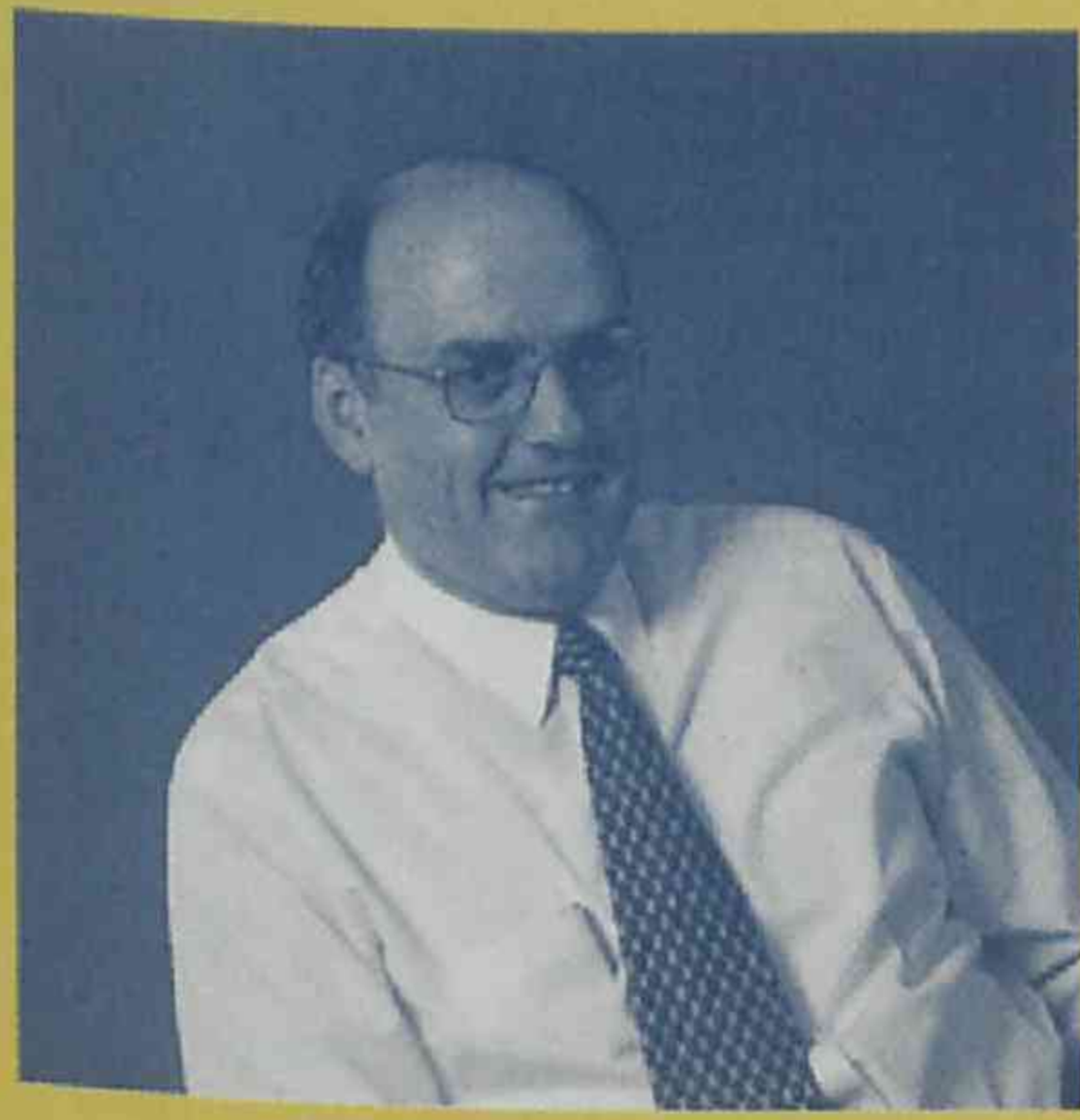
Review of the Fisheries Act 1994 and associated Regulations

KEY ISSUES RAISED IN THE DISCUSSION PAPER.

- **Rationale for Government Involvement** (See p.14)
 - Consideration of the role government in the management of fisheries resources
- **Objectives of the Fisheries Act 1994** (See pp.15-16)
 - Ecologically Sustainable Development
 - Biodiversity
 - Discussion of the terms 'optimising', 'community benefit', 'economic benefit' and 'fair'
- **Performance Indicators**
- **Regulation and Protection of Fisheries Habitat, Commercial Fishing, Recreational Fishing, Indigenous Fishing and Aquaculture** (See pp.17-19)
 - Opportunities for non-regulatory resource management
 - Management plans for fish habitat
 - Cost recovery in these sectors
 - Commercial fishing
 - Indigenous fishing
 - Aquaculture
 - Authorities for commercial and groups that on-sell fisheries resources
 - The growing of fish for commercial-recreational fishing ventures
- **General deficiencies in the Act** (See p.19)
 - Enforcement of the objectives of the Act
- **Management Planning** (See pp.20-21)
 - The management planning process
 - Duration of emergency closures
 - Licenses and Authorities
- **Noxious fish, diseased fisheries resources, destruction of fisheries resources and responses to emergency situations** (See p.21)
 - Provisions for disease and noxious or nonindigenous fish species
 - Emergency situations
- **Fishways** (See pp.21-22)
 - Management and control of fish passages
- **Protection and Conservation of fisheries resources** (See pp.22-24)
 - Protection and conservation of fisheries resources
 - Fish habitat management
 - Buffers between developments and protected fish habitats
 - Aquaculture rehabilitation notices
 - Management Information
- **Enforcement** (See p.24)
 - Improvement of enforcement measures

Corporate Performance and Strategies

(Corporate Performance; Policy and Legal Services)



John D. Skinner
BA (Govt), CMAHRI

*'Over the next ten years
DPI and its clients will
face major challenges
that will require
flexible, responsive and
visionary leadership.
DPI is preparing the
groundwork throughout
the organisation for
these challenges.'*

DPI's Corporate Performance and Strategies Program provides services in the areas of strategic planning, finance, business development, workforce planning and development, policy and legal affairs, performance management and measurement, information management and information technology to help the Department deliver on its commitments to government and the community.



Peter J. Neville
B.Econ.(Hons)

*'The most important
resource we have is our
people. And the
important thing we need
to recognise and
continually work at is to
build good relationships
and networks with our
people—not just on the
work issues, but also on
the social issues.'*

Corporate Performance

Overview

A key focus this year has been on helping DPI prepare, shape and respond to future challenges for Queensland's primary industries. Corporate Performance has been a strong supporter of the 'Positioning DPI for the Future' project, underpinning it with a business strategy framework that uses the balanced scorecard methodology to link strategies and key performance indicators. These initiatives will provide the basis for a revised departmental corporate plan.

Corporate Performance is responsible for coordinating corporate governance issues such as risk management, performance measurement, fiscal integrity and legislative requirements (see also 'Corporate governance'). During the past financial year, emphasis was on enhancing our strategic risk management capabilities by developing contingency plans, emergency response strategies and data gathering systems. Work also continued on development of a performance management framework incorporating measurement indicators.

The flexibility of DPI's workforce continues to be a major priority, and Corporate Performance has undertaken an analysis of major workforce trends. A scholarship scheme has been established to ensure that the Department has the necessary skills and to generate employment in rural and remote areas (see also 'Staff profile').

Introduction of the SAP finance and human resource system (see also 'Corporate governance') is a cornerstone of our approach to integrating management information. Access to integrated financial and human resource data will enable us to enhance our performance information system and processes. This will provide the Department with an integrated business information system.

To help with the move to accrual output budgeting and enhance DPI's business planning capacity we developed business planning and performance standards manuals in 1998-99. The manuals are aimed at giving key officers in the Department's business groups the required skills to prepare rigorous

business plans that complement accrual output budgeting.

Corporate Performance played a key role in the coordination of Year 2000 compliance issues; it is pleasing to note that the Director-General was able to sign off departmental compliance on 31 May 1999.

Significant effort was directed into the alignment of strategic business planning, budgeting, performance monitoring and reporting, and environmental scanning activities in the Department.

DPI engages in numerous projects funded by external bodies. During 1998-99 Corporate Performance produced guidelines for such projects and for automated reporting to the funding bodies concerned. The guidelines clarify roles and responsibilities and improve the Department's accountability.

John Skinner
Executive Director

Objectives

- Enhance client knowledge and decision-making capability through the generation, development and delivery of information products and services.
- Improve organisational financial and non-financial performance through the development of appropriate policies, systems and operations.
- Improve the capability and flexibility of the Department's workforce through the development of effective policies and strategies.

Achievement highlights

Clients and community

- participation in the Australian Client Satisfaction Benchmarking Network
- improvements in response to feedback from client satisfaction survey
- consultancy services provided to internal clients

People, learning and growth (see also 'Staff profile')

- development of a Certified Agreement for QBFP staff

- review of working hours arrangements
- review of the Department's Rural Area Incentive Scheme locality index
- continued application of work and family strategies
- development of an Aboriginal and Torres Strait Islander Employment Strategy
- engagement of 39 new trainees

Internal business processes

- implementation of an integrated human resource and financial management system
- continuing development and enhancement of performance reporting systems
- Year 2000 compliance
- development of the Department's strategic business planning framework
- continuing development of departmental information networks to remote offices
- investigation of new business systems, such as a Department-wide laboratory information management system

Financial management

- conversion to accrual output budgeting
- automation of the reporting system for externally funded projects
- development of the Department's Strategic Asset Management Plan
- production of guidelines for externally funded projects
- development of the departmental Risk Management Framework (see also 'Corporate governance')

Policy and Legal Services

Overview

Policy and Legal Services (PALS) provides policy development, legislative and legal advice and support for primary industry and rural development, and seeks to resolve strategic issues that affect rural development and resource management. Service delivery is focused on issues that have an impact not only across the Department, but also across government agencies and between governments. PALS plays both a lead and a supporting role in developing significant policy advice and legislation. In many cases its activities involve ongoing advice and support to other areas of the Department, as well as specific project work and reviews.

Policies support the restructuring and adjustment of industries and the development of appropriate legislative frameworks for industry growth to help realise the Government's priorities.

Peter Neville
Executive Director

Achievement highlights

A number of significant industry/legislative reviews and industry development projects were completed during the past year:

- National Competition Policy reviews of the *Dairy Industry Act 1993*, the *Chicken Meat Industry Committee Act 1976* and the *Grain Industry (Restructuring) Act 1991* to ensure that any continuing regulated market intervention is to the public net benefit;
- preparation of new legislation affecting the dairy, forestry and fishing industries to implement review recommendations to the Government;
- industry surveys of the development needs of the horticultural nursery industry, the barramundi and oyster industries and the papaya industry;
- preparation of industry development plans for producer associations in the horticulture and fisheries industries;
- a review of strategic directions for the Forest Industry Development Group within the Department.

A number of projects/activities begun during the year will continue into 1999–2000:

- leading the Department's input into a whole-of-government meat processing development initiative and options for divestment of the Queensland Abattoir Corporation from government control;
- policy input into restructuring arrangements for the sugar, dairy, horticultural and forestry industries;
- policy development in areas of natural resource management including greenhouse response strategies, vegetation management, water management and oceans policy.

In addition ongoing advice was provided in the following areas:

- general legal advice to the Department and the Minister to help in the discharge of their responsibilities;
- management of departmental litigation issues to provide the necessary degree of risk management and liability exposure;
- contractual arrangements, intellectual property protection and commercialisation, evidence evaluation and debt recovery, to ensure that proper management practices are in place;
- natural resources and environmental issues (land, water, vegetation, forestry, fisheries resources and fisheries habitat) as they affect primary production, to ensure sustainability within the primary industries sector.

PALS continued to service Commonwealth–State ministerial councils; to coordinate departmental and cross-departmental resource management policy for vegetation management, greenhouse policy, oceans policy, and water and catchment management; and to provide policy advice on food policy, biotechnology, risk management and management of intellectual property.

These activities have contributed to strengthening rural communities, regions and industries, protecting the

environment, and providing strong government leadership.

Future emphases

Emphasis will continue to be placed on the following areas to strengthen the performance of rural industries, protect employment and regional growth, and encourage environmental sustainability:

- revision of legislation supporting industry development and implementation of improvements where appropriate. This will apply particularly to the sugar, horticulture, forestry and fishing industries;
- implementation of the Government's National Competition Policy review program for particular industry arrangements, including sawmills licensing, farm produce marketing, the fishing and meat industries and veterinary services;
- coordination of the Department's interests in native title and in the *Integrated Planning Act 1997* as they apply to rural planning and industry development;
- commercialisation of rural research, through the management of intellectual property and contracts;
- further policy development for the whole-of-government position on water reforms, vegetation and greenhouse issues, management of the Great Artesian Basin and the national statement on natural resource management;
- policy input into reforms of organisational arrangements for the dairy, fisheries, horticulture, sugar and pork industries;
- continuing reform of the meat processing sector and implementation of the meat processing development initiative.

In these activities PALS consults closely with agribusiness, the wider community and also other departments and Commonwealth agencies. The issues being addressed are so broad that they can be achieved only by integrated policy development and whole-of-government positions.

Governance

Board of Corporate Governance

The Department continues to place a high priority on the need for efficient and effective corporate governance. During the past financial year, the focus has been on performance management and measurement, risk management, fiscal integrity and resource management. The Board meets approximately every six weeks to consider governance issues, in particular those associated with risk management and fiscal integrity. Each of the business groups and institutes provides regular reports on issues within its area that may affect the Department's corporate direction.

The primary functions of the Board were:

- providing a forum for collegiate leadership under the authority of the Director-General;
- establishing and monitoring policies and procedures to ensure compliance with legislation and the highest standards of ethical behaviour;
- adoption of an annual budget for financial performance, regular monitoring of results and ensuring consistency across budgeting, accounting and reporting systems;
- ensuring that the Department's competence continues to match changing business needs;
- adoption of a strategic plan including goals and objectives, methods and timeframes for comparing actual results with the plan;
- adoption of comprehensive performance management and agreed performance measures with senior managers;
- ensuring that adequate reporting systems and control mechanisms are in place to monitor activities and compliance;
- ensuring that satisfactory arrangements exist for audit procedures;
- regularly reviewing its processes and effectiveness.

In its monitoring of the Department's corporate governance the Board reviews:

- leadership
- statutory accountability
- communication
- roles and responsibilities
- accountability for agency resources
- internal controls
- committees
- external reporting

The Board also monitors the following essential areas to ensure sustained performance:

- corporate planning and strategies
- financial performance
- customer satisfaction
- service performance
- technological performance
- management and organisational performance
- internal and external communication
- workforce planning
- business risks

Members of the Board

Board membership in 1998–99 was:

Dr Warren Hoey, Director-General* and Chair

Terry Johnston, Deputy Director-General

Peter Neville, Executive Director, Policy and Legal Services

John Skinner, Executive Director, Corporate Performance

Pauline Pender, Managing Director, Corporate Impact Australia

Roger McComiskie, Partner, PriceWaterhouseCoopers

*initially A/Director-General

Achievements

Achievements during 1998–99 included:

- endorsement of the Department's Business Strategy document that encompasses its Services Framework, Performance Management Framework and Measurement Framework;
- continued provision of a forum for collegiate leadership under the authority of the Director-General;
- adoption of the Risk Management Framework;
- continued monitoring of policies and procedures to ensure compliance with legislation and the highest standards of ethical behaviour;
- adoption of an annual budget for financial performance, regular monitoring of results and measures to ensure consistency across budgeting, accounting and reporting systems;
- ensuring continued alignment of the Department's capability with changing business needs;
- continued endorsement of strategic planning processes;
- ensuring adequate reporting systems and control mechanisms for monitoring activities and compliance;
- continued monitoring of audit procedures;
- regular review of the Board's processes and effectiveness.

Board of Corporate Governance committees

Risk management

A significant initiative was the establishment of the Corporate Risk Unit. The unit's charter is to provide corporate management of non-financial risk (i.e. risk not managed by Internal Audit), and one of its significant responsibilities is to maintain the Corporate Risk Register, which identifies the highest risks faced by the Department.

The unit advises the Board of Corporate Governance and is responsible for providing it with reports on:

- environmental management;
- management of the use of hazardous substances and dangerous goods;
- Year 2000 issues.

Achievements

Achievements during 1998–99 included:

- The Department's Risk Management Framework was developed.
- Environmental management: an environmental sub-committee was established within the Risk Management Coordinating Committee. The first phase of implementation of an integrated environmental management compliance system was completed and the administration component of the system was due for completion by September 1999. This initiative recognises the Department's commitment to providing leadership in developing sustainable primary industries.
- Emergency Response Management Task Force: through its Emergency Response Management Task Force (ERMTF), DPI can coordinate its response to any major emergency affecting the State's primary industries. In 1998–99 a major desktop exercise was conducted to test the activation procedures for the ERMTF. This exercise was a success and the lessons learnt are being implemented. The coordinator of the ERMTF ensures that there is ongoing communication with vital external emergency structures such as the State Counter Disaster Organisation.
- Provision of advice: in conjunction with the Policy and Legal Services Business Group, a booklet of guidance to staff who provide advice to clients was distributed. Its purpose is to ensure that advice provided is correct and is the best available. Training in use of the booklet is being provided through the Department's Legal Education Training Program.

- Hazardous substances/dangerous goods: given the nature of their work, many DPI staff frequently handle substances that, if used incorrectly, could be harmful to them and to the environment. To minimise risk, draft guidelines for use of these substances were prepared in consultation with the Workplace Health and Safety Action Committee.

Workplace health and safety

Developments and achievements within workplace health and safety (WH&S) during 1998–99 were based on the continuous improvement approach and focused on prevention, participation and consultation, information management and education.

The WH&S Action Committee continued to identify areas for improvement and introduced management strategies where required. The Department's improved WH&S performance is clearly identified in its reduced worker's compensation costs. The introduction of the new human resource information system (see 'Staff profile') will also improve the maintenance and use of data and thus support management of WH&S.

Achievements

Achievements during 1998–99 included:

- a survey of WH&S staff to identify resource and education needs;
- enhanced 'ownership' of and responsibility for WH&S at a local level;
- a review of common law claims with the aim of improving safety awareness and reducing costs;
- production of a management plan for hazardous substances and dangerous goods;
- audit of all worksites and appointment of WH&S officers and rehabilitation coordinators;
- introduction of DPI Safety Week;
- start of back injury prevention training across DPI.

Finance

The role of the Finance Committee continued to be to oversee the financial management of the Department and to report any important issues or concerns to the Board of Corporate Governance.

The objectives of the committee are to:

- plan, budget and monitor financial performance;
- analyse the monthly performance of business groups;
- ensure that business groups implement strategies to meet financial performance targets;
- detect early warning of potential threats or adverse financial conditions;
- identify, examine and propose processes to minimise business risk;
- approve budget reallocations;
- approve corporate policy.

The deliberations of the Finance Committee include from time to time the statutory bodies included in the Minister's portfolio.

Achievements

During 1998–99 the committee focused on establishing a framework to deliver strong accountability and decision support. It formalised its terms of reference and concentrated on a combination of initiatives to ensure that its objectives are met.

Legislation

The Legislation Committee continued to determine priorities and resourcing needs of the Department's legislative program. Work is in progress to review, amend, or enact:

- animal welfare legislation;
- the *Sugar Industry Act 1991*;
- the *Fisheries Act 1994*;
- a range of fisheries management plans (FMPs);
- legislation to replace the *Stock Act 1915*, the *Brands Act 1915*, the *Exotic Diseases in Animals Act 1981* and the *Animals Protection Act 1925*;
- a range of subordinate legislation affecting a number of primary industries.

Internal audit

The role of the Internal Audit Committee is to help the Director-General fulfil his responsibilities as the accountable officer for the Department. The committee also reports directly to the Board of Corporate Governance.

Achievements

Achievements during 1998–99 included:

- review of the committee's terms of reference;
- approval of a new Internal Audit Charter;
- endorsement of a new Strategic Audit Plan for the Department;
- review and approval of Internal Audit's 1998–99 audit plan;
- maintenance of the departmental focus on self-assessment;
- review of reports by Internal Audit to ensure that long-term corrective actions are taken;
- review and endorsement of the Department's financial statements prior to signature by the Director-General;
- review of all reports from the Queensland Audit Office and of action taken to deal with the matters raised;
- monitoring of development and implementations of the SAP (Systems, Applications and Products) financial and human resource system to ensure that matters raised by Internal Audit and the Queensland Audit Office best practice guidelines were satisfactorily dealt with;
- reporting of high-risk areas in terms of financial accountability, and reporting on them to the Board of Corporate Governance.

Internal Audit Unit

The goals of the Internal Audit Unit continued to be:

- to ensure that the Director-General is provided with advice about the adequacy of the system of internal controls within the Department;

- to ensure that management adopts long-term solutions to identified problems;
- to keep the Internal Audit Committee abreast of relevant risks facing the Department.

The unit provides advisory and review services, through a risk-based assessment of departmental activities, in relation to:

- financial accountability and reporting;
- the effectiveness of internal controls;
- self-assessments;
- special investigations on behalf of the Director-General;
- development and implementation of new systems.

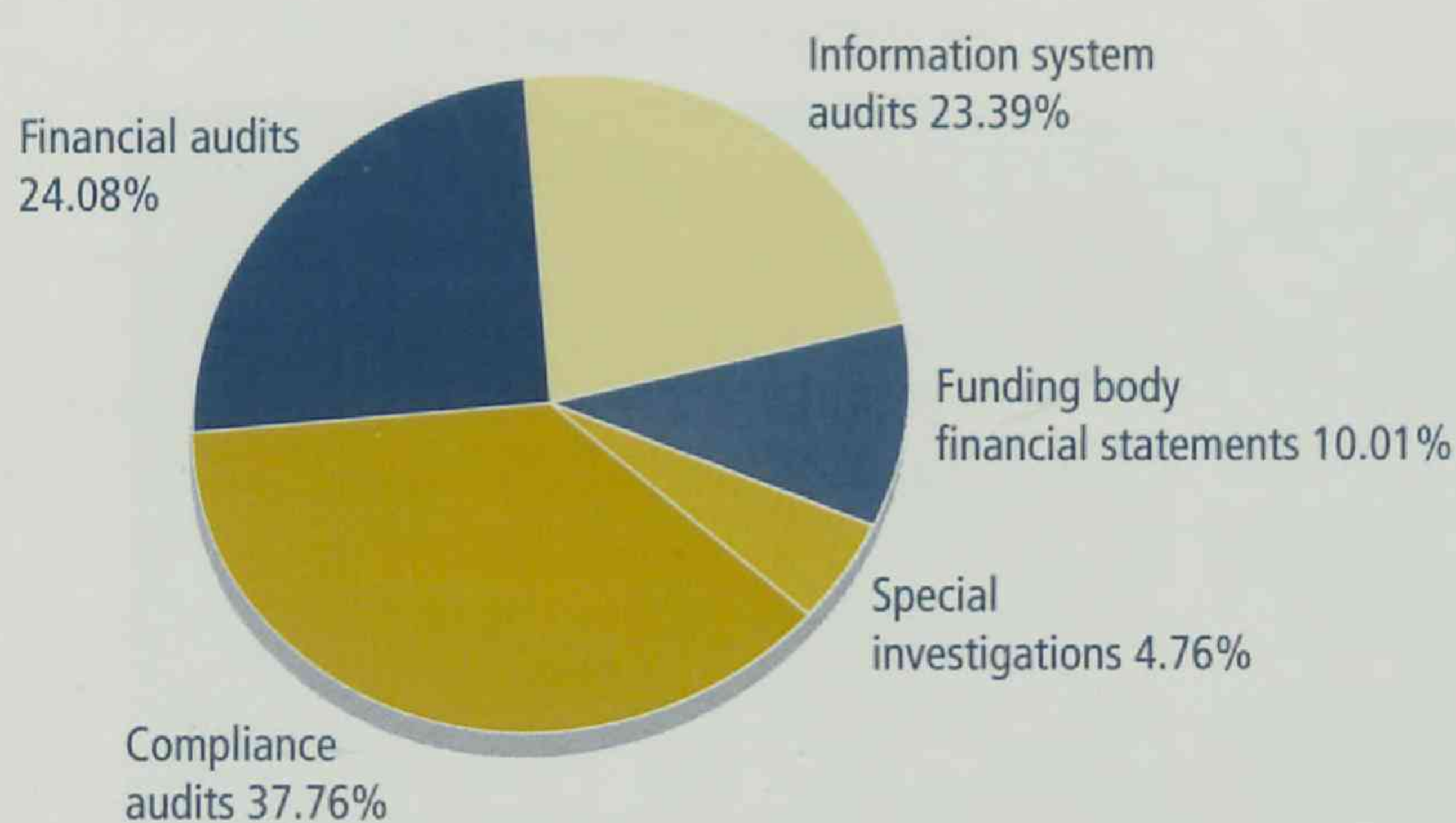
Achievements

In addition to its routine auditing of departmental financial statements the unit during 1998–99:

- audited the development and implementation of the SAP financial and human resource system;
- provided audited statements to 19 funding bodies in respect of 455 projects;
- reviewed all audit work papers to reflect the changes in departmental procedures and implementation of the SAP system;
- reviewed the documentation used by regions and chaired a working party to update the self-assessment process.

All staff were trained in use of the new SAP system. Internal coaching was undertaken with new staff to ensure the best possible results from use of the computer-assisted audit techniques for targeted audits. Support was provided to staff to continue their personal professional development.

Audit activities for 1998–99



Operational Review

At the request of the Director-General, Operational Review regularly conducts reviews of the efficiency, effectiveness and economy of departmental policies, systems and practices. An internal consultancy service is also provided to management, to help diagnose problems and provide integrated solutions in line with the Department's strategic direction. In addition, many of the projects undertaken involve recommendations for the development and implementation of integrated corporate solutions that improve the Department's ability to identify and satisfy the future needs of stakeholders.

Achievements

In 1998–99 Operational Review undertook activities in relation to nearly 100 projects. It helped management to:

- review a number of business and financial processes with a view to improving the use and allocation of departmental resources;
- expedite a number of client service-related activities involving departmental programs;
- quantify and deal with a number of security and resource utilisation and enhancement issues related to the Department's computer infrastructure (in partnership with the Information Systems section);

- clarify the responsibilities and funding arrangements for research facilities;
- move towards implementation of a laboratory quality management system;
- coordinate an approach for provision of a corporate laboratory information management system.

Public Sector Ethics Act 1994—Code of Conduct

The DPI Code of Conduct was published in August 1996 and extensive awareness training was provided to all staff. Since then, all new staff have been provided with a copy of the code in their induction training and DPI's Corporate Services Agency has provided training opportunities. Because of its strong links to client service and good management practice, staff have used the code extensively to ensure that their conduct is in accordance with the standard required by the Department.

Whistleblower's Protection Act 1994

The Department has a clear policy detailing the support and protection for whistleblowers and a guide for making and handling public interest disclosures. Staff have been made aware of their entitlements in this regard and training kits issued to all managers. In 1998–99 no public interest disclosures were reported to the Director-General under the provisions of this Act.

Staff profile

In 1998–99 DPI continued to implement strategies to ensure that staff are encouraged and helped to provide outstanding service to the Department's clients and stakeholders. It consolidated current strategies and introduced new ones to provide the Department with the staff and skills necessary to achieve its objectives and position itself for the future.

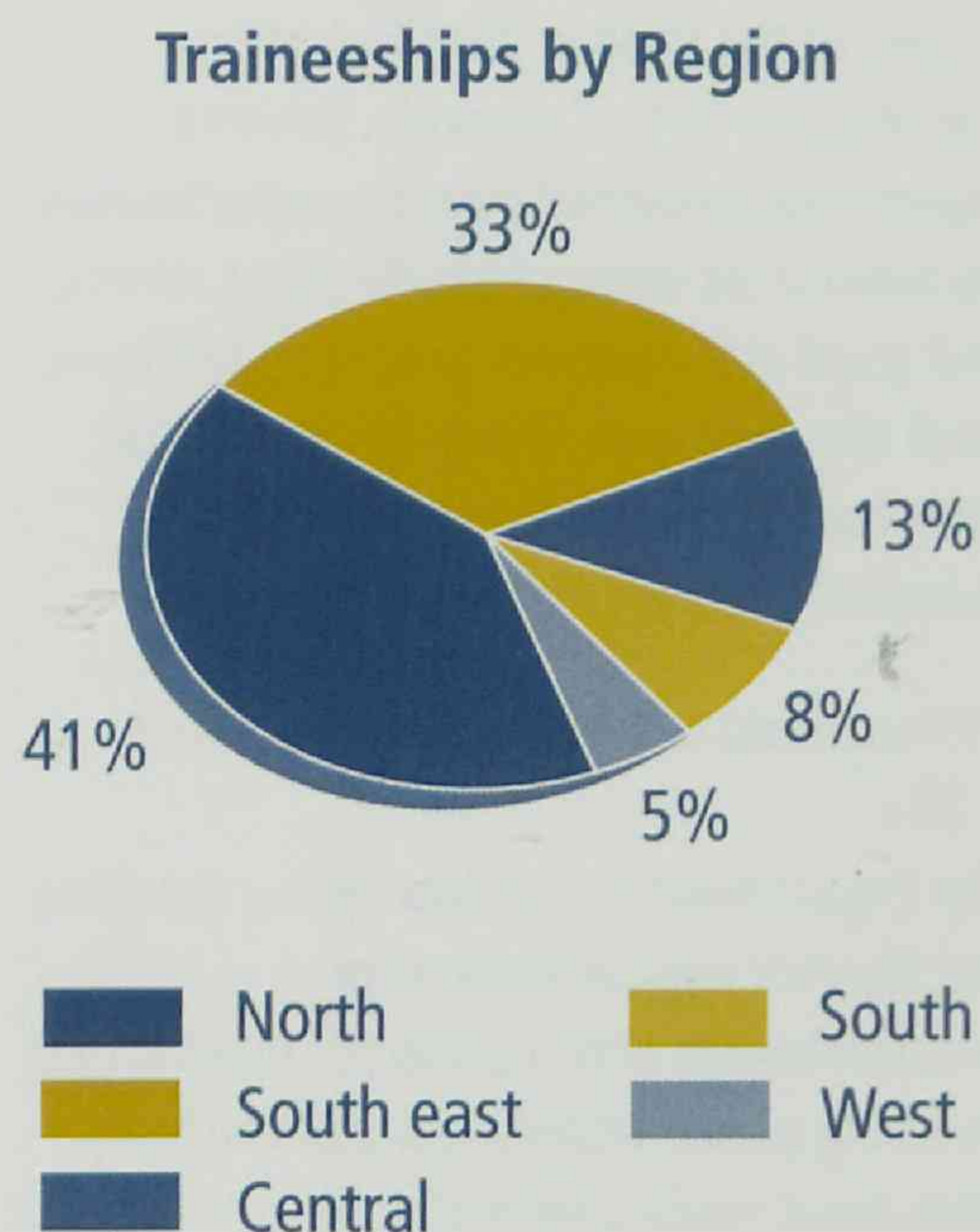
Rural employment generation—staffing for the future

DPI focused attention on generating rural employment by actively participating in the Government's 'Breaking the Unemployment Cycle' initiative to meet regional employment needs, alleviate skill shortages in industries, and improve participation of those disadvantaged in the labour market. In addition, DPI fulfilled a government commitment by offering scholarships to tertiary students as a prelude to employment within the Department.

Traineeships

DPI engaged 39 new trainees during 1989–1999. The traineeships were targeted at school leavers and the unemployed, particularly in regional centres and areas of high unemployment. The areas involved were rural skills, laboratory practices, office administration, information technology, deckhand skills and horticulture. Two-thirds of the trainees were from outside the South East Region.

One notable success was the recruitment of 10 Aboriginal and Torres Strait Islander trainees—a quarter of the total. Six of these were engaged in Coen for a community-assisted surveillance role within the North Region identifying potential pest risks. Apart from the valuable training provided, DPI was able to strengthen its presence and its relationship with the local Aboriginal communities.



Scholarships

The DPI scholarship program was established in line with a government commitment to ensure that DPI positions itself to have the skills it requires in the future, and to generate opportunities and employment in rural and remote areas of Queensland.

Scholarships were offered to students across the State to work in areas including plant breeding, biotechnology, market development, woodland ecology and information technology. There are currently nine scholarship holders contracted to complete studies during the next two to three years, with a commitment to work subsequently for the Department.

Workforce profile—monitoring our staffing

Human resource data collection

The staff profiles of the Department as a whole, as well as of individual business groups and institutes, continued to be monitored. Trends routinely collected and analysed include number of staff, rural employment, classification profiles, information on ageing, turnover, permanent–temporary ratios, equal employment opportunity data, and training and development expenditure. These data are provided to management teams and other staff to help them formulate workforce plans and make business decisions.

The Department continued to participate in a national survey so as to ensure access to a range of human resource benchmarks to inform its decision making.

DPI progression schemes

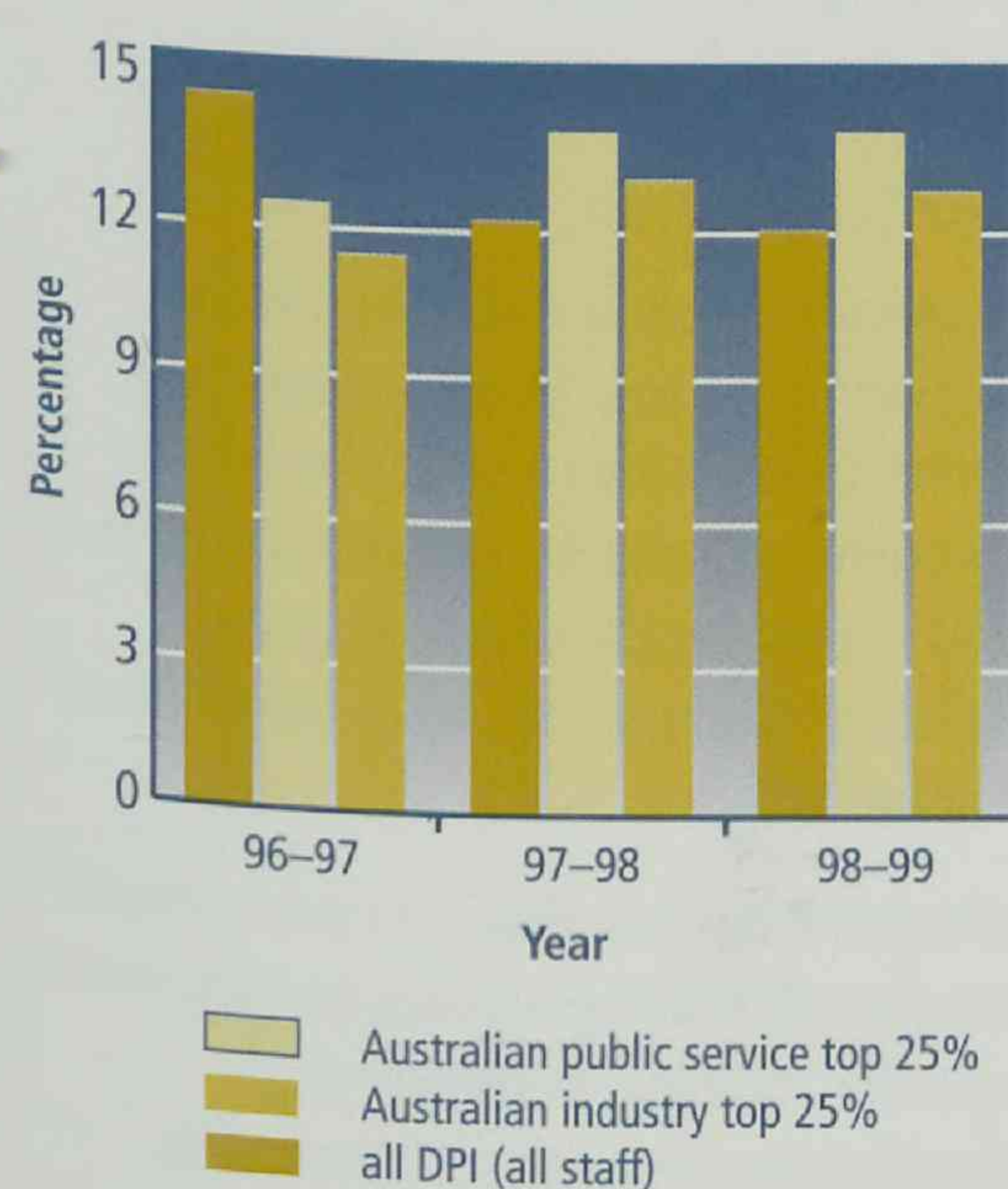
The successful DPI progression schemes for both professional and technical staff were continued into a second round. Under the Professional Progression Scheme 39 staff were progressed one classification level, and under the Technical Progression Scheme progression was approved for 46 staff—in total approximately 5% of all professional and technical staff employed. The schemes have been instrumental in improving the career opportunities of staff in both

categories as well as the professional and technical profiles of the Department.

Turnover

A significant success for the Department during the past three years has been a reduction in staff turnover to a rate that is within the best 25% of all industry in Australia. In 1996–97 staff turnover in DPI peaked at 14.69%, a level seen to have potentially serious medium- to long-term consequences. Initiatives implemented during the past two years were continued and enhanced in 1998–99. They included mentoring programs, increased training and development opportunities, staff and client surveys, improved conditions of service through enterprise bargaining, DPI's Rural Area Incentive Scheme, innovative work and family practices, Equal Employment Opportunity (EEO) strategies, progression schemes and rural employment initiatives.

Staff Turnover, 1996–97 to 1998–99



Equal employment opportunity—building a diverse and representative workforce



Pictured at the launch of the Aboriginal and Torres Strait Islander Employment Strategy are (left to right) Kalkadoon (Mt Isa) elder, Aunty Ella Gordon; DPI director-general, Dr Warren Hoey; DPI Equity and Access principal consultant, Chris Barney; Ngugi (Moreton district) elder, Uncle Bob Anderson; and DPI Corporate Performance executive director, John Skinner.

DPI finalised its new EEO plan in 1998–99. It features a new set of strategies and targets for education of staff and the enhancement of employment opportunities for target groups. Strategies incorporate a 'managing for diversity' element that focuses on staff management, retention and productivity, ensuring that all staff contribute to the Department's outcomes. Strategy elements focus particularly on women's participation in decision making in the rural industries and on Aboriginal and Torres Strait Islander employment.

In addition, new staff Equity Focus Groups were established in the North and South East regions to complement the group in South Region. These groups use the DPI EEO Management Plan 1998–2001 as a guideline when focusing on equity issues in their regions. They have been instrumental in developing local initiatives in the work and family area.

Work and family

The Department continued with its work and family initiatives. A family use initiative for the more flexible use of government vehicles was implemented in the South Region. Its aim is to increase

officers' quality time with their children and allow more flexibility for those juggling work and family commitments. An evaluation of the change showed that this had in fact occurred. Several staff have also used this initiative to enable their spouses or other family members to accompany them on long drives, with a resulting improvement in safety.

The Department opened a new carer's room in Toowoomba.

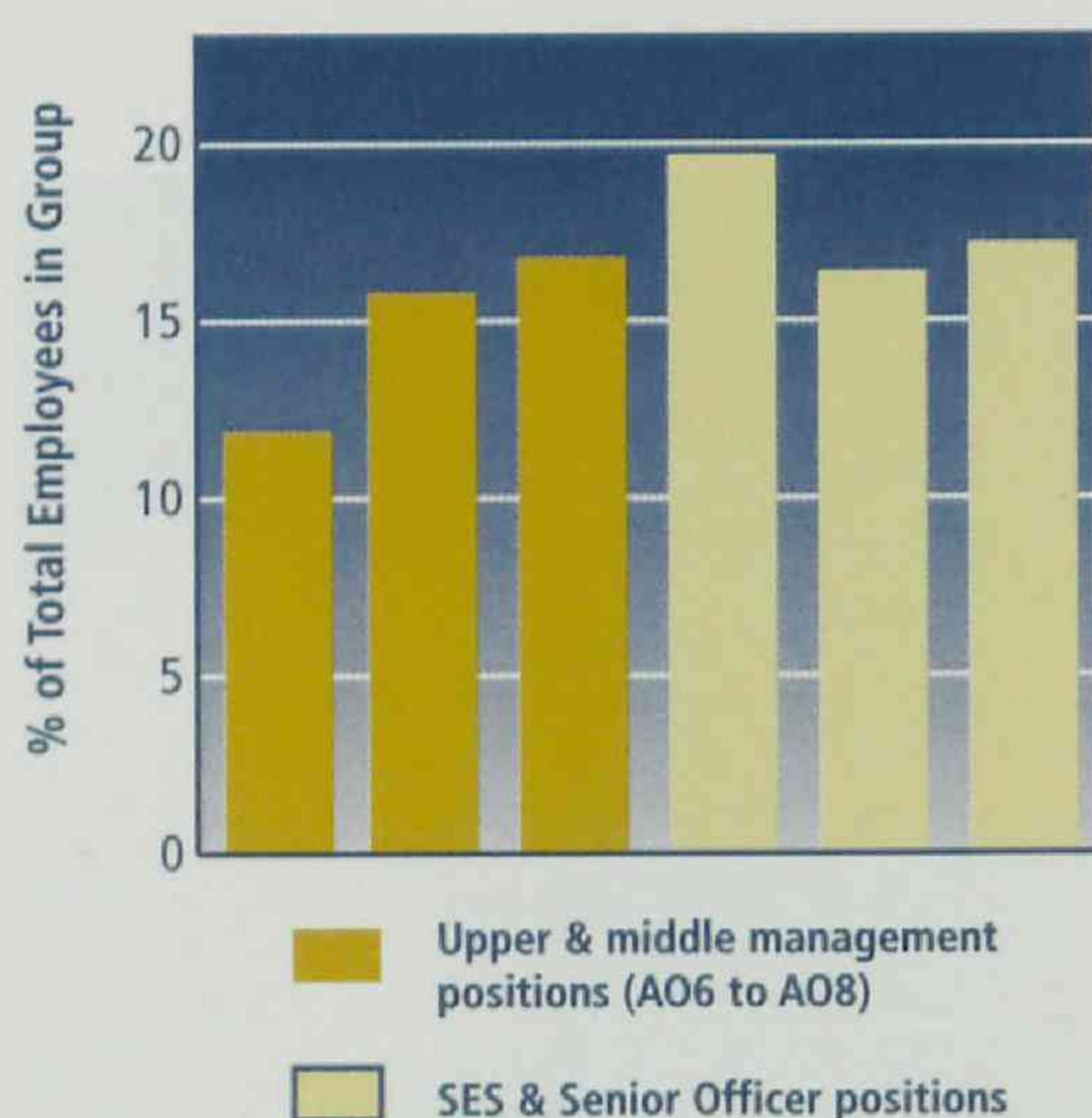
Telecommuting

Development of a formal telecommuting program got underway with consultation of DPI staff throughout the State, and equity focus groups. The program aims to enhance flexibility in workforce practices and to take account of the varied patterns of employment within DPI.

Women

Women comprise only 2.8% of members of the boards of statutory bodies associated with the Department, and just 16% of members of boards and committees of DPI itself. Female representation on boards has traditionally been low; in order to improve it 'best practice' guidelines developed in 1997 are being reviewed. Women are also

Women in Senior and Middle Management Positions



The Department offers its condolences to the family and friends of Kieran Mahony (Animal Research Institute, Yeerongpilly) and Jeremy Hunter (South Johnstone Research Station) who passed away during the year.

targeted in the advertising and recruitment to vacancies on institute boards.

Currently women occupy 17% of Senior Executive Service and Senior Officer positions. DPI is performing well against specific targets set by the Office of the Public Service Commissioner (OPSC), and in negotiation with OPSC has set a slightly higher target of 21.2% for women in senior positions by the year 2000. In middle and upper management (AO6 equivalent and above) women occupy 17% of positions; the target is 20.5% by the year 2000.

Harassment Referral Officers

DPI has 76 Harassment Referral Officers (HROs) strategically placed throughout the regions. These officers are nominated by supervisors and managers and have been successful in introducing awareness mechanisms in work units. They have an effective communications network with an HRO monthly newsletter. Training and development occurs annually or on a needs basis, as requested. The officers are from diverse levels and cultural backgrounds.

A&TSI employment strategy

DPI launched its Aboriginal and Torres Strait Islander Employment Strategy in April 1999 in accordance with its EEO Management Plan. The initial three years of the strategy will provide a benchmark for Aboriginal and Torres Strait Islander people's future access to and participation in the DPI workforce. The strategy aims to improve client service as well as fulfil the Department's commitment to achieving a more diverse workforce.

Currently Aboriginal and Torres Strait Islander employees make up 0.7% of the workforce; DPI's target is to raise their representation to 2% by 2001. Work has already begun on achieving this target, with the recent appointment of 10 new trainees (see 'Traineeships' above). Workshops in May and June 1999 for Aboriginal and Torres Strait Islander staff established a network for these staff and enhanced their access to training and

development opportunities. Cross-cultural training workshops have started, targeting managers and other personnel who work with Aboriginal and Torres Strait Islander staff. DPI targeted Aboriginal and Torres Strait Islander applicants for two scholarships, and in 1999 participated in four career expos that specifically targeted Aboriginal and Torres Strait Islander youth.

Reconciliation Forum

DPI conducted a Partnerships Through Reconciliation Forum in June 1999 to celebrate Reconciliation Week and the consolidation of partnerships between the Department and the Aboriginal and Torres Strait Islander community. Speakers dealt with community farm management and planning, and the spiritual relationship with the land. This forum enhanced relationships and consolidated initiatives being taken in such programs as Futureprofit and Building Rural Leaders (see 'Rural Industry Business Services').

Multiculturalism

Multiculturalism is recognised in the Department's EEO Management Plan, which incorporates a multi-disciplinary approach to cater for the diversity of staff and clients. People of non-English-speaking backgrounds comprise 6.5% of the workforce.

The QBFP has coordinated cross-cultural awareness training workshops with new recruits, focusing on broadening communications with the community. Torres Strait Islander officers with QBFP have participated as guest speakers in cross-cultural workshops.

Persons with disabilities

Persons with disabilities comprise 7.5% of the DPI workforce. In 1998 lifts in the Primary Industries Building in Brisbane were upgraded to cater for persons in wheelchairs and improve security for people with impaired hearing.

Enterprise bargaining— rewarding productivity and enhancing client service

Staff covered by the DPI and Corporate Services enterprise bargaining agreements received a 4% wage increase on 1 July 1998 after DPI demonstrated achievement of the productivity targets outlined in the agreements. A final increase was to be paid from 1 July 1999, following demonstration of the required productivity achievements. The Department's productivity initiatives are tied to its strategic imperatives and focus on client service, staff performance, and efficiencies in use of resources.

Good progress was made in implementing the action plans and strategies that were developed out of the client survey conducted in October 1997. The follow-up survey initially scheduled for April 1999 has been re-scheduled for November 1999 to derive maximum benefits from implementation of the action plans and strategies (see 'Clients—DPI's commitment').

The Rural Area Incentive Scheme (RAIS) locality index was reviewed in November 1998 after its first 12 months in operation. The Department received a number of submissions seeking revised locality ratings or locality allowances. The Deputy Director-General approved revised ratings and allowances in February 1999; further reviews are planned every two years to ensure that the index reflects accurately the incentives needed to attract and retain staff in rural centres.

A review of working hours enabled a number of institutes and business groups to amend or extend their working hours arrangements to better meet their staff, client and business needs. The review also resulted in clearer guidelines for staff on their attendance entitlements.

Queensland Boating and Fisheries Patrol Certified Agreement

DPI has been working with staff and their associations for the past three years to review employment conditions of QBFP staff. A separate Certified Agreement for these staff was negotiated and in February 1999 approved by Cabinet.

In recent years the roles and duties of QBFP officers have become considerably more complex. Patrol officers are required to acquire and use a broader range of technical competencies than previously, particularly in resource management, habitat protection and community education.

The agreement places QBFP field staff, including district managers, onto an interim classification stream as a vehicle to move them later from existing classification levels in the administrative and operational streams to the technical stream. It also encourages acquisition of new skills by patrol officers and the recognition of their existing skills.

The Certified Agreement commits the parties to discussions to review all conditions so that appropriate long-term employment arrangements are aligned to the needs of both QBFP and its employees. Agreed arrangements will be included in DPI's next broad Certified Agreement in 2000.

New human resource information system—having the right tools to manage staff entitlements and information

The Department implemented its new Human Resource Management Information System in May 1999. This system is Year 2000-compliant and fully integrated with the Department's finance system, allowing for more efficient links between human resource data and finance processes such as assets registers, delegations and budgeting information. For the first time the Department has a fully integrated human resource system that not only pays staff and records leave and establishment details, but also records and monitors training and development, workplace health and safety, and recruitment information. In addition wage and salaried staff are now paid under a single system, simplifying pay and reporting processes.

The Department expects to realise the benefits of the new system over the next 12 months as its new functions are fully utilised.

Workplace health and safety—committing ourselves to the safety of our staff and clients

The Department continued its commitment to workplace health and safety (WH&S) by focusing on the continuous improvement practices and framework set down by the WH&S Action Committee established during 1998. In particular the establishment and maintenance of an effective WH&S infrastructure, and the provision of resources and training to foster awareness of staff and managers, were considered key priorities in 1998–99.

WH&S training has focused on enhancing 'ownership' of and responsibility for safety issues at a local level. Revised standards were published to clearly identify responsibilities and processes. WH&S

officers were provided with extra training and readily available resources. The introduction of DPI Safety Week (May 1999) helped raise awareness of WH&S and broadened participation across all staff. Audit programs continued, with emphasis on local responsibility for identifying and resolving safety risks.

One measure of DPI's effectiveness in this area is its history of worker's compensation claims (see graphs). Its rate of claims and expenditure is low compared with that of like organisations.

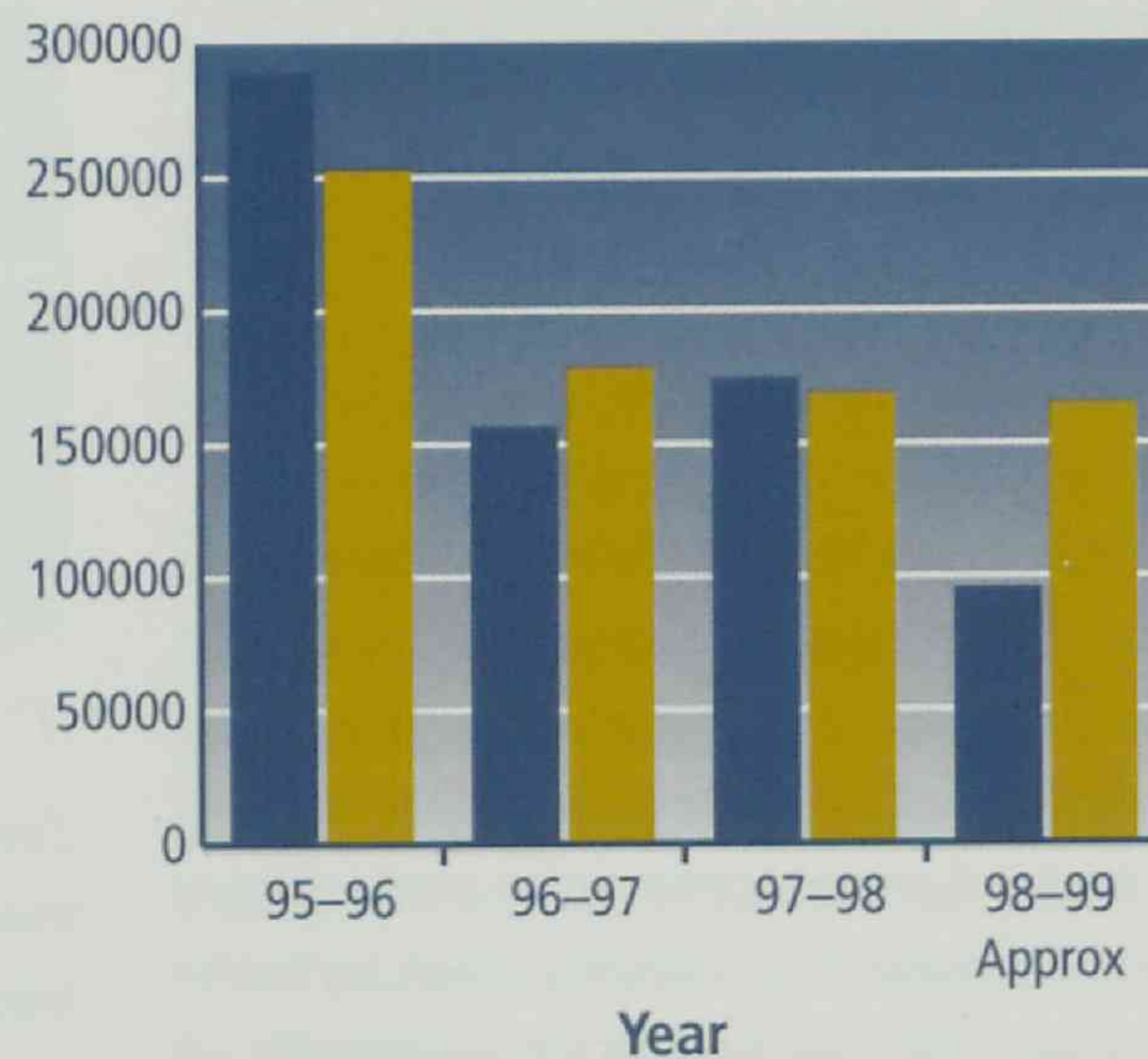
Awards—rewarding staff and recognising their contributions

DPI recognises the outstanding contributions of its staff to the achievement of its corporate goals and the continuing prosperity of Queensland's rural industries.

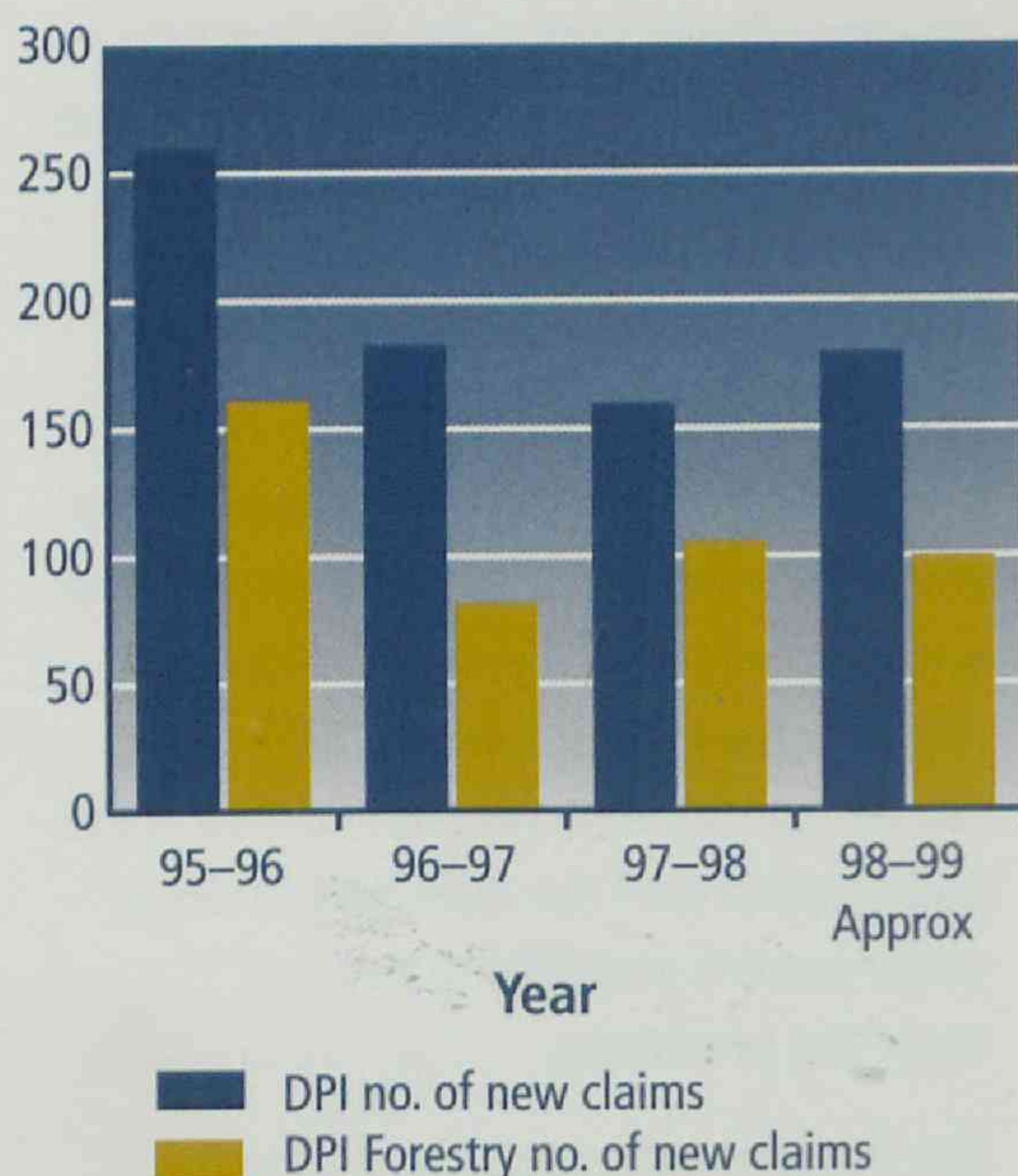
The 1998 departmental Client Service Awards recognised excellence in various areas of Queensland's primary industries on the basis of nominations from primary producers, other individuals, groups and organisations across the State. DPI teams and individual staff were recognised in six award categories:

- Townsville Crocodile Research Group (AGID): award for supporting a new and emerging industry;
- Fish Health Services (Fisheries): honourable mention for supporting a new and emerging industry;
- 'Behind Every Queenslander' documentary (Forestry): award for supporting an established industry;
- Papaya Fruit Fly Eradication Campaign (APHS): merit for supporting an established industry;
- DPI—Hungry Jack's Primary Industries Public Awareness Program (RIBS): award for innovative service delivery;
- microbiologist Carol Stephens: award for innovative R&D into avian intestinal spirochaetes;
- DPI's Library Services (RIBS): award for cross business unit service innovations;
- administration officer Sue Hallam: award for outstanding client service to DPI research extension staff and external funding agencies;
- administration officer Christine Ussher: merit for outstanding internal service and support to DPI's Delta Research Station;
- administration officer Margaret Wells: merit for outstanding internal service and support to the Farming Systems Institute.

DPI WH&S Financial Costs
Statutory Claims



DPI WH&S Claims History
Statutory Claims



Six DPI officers were awarded Achievement Medallions in the Australia Day honours list: Bundaberg horticulturist Jeff Barnes; Queensland Forestry Research Institute principal scientist Dr Ross Wylie, Indooroopilly; Bowen Research Station senior horticulturist Des McGrath; Live Cattle Export Systems project leader Roger Kaus, Townsville; Intensive Livestock principal policy officer Nick Delaney, Brisbane; and DPI Cunnamulla district stock inspector Murray Wingett.

Many DPI staff and work teams were recognised in 1998–99 by professional and client organisations for their outstanding contribution to industry or their discipline. Some examples are:

- Senior extension officer Col Paull of the Queensland Centre for Climate Applications and extension officers Veronica Chapman and Jason Keys won the Best Communicator Award at the Meat Profit Day held in Emerald in April 1999.
- Baden Lane, manager of DPI's Shark Control Program, was awarded a Churchill Fellowship to study the benefits of acoustic warning systems to reduce bycatch in net fishing operations.
- Australian Tropical Dairy Institute Director Professor Tom Cowan was enrolled as a Fellow of the Australian Society of Animal Production.
- DPI Field Crops General Manager Don McNee, and Mackay-based senior pasture agronomist Harry Bishop, were made Fellows of the Australian Institute of Agricultural Science and Technology.
- DPI Library Services Manager Cathy Campbell won the Australian Library and Information Association (ALIA) Queensland Special Librarian of the Year Award.
- Dave Schofield, manager of the Gatton Research Station (Queensland Horticulture Institute) was named Gatton Shire's Australia Day Citizen of the Year.
- DPI Nambour apiary experimentalist Hamish Lamb was recognised by *The*

Australian Farm Journal as one of the top 200 successful young achievers in Australian agriculture.

- DPI Toowoomba-based principal plant pathologist Dr Joe Kochman was named 1998 Cotton Researcher of the Year.
- Ingham QBFP district officer Bob Koch and officers Paul Nichols and Scott Hillier were recognised for their bravery in two rescues during cyclone Sid (December 1997).
- The DPI Call Centre won the 1998 Customer Service Award at the Telstra/ATA National Call Centre Awards.

Recipients of awards offered by DPI business groups and by institutes included:

- administration officer John Arrowsmith, winner of the inaugural APHS Excellence and Achievement Award, and Chemical Services inspectors Jan deVries and Steven Matthews, who won the following award;
- DPI's Intensive Livestock Environmental Management Services manager Tim Streeten, Toowoomba, who won the inaugural Australasian Pig Institute Achievement Award for his contribution to the pig industry;
- Gympie-based administration officer Jackie Kyte, whose contribution towards the establishment of DPI's Queensland Beef Industry Institute was acknowledged by the Institute's board;
- staff from Hermitage Research Station, winners of the South Region Top Team Award for organising the 1998 Plant Science Competition for school students, years 1–12; and Wendy McLeish, Lloyd Dunlop, Geoff Knights, Bob Armstrong, Arthur Le Feuvre and Deborah Maxwell, other winners of that award for their project 'Parasite control and chemical residues discussion days'.

Performance planning and staff development—building capacity for the future

The Department has successfully continued to implement its policy on planning and managing performance. This policy focuses on performance planning and early intervention in potential performance and discipline cases. It is expected that continuous improvement in performance planning and review processes will result in improved productivity and client service and fewer discipline cases.

During the year the project 'Positioning DPI for the Future' made a positive impact on the development of staff. Employees' understanding of the strategies, services and staff skills that DPI will need to perform competitively and effectively in the future has been enhanced through the establishment of learning networks and dissemination of information. To date some 20 learning networks have been established throughout the State to foster individual and team learning.

DPI continued to give high priority to leadership development. So far 23 senior managers have attended the Executive Leadership Development Program and 16 have attended Leadership in Action programs. In 1998–99, 37 staff attended the Foundations of Effectiveness program conducted by DPI senior managers and facilitators.

DPI remains committed to the development of its staff. A target of 5% of salary budgets was set for expenditure on staff training and development activities in 1998–99, a figure that was in fact exceeded.

Financial Snapshot

	1999 \$'000	1998 \$'000	1997 \$'000	Change 1998-99	Change 1997-98
Financial Position as at 30 June 1999					
Total Assets	1,296,046	1,227,178	1,406,851	5.6%	-12.8%
Current Assets	51,305	45,384	55,762	13.0%	-18.6%
Total Liabilities	158,178	161,188	169,428	-1.9%	-4.9%
Current Liabilities	46,345	50,058	55,720	-7.4%	-10.2%
Total Equity	1,137,868	1,065,990	1,237,423	6.7%	-13.9%
Operating Result for the Year Ended 30 June 1999					
Total Operating Revenues	157,449	162,664	155,616	-3.2%	4.5%
Total Operating Expenses	345,883	347,476	327,737	-0.5%	6.0%
Net Cost of Services	188,434	184,812	172,121	2.0%	7.4%
Total Revenues from Government	208,789	180,935	178,509	15.4%	1.4%
Cash Flows for the Year Ended 30 June 1999					
Cash Inflows	371,832	367,927	347,746	1.1%	5.8%
Cash Outflows	(369,578)	(371,686)	(350,857)	-0.6%	5.9%
Cash at Beginning of the Financial Year	7,736	11,495	14,606	-32.7%	-21.3%
Cash at End of the Financial Year	9,990	7,736	11,495	29.1%	-32.7%

Operating Expenses

DPI continued its support of research and development in primary industries with grants and subsidies totalling \$12.7 million during the year, (\$13.2 million in 1997-98).

Employee expenses remained at an acceptable level, representing 56.7% of total operating expenses, (54.5% in 1997-98).

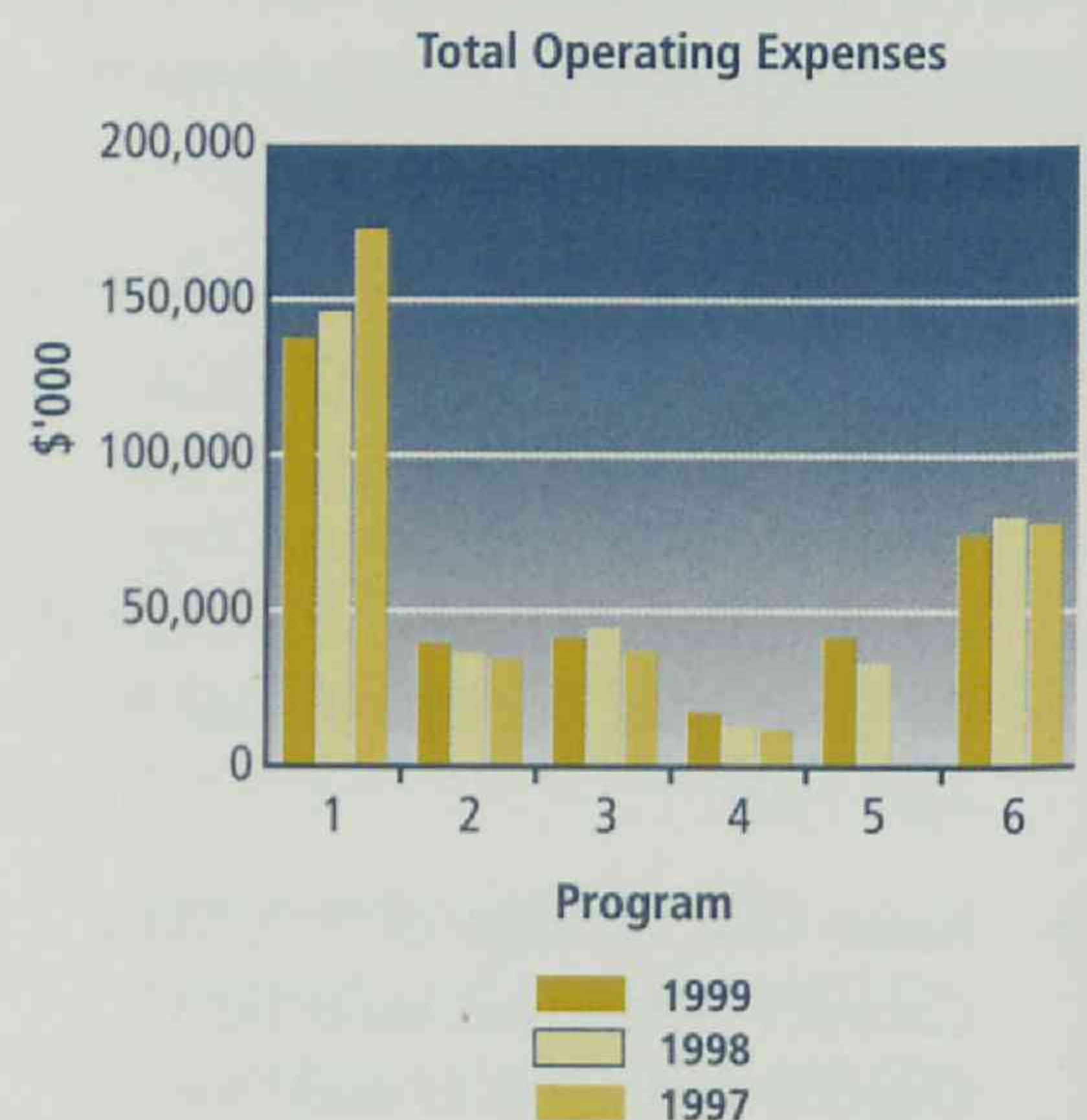
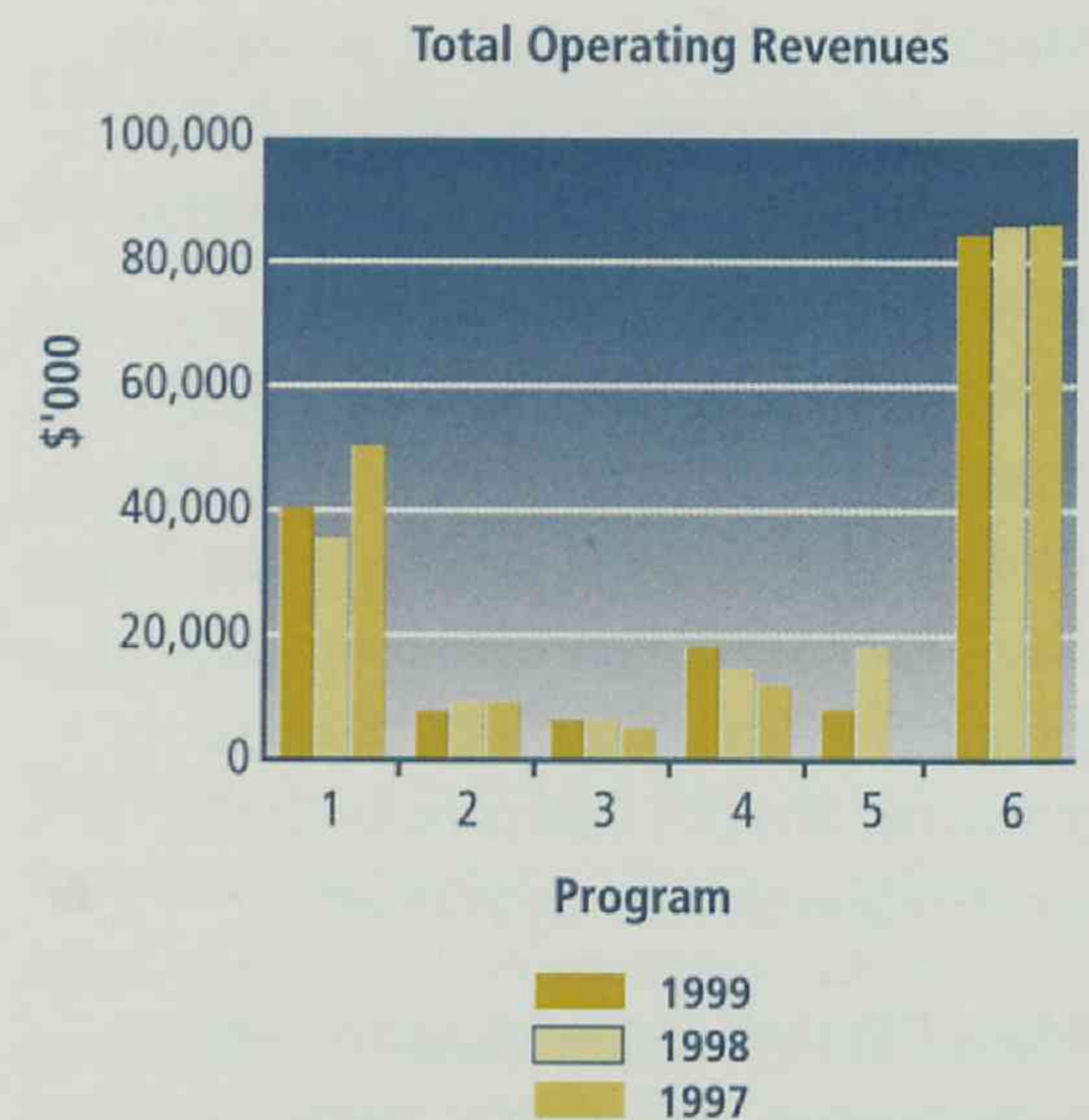
The proportion of supplies and services to total operating expenses has decreased to 27.4%, (28.2% in 1997-98).

Operating Revenues

Royalties and other territorial revenue continue to be the largest source of revenue for the Department at 46.3% of total operating revenue, (43.8% in 1997-98).

Grants and other contributions were 21.8% of total operating revenue, (27.3% in 1997-98).

Also significant are User charges, taxes, fees, and fines, which amount to 24.0% of total operating revenue, (21.1% in 1997-98).



Legend for Programs

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OPERATING STATEMENT
for the Year Ended 30 June 1999

	Notes*	DPI Consolidated		DPI Parent Entity	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
OPERATING EXPENSES					
Employee Expenses	4	196,012	189,274	157,296	148,728
Supplies and Services	5	94,657	98,107	77,537	77,881
Depreciation and Amortisation	6	19,317	19,273	14,242	13,849
Grants and Subsidies	7	12,704	13,216	12,160	13,030
Other	8	23,193	27,606	17,738	21,157
Total Operating Expenses		345,883	347,476	278,973	274,645
OPERATING REVENUES					
User Charges, Taxes, Fees and Fines	9	37,790	34,302	33,414	29,777
Grants and Other Contributions	10	34,314	44,355	34,123	44,112
Royalties and Other Territorial Revenue	11	72,886	71,305	587	630
Property Income	12	1,218	825	915	495
Other	13	11,241	11,877	12,163	9,355
Total Operating Revenues		157,449	162,664	81,202	84,369
NET COST OF SERVICES	29	188,434	184,812	197,771	190,276
Revenues (to) / from Government					
Parliamentary Appropriations	14	206,386	185,563	206,386	185,563
Liabilities Transferred	14	492	275	103	201
Assets Assumed / (Transferred)	14	1,911	(4,903)	1,801	(4,903)
Total Revenues from Government		208,789	180,935	208,290	180,861
Increase / (Decrease) in Net Assets before Abnormal Items and Dividends		20,355	(3,877)	10,519	(9,415)
Abnormal Items before Income Tax	15	-	(15,667)	-	-
Increase / (Decrease) in Net Assets after Abnormal Items and before Income Tax		20,355	(19,544)	10,519	(9,415)
Income Tax on Operating Result and Abnormal Items	38	-	-	-	-
Increase / (Decrease) in Net Assets before Dividends		20,355	(19,544)	10,519	(9,415)
Dividends Provided for	26	(4,633)	(3,868)	-	-
Increase / (Decrease) in Net Assets	28	15,722	(23,412)	10,519	(9,415)

* The accompanying Notes on Pages 85 - 118 form an integral part of the Financial Statements.

OPERATING STATEMENT (Continued)
for the Year Ended 30 June 1999

EXPENSES AND REVENUES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

	Notes*	DPI Consolidated		DPI Parent Entity	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
ADMINISTERED EXPENSES					
Supplies and Services	5	-	10	-	10
Grants and Subsidies	7	1,226	3,517	1,226	3,517
Other	8	-	(5)	-	(5)
Total Administered Expenses		1,226	3,522	1,226	3,522
ADMINISTERED REVENUES					
User Charges, Taxes, Fees and Fines	9	661	574	661	574
Grants and Other Contributions	10	-	45	-	45
Royalties and Other Territorial Revenue	11	-	136	-	136
Property Income	12	796	908	796	908
Other	13	-	830	-	830
Total Administered Revenues		1,457	2,493	1,457	2,493
NET COST OF ADMINISTERED SERVICES					
Revenues (to) / from Government					
Parliamentary Appropriations		1,259	2,831	1,259	2,831
Assets Transferred		(1,471)	(2,420)	(1,471)	(2,420)
Total Revenue (to) / from Government		(212)	411	(212)	411
Increase / (Decrease) in Administered Net Assets	28	19	(618)	19	(618)

* The accompanying Notes on Pages 85 - 118 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION
as at 30 June 1999

	Notes*	DPI Consolidated		DPI Parent Entity	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
CURRENT ASSETS					
Cash	16	9,990	7,736	1,775	(122)
Receivables	17	34,513	28,873	22,422	20,252
Inventories	19	4,808	5,547	2,093	2,668
Other	20	1,994	3,228	1,736	2,966
Total Current Assets		51,305	45,384	28,026	25,764
NON-CURRENT ASSETS					
Receivables	17	471	803	47	220
Investments	18	79	55	79	55
Inventories	19	68	99	68	99
Property, Plant and Equipment	21	256,422	247,492	190,200	178,675
Intangibles	22	4,031	-	4,031	-
Other	20	-	83	-	83
Total Non-Current Assets		261,071	248,532	194,425	179,132
SELF-GENERATING AND REGENERATING ASSETS					
Plantation Growing Timber		980,952	930,826	-	-
Livestock		2,718	2,436	2,718	2,436
Total Self-Generating and Regenerating Assets		983,670	933,262	2,718	2,436
TOTAL ASSETS		1,296,046	1,227,178	225,169	207,332
CURRENT LIABILITIES					
Creditors	24	10,004	12,584	8,170	8,311
Borrowings	25	574	4,692	574	764
Provisions	26	26,358	24,133	17,423	15,966
Other	27	9,409	8,649	7,632	8,387
Total Current Liabilities		46,345	50,058	33,799	33,428
NON-CURRENT LIABILITIES					
Creditors	24	409	284	409	284
Borrowings	25	76,578	77,667	158	732
Provisions	26	34,846	33,179	26,796	25,249
Total Non-Current Liabilities		111,833	111,130	27,363	26,265
TOTAL LIABILITIES		158,178	161,188	61,162	59,693
NET ASSETS		1,137,868	1,065,990	164,007	147,639
EQUITY					
Accumulated Surplus	28	1,082,773	1,062,542	160,841	145,319
Reserves:					
- Asset Revaluation Reserve	28	4,969	3,448	3,166	2,320
- Plantation Growing Timber Revaluation Reserve	28	50,126	-	-	-
TOTAL EQUITY		1,137,868	1,065,990	164,007	147,639

* The accompanying Notes on pages 85 - 118 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION (Continued)
as at 30 June 1999

ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

	Notes*	DPI Consolidated		DPI Parent Entity	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
CURRENT ASSETS					
Receivables	17	75	38	75	38
Total Current Assets		<u>75</u>	<u>38</u>	<u>75</u>	<u>38</u>
TOTAL ASSETS		<u>75</u>	<u>38</u>	<u>75</u>	<u>38</u>
CURRENT LIABILITIES					
Creditors	24	82	64	82	64
Total Current Liabilities		<u>82</u>	<u>64</u>	<u>82</u>	<u>64</u>
TOTAL LIABILITIES		<u>82</u>	<u>64</u>	<u>82</u>	<u>64</u>
ADMINISTERED NET LIABILITIES		<u>(7)</u>	<u>(26)</u>	<u>(7)</u>	<u>(26)</u>
EQUITY					
Accumulated Deficit	28	(7)	(26)	(7)	(26)
TOTAL EQUITY		<u>(7)</u>	<u>(26)</u>	<u>(7)</u>	<u>(26)</u>

* The accompanying Notes on pages 85 - 118 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS
for the Year Ended 30 June 1999

	Notes*	DPI Consolidated		DPI Parent Entity	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Inflows:</i>					
User Charges, Taxes, Fees and Fines		113,960	114,447	30,769	34,872
Grants and Other Contributions		35,129	44,317	35,048	44,253
Interest		419	362	-	-
Other		2,480	1,800	2,480	1,806
<i>Outflows:</i>					
Employee Expenses		(191,812)	(191,094)	(153,218)	(150,122)
Supplies and Services		(102,896)	(96,116)	(72,925)	(78,374)
Grants and Subsidies		(12,585)	(13,322)	(12,041)	(13,135)
Interest and Other Costs of Finance		(6,227)	(9,040)	(106)	(156)
Taxation Equivalents		(235)	(307)	-	-
Other		(8,423)	(15,651)	(10,932)	(15,655)
Net Cash Used in Operating Activities	29	(170,190)	(164,604)	(180,925)	(176,511)
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Inflows:</i>					
Proceeds from Sale of Property, Plant and Equipment		2,589	3,905	1,209	2,286
Loans and Advances		28	42	28	42
<i>Outflows:</i>					
Purchases of Property, Plant and Equipment		(29,290)	(26,459)	(25,733)	(20,852)
Investments Acquired		-	(7)	-	(7)
Net Cash Used in Investing Activities		(26,673)	(22,519)	(24,496)	(18,531)
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Outflows:</i>					
Repayment of Borrowings		(5,207)	(6,723)	(764)	(1,764)
Lease Payments		(65)	(97)	(65)	(97)
Dividends Paid		(3,868)	(5,060)	-	-
Net Cash Used in Financing Activities		(9,140)	(11,880)	(829)	(1,861)
CASH FLOWS (TO) / FROM GOVERNMENT					
<i>Inflows:</i>					
Parliamentary Appropriations		217,227	203,054	217,227	203,054
<i>Outflows:</i>					
Transfers to Government		(8,970)	(7,810)	(9,080)	(7,810)
Net Cash Provided by Government	14	208,257	195,244	208,147	195,244
Net Increase / (Decrease) in Cash Held		2,254	(3,759)	1,897	(1,659)
Cash at the Beginning of the Financial Year		7,736	11,495	(122)	1,537
Cash at the End of the Financial Year	16	9,990	7,736	1,775	(122)
Non-Cash Financing and Investing Activities	30				

STATEMENT OF CASH FLOWS (Continued)
for the Year Ended 30 June 1999

CASH FLOWS ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Inflows:				
User Charges, Taxes, Fees and Fines	662	390	662	390
Royalties and Other Territorial Revenue	33	1,104	33	1,104
Property Income	776	915	776	915
Parliamentary Appropriations	1,880	5,288	1,880	5,288
Total Administered Cash Inflows	3,351	7,697	3,351	7,697
Outflows:				
Grants and Other Contributions	(1,209)	(3,633)	(1,209)	(3,633)
Transfers to Government	(2,142)	(4,046)	(2,142)	(4,046)
Other	-	(18)	-	(18)
Total Administered Cash Outflows	(3,351)	(7,697)	(3,351)	(7,697)

OPERATING STATEMENT BY PROGRAM
for the Year Ended 30 June 1999

	Agriculture Industry Development		Rural Industry Business Services		Fisheries		Corporate Performance and Strategies		Animal and Plant Health Service		Forest Production		Inter-Program Eliminations		Total	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
OPERATING EXPENSES																
Employee Expenses	64,043	57,348	21,811	20,179	18,598	16,358	31,452	27,242	22,406	27,601	38,719	40,568	(1,017)	(22)	196,012	189,274
Supplies and Services	25,759	20,358	8,291	7,314	9,668	7,853	24,103	32,687	8,702	9,669	20,396	22,417	(2,262)	(2,191)	94,657	98,107
Depreciation and Amortisation	6,333	6,987	1,213	1,129	1,664	1,718	3,705	3,672	1,327	343	5,075	5,424	-	-	19,317	19,273
Grants and Subsidies	7,837	8,330	553	908	2,944	2,911	75	22	751	859	599	262	(55)	(76)	12,704	13,216
Other	6,761	31,812	191	1,888	625	9,336	9,638	(12,020)	523	(9,859)	10,170	11,586	(4,715)	(5,137)	23,193	27,606
Corporate Services Allocation	27,026	21,384	7,825	5,348	8,176	6,537	(51,254)	(38,168)	8,227	4,899	-	-	-	-	-	-
Total Operating Expenses	137,759	146,219	39,884	36,766	41,675	44,713	17,719	13,435	41,936	33,512	74,959	80,257	(8,049)	(7,426)	345,883	347,476
OPERATING REVENUES																
User Charges, Taxes, Fees and Fines	8,315	7,544	2,738	3,360	1,518	1,574	17,428	13,742	3,415	3,557	8,927	4,673	(4,551)	(148)	37,790	34,302
Grants and Other Contributions	23,256	22,828	3,459	4,556	3,910	4,301	281	-	3,217	12,427	498	243	(307)	-	34,314	44,355
Royalties and Other Territorial Revenue	583	582	1	3	3	5	-	40	-	-	72,636	70,675	(337)	-	72,886	71,305
Property Income	501	112	35	-	188	30	67	352	124	1	344	330	(41)	-	1,218	825
Other	2,206	1,023	520	449	32	67	9,151	7,311	254	505	2,001	9,776	(2,923)	(7,254)	11,241	11,877
Corporate Services Allocation	5,574	3,450	1,080	898	904	642	(8,679)	(6,761)	1,121	1,771	-	-	-	-	-	-
Total Operating Revenues	40,435	35,539	7,833	9,266	6,555	6,619	18,248	14,684	8,131	18,261	84,406	85,697	(8,159)	(7,402)	157,449	162,664
NET COST OF SERVICES	97,324	110,680	32,051	27,500	35,120	38,094	(529)	(1,249)	33,805	15,251	(9,447)	(5,440)	110	(24)	188,434	184,812
Revenues (to) / from Government																
Parliamentary Appropriations	72,807	66,846	26,183	21,766	29,794	27,934	51,153	44,370	26,449	24,647	-	-	-	-	206,386	185,563
Liabilities Transferred / (Assumed)	24	30	24	17	(9)	29	59	149	5	(24)	389	98	-	(24)	492	275
Assets Assumed / (Transferred)	4,375	(6,007)	(844)	(215)	31	1,022	(3,688)	875	1,927	(578)	-	-	110	-	1,911	(4,903)
Corporate Services Allocation	23,991	24,859	8,628	6,217	9,818	7,599	(51,153)	(44,370)	8,716	5,695	-	-	-	-	-	-
Total Revenues from Government	101,197	85,728	33,991	27,785	39,634	36,584	(3,629)	1,024	37,097	29,740	389	98	110	(24)	208,789	180,935
Increase / (Decrease) in Net Assets before Abnormal Items and Dividends	3,873	(24,952)	1,940	285	4,514	(1,510)	(3,100)	2,273	3,292	14,489	9,836	5,538	-	-	20,355	(3,877)
Abnormal Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Provided for	-	-	-	-	-	-	-	-	-	-	(4,633)	(15,667)	-	-	(4,633)	(15,667)
INCREASE / (DECREASE) IN NET ASSETS AFTER ABNORMAL ITEMS AND DIVIDENDS	3,873	(24,952)	1,940	285	4,514	(1,510)	(3,100)	2,273	3,292	14,489	5,203	(13,997)	-	-	15,722	(23,412)

* The accompanying Notes on pages 85 - 118 form an integral part of the Financial Statements.

OPERATING STATEMENT BY PROGRAM (Continued)
for the Year Ended 30 June 1999

PROGRAM EXPENSES AND REVENUES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT																	
	Agriculture Industry Development		Rural Industry Business Services		Fisheries		Corporate Performance and Strategies		Animal and Plant Health Service		Forest Production		Inter-Program Eliminations		Total		
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED EXPENSES																	
Supplies and Services	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	10	-
Grants and Subsidies	608	-	618	3,517	-	-	-	-	-	-	-	-	-	-	1,226	3,517	-
Other	-	(93)	-	99	-	(4)	-	(5)	-	(2)	-	-	-	-	-	(5)	-
Total Administered Expenses	608	(93)	618	3,626	-	(4)	-	(5)	-	(2)	-	-	-	-	1,226	3,522	-
ADMINISTERED REVENUES																	
User Charges, Taxes, Fees and Fines	317	195	-	3	1	(3)	-	(37)	343	416	-	-	-	-	661	574	-
Grants and Other Contributions	-	45	-	-	-	-	-	-	-	-	-	-	-	-	-	45	-
Royalties and Other Territorial Revenue	-	-	-	-	-	136	-	-	-	-	-	-	-	-	-	136	-
Property Income	88	25	-	-	1	(1)	706	814	1	70	-	-	-	-	796	908	-
Other	-	93	-	65	-	9	-	639	-	24	-	-	-	-	-	830	-
Total Administered Revenues	405	358	-	68	2	141	706	1,416	344	510	-	-	-	-	1,457	2,493	-
NET COST OF ADMINISTERED SERVICES	203	(451)	618	3,558	(2)	(145)	(706)	(1,421)	(344)	(512)	-	-	-	-	(231)	1,029	-
Revenues (to) / from Government																	
Parliamentary Appropriations	621	(2,191)	638	5,022	-	-	-	-	-	-	-	-	-	-	1,259	2,831	-
Assets Transferred	(417)	(180)	-	(70)	(1)	(145)	(706)	(1,467)	(347)	(558)	-	-	-	(1,471)	(2,420)	-	-
Total Revenues (to) / from Government	204	(2,371)	638	4,952	(1)	(145)	(706)	(1,467)	(347)	(558)	-	-	-	(212)	411	-	-
INCREASE / (DECREASE) IN ADMINISTERED NET ASSETS	1	(1,920)	20	1,394	1	-	-	(46)	(3)	(46)	-	-	-	19	(618)	-	-

* The accompanying Notes on pages 85 - 118 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION BY PROGRAM
for the Year Ended 30 June 1999

	Agriculture Industry Development		Rural Industry Business Services		Fisheries		Corporate Performance and Strategies		Animal and Plant Health Service		Forest Production		Inter-Program Eliminations		Total	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
CURRENT ASSETS																
Cash	(3,215)	779	(48)	119	28	287	6,705	(270)	(1,695)	(1,037)	8,215	7,858	-	-	9,990	7,736
Receivables	9,813	7,526	2,686	1,792	2,240	1,728	3,138	4,996	4,545	4,210	12,477	8,789	(386)	(168)	34,513	28,873
Inventories	732	1,055	709	838	352	374	118	233	182	168	2,715	2,879	-	-	4,808	5,547
Other	420	799	162	325	299	213	709	1,345	146	284	258	262	-	-	1,994	3,228
Total Current Assets	7,750	10,159	3,509	3,074	2,919	2,602	10,670	6,304	3,178	3,625	23,665	19,788	(386)	(168)	51,305	45,384
NON-CURRENT ASSETS																
Receivables	-	-	-	-	-	-	47	220	-	-	424	583	-	-	471	803
Investments	-	55	-	-	-	-	79	-	-	-	-	-	-	-	79	55
Inventories	68	99	-	-	-	-	-	-	-	-	-	-	-	-	68	99
Property, Plant and Equipment	106,346	97,914	6,326	6,710	23,890	21,408	36,360	36,988	17,278	15,655	66,222	68,817	-	-	256,422	247,492
Intangibles	-	-	-	-	-	-	4,031	-	-	-	-	-	-	-	4,031	-
Other	-	83	-	-	-	-	-	-	-	-	-	-	-	-	-	83
Total Non-Current Assets	106,414	98,151	6,326	6,710	23,890	21,408	40,517	37,208	17,278	15,655	66,646	69,400	-	-	261,071	248,552
SELF-GENERATING AND REGENERATING ASSETS																
Plantation Growing Timber	-	-	-	-	-	-	-	-	-	-	980,952	930,826	-	-	980,952	930,826
Livestock	2,685	2,436	-	-	-	-	-	-	33	-	-	-	-	-	2,718	2,436
Total Self-Generating and Regenerating Assets	2,685	2,436	-	-	-	-	-	-	33	-	980,952	930,826	-	-	983,670	933,262
TOTAL ASSETS	116,849	110,746	9,835	9,784	26,809	24,010	51,187	43,512	20,489	19,280	1,071,263	1,020,014	(386)	(168)	1,296,046	1,227,178
CURRENT LIABILITIES																
Creditors	2,400	1,979	808	641	469	537	3,911	3,575	582	1,579	2,220	4,441	(386)	(168)	10,004	12,584
Borrowings	-	-	-	-	-	-	574	764	-	-	-	3,928	-	-	574	4,692
Provisions	7,545	6,550	2,075	2,045	2,077	1,875	3,307	3,102	2,419	2,394	8,935	8,167	-	-	26,358	24,133
Other	6,073	5,323	671	798	648	703	1	1,112	239	451	1,777	262	-	-	9,409	8,649
Total Current Liabilities	16,018	13,852	3,554	3,484	3,194	3,115	7,793	8,553	3,240	4,424	12,932	16,798	(386)	(168)	46,345	50,058
NON-CURRENT LIABILITIES																
Creditors	4	-	-	-	-	-	405	284	-	-	-	-	-	-	409	284
Borrowings	-	-	-	-	-	-	158	732	-	-	76,420	76,935	-	-	76,578	77,667
Provisions	12,560	11,375	3,032	3,284	2,772	2,615	4,550	4,460	3,882	3,515	8,050	7,930	-	-	34,846	33,179
Total Non-Current Liabilities	12,564	11,375	3,032	3,284	2,772	2,615	5,113	5,476	3,882	3,515	84,470	84,865	-	-	111,833	111,130
TOTAL LIABILITIES	28,582	25,227	6,586	6,768	5,966	5,730	12,906	14,029	7,122	7,939	97,402	101,663	(386)	(168)	158,178	161,188
NET ASSETS	88,267	85,519	3,249	3,016	20,843	18,280	38,281	29,483	13,367	11,341	973,861	918,351	-	-	1,137,868	1,065,990
EQUITY																
Accumulated Surplus	86,363	83,978	3,124	2,844	20,512	18,084	37,856	29,164	12,986	11,249	921,932	917,223	-	-	1,082,773	1,062,542
Reserves:																
- Asset Revaluation Reserve	1,904	1,541	125	172	331	196	425	319	381	92	1,803	1,128	-	-	4,969	3,448
- Plantation Growing Timber Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	50,126	-	-	-	50,126	-
TOTAL EQUITY	88,267	85,519	3,249	3,016	20,843	18,280	38,281	29,483	13,367	11,341	973,861	918,351	-	-	1,137,868	1,065,990

STATEMENT OF FINANCIAL POSITION BY PROGRAM (Continued)
for the Year Ended 30 June 1999

PROGRAM ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT															
	Agriculture Industry Development		Rural Industry Business Services		Fisheries		Corporate Performance and Strategies		Animal and Plant Health Service		Forest Production		Inter-Program Eliminations		Total
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	
CURRENT ASSETS															
Receivables	74	32	-	-	-	-	-	-	1	6	-	-	-	-	38
Total Current Assets	74	32	-	-	-	-	-	-	1	6	-	-	-	-	38
TOTAL ASSETS	74	32	-	-	-	-	-	-	1	6	-	-	-	-	38
CURRENT LIABILITIES															
Creditors	50	9	32	52	-	1	-	-	-	2	-	-	-	-	64
Total Current Liabilities	50	9	32	52	-	1	-	-	-	2	-	-	-	-	64
TOTAL LIABILITIES	50	9	32	52	-	1	-	-	-	2	-	-	-	-	64
ADMINISTERED NET (LIABILITIES) / ASSETS	24	23	(32)	(52)	-	(1)	-	-	1	4	-	-	-	(7)	(26)
EQUITY															
Accumulated (Deficit) / Surplus	24	23	(32)	(52)	-	(1)	-	-	1	4	-	-	-	-	(26)
TOTAL EQUITY	24	23	(32)	(52)	-	(1)	-	-	1	4	-	-	-	(7)	(26)

**STATEMENT OF APPROPRIATIONS
for the Year Ended 30 June 1999**

APPROPRIATIONS

Policy Area 08 Agriculture, Forestry & Water Resources
Program Areas:

	Original Appropriation		Transfers		Unforeseen Expenditure		Total		EXPENDITURE	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
082 Industry Development										
Consolidated Fund	289,008	274,561	-	-	6,671	289,008	281,232	(3,402)	285,606	281,232
Forestry Fund	90,404	95,141	-	-	-	90,404	95,141	(8,653)	81,751	90,663
Fisheries Research Fund	570	525	-	-	-	570	525	(132)	438	402
Banana Industry Fund	1,047	846	-	-	2	1,049	1,026	-	1,049	1,026
Total for Program Area 082	381,029	371,073	-	-	2	381,031	377,924	(12,187)	368,844	373,323

Total Policy Area 08	289,008	274,561	-	-	6,671	289,008	281,232	(3,402)	285,606	281,232
Consolidated Fund	92,021	96,512	-	-	180	92,023	96,692	(8,785)	83,238	92,091
Trust and Special Funds										
Total for Policy Area 08	381,029	371,073	-	-	2	381,031	377,924	(12,187)	368,844	373,323

Grand Total	289,008	274,561	-	-	6,671	289,008	281,232	(3,402)	285,606	281,232
Consolidated Fund	92,021	96,512	-	-	180	92,023	96,692	(8,785)	83,238	92,091
Trust and Special Funds										
TOTAL APPROPRIATIONS	381,029	371,073	-	-	2	381,031	377,924	(12,187)	368,844	373,323

Less: Appropriations not Recognised as Revenues
Commonwealth Funds
Revenue Retention and Receipt Offset Funds
Trust and Special Funds
Administered Appropriations
Appropriation Carryover
Funds Assumed

Net Cash Provided by Government - Note 14.

Add: Other Revenues from Government
Movement in Carryovers of Appropriations Receivable
Assets Transferred
Liabilities Transferred

TOTAL REVENUES FROM GOVERNMENT - Note 14.

	20,089	26,980
	48,659	48,246
	83,238	92,091
	1,880	5,288
	8,861	7,402
	(2,140)	(1,928)
Net Cash Provided by Government - Note 14.	208,257	195,244
Add: Other Revenues from Government	269	(7,753)
Movement in Carryovers of Appropriations Receivable	(229)	(6,831)
Assets Transferred	492	275
Liabilities Transferred		
TOTAL REVENUES FROM GOVERNMENT - Note 14.	208,789	180,935

* The accompanying Notes on pages 85 - 118 form an integral part of the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

1. Objectives of the Department

The Department of Primary Industries (DPI) is a rural economic development agency bringing together Government and Industry in partnership to increase the profitability of primary industries based enterprises on a sustainable basis.

The Department is predominantly funded by Parliamentary appropriations. It provides the following services on a fee for service basis: sale of artificial breeding products, inspections, testing, contract research and development, advisory and consultancy services covering activities of primary industries, fisheries and forestry.

2. Summary of Significant Accounting Policies

The Significant Accounting Policies, which have been adopted in the preparation of the General Purpose Departmental Financial Statements, are:

2.1 Basis of Accounting

The Financial Statements are a General Purpose Financial Report and have been prepared in accordance with the *Financial Administration and Audit Act 1977*, the *Financial Management Standard 1997*, applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Abstracts, the *Treasurer's Minimum Reporting Requirements for the Preparation of General Purpose Financial Statements of Government Departments for 1998-99*, and other prescribed requirements.

Except where otherwise stated, the Financial Statements have been prepared in accordance with the historical cost convention – in particular, Australian Accounting Standard (AAS 29) "*Financial Reporting by Government Departments*". Except where otherwise stated, the Accounting Policies adopted are consistent with those of the previous financial year. The accrual basis of accounting has been adopted for both Controlled transactions and balances and those administered on a Whole-of-Government basis.

Net adjustments required to the carrying amounts of assets and liabilities as at the beginning of the financial year have been made against Equity in accordance with Section 15.3 of Australian Accounting Standard (AAS) 29 "*Financial Reporting by Government Departments*", as shown in Note 28.

2.2 The Reporting Entity

The Financial Statements include all assets, liabilities, equities, revenues and expenses of the Department, including DPI Forestry. By Cabinet Decision number 4637 dated 15 May 1995, the DPI Forest Service was restructured to operate as a Commercial Business Group (DPI Forestry) of the Department from 1 July 1995.

In order to provide enhanced disclosure, the Department has adopted the principles outlined in Australian Accounting Standard (AAS) 24 "*Consolidated Financial Reports*". This approach is considered appropriate as it reflects the relationship between the Department's core business activities and those of its commercial business unit, DPI Forestry. In this context, the core activities of the Department are indicated in these Financial Statements as the DPI Parent Entity, while consolidated results provide information in relation to the whole Department, including DPI Forestry.

In the process of reporting on the Department as a single economic entity, all transactions and balances between the DPI Parent Entity and DPI Forestry have been eliminated in full. Except where otherwise stated, DPI Forestry and the remainder of the Department employed consistent Accounting Policies in the preparation and presentation of the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

2. Summary of Significant Accounting Policies (continued)

2.2 The Reporting Entity (continued)

2.2.1 Transactions and Balances Administered on a Whole-of-Government Basis

The Department administers, but does not control, certain resources on behalf of the Government as a whole. It is accountable for the transactions involving such administered resources, but does not have the discretion to deploy these resources for the achievement of the Department's objectives. For these resources, the Department acts only on behalf of the Queensland State Government. Transactions and balances relating to administered resources are not recognised as Departmental revenues, expenses, assets or liabilities, but are disclosed separately in the shaded Administered Statements and associated Notes.

2.2.2 Fiduciary Transactions and Balances

The Department administers transactions and balances in a trust or fiduciary capacity, as set out in Note 33. As the Department performs only a custodial role in respect of these transactions and balances, they are not recognised as Departmental revenues, expenses, assets or liabilities, and are disclosed in the Financial Statements by way of Note only.

2.3 Grants, Benefits and Contributions

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

Grants and other contributions that were obtained on the condition that they be expended in a particular manner, or used over a particular period, are reported as Unearned Revenue in Note 27, where those conditions were undischarged as at the reporting date.

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.

2.4 User Charges, Taxes, Fees and Fines

User charges, fees and fines controlled by the Department are recognised as revenues. These revenues are considered to be controlled by the Department where they can be deployed for the achievement of the Departmental objectives.

User charges, taxes, fees and fines collected by the Department, but not controlled by it, are not recognised as Departmental revenues, but are reported as revenues administered on behalf of the Whole of Government and disclosed separately in the shaded Administered Statements and associated Notes.

2.5 Parliamentary Appropriations

Parliamentary Appropriations are recognised as revenues when the Department obtains control over the relevant underlying assets. Control in this instance is normally obtained upon expenditure against approved appropriations. Appropriation revenue is also recognised for approved carryover of appropriations in relation to obligations incurred during the reporting period, which are to be satisfied in the following accounting period.

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation, or other authoritative requirements, are not controlled by the Department. Accordingly, such amounts are not recognised as Departmental revenues, but are reported as administered revenues. Similarly, the amounts transferred, or to be transferred, are not recognised as Departmental expenses, but are reported as administered expenses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

2. Summary of Significant Accounting Policies (continued)

2.6 Cash

"Cash" is defined in AAS 28 "Statement of Cash Flows". For financial reporting purposes, cash includes cash on hand comprising petty cash, postage and change imprest balances; cash at bank; Trust and Special Fund balances, and similar financial assets, which are readily convertible to cash, and are used in the day to day cash management function of the Department.

2.7 Receivables

Receivables are recognised at the amount due to the Department at the time of sale or provision of service. The collectability of receivables is periodically assessed with adequate provision being made for doubtful debts. All known bad debts have been written off. Receivables are reported net of any doubtful debts. The settlement term for trade debtors is generally 30 days, while loans and advances range from seven days to one year.

2.8 Financial Investments

Financial investments are brought to account at the lower of cost and net recoverable amount. Dividend income is recognised when received. Financial investments are also disclosed at their fair values in Note 36.

2.9 Inventories

Inventories are valued at the lower of cost and net realisable value, except for sundry crops, saleable semen, and saleable vaccine, which are valued at net realisable value. Costs are assigned based on the First-In-First-Out (FIFO) method. The carrying amounts of Inventories are disclosed in Note 19.

Seedlings and certain consumable stores in respect of DPI Forestry are not recognised as Inventories for the following reasons:

- Seedlings used in plantation production are produced on a seasonal basis for use in the plantation establishment process. Plantation timber is not valued until it reaches merchantable age and accordingly, seedlings produced for DPI Forestry's plantation production are not recognised as Inventories.
- Minor consumable stores held at certain sites and nurseries, purchased for immediate use, are not recognised as inventories.

2.10 Self Generating and Regenerating Assets

2.10.1 Plantation Growing Timber

The net realisable value (NRV) methodology has been adopted by DPI Forestry for the valuation of plantation growing timber. NRV is the amount that could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. Under this methodology, value changes arise mainly from:

- changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity; and
- changes in timber prices.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

2. Summary of Significant Accounting Policies (continued)

2.10 Self-Generating and Regenerating Assets (continued)

2.10.1 Plantation Growing Timber (continued)

Volume increments are determined both by periodic re-measurement of samples of plantations and by modelling growth from the date of the most recent measurement to the valuation date. The market valuation is prepared by appropriately qualified staff employed by DPI Forestry using advanced modelling techniques/methods accepted by the forestry industry. Current market prices have been applied in determining the plantation growing timber valuation. Realisation costs are based on weighted average costs of existing sales.

DPI Forestry revalues plantation growing timber annually. Only merchantable stands of timber have been included in the valuation and comprise stands 20 years and older for hoop pine and 15 years and older for exotic pine species. Other plantation areas considered to be unmerchantable or of problematic value, for the purposes of the valuation, include:

- plantations containing minor species;
- areas subject to experimental treatments; and
- small, fragmented plantation areas.

The change in the Net Realisable Value of Plantation Growing Timber from the beginning to the end of the financial year is not recognised in the Operating Statement, but is treated as an adjustment to the Plantation Growing Timber Revaluation Reserve, as disclosed in Note 28. The only exception to this treatment is where a decrement in value exceeds the balance of the Plantation Growing Timber Revaluation Reserve. In this case, the amount to be adjusted in excess of the balance is expensed in the Operating Statement.

Costs incurred in relation to pine plantations establishment and maintenance are expensed as incurred, with the exception of access roads construction and upgrade, which are capitalised.

2.10.2 Livestock

Livestock is valued at net realisable value.

2.11 Native Forests

DPI Forestry's asset in native forests is its right to harvest forest products on certain crown owned native forests in order to further its commercial objectives. Valuation difficulties arise as a consequence of the need to assess volume and growth characteristics across an extensive range of forest types and areas. In addition, ongoing resource availability is dependent upon the finalisation of both the Regional Forest Agreement process and associated State Forest management planning. These factors raise reliability problems for any asset valuation approach and have resulted in native forest property rights not being valued in the Financial Statements for the year ended 30 June 1999. The volume of timber harvested from native forests approximates annual forest growth, i.e. the forests are managed on a sustained yield basis. Accordingly, costs are expensed on the basis that these costs are incurred to maintain the constant forest resource.

2.12 Quarries

DPI Forestry obtains royalties from quarry operators for the extraction of quarry materials located on Crown land and identified freehold land. Revenues are taken to account when received and any expenditure when incurred. The extent of quarry resources has not been quantified and accordingly, a value for these assets has not been included in the accounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

2. Summary of Significant Accounting Policies (continued)

2.13 Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition and all other costs incurred in preparing the assets ready for use.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

2.14 Property, Plant and Equipment

All items of property, plant and equipment with a cost, or other value, of \$1,000 or greater, are capitalised in the year of acquisition, except for DPI Forestry, which applies an asset recognition threshold of \$500. All other items with a cost, or other value, less than the asset recognition thresholds are expensed.

Items, or components, which form an integral part of an asset, are recognised as a single asset (functional asset unit). The capitalisation threshold is applied to the aggregate cost, or other value, of each functional asset unit.

Capital works in progress represent costs incurred in respect of assets under construction.

2.15 Amortisation and Depreciation of Property, Plant and Equipment

Property, plant and equipment, other than land, are depreciated at rates based on their estimated economic lives, using the straight line method, so as to write off the cost, or other value, of each depreciable asset, less its estimated residual value, progressively over its estimated useful life.

For each class of depreciable assets, the following average estimated useful lives were applied:

Asset Class	Average Estimated Useful Life in Years
Land Improvements	36
Buildings	30
Access Roads	41
Plant and Equipment	9

2.16 Revaluation of Non-Current Physical Assets

Non-current physical assets are valued on the deprival basis in accordance with the *Financial Management Standard 1997* and the Queensland Treasury's Guidelines "*Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector*". Under the deprival value concept, assets are valued at an amount that represents the entire loss that might be expected to be incurred if the Department was deprived of the future economic benefits of these assets at the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

2. Summary of Significant Accounting Policies (continued)

2.16 Revaluation of Non-Current Physical Assets (continued)

For the purpose of revaluation of non-current physical assets, the Department established the following revaluation thresholds by class of assets:

Asset Class:	\$'000
Land	200
Land Improvements	700
Buildings	100
Access Roads	1,000
Plant and Equipment	1,000

Non-current physical assets having an estimated value greater than the appropriate revaluation threshold, and an estimated useful life of three years or more, are periodically revalued. Comprehensive revaluations of these assets are performed at five-year intervals on a rolling basis. Annual indexations are performed between the comprehensive revaluations.

2.17 Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The liability is recognised at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets, and accordingly are charged to the Operating Statement in the period in which they are incurred.

Disclosure of Finance and Operating Lease commitments is made in Note 31.

2.18 Library Assets

Purchases of library materials are expensed as incurred.

2.19 Leasehold Improvements

Leasehold improvements are expensed as incurred.

2.20 Intangibles

2.20.1 Change in Accounting Policy

During the current financial year the Department changed its Policy on accounting for the cost of purchased and internally developed intangible assets. The new policy is to capitalise the expenditure incurred on intangible items that meet the definition and recognition criteria for assets as set out in Statement of Accounting Concepts (SAC) 4 "Definition and Recognition of the Elements of Financial Statements". Previously, the expenditure on intangible assets was expensed in the period in which it was incurred. The change in Policy has been adopted as a consequence of recent international developments in accounting for the cost of intangible assets, and to comply with the *Treasurer's Minimum Reporting Requirements for the Preparation of General Purpose Financial Statements of Government Departments for 1998-99*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

2. Summary of Significant Accounting Policies (continued)

2.20 Intangibles (continued)

2.20.1 Change in Accounting Policy (continued)

However, in accordance with the transitional provisions of Australian Accounting Standard (AAS) 29 "Financial Reporting by Government Departments", its application is being phased in with all intangible assets meeting the asset recognition criteria to be recognised by 30 June 2000. Consequently, for the year ended 30 June 1999, only expenditure on purchased and developed computer software, as set out in paragraph 2.20.2 below, has been capitalised.

Intangible assets with a cost, or other value, of \$5,000 or greater, are capitalised in the year of acquisition. All other items with a cost, or other value, less than the intangible asset recognition threshold, are expensed. Each intangible asset is amortised over its estimated useful life.

2.20.2 Computer Software

Internal and external costs directly related to the purchase or development of computer software are capitalised and subsequently amortised on a straight line basis over the period of the expected benefit, (not exceeding 7 years).

Costs of software critical to the Departmental business are recorded as an intangible asset where the cost exceeds \$5,000 and the asset complies with the definition and recognition criteria specified in SAC 4. At 30 June 1999, only those future economic benefits that can be reliably determined in relation to the SAP system have been recognised. Other significant computer software will be investigated during the financial year ending 30 June 2000 to determine whether it qualifies for capitalisation as an intangible in terms of the established policy.

2.20.3 Other Intangible Assets

During the current year, expenditure on all other intangible items was expensed in the period in which it was incurred.

During the financial year ending 30 June 2000, expenditure on all intangible items will be investigated to determine whether it satisfies the definition and recognition criteria for assets. Where this is the case, detailed procedures will be developed and put in place to value and capitalise the intangible assets for 30 June 2000.

2.21 Insurance

In accordance with the Queensland Treasurer's Policy "Guidelines on Risk Management and Insurance", the Department's assets are not insured, and losses are treated as an expense as they are incurred. Workers' compensation insurance premiums are paid to WorkCover Queensland. In certain research activity circumstances, where insurance of such activities is required by legislation, or an agreement for provision of such specific services exists, insurance premiums are paid to specific insurance providers, with a prior approval granted by the Treasurer, in accordance with the Policy Guidelines.

2.22 Creditors

Creditors are recognised at the amount to be paid in the future for goods and services received by the Department on or before the end of the reporting period.

2.23 Borrowings

Loans payable are generally recognised at book value, with interest expense recognised when accrued. Borrowings are also disclosed at their fair value in Note 36.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

2. Summary of Significant Accounting Policies (continued)

2.24 Dividends

Dividends payable are recognised when declared by DPI Forestry. Dividends are payable to the Queensland Government.

2.25 Employee Entitlements

Employee entitlements relate to amounts expected to be paid to employees for accrued recreation leave and long service leave as well as accrued salaries and wages. In addition, associated on-costs and outstanding employer contributions to employee superannuation schemes have also been recorded.

2.25.1 Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date, and include related on-costs.

The pattern of sick leave taken is expected to be stable in the future, and as sick leave entitlements do not vest with employees, no provision has been made for sick leave entitlements. Sick leave is charged as an expense in the period in which it is taken.

2.25.2 Long Service Leave

A Liability for Long Service Leave is recognised, and is measured by the use of a shorthand method derived by the Queensland State Actuary. The result of this method does not differ materially from that which would be arrived at should a calculation be performed estimating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The method used incorporates consideration of expected future wage and salary levels, experience of employee departures and periods of service. The assumed rate of salary inflation and discount rate are based on Commonwealth Government bond yields at the reporting date and the expected long term gap between salary inflation and investment return.

Changes to the administration of Long Service Leave liability took place effective from 1 July 1999, and are disclosed together with their financial effect in Note 34.

2.25.3 Superannuation

Employer contributions for superannuation expense are determined by the Queensland State Actuary, and are expensed as accrued. No liability is recognised for accruing superannuation benefits in the Statement of Financial Position, as this liability is held on a Whole of Government basis, and reported in the Whole of Government Financial Statements prepared in accordance with AAS 31 "Financial Reporting by Governments".

2.26 Taxation

The Department's activities are exempt from all forms of Commonwealth taxation, except Fringe Benefits Tax. However, DPI Forestry, as a commercialised Business Unit of the Department, is subject to the payment of Income Tax Equivalents and Sales Tax Equivalents, in accordance with the requirements of the *Queensland Government Tax Equivalents Regime*.

Pursuant to Australian Accounting Standard AAS 3 "Accounting for Income Taxes (Tax-effect Accounting)", Income Tax Equivalent expense is calculated on the operating profit after adjusting for permanent differences.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

2. Summary of Significant Accounting Policies (continued)

2.26 Taxation (continued)

The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Balance Sheet as a future tax equivalent benefit, or a provision for deferred income tax equivalents. Future income tax equivalent benefits are not brought to account unless realisation of the benefit is virtually certain.

No liability has been provided for the payment of future Capital Gains Tax Equivalents that may arise on the disposal of assets. Such liability is provided at the time of disposal of the assets. Where assets are revalued no provision for potential Capital Gains Tax Equivalents has been made.

2.27 Resources Received Free of Charge or for Nominal Value

Resources received free of charge, or for nominal value, which the Department would otherwise have purchased, are recognised as revenues, and as expenses or assets, as appropriate, where they can be reliably measured.

2.28 Allocation of Corporate Services Program costs to Departmental Programs

The Department has the necessary information systems to enable the allocation of revenues and expenses to Programs, and this is reflected in the Operating Statement by Program. The revenues and expenses of the Department's Corporate Performance and Strategies Program are allocated to Programs on a cost recovery basis.

2.29 Joint Ventures

The Department is involved in a number of Joint Venture arrangements, which predominantly relate to research and development activities and the establishment of commercially viable timber plantations on private land. The Department's interests in Joint Ventures are disclosed in Note 39.

2.30 Rounding

Amounts included in the Financial Statements have been rounded to the nearest one thousand dollars. Where necessary, minor rounding adjustments have been made to line item totals, to ensure that columns add to the correct rounded total.

2.31 Comparative Amounts

Certain figures of the prior year have been restated in order to provide a valid comparison with the current year's disclosures.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

3. Programs of the Department

The identity and purpose of each Program undertaken by the Department during the reporting period is summarised as follows:

3.1 Agriculture Industry Development

The Program's activities are aimed at developing the agricultural industries of Queensland by improving the capacity of primary production enterprises to operate profitably and sustainably; increasing the performance and competitiveness of primary industries; enhancing the capacity of industry to meet market requirements; and improving the adoption of good industry practices and informed decision making.

3.2 Animal and Plant Health Service

The Program's activities aim to ensure that Queensland's livestock and plant industries are nationally and internationally competitive by meeting the highest standards of health, welfare, quality and wholesomeness.

3.3 Fisheries

The Program aims to ensure the sustainable use of Queensland's fisheries resources through the development of the aquaculture industry; the commercial and recreational fishing industries; and to protect and manage the fisheries and habitats on which these industries depend.

3.4 Rural Industry Business Services

The Program ensures that producers and processors have the business, technical and market information and skills they need to manage drought and climate risks; and develop products from Queensland commodities that perform well in domestic and overseas markets.

3.5 Forest Production

This Program aims to maximise the market value of DPI Forestry assets, while observing all regulatory (including environmental) requirements to which it is subject.

3.6 Corporate Performance and Strategies

This Program aims to enhance client knowledge and decision making capability through the generation, development and delivery of information products and services; to improve organisational financial and non-financial performance through the development of appropriate policies, systems and operations; and to improve the capability and flexibility of the DPI's workforce through the development of effective policies and strategies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
4. Employee Expenses				
Wages and Salaries	149,896	145,030	119,590	112,779
Superannuation	20,076	19,887	16,564	16,315
Annual Leave	12,209	10,299	9,424	6,876
Long Service Leave	4,516	3,678	3,633	3,313
Other	9,315	10,380	8,085	9,445
Total	196,012	189,274	157,296	148,728

5. Supplies and Services				
Consultants and Contractors	18,265	17,536	13,127	10,478
Motor Vehicle Expenses	10,513	10,025	8,429	7,697
Material	10,262	9,938	8,582	8,317
Travel	9,224	8,522	8,224	7,361
Repairs and Maintenance	8,149	7,821	8,149	7,829
Electricity and Telephone	7,020	7,194	6,060	6,177
Computer Expenses	6,710	6,941	6,188	6,208
Deferred Maintenance	-	4,110	-	4,110
Forest Maintenance	2,098	2,437	-	-
Primary Production Costs	2,176	2,192	2,180	2,192
Legal Expenses	923	766	926	766
Other	19,317	20,625	15,672	16,746
Total	94,657	98,107	77,537	77,881

SUPPLIES AND SERVICES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

Travel	-	4	-	4
Material	-	2	-	2
Consultants and Contractors	-	1	-	1
Electricity and Telephone	-	1	-	1
Other	-	2	-	2
Total	-	10	-	10

6. Depreciation and Amortisation Expenses

Depreciation and Amortisation Expenses for the Financial Year were Charged in Respect of:

Land Improvements	698	842	561	614
Buildings	3,503	3,294	2,854	2,703
Access Roads	1,072	1,104	71	71
Plant and Equipment (1)	13,585	14,033	10,297	10,461
Intangibles	459	-	459	-
Total	19,317	19,273	14,242	13,849

(1) Included above is Amortisation of Plant and Equipment under Finance Lease of \$0.114 million, (\$0.092 million in 1997-98).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

7. Grants and Subsidies

	Corporate										Inter-program		Total			
	Performance and Strategies		Fisheries		Agriculture Industry Development		Rural Industry Business Services		Animal and Plant Health Service		Forest Production			Eliminations		
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998		1999	1998	
Recurrent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Animal Welfare Organisations	-	-	-	-	-	-	-	-	345	342	-	-	345	342	-	-
Australian Centre for International Agricultural Research Projects (ACIAR)	-	-	-	-	1,179	1,632	-	99	10	-	-	-	1,418	1,556	-	-
Brucellosis and Tuberculosis Eradication Campaign (BTEC)	-	-	-	-	-	-	-	-	-	440	-	-	-	440	-	-
Bureau of Sugar Experiment Stations (BSES)	-	-	-	-	3,811	3,831	10	-	-	-	-	-	3,821	3,831	-	-
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	-	-	-	38	223	547	-	-	-	-	141	10	364	595	-	-
Co-operative and Joint Research Ventures	-	25	-	15	-	62	-	-	-	2	-	-	-	109	-	-
Farm and Rural Financial Counsellor's Subsidies	-	-	-	-	-	-	263	75	-	-	-	-	263	75	-	-
Fish Stocking Associations and Societies	-	-	-	15	1	-	-	-	-	-	-	-	37	15	-	-
Fisheries Research & Development	-	-	-	306	120	-	41	-	-	-	-	-	467	-	-	-
Grain Research & Development	-	-	-	-	889	-	-	-	63	-	-	-	952	-	-	-
Horticultural Research and Development	-	-	-	-	410	235	-	-	-	-	-	-	415	235	-	-
Investigation and Education Project	-	-	-	-	-	30	-	-	-	-	-	-	-	100	-	-
Land and Water Resources Research	-	-	-	6	-	-	16	29	-	-	-	-	22	29	-	-
Queensland Fisheries Management Authority (QFMA)	-	-	-	2,073	-	-	-	-	-	-	-	-	2,073	2,253	-	-
Queensland Government Departments	1	-	-	10	-	-	-	-	-	-	50	-	51	296	-	-
Queensland Livestock and Meat Authority (QLMA)	-	-	-	-	600	320	-	-	-	-	-	-	600	320	-	-
Regional Drought Initiative	-	-	-	-	-	-	16	419	-	-	-	-	16	419	-	-
Sunfish (Qld) Inc.	-	-	-	160	-	-	-	-	-	-	-	-	160	160	-	-
Town, City and Shire Councils	-	-	-	40	30	-	-	-	-	2	5	14	35	56	-	-
Tuberculosis Freedom Assistance Program (TFAP)	-	-	-	-	-	-	-	-	314	-	-	-	314	-	-	-
Universities in Other States	-	-	-	-	49	137	32	103	-	-	85	24	166	365	-	-
Universities in Queensland	5	-	70	115	275	625	5	36	3	30	104	130	462	936	-	-
Other	69	(3)	158	163	240	504	71	168	16	43	214	84	713	959	-	-
Total Recurrent	75	22	2,944	2,910	7,827	8,209	553	905	751	859	599	262	(55)	12,694	(76)	13,091
Capital																
Australian Centre for International Agricultural Research Projects (ACIAR)	-	-	-	-	-	67	-	-	-	-	-	-	-	-	-	67
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	-	-	-	-	-	34	-	-	-	-	-	-	-	-	-	34
Grain Research & Development Corporation (GRDC)	-	-	-	-	6	-	-	-	-	-	-	-	-	6	-	-
Horticultural Research and Development	-	-	-	-	4	-	-	-	-	-	-	-	-	4	-	-
Other	-	-	-	-	-	24	-	-	-	-	-	-	-	-	-	24
Total Capital	-	-	-	-	10	125	-	-	-	-	-	-	-	10	-	125
TOTAL	75	22	2,944	2,910	7,837	8,334	553	905	751	859	599	262	(55)	12,704	(76)	13,216

GRANTS AND SUBSIDIES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

Drought Relief Freight Subsidy	-	-	-	-	-	-	618	2,905	-	-	-	-	-	618	-	2,905
Agribusiness Export Quality Assurance Subsidy Scheme	-	-	-	-	608	-	-	612	-	-	-	-	-	608	-	612
Total	-	-	-	-	608	-	618	3,517	-	-	-	-	-	1,226	-	3,517

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
8. Other Expenses				
Interest and Other Costs of Finance	6,212	8,442	113	195
Operating Leases	8,536	7,538	8,551	7,545
Contract Services - DPI Forestry	-	-	4,389	4,934
Dugong Protection Scheme	-	5,810	-	5,810
Leasehold Improvements	721	384	721	384
Audit Fees (Queensland Audit Office)	324	350	204	230
Licence Fees and Permits	189	208	189	159
Loss on Sale or Disposal of Property, Plant and Equipment	1,794	140	1,794	140
Deyaluation of Non-Current Assets	-	2	-	2
Bad and Doubtful Debts	209	(10)	145	(120)
Miscellaneous Expenses	3,633	3,310	1,097	1,546
Timber Research and Development Advisory Council (TRADAC)	1,037	1,096	-	-
Losses:				
- Public Money	-	2	-	2
- Public Property	39	43	39	43
Special Payments :				
- Donations and Gifts	212	245	209	241
- Ex-gratia Payments	287	46	287	46
Total	23,193	27,606	17,738	21,157

OTHER EXPENSES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

Bad and Doubtful Debts	-	(11)	-	(11)
Miscellaneous Expenses	-	6	-	6
Total	-	(5)	-	(5)

9. User Charges, Taxes, Fees and Fines

Fee for Service	29,697	23,187	25,965	22,036
Sale of Goods	6,478	8,157	6,247	6,435
Taxes, Fees and Fines	1,615	2,958	1,202	1,306
Total	37,790	34,302	33,414	29,777

USER CHARGES, TAXES, FEES AND FINES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

User Charges, Taxes, Fees and Fines				
Fee for Service	-	151	-	151
Sale of Goods	-	14	-	14
Taxes, Fees and Fines	661	409	661	409
Total	661	574	661	574

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
10. Grants and Other Contributions Revenue				
Grants	16,992	22,307	16,801	22,064
Industry Contributions	17,322	22,048	17,322	22,048
Total	34,314	44,355	34,123	44,112

GRANTS AND OTHER CONTRIBUTIONS REVENUE ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

Commonwealth Grants and Contributions - Quarantine	-	45	-	45
Total	-	45	-	45

11. Royalties and Other Territorial Revenue

Royalties	72,886	71,305	587	630
Total	72,886	71,305	587	630

ROYALTIES AND OTHER TERRITORIAL REVENUE ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

Royalties	-	136	-	136
Total	-	136	-	136

12. Property Income

Gain on Sale of Property, Plant and Equipment	785	65	728	-
Rental Income	433	760	187	495
Total	1,218	825	915	495

PROPERTY INCOME ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

Proceeds on Sale of Property, Plant and Equipment	-	99	-	99
Rental Income	796	809	796	809
Total	796	908	796	908

13. Other Revenue

Resources Received Below Fair Value:

- Maintenance Services	4,566	4,714	4,566	4,607
- Accommodation	1,126	-	1,126	-
- Archiving Services	109	107	109	107
- Quarantine Services	7	15	7	15
- Other	31	120	31	120
	5,839	4,956	5,839	4,849
Contract Services - DPI Forestry	-	-	2,682	2,129
Increase in Value of Livestock	1,050	689	1,050	689
Interest	387	359	4	6
Diesel Fuel Rebate	369	412	-	-
Gain on Sale of Investments	-	1	-	1
Other	3,596	5,460	2,588	1,681
Total	11,241	11,877	12,163	9,355

OTHER REVENUES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

Expenditure Recovered from Prior Year	-	198	-	198
Other	-	632	-	632
Total	-	830	-	830

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
14. Revenues (to) / from Government				
Net Cash Provided by Government	208,257	195,244	208,147	195,244
Movement in Carryovers of Appropriation Receivable	269	(7,753)	269	(7,753)
Funds (Assumed) / Transferred	(2,140)	(1,928)	(2,030)	(1,928)
14.1 Appropriation Revenue	206,386	185,563	206,386	185,563
<i>The following liabilities have been transferred to / (assumed from) other Government Agencies during the financial year:</i>				
Leave Liabilities Transferred	991	915	541	773
Leave Liabilities Assumed	(499)	(640)	(438)	(572)
14.2 Liabilities Transferred / (Assumed)	492	275	103	201
<i>The following assets have been assumed from / (transferred to) other Government Agencies during the financial year:</i>				
Property, Plant and Equipment Transferred	-	(5,242)	-	(5,242)
Proceeds on Disposal of Property, Plant and Equipment Transferred	-	(99)	-	(99)
Other Assets Assumed	1,911	438	1,801	438
14.3 Assets Assumed / (Transferred)	1,911	(4,903)	1,801	(4,903)
Total Revenues from Government	208,789	180,935	208,290	180,861

REVENUES (TO) / FROM GOVERNMENT ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT				
Revenues (to) / from Government				
Parliamentary Appropriations	1,259	2,831	1,259	2,831
Assets Transferred	(1,471)	(2,420)	(1,471)	(2,420)
Total Revenue (to) / from Government	(212)	411	(212)	411

15. Abnormal Items

Revaluation Decrement - Plantation Growing Timber

	-	(15,667)	-	-
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DPI Forestry established a Reserve for Plantation Growing Timber Revaluation in 1995-96 to recognise and account for movements in the value of its major plantation forest asset. This movement is brought about by changes in volume and price as a result of forest growth and market price changes.

In 1997-98 a significant reduction in price and an associated change in utilisation standards for certain premium products resulted in a substantial decrement (\$160.047 million) in the net realisable value of the forest estate. This decrement was offset against the Reserve Account to the extent of the amount available within the reserve. The residual decrement amounting to (\$15.667 million) was brought to Account in the Operating Statement as an Abnormal Item.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 S'000	1998 S'000	1999 S'000	1998 S'000
16. Cash				
Cash on Hand	173	182	139	151
Cash at Bank	(328)	(1,192)	572	(1,302)
Trust Fund Balances	10,145	8,746	1,064	1,029
Total	9,990	7,736	1,775	(122)

17. Receivables

Current

Revenue Receivable from Treasury (1)	15,498	14,171	15,498	14,171
Trade Debtors	16,848	13,565	6,031	5,311
Less: Provision for Doubtful Debts	(640)	(522)	(517)	(401)
Loans	56	139	56	139
Less: Provision for Doubtful Debts	(6)	(93)	(6)	(93)
Freehold Selection Debtors (2)	245	327	-	-
Less: Provision for Doubtful Debts	(4)	(6)	(4)	-
Carryovers of Appropriation	1,145	876	1,145	876
Interest Receivable	-	36	-	-
Other Debtors	1,371	380	219	249
Total	34,513	28,873	22,422	20,252

Non-Current

Freehold Selection Debtors (2)	424	583	-	-
Other Debtors	47	220	47	220
Total	471	803	47	220

(1) Funds held by Treasury represent monies which have been received by the Department from sources other than the Queensland Government, such as Commonwealth Government, Industry Bodies and Other Parties. These funds are available for use by the Department in accordance with revenue retention and receipt offset arrangements with Queensland Treasury.

(2) Freehold Selection Debtors arise where Crown Land under lease is converted to freehold. Debtors represent the value of unpaid instalments due on the timber component of the property sold. These debtors are managed by the Department of Natural Resources.

RECEIVABLES ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT

Current

Trade Debtors	27	32	27	32
Less: Provision for Doubtful Debts	-	(9)	-	(9)
Other Debtors	-	15	-	15
Carryovers of Appropriation	48	-	48	-
Total	75	38	75	38

18. Investments

Non-Current

Shares and Units (1)	79	55	79	55
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(1) Investments comprise equity in primary producer cooperatives. The Net Fair Value of Investments is disclosed in Note 36.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
19. Inventories				
Current				
<i>Inventory Held for Sale:</i>				
Finished Goods	2,761	2,850	1,118	1,380
Raw Materials and Stores	-	169	-	-
Work in Progress	73	98	-	-
<i>Inventory not Held for Sale:</i>				
Raw Materials and Stores	1,974	2,430	975	1,288
Total	4,808	5,547	2,093	2,668
Non-Current				
<i>Inventory Held for Sale:</i>				
Finished Goods	68	99	68	99
Total	68	99	68	99
20. Other Assets				
Current				
Prepayments	1,530	2,353	1,272	2,091
Advances	403	440	403	440
Other	61	435	61	435
Total	1,994	3,228	1,736	2,966
Non-Current				
Prepayments	-	83	-	83
Total	-	83	-	83

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
21. Property, Plant and Equipment				
Non-Current				
21.1 Land				
At Cost (1)	3,566	3,409	357	200
At Independent Valuation 1996	41,007	41,143	39,922	40,058
Total Land	44,573	44,552	40,279	40,258
(1) DPI Forestry carries out its forestry establishment, management and marketing operations principally on Crown land allocated for forest production purposes by the Department of Natural Resources (DNR). While DNR retains control over this land, DPI Forestry is granted access to carry out its operations in accordance with the <i>Forestry Act 1959</i> .				
Only land controlled by the Department has been brought to Account.				
21.2 Land improvements				
At Cost	3,026	2,487	1,681	1,519
At Independent Valuation 1995	1,643	2,202	-	-
At Independent Valuation 1996	10,340	10,294	10,340	10,294
At Independent Valuation 1997	347	4	4	4
At Management Valuation 1996	5	-	-	-
At Management Valuation 1997	55	58	42	58
At Management Valuation 1998	2	-	-	-
Accumulated Depreciation	(3,012)	(2,161)	(2,033)	(1,482)
Deferred Maintenance (1)	-	(3)	-	(3)
Total Land Improvements - Net Book Value	12,406	12,881	10,034	10,390
21.3 Buildings				
At Cost	22,755	15,052	22,117	14,483
At Independent Valuation 1995	17,993	18,115	-	-
At Independent Valuation 1996	83,525	80,870	83,525	80,870
At Management Valuation 1996	18	18	18	18
At Management Valuation 1997	4	-	-	-
Accumulated Depreciation	(12,063)	(8,734)	(9,196)	(6,503)
Deferred Maintenance (1)	-	(4,107)	-	(4,107)
Total Buildings - Net Book Value	112,232	101,214	96,464	84,761
21.4 Access Roads				
At Cost	1,160	1,291	53	96
At Independent Valuation 1995	31,609	29,973	-	-
At Independent Valuation 1996	2,210	2,150	2,210	2,150
Accumulated Depreciation	(5,102)	(3,776)	(248)	(175)
Total Access Roads - Net Book Value	29,877	29,638	2,015	2,071
21.5 Plant and Equipment				
At Cost	96,757	87,558	76,532	68,525
At Independent Valuation 1996	500	908	500	908
At Independent Valuation 1997	23,590	28,850	15,207	15,971
At Management Valuation 1996	27	38	27	38
At Management Valuation 1997	976	276	271	276
At Management Valuation 1998	126	21	25	21
Accumulated Depreciation	(70,953)	(66,512)	(55,717)	(50,790)
Total Plant and Equipment - Net Book Value	51,023	51,139	36,845	34,949

(1) Deferred Maintenance is no longer provided for, in accordance with Urgent Issues Group Abstract 26 "Accounting for Major Cyclical Maintenance".

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
21. Property, Plant and Equipment (continued)				
21.6 Leased Plant and Equipment				
At cost	711	503	711	503
Accumulated Amortisation	(221)	(109)	(221)	(109)
Total Leased Plant and Equipment - Net Book Value	490	394	490	394
21.7 Capital Works in Progress				
At Cost	5,821	7,674	4,073	5,852
Total Property, Plant and Equipment - Net Book Value	256,422	247,492	190,200	178,675
Property, Plant and Equipment				
At Cost	133,796	117,974	105,524	91,178
At Independent Valuation 1995	51,245	50,290	-	-
At Independent Valuation 1996	137,582	135,365	136,497	134,280
At Independent Valuation 1997	23,937	28,854	15,211	15,975
At Management Valuation 1996	50	56	45	56
At Management Valuation 1997	1,035	334	313	334
At Management Valuation 1998	128	21	25	21
Accumulated Depreciation and Amortisation	(91,351)	(81,292)	(67,415)	(59,059)
Deferred Maintenance	-	(4,110)	-	(4,110)
Total Property, Plant and Equipment - Net Book Value	256,422	247,492	190,200	178,675

21.8 Valuation of Property, Plant and Equipment

Property, Plant and Equipment have been valued on the deprival basis in accordance with Queensland Treasury's Guidelines "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector."

21.8.1 Land, Land Improvements, Buildings, and Access Roads

Land, Land Improvements, Buildings and Access Roads were valued as at 1 January 1995 and 1 January 1996 by the following independent expert valuers:

Australian Valuation Office

J F Mc Auliffe, L.F.V.L.E. (Val. & Econ.), C J Tuttle, Dip. Val., F.V.L.E. (Val. & Econ.), R N Mullins, F.V.L.E. (Val.) LL.B. and A Roberts, A.V.L.E. (Val.)

21.8.2 Plant & Equipment

Plant and Equipment assets with a historical or current replacement cost over \$50,000 were valued as at 30 June 1997 by the following independent expert valuer:

Edward Rushton Australia Pty Limited

S. Greenstock, F.V.L.E. (P & M)

The Department undertook an analysis of its other Plant and Equipment assets and concluded that the historical cost or management valuation assigned to these assets reasonably represents deprival value, in accordance with Queensland Treasury's Guidelines.

21.8.3 Interim Revaluation

Interim revaluations (by indexation) of assets above the established revaluation thresholds and with an estimated useful life of three years or more (Note 2.16) were carried out as at 30 June 1999.

22. Intangibles

Computer Software at Cost	4,490	-	4,490	-
Less: Accumulated Amortisation	(459)	-	(459)	-
	4,031	-	4,031	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
23. Restricted Assets				
The Department has included a number of assets in the Accounts which are classified as restricted assets. These are assets, the uses of which are wholly or partially restricted, by legislation or other externally imposed requirements. These include:				
23.1 Funds Held by Treasury	5,088	5,798	5,088	5,798
(These Funds are restricted for use in specified research areas or specified building initiatives.)				
23.2 Property, Plant and Equipment				
At Cost	8,652	8,706	8,652	8,706
At Independent Valuation 1997	6,871	9,925	6,871	9,925
At Management Valuation 1997	23	23	23	23
Accumulated Depreciation	(5,836)	(5,879)	(5,836)	(5,879)
Total Property, Plant and Equipment - Net Book Value	9,710	12,775	9,710	12,775
(The control over these assets is restricted. The assets may only be used for specific purposes of the Projects funded by the External Funding Bodies.)				
Total	14,798	18,573	14,798	18,573
24. Creditors				
Current				
Trade Creditors	4,587	6,650	4,390	5,502
Accrued Salaries and Wages	1,121	1,863	524	994
Accrued Interest and Other Costs of Finance	273	1,378	14	-
Lease Liability - Note 31.	134	113	134	113
Other Creditors	3,889	2,580	3,108	1,702
Total	10,004	12,584	8,170	8,311
Non-Current				
Lease Liability - Note 31.	409	284	409	284
Total	409	284	409	284
CREDITORS ADMINISTERED ON BEHALF OF THE WHOLE OF GOVERNMENT				
Current				
Trade Creditors	82	64	82	64
Total	82	64	82	64
25. Borrowings				
Current				
QTC Borrowings (1)	-	3,928	-	-
Treasury Borrowings	574	764	574	764
Total	574	4,692	574	764
Non-Current				
QTC Borrowings (1)	76,420	76,935	-	-
Treasury Borrowings	158	732	158	732
Total	76,578	77,667	158	732

(1) No part of the DPI Forestry's borrowings has been reported as current as a consequence of the Treasurer approving that the loan be adjusted to an "interest only" basis for a period of two years commencing 1999-2000. The term of the loan has been extended for a period of two years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
26. Provisions				
Current				
Recreation Leave	18,281	17,037	14,806	13,552
Long Service Leave (1)	3,444	3,228	2,617	2,414
Provision for Dividend (2)	4,633	3,868	-	-
Total	26,358	24,133	17,423	15,966
Non-Current				
Long Service Leave (1)	34,846	33,179	26,796	25,249

Aggregate Employee Entitlements

Current				
Recreation Leave	18,281	17,037	14,806	13,552
Long Service Leave (1)	3,444	3,228	2,617	2,414
Accrued Salaries and Wages (3)	1,121	1,863	524	994
Total	22,846	22,128	17,947	16,960
Non-Current				
Long Service Leave (1)	34,846	33,179	26,796	25,249

(1) As explained in the Accounting Policy Note 2.25.2, Long Service Leave entitlements are measured by use of a shorthand method derived by the Queensland State Actuary. This method is equivalent to the calculation of the present value of payments expected to arise in the future in respect of services provided by employees up to the reporting date, assuming (based on the advice received from the Queensland Treasury Corporation (QTC) and the Queensland State Actuary) that:

- (a) the weighted average rate of increase in annual employee entitlements to settlement of the liabilities for 1998-99 is 3.73%;
- (b) the weighted average discount rate for 1998-99 is 6.23%; and
- (c) the weighted average term to settlement of the liabilities is 14 years.

(2) The Dividend of \$4.633 million (\$3.868 million in 1997-98) provided for is payable to the Queensland Government.

(3) Accrued Salaries and Wages, including Employer Contributions for Superannuation Payable, are disclosed in the Financial Statements as Creditors - Note 24.

27. Other Liabilities

Current				
Unearned Revenue	8,528	8,649	7,632	8,387
Other	881	-	-	-
Total	9,409	8,649	7,632	8,387

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
29. Reconciliation of Net Cost of Services to Net Cash Provided by (Used in) Operating Activities				
Net Cost of Services	(188,434)	(184,812)	(197,771)	(190,276)
<i>Non-Cash Items:</i>				
Depreciation and Amortisation	19,317	19,273	14,242	13,849
Deferred Maintenance	-	4,110	-	4,110
Liabilities and Expenses Assumed	389	-	-	-
Loss / (Gain) on Sale or Disposal of Property, Plant and Equipment	968	75	1,066	140
Capitalised Interest	-	863	-	-
Finance Charges	46	45	46	45
Devaluation of Non-Current Assets	-	2	-	2
Internal Transfer of Costs for Assets Constructed	-	(380)	-	-
Gain on Sale of Investments	-	(1)	-	(1)
Non-Current Assets Written Off	52	(1)	39	43
Bad and Doubtful Debts	194	(10)	145	(120)
Equity Adjustments	-	(2,821)	-	(2,821)
<i>Change in Assets and Liabilities</i>				
(Increase) / Decrease in Receivables	(5,070)	1,454	(1,882)	(455)
(Increase) / Decrease in Inventories	771	(179)	606	3
(Increase) / Decrease in Livestock	(282)	(228)	(282)	(228)
(Increase) / Decrease in Other Assets	1,716	(2,316)	1,267	(1,944)
Increase / (Decrease) in Creditors	(2,333)	(4,604)	(753)	(3,205)
Increase / (Decrease) in Employee Entitlements	3,231	3,555	3,107	2,976
Increase / (Decrease) in other Liabilities	(755)	1,371	(755)	1,371
	18,244	20,208	16,846	13,765
Net Cash Used in Operating Activities	(170,190)	(164,604)	(180,925)	(176,511)

30. Non-Cash Financing and Investing Activities

Revenues, expenses, assets and liabilities assumed, or transferred by the Department are disclosed in the Note 14.

31. Commitments for Expenditure

(a) Finance Leases

Lease liabilities recognised in the Statement of Financial Position:

Current - Note 24.	134	113	134	113
Non-Current - Note 24.	409	284	409	284
Total	543	397	543	397

Commitments in Relation to Finance Leases at the Reporting Date are Payable as follows:

Not later than one year	190	169	190	169
Later than one year and not later than two years	156	104	156	104
Later than two years and not later than five years	318	242	318	242
Minimum Lease Payments	664	515	664	515
Less: Future Finance Charges	121	118	121	118
Total	543	397	543	397

(b) Non-Cancellable Operating Leases

Commitments in Relation to Non-Cancellable Operating Leases at the Reporting Date are Payable as follows:

Not later than one year	125	130	125	130
Later than one year and not later than two years	84	118	84	118
Later than two years and not later than five years	91	147	91	147
Later than five years	160	188	160	188
Total	460	583	460	583

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

31. Commitments for Expenditure (continued)	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
(c) Expenditure Commitments				
<i>Material Expenditure Commitments Contracted for but not Recognised are Payable as follows:</i>				
Buildings	853	5,038	853	5,038
Land Improvements	310	1	300	1
Plant and Equipment	1,537	2,828	1,480	2,636
Supplies and Services	4,855	5,709	4,855	5,709
Other (1)	142	16	86	16
Total	7,697	13,592	7,574	13,400
Not later than one year	7,029	12,282	6,906	12,090
Later than one year and not later than two years	495	943	495	943
Later than two years and not later than five years	173	340	173	340
Later than five years	-	27	-	27
Total	7,697	13,592	7,574	13,400

(1) This amount includes an amount of \$0.086 million committed for payment to Queensland Livestock and Meat Authority (QLMA) in 1999-2000 as a contribution towards funding of redundancy payments.

(d) Grants and Subsidies

Commitments in Relation to Grants and Subsidies are as follows:

Bureau of Sugar Experiment Stations	3,800	3,800	3,800	3,800
Other	3,468	3,997	3,077	3,606
Total (1)	7,268	7,797	6,877	7,406

Commitments in Relation to Grants and Subsidies at the reporting date are payable as follows:

Not later than one year	5,796	5,906	5,602	5,712
Later than one year and not later than two years	1,153	1,152	1,073	1,072
Later than two years and not later than five years	310	739	193	622
Later than five years	9	-	9	-
Total (1)	7,268	7,797	6,877	7,406

(1) Pursuant to a Cabinet decision made in December 1991, the Department provides funding to the Bureau of Sugar Experiment Stations to the amount of \$3.800 million per annum. The figure above includes one year's funding only for this item.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

32. Contingent Liabilities

(a) Litigation in Progress

DPI Consolidated	DPI Parent Entity
1999	1999
\$'000	\$'000

The following cases were filed in the courts as at 30 June 1999:

	<i>Number of Cases</i>	<i>Number of Cases</i>
Supreme Court	12	7
District Court	4	2
Total	<u>16</u>	<u>9</u>

The Department's legal advisors and management believe it would be misleading to estimate the final amounts payable, if any, in respect of the litigation filed in the Courts.

The Department has also received notifications of five (5) other cases, which are not yet subject to Court actions.

(b) Native Title Claims over Departmental Land

As at 30 June 1999, Native Title Claims have been made on Departmental land, but as yet, no claims involving Departmental land have been determined by the National Native Title Tribunal.

(c) Year 2000 Compliance

The Year 2000 issue concerns the potential failure of computer systems, personal computers and the wide variety of devices utilising microprocessors due to dates being programmed in only two digits, resulting in an ambiguity at the turn of the century or at times prior.

In September 1997, a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs and developing contingency plans to ensure continuity of critical systems operations. These activities should be completed by 30 November 1999.

The Project includes reviewing computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant.

(d) Financial Guarantees and Undertakings

The Department has not provided any Financial Guarantees or Undertakings during the reporting period.

(e) Other Contingent Liability

The Department anticipates a Contingent Liability relating to communication services. Due to the complex circumstances involved, the amount of the liability cannot be reliably estimated and it would be inappropriate to disclose an amount in the Financial Statements at this stage.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

33. Fiduciary Trust Transactions and Balances

As the Department performs only a custodial role in respect of these transactions and balances, they are not recognised in the Financial Statements, but are disclosed here for information purposes.

FIDUCIARY TRUST ASSETS AND LIABILITIES	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
ADMINISTERED CURRENT ASSETS				
Monies Held in Trust (Security Deposits)	757	729	30	-
Agency Collections	76	77	76	77
Total Administered Current Assets	833	806	106	77
ADMINISTERED NON-CURRENT ASSETS				
Monies Held in Trust (Security Deposits)	-	13	-	13
Total Administered Non-Current Assets	-	13	-	13
TOTAL ADMINISTERED ASSETS	833	819	106	90
ADMINISTERED CURRENT LIABILITIES				
Monies Held in Trust (Security Deposits)	757	729	30	-
Agency Collections	76	77	76	77
Total Administered Current Liabilities	833	806	106	77
ADMINISTERED NON-CURRENT LIABILITIES				
Monies Held in Trust (Security Deposits)	-	13	-	13
Total Administered Non-Current Liabilities	-	13	-	13
TOTAL ADMINISTERED LIABILITIES	833	819	106	90

CASH FLOWS ADMINISTERED ON BEHALF OF ENTITIES OTHER THAN THE WHOLE OF GOVERNMENT				
Inflows:				
Security Deposits	546	256	314	6
Agency Collections	1,293	1,287	1,293	1,287
Total Inflows	1,839	1,543	1,607	1,293
Outflows:				
Security Deposits	(531)	(243)	(297)	(61)
Agency Collections	(1,294)	(1,237)	(1,294)	(1,237)
Total Outflows	(1,825)	(1,480)	(1,591)	(1,298)
Net Administered Cash Inflows / (Outflows)	14	63	16	(5)
Administered Cash at the Beginning of the Financial Year	819	756	90	95
Administered Cash at the End of the Financial Year	833	819	106	90

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

34. Events Subsequent to Balance Date

Following a change in the Queensland Government Policy, from 1 July 1999, the Long Service Leave (LSL) Liability of the Department has been assumed by the Whole-of-Government reporting entity. In future, this Liability will be reported under AAS 31 "Financial Reporting by Governments". The Department's Liability for LSL as at 30 June 1999 will be extinguished and an adjustment will be made direct to Equity on 1 July 1999.

Future payments in respect of contributions to the LSL Central Scheme, attributable to the Department's employees, will be accrued and recognised as an expense. The Government Superannuation Office (GSO) will administer the Central Scheme in terms of the management of the Government's LSL Liability.

35. Notes to the Statement of Appropriations

35.1 Retained Revenue and Credits to Vote

The Treasurer has given approval under sections 34A and 34B of the *Financial Administration and Audit Act 1977* for the following types of receipts to be retained by the Department. Amounts indicated have been credited against expenditure from the following Funds/Policy Area/Program Area -

35.1.1 Section 34A Approvals

	DPI Consolidated		DPI Parent Entity	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Sale of Certain Motor Vehicles				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	148	24	148	24
Brucellosis and Tuberculosis Eradication Campaign Sale Proceeds to Offset Compensation Costs of De-stocking				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	-	41	-	41
Tuberculosis Freedom Assurance Campaign				
Consolidated Fund / Agriculture, Forestry and Water Resources / Industry Development	25	-	25	-
Payroll Apportioned to Prior Year				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	-	2,811	-	2811
Secondments and Employee Subsidies				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	917	715	917	715
Forestry Fund/Agriculture, Forestry and Water Resources/Industry Development	139	74	-	-
Employee Reimbursements				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	20	29	20	29
Forestry Fund/Agriculture, Forestry and Water Resources/Industry Development	1	-	-	-
Rebates				
Consolidated Fund / Agriculture, Forestry, and Water Resources / Industry Development	8	-	8	-
Jury Fees				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	5	2	5	2
Forestry Fund/Agriculture, Forestry and Water Resources/Industry Development	-	1	-	-
Worker's Compensation				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	59	70	59	70
Banana Industry Fund/Agriculture, Forestry and Water Resources/Industry Development	2	7	2	7
Fisheries Research Fund / Agriculture, Forestry and Water Resources / Industry Development	2	1	2	1
Forestry Fund/Agriculture, Forestry and Water Resources/Industry Development	8	8	-	-
Reimbursement of Advances to the Queensland Livestock and Meat Authority				
Consolidated Fund / Agriculture, Forestry and Water Resources / Industry Development	-	490	-	490
Repayments of Overpaid Fringe Benefits Tax				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	46	5	46	5
Total	1,380	4,278	1,232	4,195

*NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999*

35. Notes to the Statement of Appropriations (continued)

35.1 Retained Revenue and Credits to Vote (continued)

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
35.1.2 Section 34B Approvals				
Queensland Government Agents Program				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	46	57	46	57
Revenue Retention Arrangements				
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	5,106	4,945	5,106	4,945
<i>Revenue Retention Arrangements comprise the following activities:</i>				
• \$1.434 million sale of artificial breeding products				
• \$1.842 million sale of vaccines				
• \$0.600 million testing and advisory services				
• \$0.734 million consulting fees				
• \$0.378 million income from training				
• \$0.118 million sale of general goods and services				
Total	5,152	5,002	5,152	5,002

35.2 Material Variances and Carryovers

35.2.1 Consolidated Fund expenditure was higher than anticipated mainly due to:

- \$2.200 million for services provided by the Corporate Services Agency relating to the implementation of corporate systems enhancements to the Department of Natural Resources;
- \$1.188 million on Commonwealth funded research projects relating to the Australian Overseas Aid Program where the number of approved projects were higher than anticipated;
- \$0.417 million in various activities (principally research and extension activities) operating under revenue sharing arrangements where receipts were greater than expected;
- \$0.311 million resulting from employer superannuation contributions being higher than anticipated;
- \$0.281 million on the Atherton Tableland Strategy being funded by the Commonwealth where 1998-99 receipts were higher than expected; and
- \$0.239 million resulting from long service leave entitlements being higher than expected.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

35. Notes to the Statement of Appropriations (continued)

35.2 Material Variances and Carryovers (continued)

35.2.1 Consolidated Fund expenditure was higher than anticipated mainly due to : (continued)

This was partially offset by expenditure which was lower than anticipated in the following areas:

- \$4.363 million resulting from lower than expected demand for drought relief subsidies;
- \$1.427 million due to the transfer to the Department of Natural Resources of carry-over balances for Commonwealth funded landcare and water research projects;
- \$1.308 million largely resulting from significantly less tuberculosis detections than anticipated under the Tuberculosis Freedom Assurance Program; and
- \$1.128 million due to the successful eradication of Papaya Fruit Fly in North Queensland.

35.2.2 Consolidated Fund expenditure on account of approved carryovers at 30 June 1999 are contained within the column headed "Expenditure" in the Statement of Appropriations. These carryovers include:

35.2.2.1 Recurrent Items

Unspent balances for rural and forest industry research projects being funded by the Commonwealth

Major capital works on the Northern Fisheries Centre at Cairns were delayed in 1998-99 due to problems experienced with building specifications

Balances of trading activities operating under revenue sharing arrangements

Commitments for the development and implementation of quality assurance systems under the Agribusiness Exporters Quality Assurance Scheme

Projects relating mainly to software development and maintenance within the Restoring Services to Rural Communities initiative

Development of the Dry Tropics Centre in Bowen has experienced delays in the purchase of an appropriate site and formulation of project plans

Papaya Fruit Fly outbreak funding commitments being funded by the State of Queensland

West Indian Drywood Termite fumigation costs for the Brisbane Exhibition Grounds

Commitments relating largely to trainee employment subsidies and fringe benefits tax payments

Enhancements to corporate systems relating to financial and human resource management

Funding for recreational fishing projects

Unspent balances resulting from delays in the finalisation of Commonwealth Torres Strait Protection Zone agreement

Funds to finalise the implementation of the Sugar Industry Review recommendations

Projects associated with food safety and quality assurance

Payments for existing scholarship holders under the Rural Employment Generation initiative

The Queensland Hardwood Plantation initiative has been delayed due to unseasonal weather conditions

Unspent balances from the Commonwealth and other States for the Papaya Fruit Fly outbreak

Commitments relating to telecommunication services

Funding for aquaculture development projects delayed due to problems associated with securing appropriate research facilities in North Queensland

Funding for climatology activities deferred due to delays in the tendering process for new facilities in Toowoomba

Total

35.2.2.2 Capital Items

Vessel replacement program provision for future purchases of major replacement vessels

Delays in the tendering process for the Queensland Centre for Climate Applications facility in Toowoomba

Total

	DPI Consolidated		DPI Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Unspent balances for rural and forest industry research projects being funded by the Commonwealth	1177	-	1177	-
Major capital works on the Northern Fisheries Centre at Cairns were delayed in 1998-99 due to problems experienced with building specifications	1078	-	1078	-
Balances of trading activities operating under revenue sharing arrangements	735	428	735	428
Commitments for the development and implementation of quality assurance systems under the Agribusiness Exporters Quality Assurance Scheme	671	1,586	671	1,586
Projects relating mainly to software development and maintenance within the Restoring Services to Rural Communities initiative	573	-	573	-
Development of the Dry Tropics Centre in Bowen has experienced delays in the purchase of an appropriate site and formulation of project plans	545	-	545	-
Papaya Fruit Fly outbreak funding commitments being funded by the State of Queensland	535	-	535	-
West Indian Drywood Termite fumigation costs for the Brisbane Exhibition Grounds	400	-	400	-
Commitments relating largely to trainee employment subsidies and fringe benefits tax payments	309	-	309	-
Enhancements to corporate systems relating to financial and human resource management	-	878	-	878
Funding for recreational fishing projects	290	151	290	151
Unspent balances resulting from delays in the finalisation of Commonwealth Torres Strait Protection Zone agreement	135	-	135	-
Funds to finalise the implementation of the Sugar Industry Review recommendations	134	-	134	-
Projects associated with food safety and quality assurance	133	-	133	-
Payments for existing scholarship holders under the Rural Employment Generation initiative	118	-	118	-
The Queensland Hardwood Plantation initiative has been delayed due to unseasonal weather conditions	112	-	112	-
Unspent balances from the Commonwealth and other States for the Papaya Fruit Fly outbreak	-	387	-	387
Commitments relating to telecommunication services	-	360	-	360
Funding for aquaculture development projects delayed due to problems associated with securing appropriate research facilities in North Queensland	-	346	-	346
Funding for climatology activities deferred due to delays in the tendering process for new facilities in Toowoomba	-	153	-	153
Total	6,945	4,289	6,945	4,289
35.2.2.2 Capital Items				
Vessel replacement program provision for future purchases of major replacement vessels	2,197	4,033	2,197	4,033
Delays in the tendering process for the Queensland Centre for Climate Applications facility in Toowoomba	-	245	-	245
Total	2,197	4,278	2,197	4,278

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

35. Notes to the Statement of Appropriations (continued)

35.2 Material Variances and Carryovers (continued)

35.2.3 Forestry Fund expenditure was less than anticipated mainly due to:

- \$2.556 million resulting primarily from efficiencies in vacancy management and from the transfer to DPI of the Forestry Industry Development Group in addition to enterprise bargaining costs being less than forecast in the budget.
- \$3.599 million in operating costs arising primarily from delays in field work as a result of extended wet weather, from the transfer of the Forestry Industry Development Group to DPI during the year and from efficiencies gained in inventory and field practices realised through the enterprise bargaining process.
- \$0.786 million in reduced expenditure is attributable to TRADAC payments of \$1.028 million not being reported offset by an unanticipated increase in the remittance of research funds to third parties.
- \$0.450 million in road construction savings arising primarily from a revision of road policy for plantations and also from deferred construction due to prolonged wet weather.
- \$0.935 million in plant and equipment savings arising from the deferral of heavy plant purchases pending the completion of needs assessments.

36. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
Cash	16	Cash includes cash on hand, cash at bank, and Trust and Special Fund balances. Interest is only received by DPI Forestry and is included in other revenue.	Cash is held by the Queensland Treasury Department. Interest is paid on the DPI Forestry funds at the Treasury monthly benchmark rate.
Receivables - Trade Debtors	17	Trade receivables are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade sales require payment within 30 days from end of month in which a sale is invoiced. All DPI Forestry trade debtors are secured by cash deposit or other financial guarantee.
Receivables - Seed Scheme Loans	17	Amounts for the Seed Scheme Loans are carried at nominal amounts due, less any provision for doubtful debts. Interest is taken up as income on an accrual basis.	Seed Scheme Loans are payable from the proceeds of crops when harvested.
Receivables (Other than Trade Debtors)	17	Amounts (Other than Trade Debtors) are carried at nominal amounts, less any provision for doubtful debts. Receivables also include Departmental funds held by Queensland Treasury.	Net 30 days.
Investments - Unlisted Shares	18	Investments are brought to account at the lower of cost and net realisable value. Dividend income is recognised when received.	

(ii) Financial Liabilities

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
Trade Creditors and Accruals	24	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Trade Creditors are normally settled on 7, 14 or 30 day terms.
Borrowings	25	Loans are carried at book value. Interest is charged as an expense as it accrues.	All borrowings are with Queensland Treasury and the Queensland Treasury Corporation (QTC). The borrowings with Queensland Treasury are repayable quarterly with the final instalment due 31 March 2001. The borrowings with the QTC are repayable quarterly with the final instalment due 26 April 2010.
Dividend Payable	26	Dividends payable are recognised when declared by DPI Forestry.	Dividends payable are declared at a negotiated percentage (currently 75%) of DPI Forestry's operating profit after tax equivalents, less QFleet dividend allowance. Dividends are payable to the Queensland Government.
Finance Lease Liability	24, 31	The Finance Lease Liabilities are accounted for in compliance with AAS17 "Accounting for Leases". Interest is charged as an expense as it accrues.	As at balance date, DPI's finance leases have an average lease term of 4 years. The average interest rate implicit in the leases is 11.77%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

36. Financial Instruments (continued)

(c) Net Fair Values

Financial Instruments	Total Carrying Amount		Net Fair Value	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash	9,990	7,736	9,990	7,736
Receivables - Trade Debtors	16,208	13,043	16,208	13,043
Receivables - Other than Trade Debtors	18,776	16,633	18,776	16,633
Investments (1)	79	55	296	310
Total	45,053	37,467	45,270	37,722
Financial Liabilities				
Trade Creditors and Accruals	9,870	12,471	9,870	12,471
Borrowings - Queensland Treasury (2)	732	1,496	732	1,496
Borrowings - Queensland Treasury Corporation (2)	76,420	80,863	78,314	86,730
Dividends Payable	4,633	3,868	4,633	3,868
Finance Lease Liability	543	397	543	397
Total	92,198	99,095	94,092	104,962
Financial Instruments Administered on Behalf of the Whole of Government				
	Total Carrying Amount		Net Fair Value	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Receivables - Trade Debtors	27	23	27	23
Receivables - Other than Trade Debtors	48	15	48	15
Total	75	38	75	38
Financial Liabilities				
Trade Creditors and Accruals	82	64	82	64
Total	82	64	82	64

(1) The net fair value of Investments is the market value of the shares.

(2) Based on advice provided by the Queensland Treasury and the Queensland Treasury Corporation, the net fair value of borrowings is the market value of the loans.

(d) Credit Risk Exposure

DPI's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for doubtful debts as indicated in the Statement of Financial Position.

Credit risk in Trade Debtors is managed in the following ways:

- Payment within 30 days from end of month in which a sale is invoiced.
- DPI Forestry Trade Debtors are secured by cash deposits or other financial guarantees.
- Reviewing Trade Debtors and identifying amounts which are doubtful.
- Writing off bad debts as they are incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

37. Financing Facilities

DPI Forestry has standby arrangements with the Queensland Treasury Department to provide funds and support facilities up to an amount of \$3.000 million. This credit facility is provided by Queensland Treasury Corporation, and was unused at 30 June 1999.

38. Tax Equivalents

Information in respect of tax equivalents expense incurred by the Commercialised Business Unit of the Department subject to the substantive Tax Equivalents Regime:

	DPI Forestry	
	1999	1998
	\$'000	\$'000
Operating Result of the Commercialised Business Unit subject to Tax Equivalents Regime	9,836	5,538
Prima facie tax equivalent expense thereon at 36%	3,541	1,994
<i>Tax effect of permanent and other differences:</i>		
Acquired timber felled - Queensland Income Tax Equivalents Ruling 95/4	(12,314)	(14,373)
Research and Development Concession	(171)	(234)
Entertainment - Non-Deductible	3	2
Depreciation - Non-Deductible	34	23
Capital Gains Tax	20	71
Other	23	(16)
Total Tax Equivalent Benefit not Brought to Account	<u>(8,864)</u>	<u>(12,533)</u>
<i>Total tax equivalent benefit comprises movements in:</i>		
Net Tax Equivalent Benefit	(9,405)	(13,800)
Provision for Deferred Tax Equivalent	538	1,485
Future Tax Equivalent Benefit	3	(218)
Total Tax Equivalent Benefit not Brought to Account	<u>(8,864)</u>	<u>(12,533)</u>

A future tax equivalent benefit has not been brought to account as an asset of DPI Forestry, as realisation of the benefit cannot be regarded as being virtually certain. Accumulated future tax equivalent benefits attributable to tax losses carried forward amount to \$40.734 million as at 30 June 1999, and will only be obtained if:

- a) DPI Forestry derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- b) DPI Forestry continues to comply with the conditions for deductibility imposed by the law; and
- c) No changes in tax legislation adversely affect DPI Forestry in realising the benefit from the deductions for the losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1999

39 Interest in Joint Ventures

DPI holds an interest in a number of Joint Ventures - Note 2.29. These currently fall into two primary categories, namely:

39.1 *Private Forestry Plantations Ventures*

These are designed to establish commercially viable timber plantations on private land. Contributions to these Joint Ventures in 1998-99 totalled \$0.632 million, (\$0.55 million in 1997-98).

39.2 *Seed Orchard Venture*

This was established to produce and sell improved tree seeds from an orchard established for that purpose. Contributions to this Joint Venture in 1998-99 totalled \$0.058 million, (Nil in 1997-98).

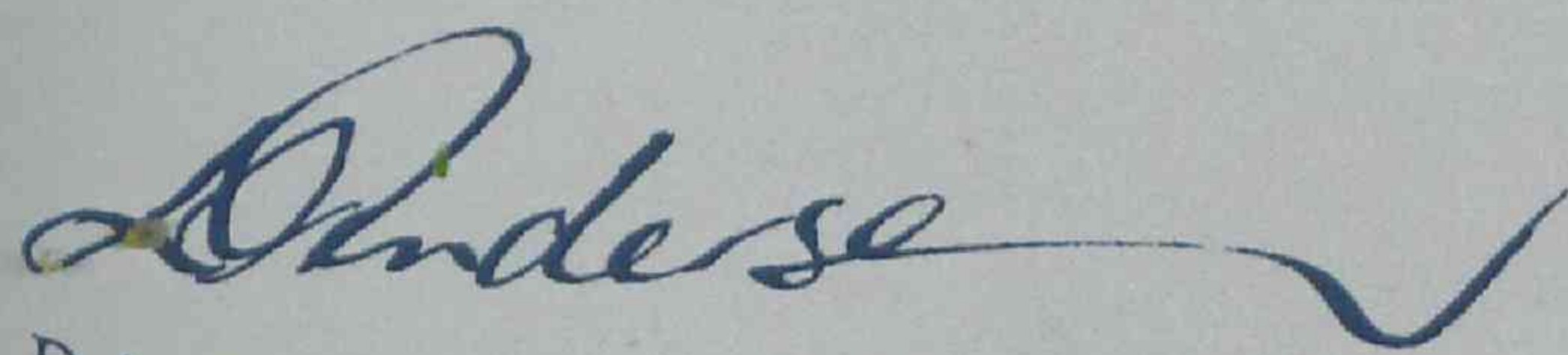
- No output was derived from the Joint Venture operations during the 1998-99 financial year, (Nil in 1997-98).
- Total contributions towards both types of Joint Venture operations to 30 June 1999 amounted to \$1.437 million. Of this amount, \$0.639 million has been provided as "New Initiative" funding in the Queensland State Budget.

Certificate of the Department of Primary Industries

The foregoing General Purpose Financial Statements have been prepared pursuant to section 40 of the *Financial Administration and Audit Act 1977* and other prescribed requirements.

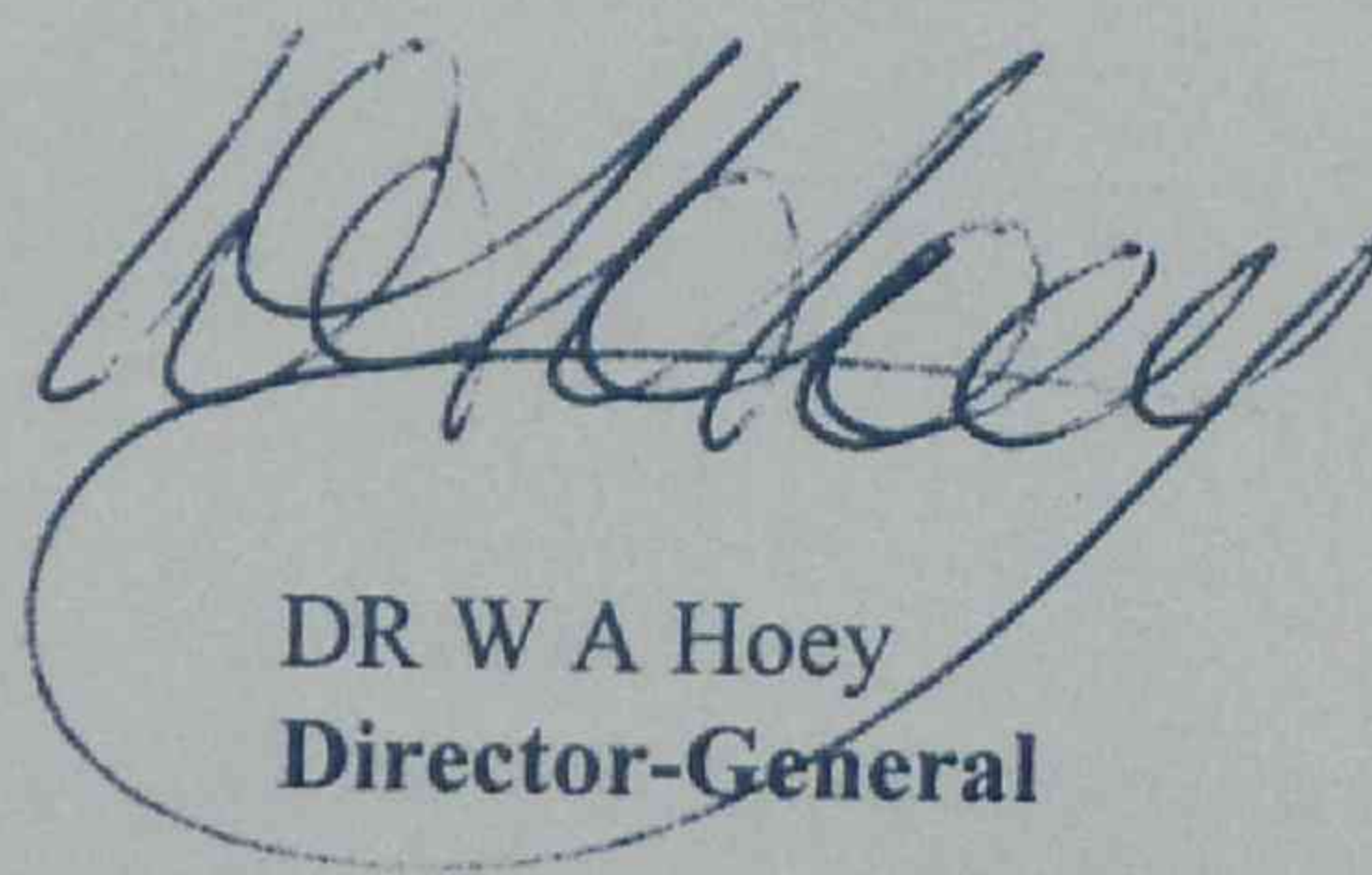
We certify that -

- (a) the Statements together with other information and Notes forming part thereof are in the form required by the Treasurer and are in agreement with the accounts of the Department of Primary Industries; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the Statements have been drawn up so as to present a true and fair view of the transactions and cash flows of the Department of Primary Industries for the period 1 July 1998 to 30 June 1999, and of the financial position as at 30 June 1999.



D Anderson FCPA
General Manager
(Finance and Business Development)

12 October 1999



DR W A Hoey
Director-General

12 October 1999

INDEPENDENT AUDIT REPORT

Department of Primary Industries

Scope

I have audited the General Purpose Financial Statements of the Department of Primary Industries prepared by the Accountable Officer for the year ended 30 June 1999 in terms of s.40 of the *Financial Administration and Audit Act 1977*. The financial statements comprise the consolidated financial statements of the Department of Primary Industries (the parent entity, reflecting the Department's core business activities and its commercialised business unit, DPI Forestry) and also include the financial statements of the Department of Primary Industries (parent entity), reflecting the Department's core business activities. The financial statements comprise the Operating Statement, Statement of Financial Position, Statement of Cash Flows, Operating Statement by Program, Statement of Financial Position by Program, Statement of Appropriations, Notes to and forming part of the financial statements and certificates given by the Accountable Officer and officer responsible for the financial administration.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with the prescribed requirements and prescribed accounting standards.

The year 2000 issue has been addressed only in the context of my existing audit responsibility under Australian Auditing Standards to express an opinion on the financial statements. Plans and associated actions to address the year 2000 issue have been reviewed for action taken to date, but the adequacy of those plans has not been assessed. Accordingly, the audit of the financial statements does not provide specific assurance, nor is a specific opinion expressed that the systems of the Department of Primary Industries or other systems such as those of suppliers, vendors, service providers, customers, associates, joint venture parties or third parties are year 2000 compliant.

The audit opinion has been formed on the above basis.

Audit Opinion

In accordance with section 40 of the *Financial Administration and Audit Act* I certify that -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the Statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the Department of Primary Industries (consolidated), and the parent entity for the financial year 1 July 1998 to 30 June 1999 and of the financial position as at the end of that year.

V. P. Manera

V P MANERA
Deputy Auditor-General
(Delegate of the Auditor-General)



Appendixes

Appendix 1

DPI FORESTRY

FINANCIAL STATEMENTS

for the financial year ended 30 June 1999

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PROFIT AND LOSS STATEMENT

for the financial year ended 30 June 1999

	* Notes	1999 \$'000	1998 \$'000
Operating Revenue			
Sale of timber	3(a)	68,168	68,429
Specialised forest industry services		6,939	8,832
Quarries		2,609	1,995
Seeds and seedlings		1,614	1,142
External workshop charges		898	843
Profit on disposals of non-current assets		96	65
Other revenue	3(b)	3,044	3,189
Total operating revenue		83,368	84,495
Operating expenses			
Salaries, wages and related costs		31,085	32,373
Interest and Loan guarantee fee		6,099	8,247
Contracted forestry, professional, technical and other services		8,582	9,117
Depreciation on property, plant and equipment		5,075	5,424
Hire of plant and equipment		2,214	2,226
Superannuation contributions		3,514	3,573
Provision for employee entitlements		3,225	3,590
Motor vehicle expenses		2,473	2,482
Occupancy costs		2,926	2,648
Forest maintenance expenses		2,029	2,437
Materials		1,874	1,787
Travel expenses		1,013	1,182
Workers' compensation costs		498	925
Postage, printing and stationery		612	542
Computer operating expenses		563	744
Auditor's remuneration		120	120
Doubtful debts expense		-	102
Bad debts written off		53	8
Other operating expenses		1,576	1,430
Total operating expenses		73,532	78,957
Operating profit before Income tax and abnormal items		9,836	5,538
Income tax equivalents attributable to Operating profit	5	-	-
Operating profit after Income tax equivalents before abnormals		9,836	5,538
Abnormal Items	4	-	(15,667)
Income tax equivalents attributable to abnormal items	5	-	-
Operating profit/(loss) after income tax equivalents and abnormal items		9,836	(10,129)
Retained profits at the beginning of the financial year		(10,842)	3,155
Total available for appropriation		(1,006)	(6,974)
Dividend provided for	13,15	(4,633)	(3,868)
Retained profit/(accumulated loss) at the end of the financial year		(5,639)	(10,842)

* The accompanying notes on pages 125-139 form an integral part of the Financial Statements.

BALANCE SHEET

as at 30 June 1999

	* Notes	1999 \$'000	1998 \$'000
Current Assets			
Cash	6	8,215	7,858
Receivables	7	12,735	9,052
Inventories	8	2,715	2,880
Total current assets		23,665	19,790
Non-Current Assets			
Receivables	7	424	583
Property, plant and equipment	9	66,222	68,817
Total non-current assets		66,646	69,400
Self Generating and Regenerating Assets			
Plantation Growing Timber	10	980,952	930,826
Total Assets		1,071,263	1,020,016
Current Liabilities			
Creditors	11	3,997	4,705
Borrowings	12	-	3,928
Provisions	13	8,935	8,167
Total current liabilities		12,932	16,800
Non-Current Liabilities			
Borrowings	12	76,420	76,935
Provisions	13	8,050	7,930
Total non-current liabilities		84,470	84,865
Total Liabilities		97,402	101,665
Net Assets		973,861	918,351
Equity			
Capital	14	927,571	928,065
Retained profits/(accumulated losses)		(5,639)	(10,842)
Reserves			
- Asset Revaluation	14	1,803	1,128
- Plantation Growing Timber Revaluation	14	50,126	-
Total equity		973,861	918,351

* The accompanying notes on pages 125-139 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 1999

	* Notes	1999		1998	
		\$'000	\$'000	\$'000	\$'000
		Inflows (Outflows)		Inflows (Outflows)	
Cash Flows from Operating Activities					
Receipts from customers		79,311		85,748	
Payments to suppliers and employees		(62,318)		(64,759)	
Interest received		419		362	
Interest and loan guarantee fees paid on borrowings		(6,121)		(8,884)	
Sales taxation equivalents paid		(235)		(307)	
Grants and subsidies paid		(599)		(317)	
Grants and subsidies received		388		64	
Net cash provided by operating activities	16		10,845		11,907
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(3,557)		(5,607)	
Proceeds from sale of property, plant and equipment		1,380		1,619	
Net cash used in investing activities			(2,177)		(3,988)
Cash Flows from Financing Activities					
Repayment of borrowings		(4,443)		(4,959)	
Dividends paid		(3,868)		(5,060)	
Net cash used in financing activities			(8,311)		(10,019)
Net increase/(decrease) in cash held			357		(2,100)
Cash at the beginning of the financial year			7,858		9,958
Cash at the end of the financial year	6		8,215		7,858

* The accompanying notes on pages 125-139 form an integral part of the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. CONSTITUTION

By Cabinet Decision number 4637 dated 15 May 1995, the DPI Forest Service was restructured to operate as a commercial business group (DPI Forestry) from 1 July 1995. DPI Forestry is part of the Department of Primary Industries.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of these financial statements, are as follows:

2.1 BASIS OF PREPARATION OF THE ACCOUNTS

The financial statements are a general purpose financial report that have been prepared in accordance with applicable Australian Accounting Standards, the Financial Management Standard 1997 issued pursuant to the *Financial Administration and Audit Act 1977* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The accounts have been prepared on an accrual basis and except where stated otherwise, in accordance with the historical cost convention.

2.2 RECEIVABLES

Receivables are reported net of any doubtful debts.

2.3 BAD DEBTS

All known bad debts are written off.

2.4 BORROWINGS

Borrowings are reported at their book value as determined by the Queensland Treasury Corporation.

2.5 INVENTORIES

Inventories are valued at lower of cost and net realisable value.

2.6 LIBRARY ASSETS

Purchase of library materials are expensed as incurred.

2.7 LEASEHOLD IMPROVEMENTS

Leasehold improvements are expensed as incurred.

2.8 INTANGIBLES

Costs of all intangible items, including acquisition and development costs of computer software, have been expensed as incurred.

However, to promote uniformity in accounting policies with DPI Forestry's parent entity, (the Department of Primary Industries), which has moved to recognise and report on Intangible Assets as at 30 June 1999, and in recognition of the increasing significance of computer systems within Forestry's business processes, this policy will be reassessed in the year ending 30 June 2000. A review will be undertaken to identify any significant intangible items which meet the recognition criteria set out in Statement of Accounting Concepts 4 "Definition and Recognition of the Elements of Financial Statements". Any such items would then be disclosed as assets, forming part of the 'Intangibles' asset class, in future reporting periods.

2.9 PROPERTY, PLANT AND EQUIPMENT

RECORDING OF PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment with a value of \$500 or more, are capitalised and items under this threshold are recorded as an expense in the year of acquisition. Items or components, which form an integral part of an asset, are recognised as a single asset and the capitalisation threshold is applied to the aggregate cost of the asset.

DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT

Depreciation on depreciable assets is calculated on a straight-line basis so as to allocate the cost, or other value, of each depreciable asset, progressively over its estimated useful life.

For each class of depreciable asset the following depreciation periods were used:

Asset Class:	Average Estimated Useful Life in Years
Land Improvements	32
Buildings	21
Access Roads	41
Plant and Equipment	8

PROFIT AND LOSS ON DISPOSAL OF ASSETS

Any gain or loss on the disposal of property, plant and equipment has been taken into account in determining the profit for the year.

VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Non-current physical assets are valued on the "deprival" basis in accordance with the Queensland Treasurer's guidelines entitled "*Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector*". Under the deprival value concept assets are valued at an amount that represents the entire loss that might be expected to be incurred if DPI Forestry was deprived of the future economic benefits of these assets at reporting date. Additions of non-current physical assets acquired during the year are recorded at the acquisition cost.

For the purpose of revaluation of non-current physical assets, the Department established the following revaluation thresholds by class of assets.

Asset Class:	\$
Land	200,000
Land Improvements	700,000
Buildings	100,000
Access Roads	1,000,000
Plant and Equipment	1,000,000

The carrying values of property, plant and equipment are reviewed annually.

Non-current physical assets having an estimated value greater than the appropriate revaluation threshold, and an estimated useful life of three years or more, are periodically revalued.

A comprehensive revaluation of these assets is performed at five-year intervals with annual indexation between full revaluations.

Capital works in progress represents costs incurred in respect of assets under construction.

2.10 PLANTATION GROWING TIMBER

The Net Realisable Value (NRV) methodology has been adopted by DPI Forestry for the valuation of Plantation Growing Timber. NRV is the amount that could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. Under this methodology, value changes arise mainly from:

- changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity;
- changes in timber prices.

Volume increments are determined both by periodic re-measurement of samples of plantations and by modelling growth from the date of the most recent measurement to the valuation date. The market valuation is prepared by appropriately qualified staff employed by DPI Forestry using advanced modelling techniques/methods accepted by the forestry industry. Current market prices have been applied in determining the plantation growing timber valuation. Realisation costs are based on weighted average costs of existing sales.

Only merchantable stands of timber have been included in the valuation and comprise stands 20 years and older for hoop pine and 15 years and older for exotic pine species. Other plantation areas considered unmerchantable for the purposes of the valuation include:

- plantations containing minor species which previous marketing experience suggests are likely to be unmerchantable or of problematic value;
- areas subject to experimental treatments which previous marketing experience suggests are likely to be unmerchantable or of problematic value; and
- small, fragmented plantation areas likely to be unmerchantable or of problematic value.

Costs incurred in relation to pine plantations establishment and maintenance are expensed as incurred with the exception of access roads construction and upgrade, which are capitalised.

DPI Forestry revalues plantation growing timber annually. The change in net realisable value from the beginning to the end of the year is not recognised in the Profit and Loss Statement but is treated as an adjustment to the Plantation Growing Timber Revaluation Reserve. The only exception to this treatment is where a decrement in value exceeds the balance of the Plantation Growing Timber Revaluation Reserve. In this case the amount to be adjusted in excess of the balance is expensed in the Profit and Loss statement. This treatment of the change in net realisable value varies from that of some other forest growing agencies and needs to be borne in mind in any comparative analysis of profits.

2.11 NATIVE FORESTS

DPI Forestry's asset in native forests is its right to harvest forest products on certain crown owned native forests in order to further its commercial objectives. Valuation difficulties arise as a consequence of the need to assess volume and growth characteristics across an extensive range of forest types and areas. In addition, ongoing resource availability is dependent upon the finalisation of both the Regional Forest Agreement process and associated State Forest management planning. These factors raise reliability problems for any asset valuation approach and have resulted in native forest property rights not being valued in the financial statements for the year ended 30 June 1999. The volume of timber harvested from native forests approximates annual forest growth, i.e. the forests are managed on a sustained yield basis. Accordingly, costs are expensed on the basis that these costs are incurred to maintain the constant forest resource.

2.12 LAND

DPI Forestry carries out its forestry establishment, management and marketing operations principally on Crown land allocated for forest production purposes by the Department of Natural Resources (DNR). While DNR retains control over this land, DPI Forestry is granted access to carry out its operations in accordance with the *Forestry Act 1959*.

Only land controlled by DPI Forestry has been brought to account. This land includes specified freehold and crown land parcels held for operational purposes.

2.13 QUARRIES

DPI Forestry obtains royalties from quarry operators for the extraction of quarry materials located on Crown land and identified freehold land. Revenues are taken to account when received and any expenditure when incurred. The extent of quarry resources has not been quantified and accordingly a value for these assets has not been included in the accounts.

2.14 EMPLOYEE ENTITLEMENTS

Employee entitlements relate to amounts expected to be paid to employees for accrued recreation leave and long service leave as well as accrued salaries and wages. In addition, associated on-costs and outstanding employer contributions to employee superannuation schemes have also been recorded.

Recreation leave liability is based on each employee's statutory entitlement based on current salary and wages rates.

A liability for long service leave is recognised and is measured by the use of a shorthand method derived by the Queensland State Actuary. The result of this method does not differ materially from that which would be arrived at should a calculation be performed estimating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The method used incorporates consideration of expected future wage and salary levels, experience of employee departure and periods of service. The assumed rate of salary inflation and discount rate are based on Commonwealth Government bond yields at the reporting date and the expected long term gap between salary inflation and investment return.

Sick leave is charged as an expense in the period in which it is taken.

Employer contributions for employee superannuation are expensed as incurred. No liability is shown for superannuation benefits in the balance sheet as the liability is held by the Government Superannuation Office.

2.15 RESEARCH AND DEVELOPMENT

Research and development costs are charged to operating profit before income tax equivalents as incurred. Research and development costs will only be deferred to the extent that future benefits are expected, beyond any reasonable doubt, to equal or exceed those costs, any previously deferred costs, and any future costs necessary to give rise to the future benefits.

2.16 TAXATION

DPI Forestry as a commercialised business unit is subject to the payment of income tax equivalents and sales tax equivalents in accordance with the requirements of the Queensland Tax Equivalents Regime.

Pursuant to Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)", Income Tax Equivalent expense is calculated on the operating profit in the profit and loss statement after adjusting for permanent differences. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward as a future tax equivalent benefit or a provision for deferred tax equivalent.

Future tax equivalent benefits are not brought to account unless realisation of the benefit is virtually certain.

No liability has been provided for the payment of future Capital Gains Tax Equivalents that may arise on the disposal of assets. Such liability is provided at the time of disposal of the assets. Where assets are revalued no provision for potential Capital Gains Tax Equivalents has been made.

2.17 INSURANCE

In accordance with Government policy, assets are not insured, and losses are treated as an expense as they are incurred. Workers' Compensation premiums are paid to Workcover Queensland.

2.18 FINANCIAL REPORTING BY SEGMENTS

DPI Forestry operates principally in the forestry industry within Queensland.

2.19 INTERESTS IN JOINT VENTURES

DPI Forestry currently has a financial interest in a number of joint ventures involving the production of self generating and regenerative assets.

Contributions by DPI Forestry are expensed as incurred consistent with DPI Forestry's policy of not capitalising plantation establishment and maintenance costs (refer note 2.10). Details of DPI Forestry's interests are disclosed at note 18.

2.20 DEPOSITS HELD IN TRUST

Security, tender and other deposits administered by DPI Forestry in a trust capacity are not recognised in the financial statements but are disclosed for information purposes in note 22.

2.21 COMPARATIVE FIGURES

Where necessary, comparative figures have been restated in order to comply with the current year's presentation of the accounts.

2.22 ROUNDING

Amounts included in the financial statements have been rounded to the nearest one thousand dollars unless specifically stated to be otherwise.

3 REVENUE

	1999 \$'000	1998 \$'000
(a) Sale of Timber comprised:		
<i>Plantations - Native Pine</i>	22,126	21,612
<i>- Exotic Pine</i>	35,229	36,913
<i>- Hardwood</i>	480	162
<i>Native Forests - Cypress</i>	3,676	3,224
<i>- Hardwood</i>	6,503	6,355
<i>- Sandalwood</i>	98	23
<i>Freehold selections - timber revenue</i>	56	140
Total timber revenue	68,168	68,429
(b) Other Revenue comprised:		
<i>Fees and permits</i>	191	181
<i>Interest</i>	383	353
<i>External plant hire</i>	403	441
<i>Other sundry revenue</i>	2,067	2,214
Total other revenue	3,044	3,189

4 ABNORMAL ITEMS

	1999 \$'000	1998 \$'000
<i>Revaluation decrement - Plantation Growing Timber</i>	-	(15,667)

5 INCOME TAX EQUIVALENTS

	1999 \$'000	1998 \$'000
Operating profit	9,836	5,538
Prima facie tax equivalent expense (calculated at 36% of operating profit)	3,541	1,994
Tax effect of permanent differences:		
Acquired timber felled - Queensland Income Tax Equivalents Ruling 95/4	(12,314)	(14,373)
Research and development concession	(171)	(234)
Entertainment - non-deductible	3	2
Depreciation - non-deductible	34	23
Capital gains tax	20	71
Other	23	(16)
Total tax equivalent benefit	(8,864)	(12,533)

	1999 \$'000	1998 \$'000
Total income tax equivalent benefit comprises movements in:		
Net tax equivalent benefit	(9,405)	(13,800)
Provision for deferred tax equivalent	538	1,485
Future tax equivalent benefit	3	(218)
Total tax equivalent benefit	(8,864)	(12,533)

A future tax equivalent benefit has not been brought to account, as an asset of DPI Forestry as realisation of the benefit cannot be regarded as being virtually certain. Accumulated future tax equivalent benefits attributable to tax losses carried forward amount to \$40,734,290 as at 30 June 1999, and will only be obtained if;

- DPI Forestry derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- DPI Forestry continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect DPI Forestry in realising the benefit from the deductions for the losses.

6 CASH

	1999 \$'000	1998 \$'000
Cash on hand	34	31
Cash at bank	(900)	110
Cash other - Forestry Fund	9,081	7,717
Total cash	8,215	7,858

DPI FORESTRY - NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the financial year ended 30 June 1999

7 RECEIVABLES

	1999 \$'000	1998 \$'000
Current		
Trade debtors	11,203	8,421
Freehold selection debtors (1)	245	327
	11,448	8,748
Less - Provision for doubtful debts(1)	(123)	(127)
	11,325	8,621
Interest receivable	-	36
Other debtors	1,410	395
	12,735	9,052
Non-Current		
Freehold selection debtors (1)	424	583
Total receivables	13,159	9,635

- 1) Freehold selection debtors arise where Crown Land under lease is converted to freehold. Debtors represent the value of unpaid instalments due on the timber component of the property sold. Included in the total doubtful debt provision is an amount of \$4,470 (\$6,360, 1997-98) for freehold selection debtors. The Department of Natural Resources manages the freehold selection debtors.

8 INVENTORIES

	1999 \$'000	1998 \$'000
Finished goods:		
Seeds and seedlings (1)	1,467	1,379
Harvested timber on hand	-	92
	1,467	1,471
Work in progress		
Seedlings (1)	73	98
Raw materials and stores:		
Fertilisers, chemicals and herbicides	359	391
Saleable publications	177	169
Fuel	48	68
Miscellaneous	591	683
	1,175	1,311
Total inventories	2,715	2,880

The basis for valuation of inventories is set out in note 2.5

- 1) Seeds and seedlings held for resale are taken up as inventory. Seedlings produced for DPI Forestry's plantation production are not recognised as inventory.

9 PROPERTY, PLANT AND EQUIPMENT

	1999 \$'000	1998 \$'000
Land		
At cost		
At valuation (1)	3,209	3,209
	1,085	1,085
	4,294	4,294
Buildings		
At cost		
At valuation (2)	638	569
Accumulated depreciation	17,997	18,115
	(2,867)	(2,231)
	15,768	16,453
Land improvements		
At cost		
At valuation (2)	1,345	968
Accumulated depreciation	2,006	2,202
	(979)	(679)
	2,372	2,491
Access roads		
At cost		
At valuation (2)	1,107	1,195
Accumulated depreciation	31,609	29,973
	(4,854)	(3,601)
	27,862	27,567
Plant and equipment (3)		
At cost		
At valuation	20,226	19,033
Accumulated depreciation	9,188	12,879
	(15,236)	(15,722)
	14,178	16,190
Capital works in progress		
At cost		
	1,748	1,822
Property, plant and equipment		
At cost		
At valuation	28,273	26,796
Accumulated depreciation	61,885	64,254
	(23,936)	(22,233)
Total property, plant and equipment - net book value	66,222	68,817
Valuation of Property, Plant and Equipment		

All Property, Plant and Equipment has been valued at deprival value in accordance with the Queensland Treasurer's guidelines entitled "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector"

- 1) *Land* was valued as at 1 January 1996 by the following independent expert valuers:
Australian Valuation Office
R N Mullins, FVLE (Val) LLB and A Roberts AVLE (Val)
- 2) *Buildings, Land Improvements and Access Roads* were valued as at 1 January 1995 by the following independent expert valuers:
Australian Valuation Office
J F McAuliffe, LFVLE (Val & Econ), C J Tuttle, Dip Val., FVLE (Val & Econ) and R N Mullins, FVLE (Val) LLB
- 3) *Plant and Equipment* with an historical cost or current replacement cost over \$50,000 was revalued by the following independent expert valuer as at 30 June 1997.
Edward Rushton Australia Pty. Ltd.
S Greenstock, FVLE (P & M)

DPI Forestry undertook an analysis of its other plant and equipment assets and concluded that the historical cost or management valuation assigned to these assets reasonably represents deprival value.

Interim revaluations (by indexation) of assets above the established revaluation thresholds and with an estimated useful life of three years or more (refer note 2.9) were carried out as at 30 June 1999.

10 PLANTATION GROWING TIMBER

	Note	1999 \$'000	1998 \$'000
Balance as at 1 July		930,826	1,090,873
Net increment/(decrement) for the year	4,14	50,126	(160,047)
Balance as at 30 June		980,952	930,826

11 CREDITORS

	1999 \$'000	1998 \$'000
Current		
Trade creditors	583	1,054
Accrued loan guarantee fee - Queensland Treasury Corporation Loan	393	415
Accrued staff related expenses	597	739
Tax payable - Payroll	153	130
- Sales	235	235
Land purchase	-	700
Accrued expenses	420	644
Prepaid royalties, grants & other revenue received in advance	973	524
Miscellaneous	643	264
Total creditors	3,997	4,705

12 BORROWINGS

	1999 \$'000	1998 \$'000
Current		
Queensland Treasury Corporation Loan (1)	-	3,928
	-	3,928
Non-current		
Queensland Treasury Corporation Loan [market value as at 30 June \$78.314M] (1)	76,420	76,935
	76,420	76,935
Total borrowings as at 30 June	76,420	80,863

- 1) No part of this loan has been reported as 'current' as a consequence of the Treasurer approving that the loan be adjusted to an 'interest only' basis for a period of two years commencing in 1999-2000. The loan term has been extended for a period of two years.

13 PROVISIONS

	Notes	1999 \$'000	1998 \$'000
Current			
Provision for dividend	15	4,633	3,868
Recreation leave		3,475	3,485
Long service leave(1)		827	814
		8,935	8,167
Non-current			
Long service leave(1)		8,050	7,930
Total provisions		16,985	16,097

1) As explained in note 2.14 long service leave entitlement is measured by use of a shorthand method derived by the Queensland State Actuary. This method is equivalent to the calculation of the present value of payments expected to arise in the future in respect of services provided by employees up to the reporting date, assuming:

- weighted average rates of increase in annual employee entitlements to settlement of the liabilities of 3.73%;
- weighted average discount rate of 6.23% pa; and
- weighted average term to settlement of the liabilities at 14 years.

13(a) AGGREGATE EMPLOYEE ENTITLEMENTS

	1999 \$'000	1998 \$'000
(i) Current		
Recreation leave		
Long service leave	3,475	3,485
Accrued staff related expenses(1)	827	814
Total current	4,899	5,038
(ii) Non-current		
Long service leave	8,050	7,930
Total employee entitlements	12,949	12,968

1) Accrued staff related expenses are disclosed in the financial statements as Current Liabilities - Creditors (Refer Note 11).

14 MOVEMENT IN CAPITAL AND RESERVES

	Capital		Asset Revaluation Reserve		Plantation Growing Timber Revaluation Reserve	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Balance as at 1 July	928,065	928,167	1,128	4,229	-	144,380
Increment/(Decrement) on revaluation						
- Land improvements and Buildings			93	104		
- Access Roads			591	201		
- Plant and equipment			(9)	(3,406)		
- Plantation Growing Timber					50,126	(144,380)
(Prior period) Adjustment to non-current assets(1)	(494)	(102)				
Balance as at 30 June	927,571	928,065	1,803	1,128	50,126	-

1) Represents adjustments processed during 1998-99 to correct opening asset balances taken up as at 1 July 1995 when DPI Forestry commenced operations as a Commercial Business Group.

15 DIVIDEND

The dividend of \$4,633,243 (\$3,868,000, 1997-98) provided for is payable to the Queensland Government.

16 RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING PROFIT AFTER TAX EQUIVALENT

	1999 \$'000	1998 \$'000
Operating profit after income tax equivalents	9,836	5,538
Depreciation on property, plant & equipment	5,075	5,424
Non-Current assets written off/(on)	13	(44)
Provision for doubtful debts	(4)	102
Bad debts written off	53	8
Internal transfer of costs for assets constructed	-	(380)
Profit on disposal of non-current assets	(98)	(65)
Capitalised interest	-	863
Increase/(decrease) in employee entitlements	124	505
(Increase)/decrease in inventories	165	(182)
(Increase)/decrease in receivables	(3,574)	1,873
Increase/(decrease) in unearned revenue & prepaid royalties	449	(242)
Increase/(decrease) in creditors	(1,194)	(1,493)
Net cash provided by operating activities	10,845	11,907

Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits at call which are readily convertible to cash and which are used in the day-to-day cash management function of DPI Forestry. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as detailed in Note 6.

17 FINANCING FACILITIES

STANDBY ARRANGEMENTS TO PROVIDE FUNDS AND SUPPORT FACILITIES

	1999 \$'000	1998 \$'000
Credit facility	3,000	3,000
Amount utilised	-	-
Unused credit facility	3,000	3,000

The credit facility is arranged with the Queensland Treasury Department with the general terms and conditions being set and agreed upon from time to time. The provider of this credit facility is Queensland Treasury Corporation.

18 INTERESTS IN JOINT VENTURES

DPI Forestry holds an interest in a number of joint ventures (Refer note 2.19). These currently fall into two primary categories, namely;

1. *Private Forestry Plantations Ventures*: Designed to establish commercially viable timber plantations on private land. For 1998-99 contributions to these joint ventures totalled \$632,057 (\$549,721, 1997-98).
 2. *Seed Orchard Venture*: Designed to produce and sell improved tree seed from an orchard established for the purpose. For 1998-99 contributions to this joint venture totalled \$57,578 (nil, 1997-98).
- No output was derived from the joint venture operations during 1998-99 (nil, 1997-98).
 - Total contributions towards both types of joint venture operations to 30 June 1999 amounted to \$1,436,526. Of this amount \$638,512 has been provided as 'New Initiative' funding in the State Budget.

19 CONTINGENT LIABILITIES

- a) DPI Forestry was self-insured for workers' compensation prior to 1 July 1995. Four matters relating to this period of self-insurance remain unresolved. Claims made by employees for injuries sustained on or after 1 July 1995 in the course of carrying out their employment duties are fully covered by insurance through Workcover Queensland.

There are two other matters relating to personal injury claims to non-employees and one breach of contract claim currently outstanding, to which DPI Forestry is a party.

The incidents giving rise to the above matters occurred prior to the end of the financial year. The jurisdiction of all contingent liability matters is as follows:-

Supreme Court	5
District Court	2
Anticipated matters	0

DPI Forestry's legal advisers and management believe that it would be misleading to estimate the final amounts payable, if any, in respect of the litigation filed in the courts.

20 YEAR 2000 COMPLIANCE

The Year 2000 issue concerns the potential failure of computer systems, personal computers and the wide variety of devices utilising microprocessors due to dates being programmed in only two digits, resulting in an ambiguity at the turn of the century or at times prior.

In July 1997 a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs and developing contingency plans to ensure continuity of critical systems operations. These activities are scheduled to be completed by 1 December 1999.

The project includes reviewing computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant. DPI Forestry's parent entity (the Department of Primary Industries) has estimated that the liability for the entire Department in relation to the Year 2000 activities is \$253,600 based upon the expected cost to rectify non-compliant systems.

21 COMMITMENTS FOR CAPITAL EXPENDITURE

Commitments for capital expenditure - plant and equipment payable within 1 year: \$123,396 (\$191,809, 1997-98).

22 DEPOSITS HELD IN TRUST

Security, tender and other deposits are held by DPI Forestry in trust primarily as guarantees for performance under timber sales agreements and contracts. Deposits held as at 30 June 1999 amounted to \$705,473 (\$751,672, 30 June 1998). These deposits are not recognised in the financial statements but are reported for information purposes.

Transactions and balances relating to these deposits are subject to audit by the Auditor-General.

23 FINANCIAL INSTRUMENTS

23 (a) Terms, conditions and accounting policies.

DPI Forestry's accounting policies including terms and conditions of each class of financial asset and financial liability are as follows:

(i) Financial assets

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
Cash	6	Cash includes cash on hand, cash at bank and deposits at call. Interest is included in other revenue.	Cash deposited with the Queensland Treasury Department earns interest at the Treasury monthly benchmark rate.
Receivables (Trade debtors)	2.2, 2.3 & 7	Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade sales require payment within 30 days from end of month in which a sale is invoiced. All trade debtors are secured by cash deposit or other financial guarantee.
Receivables (other than trade debtors)	7	Amounts (other than trade debtors) are carried at nominal amounts.	All other receivables are net 30 day terms.

(ii) Financial liabilities

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
Trade creditors and accruals	11	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to DPI Forestry.	Trade liabilities are normally settled on 7, 14 or 30 day terms.
Borrowings	2.4 & 12	Loans are carried at the book value. Interest is charged as an expense as it accrues.	All borrowings are with the Queensland Treasury Corporation (QTC). The loan is repayable quarterly with the expected final instalment due 5 May 2012. Interest is charged at a weighted average market rate.
Dividend payable	13 & 15	Dividends payable are recognised when declared by DPI Forestry.	Dividends payable are declared at a negotiated percentage (currently 50%) of operating profit after tax equivalents less QFleet dividend allowance. The dividend is payable to the Queensland Government.

23 Financial Instruments continued

23 (b) Interest rate risk.

Financial Instruments	Floating Rate		Fixed Rate Maturing in:						Non Interest Bearing		Total		Average		Rate:	
			1 year or less		1 to 5 years		Greater than 5 years						Fixed	Floating		
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 %	1998 %	1999 %	1998 %
Financial Assets																
Cash	9,081	7,717	-	-	-	-	-	-	(866)	141	8,215	7,858	-	-	4.00	3.13
Receivables -trade debtors	-	-	-	-	-	-	-	-	11,084	8,300	11,084	8,300	-	-	-	-
Receivables (other than trade debtors)	-	-	-	-	-	-	-	-	2,075	1,335	2,075	1,335	-	-	-	-
Total Financial Assets	9,081	7,717	-	-	-	-	-	-	12,293	9,776	21,374	17,493	-	-	-	-
Financial Liabilities																
Trade creditors and accruals	-	-	-	-	-	-	-	-	3,997	4,705	3,997	4,705	-	-	-	-
Queensland Treasury Corporation Loan	-	-	-	3,928	15,266	19,163	61,154	57,772	-	-	76,420	80,863	5.52*	7.77	-	-
Dividend payable	-	-	-	-	-	-	-	-	4,633	3,868	4,633	3,868	-	-	-	-
Total Financial Liabilities	-	-	-	3,928	15,266	19,163	61,154	57,772	8,630	8,573	85,050	89,436	-	-	-	-

* This rate represents the book rate applicable to a two year interest only borrowing. Thereafter an approximate book rate of 7.5% will apply.

23 (c) Net fair values.

Financial Instruments	Total carrying amount as per the balance sheet		Net fair value	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Financial Assets				
Cash	8,215	7,858	8,215	7,858
Receivables -trade debtors	11,084	8,300	11,084	8,300
Receivables (other than trade debtors)	2,075	1,335	2,075	1,335
Total Financial Assets	21,374	17,493	21,374	17,493
Financial Liabilities				
Trade creditors and accruals	3,997	4,705	3,997	4,705
Queensland Treasury Corporation Loan	76,420	80,863	78,314	86,730
Dividend payable	4,633	3,868	4,633	3,868
Total Financial Liabilities	85,050	89,436	86,944	95,303

The fair value of borrowings is the market value as advised by Queensland Treasury Corporation.

23 (d) Credit risk exposure.

DPI Forestry's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

Credit risk in respect of trade debtors is managed in the following ways:

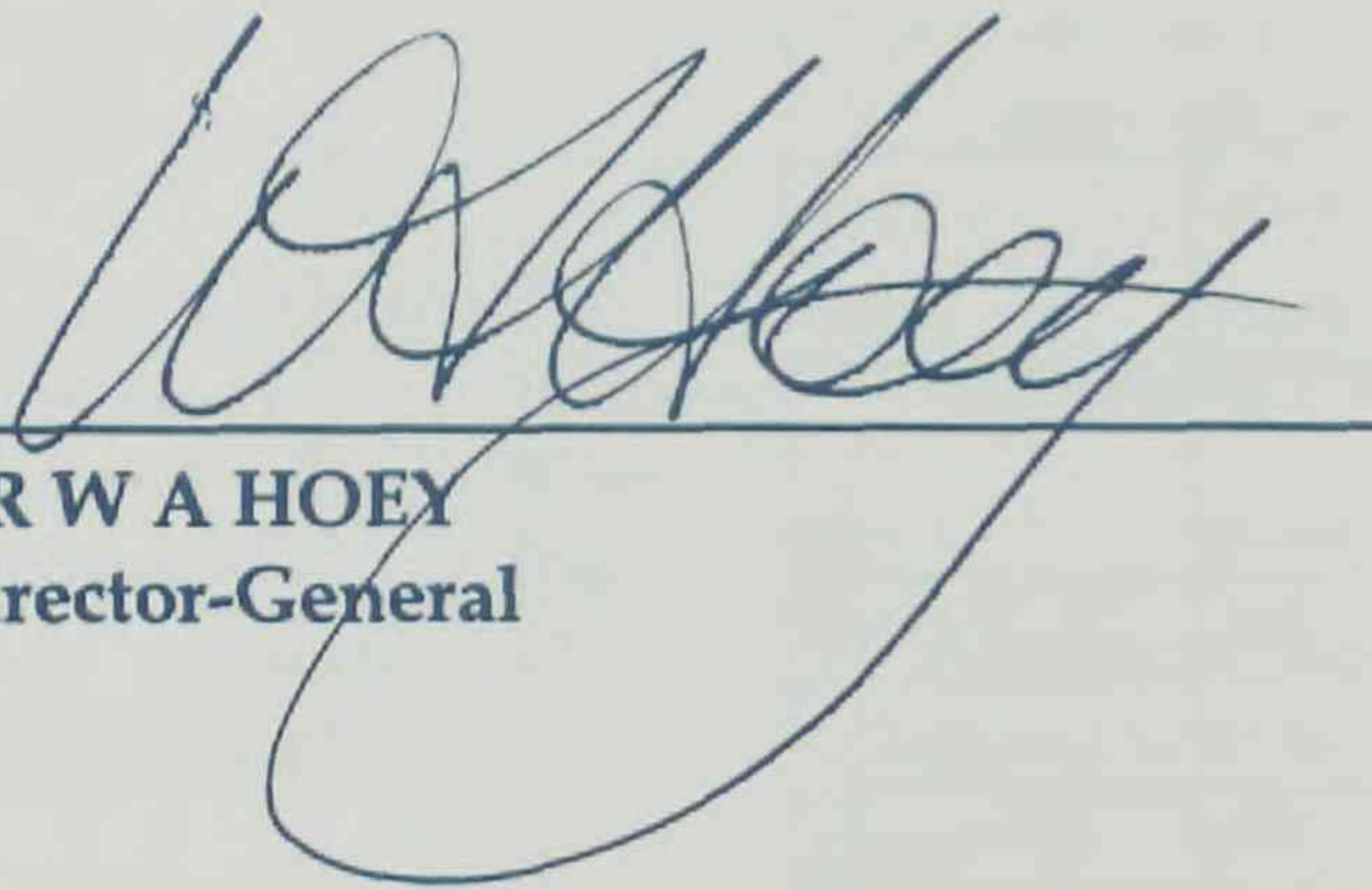
- payment within 30 days from end of month in which a sale is invoiced; and
- all trade debtors are secured by cash deposit or other financial guarantee.

CERTIFICATE OF DPI FORESTRY

We have prepared the foregoing annual financial statements pursuant to section 40 of the *Financial Administration and Audit Act 1977* and other prescribed requirements and certify that -

In our opinion:

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other prescribed requirements, of the transactions of DPI Forestry for the financial year ended 30 June 1999 and of the financial position as at the end of that year.



DR W A HOEY
Director-General



R BECK
Acting Executive Director (DPI Forestry)

20th September 1999

INDEPENDENT AUDIT REPORT

DPI FORESTRY

SCOPE

I have audited the financial statements of DPI Forestry for the year ended 30 June 1999. The financial statements comprise the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Accountable Officer and person responsible for financial administration as required by the *Financial Administration and Audit Act 1977*.

The Accountable Officer is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the entity's financial position, the results of its operations and its cash flows.

The year 2000 issue has been addressed only in the context of my existing audit responsibility under Australian Auditing Standards to express an opinion on the financial statements. Plans and associated actions to address the year 2000 issue have been reviewed for action taken to date, but the adequacy of those plans has not been assessed. Accordingly, the audit of the financial statements does not provide specific assurance, nor is a specific opinion expressed that the systems of DPI Forestry or other systems such as those of suppliers, vendors, service providers, customers, associates, joint venture parties or third parties are year 2000 compliant.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In accordance with the provisions of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required and, in my opinion-

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of DPI Forestry for the financial year ended 30 June 1999 and of the financial position as at the end of that year.



P G SHIPPERLEY
Assistant Auditor-General - Audit
(Delegate of the Auditor-General)



Queensland Audit Office
Brisbane

Appendix 2

Acts, regulations, guidelines, standards and orders

Acts

Agricultural and Veterinary Chemicals (Queensland) Act 1994
Agricultural Chemicals Distribution Control Act 1966
Agricultural Standards Act 1994
Animals Protection Act 1925
Apiaries Act 1982
Banana Industry Protection Act 1989
Biological Control Act 1987 (except with respect to control of declared plants and animals under the Rural Lands Protection Act 1985)
Brands Act 1915
Chemical Usage (Agricultural and Veterinary) Control Act 1988
Chicken Meat Industry Committee Act 1976
City of Brisbane Market Act 1960
Dairy Adjustment Program Agreement Act 1976
Dairy Adjustment Program Agreement Act 1977
Dairy Industry Act 1993
Diseases in Timber Act 1975
Exotic Diseases in Animals Act 1981
Farm Produce Marketing Act 1964
Fisheries Act 1994
Forestry Act 1959 (as it relates to the responsibilities of the Minister for Primary Industries)
Fruit Marketing Organisation Act 1923
Grain Industry (Restructuring) Act 1991
Grain Research Foundation Act 1976
Meat Industry Act 1993
Plant Protection Act 1989
Primary Industries Corporation Act 1992 (as it relates to the responsibilities of the Minister for Primary Industries)
Primary Producers' Organisation and Marketing Act 1926

Sawmills Licensing Act 1936
Stock Act 1915
Sugar Industry Act 1991
Sugar Milling Rationalisation Act 1991
Timber Utilisation and Marketing Act 1987
Torres Strait Fisheries Act 1984
Veterinary Surgeons Act 1936
Wheat Marketing (Facilitation) Act 1989

Regulations

Agricultural Chemicals Distribution Control Regulation 1998
Agricultural Standards Regulation 1997
Animals Protection Regulation 1991
Apiaries Regulation 1998
Banana Industry Protection Regulation 1989
Brands Regulation 1998
Cattle Feedlot Regulation 1989
Central Queensland Grain Sorghum Marketing Board Levy Regulation 1970
Chemical Usage (Agricultural and Veterinary) Control Regulation 1989
Chicken Meat Industry Committee Regulation 1989
City of Brisbane Market (Accommodation) Regulation 1993
City of Brisbane Market (Accommodation) Regulation 1994
City of Brisbane Market Regulation 1982
Commodity Marketing Board Elections Regulation 1987
Dairy Industry Regulation 1993
Dairy Industry (Milk Products) Regulation 1993
Diseases in Timber Regulation 1997
Exotic Diseases in Animals Regulation 1998

Farm Produce Marketing Regulation 1984
Fisheries Regulation 1995
Forestry Regulation 1998
Forestry (State Forests) Regulation 1987
Fruit Marketing (Committee of Direction Levies) Regulation 1992
Fruit Marketing Organisation Regulation 1964
Grain Industry Regulation 1994
Meat Industry Regulation 1994
Northern Pig Marketing Board Exemption Regulation 1969
Plant Protection (Bactrocera Philippinensis Introduction Prohibition) Regulation 1998
Plant Protection (Banana Black Sigatoka) Quarantine Regulation 1997
Plant Protection (Mango Leafhopper Introduction Prohibition) Regulation 1997
Plant Protection (Mango Leafhopper) Quarantine Regulation 1997
Plant Protection (Prescription of Pests) Regulation 1993
Plant Protection (Spiraling Whitefly) Regulation 1998
Plant Protection (Sugarcane Smut) Quarantine Regulation 1998
Plant Protection Regulation 1990
Primary Producers' (Levy on Cane Growers) Regulation 1997
Primary Producers' Organisation and Marketing (Queensland Cane Growers Organisation) Regulation 1987
Primary Producers' Organisation and Marketing (Queensland Pork Producers Organisation) Regulation 1997
Primary Producers' Organisation and Marketing (Rice Marketing Board) Regulation 1993

Queensland Commercial Fishers' Organisation Regulation 1989

Queensland Dairyfarmers' Organisation (Brucellosis Slaughter Out Loss of Income Insurance) Regulation 1989

Queensland Dairyfarmers' State Council Regulation 1947

Regulation of Sugar Cane Prices Regulation 1963

Sawmills Licensing Regulation 1965

Stock Identification Regulation 1985 (previously called Identification of Stock Regulation 1985)

Stock (Maximum Chemical Residue Limits) Regulation 1989

Stock Regulation 1988

Sugar Industry Regulation 1991

Sugar Milling Rationalisation Regulation 1995

Timber Utilisation and Marketing Regulation 1998

Veterinary Surgeons Regulation 1991

Guidelines

Sugar Industry (Assignment Grant) Guideline (No. 2) 1995

Sugar Industry (Authorised Transaction Orders) Guideline 1992

Sugar Industry (Calculation of Raw Sugar Equivalent) Guideline 1996

Sugar Industry (Local Area Negotiation and Dispute Resolution) Guideline 1996

Sugar Industry (Local Board Award Interim Minimum Price) Guideline 1992

Sugar Industry (Mill Peak Adjustments) Guideline 1996

Sugar Industry (Sugar Quality Standards) Guideline 1996

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Dairy Industry Standard 1993

Meat Industry Standard 1994

Meat Industry (Construction of Premises Processing Animals for Human Consumption) Standard 1996

Meat Industry (Construction of Premises Processing Meat for Human Consumption) Standard 1996

Meat Industry (Hygienic Production of Game Meat for Human Consumption) Standard 1998

Meat Industry (Hygienic Production of Poultry Meat for Human Consumption) Standard 1998

Meat Industry (Hygienic Production of Rabbit Meat for Human Consumption) Standard 1998

Meat Industry (Hygienic Production of Meat for Human Consumption) Standard 1996

Meat Industry (Transportation of Meat for Human Consumption) Standard 1996

Orders

Dairy Industry (Market Milk Prices) Order (No. 2) 1998

Dairy Industry (Scheme for Restructuring Distribution) Order 1993

Gift of Shares (Date Fixing) Order 1992

Appendix 3

Acts repealed during 1998-99

Egg Industry Act 1993

Primary Industries Legislation Amendment Act 1998

Appendix 4

Legislation enacted during 1998-99

Primary Industries Legislation Amendment Act 1998*

Date of assent

27 November 1998

Date of commencement

27 November 1998

This Act amended six Acts in the portfolio of the Minister for Primary Industries, namely the:

Agricultural Standards Act 1994

Brands Act 1915

City of Brisbane Market Act 1960

Forestry Act 1959

Grain Industry (Restructuring) Act 1991

Meat Industry Act 1993

The amendment to the *Agricultural Standards Act 1994* was enacted to deal with particular issues of wholesomeness and product integrity in relation to the sale of livestock. The amendment first clarified that the objectives of the *Agricultural Standards Act 1994* extend to such issues; it then created a new offence for sellers/vendors of stock to make false declarations or representations about the stock in relation to specific wholesomeness and product integrity issues.

The *Brands Act 1915* was amended to allow more flexible branding options, to add value by reducing hide damage, and to achieve consistent branding practices for the thoroughbred horse racing industry. The amendments provided for the elimination of the ribs as a branding position for cattle on the basis that branding on the ribs and other prime sites lowered the monetary value of hides and generally devalued the reputation of Queensland cattle hides in world markets. They prohibited the branding of cattle on the cheek, in accordance with community concern about that practice. The amendments also contained provisions to allow the branding of stud numbers and age numbers on the off-side shoulder of Queensland thoroughbreds; this change has brought Queensland branding

practices in line with current practices throughout the rest of this highly valuable industry.

Amendments to the *City of Brisbane Market Act 1960* inserted a 'sunset' clause into the Act that provides for the expiration of section 29 on 31 August 1999. This section in effect provides the Brisbane Market Authority with the exclusive right to operate a wholesale fruit and vegetable market within the city of Brisbane. The amendments provided adequate notice of the date for termination of exclusivity to all interested parties, and it is expected that the termination date will coincide with the expiry of the current wholesaler selling floor leases at the market.

The *Forestry Act 1959* was amended to specifically authorise, for a period of one year, the sale of forest products by the Primary Industries Corporation. The sale was to be made under the native Forest Sawlog Allocation System and the authorisation was made for the purposes of the *Trade Practices Act 1974*. The amendments effectively extended the Trade Practices Act exemption for one year. The extension will allow the Primary Industries Corporation to continue current allocations until a long-term policy for the allocation of native sawlogs can be developed.

Amendment to the *Grain Industry (Restructuring) Act 1991* deleted its Schedule, which dealt with transitional provisions that were required on commencement of the Act.

The amendment to the *Meat Industry Act 1993* removed a requirement that standards made by the Queensland Meat Authority be approved by regulation. A provision stating that standards are subordinate legislation and thereby do not require approval by regulation was inserted into the Act.

Dairy Industry Amendment Act 1998

Date of assent

27 November 1998

Date of commencement (sections 3, 4(2), 7 and 30)

27 November 1998

Date of commencement (remaining provisions)

1 January 1999

This amendment to the *Dairy Industry Act 1993* provided for implementation of the recommendations of the National Competition Policy review of the Act by the Queensland Dairy Legislation Review Committee. It also gave effect to the recommendations of the Supply Management Working Group, which conducted a subsidiary review process to complement the work of the committee.

The new statute amended the Dairy Industry Act to continue to allow, for a five-year period from (1 January 1999 to 31 December 2003), the setting of a minimum price for the purchase of milk from producers and processors for processing market milk. Further, the Dairy Industry Act was amended to extend the supply management arrangements that apply in south-east Queensland to the entire State's dairy industry for the five-year period.

*Repealed once its provisions affecting other legislation had taken effect—see Appendix 3.

Appendix 5

Statutory bodies associated with the Department

Body ¹	Body corporate, corporation, or instrumentality arrangements	Constituting Act	Annual reporting
Agricultural Chemicals Distribution Control Board	Instrumentality	<i>Agricultural Chemicals Distribution Control Act 1966</i>	Included in this appendix under 'Notes'
Banana Industry Protection Board	Instrumentality	<i>Banana Industry Protection Act 1989</i>	Included in this appendix under 'Notes'
Brisbane Market Authority	Body corporate	<i>City of Brisbane Market Act 1960</i>	Annual report to Parliament
Bureau of Sugar Experiment Stations	Body corporate	<i>Sugar Industry Act 1991</i>	Annual report to Parliament
Cane protection and productivity boards (20)	Bodies corporate	<i>Sugar Industry Act 1991</i>	Annual report to Parliament
Chicken Meat Industry Committee	Instrumentality	<i>Chicken Meat Industry Committee Act 1976</i>	Annual report to Parliament
Committee of Direction of Fruit Marketing	Body corporate	<i>Fruit Marketing Organisation Act 1923</i>	Annual report to Parliament
Dairy Industry Tribunal	Instrumentality	<i>Dairy Industry Act 1993</i>	Included in annual report of the Queensland Dairy Authority
Fisheries Tribunal	Instrumentality	<i>Fisheries Act 1994</i>	Included in annual report of the Queensland Fisheries Management Authority
Grain Research Foundation	Body corporate	<i>Grain Research Foundation Act 1976</i>	Annual report to Parliament
Grainco Ltd	Corporation	<i>Corporations Law 1991; Grain Industry (Restructuring) Act 1991</i>	Annual report to Parliament
Local boards (26)	Instrumentalities	<i>Sugar Industry Act 1991</i>	Included in annual report of the Queensland Sugar Corporation
Marketing boards (2) ²	Instrumentalities	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Included in this appendix under 'Notes'
Meat Industry Tribunal	Instrumentality	<i>Meat Industry Act 1993</i>	Included in annual report of the Queensland Livestock and Meat Authority
Negotiating teams (26)	Instrumentalities	<i>Sugar Industry Act 1991</i>	Included in annual report of the Queensland Sugar Corporation
Primary Industries Corporation	Corporation sole ³	<i>Primary Industries Corporation Act 1992</i>	Included in this appendix under 'Notes'
Queensland Abattoir Corporation	Body corporate	<i>Meat Industry Act 1993</i>	Annual report to Parliament
Queensland Cane Growers' Council	Body corporate	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament

¹ Numbers in brackets are the numbers of individual statutory bodies in a particular class.

² The Rice Marketing Board and the Tobacco Leaf Marketing Board are in the process of being wound up.

³ A corporation consisting of one person only, in this case the Director-General, DPI.

Body ¹	Body corporate, corporation, or instrumentality arrangements	Constituting Act	Annual reporting
Queensland Commercial Fishermen's State Council	Body corporate	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament
Queensland Dairy Authority	Body corporate	<i>Dairy Industry Act 1993</i>	Annual report to Parliament
Queensland Dairyfarmers'	Body corporate State Council	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament
Queensland Egg Industry Management Authority ⁴	Body corporate	<i>Egg Industry Act 1993</i>	Annual report to Parliament
Queensland Fisheries Management Authority	Body corporate	<i>Fisheries Act 1994</i>	Annual report to Parliament
Queensland Livestock and Meat Authority	Body corporate	<i>Meat Industry Act 1993</i>	Annual report to Parliament
Queensland Pork Producers'	Body corporate State Council	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament
Queensland Sugar Corporation	Body corporate	<i>Sugar Industry Act 1991</i>	Annual report to Parliament
Sugar Industry Tribunal	Instrumentality	<i>Sugar Industry Act 1991</i>	Included in annual report of the Queensland Sugar Corporation
Timber Research and Development Council of Queensland	Body corporate	<i>Forestry Act 1959</i>	Annual report to Advisory Parliament
Veterinary Surgeons Board of Queensland	Body corporate	<i>Veterinary Surgeons Act 1936</i>	Included in this appendix under 'Notes'
Veterinary Tribunal of Queensland	Instrumentality	<i>Veterinary Surgeons Act 1936</i>	Included in this appendix under 'Notes'

⁴ The *Egg Industry Act 1993* expired on 31 December 1998 and the Queensland Egg Industry Management Authority ceased to operate effective from that date.

Notes

Statutory bodies that do not submit a separate annual report and are not included in the annual report of another body are briefly described below.

Agricultural Chemicals Distribution Control Board

The board is constituted under the Agricultural Chemicals Distribution Control Act. It licenses commercial spray applicators (aerial and ground) and regulates their distribution of agricultural chemicals. The board issued 725 new commercial operator licences and 14 new pilot chemical rating licences in 1998-99, and renewed 3975 commercial operator licences and 101 pilot chemical rating licences. In addition it issued 9 new aerial distribution contractor licences and

renewed 44. The board also considered reports on the investigation of spray drift complaints and issued 39 statements to growers.

Banana Industry Protection Board

The board is constituted under the Banana Industry Protection Act. Its main function is to develop policies and regulations to protect the Queensland banana industry from the introduction, spread and proliferation of serious diseases, insects or other pests. In 1998-99 the board continued to ensure the enforcement of regulations governing the planting and movement of banana planting material, and directed \$481 816 towards research and development projects to control banana pests and diseases, including the management of and surveillance for

banana black sigatoka in Queensland.

Marketing boards

The Rice Marketing Board and the Tobacco Leaf Marketing Board are no longer operating and are being wound up under the provisions of the Primary Producers' Organisation and Marketing Act.

Primary Industries Corporation

The corporation was established on 19 June 1992 under the Primary Industries Corporation Act. It carries out such functions as are conferred on it by that Act, the Forestry Act 1959 and any other Act; and functions as agent for the State on matters administered by the Minister. The corporation also acts as agent for the State on matters administered by the Minister for Natural Resources.

Veterinary Surgeons Board of Queensland and Veterinary Tribunal of Queensland

The board is constituted under the Veterinary Surgeons Act and acts in the public interest to ensure domestic and international consumer protection, and animal welfare, in the delivery of veterinary services. This is achieved by ensuring that the providers of

veterinary services are suitably qualified and by the registration of qualified persons to practise veterinary science. For 1999, 1763 registered veterinarians are recorded on the Roll of Veterinary Surgeons of Queensland and 36 registered veterinary specialists on the Roll of Veterinary Specialists of Queensland. The board met on seven occasions to deliberate on complaints

made against registered veterinary surgeons and to consider the registration of veterinarians and veterinary premises. The Veterinary Tribunal of Queensland met once to consider charges of professional misconduct against a registered veterinary surgeon.

Appendix 6 Overseas travel

During 1998–99 the Department maintained a strong international involvement that promoted Queensland's leadership in tropical agricultural technology, production systems and equipment.

Altogether 176 officers of the Department undertook 229 trips. Their time spent overseas totalled 4 013 days.

External sources were used to fund totally or partially the costs associated with 177 overseas trips (77% of total trips). Only 52 trips were wholly funded from consolidated revenue.

Some major outcomes included:

- A marketing tour to the United Arab Emirates and Saudi Arabia resulted in immediate trade outcomes of A\$100 000 and expected long-term (3-year) trade outcomes of A\$10 million.
- The Department joined the international investigation team led by the Center for Disease Control, USA, who, at the Malaysian governments' request, investigated the effects of the newly identified Nipah virus—a virus related to the Hendra virus.
- Recognition that there is a strong demand for goat meat — Queensland exporters are developing networks with importers in Brunei and Malaysia.
- An improved profile for Queensland's sheep, goat and cattle industries through Agro Mart 99 in Vietnam. Filipino meat processing, distribution and retail companies showed interest in importing both carcase and live sheep and goats from Queensland.
- A workshop in Zimbabwe, where collaborative research links were developed with Zimbabwe, Kenya, South Africa, Tanzania, Mozambique to identify and prioritise directions, for research on ticks and tick-borne diseases.
- Research obtained from the World Cotton Conference has enabled the cotton industry to identify high-priority areas to produce the greatest return in investment for Queensland such as plant breeding, crop protection and cotton.
- Collaborative research between Taiwan and Queensland provided benefits to the aquaculture and fishing industries, such as the breakthrough in the mangrove jack fishing industry—the successful development of breeding broodstock in earthen ponds and impoundment habitats. This technology has produced fingerlings for stocking to enhance recreational fisheries.

Appendix 7

Departmental consultancy expenditure

The cost of consultancy services to the Department in 1998–99 totalled \$7.553m. This figure includes \$20 000 relating to DPI Forestry activities, and \$6.708m relating to implementation of the new computerised accounting and financial management system SAP R/3.

Total by Category	\$ x 1 000
Information technology	6 734
Professional/technical	422
Management	198
Communications	127
Finance/accounting	37
Human resource management	35
Total	7 553

The total consultancy expenditure includes an amount of \$0.020 million relating to DPI Forestry activities.

The total consultancy expenditure also includes an amount of \$6.708 million relating to the implementation of a new computerised accounting and financial management system SAP R/3.

Appendix 8

Energy consumption and expenditure

Electrical energy is a significant budgetary item for the Department, accounting for expenditure of \$1 949 358 in 1998–99, 7.3% less than in the previous year. The Department has continued to support energy conservation in order to meet its obligations to minimise consumption.

All areas of the Department have been encouraged to use energy-efficient systems and to monitor consumption wherever possible. Whenever any new facility or refurbishment is planned, energy efficiency is carefully considered. The Department has employed best practice methods

including the use of more energy-efficient lighting arrangements, such as sensor lighting that automatically turns off when rooms are vacant.

The Department has maintained a watching brief on the deregulation of the energy market, and is free to choose its energy retailer at a number of its sites from the start of the 1999–2000 financial year. It is expected that savings on energy expenditure will be achieved through competitive tenders for the supply and delivery of energy to those sites with electricity consumption above 200 M Wh*per annum.

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