

PUBLIC

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ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

Additional Questions for 2011/12 Budget Estimates Hearing

Monday, 22 October 2012

Department of Agriculture and Food

Hon G Watson asked -

1. *The department website states –*

InterGrain's capability has been significantly increased with the access to the high throughput genotyping capability and new biotech traits through the collaboration with Monsanto.

1.1 *As there is no genetically modified barley allowed in WA yet, what is the current role of Monsanto in the barley breeding program?*

Answer: Monsanto has no role in InterGrain's barley breeding program.

2. *Oversight of InterGrain – On the one hand the Government through WAAA is a partner and shareholder of InterGrain, and on the other hand the Department of Agriculture and Food is the regulator for GM agriculture here in Western Australia.*

2.1 *How many FTE are working on the oversight of this body?*

Answer: The Department of Agriculture and Food (the Department) is not the regulator for GM agriculture. The Australian Office of the Gene Technology Regulator has regulatory oversight for all dealings with genetically modified organisms in Australia. InterGrain has confirmed that the company is not undertaking GM research work or GM plant breeding.

2.2 *Where are they located in the Department?*

Answer: Not applicable.

2.3 *Are these FTE separate from WAAA?*

Answer: Not applicable.

2.4 *If no, to 2.3 why not?*

Answer: Not applicable.

2.5 *How many FTE in WAAA provide support services to InterGrain under the Barley Breeding Support Services Agreement and the Services Agreement?*

Answer: 6.5 FTE Department employees provide contracted services under the Barley Breeding Support Services Agreement.

5 FTE Department employees provide contracted services under the Services Agreement.

2.6 *As both service agreements allow the Department to act for WAAA, what provisions are made for a conflict of interest in such a case?*

Answer: If this question refers to the perceived conflict of interest implied in question 2.1, no such conflict arises for the reasons given in response to question 2.1.

2.7 *What kind of services form part of the agreement? (Schedule not included in general agreement, Barley agreement without specifications – 4.1)*

Answer: The services to be provided by WAAA under Barley Services Agreement 11/12 are marker assisted selection, disease resistance evaluation and grain quality evaluation.

2.8 *What provisions are made in case of a conflict of interest between the Government as a shareholder and service provider and the government as regulator of the company?*

Answer: No such conflict arises for the reasons given in response to question 2.1.

2.9 *How is a conflict of interest resolved, if there is one, regarding a particular decision?*

Answer: No such conflict arises for the reasons given in response to question 2.1.

2.10 *Who makes the final decision?*

Answer: As no conflict arises there is no decision to be made to resolve a conflict.

2.11 *Does the Department make submissions to the Commonwealth regulator Food Standards Australia New Zealand?*

Answer: Yes

2.11.1 *If yes to 2.11, who prepares such submissions?*

Answer: Various employees of the Department, depending on the subject matter.

2.11.2 *If yes to 2.11, does InterGrain have any influence on the content of such submissions?*

Answer: No.

2.11.3 *If no to 2.11, why not?*

Answer: Not applicable.

2.11.4 *If no to 2.11, what relationship between commonwealth and state agricultural resource risk management?*

Answer: Not applicable.

3. *The terminology in the 2010-2011 service agreements and the 2011-2012 service agreements have changed.*

3.1 *Please outline the differences?*

Answer: By agreement of both parties the 2011-2012 service agreement was re-written in an attempt to provide it in plain English.

3.2 *Why is a new contract needed each year?*

Answer: They are annual agreements to ensure service provision is reflective of business needs.

3.3 *What is the relationship to the 2010 quality services agreement between InterGrain and WAAA?*

Answer: Under the 2010 quality services agreement the Department provided wheat quality services to InterGrain.

3.4 *What is the cost of each contract to the Department or WAAA?*

Answer: This information is treated as commercial in-confidence as it provides details of cost structures of InterGrain to its competitors.

4. *Page 15 Annual Report – states the government goal “social and environmental responsibility – ensuring that economic activity is managed in a socially and environmentally responsible manner for the long term benefit of the state”. One of the outcomes for the Department under this goal is: “5. Reduced incidence and impact of environmental and community-based risks”.*

4.1 *How do these goals and outcomes guide the regulating and influencing of the business directions that InterGrain takes?*

Answer: These are government goals that guide and direct the Department. The InterGrain board has responsibility to ensure decisions are made on a commercial basis and that the company operates in accordance with their risk assessment and mitigation strategies.

4.2 *‘Community and environmental risk management’ is the service the Department provides to deliver the outcome. The risks considered (on page 17AR) are risks to natural resources, biological assets and product integrity with a focus on growth of the WA Agrifood sector and the maintenance of its competitive advantages.*

4.2.1 *Has the Department conducted an assessment of the community and environmental risks posed by GM crops and GM foods?*

Answer: No.

4.2.2 *If yes to 4.2.1, what was the outcome of the assessment?*

Answer: Not applicable.

4.2.3 *If no to 4.2.1, why not?*

Answer: Under Australian legislation the Office of the Gene Technology Regulator and Food Standards Australia New Zealand are responsible for these risk assessments.

5. *InterGrain was sold in a private process a formal tender process and without proper community consultation. The 19.9 per cent investment by Monsanto in InterGrain had a value of \$10.5 million.*

5.1 *How was this price/value calculated?*

Answer: InterGrain was not sold; rather Monsanto took an equity share in the company. Intellectual property is valued on the share equity position within the joint venture company, of which the Western Australian Government is the major shareholder. The price of Shares was determined by Fair Value, which was determined by an independent valuer who certified in writing the amount that the valuer considers to be the Fair Value of those Sale Shares.

5.2 *Who undertook that evaluation?*

Answer: Five intellectual property valuers were assessed and an experienced independent valuer of intellectual property, Leadenhall VRG Pty Ltd, was appointed. The independent valuer assessed the value of the shares and provided confidential written advice to the InterGrain board that the price offered by Monsanto provided Fair Value.

6. *Monsanto has an option to increase its share to 26 per cent within five years.*

6.1 *Has the price been fixed for that share increase yet?*

Answer: Yes.

6.2 *If yes to 6.1, is it on the same basis as the acquisition of the first 19.9%?*

Answer: Yes.

6.3 *How did InterGrain's accumulated loss at 30 June 2011 affect this option?*

Answer: It had no affect on this option.

6.4 *Please explain the reasons for the accumulated loss?*

Answer: When the two shareholders established InterGrain the business case at the time acknowledged that expenditure would exceed revenue for a number of years. The inclusion of Monsanto made no change to the immediate pipeline and market share and the ultimate final profit and loss statement for InterGrain. This reflects the long term nature of plant breeding where it takes at least 10 years to develop a new variety and get it to commercial release.

6.5 *As the exercising of the option is conditional, what body assesses whether the conditions are met?*

Answer: The issue of the 2nd Tranche shares will flow automatically as long as the conditions are met. Any dispute to as whether the conditions have been met is a matter for resolution by dispute resolution processes or ultimately via decision by a court.

6.6 *Since August 2010 has InterGrain acquired any property previously owned by the Department or WAAA?*

Answer: InterGrain has acquired a robotic seed packaging machine.

6.7 *If yes to 6.6, please provide details regarding the location of the properties and the price?*

Answer: The robotic seed packaging machine is located at the InterGrain premises at Bibra Lake. The price is commercial-in-confidence.

6.8 *Who paid for the property?*

Answer: InterGrain.
