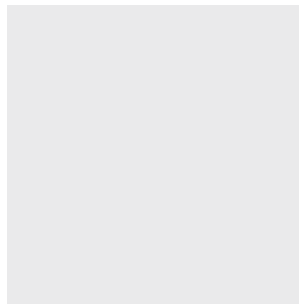
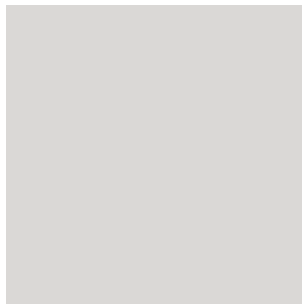
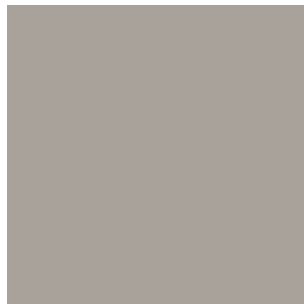




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## The new logo



Safe Food Production NSW has a new visual identity: the logo that appears above and on the cover of this Annual Report.

The main element is a symbol representing the outline of NSW, with the four areas of activity for Safe Food - Dairy, Meat, Seafood, and Plant Products.

The key colour in this visual identity for the new agency is a metallic warm grey. However, the logo can be reproduced effectively in colour coded form representing the agency's four areas of activity: yellow for Dairy, red for Meat, blue for Seafood, and green for Plant Products.

Central to the new logo is the name SafeFood (the words run together) and the words New South Wales.

## Head Office

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**Office hours**  
8.30 a.m. - 5.00 p.m. weekdays

Further details of public access facilities for Safe Food may be found on page 89.



27 October 2000

The Hon Richard Amery MP  
Minister for Agriculture and  
Minister for Land and Water Conservation  
Level 17 Parkview  
157 Liverpool Street  
SYDNEY NSW 2000

Dear Mr Amery

I have pleasure in submitting to you the Annual Report and Consolidated Financial Statements of Safe Food Production NSW and its private subsidiary corporations, Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited, for the year ended 30 June 2000 for presentation to Parliament.

This is the first Annual Report of Safe Food Production NSW which was established on 18 December 1998 under the Food Production (Safety) Act 1998. On 1 July 1999, Safe Food, as it is known, assumed the responsibilities and functions of the NSW Dairy Corporation, which was dissolved.

The report has been prepared in accordance with the provisions of the Food Production (Safety) Act 1998 and the Annual Reports (Statutory Bodies) Act 1984.

Yours sincerely

George Davey  
Chief Executive Officer  
Safe Food Production NSW

## Acronyms in this Report

**ANZFA:** Australia New Zealand Food Authority

**AQIS:** Australian Quarantine and Inspection Service

**ARMCANZ:** Agriculture and Resource Management Council of Australia and New Zealand

**HACCP:** Hazard Analysis Critical Control Point (the acronym is pronounced hass'up): HACCP is an

internationally recognised system that uses a series of principles to assess hazards and to establish control systems that focus on preventative measures rather than relying on final product analysis. Its use was introduced by the former NSW Dairy Corporation to the NSW dairy industry in 1991.

**MIA:** NSW Meat Industry Authority

**SFAC:** Safe Food Production Advisory Committee

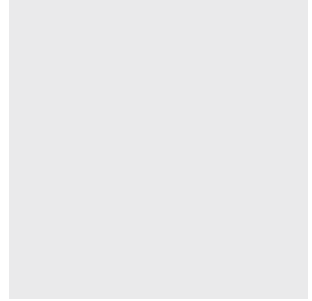
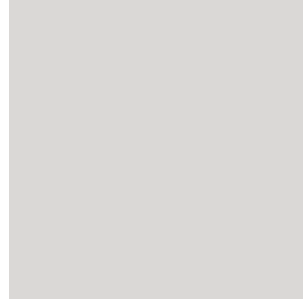
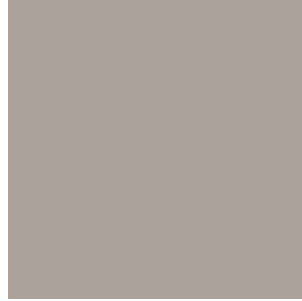
**SQAC:** NSW Shellfish Quality Assurance Committee

**SQAP:** NSW Shellfish Quality Assurance Program

**Note:**

**Safe Food Production NSW** was set up under the Food Production (Safety) Act 1998. The Act also provides for the shorter name Safe Food which is used throughout this Report.

# Mission statement



Protecting consumers by developing scientifically robust food safety systems and ensuring their effective adoption by the New South Wales food industry

## Safe Food Values

Accountability

Credibility

Integrity

Equity

Openness

Innovation

## Profile of Safe Food Production NSW

Safe Food Production NSW is a statutory body established under the Food Production (Safety) Act 1998. Safe Food, as it is known, was established in December 1998 with the commencement of certain sections of the Act. Its regulatory functions and powers commenced on 1 July 1999, when the NSW Dairy Corporation was dissolved and became Safe Food's Dairy Branch. Safe Food is responsible to the Minister for Agriculture.

Establishment of Safe Food is a major step towards the Government's goal of a single NSW agency responsible for food safety. When fully implemented, Safe Food will be responsible for the safe production, processing, wholesale and distribution of all primary produce and seafood for human consumption from the paddock or ocean to the back door of the retail shop, with additional coverage of retail butcher shops and supermarket meat departments.

Safe Food's responsibility is to ensure that food safety standards are implemented in an integrated and consistent way. This will maximise the benefits for consumers and the food industry, while minimising compliance costs for individual food businesses.

NSW Health and local government will continue to be responsible for the retail and food service sectors until a comprehensive food safety authority is established.

Where national food safety standards are in place, Safe Food is responsible for ensuring their implementation in the industries it covers. These standards currently include those in the meat industry developed by the Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ) and will include the proposed Food Safety Standards developed by the Australia New Zealand Food Authority (ANZFA).

Safe Food's core function is to develop, implement and manage food safety schemes similar to existing food safety regulation in the dairy and meat industries, and programs recently established in the oyster industry. The schemes, which are introduced by regulation, will be based on the preventative methodology known as Hazard Analysis Critical Control Point (HACCP). This requires the systematic identification and control of food safety risks at all points in the food supply chain, more fully described on page 12.



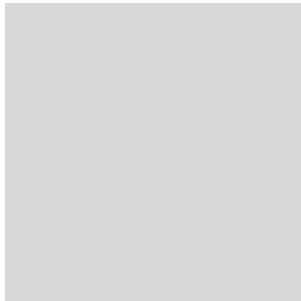
When the NSW Dairy Corporation was dissolved on 1 July 1999, the Dairy Food Safety Scheme was prescribed by the Food Production (Dairy Food Safety Scheme) Regulation 1999 and is now administered by Safe Food's Dairy Branch.

Administrative responsibility for the NSW Shellfish Quality Assurance Program (SQAP) was transferred from NSW Fisheries to Safe Food during July-August 1999, pending its integration into a Seafood Safety Scheme. The target for introduction of a scheme or schemes covering all the seafood industries is early 2001.

In August 2000, the NSW Meat Industry Authority (MIA) will be dissolved, the Meat Food Safety Scheme regulation will commence, and the former Authority will become Safe Food's Meat Branch.

Work began late in 1999 on a scheme to cover dairy goat and sheep milk products. In May 2000, a risk assessment scoping study covering the plant products industries commenced as a first step toward development of a food safety scheme covering priority risk areas in those industries.

A range of penalties is provided in the Food Production (Safety) Act for breaches of provisions of food safety schemes. Produce which is deemed not safe for human consumption may be seized, and Safe Food has the power to prohibit the

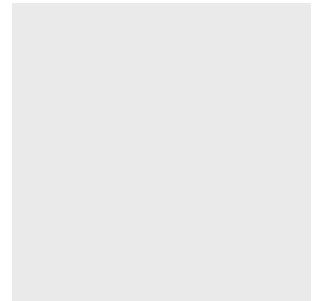


cultivation, taking, harvesting or obtaining of any primary produce or seafood in the interests of public health.

Budget funding of \$7.9 million was provided until 30 June 2002 to establish Safe Food and develop food safety schemes. A further \$1 million will be provided to supplement dairy industry costs. The NSW Government intends Safe Food to be fully funded by the industries it covers through licensing, levies and fees for service under each food safety scheme.

During 1999/2000, Safe Food was funded from the milk price margin for its dairy functions, including the Dairy Food Safety Scheme and non-food safety functions such as supply management and pricing. This funding ceased on 30 June 2000 with the advent of dairy industry deregulation.

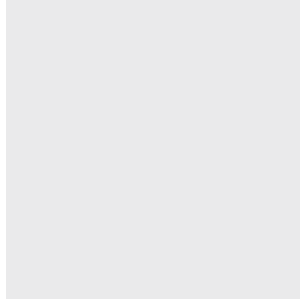
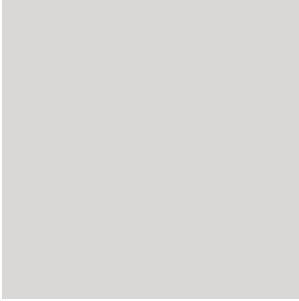
The Act requires the establishment of a Safe Food Production Advisory Committee (SFAC), similar to the Food Advisory Committee under the NSW Food Act, to provide expert advice to Safe Food on a range of matters. SFAC is chaired by the Chief Executive Officer of Safe Food and must include members with expertise in specified areas, including an expert on consumer issues. The NSW Government approved appointments to SFAC in May 2000, and the inaugural meeting will be held in July 2000.



While Safe Food is responsible to the Minister for Agriculture, the Ministers for Health and Fisheries play a significant role. Each must concur in the appointment of the Chief Executive Officer and members of the SFAC. The Minister for Health must approve all food safety schemes. Any scheme covering seafood must also be approved by the Minister for Fisheries.

The Food Production (Safety) Act requires a ministerial review of the Safe Food initiative. The review must commence by December 2001 and its report must be tabled in Parliament within 12 months. In addition to evaluating the performance of Safe Food, the review must consider whether and how a single NSW food safety regulator should be established.

# Key events



Commencement of the regulatory powers and functions of Safe Food Production NSW (Safe Food) on 1 July 2000. Safe Food ultimately will be responsible for food safety in the dairy, meat, seafood, dairy goat and sheep milk, and plant products industries, to the back door of the retail shop.

The regulatory role of Safe Food and the responsibilities placed on food businesses to adopt preventative approaches to food safety are enshrined in food safety schemes. The first of these, the Dairy Food Safety Scheme, was introduced on 1 July 1999.

Expert recommendations for changes in Safe Food's program criteria and formats have been implemented to bring its food safety and quality control systems into line with world's best practice.

A consultative mechanism with the dairy industry was established by regulation, and similar mechanisms are being arranged for the meat and seafood industries.

Options to satisfy the Government's requirement that Safe Food be self-funding are being examined with the dairy and seafood industries.

Members have been appointed to the Safe Food Production Advisory Committee which will provide expert advice on food and the operation of the Food Production Safety Act and its regulations.

## Dairy

The dairy industry in NSW was deregulated on 30 June 2000. All the regulatory functions of the former NSW Dairy Corporation relating to milk supply management and price setting, which had been continued by Safe Food, ceased.

A Farm Gate Deregulation Assistance Fund was created by the NSW Government to help dairy farmers moving from long-term regulation to a totally deregulated industry.

Milk production in NSW was at a record level for the seventh successive year. The quality of milk and dairy products was excellent.

Discrepancies identified by Safe Food during audits of milk receival companies to ensure accountability for milk, resulted in the recovery of \$2,048,000 due to dairy farmers and other industry sectors from understated sales and wastage not declared correctly, and from UHT milk underdeclared in a period of nearly three years because of ineffective accounting methods.

Work has begun on a food safety scheme to cover the dairy goat and sheep milk industries.

Safe Food's Dairy Branch has completed certification of the food safety plans of nearly all registered participants in the NSW dairy industry.

A total of 411 audits and inspections were made of milk and dairy factories in NSW to ensure compliance with the requirements of HACCP based systems. No prosecution action was required.

There were two instances of product recalls by NSW dairy factories resulting from the isolation of *Listeria monocytogenes*. No cases of *Listeriosis* were reported. All product retrieved was destroyed under supervision.

## Meat

The NSW Meat Industry Authority is to be dissolved and will become Safe Food's Meat Branch in August 2000. The Meat Food Safety Scheme, when made, will cover all domestic abattoirs, meat processing plants and retail meat premises, including red meat, poultry, game and rabbit meat.



## Seafood

A Seafood Safety Scheme covering the production, import, wholesale, processing and distribution sectors of the industry, is expected to be introduced early in 2001.

Model HACCP-based food safety plans have been developed with the various sectors of the seafood industry following comprehensive risk analysis studies.

The NSW Shellfish Quality Assurance Program (SQAP), which controls the harvest of molluscan bivalve shellfish (at present limited to cultured oysters and mussels), was transferred to Safe Food in 1999 pending its integration into the Seafood Safety Scheme.

No food safety incidents associated with farmed oysters harvested in NSW waters reported during the year.

Each of the 244 oyster depuration plants in NSW was inspected before the issue of new permits. Rectification work required in five was completed.

No formal recalls of product were required. Twenty-five voluntary recalls were successfully conducted. Warning letters were issued to 21 farmers for failing to conduct the required level of end-product testing.

A review began of SQAP to progress it to world's best practice status in its supervision of domestic and export shellfish markets.

For the first time all oyster depuration plant owners and operators were trained in depuration operational matters, and all plants audited.

A new algal monitoring system was activated a number of times in harvest areas. Harvesting resumed after areas were tested and cleared.

Early results of a new risk-based monitoring program indicated chemical residues and heavy metal contaminants in NSW cultivated oysters were well within recommended levels.

A pilot detailed audit of the potential impacts of dairy effluent on the sanitary quality of shellfish is being undertaken.

A data management system purpose-built for SQAP and funded by Safe Food, commenced operation in January 2000. The system has been expanded to manage all sampling data, and is to be developed to manage depuration plant administration, end-product testing, product identification and recalls.

## Plant products

Risk assessment studies have been instituted as a first step towards development of a food safety scheme for the plant products industries.

## Corporate

A strategic planning program adopted by Safe Food in September 1999 set target outcomes for 2000/01 with specified review cycles to achieve the efficient integration of the NSW Meat Industry Authority and seafood administration. The program is on target.

A transition task force and deregulation restructure committee was set up by Safe Food to smooth the impact on staff of the change from the former NSW Dairy Corporation to Safe Food, and to keep staff informed of developments and their options. A total of 25 of the staff of the former Corporation applied for redundancy or obtained positions elsewhere.

An information technology strategic plan for 2000-2003 recommending a framework for a system necessary to support Safe Food's functions was submitted to the Office of Information Technology. Treasury funding over three years was approved for the system.

An extensive Year 2000 rectification project plan implemented by the former NSW Dairy Corporation resulted in a smooth and problem-free rollover to 2000. Major upgrading of the non-compliant supply management system ensured that the Dairy Branch could deliver essential services to the dairy sector, including payment of dairy farmers, up to industry deregulation on 30 June 2000.

A Privacy Management Plan to operate from 1 July 2000 submitted to Privacy NSW emphasises Safe Food's obligation that all personal information it collects is to be used solely for the purpose for which it was collected.

Following a decision by the NSW dairy industry to cease funding Milk Marketing (NSW) Pty Limited, the company wound down its promotional work for milk early in 2000. Milk sales declined during the year.

Pacific Industry Services Corporation Pty Limited, which has operated the laboratory of the former NSW Dairy Corporation for many years, entered into a joint venture with Microtech Laboratories Pty Limited.

# Organisation structure



Safe Food's Executive  
The Executive met monthly.

**Chief Executive Officer, George Davey**, is a Fellow of the Australian Institute of Food Science and Technology Inc. and a Member of the Australian Society for Microbiology Inc. He holds Bachelor of Science (Hons) and Master of Science degrees in Food Technology from the University of NSW. He was appointed Chief Executive Officer on 7 July 1999.

As Chief Executive Officer he has an employment contract with the Minister. A performance agreement is reviewed every quarter. Mr Davey was General Manager of the former NSW Dairy Corporation with which he had 15 years' service.

**Executive Director, Dairy, Terry Outtrim**, holds a Diploma in Dairy Technology from Hawkesbury Agricultural College. He was appointed Deputy General Manager of the former NSW Dairy Corporation on 27 April 1990. He had 29 years' service with the former Corporation and its predecessors.

Mr Outtrim was appointed Executive Director on 1 March 2000

Employed under the Senior Executive Service, he has an employment contract with the Chief Executive Officer. A performance agreement is reviewed every quarter.



Picture shows the Safe Food Strategic Management Team, which is made up of the Safe Food Executive and team leaders for each of Safe Food's five strategic planning projects (see page 11). Front, Safe Food Executive, left to right: Terry Outtrim, Executive Director, Dairy; Craig Sahlin, Director, Development and Strategy; George Davey, Chief Executive Officer; Peter Ayres, Executive Director, Seafood; Barry Shay, Executive Director-elect, Meat. Back row, team leaders: Kate Allan; Peter Sutherland; Chris Chan; Troy Workman and Samara Lever.

**Executive Director, Seafood, Peter Ayres, M I Biol, PhD,** has had extensive experience in fisheries in Britain, Australia and other parts of the world.

He had considerable experience with depuration programs for the oyster industry and joined NSW Fisheries in 1982, becoming Chief of the Division of Fisheries after its integration with NSW Agriculture. He joined the NSW Environment Protection Authority in 1993 as manager of the Sydney region operations section, and was appointed to Safe Food in January 2000.

Employed under the Senior Executive Service, he has an employment contract with the Chief Executive Officer. A performance agreement is reviewed every quarter.

**Director, Development and Strategy, Craig Sahlin,** holds a Bachelor of Arts (Honours) degree from Macquarie University and an LLB from the University of New South Wales. He was seconded to Safe Food from The Cabinet Office in February 1999 and acted as Executive Director, Seafood, from August 1999 until appointed to his present position in January 2000.

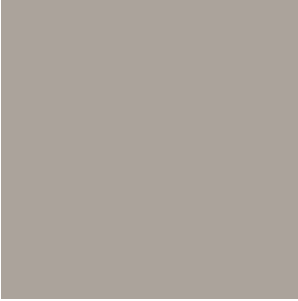
He was The Cabinet Office representative on the Kerin Food Safety Taskforce in 1997 which led to the Safe Food initiative.

He has an employment contract with the Chief Executive Officer. A performance agreement is reviewed every quarter.

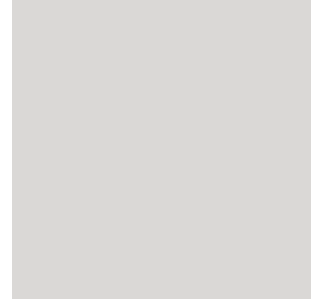
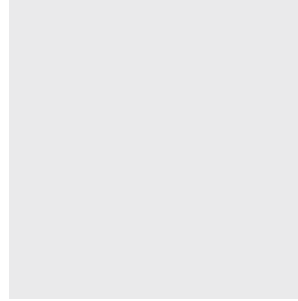
### Award for Chief Executive Officer

The Chief Executive Officer of Safe Food, George Davey, was awarded the Leadership Award for NSW in the 1999 National Public Sector Awards for Marketing Excellence.

## Review by the Chief Executive Officer



George Davey



This year has been the first full year of operation of Safe Food Production NSW, or Safe Food, as it is known. It has been a time of development and laying the key building blocks for a comprehensive food safety agency which will be a milestone in aligning public health requirements and the legitimate interests of primary food producing industries in NSW.

Safe Food is to be the peak agency responsible in NSW for the safe production, processing, wholesale and distribution of food for human consumption from paddock or ocean to the retail back door.

Key to the success of Safe Food is the application of the scientific principles which will underpin its operations. Safe Food has adopted the internationally recognised risk analysis methodology promoted by the Codex Alimentarius Commission of the United Nations Food and Agriculture Organisation. Risk analysis has been used extensively in contemporary food safety research and in applications for specific pathogens and specific foods, but Safe Food has taken a lead role in extending its regulatory use on an industry-wide basis. This is an exciting challenge which should become the benchmark for other food safety agencies internationally.

The public has been properly concerned at numbers of highly publicised outbreaks of foodborne disease in Australia and throughout the world in recent years. In this country there have been some well-known instances of *Salmonella* linked to smallgoods, to contaminated peanut butter and to orange juice, an outbreak of *E.coli* linked to mettwurst and an outbreak of hepatitis A associated with oysters. These outbreaks affected large numbers of adults and children, and a number of deaths was recorded. The NSW Government, in common with governments around the world, has taken the very proper view that food safety regimes must be put in place to minimise as far as possible a recurrence of risks to public health from foodborne disease.

It would be misleading to suggest that this year all has been plain sailing. Safe Food has had to set at rest uncertainties and apprehensions about the operation of the new regulatory framework which have been expressed by elements in all industries. It has been particularly disappointing as well, that the Australian Consumers' Association has not found itself able to embrace this exciting development which will place the interests of consumers and industry in an effective partnership.



Food safety schemes have been introduced by regulation to replace existing arrangements in the dairy and meat industries. This task was made easier because of the implementation by the former NSW Dairy Corporation and the NSW Meat Industry Authority of food safety requirements consistent with nationally recognised HACCP principles.

The success of these arrangements is exemplified in the excellent food safety records in both industries. However, they will be subject to future review in accordance with full risk analysis.

There has been good progress in developing a food safety scheme for the seafood industry, the first in which risk analysis has been applied comprehensively. It will form the model for development of future food safety schemes for other industries.

The response, co-operation and participation of the various seafood sectors in the process have been exemplary, and there has been very helpful involvement from representatives of consumers and other NSW and Commonwealth Government agencies. It is expected that the food safety scheme for the seafood industry will be introduced early in 2001.

Applying the experience gained with seafood, work has begun in extending risk analysis to development of food safety schemes for the dairy goat and sheep milk industries. In the plant products industries (including products such as fruit and vegetables, cereals and pulses, nuts and sprouts) a scoping study has been commissioned to ensure Safe Food's limited resources are targeted at those areas which are identified as presenting the highest risks.

It is most gratifying that we have been able to secure the services of those who have accepted appointment to the Safe Food Production Advisory Committee. The members of the committee have special expertise in the food industry, science and consumer advocacy and they will perform a most significant role in advising on the formation and conduct of food safety schemes.

Apart from the challenges involved in maintaining food safety in major primary industries like dairy and meat, and developing new food safety schemes for equally large and possibly more complex primary industries, the key issue facing Safe Food is to secure a stable funding base.

The NSW Government has committed \$7.9 million over three and a half years to establish Safe Food. A further \$1 million will be provided to supplement dairy industry costs. The Government's view however, is that long term the new food safety body must be self-funding, and a number of means, or a combination of means, may be employed, such as licence fees, fees for service or levies.

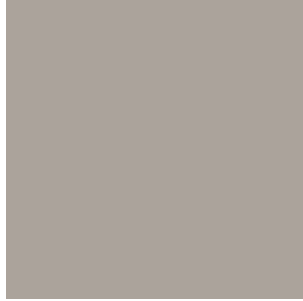
There are concerns in industries to be covered by Safe Food at the impact on them of the nature and extent of self-funding measures that may be adopted. Industry takes the view for instance, that while a principle of fee for service may be acceptable, other charges that may be involved could make it less competitive in a market that is under ever-increasing pressures. The objective being one of food safety and, as such, in the public interest, it is argued that the cost should be supported at least in part, by public funding. This issue clearly has to be resolved very soon.

Another issue is that of a perceived potential for cross-subsidy in the operations of industries covered by Safe Food. While the legislation is specific that Safe Food funds received from levies on one industry under a food safety scheme cannot be used to cross subsidise its expenses in relation to another industry

subject to a food safety scheme, it is clear we have to ensure an adequate level of transparency in our operations to remove any doubt about the application of funding. We are well aware of industry concerns and we are establishing structures and systems that will meet them to the satisfaction of all stakeholders.

### Dairy deregulation

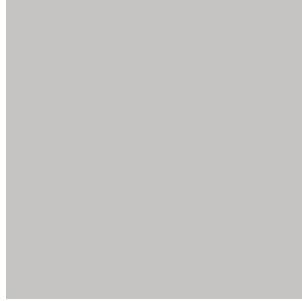
With deregulation of the Australian dairy industry on 1 July 2000, Safe Food terminated all its non-quality activities relating to market milk supply management. The activities of Safe Food in the dairy area now are exclusively focussed on dairy food safety. It is pleasing that by 1 July 2000, virtually all operators in the NSW dairy industry, from the dairy farm to the vendor, have implemented certified HACCP-based food safety schemes. This is an outstanding achievement, and probably represents a world first in industry wide implementation of such through-chain safety measures. Many thought this would be impossible to achieve.



Under Safe Food's Quality Plus 2000 program, the Dairy Branch invested approximately \$3 million in the implementation and certification of the on-farm and packaged milk distribution components of the industry's food safety arrangements. This is a worthy legacy of our commitment to the long term viability of the NSW industry, and accordingly, the dairy industry is well positioned to hold a competitive edge in a deregulated market.

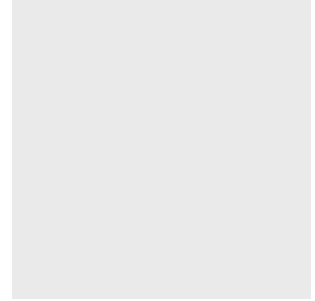
The end of the financial year also marked the end of operations of Milk Marketing (NSW) Pty Limited, a subsidiary of Safe Food. Over the last 10 years Milk Marketing developed and implemented innovative and successful generic campaigns for fresh NSW milk based on a strong health and nutrition platform, at the same time positioning milk as a fun and contemporary beverage.

The company pioneered the development of value added specialty and flavoured milks, meeting the changing dietary and perceived needs of consumers, and engendering strong brand loyalty in a fiercely competitive beverage market. Its work in reintroducing a child friendly schools milk program targeted at converting the next generation into long term milk consumers attracted international attention and acclaim.



The demise of Milk Marketing involved the winding back in the past year of generic advertising of milk. Concurrently there has been a substantial reduction in advertising activity in the proprietary branded sectors. With these reductions in advertising and promotion, there has been a dramatic decline in sales of all categories of fresh NSW milk. This is a worrying trend and I can only urge industry to continue to support the Australian Dairy Corporation in its promotion of Australian dairy foods.

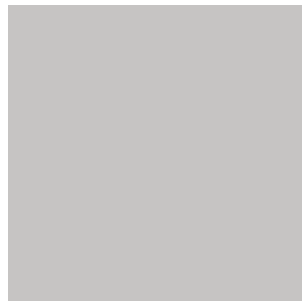
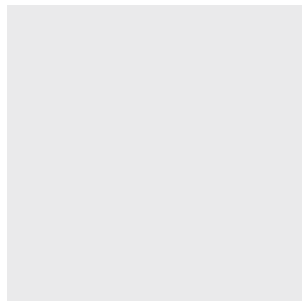
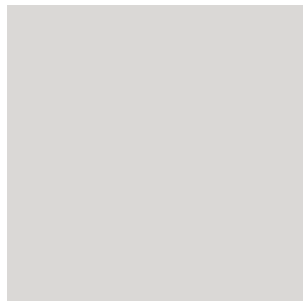
The repeal of regulations governing the NSW dairy industry had a most severe effect on the staff of Safe Food. While planning for this event had been in train for many months it was still a challenging exercise to retain key staff and ensure operations continued efficiently until the end of the year. On completion of a staff reduction program incorporating voluntary redundancy and redeployment, the dairy section of Safe Food would total only 35. This represented a massive reduction in staff numbers from the late 1980s when the then NSW Dairy Corporation employed around 230 people.



I take this opportunity to acknowledge the work of Terry Outtrim, Executive Director, Dairy, and his staff, for the professional manner in which this difficult and complex transition to deregulation was managed. I also pay tribute to the new members of staff who are working on the challenging tasks of preparing new food safety schemes in the broadening of the responsibilities of Safe Food. The smooth process of absorbing into Safe Food the staffs of other bodies, and the cultures of a series of large and complex primary industries augurs well for the future of this new organisation.

I thank the Minister for Agriculture, the Hon Richard Amery MP, for his support and guidance during a year of great change. I thank as well the Minister for Health, the Hon Craig Knowles MP, and the Minister for Fisheries, the Hon Eddie Obeid MLC, for their significant contributions to Safe Food during the year.

# Transition to Safe Food



Safe Food was established to meet a recognised need to consolidate food safety arrangements for the primary produce and seafood industries. The challenge is to build a new food safety agency from existing agencies while developing programs for other food industries.

Safe Food benefits from the food safety expertise and industry partnership experience of the former NSW Dairy Corporation and of the NSW Meat Industry Authority (MIA). At the same time, the integration of the two agencies staff, systems and cultures requires careful change management concurrent with the work of developing food safety schemes for seafood, dairy goat and sheep milk, and plant products.

A strategic planning methodology adopted in September 1999 has been a key tool for the transition to Safe Food. At a two-day workshop, staff from Safe Food, the MIA and NSW Agriculture developed a strategic plan setting out:

- outcomes required by the end of 2001, when a ministerial review required by the Food Production (Safety) Act must commence, together with key performance indicators;
- interim outcomes required by December 2000;
- strategic pathways to those outcomes.

The workshop identified five strategic projects with defined outputs. Each project was assigned a project leader and team, and a sponsor from the Safe Food Executive.

The strategic planning methodology ensures progress toward the outcome targets through a continuous review process. Every 90 days, the Safe Food Executive and the project teams together review progress against the 2001 and 2000 outcomes, redefine them where necessary, and establish projects and teams for the next 90 days.

At 30 June 2000, the process had entered its third 90-day cycle, and was on target to meet the December 2000 outcomes. During the first half of 2000/01, the strategic plan will facilitate a priority focus on integration of the MIA from August 2000, including merging the corporate services structures, co-location of Safe Food and MIA staff, and working towards a common operational approach.

The impact of dairy deregulation on the administration of Safe Food has been extensive. The ending of regulatory functions had its consequence in a contraction in staff numbers.

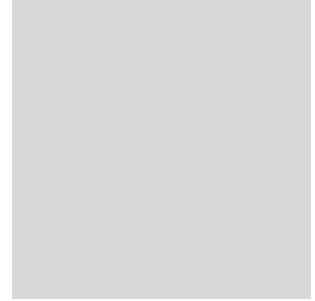
Safe Food appointed a transition task force which kept staff informed of developments in the dairy industry deregulation process and potential consequences for the administrative structure, and to help equip them to make informed decisions about their personal positions. A deregulation restructure committee which was also appointed, developed strategies for implementing administrative change in the organisation. More detail is reported on page 44.

Two subsidiary companies of Safe Food, Milk Marketing (NSW) Pty Limited, which promoted milk, and Pacific Industry Services Corporation Pty Limited (PISC) which operated Safe Food's laboratory in Chippendale, Sydney, continued during 1999/2000. In May 2000 PISC merged its operations in a joint venture with a microbiological consultancy, Microtech Laboratories Pty Limited.

In 1998/99 the NSW dairy industry decided to discontinue funding of Milk Marketing from the milk price structure and the company's operations promoting milk sales ceased effectively in May 2000.

Detail about the operation of the subsidiary companies in 1999/2000 appears on page 48.

# Food safety schemes



Food safety best practice has shifted from traditional methods of quality control and end-point inspection to preventative approaches based on risk management principles. The key preventative methodology is Hazard Analysis Critical Control Point (HACCP) which requires the systematic identification and control of food safety hazards within a food business.

Contemporary food safety regulation places responsibility on individual food businesses to use preventative approaches, such as HACCP-based food safety programs, to control food safety hazards. The regulator's role is to ensure that adequate systems are in place and to use audit and other monitoring tools to verify their effectiveness.

Food safety schemes are the means by which the responsibilities of food businesses, and Safe Food's regulatory role, are detailed for each industry or sector covered by Safe Food. Each scheme is tailored to particular industries or sectors, and is prescribed by regulation under the Food Production (Safety) Act 1998.

Each scheme is a regulatory package which includes:

- operational requirements on food businesses, including food safety program requirements and relevant standards or other specific requirements;
- a compliance regime, including licensing and audit arrangements;
- funding arrangements, which will include licence, audit and other fees;
- a mechanism for consultation with the relevant industries or sectors on the scheme's operation.

The Act requires each scheme to be developed on the basis of scientific assessment of food safety hazards and in consultation with the industries or sectors to be covered by the scheme.

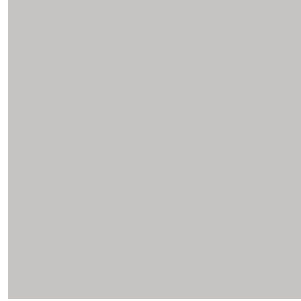
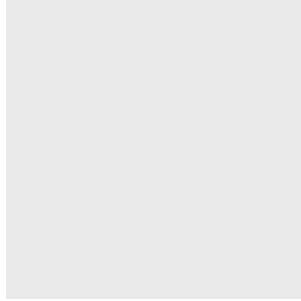
Under a food safety scheme, food safety plans may be developed by industry units from the point of production through to processing and distribution. These programs have to be certified by Safe Food. To grant certification, Safe Food must be satisfied that the plans comply with the HACCP system, or that they are adequate for the processes carried out. Safe Food audits the industry unit for which certification has been granted, and it inspects industry units for which no food safety plan has been certified.

Safe Food uses risk analysis as the cornerstone of scheme development. Risk analysis is a food safety methodology developed by the Codex Alimentarius Commission of the United Nations. It is a tool to develop effective strategies to manage food safety hazards, and provides the foundations for food safety regulations and HACCP-based food safety programs.

The risk analysis process provides the basis for the operational requirements of food safety schemes, template food safety programs, industry guidelines and training materials. It also informs the development of licensing and audit arrangements.

The Dairy Food Safety Scheme was based on the dairy food safety arrangements under the Dairy Industry Act 1979, so a full risk analysis process was not undertaken. However, the existing arrangements were reviewed by an independent scientific body, and revised in consultation with the dairy industry.

The Dairy Food Safety Scheme was the first to be developed. Notices of the intention to make the regulation to promulgate the scheme and calling for public comment, were advertised in the press on 18 May 1999. The notices set out the purposes of the regulation and described the manner in which copies of the regulatory impact statement and the draft regulation might be obtained.



The regulation came into force on 1 July 1999. Similar processes are to be adopted in relation to other schemes.

The Act requires the establishment of a consultative mechanism for each industry to be covered by regulation before the preparation of a food safety scheme. The NSW Dairy Industry Conference has been established by regulation as the consultative body for the Dairy Food Safety Scheme.

The Dairy Food Safety Scheme came into force on 1 July 1999. The regulation required a review of the scheme if the milk supply management functions of Safe Food under the Dairy Industry Act 1979 were repealed as a consequence of deregulation of the dairy industry. With deregulation from 1 July appearing inevitable, the scheme was reviewed late in 1999/2000.

An amendment to the regulation, the Food Production (Dairy Food Safety Scheme) Amendment Regulation 2000, was made on 1 July 2000. It introduced fee-based funding arrangements to the scheme to replace funding from the milk margin, and new licence conditions reflecting the full implementation of HACCP-based food safety programs in the sectors covered by Safe Food.

Development of a Seafood Safety Scheme began in 1999 following the establishment of a Seafood Branch in Safe Food. The target date for introduction is early 2001.

Currently NSW Health administers a licensing system for farms supplying raw goat milk for human consumption. During the past year, the Dairy Branch began developmental work on a food safety scheme, or schemes, for dairy goat and sheep milk products. Safe Food will assume responsibility for the safe production, processing/manufacture, distribution and handling of dairy goat and sheep milk products on implementation of the scheme, or schemes.

The initial phase of the developmental work involves conducting a risk analysis for each of the two commodity groups. A joint Reference Group, consisting of officers from Safe Food, NSW Health, NSW Agriculture, ANZFA and representatives of industry sectors in both the goat and sheep dairy industries, was established for consultation on the project.

A risk assessment phase is being conducted by an independent consultant, AgriQuality New Zealand. The assessment will cover all dairy goat and sheep milk products produced or handled in NSW as well as those imported from overseas and interstate. The overall

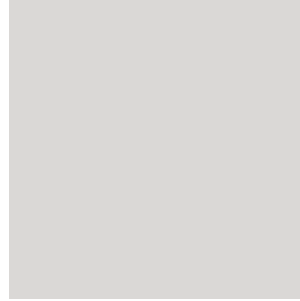
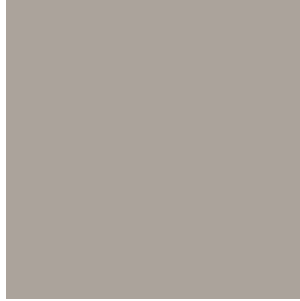
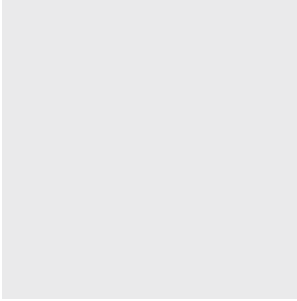
project will identify the potential food safety risks in the production and supply chain.

The risk management phase will devise practical strategies to minimise the risks. This information will provide a scientific foundation for the development of a scheme or schemes for goat and sheep milk products.

In August 2000, Safe Food will take over the responsibilities and functions of the NSW Meat Industry Authority which will become Safe Food's Meat Branch. A Meat Food Safety Scheme will be introduced.

Under the Food Production (Safety) Act, a regulation establishing or amending a food safety scheme requires the concurrence of the Minister administering the Food Act 1989 (currently the Minister for Health), and if the scheme relates to seafood, the Minister administering the Fisheries Management Act 1994 (currently the Minister for Fisheries).

# Safe Food Production Advisory Committee



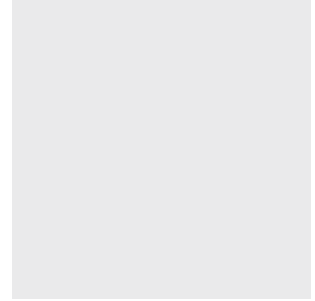
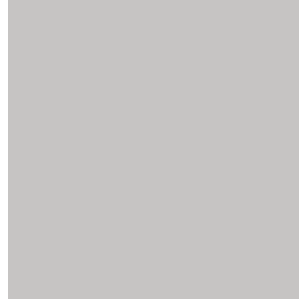
Under the Food Production (Safety) Act 1998, the Minister has to establish a Safe Food Production Advisory Committee (SFAC). The functions of the committee are to provide expert advice and make recommendations to Safe Food on a wide range of matters relating to food, or to the operation of the Act or its regulations, that may be referred to it by the Minister or the Chief Executive Officer of Safe Food. It will also advise or make recommendations concerning the making of regulations, in particular those prescribing food safety schemes.

Seven members have been appointed to the committee, including the Chief Executive Officer of Safe Food, George Davey, who under the Act, is appointed chairperson. The other six members, who are part-time and who are appointed with the concurrence of the Minister for Health and Minister for Fisheries, are:

- **Professor Ken Buckle**, Associate Dean, International Development, Faculty of Life Sciences, University of NSW; member of the Food Advisory Committee, NSW Health; expertise in shellfish and food science.
- **Ms Dian Coffey**, Director, Sylvania Investments and Finance; expertise in consumer and food media issues.
- **Dr Michael Eyles**, Chief Executive Officer, Food Science Australia; expertise in virology and bacteriology, crisis and public affairs management.
- **Dr Gavin Frost**, Chief Medical Officer, MBF, and expert adviser on public health to 1997 Kerin Food Safety Taskforce; expertise in epidemiology and public administration.
- **Hon John Kerin**, Chair, 1997 Kerin Food Safety Taskforce; former Chairman of the Australian Meat and Livestock Corporation; former Commonwealth Minister in a number of portfolios, including Primary Industries.
- **Dr Heather Yeatman**, Senior Lecturer, Graduate School of Public Health, University of Wollongong; member of the board of Australia New Zealand Food Authority; expert in consumer and nutrition issues.

The six part-time members have been appointed for terms of two years from 16 May 2000. Secretariat services will be provided to SFAC by Safe Food.

# Dairy deregulation



As indicated in the report of the NSW Dairy Corporation for 1998/99, total deregulation of the Australian dairy industry emerged as a major issue in the early part of 1999. This followed strong pressure from the industry in Victoria, initially from the two major dairy co-operatives in that State, but increasingly as the debate continued, from the United Dairy Farmers of Victoria.

Following the National Competition Policy review of legislation in Victoria establishing farm gate pricing and supply management arrangements for market milk in that State, the then Liberal-National Government announced it was giving in-principle support to deregulation of the industry in Victoria from 1 July 2000.

However, following the government's defeat at a general election, the newly elected Labor Government, honouring a pre-election commitment, conducted a plebiscite of all Victorian dairy farmers to determine their attitude to deregulation. A total of 89% of farmers in Victoria who voted were in favour of a move to deregulate their industry.

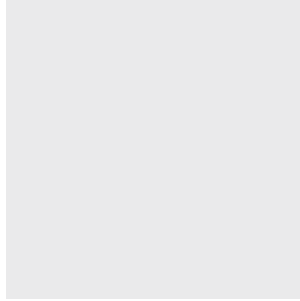
Faced with the almost certain deregulation of the Victorian dairy industry, and with flow-on effects to the other States, the Australian Dairy Industry Council Inc. commenced discussions with the Commonwealth Government during 1999 with the aim of obtaining some form of support to enable the Australian dairy industry to adjust nationally to the effects of deregulation.

These discussions culminated in the Commonwealth Government announcing on 28 September 1999 its support for a national dairy deregulation adjustment package, should all States and Territories decide to deregulate their farm gate pricing arrangements from 1 July 2000.

In 2000, the Commonwealth established the Dairy Adjustment Authority to administer the package estimated to cost \$1.78 billion. Of this amount, Australian dairy farmers would receive approximately \$1.63 billion in structural adjustment payments over eight years, with \$337 million available for NSW dairy farmers, an average of \$192,000 per farmer. The package is to be funded by a national retail levy on all drinking milk of 11 cents per litre over eight years.

Early in 2000 the NSW Dairy Farmers' Association conducted a series of meetings across the State to determine the attitude of NSW dairy farmers to deregulate in the light of the insistence by Victoria to follow this path, with or without a Commonwealth restructure package. A total of 65% of NSW dairy farmers who attended the meetings decided it was preferable to accept the package offered by the Commonwealth and repeal existing regulation rather than risk the likelihood of a total deregulation in NSW without any form of restructure package.

In view of the industry moves, the NSW Government in February established a working group to determine what legislative and other changes were required to achieve deregulation and ensure compliance with the Commonwealth restructure package.



The working group comprised representatives of the office of the Minister for Agriculture, The Cabinet Office, Treasury, NSW Agriculture, Safe Food, the NSW Dairy Industry Conference and NSW Dairy Farmers' Association. It held its first meeting on 3 April 2000, and its work resulted in the drafting of the following:

- Dairy Industry Bill 2000, under which all legislation controlling market milk pricing and supply management arrangements in NSW would be repealed from 1 July 2000;
- Dairy Industry Conference Amendment Regulation 2000, which provided for a continuation of the NSW Dairy Industry Conference, but with a reduction from 39 to 11 members;
- The Food Production (Dairy Food Safety Scheme) Amendment Regulation 2000, which provided for a licensing scheme for the Dairy Branch of Safe Food and made other amendments arising from a review of the scheme as a result of the repeal of Part 5 of the Dairy Industry Act 1979.

After a meeting of all State, Territory and Commonwealth Agriculture Ministers in Melbourne on 3 March 2000, the NSW Minister for Agriculture announced on 6 March the reluctant decision of the NSW Government to deregulate the NSW dairy industry from 1 July 2000.

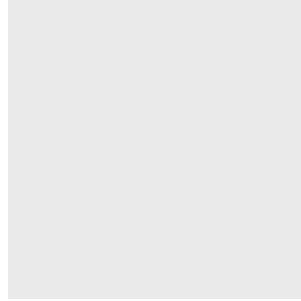
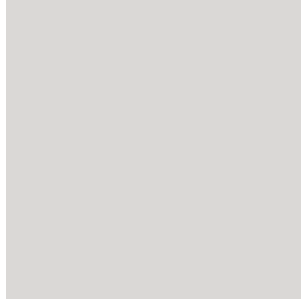
The Dairy Industry Bill 2000 was introduced into the NSW Parliament on 1 June 2000. Considerable debate ensued and the legislation was passed on 29 June with the Government undertaking to establish a committee to examine the ongoing effects of deregulation. The legislation was proclaimed at a special meeting of the Executive Council on 30 June 2000.

In addition to the Commonwealth Government's restructure package, the NSW Government and the NSW dairy industry also established a range of assistance measures designed to provide among other initiatives, a program of advice and counselling for dairy farmers and their families as they faced the effects of deregulation.

These initiatives were funded from a special allocation for a Farm Gate Deregulation Assistance Fund in the price adjustment of 3 September 1999, to be administered by the Minister. The allocation was made up of an amount of 0.3 cents per litre which had been an allowance in the milk price structure for a contingency fund, and a further 0.2 cents per litre which dairy farmers had previously contributed through the price structure to fund the Fresh NSW Schools Milk program.

From 3 September 1999 to 31 December 1999 the element of 0.2 cents per litre formerly used to fund the Schools Milk program raised \$364,691. It was returned to dairy farmers with the price structure that took effect on 1 January 2000. The 0.3 cents per litre yielded a total of \$1,375,909 as at 30 June 2000. The total paid into the fund from these two elements was \$1,740,600.

The Farm Gate Deregulation Assistance Fund was coordinated on behalf of the Minister by a special committee comprising representatives from the office of the Minister for Agriculture, Safe Food, NSW Agriculture, the Department of Land and Water Conservation, NSW Dairy Farmers' Association and NSW milk processing companies.



A program under the Farm Gate Deregulation Assistance Fund called 'Dairy Do It' contained three key areas:

- **Dairy Assist**, to provide guidance to dairy farmers on how to access the Commonwealth's structural adjustment fund. Several seminars were held to brief dairy advisers across the State on helping dairy farmers understand eligibility criteria and application forms for the adjustment fund.
- **Dairy Family** aimed to provide social support to dairy families as they came to grips with changes in the dairying environment as a result of deregulation. The program is to run for about 18 months with rural counsellors available to provide advice and assistance on social and financial aspects of adjustment.
- **Dairy Check** is designed to help dairy farmers re-assess their businesses and explore ways to review and improve their management practices before and following deregulation.

The overall aim of 'Dairy Do It' is to provide services designed to minimise stress and anxiety which individuals and families may experience as a result of the deregulation process.

The dairy marketplace in NSW had been deregulated on 1 July 1998 from when the then NSW Dairy Corporation ceased to set prices for milk past the point of its purchase by milk processors. Retail prices were no longer set.

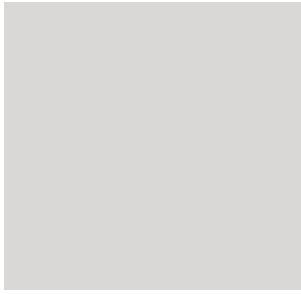
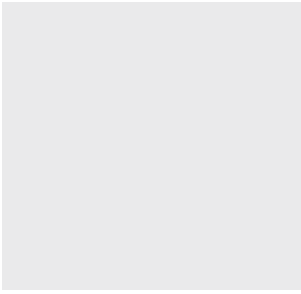
The NSW Dairy Corporation was dissolved on 1 July 1999, and its responsibilities and functions, including food safety, were taken over by Safe Food under the Food Production (Safety) Act 1998.

In 1999/2000, Safe Food continued to set prices to be paid to dairy farmers for their milk, and to pay them for milk it accepted from them. Prices to be paid by processors for market milk also continued to be set. Safe Food's responsibilities for equitable sourcing of milk throughout the State by means of the quota system, and responsibilities to ensure the quality of milk and dairy products also continued.

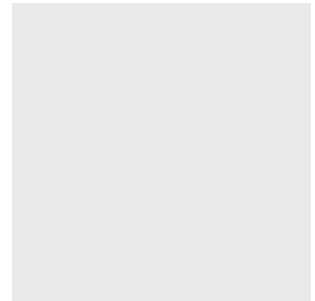
With deregulation, provisions under which all milk produced in the State was vested in Safe Food ceased to operate. Safe Food ceased to pay dairy farmers for the milk for the liquid milk market. The milk quota system also ceased. From 1 July 2000, dairy farmers supplied milk to the various milk factories under individual arrangements which set the conditions for supply and the payments to be made by the factories to the dairy farmers.

Safe Food's funding from the milk price margin ceased on 30 June 2000. The operations of the Dairy Food Safety Scheme are to be supported during 2000/01 by an allocation from Treasury pending finalisation of funding arrangements under the scheme.





# Dairy Branch



Safe Food's Dairy Branch administers the Dairy Food Safety Scheme. The Food Production (Dairy Food Safety Scheme) Regulation which established the scheme, sets standards for milk production, handling, testing and storage, for the buildings, the operation of pasteurisers and other equipment, and for milk and dairy product testing at the various stages from the farm through to processing and packaging.

These standards are incorporated in HACCP-based food safety plans which are certified by Safe Food.

Dairy factories must maintain detailed records of all milk and cream they receive, and detail of the quantity, container type and size, date code or product batch number of each type of dairy product made at and distributed from the factory.

The regulation places on the managers of dairy factories the responsibility for ensuring that milk and dairy products for human consumption comply with standards. It also imposes on the factories standards for control of *Salmonella* and *Listeria*. Factories must have documented product recall and retrieval procedures for which standards also are prescribed.

The regulation sets out standards for milk handling by farm bulk milk collection tankers and by milk vendors.

Standards are also set for milk on dairy farms. In addition, milk factory managers are required to make sure by a series of prescribed tests of samples, that milk collected from farms meets specified standards.

The regulation continues a long standing requirement that milk and cream for supply for human consumption must be pasteurised. It also requires that milk and dairy products must be protected from contamination or spoilage at all stages in the supply chain.

The Dairy Food Safety Scheme does not apply to the handling of milk and dairy products on retail premises, which is the responsibility of NSW Health.

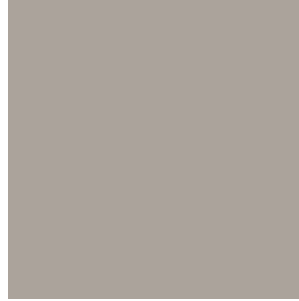
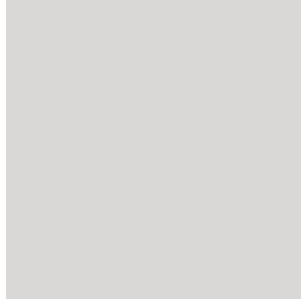
## Audits

The Dairy Branch audits the HACCP systems in milk and dairy product factories in NSW at least three times a year and inspects those with no HACCP system in place. The audits and inspections determine compliance with the Export Control (Processed Food) Orders of the Australian Quarantine and Inspection Service which have been adopted by Safe Food.

All factories are rated on initial audit and may be rerated higher or lower at subsequent inspections according to their compliance with a range of requirements on hygiene, structure, equipment, testing, product handling and traceability and record keeping. The factory rating determines the frequency of inspections to ensure compliance.

During 1999/2000 a total of 411 audits and inspections were made by Safe Food officers. This figure includes increased frequency of inspections as a result of rating changes. No prosecution action was required.





## Recalls

Two recalls of dairy products occurred during the year, both resulting from the isolation of *Listeria monocytogenes* in the products.

In one incident, ice cream was recalled from the distribution chain before it reached retail outlets. All the product was retrieved. In the second case there was a public recall of milk, cream and custard products. No cases of *Listeriosis* were reported as a result of the incident. All product retrieved was destroyed under the supervision of a Safe Food officer.

## Milk and dairy products

The quality of milk and dairy products in NSW continued to be excellent during the year.

The Dairy Branch achieved its objective to have quality assurance systems adopted throughout the dairy industry, paddock to plate, by 30 June 2000. Nearly all registrants were HACCP certified by 30 June, except those still going through a qualifying period. This achievement by Safe Food and the NSW dairy industry is unprecedented in any industry anywhere in the world.

Quality assurance systems developed by the former NSW Dairy Corporation and continued by Safe Food with the dairy industry, use HACCP principles and methods under the Quality Plus 2000 banner. The Quality Plus program aims to apply a consistent approach to food safety throughout the dairy industry to ensure supply of high quality products to consumers. The former Corporation and Safe Food allocated a total of \$3 million for the Quality Plus program for costs associated with its implementation and certification procedures to the end of 1999/2000.

Favourable conditions for dairying continued with one of the best years on record, the good conditions reflected in higher production of milk in all areas of NSW.

Compliance levels for standard plate count (SPC) (an indication of good hygiene and temperature control during milking, storage and transport of milk) reflected the high quality of farm milk produced in NSW with a 98.91% compliance rate. This is higher than last year's 98.7%. (Table 1)

Compliance levels for somatic cell counts (SCC) (an indication of udder health which can affect milk quality and yield) was 97.88%. This was slightly higher than the previous year's level of 97.5%. The result reflected the improvement in herd health and the commitment of dairy farmers to comply with the standard and improve the quality of their milk. The volume of rejected milk as a percentage of total milk decreased to 0.27%, less than last year's 0.31%.

The compliance to standards for sediment (foreign matter in milk) iodine, pesticides and antibiotics was very high (Table 1). However, levels of compliance for iodine dropped from 93.2% to 85%. Pesticide residue and antibiotics again showed 100% compliance reflecting the high standards adopted by dairy farmers to eliminate previous problems.

## Consumer complaints

The Dairy Branch received no complaints from consumers during the year about food safety or health issues in relation to milk or dairy products.

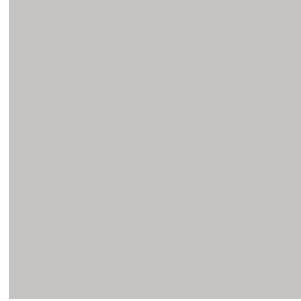
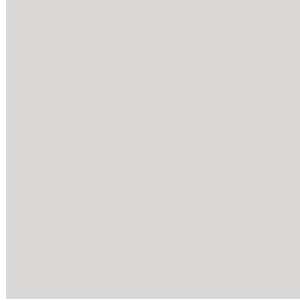
## Review of systems

Safe Food continually reviews its food safety and quality control systems to ensure adherence to world's best practice, and there is continuing staff training in the latest developments. Safe Food implemented recommendations from a review last year by Food Science Australia for changes to its program criteria and formats to bring the systems into line with Codex requirements.

Benchmarking meetings with quality auditors from other industries have been held to develop a consistent approach to auditing of quality systems. Internally, Safe Food established a policy and procedures manual to assist in a standardisation of approach of its own auditors to promote consistency and continuous improvement.

## ISO 9001

Safe Food Dairy Branch maintained its ISO 9001 quality management system certification. Audits of the system were conducted during the year by Quality Assurance Services. The system was updated late in the year to reflect changes to the organisation's functions and structures following dairy industry deregulation.



### Quality incentive schemes

Two schemes that were designed to encourage dairy farmers to improve the microbiological and chemical quality of their milk were continued by Safe Food during the year, but ceased with deregulation of the dairy industry.

The Quality Payments Scheme was funded from a special allocation in the milk price structure which increased from 0.4 to 0.5 cents per litre in the adjustment effective from 1 January 1999. It was also part funded from the amounts collected from dairy farmers as penalties for milk of low hygienic quality.

The Compositional Payment Scheme distributed rewards to dairy farmers who produced milk with high milk fat and protein levels, penalising those who produced milk with low levels. The scheme was self-funding.

### Processed milk

All major milk processing factories in NSW now have HACCP-based quality systems in place and the benefits of the systems are reflected in the high quality of processed milk, as shown in Table 2.

Safe Food's officers audit the systems on a regular basis and will continue to do so after dairy deregulation on 30 June. Assistance and advice is provided to the factories to ensure a policy of continuous improvement to their quality systems.

### Dairy products

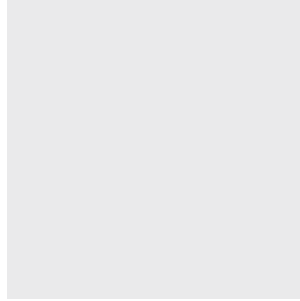
The quality of dairy products produced in NSW continued to be of a very high standard. At the beginning of the year many dairy product factories had HACCP-based food quality systems in operation. Safe Food officers had developed several generic HACCP-based quality manuals which individual factories tailored to their processes. The program was extended, using the services of contractors Food Safety Solutions, to develop manuals and implement quality systems in those factories that did not have HACCP systems, that had limited resources and were unfamiliar with the processes involved. All dairy produce factories in NSW registered with Safe Food now have implemented HACCP-based quality systems.

Safe Food officers audit all factories on a regular basis, and in conjunction with the factories, supervise comprehensive testing to verify the food safety programs are producing safe, wholesome products.

Table 3 sets out the performance indicators and targets in relation to the quality of dairy products.

### Factory Inter-laboratory Comparison Program

Pacific Industry Services Corporation Pty Limited conducted a factory inter-laboratory comparison (ILC) program on behalf of Safe Food to monitor the adequacy and accuracy of each laboratory's product testing procedures. The ILC program was conducted at six weekly intervals, monitoring tests on standard plate count, micropipette plate count, antibiotics, phosphatase, fat, protein and freezing point. Creating an atmosphere of healthy competition between the laboratories, the program is also a major component in Safe Food's Factory Quality Assessment Scheme. (Table 5).



## Certificates of competency

Safe Food has a Memorandum of Understanding with the Gilbert Chandler campus of the University of Melbourne to use its educational facility to provide courses such as Milk and Cream Grading, Milk and Cream Testing, Cheesemaking, Buttermaking and Pasteuriser Operation to the dairy industry. Qualified staff from Safe Food mark the assignments, assess the students and recommend the issue of certificates of competency by Gilbert Chandler. It is a requirement of the HACCP system that all factory staff are trained to perform their work functions competently.

## Product grading

The services of Safe Food's dairy product graders continue to be offered to various sectors in the NSW dairy industry. As well as judging at the Royal Agricultural Society Show and the Dairy Industry Association of Australia's Dairy Product Competition, graders are often approached by manufacturers to assess and grade various dairy products on a fee for service basis.

## Milk supply

The Dairy Branch continued its regulatory functions in relation to milk supply management during the year, ceasing those activities with deregulation of the dairy industry at 30 June 2000.

During 1999/2000 milk production in NSW increased again to a record 1.39 billion litres, up 8.14% from last year. This is the seventh successive year that production exceeded 1 billion litres. The number of dairy farmers registered with Safe Food fell by 2.60% to 1,725 and falls were recorded as well in the numbers of milk receival and processing factories (Table 6). Six new dairy farms were registered (Table 9).

## Milk acceptance

Safe Food accepted a total of 558.2 million litres of milk from dairy farmers during 1999/2000, a decrease of 3.84% (Table 6). Payments to dairy farmers for this milk totalled \$296,131,000, an increase of 0.57% on the previous year (Table 6).

## Sales

Total milk sales in NSW during 1999/2000 were 556.1 million litres, a decrease of 20.66 million litres (3.58%) on the previous year. In the individual categories, sales of whole milk were down 15.9 million litres (3.92%), low fat milk sales by 3.8 million litres (2.74%) and flavoured milk sales by 1 million litres (2.97%).

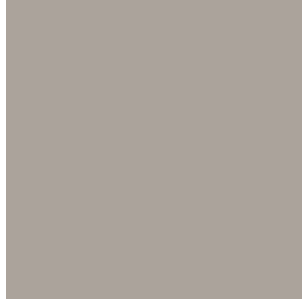
Tables 7 and 8 contain milk sales statistics.

## Milk trading

Under the State market milk ordering system all dairy farmers in NSW shared in the total pool of milk sold pro rata to the quota held. Safe Food ordered milk on an equitable basis from factories across NSW to meet its objective of ensuring an adequate supply of milk was available for the requirements of processors.

Safe Food's aim was to accept an equal percentage of quota from all dairy farmers. The average acceptance for the year was 85.06% of farm quota, a decrease of 3.27% on the previous year. The target was for milk acceptance from all factories to fall within + or - 0.5% of the average annual state acceptance.

The average milk acceptance as a percentage of total production in 1999/2000 was 40.3% compared with 45.3% in 1998/99 and 46.41% in 1997/98.



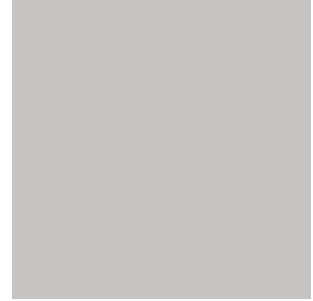
## Quotas

Safe Food's Individual Quota Policy contained the general rules applied in relation to quota matters and was issued annually to all dairy farmers. Quota acceptance figures, in the form of performance indicators over a three year period, are shown in Table 9.

Dairy farmers could use the quota exchange on a four-weekly basis to adjust their quotas to best suit production patterns. Table 10 shows quota exchange activity over the last three years and Table 11 the net movement of quota between factories.

Due to impending deregulation of the dairy industry on 30 June 2000 the final quota exchange was held in May 2000, the last opportunity to trade quota for supply before 30 June.

No changes were made to the quota policy for 1999/2000 issued in May 1999. However, application of a clause concerning periods below quota as well as procedures for quota reviews were suspended in September 1999 pending a final decision on deregulation. Quota exchange application forms were modified to include an expanded disclaimer whereby applicants would acknowledge the possibility of total deregulation of the dairy industry, and the speculative nature of trading quota that would become effective after 30 June.



## Notional arrangements

From October 1999 responsibility for administration and recoupment of freight was transferred to milk companies. Consequently, Safe Food ceased to collect data in relation to average freight costs or notional savings.

## Secondment to Dairy Adjustment Authority

Safe Food's Manager of Quotas and Supply, Chris Clark, was seconded to work with the Commonwealth Dairy Adjustment Authority (DAA) as Claims Determination Manager. The DAA was set up to administer the Dairy Structural Adjustment Program under which payments will be made to dairy farmers to assist them to adjust to a totally deregulated market after 30 June 2000. The total payments to dairy farmers nationally will be in the vicinity of \$1.63 billion over eight years.

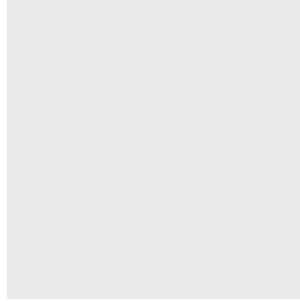
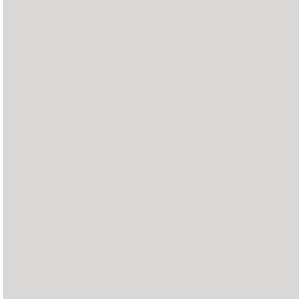
## Milk prices

Three new price structures for milk were fixed by Safe Food during 1999/2000, reflecting in part the provision of funds for the Farm Gate Deregulation Assistance Fund.

In the price structure effective on 3 September 1999, the price to dairy farmers for their milk for the liquid milk market was increased from 50.938 cents per litre to 52.438 cents, an increase of 1.5 cents per litre. An amount of 0.3 cents per litre was added to the Contingency Fund for use in the new Farm Gate Deregulation Assistance Fund. In that structure as well, an amount of 0.2 cents per litre which had been foregone by dairy farmers for the Fresh NSW Schools Milk campaign, was used to help finance the Farm Gate Deregulation Assistance Fund under the Contingency Fund. In the price structure effective in 1 January 2000, the 0.2 cents per litre was returned to dairy farmers.

The price to dairy farmers was increased by 1.012 cents to 53.650 cents per litre in a structure effective on 17 March 2000.

The milk price structures approved by Safe Food during the year are set out in Table 12.



## Accountability

Safe Food's objective has been to ensure accurate accountability for milk by milk receival companies that act as its agents. Audits were conducted using a risk-based methodology in which Safe Food's audit teams worked with the staff of the agent companies. The target for 1999/2000 was to cover 32 milk accountability audits, and this target was met. Leading up to deregulation, eight spot audits were conducted.

Discrepancies were identified during the audits resulting in the recovery of a total of \$2,048,000 due to dairy farmers and other industry sectors. A total of \$588,000 was recovered in instances of understated sales and \$38,000 in respect of wastage that was not declared correctly. In a further instance, 9,884,627 litres of underdeclared UHT milk was detected relating to the period July 1997 to April 2000. The milk represents sales that were understated by an agent company because of ineffective accounting controls.

## Deeds of Guarantee

All milk processors were required to provide Safe Food with a guarantee from an approved bank or financial institution covering their liabilities for the purchase of milk as agents of Safe Food. This requirement ceased with the end of dairy regulation.

## NSW Farm Milk Quality Award

The Farm Milk Quality Award was presented to the best dairy farmer in NSW and was sponsored jointly by Safe Food and Pfizer Animal Health. The award was based on a number of quality criteria, including farm management practices, milk fat and protein levels and the microbiological quality of the farmer's milk. The State and Southern region awards were won by LKT and S Bauer, Berrigan. The Northern region winners were Brian and Joanne McMillan, Comboyne, and the Central region award was won by Moxey Farms Pty Limited, Gooloogong.

## Factory Quality Assessment Scheme

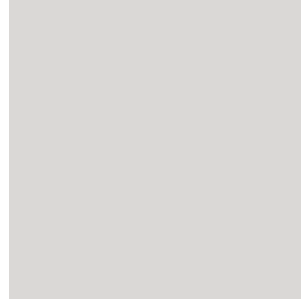
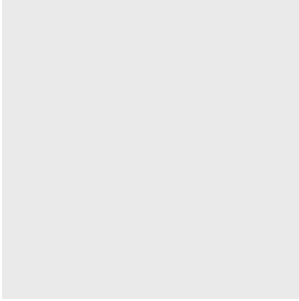
Safe Food's factory quality assessment scheme ranks milk processing factories in order of the quality of produce manufactured and the efficiency of milk testing. The program recognised and rewarded factories with a high level of performance in four key areas: HACCP certification, finished product quality, temperature control and laboratory testing procedures. The winner for 1999 was Dairy Farmers, Hexham.

## Vendor of the Year

The NSW Milk Vendor of the Year Award was jointly sponsored by Safe Food and Milk Marketing (NSW) Pty Limited. It recognised excellence in business management and product quality control. The State and Northern Zone winners were Peter and Michelle Hornby, Wauchope. Other Zone winners were Anna and Les Whitehead, Wagga Wagga (Southern); Meg and Bernard Davis, Tamworth (Western) and Sharon and Stephen Golding, Bonnyrigg (Metropolitan).

## Fresh NSW Milk Retailer of the Year

This award recognised the best retailers of fresh milk with nominations by merchandisers from Milk Marketing (NSW) Pty Limited and the milk processing companies. The NSW and South Western region best milk/snack bar category was won by Pickin Chicken, Eden. The Northern region winner was TC's Takeaway, Tamworth, and the Metropolitan winner was Sutherland Leisure Centre at Sutherland. The State and Northern region best convenience store category was won by Greenmeadows General Store, Port Macquarie. The South West region winner was Highway Store, Bega and the Metropolitan region winner was Metro-Caltex Service Station, Hazelbrook. The State and South Western region supermarket winner was Coles Supermarket, Bega. The Northern region was won by IGA Supermarket, Kyogle and the Metropolitan region winner was Tuckerbag Supermarket, Gympie.



### Conference of Australian Milk Authorities

The Conference of Australian Milk Authorities (CAMA) comprised representatives of all of the milk authorities throughout Australia. The Chief Executive Officer of Safe Food was its chairperson and the secretariat was provided by Safe Food.

The requirements of the Conference were serviced by Coamas Pty Limited, a company comprising directors from the milk authorities. Safe Food's Dairy Branch policy officer acted as secretary of the company and was Safe Food's director on it.

With deregulation of the Australian dairy industry, CAMA and Coamas Pty Limited were effectively wound up on 30 June 2000. The industry is considering the future role of the Australian Dairy Corporation in generic promotion of Australian milk and dairy products.

Success at the Cannes International Advertising Awards for advertising campaigns launched by CAMA was repeated again in 2000. The most recent and final television commercial of the joint CAMA/Australian Dairy Corporation 'Milk. Legendary stuff.' campaign entitled 'Bed Time' was awarded a Bronze Lion. This was one of only two Lions presented to the Australian and New Zealand advertising industry. Australia has been regarded within the international dairy community as the leading nation in generic promotion of dairy foods.

### Dairy Industry Leader

The *Dairy Industry Leader* was published five times during 1999/2000 with a print run of 5,000 copies per issue mailed free to a constantly updated mailing list. Extensive coverage has been given to topics such as dairy deregulation and to statistics and other information on the industry. The final issue of the *Leader* was to be published in August 2000. The publication will be replaced by *SafeFood News* which is to be produced periodically in the new financial year.

### Royal Easter Show

The Dairy Branch was the major sponsor of the dairy cattle show at the 2000 Sydney Royal Easter Show.

The sponsorship, valued at \$50,000, demonstrated a continuing commitment to milk quality excellence and the future of the dairy industry.

### Royal Cheese and Dairy Produce Show

The Dairy Branch again provided a \$1,000 sponsorship for the most successful exhibitor at the Royal Cheese and Dairy Produce Show in February 2000. The show is run in conjunction with the Royal Easter Show and attracted more than 800 entries, with cheese being the most popular section with 244 entries.

### Dairy Apprentice of the Year

Daryl Kirkhope, Bega was selected as the 2000 NSW Dairy Apprentice of the Year. Safe Food continued its sponsorship of the award with NSW Dairy Farmers' Association and Genetics Australia.

### Women in dairying

The Dairy Branch continued its active support for the Women in Dairying groups during and was a sponsor at the International Forum for Women in Dairying at Darling Harbour in May 2000. The work of the Women in Dairying groups was promoted through the *Dairy Industry Leader*.

## Farm milk

**Table 1: Key performance indicators and targets**

Performance indicator	Compliance		Target	Compliance
	1997/98	1998/99		
Standard Plate Count - max 50,000 cfu/mL	98.4%	98.7%	Maintain/ Improve	98.91%
Somatic cell count - max 500,000 cells/mL	97.7%	97.5%	Maintain/ Improve	97.88%
Temperature individual farm vats-max 4°C	98.9%	99.1%	Maintain/ Improve	97.93%
Sediment - no extraneous matter	92.1%	89.9%	Maintain/ Improve	92.92%
Iodine - max 500ug/L	87%	93.2%	Maintain/ Improve	85%
Pesticides - max 1/3MRL	100%	100%	100%	100%
Vol. of rejected milk as a % of total	0.42%	0.31%	Decrease	0.27%

Note: cfu/mL = colony forming units per millilitre, ug/L = micrograms per litre, cells/mL = cells per millilitre, MRL = Maximum Residue Level.

## Processed milk

**Table 2: Key performance indicators and targets**

Performance indicator	Compliance		Target	Compliance
	1997/98	1998/99		
Coliform- max 1 cfu/mL	97.5%	96.7%	Maintain/ Improve	98.62%
Standard plate count - max 50,000cfu/mL	96.8%	98.5%	Maintain/ Improve	97.75%
Antibiotics – max 0.002ug/mL				
as penicillin G	100%	100%	100%	100%
Iodine – max 500ug/L	100%	98.3%	100%	100%
<i>L. monocytogenes</i> not detected in 25mL	99.4%	98.3%	100%	98.4%
Temperature - max 5°C	96%	92.5%	Maintain /Improve	99.13%
Code of Practice inspections completed	100%	100%	100%	100%

Note: cfu/mL = colony forming units per millilitre, ug/L = micrograms per litre, ug/mL = micrograms per millilitre.

## Dairy products

**Table 3: Key performance indicators and targets**

Performance indicator	Compliance		Target	Compliance
	1997/98	1998/99		
Compliance with microbiological standards	97.9%	99%	Maintain/ Improve	98.4%
Compliance with chemical standards	95.4%	100%	Maintain/ Improve	100%
<i>Salmonella</i> - not detected	99.5%	100%	Maintain/ Improve	100%

## Quality Management Systems

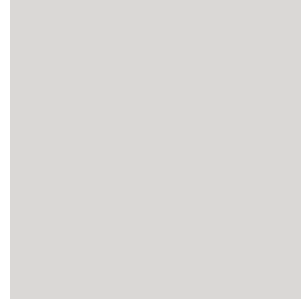
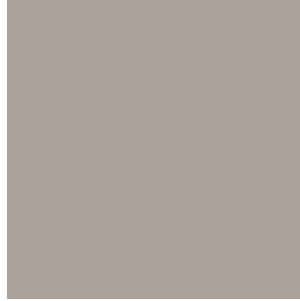
**Table 4: Participation rate in quality management systems**

Type of registrant	1997/98	1998/99	1999/2000	% certified
Receival factories	22	22	22	100
Processing factories	15	15	15	100
Dairy produce factories	54	64	81	100
Tanker contractors	4	5	27	93
Dairy farms	97	439	1,586	100
Depots	9	46	101	92
Vehicle vendors	0	8	915	96

**Table 5: Factory inter-laboratory comparison program**

Test	Compliance 1997/98	Compliance 1998/99	Programs	Compliance 1999/2000	Programs
<b>Chemistry</b>					
Milk fat	85.9%	97.6%	9	94.1%	10
Protein	88.6%	95.7%	9	94.4%	10
Freezing point	91.5%	98.2%	9	94.6%	10
Phosphatase	88.5%	87.2%	9	89.1%	10
<b>Microbiology</b>					
Micropipette count	86.4%	89.9%	9	86.7%	10
Standard plate count	87%	93.7%	9	88.0%	10
Antibiotics	94.7%	97.3%	9	93.2%	10
Direct microscopic count	94.1%	77.1%	9	70.5%*	10

\* The parameters used in the direct microscopic count were tightened in 1998/99. The general level of compliance improved considerably in 1999/2000 but reduced statistically because of results in two programs.



**Table 6: NSW industry profile**

	1998/1999	1999/2000	Variation from 1998/99
<b>Production</b>			
Total litres	1,280,538,954	1,384,897,926	+8.15%
<b>Milk acceptance</b>			
Total litres	580,511,638	558,218,419	-3.84%
<b>Payments to dairy farmers</b>			
	\$294,463,626	\$296,131,000	+0.57%
<b>Average quota per farm</b>			
Litres/week	7,127	7,320	+2.70%
<b>Registrations</b>			
Dairy farmers	1,771	1,725	-2.60%
Milk receival factories	23	22	-4.35%
Milk processing factories	15	11	-26.67%
Dairy product factories	85	91	+7.06%
Milk stores	204	212	+3.92%
Vehicle vendors	1,160	1,019	-0.85%

**Table 7: Total sales NSW milk (including UHT) – 1995/96 to 1999/2000 (litres)**

	1995/96	1996/97	1997/98	1998/99	1999/2000	Market share
Whole milk	422,456,763	413,219,548	402,028,027	404,315,015	388,457,494	69.85%
Low fat milk	120,566,338	129,300,868	136,503,956	138,080,579	134,297,888	24.15%
Flavoured milk	30,842,608	32,382,320	33,572,405	34,387,009	33,365,506	6.00%
Total milk	573,865,709	574,902,736	572,104,388	576,782,603	556,120,888	100.00%



**Table 8: Sales of NSW whole milk by package type – 1995/96 to 1999/2000**

Package	Percentage of sales				
	1995/96	1996/97	1997/98	1998/99	1999/2000
1 litre cartons	17.6	16.7	15.6	13.7	13.9
2 litre plastic containers	72.7	74.9	76.5	65.6	64.9
3 litre plastic containers	0	0	0	0	14.5
Bulk	1.8	1.6	1.5	1.2	1.2
Other packages	6.7	6.8	6.4	19.5*	5.5

\* includes sales in 3 litre plastic containers for the first full year

Note: In 1995/96 milk sold in glass bottles represented 1.2% of sales. Bottles were phased out by milk processing companies in that year.

## Quotas

**Table 9: Key performance indicators and targets**

Performance indicator	1997/98	1998/99	Target	1999/2000
Quota accepted from dairy farmers	87.45%	88.33%	≤90%*	85.06%
New dairy farm registrations approved	20	13	na	6

\* This provided a safety margin for peak daily demand and did not represent a guaranteed acceptance level.

**Table 10: Quota exchange activity**

Performance indicator	1997/98	1998/99	1999/2000
Total volume of milk traded on the exchange - (millions of litres)	24.3	11.4	6.0
Proportion of State quota	3.72%	1.74%	0.92%
Applications to dispose of quota	591	323	354
Average per exchange	45	25	30
Applications for quota allocation	1,028	591	1,266
Average per exchange	79	46	105
Range of market clearing prices (cents per litre)	20-90	10-66	1-43



**Table 11: Net movement of quota between factories for the 12 exchanges in 1999/2000**

Factory	Litres per annum + or -
Berry	-68,300
Bowral	-19,660
Comboyne	+49,536
Gerringong	+59,000
Gloucester	-27,328
Hexham	+626,700
Taree (ACF)	-106,656
Wetherill Park	nil
Moss Vale	nil
Nowra	+132,620
Penrith	nil
Taree (National)	-29,992
Wauchope	-343,724
Orange	-8,256
Tamworth	nil
Wagga Wagga	+186,824
Inverell	nil
Raleigh	-34,156
Lismore	+78,276
Finley	-178,820
Bodalla	nil
Bega	-52,904
Albury	+44,488
Deniliquin	-22,092

**Table 12: Price structure of 1 litre of milk (cents per litre) until 30 June 2000**

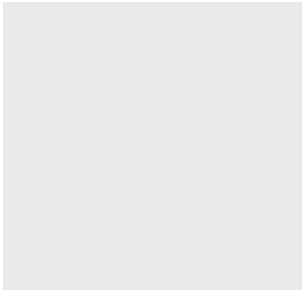
1 litre carton of whole milk	3 Sept 1999	1 Jan 2000	17 March 2000
Price to dairy farmer	52.438	52.638	53.650
Receiveal factory treatment allowance	2.000	2.000	2.000
Contingency Fund <sup>#</sup>	0.320	0.320	0.320
Safe Food Dairy Branch quality	0.843	0.843	0.843
Safe Food Dairy Branch administration*	0.289	0.289	0.289
Publicity allocation	0.250	0.250	0.250
Publicity allocation (Fresh NSW Schools Milk)	na	na	na
Quality Payments Scheme	0.500	0.500	0.500
<b>Price payable by agent</b>	<b>56.640</b>	<b>56.840</b>	<b>57.852</b>

<sup>#</sup> includes 0.3 cents per litre for the Farm Gate Deregulation Assistance Fund

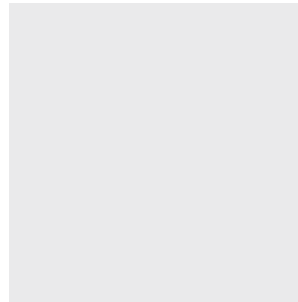
\* includes allocation to Dairy Industry Conference 0.0301 0.0498 0.0498

Note: From 3 September until 31 December 1999, the 0.2 cents per litre previously included in the price structure for the Fresh NSW Schools Milk program was used to fund the Farm Gate Deregulation Assistance Fund. From 1 January 2000, the 0.2 cents per litre was returned to dairy farmers.





# Meat Branch



Safe Food will take over the responsibilities and functions of the NSW Meat Industry Authority (MIA) in August 2000. The Authority which was established under the Meat Industry Act on 1 June 1971, will become Safe Food's Meat Branch.

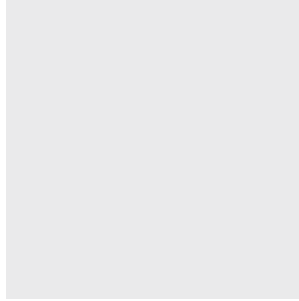
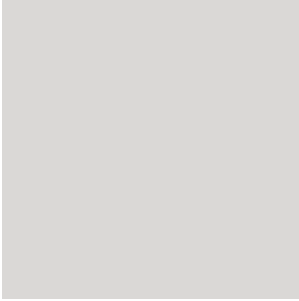
As a consequence of the Garibaldi food poisoning incident in South Australia in 1995, ARMCANZ directed that there be one uniform national standard for the meat industry. In NSW the Authority is responsible for ensuring compliance with this standard. In November 1998, following the National Competition Policy review, the Authority's responsibilities were expanded effectively from July 1999 to include retail meat premises, poultry boning premises and vans, game and pet meat harvesters and rabbit abattoirs.

The Authority's charter now covers all red meat, poultry, game and rabbit meats from slaughter to the point of retail and the number of licensees under the Act has doubled to more than 7000. The Authority is required to license and audit HACCP-based food safety programs for all domestic abattoirs, meat processing plants and retail meat premises.

Licensing and inspections are also applied to knackereries and animal food processing plants (pet food), rendering plants, meat vans, game meat harvesters' vehicles and field chillers. All licensees are required to comply with the appropriate Australian Standards for meat hygiene.

Export poultry establishments are audited by the Authority on behalf of the Australian Quarantine and Inspection Service under a Memorandum of Understanding.

The Meat Branch will provide advice to the NSW meat industry regarding livestock facilities and handling practices through its Codes of Practice. Saleyards will continue to be licensed by Safe Food until August 2003. The regulation of lamb branding also will continue until then.



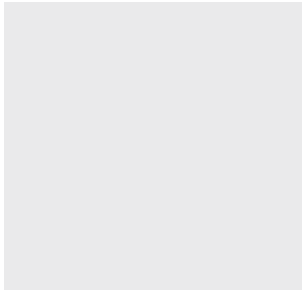
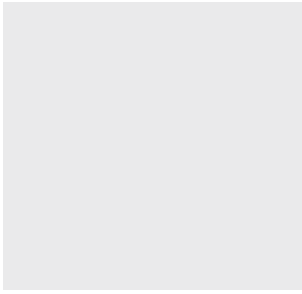
The Branch will also provide producers, processors and service sectors of the meat industry with timely livestock services: the National Livestock Reporting Service will continue to provide an independent source of national livestock market data collected from major prime and store markets, direct sales and wholesale meat markets.

The Branch will be funded through a combination of licence, audit and market reporting fees and a producer levy.

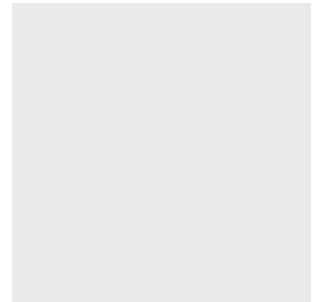
Barry Shay has been appointed Executive Director of the Meat Branch and will take up his position in August 2000. He was formerly Group Manager, Food Safety and Quality in Food Science Australia. He has more than 30 years' experience in meat research, principally with CSIRO Branch of Meat Research at Cannon Hill, Queensland. His special area of expertise is in food safety, particularly as it relates to the Australian meat industry. He holds a number of key positions in Australia and internationally on committees dealing with food safety issues.

Mr Shay will succeed Barry Baillie who gave extensive and valuable service to the Authority and the meat industry over a number of years.





# Seafood Branch



The Seafood Branch has been working closely with the industry during the year on the preparation of a Seafood Safety Scheme. The target date for introduction of the scheme is early 2001.

Under the scheme, all seafood businesses in NSW will be required to develop and implement a food safety plan based on the principles of HACCP to manage food safety hazards in their operations.

With the introduction of the scheme, seafood businesses from the production (catch/harvest), import, wholesale, processing and distribution sectors of the industry will have to register with Safe Food and develop and implement individual food safety plans.

The timetable for implementing the plans and complying with the requirements of the Food Safety Scheme, will be based principally on food safety risks: those businesses Safe Food considers to have high food safety risks will have to develop their plans first. Businesses will be given a reasonable time to complete their plans and will be audited to ensure they meet the standard required.

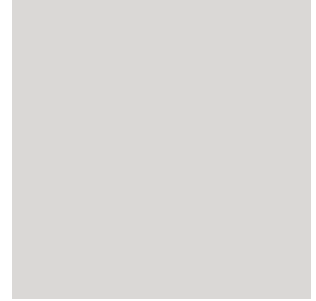
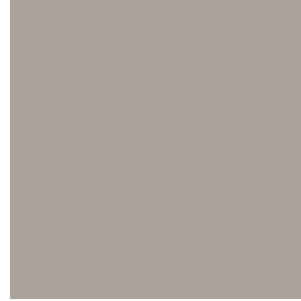
A risk analysis program began in July 1999 and was nearly complete at 30 June 2000. The program, together with the overall work on preparing a food safety scheme, was supervised by a Seafood Reference Group, established in July 1999 with broad representation from all seafood sectors, a consumer representative, and representatives from State and Commonwealth agencies.

The reference group was formed to promote the understanding of the seafood risk analysis program and acceptance of its outcomes by the seafood industry. Members of the group collectively form an important conduit of information to and from the broader industry.

Two projects were commissioned from specialised consultants: *Business Profile of the NSW Seafood Industry and Food Safety Hazards of Seafood in NSW* and *Risk Assessment of Priority Hazards of Seafood in NSW*. The completed work provided the scientific foundation for development of the Seafood Safety Scheme.

As part of the risk analysis program, five industry-based sector working groups were formed to recommend to Safe Food possible risk management strategies for mitigating identified hazards. The groups, which comprised members from the production (catching/harvesting), wholesale, import, processing and distribution sectors, were formed in November 1999 and completed their work in April 2000. Each group worked on the management of hazards identified in its sector and developed model HACCP food safety plans for it.

Food Science Australia has been engaged to review and oversee the overall risk analysis program. It will report shortly on the scientific adequacy of the risk management strategies recommended by the working groups in managing hazards identified in the industry.



Parallel with the risk analysis program, the Seafood Branch during the year was preparing other elements of the food safety scheme including a licensing system, budget and funding arrangements and an implementation program. It was also preparing proposals for a licensing system for seafood businesses, and a system for auditing individual food safety plans.

The Seafood Branch will provide comprehensive guidelines to all seafood businesses that register with Safe Food. The guidelines will contain model HACCP food safety plans for the major industry sectors and operations, and will be designed to help individual businesses develop their own food safety plans.

A regulatory impact statement, which must be drawn up before the introduction of a food safety scheme, is being developed.

The branch is preparing options for a Seafood Consultative Committee that would provide continuing consultation on the operation of the Seafood Safety Scheme.

## NSW Shellfish Quality Assurance Program

Administrative responsibility for the NSW Shellfish Quality Assurance Program (SQAP) was transferred from NSW Fisheries to Safe Food during July-August 1999, pending its integration into the Seafood Safety Scheme early in 2001. Appropriate amendments will be made to the Fisheries Management (Aquaculture) Regulation 1995.

The SQAP was established under the Fisheries Management (Aquaculture) Regulation 1995, with additional requirements of the program provided for in the Aquaculture Industry Development Plan gazetted in 1997 under the Fisheries Management Act 1994.

The SQAP controls the harvest of shellfish (currently limited to oysters and mussels) from class A aquaculture leases which are issued by NSW Fisheries over public water lands.

The SQAP is required to ensure that shellfish taken from estuarine waters to be sold for human consumption must meet quality standards specified in the program and that the waters meet specified environmental standards. It is also required to arrange the development of local quality assurance programs on each estuary and ensure that these programs meet SQAP's objectives.

Local shellfish quality assurance programs operate in each of the 30 estuaries where product is harvested for human consumption. Co-ordinated monitoring of potential hazards (microbiological, heavy metal and chemical) is undertaken throughout the growing, harvesting and depuration phases of shellfish production. Under adverse conditions areas are closed to shellfish harvest by SQAP and when necessary, formal product recalls are implemented.

Mussel and scallop aquaculture industries have been developed recently in NSW. Two mussel farms in Twofold Bay operate under class A aquaculture permits and formal quality assurance arrangements for these farms are being integrated into the SQAP.

The commercial harvest of wild shellfish by holders of commercial fishing licenses issued by NSW Fisheries is expected to be included in the Seafood Safety Scheme to be made under regulation early in 2001.



The SQAP is funded mostly by industry through a State levy and local levies on class A aquaculture permit holders. The State level budget for 2000/01 is \$280,000. Total direct industry spending on quality assurance is estimated to be about \$520,000. In addition, the SQAP receives considerable resources from Safe Food and support in kind from NSW oyster farmers. Payment of fees and levies, as well as compliance with the provisions of the SQAP, are requirements of aquaculture permits.

### Rectification work

The SQAP achieved its statutory objectives during 1999/2000. No food safety incidents associated with farmed oysters harvested from NSW waters were reported during the year.

While responsibility for the SQAP has been delegated to Safe Food it continues to operate under the Fisheries Management Act 1994 pending the establishment of a Seafood Safety Scheme early in 2001.

However, Safe Food auditors inspected each oyster depuration plant in NSW during November/December 1999 before the issue of new

permits for the calendar year 2000. A total of 244 plants was inspected. Five required rectification work before re-registration. All the required rectification work was completed.

No formal recalls were required. Twenty-five voluntary recalls were successfully conducted during the period.

Warning letters were issued to 27 farmers for a failure to conduct the required level of end-product testing required by SQAP. All are subject to re-audit until fully compliant.

No outbreaks of disease have been attributed to oysters during the period of the report and consequently no investigations have been required. Other fish species are not yet dealt with by Safe Food.

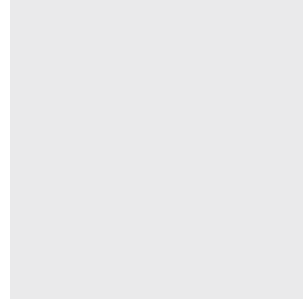
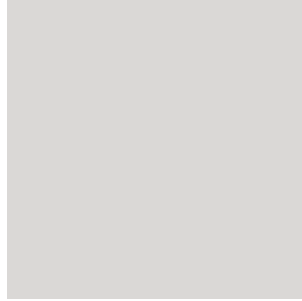
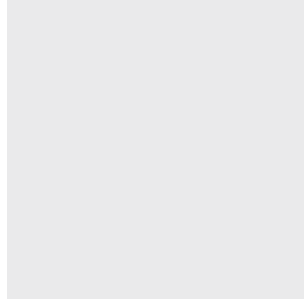
### Review of the NSW SQAP

In April 1999, a joint workshop involving the NSW Shellfish Quality Assurance Committee (SQAC), the Oyster Management Advisory Committee, the managerial staff of the SQAP and representatives of NSW Fisheries and Safe Food, reviewed the progress of the SQAP and its future resource needs.

At the request of industry, Safe Food agreed to fund a review of the SQAP to provide advice on the processes and funding requirements necessary to progress the program to world's best practice status for domestic and export shellfish markets. The review has been divided into two parts covering management and operational aspects.

Terms of reference for the management review, which focussed on examining the management, administrative and consultative arrangements for the SQAP, were finalised in October 1999 and the consultant presented the final report to Safe Food in June 2000. Safe Food is consulting with all stakeholders to ensure the most effective use is made of the review recommendations.

A consultant with extensive experience of shellfish quality assurance programs in the United States and Europe, began the operational review in June 2000. A report is expected in October 2000.



## Oyster depuration

Depuration is a process in which harvested shellfish are placed in tanks containing high quality sea water to permit purging of the digestive tract prior to sale. A requirement that all oysters produced in NSW be depurated prior to sale for human consumption, was contained in clause 82 of the Food (General) Regulation 1997. Subsequently the requirement was incorporated in the Fisheries Regulations. The regulations were amended in October 1999 and the powers of the Director of Fisheries relating to depuration matters were transferred to the Chief Executive Officer of Safe Food.

A key factor facilitating the transfer of responsibility for depuration to Safe Food was a commitment to audit all 244 depuration plants and train all depuration plant owners and operators before renewal of plant permits on 1 January 2000. Funding for the program was provided on a once only basis by NSW Health, as part of the transfer package.

Auditors from Safe Food's Dairy Branch were trained to audit depuration plants and completed the task by December 1999. Staff from the SQAP, the Seafood Branch and Pacific Industry Services Corporation Pty Limited, trained 390 plant owners

and operators at nine venues on the NSW coast until January 2000. This was the first time detailed and comprehensive training in depuration operational parameters had been provided to industry.

## Marine Biotoxin Liaison Group

The Marine Algal Biotoxin Technical Group, chaired by NSW Health and including representatives of NSW Fisheries and the Environment Protection Authority, was established in May 1998, and recommended to Premier's Department the establishment of a Marine Biotoxin Liaison Group (MBLG) to be chaired by Safe Food.

The MBLG was established in September 1999 and met for the first time in December 1999. Following some algal bloom problems, particularly in Myall Lakes, a meeting of agency Chief Executive Officers and The Cabinet Office agreed that the Regional Algal Co-ordinating Committees (RACCs) were the most appropriate points for co-ordinating communications and information on freshwater and marine algal blooms. Consequently, the Department of Land and Water Conservation which administers the RACCs, became the lead agency.

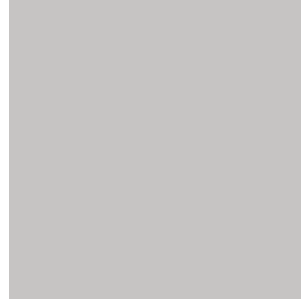
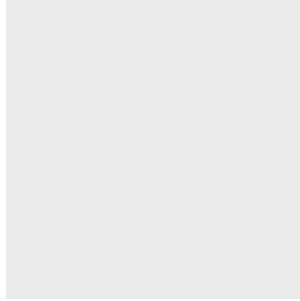
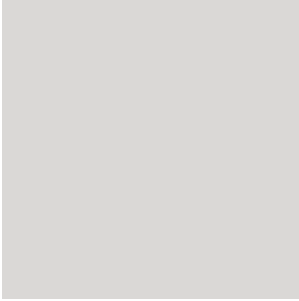
An Algal Contingency Plan and Notification Protocol, which identifies the roles of the various agencies including Safe Food, has been drawn up. Safe Food's role will be concerned with food safety issues, particularly related to fish and shellfish production and consumption. Safe Food liaises with NSW Health as required to ensure all public health safeguards are in place.

A Marine Biotoxin Reaction Management Plan has been approved and awaits agreement on areas of responsibility for algal monitoring. The plan was activated several times in 1999/2000. Plankton and toxin testing was undertaken in these cases and harvesting resumed when the areas concerned were found to be clear.

## Heavy metal and chemical residue monitoring

A risk-based monitoring program to assess the level of chemical residues and heavy metal contaminants in NSW cultivated oysters was introduced during 1999. The program was developed in consultation with the National Residue Survey (NRS), a Commonwealth program managed by the National Office of Food Safety. Funding was provided by a Commonwealth levy on all exported fishery products and by SQAP levy funds.

A total of 90 shellfish sample lots were collected by the SQAP up to March 2000 and preliminary results indicated that levels of heavy metals and other chemical residues were well within maximum recommended levels. The NRS is assessing the results and a report is expected late in 2000.



### Dairy effluent assessment project

Awareness of the potential impacts of dairy effluent pollution on the sanitary quality of shellfish growing waters was increased following meetings during the year between oyster and dairy industry representatives. Safe Food's Dairy Branch funded a detailed audit of dairy effluent management in oyster growing areas at Taree and the Tuross River catchments. Results of the audit will be used to encourage improvements in dairy effluent management practices, and to obtain a more detailed understanding of the contribution of dairy effluent to pollution loads in oyster growing areas.

### On-site sewage management

An on-site sewage management project managed by the Department of Local Government has been of great benefit to the SQAP, providing information about system location and performance. The project aims to provide financial and technical assistance to local councils to develop sewage management strategies and implement on-site sewage reform. As part of the initiative, on-site sewage systems have to be registered with local councils and regularly audited. The initiative is a valuable tool to assess NSW oyster growing areas.

The NSW Government has provided \$1.4 million to local councils for enhancement of on-site sewage systems and \$200,000 for continued research. Priorities for funding have been given to catchments that influence drinking water and shellfish harvest areas. The SQAP State Co-ordinator represents Safe Food on the technical advisory panel established to allocate funds to projects.

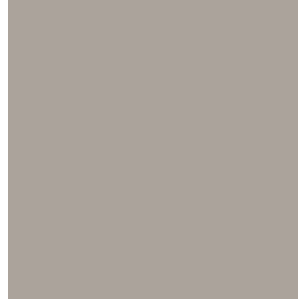
### Training course

A total of 126 industry participants attended an environmental sample collection course held in seven regional centres during the year. Certificates of course completion were issued by the SQAP to the 107 who passed the course tests and were designated Approved Sample Collectors. Additional courses are planned for the coming year.

### NSW Shellfish Quality Assurance Committee

The NSW Shellfish Quality Assurance Committee (SQAC) is appointed by the Minister for Fisheries and the Minister for Agriculture under the Fisheries Management (Aquaculture) Regulation 1995 to supervise the administration of the SQAP and advise on the establishment and operation of the NSW and local programs. It also advises the Minister for Fisheries on the appointment of the manager of the NSW program, and develops and implements programs for the education of aquaculture farmers and the community in public health and environmental issues.

Members of SQAC who served during the year were: Professor John Egerton (who was chairperson), Peter Williamson, Ian Crisp, Don Burgoyne, Paul Wilson, Stephen Verdich (industry representatives) and Andrew Derwent (Safe Food).



## Classification of shellfish harvest areas

In keeping with the development plans of the SQAC, a pilot risk-based shellfish harvest classification area has been conducted by the SQAP over the past 18 months at Corrie Island, Port Stephens. The results of the pilot have provided a blueprint for the resources and funds required for development and carriage of formal classification projects elsewhere.

## Development plan 2000/02

The SQAC has endorsed a development plan and timetable for the SQAP operations during 2000/02 that concentrates on sanitary surveys and formal classification of shellfish harvest areas. It will constitute the core SQAP work schedule, in addition to current program management, for the coming two years.

A comprehensive sanitary survey of all commercial shellfish harvest areas will begin in August 2000 in a priority ranking. Each survey will include a shoreline survey, hydrographic and meteorological characteristics, a bacteriological survey of the harvest area and a determination of levels of toxic substances in shellfish.

The results of the surveys will enable development of a risk-based classification that will determine management procedures for the harvest area.

A priority ranking has been necessary given the size and nature of the task and the resources available. Risk has been determined taking into account the history of shellfish associated disease linked to the harvest areas, the potential for contamination in the areas, and production volumes over the past three years.

The high priority areas, which will be included in work scheduled to begin in August 2000, include:

- harvest areas previously linked with shellfish associated disease outbreaks;
- harvest areas suspected of being subject to levels of pollution which may not be adequately managed by depuration or re-laying the product, or otherwise not meet restricted status – for instance, where land use in the area may represent a risk of contamination;
- the top 10 producing estuaries not already given priority by other criteria;
- newly-designated shellfish farming areas, such as mussel farms in Twofold Bay;
- harvest areas designated as remote, and not subject to human pollution.

High priority areas account for 89% of farmed oyster production and all farmed mussel production in NSW.

Remote areas are included in the high priority ranking because of their small numbers (only one is likely to satisfy the criteria), the need to protect remote areas, and on an assessment that the survey work needed will not be onerous.

Work is scheduled to begin in January 2002 in all other areas that have low production and do not meet the high priority criteria.

Details of the key performance indicators for the SQAP for 1999/2000 are in appendix 3.

## Information system

A data management system purpose built for the SQAP and funded by Safe Food commenced operation in January 2000. The new system initially covered local program details and harvest area management, and has been expanded to manage all sampling data. With further development under way, the system will manage depuration plant administration, end product testing, product identification and recalls.

# Corporate Services

## Structural changes

A task force to assist staff in the transition from the former NSW Dairy Corporation to Safe Food was set up by the Corporation. The task force held its first meeting on 29 June 1999 and its final meeting exactly one year later. The task force had 10 members, five each from management and staff, including a representative of the Public Service Association.

The purpose of the task force was to smooth the transition process in the knowledge that a number of positions would become redundant after deregulation of the dairy industry, and to ensure staff members were equipped to deal with future career situations.

During the year the task force had frequent briefings from management of Safe Food. The task force co-ordinated the evaluation of positions proposed in the report of the deregulation restructure committee and arranged staff meetings to develop a placement policy.

Presentations were arranged by representatives of the Workforce Management Centre in Premier's Department which facilitates redeployment in the public sector, the State superannuation authorities, and by Life by Design. Courses were arranged with the recruitment firm, Morgan and Banks, in resume writing, preparation of job applications and interview techniques. These arrangements were made available in Taree as well as to Sydney staff members. Regular bulletins were issued to keep all staff informed of developments.

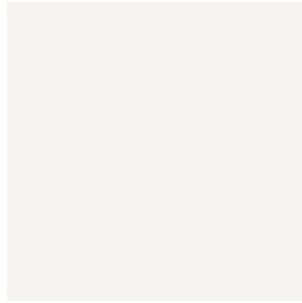
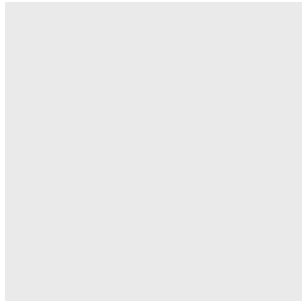
An internal deregulation restructure committee was set up by Safe Food early in 2000 to help design the roles, functions and responsibilities of the Dairy Branch after dairy deregulation to produce the best outcomes for the organisation and the industries with which it would deal. The committee's terms of reference included development of an outline staff structure, proposed levels of budget, and possible cross-skilling with staff of incoming branches of the organisation.

The restructure committee held meetings with Safe Food staff in Sydney and Taree to discuss its proposed recommendations, and also sought input from the Public Service Association. The report of the committee was presented to the Safe Food executive at the end of April and endorsed for implementation.

## Information technology services

The five-year contract with CSC Australia Pty Limited for the provision of information technology services (IT), which was due to expire in May 2000, has been extended to 31 August 2000.

This extension enabled provision to be made for the retirement of systems no longer required as a consequence of dairy industry deregulation, and for interim arrangements for IT services pending the integration of the NSW Meat Industry Authority into Safe Food. Quotations for a short-term contract to facilitate this integration were called shortly before the end of the year.



In May 2000 Safe Food submitted an IT Strategic Plan for 2000–2003 to the Office of Information Technology that defined, among other things, the recommended framework for a new IT system necessary to support the functions of Safe Food. An economic appraisal for the development of the new system was presented to Treasury which subsequently approved funding totalling \$1.8 million over three years.

As a first step in the process, submissions from appropriately qualified consultants have been called to prepare a requirement specification, functional specification and implementation plan taking into account the requirements of each branch of Safe Food.

During the year, Safe Food used the NSW Government's IT Master Leasing Facility to replace most of its desktop and laptop computers under a three year lease arrangement with Newcourt Financial (Australia) Limited.

### Year 2000 compliance

The extensive Y2K rectification project plan implemented by the former NSW Dairy Corporation ensured a smooth and problem-free rollover to 2000. Major upgrading of the non-compliant supply management system ensured that the Dairy Branch could deliver essential services to the dairy sector, including payment of dairy farmers, up to the introduction of industry deregulation on 30 June 2000.

Expenditure by Safe Food on Y2K matters during the year was approximately \$904,000 with total expenditure around \$1.9 million. As previously reported, most of the expenditure was associated with the upgrading of the supply management system.

### Privacy management plan

In accordance with Section 33 of the Privacy and Personal Information Protection Act 1998, Safe Food prepared a privacy management plan towards the end of the year, a copy of which has been submitted to Privacy NSW.

The plan, which commences from 1 July 2000, contains details of the type of personal information Safe Food collects and maintains about its clients, stakeholders and staff in both electronic and paper form. It emphasises Safe Food's obligation to ensure that all personal information collected for official use is used solely for the purpose for which it was collected, and that any use of the information does not breach the provisions of the Privacy and Personal Information Protection Act.

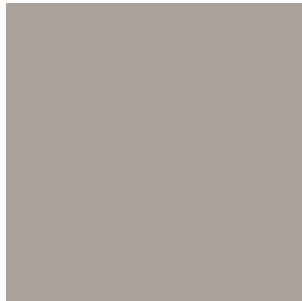
The plan will be amended as required to reflect the changing role of Safe Food and will be reviewed following the integration into Safe Food of the NSW Meat Industry Authority in August 2000.

### Legislation

The Food Production (Dairy Food Safety Scheme) Regulation 1999 took effect from 1 July 1999.

The Dairy Industry Act 2000 was proclaimed on 30 June 2000 and commenced on 1 July 2000. The Act constituted the NSW Dairy Industry Conference and conferred certain functions on Safe Food with respect to the dairy industry. It repealed the Dairy Industry Act 1979 on and from 1 January 2001. Until that date, the Dairy Industry Act has no effect unless a proclamation is made by the Governor to reintroduce certain of its provisions.

Repeal of the Dairy Industry Act also resulted in the repeal of the Dairy Industry Regulation 1995 that dealt with mechanisms for determining milk prices, and established grades of milk and cream and procedures and fees relating to certificates of registration.



The Dairy Industry Conference Amendment Regulation 2000 commences on 1 July 2000. The object of the regulation is to amend the Dairy Industry Conference Regulation 1999 and in so doing, principally to:

- reduce the total number of members of the Conference from 39 to 11 and to make consequential reductions to the number of members who may be appointed by industry organisations;
- repeal provisions relating to the establishment of an Executive Committee of the Conference;
- enable the transaction of Conference business outside meetings or by telephone.

The Food Production (Dairy Food Safety Scheme) Amendment Regulation 2000 commences on 14 July 2000. This regulation amends the Food Production (Dairy Food Safety Scheme) Regulation 1999 principally to make amendments as a result of a review of the scheme arising from the proposed repeal of Part 5 of the Dairy Industry Act 1979, and to provide for a licensing scheme for all industry participants following repeal of the registration provisions in that Act.

## Code of Conduct

Safe Food has implemented the Code of Conduct adopted by the former NSW Dairy Corporation. The Code is issued to all staff together with advice on making disclosures under the Protected Disclosures Act.

The Code will be revised again in the coming year to take account of the inclusion of Safe Food's Meat and Seafood Branches.

## Women

Six of the last seven District Officer trainees recruited by Safe Food's Dairy Branch have been women, including two trainees appointed during the year.

This merit selection recruitment in the Scientific Officer Grade 1/2 category is helping to redress a gender imbalance in this employment category. One of the trainees has been appointed Spokeswoman for 2000/01.

## Staff

At 30 June 2000 the number of staff totalled 70.

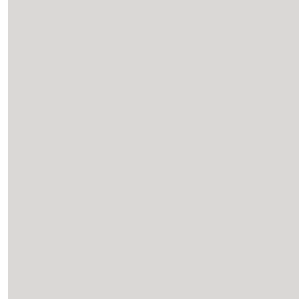
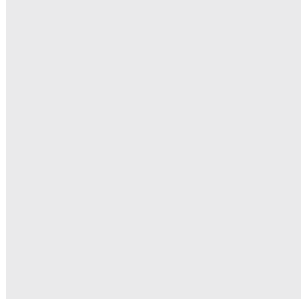
As a consequence of the restructure of the Dairy Branch due to impending dairy industry deregulation, 20 staff accepted offers of voluntary redundancy. Ten of these staff accepted offers within the year with the remaining 10 working beyond 30 June 2000 to complete wind-up tasks. All staff accepting voluntary redundancy were provided with access to Job Search Leave and to the Job Assist Scheme.

A further five staff who did not have positions in the new structure chose redeployment, with two being redeployed within Safe Food.

Tables 13-16 contain staff statistics.

## Equal Employment Opportunity

The major Equal Employment Opportunity (EEO) emphasis during the year centred on the work of a task force formed to manage a significant downsizing of the Dairy Branch, due to planned deregulation of the dairy industry on 30 June 2000. The task force, comprising male and female management, staff and union representatives, identified and addressed all the staffing and EEO issues arising from the planned deregulation.



In dealing with the people management issues, the task force ensured all branch staff had access to information packages, training on interview techniques, resume writing and presentations by representatives from State Super, the Workforce Management Centre and the Public Service Association.

An Integration Advisory Committee, formed to manage the integration of the NSW Meat Industry Authority into Safe Food from August 2000, will be the EEO priority for the new financial year. The committee will operate along lines established by the task force referred to above to ensure that EEO target groups are not disproportionately affected.

### Ethnic Affairs Priority Statement

Over the year Safe Food's Dairy Branch continued the commitment to the principles of cultural diversity shown by the former NSW Dairy Corporation. The branch pursued the implementation of HACCP-based quality systems into dairy factories operated by people from a language background other than English.

Assistance was provided in developing HACCP plans, upgrading HACCP systems and helping factory staff understand the importance and principles of quality systems in the production process.

### Occupational Health and Safety

As a small agency Safe Food does not have a formal Occupational Health and Safety (OH&S) committee, but continues to monitor workplace safety issues as a management responsibility and through nominated OH&S co-ordinators at its Head Office and Taree regional office.

During the year new chairs were provided to head office staff requiring additional ergonomic support.

With the integration of the NSW Meat Industry Authority into Safe Food in August 2000 the issue of re-establishing an OH&S committee will be considered.

### Disability Action Plan

The draft Disability Action Plan is to be modified to reflect the new organisation following integration of the former NSW Meat Industry Authority into Safe Food. The revised plan encompassing all branches is expected to be finalised in late 2000.

### Sick leave

Sick leave during the year averaged 3.23 days per staff member. Of all sick leave, 66% was supported by medical certificates.

### Training and development

The 360 degree management development plan commenced by the former NSW Dairy Corporation will be re-assessed following deregulation of the dairy industry which has had a significant impact on the staffing and operation of the Dairy Branch.

During the year the Dairy Branch recruited two trainee District Officers who undertook extensive formal and on-the-job training across all sectors of the dairy industry. They participated in a mentor program with experienced staff, quality system education and experience, and enrolled in a continuing education program through the University of Melbourne.

Late in 1999 Safe Food replaced its desktop and laptop computer equipment. The upgrade included adopting the latest software and changing to Windows NT operating system, replacing the Windows 95 system. Bridging training through an external training organisation was provided to staff to ensure they were able to maximise the benefits of the new system.

### Public access

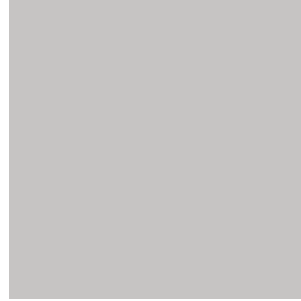
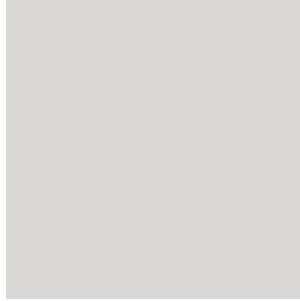
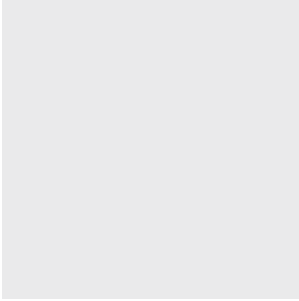
During the year Safe Food continued to maintain freecall telephone numbers to facilitate inquiries from the public and the dairy industry about milk, the quota exchange, and quotas and producer payments. Some of these freecall numbers ceased with deregulation of the dairy industry on 30 June 2000, and some were continued for a short period into 2000/01 to assist inquirers from the industry. The numbers have been omitted from this Report.

The addresses and telephone numbers for Safe Food administration contained in this Annual Report include branches to be located to head office early in the new financial year. All changes will be in operation by the time this Report is available.

### Internet

Safe Food web site <http://www.safefood.nsw.gov.au>

The Dairy Branch continued to maintain a web site containing information about the branch, its role and the dairy industry generally. The number of visitors to the site increased again during the year. With deregulation of the dairy industry, the content of the site was reviewed at the end of the year and it was consolidated on to the Safe Food site that had been developed during 1999/2000.



The Safe Food web site, developed in-house, contains information about the responsibilities and functions of the organisation. Some Seafood Branch information was posted on the site and links were created to the Dairy Branch and the NSW Meat Industry Authority sites.

Safe Food's Annual Report will be posted on the site which is to be redeveloped during the coming year with an expanded range of information from all branches of the organisation.

### Energy management

Safe Food is committed to achieve savings in energy usage, a reduction of greenhouse gas emissions and to sustained energy management principles. Safe Food now operates from two locations, its headquarters at 179 Elizabeth Street, Sydney and a regional office in Taree. The sites are relatively small and buy electricity from franchise electricity retailers. The sites will not become contestable until January 2001 when Safe Food aims to switch to an electricity supply contract which would include a green power component.

The 2000 Energy Management Plan (EMP), which sets out the approach to manage energy use in Safe Food has been completed and will form the basis of energy management in the organisation.

Since 1995 building energy consumption has been reduced by 83% largely because of restructuring and lower staff numbers, far exceeding the Government's energy reduction target of 15% by 2001/02.

Implementation of the EMP has started and will be the primary means by which Safe Food aims to realise its energy saving goals. An energy awareness program to encourage staff participation in energy conservation is to be implemented.

Safe Food monitors its motor vehicles fleet's energy consumption to ensure the improving trend is maintained.

The current EMP will be implemented across the whole of Safe Food as each branch is integrated into the organisation. The EMP will be reviewed and updated in early 2001 to enhance its effectiveness based on experience gained from the implementation. The revised EMP will operate from July 2001.

Table 17 shows the amount of energy fuels purchased by Safe Food during 1999/2000.

### Milk Marketing (NSW) Pty Limited

Sales of milk declined by 20.66 million litres to 556.1 million litres during 1999/2000. Consumption declined over the last

15 four-weekly sales periods, mirroring the decline in advertising expenditure during the year.

Milk Marketing continued to use the national white milk campaign 'Milk. Legendary stuff.' until the end of March 2000. The NSW extension of the campaign focused on communicating the message 'Don't forget the milk'. The campaign included bursts of television and radio advertising, with an outdoor element featuring the award winning 'Run Out' commercial. Outdoor advertising consisted of billboards, bus stop signs, and supermarket car park signage. Independent research conducted in August 1999 indicated that the different media formats used for the NSW campaign had made an impact on the awareness level for milk. Results also indicated a very high consumer recall of the television commercials.

Most of Milk Marketing's funding for generic promotion was derived from the proceeds of the sale to industry of modified milk brands in 1998. This funding was due to be exhausted by June 2000. Processors continued to fund the 'Milk. Legendary stuff.' campaign with a promotion levy of 0.25 cents per litre sold until the end of March 2000.



The Fresh NSW Schools Milk program was shown to be effective by research results indicating that children who took part in the program consumed 13% more milk than those who had not. Research findings during the year showed that milk had grown from 4% of the beverages sold in school canteens before the program launch to 23%.

Milk Marketing supported the Fresh NSW Schools Milk program with television advertising and sales promotion until December 1999. Processors took over the refrigeration leases and management of the program from January 2000. Milk Marketing provided bursts of television advertising in the beginning of school terms 1 and 2 to maintain awareness of the program in the marketing transition period.

Before the handover to industry of the Fresh NSW Schools Milk program, Milk Marketing commissioned a major research study into the key elements of the program and the relationship with key influences such as parents and canteens. The findings from this research, copies of all previous research and the teachers' resource kit were handed over as a package to milk processing companies for use in a continuation of the program.

In September 1999 dairy farmers ceased their funding contribution of 0.2 cents per litre of fresh milk sold for the Fresh NSW Schools Milk program and in December 1999 the milk processors stopped their contributions.

It was decided at a meeting of industry that Milk Marketing would cease operations on 30 June 2000.

### Pacific Industry Services Corporation Pty Limited

A subsidiary company of Safe Food, Pacific Industry Services Corporation Pty Limited (PISC) merged with a leading microbiological consultancy, Microtech Laboratories (NSW) Pty Limited in May 2000. The merger brought together the leadership of PISC in dairy analysis and Microtech's leadership in other food areas, combining to produce greater levels of technical skill, increased efficiency in delivery of services to the dairy and food industries, and more profitable commercial outcomes.

PISC was constituted in 1996, taking over the former Pacific Analysis Pty Limited, which had been set up to operate the laboratory of the NSW Dairy Corporation. PISC continued to operate the laboratory, providing analytical and consulting services to the dairy and food industries in Australia.

Microtech is a subsidiary of Microtech Laboratories Pty Limited. Pacific Analysis continued operating as a division of PISC.

The share capital of PISC was \$5 million in \$1 shares. Safe Food held 2,875,267 shares and the balance was not issued.

Under the joint venture between PISC and Microtech, PISC will hold 35% of the issued capital. The laboratory premises occupied by PISC are excluded from the arrangement, and ownership will be retained by the company. The joint venture, which is to trade under the name of Microtech Laboratories (NSW) Pty Limited, will establish new laboratories in western Sydney. PISC's microbiology section moved to Microtech's existing premises in June. The chemistry and food safety sections will continue in PISC's premises at Chippendale until early in 2001.

Sales by PISC for 1999/2000 were less than those achieved during 1998/99. The decline was attributable to the closure of the herd recording section in February 2000 following the decision of Dairy Express to test its own samples, and the later merger of trading with Microtech Laboratories.

Tight expenditure control resulted in substantially improved margins. The company made an operating profit for the trading period and the small loss overall due to restructure costs.

### Internal audit

Safe Food's internal audit functions are performed under contract by Deloitte Touche Tohmatsu. The arrangement provides for maximum efficiency and effectiveness in monitoring Safe Food's systems of internal control, and the need to comply with aspects of the Public Finance and Audit Act 1983.

### Recycling

An estimated 5,000 kg of paper waste was recycled from head office, and 600 kg from Taree. Unused toner cartridges from printers, photocopiers and facsimile machines were collected for recycling. Paper made from 50% recycled material was used in photocopiers and printers. Letterhead and envelopes were printed on recycled paper.



**Table 13:**  
**Staff numbers**  
**by category** 1999/2000

<b>Corporate</b>	
• Administration	2
• Technical	1
<b>Total</b>	<b>3</b>
<b>Dairy Branch</b>	
• Administration	32
• Technical	28
<b>Total</b>	<b>60</b>
<b>Seafood Branch</b>	
• Administration	6
• Technical	1
<b>Total</b>	<b>7</b>
<b>Total staff</b>	<b>70</b>

**Table 14:**  
**Staff numbers**  
**by gender** 1999/2000

Males	42
Females	28
<b>Total</b>	<b>70</b>

**Table 15:**  
**Representation and recruitment of Aboriginal employees and employees with a physical disability**

	Total staff		Aboriginal staff		Staff with a physical disability	
	No.	Recruited	No.	Recruited	No.	Recruited
1999/2000	70	10*	2	0	5	0

\* Recruitment comprised 10 staff including three temporary, three casual and four permanent. They included seven women and three men.

**Table 16:**  
**Representation of women and people from racial, ethnic and ethno-religious minority groups (REM) - within salary levels at 30 June**

Salary level	Total staff	Women	REM staff
	1999/2000	1999/2000	1999/2000
Below \$26,276	0	0	0
\$26,276 to \$34,512	4	4	0
%	6%	100%	0%
\$34,513 to \$38,582	6	5	1
%	9%	83%	17%
\$38,583 to \$48,823	11	7	1
%	16%	64%	9%
\$48,824 to \$63,137	34	10	5
%	48%	29%	15%
\$63,138 to \$78,921	14	2	1
%	20%	14%	7%
Above \$78,921	1	0	0
%	1%	0	0
<b>Total</b>	<b>70</b>	<b>28</b>	<b>8</b>
<b>% Total staff</b>	<b>100%</b>	<b>40%</b>	<b>11%</b>

Note: excludes Senior Executive Service officers



**Table 17: Energy management**

The following major energy fuels were purchased by Safe Food during 1999/2000:

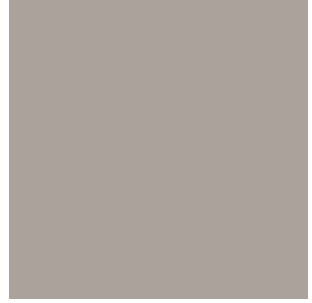
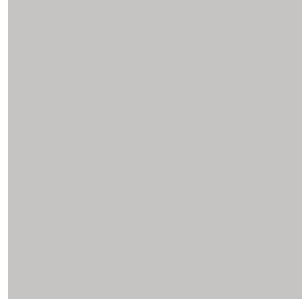
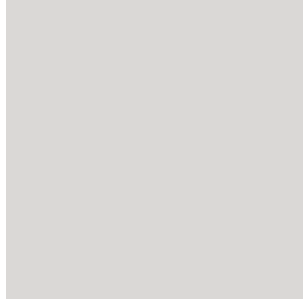
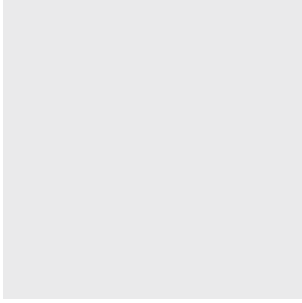
Fuel	Total energy consumed (GJ)	% of total energy	Annual cost (\$)	Greenhouse gas (CO <sub>2</sub> ) emission (tonnes)
Electricity (black coal)	406.1	10	12,261	107.9
Electricity (green power)	0	0	0	0
Petrol	3,764.5	90	83,236	248.5
<b>Total</b>	<b>4,170.6</b>	<b>100</b>	<b>95,497</b>	<b>356.4</b>

Electricity (black coal) consumption in 1995/96 was 2,487 gigajoules from five sites. The energy performance indicator for buildings was 916 megajoules per sq metre (MJ/m<sup>2</sup>) per year in 1995/96 (based on 2,714 m<sup>2</sup>) compared to 447 MJ/m<sup>2</sup> per year (based on 908 m<sup>2</sup>) in 1999/2000.

The motor vehicle fleet's fuel consumption was 11.13 litres per 100km in 1998/99 compared to 10.74 litres per 100km in 1999/2000, a reduction of 3%.

# Financial Statements





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## Financial Summary 1999/2000

### Safe Food Production NSW and Consolidated Economic Entity Income and Expenditure

#### Safe Food Production NSW Income and Expenditure

Income for the period ended 30 June 2000 was \$13.0 million. Major income sources included \$6.3 million from a specific allocation within the milk price structure, \$2.3 million and \$0.2 million in grants and contributions from the Department of Agriculture and NSW Fisheries respectively to assist with establishment and program development costs of the new organisation. Additional revenue of \$2.6 million was received by way of a superannuation credit. The receipt of this amount was outside the control of Safe Food.

Operating expenditure for the period was \$16.8 million after abnormal items. Major expenditure items comprised \$3.0 million expended on public relations and advertising including \$2.9 million contributed toward the "Milk. Legendary stuff." campaign, \$0.9 million in provision for employee redundancy payments and \$4.8 million on other employee related expenses. \$2.0 million of depreciation was also charged against property, plant and equipment during the period, \$1.6 million of this amount being accelerated depreciation of the Supply Management System as a result of farm gate deregulation.

The operating deficit after abnormal items was \$3.8 million.

#### Economic Entity Consolidated Income and Expenditure

The consolidated financial statements comprise the financial statements of Safe Food Production NSW, being the chief entity, and its controlled entities, Milk Marketing (NSW) Pty Limited and Pacific Industry Services Corporation Pty Limited. Safe Food Production NSW owns 100% of the issued share capital of Milk Marketing (NSW) Pty Limited and Pacific Industry Services Corporation Pty Limited.

The consolidated income of the economic entity for the period ended 30 June 2000 was \$16.2 million and the consolidated expenditure after abnormal items was \$20.5 million, resulting in an operating deficit after abnormal items of \$4.3 million.

# Financial Summary

The table below summarises Safe Food's and the economic entity's income and expenditure for the period 18 December 1998 to 30 June 2000:

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>\$M</b>	<b>\$M</b>
Income from agents for milk	317.0	317.0
Expenditure on milk accepted from dairy farmers	293.0	293.0
	<b>24.0</b>	<b>24.0</b>
<b>Add:</b> Recovery of transport costs (freight recoupment)	3.0	3.0
	<b>27.0</b>	<b>27.0</b>
<b>Less:</b> Industry expenditure (includes transport of milk)	19.0	20.7
<b>Leaves Consolidated/Safe Food margin</b>	8.0	6.3
Add: Grants and contributions	2.5	2.5
Add: Miscellaneous income	3.2	1.6
Add: Provision for superannuation	2.5	2.6
<b>Total Consolidated/Safe Food operating income</b>	<b>16.2</b>	<b>13.0</b>
Less: General expenditure	17.6	13.9
Grants to controlled entities	-	0.1
Provision for employee entitlements	1.3	1.2
<b>Total Consolidated/Safe Food expenditure</b>	<b>18.9</b>	<b>15.2</b>
<b>Operating Deficit before abnormal items</b>	<b>(2.7)</b>	<b>(2.2)</b>
<b>Less:</b> Abnormal items	1.6	1.6
<b>Operating Deficit after abnormal items</b>	<b>(4.3)</b>	<b>(3.8)</b>

## Statement by Chief Executive Officer of Safe Food

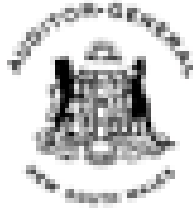
Pursuant to requirements of the Public Finance and Audit Act 1983, I, George Robert Davey, Chief Executive Officer of Safe Food Production New South Wales as at June 30, 2000 declare that in my opinion:

1. The accompanying Consolidated Financial Statements consisting of the Balance Sheets, Income and Expenditure Statements, Statements of Cash Flows and the Notes thereto of Safe Food Production New South Wales and its group, consisting of Safe Food Production New South Wales and its controlled entities, Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited, for the financial year ended 30 June 2000 exhibit a true and fair view of the financial position and transactions of the economic entity and Safe Food Production New South Wales.
2. The Consolidated Financial Statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit (General) Regulation 1995, and the Treasurer's Directions. Further, I am not aware of any circumstances which would render any particulars included in the Consolidated Financial Statements to be misleading or inaccurate.



George Davey  
Chief Executive Officer

11 August, 2000



BOX 12 GPO  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### SAFE FOOD PRODUCTION NEW SOUTH WALES

**To Members of the New South Wales Parliament and Chief Executive Officer of Safe Food Production New South Wales**

#### Scope

I have audited the accounts of Safe Food Production New South Wales for the period ended 30 June 2000. The financial report includes the consolidated financial statements of the consolidated entity comprising Safe Food Production New South Wales and the entities it controlled at the period end or from time to time during the financial period.

The Chief Executive Officer is responsible for the financial report consisting of the accompanying balance sheet, income and expenditure statement and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and the Chief Executive Officer based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

In addition, other legislative and policy requirements, which could have an impact on Safe Food Production New South Wales' financial report, have been reviewed on a cyclical basis. For this year, the requirements examined comprised compliance with:

- core business activities being in accordance with the *Food Production (Safety) Act 1998*;
- key provisions of Part 2 of the *Public Sector Management Act 1988* and Parts 2, 3, 4, 5 and 6 of the *Public Sector Management (General) Regulation 1996*;
- operation of Special Deposits Account in accordance *Food Production (Safety) Act 1998*; and
- the Premier's Department SES Guidelines in respect of the Chief Executive Officer's contract.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of Safe Food Production New South Wales financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, the financial report of Safe Food Production New South Wales complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of Safe Food Production New South Wales and the consolidated entity as at 30 June 2000 and the results of its operations and its cash flows for the period then ended.

**P.J. BOULOIS**  
**PRINCIPAL AUDITOR**

(duly authorised by the Auditor-General of New South Wales under section 41C(1A) of the Act)

SYDNEY  
20 October 2000

# Income and Expenditure Statements

For the period 18 December 1998 to 30 June 2000

		Consolidated	Safe Food
	Notes	2000 \$000	2000 \$000
<b>INCOME</b>			
Income from agents for milk	2	316,992	316,992
<b>Less :</b>			
Expenditure on milk accepted from dairy farmers	3	293,034	293,034
		<b>23,958</b>	<b>23,958</b>
<b>Add :</b>			
Transport recovery - Industry (freight recoupment)	4	2,965	2,965
		<b>26,923</b>	<b>26,923</b>
<b>Less:</b>			
<b>INDUSTRY EXPENDITURE</b>			
Specific industry funds	5	1,583	1,583
Treatment allowance	6A	11,310	11,310
Transport of milk	4	2,965	2,965
Publicity allocation	6B	260	1,996
Quality payments scheme	4	2,763	2,763
<b>Total industry expenditure</b>		<b>18,881</b>	<b>20,617</b>
Consolidated/Safe Food margin	7	8,042	6,306
Grants and contributions	8	2,475	2,475
Miscellaneous income	9	3,176	1,634
Provision for superannuation	16	2,469	2,554
<b>Total Consolidated/Safe Food income</b>		<b>16,162</b>	<b>12,969</b>
<b>Less :</b>			
<b>Operating expenditure</b>			
General expenditure	10	17,614	13,796
Grants to controlled entities	22B	-	120
Provision for employee entitlements	17	1,264	1,240
<b>Total Consolidated/Safe Food expenditure</b>		<b>18,878</b>	<b>15,156</b>
<b>Operating Deficit before abnormal items</b>		<b>(2,716)</b>	<b>(2,187)</b>
Abnormal items	11	1,609	1,609
<b>Operating Deficit after abnormal items</b>		<b>(4,325)</b>	<b>(3,796)</b>

The above Income and Expenditure Statements are to be read in conjunction with the notes to and forming part of the financial statements.

## Balance Sheets as at 30 June 2000

		Consolidated	Safe Food
	Notes	2000 \$000	2000 \$000
<b>CURRENT ASSETS</b>			
Cash at bank and in hand	20B	3,636	2,192
Investments	14A, 20B	8,861	8,861
Milk debtors		15,253	15,253
Other debtors	12	366	514
Prepaid superannuation contributions	16	7,141	7,141
<b>Total current assets</b>		<b>35,257</b>	<b>33,961</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13A	4,186	2,092
Investments	14D	433	3,507
<b>Total non-current assets</b>		<b>4,619</b>	<b>5,599</b>
<b>TOTAL ASSETS</b>		<b>39,876</b>	<b>39,560</b>
<b>CURRENT LIABILITIES</b>			
Milk creditors		14,930	14,930
Other creditors		2,617	2,523
Specific industry schemes and funds	5	2,710	2,710
Provision for employee entitlements	17	1,697	1,574
<b>Total current liabilities</b>		<b>21,954</b>	<b>21,737</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for employee entitlements	17	1,827	1,827
Borrowings	15	100	-
<b>Total non-current liabilities</b>		<b>1,927</b>	<b>1,827</b>
<b>TOTAL LIABILITIES</b>		<b>23,881</b>	<b>23,564</b>
<b>Net assets</b>		<b>15,995</b>	<b>15,996</b>
<b>RETAINED EARNINGS</b>			
<b>Accumulated funds</b>		<b>15,923</b>	<b>15,749</b>
<b>Reserves</b>	18C	<b>72</b>	<b>247</b>
<b>TOTAL RETAINED EARNINGS</b>	18A	<b>15,995</b>	<b>15,996</b>

The above Balance Sheets are to be read in conjunction with the notes to and forming part of the financial statements.

# Statements of Cash Flows

For the period 18 December 1998 to 30 June 2000

		Consolidated	Safe Food
	Notes	2000 \$000	2000 \$000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Payments to dairy farmers		(296,131)	(296,131)
Industry scheme payments		(2,763)	(2,763)
Specific industry fund payments		(275)	(275)
Other industry payments		(11,466)	(13,245)
Quota payments		(57)	(57)
Payments to suppliers and employees		(18,343)	(14,394)
Interest paid		(13)	-
		(329,048)	(326,865)
<b>Receipts</b>			
Receipts from agents for milk		320,573	320,573
Quota receipts		65	65
Interest received		750	666
Other receipts		4,941	3,475
		326,329	324,779
<b>Net cash provided by/(used in) operating activities</b>	20A	<b>(2,719)</b>	<b>(2,086)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of non-current assets		(1,470)	(1,451)
Shares Purchase		(180)	-
		(1,650)	(1,451)
<b>Receipts</b>			
Proceeds from sale of non-current assets		756	452
		756	452
<b>Net cash provided by/(used in) investing activities</b>		<b>(894)</b>	<b>(999)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Payments</b>			
Lease repayments		(71)	-
		(71)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(71)</b>	<b>-</b>
Net increase/(decrease) in cash held		(3,684)	(3,085)
Cash transferred in 1 July 1999		16,181	14,138
<b>Closing cash balance 30 June 2000</b>	20B	<b>12,497</b>	<b>11,053</b>

The above Statements of Cash Flows are to be read in conjunction with the notes to and forming part of the financial statements.

# Notes to and Forming Part of the Financial Statements

For the period ended 30 June 2000

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### 1A Reporting Entity

Safe Food Production NSW was established as a result of the proclamation of the Food Production (Safety) Act 1998 on 18 December 1998 and began operations on that day.

Following an administrative restructure as specified in the New South Wales Gazette No 72 on June 25, 1999, the NSW Dairy Corporation was dissolved on July 1, 1999 and all of its assets, liabilities, reserves and regulatory responsibilities were transferred to Safe Food Production NSW at this date.

Following a second administrative restructure as specified in the New South Wales Gazette No 122 on 10 October 1999, responsibility for the Shellfish Quality Assurance Program was transferred from NSW Fisheries to Safe Food Production NSW on July 1, 1999. All of its assets, liabilities, reserves and regulatory responsibilities were also transferred at this date.

The financial effects of these administrative restructures have been treated as adjustments against equity in accordance with NSW Treasury Circular 99/7.

### 1B General

- (i) Safe Food Production NSW (Safe Food) maintains proper consolidated accounts and records for all its operations in accordance with section 41 of the Public Finance and Audit Act 1983 and the Regulations thereunder.
- (ii) Safe Food Production NSW was granted an exemption by the Treasurer of New South Wales with regard to sections 41A, 41B and 41C of the Public Finance and Audit Act 1983 for the financial year ended 1998-99. As such these accounts cover the period of trading from establishment on 18 December 1998 to 30 June 2000.
- (iii) This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and with section 41B(1) of the Public Finance and Audit Act 1983 and the Regulations thereto and Treasurer's Directions. The consolidated financial statements of the economic entity are based on historical cost with revaluation of all properties at no more than five year intervals. The consolidated financial statements have been prepared on an accruals basis except for the Statements of Cash Flows which have been prepared on a cash basis using the direct method.
- (iv) An exemption was granted to Safe Food Production NSW on October 13, 2000 by the Treasurer under Section 41B(3)(a) of the Public Finance and Audit Act 1983 regarding the preparation of a Manufacturing, Trading and Profit and Loss Statement as it is considered that an Income and Expenditure Statement is more appropriate.
- (v) All figures contained in these consolidated financial statements have been rounded to the nearest one thousand dollars, unless indicated otherwise.

### 1C Principles of consolidation

The consolidated financial statements comprise the financial statements of Safe Food Production NSW being the chief entity, and its controlled entities, Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited.

The consolidated financial statements have been prepared in accordance with Australian Accounting Standard AAS24 "Consolidated Financial Reports".

Pacific Analysis Pty Limited was incorporated on 16 December 1994 and commenced operations on 1 March 1995 and was established for the purpose of providing laboratory services. The company changed its name to Pacific Industry Services Corporation Pty Limited on 9 July 1996. Milk Marketing (NSW) Pty Limited was incorporated on 27 June 1989 and began trading at that date. Its principal activity is the promotion of milk and dairy products in NSW on behalf of Safe Food. The operations of Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited are controlled by their respective boards of directors, one of each being a Safe Food representative. The share capital of Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited were transferred to Safe Food Production NSW on 1 July 1999.

All inter-entity balances and transactions have been eliminated.

# Safe Food Production NSW Notes to and Forming Part of the Financial Statements

## For the period ended 30 June 2000

### 1D Sale of non-current assets

The net surplus on sale of non-current assets is included in miscellaneous income. Refer to notes 9 and 13C.

### 1E Acquisition of assets

Assets transferred to Safe Food Production NSW from the NSW Dairy Corporation and the Shellfish Quality Assurance Program have been recorded at the amounts at which they were carried in the books of each entity.

### 1F Depreciation/Amortisation of non-current assets

Buildings, motor vehicles, furniture and equipment are depreciated by the straight-line method over the useful life of the asset to the entity. Land is not depreciated.

The depreciation rates used are:

Buildings	3.33%
Leasehold Improvements	16.67%
Motor Vehicles	5.00%
Computer Equipment	33.33%
Other Equipment	20.00%
Furniture & Fittings	10.00%

### 1G Provision for employee entitlements

Liabilities for employees' entitlements to wages and salaries, annual leave and other current and non-current employee entitlements are accrued at nominal amounts calculated on the basis of current wage and salary rates. Safe Food recognises employee on-costs as part of the entitlement calculation.

### 1H Financial instruments

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either Safe Food or its counterparty. These include cash at bank, debtors, investments and creditors.

Classes of instruments are recorded at cost and are carried at net fair value.

#### (i) Cash at bank

Cash comprises cash on hand and bank balances. Interest is earned on daily bank balances at the applicable rate.

#### (ii) Debtors

All debtors are recognised as amounts receivable at balance date. Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on debtors. All amounts due as at 30 June 2000 have been reviewed and are considered to be collectable, other than the amounts provided at note 12.

#### (iii) Current investments

Current investments comprise short term deposits (including Treasury Corporation Hour-glass cash facility, Treasury Corporation Call Account Deposits and St George Bank Call Account Deposits). Interest on Treasury Corporation deposits is earned on a daily basis at the daily NSW Treasury Corporation 11am official cash rate. Interest on St George Bank deposits is earned on a monthly basis at the 11am official cash rate.

#### (iv) Creditors and accruals

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was paid during the period.

#### (v) Borrowings

Borrowings are carried at the principal amount. Interest is charged as an expense as it accrues.

# Safe Food Production NSW Notes to and Forming Part of the Financial Statements

## For the period ended 30 June 2000

### 1I Insurance

Safe Food has arranged insurance to cover all aspects of normal commercial risk over assets and potential liabilities. Safe Food's wholly owned subsidiaries, Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited, have made arrangements for insurance cover similar to that of Safe Food.

### 1J Capital and maintenance expenditure

Non-current physical assets with a value greater than \$500 are capitalised. Maintenance expenditure is expensed in the period in which it is incurred.

### 1K Valuation of non-current investments

Safe Food has adopted a policy of annual revaluation of its non-current investments. This valuation is based upon a directors' valuation of the non-current investments comprising its wholly owned subsidiaries, Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited, and an investment in an associated company. The management of Safe Food has made a valuation of its investments in these companies based upon their fair values.

### 1L Income tax

Only Pacific Industry Services Corporation Pty Limited is subject to income tax. Tax effect accounting procedures are followed by Pacific Industry Services Corporation Pty Limited whereby the income tax expense is matched with its accounting profit (after allowing for permanent differences). The future income tax benefit relating to timing differences is not recognised unless recovery of the benefit can be regarded as being beyond reasonable doubt. The future income tax benefit relating to tax losses is not recognised unless the benefit can be regarded as virtually certain of recovery (see note 21).

### 1M Other Revenue Recognition

#### (i) Other Revenue

All other revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be readily measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (a) Sale of goods/assets

Revenue is recognised when the control of the goods/assets has passed to the buyer.

##### (b) Rendering of Services

Where the contract outcome can be reliably measured revenue is recognised when control of a right to be compensated for the services has been attained and the stage of completion can be reliably measured. The stage of completion is measured by discrete blocks of service hours delivered.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

#### (ii) Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the cash and investment balances.

#### (iii) Grants and Contributions

Grants and contributions are recognised when Safe Food obtains control over the assets comprising the contributions. Control over the contribution is currently obtained upon receipt of cash.

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

## 2. INCOME FROM AGENTS FOR MILK

Income from agents for milk used for Safe Food purposes represents gross charges invoiced to agents at prices incorporating industry appropriations and Safe Food's margin as per the milk price structure. All income from agents for milk used for Safe Food purposes is recognised on an accruals basis.

## 3. EXPENDITURE ON MILK ACCEPTED FROM DAIRY FARMERS

Expenditure on milk accepted from dairy farmers represents gross expenditure to dairy farmers for milk at prices incorporated in the milk price structure before freight recoupment, and excluding Compositional Payment and Quality Payments Scheme adjustments (see note 4).

## 4. INDUSTRY SCHEMES

The schemes in operation during the period were as follows:

TR: Transport Recovery (Industry Freight Recoupment);

CPS: Compositional Payment Scheme;

QPS: Quality Payments Scheme.

Balances and movements in these schemes during the period are as follows:

	Consolidated		Safe Food		
	2000 \$000	2000 \$000	TR \$000	CPS \$000	QPS \$000
Balances transferred to Safe Food at 1 July 1999	141	141	(3)	7	137
<b>Payments</b>					
To dairy farmers	3,982	3,982	-	1,082	2,900
To milk agents	2,965	2,965	2,965	-	-
	6,947	6,947	2,965	1,082	2,900
<b>Receipts</b>					
Price structure receipts	2,763	2,763	-	-	2,763
Recoveries from dairy farmers	4,043	4,043	2,965	1,078	-
	6,806	6,806	2,965	1,078	2,763
Net movement in the year	(141)	(141)	-	(4)	(137)
<b>Balances over/(under) recovered at 30 June 2000</b>	-	-	(3)	3	-

Safe Food Production NSW **Notes to and Forming Part of the Financial Statements**  
For the period ended 30 June 2000

## 5. SPECIFIC INDUSTRY FUNDS

There were three funds in operation during the period:

CF: The Contingency Fund allows Safe Food to pay abnormal industry costs which have ministerial approval for payment.

PRF: The Price Rationalisation Fund allows Safe Food to meet specific industry distribution and storage costs of agent companies and vehicle vendors, as well as abnormal industry costs which fall outside the parameters of charges that can be made against the Contingency Fund. Final payments from this fund were made during the period and this fund has now been wound up.

DAF: The Deregulation Assistance Fund was set up during the period to assist the industry with abnormal costs associated with Farm gate deregulation. Payments from this fund are subject to ministerial approval.

Balances and movements on these funds during the period were as follows:

	Consolidated		Safe Food		
	2000 \$000	2000 \$000	CF \$000	PRF \$000	DAF \$000
Balance transferred to Safe Food at 1 July 1999	1,297	1,297	1,273	24	-
<b>Receipts</b>					
Price structure allocations	1,583	1,583	1,477	-	106
Interest	92	92	92	-	-
	1,675	1,675	1,569	-	106
<b>Payments</b>					
Service allowances	22	22	-	22	-
Agents distribution & storage allowances	2	2	-	2	-
Dairy Assist Program	168	168	168	-	-
Enzootic Bovine Leucosis	70	70	70	-	-
	262	262	238	24	-
Net movement for the year	1,413	1,413	1,331	(24)	106
<b>Balance as at 30 June 2000</b>	<b>2,710</b>	<b>2,710</b>	<b>2,604</b>	<b>-</b>	<b>106</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

## 6. OTHER INDUSTRY FUNDS

### 6A Receival Factory Treatment Allowance

This allowance is for the handling, cooling and storage of Safe Food milk accepted from dairy farmers. This allowance forms part of the milk price structure which is credited to agents for disbursement to receival factories.

### 6B Publicity allocations

These allocations, specified within the milk price structure, are paid to Milk Marketing (NSW) Pty Limited for the promotion of milk and dairy products.

## 7. SAFE FOOD – DAIRY DIVISION MARGIN

The Dairy Division of Safe Food is funded by a specific allocation within the milk price structure.

## 8. GRANTS AND CONTRIBUTIONS

During the period Safe Food received \$2,299,000 and \$176,383 from the Department of Agriculture and New South Wales Fisheries respectively to assist with establishment and program development costs of the new organisation.

## 9. MISCELLANEOUS INCOME

Miscellaneous income comprises the following:

	Consolidated	Safe Food
	2000	2000
	\$000	\$000
Interest income	810	728
<b>Less:</b>		
Interest allocation to Contingency Fund	92	92
<b>Net Interest income</b>	<b>718</b>	<b>636</b>
<b>Add:</b>		
Quota Exchange commission	21	21
Rent and property income	130	302
Laboratory fee income	1,468	-
Publicity income and royalties	(9)	-
Other income	541	420
Surplus on sale of non-current assets	70	18
SQAP Oyster Levy	237	237
<b>Total miscellaneous income</b>	<b>3,176</b>	<b>1,634</b>

Included in other income is an amount of \$91,000 received from the New South Wales Health Department relating to the transfer of responsibility for the regulation of oyster depuration from New South Wales Health to Safe Food on 1 July 1999.

New South Wales Fisheries collects fees from New South Wales oyster farmers on behalf of the New South Wales Shellfish Quality Assurance Program. Fees collected are remitted to Safe Food quarterly.

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

10. GENERAL EXPENDITURE

	Consolidated	Safe Food
	2000	2000
	\$000	\$000
External Audit Fees	93	51
Bad Debts	37	38
Consultancy	284	390
Contracting, Survey Costs	392	392
Contributions, Grants, Subscriptions	142	142
Computer Costs	1,330	1,304
NSW Dairy Industry Conference	222	222
Directors' Fees	53	-
FBT, Financial Duty and Charges	147	147
HACCP Initiative	462	462
Interest	13	-
Insurances	61	23
Laboratory Services	361	439
Legal Fees	164	164
Motor Vehicles	202	188
Public Relations & Advertising	3,898	2,950
Rent, Rates and Electricity	966	583
Repairs, Maintenance	105	24
Research Costs	43	43
Salaries, Salary Overheads and Allowances	6,341	4,451
Services, Cleaning and Couriers	78	39
Staff Training	179	170
Stores, Stationery, Printing	150	133
Sundries	370	147
Telephone, Postal	350	319
Travelling, Entertainment, Industry Functions	573	547
Depreciation	598	428
<b>Total</b>	<b>17,614</b>	<b>13,796</b>

Payments to NSW Dairy Industry Conference include grants of \$4,250 and appropriations through the milk price structure of \$217,881.

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

## 11. ABNORMAL ITEMS

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>\$000</b>	<b>\$000</b>
Depreciation On Supply Management System	1,609	1,609
<b>Total</b>	<b>1,609</b>	<b>1,609</b>

As a result of farm gate deregulation effective 1 July 2000, accelerated depreciation was charged against the Supply Management System so as to fully depreciate the assets at period end.

## 12. OTHER DEBTORS

Other debtors are stated after allowing for doubtful debts as follows:

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>\$000</b>	<b>\$000</b>
Other debtors	493	614
Provision for doubtful debts	(127)	(100)
<b>Net other debtors</b>	<b>366</b>	<b>514</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

### 13. PROPERTY, PLANT AND EQUIPMENT

#### 13A Cost or valuation, less depreciation

	Consolidated	Safe Food
	2000	2000
	\$000	\$000
<b>Land:</b>		
At valuation	130	130
	130	130
<b>Land:</b>		
At cost	1,200	-
	1,200	-
<b>Buildings:</b>		
At valuation	245	245
Accumulated depreciation	16	16
	229	229
<b>Buildings:</b>		
At cost	1,125	-
Accumulated depreciation	239	-
	886	-
<b>Leasehold improvements:</b>		
At cost	869	869
Accumulated depreciation	592	592
	277	277
<b>Motor vehicles:</b>		
At cost	705	705
Accumulated depreciation	30	30
	675	675
<b>Computer equipment:</b>		
At cost	2,423	2,423
Accumulated depreciation	2,130	2,130
	293	293
<b>Other equipment:</b>		
At cost	361	347
Accumulated depreciation	294	288
	67	59
<b>Furniture and fittings:</b>		
At cost	789	789
Accumulated depreciation	360	360
	429	429
<b>Written Down Value</b>	<b>4,186</b>	<b>2,092</b>

The land and buildings were acquired as a result of the transfer of assets from the NSW Dairy Corporation on 1 July 1999 and have been recorded at their fair values at this date. The land and buildings were revalued at 13 March 1998 by the State Valuers Office. Safe Food considers that the market value of assets at the 13 March 1998 approximates the fair values of the assets transferred at 1 July 1999.

As at 30 June 2000 the market value of motor vehicles has been assessed using a motor vehicle dealers' guide at \$781,969. Management is of the view that the market value of the remaining assets is assessed as being the written down value as at 30 June 2000.

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

Safe Food has determined that the value of fully depreciated non-current assets still being used is not material. The original value of this equipment was \$576,144.

**13B Depreciation charge**

	Consolidated	Safe Food
	2000	2000
	\$000	\$000
Buildings	53	8
Leasehold Improvements	140	140
Equipment	106	39
Computers	1,757	1,740
Furniture	79	74
Leased plant and equipment	21	-
Motor vehicles	51	36
<b>Total charge for the year</b>	<b>2,207</b>	<b>2,037</b>

Included in the depreciation charge for computers is \$1,608,638 representing abnormal depreciation charges incurred during the period (refer note 11).

**13C Sale of property, plant and equipment**

	Consolidated			Safe Food		
	WDV \$000	Sold for \$000	Surplus \$000	WDV \$000	Sold for \$000	Surplus \$000
<b>Sold to:</b>						
Third parties	686	756	70	434	452	18
<b>Total</b>	<b>686</b>	<b>756</b>	<b>70</b>	<b>434</b>	<b>452</b>	<b>18</b>

**14. INVESTMENTS**

**14A Current**

	Consolidated	Safe Food
	2000	2000
	\$000	\$000
Short term investments	8,113	8,113
Hour-glass - Cash facility	748	748
<b>Balance as at 30 June 2000</b>	<b>8,861</b>	<b>8,861</b>

Given the nature of the investments Safe Food considers the book value to be a fair approximation of the market value.

**14B Hourglass - Cash Facility**

Safe Food has investments in Treasury Corporation's Hourglass facilities. Safe Food's investment is represented by a number of units of a managed investment pool. Treasury Corporation appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

Safe Food's investments are in the cash facility. The value as at 30 June 2000 is \$747,904. The value of the investment held could increase as well as decrease depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value. As noted in 14A, Safe Food considers the book value to be a fair approximation of the market value.

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

**14C Short Term Investments**

Safe Food has placed funds on deposit with Treasury Corporation and the St George Bank. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. The interest rate payable by the institution is negotiated initially and is fixed for the term of the deposit.

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>Carrying</b>	<b>Net Fair</b>
	<b>Amount</b>	<b>Value</b>
	<b>\$000</b>	<b>\$000</b>
At call	748	748
Less than one year	8,113	8,113
<b>Total</b>	<b>8,861</b>	<b>8,861</b>

The deposits at balance date were earning an average interest rate of 5.38%, whilst over the year the weighted average interest rate was 5.01%.

**14D Non-current**

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>\$000</b>	<b>\$000</b>
Controlled companies at valuation	-	3,507
Shares in associated company	433	-
<b>Balance as at 30 June 2000</b>	<b>433</b>	<b>3,507</b>

Safe Food controlled Milk Marketing (NSW) Pty Limited and Pacific Industry Services Corporation Pty Limited for the whole year.

Safe Food also holds an investment in an associated company of \$1.

During the period Pacific Industry Services Corporation's business and operating assets with the exception of land and buildings were sold to Microtech Laboratories (NSW) Proprietary Limited in consideration for a 35% share in that entity.

**15. BORROWINGS**

Pacific Industry Services Corporation Pty Limited negotiated a finance facility for \$300,000 by way of base interest rate plus floating interest rate charged over the land and buildings of the company. The loan is repayable in fifteen years ending on 1 February 2011. As at 30 June 2000, \$100,000 was drawn down. The interest rate at period end was 8.1%. The loan repayment schedule is as follows:

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>\$000</b>	<b>\$000</b>
Not later than one year	8	-
Later than one year and not later than two years	16	-
Later than two years and not later than five years	24	-
Later than five years	141	-
Less expected future financing charges	89	-
<b>Total</b>	<b>100</b>	<b>-</b>

# Safe Food Production NSW Notes to and Forming Part of the Financial Statements

## For the period ended 30 June 2000

### 16. SUPERANNUATION

Safe Food operates a number of employee superannuation plans all administered by the Superannuation Administration Corporation (SAC) on behalf of State Super, as follows:

- (i) SASS State Authorities Superannuation Scheme,
- (ii) FSS First State Superannuation Scheme,
- (iii) SSS State Superannuation Scheme, and
- (iv) SANCS State Authorities Non-Contributory Superannuation Scheme.

Milk Marketing (NSW) Pty Limited and Pacific Industry Services Corporation Pty Limited both operate defined contribution schemes only.

The assessment of the Safe Food Production NSW's gross superannuation liabilities as at 30 June 2000, for the defined benefit schemes administered by the SAC, is based on the standard economic assumptions adopted by the NSW Government Actuary from triennial valuations carried out at 30 June 2000 as follows:

	30 June 2000 & Thereafter %pa
Investment return	7.0
Salary growth rate	4.0
Consumer Price Index	2.5

Movements in the balances relating to the superannuation schemes in operation are as follows:

	Consolidated		Safe Food			
	2000 \$000	2000 \$000	SASS \$000	FSS \$000	SSS \$000	SANCS \$000
Balance transferred to Safe Food at 1 July 1999	(4,317)	(4,317)	145	-	(4,616)	154
Less: Payments and reduction in assessed Liability	355	270	79	191	-	-
	(4,672)	(4,587)	66	(191)	(4,616)	154
Add Expenditure	(2,469)	(2,554)	(104)	191	(2,407)	(234)
<b>Balance at 30 June 2000</b>	<b>(7,141)</b>	<b>(7,141)</b>	<b>(38)</b>	<b>-</b>	<b>(7,023)</b>	<b>(80)</b>
Liability assessed by SAA as at 30 June 2000	21,245	21,245	367	-	20,392	486
Less: employer's superannuation investment	28,386	28,386	405	-	27,415	566
<b>Balance as at 30 June 2000</b>	<b>(7,141)</b>	<b>(7,141)</b>	<b>(38)</b>	<b>-</b>	<b>(7,023)</b>	<b>(80)</b>

Any unfunded superannuation balance is recognised as a liability at 30 June 2000; over-funded balances are recognised as an asset. The amounts relating to superannuation as shown in the balance sheet are as follows:

	Consolidated		Safe Food		
	2000 \$000	2000 \$000	SASS \$000	SSS \$000	SANCS \$000
Prepaid superannuation contributions	(7,141)	(7,141)	(38)	(7,023)	(80)
<b>Balance as at 30 June 2000</b>	<b>(7,141)</b>	<b>(7,141)</b>	<b>(38)</b>	<b>(7,023)</b>	<b>(80)</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

## 17. PROVISION FOR EMPLOYEE ENTITLEMENTS

The movements and balances on these provisions were as follows:

	Consolidated		Safe Food		
	2000 \$000	2000 \$000	Extended Leave \$000	Recreation Leave \$000	Redundancy Provision \$000
Balance transferred to Safe Food at 1 July 1999	2,795	2,639	2,090	389	160
Less: Paid	569	512	212	37	263
	2,226	2,127	1,878	352	(103)
Add: Receipts	34	34	1	33	-
Add: Provision charge	1,264	1,240	200	173	867
<b>Balance at 30 June 2000</b>	<b>3,524</b>	<b>3,401</b>	<b>2,079</b>	<b>558</b>	<b>764</b>
Liability: Current	1,697	1,574	392	418	764
Non-current	1,827	1,827	1,687	140	-
<b>Total liability</b>	<b>3,524</b>	<b>3,401</b>	<b>2,079</b>	<b>558</b>	<b>764</b>

On 30 April 1997 the staff of Pacific Industry Services Corporation Pty Limited who were previously on secondment from the NSW Dairy Corporation, were transferred to the employment of Pacific Industry Services Corporation Pty Limited. The transfer terms resulted in the NSW Dairy Corporation accepting responsibility to fund part of the extended leave and staff redundancies until 30 April 2002 relating to the staff previously employed by the NSW Dairy Corporation. This responsibility was transferred to Safe Food on 1 July 1999. Upon the sale of the Pacific Industry Services Corporation Pty Limited business entity to Microtech Laboratories (NSW) Pty Limited, Safe Food paid out the total of all leave and redundancy entitlements for Pacific Industry Services Corporation Pty Limited staff. As a result Safe Food no longer holds any liability for these amounts at 30 June 2000.

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

## 18. RETAINED EARNINGS

### 18A Changes in Retained Earnings

	Consolidated	Safe Food
	2000	2000
	\$000	\$000
Opening Balance		
- Fair value of net assets transferred to Safe Food	20,320	20,320
- Movement in asset revaluation reserve	-	(528)
- Deficit for the period	(4,325)	(3,796)
<b>Balance as at 30 June 2000</b>	<b>15,995</b>	<b>15,996</b>

### 18B Fair Value of Net Assets Transferred to Safe Food

	NSW Dairy Corporation	Shellfish Quality Assurance Program	Total
	\$000	\$000	\$000
Cash	344	86	430
Current Assets	37,817	2	37,819
Plant & Equipment	3,631	6	3,637
Other Non Current Assets	4,037	-	4,037
<b>Total Assets</b>	<b>45,829</b>	<b>94</b>	<b>45,923</b>
Accounts Payable	21,176	-	21,176
Other Current Liabilities	2,399	50	2,449
Non Current Liabilities	1,978	-	1,978
<b>Total Liabilities</b>	<b>25,553</b>	<b>50</b>	<b>25,603</b>
<b>Net Assets Transferred</b>	<b>20,276</b>	<b>44</b>	<b>20,320</b>

### 18C Reserves

	Consolidated	Safe Food
	2000	2000
	\$000	\$000
Non current investments in controlled entities	-	175
Revaluation Increment on land and buildings	72	72
<b>Balance at 30 June 2000</b>	<b>72</b>	<b>247</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

## 19. RELATED PARTIES

### WHOLLY-OWNED GROUP

Details of wholly-owned controlled entities are set out at note 14D. Details of dealings with these entities are set out below:

#### Consolidation summary (including abnormal items)

	Total margin	Operating result	Total assets
	2000 \$000	2000 \$000	2000 \$000
Safe Food Production NSW	12,969	(3,796)	39,560
Pacific Industry Services Corporation Pty Limited	2,134	98	2,957
Milk Marketing (NSW) Pty Limited	4,899	(629)	1,177
Consolidation eliminations	(3,840)	2	(3,818)
<b>Total</b>	<b>16,162</b>	<b>(4,325)</b>	<b>39,876</b>

#### Balances with Entities within the Wholly-Owned Group

At 30 June 2000 Safe Food owed \$2,339 to Pacific Industry Services Corporation Pty Limited and \$61,654 to Milk Marketing (NSW) Pty Limited.

At 30 June 2000 Safe Food was due \$226,894 from Pacific Industry Services Corporation Pty Limited and \$14,538 from Milk Marketing (NSW) Pty Limited.

#### Other Transactions

Except for the following, the terms and conditions of the transactions with wholly-owned entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to entities on an arm's length basis.

- Milk Marketing (NSW) Pty Limited received \$2,900,000 by way of contribution towards the "Milk. Legendary stuff." campaign.
- Safe Food provides payroll services to Pacific Industry Services Corporation Pty Limited without charge. Safe Food considers that this is immaterial.

## 20. STATEMENT OF CASH FLOWS

### 20A Reconciliation of net cash provided by operating activities to operating surplus/(deficit) after abnormal items

	Consolidated	Safe Food
	2000 \$000	2000 \$000
Operating deficit after Abnormal Items	(4,325)	(3,796)
Depreciation	2,207	2,037
Loss/(profit) on disposal of fixed assets	(70)	(18)
Increase/(Decrease) in debts written off	37	38
Superannuation provision	(2,469)	(2,556)
(Increase)/Decrease in milk debtors	3,580	3,580
(Increase)/Decrease in other debtors	233	147
(Decrease)/Increase in milk creditors	(3,093)	(3,093)
(Decrease) in other creditors	(868)	(630)
(Decrease)/Increase in industry funds/schemes	1,320	1,444
(Decrease)/Increase in employee entitlements	729	761
<b>Net cash used in operating activities</b>	<b>(2,719)</b>	<b>(2,086)</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the period ended 30 June 2000

**20B Cash at bank and in hand**

For the purposes of the Statements of Cash Flows, Safe Food considers cash to be cash at bank, cash advances and short term deposits as follows:

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>\$000</b>	<b>\$000</b>
Cash at bank	3,628	2,184
Cash advances	8	8
Short term deposits	8,861	8,861
<b>Total</b>	<b>12,497</b>	<b>11,053</b>

The interest rate at year end on Cash at Bank ranged from 3.94% to 5.44 %.

Pacific Industry Services Corporation Pty Limited has a loan facility of \$300,000 (see note 15). As at 30 June 2000, \$100,000 was drawn down.

**21. INCOME TAX - PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**

Pacific Industry Services Corporation Pty Limited is the only Corporation in the Economic Entity subject to income tax. The operations of Pacific Industry Services Corporation Pty Limited for the period ended 30 June 2000 resulted in a future income tax benefit of \$465,092. This amount was not recognised in the financial statements of Pacific Industry Services Corporation Pty Limited as recovery may not be virtually certain.

**22. EXPENDITURE COMMITMENTS**

**22A Lease commitments**

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>\$000</b>	<b>\$000</b>
Not later than one year	857	857
Later than one year and not later than five years	666	666
<b>Total (including GST)</b>	<b>1,523</b>	<b>1,523</b>

Representing non-cancellable operating leases:

	<b>Consolidated</b>	<b>Safe Food</b>
	<b>2000</b>	<b>2000</b>
	<b>\$000</b>	<b>\$000</b>
Computer Equipment	266	266
Premises	1,257	1,257
<b>Total (including GST)</b>	<b>1,523</b>	<b>1,523</b>

The total lease expenditure commitment above includes input tax credits of \$138,000 that are expected to be recoverable from the Australian Taxation office.

**22B Pacific Industry Services Corporation Pty Limited**

With the Minister's approval, Safe Food Production NSW has been financially supporting Pacific Industry Services Corporation Pty Limited by way of grants and is committed to do so as long as the company is a 100% owned subsidiary of Safe Food. Grants paid by Safe Food Production NSW during the year totalled \$120,000.

## 23. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 1 July 2000 farm gate deregulation occurred within the NSW dairy industry, as a result the Dairy Division of Safe Food ceased to be funded at that date through the milk price structure. These events have had significant impact on the structure and future funding of the Dairy Division. Dairy Division revenue during 2000/01 is expected to come from three main sources:

- a \$1,000,000 contribution from NSW Treasury toward funding of transitional costs;
- \$3,000,000 which was received on 27 July 2000 from the State Superannuation Corporation under special approval from the Treasurer to draw on superannuation deposits over paid by the Dairy Division;
- audit charges prescribed in the Food Production (Dairy Food Safety Scheme) Regulation 1999; and
- license fees, which the Regulation empowers Safe Food to determine.

On 4 August 2000 the Meat Industry Authority of NSW was dissolved and all of its assets, liabilities, reserves and regulatory responsibilities were transferred to Safe Food at this date. During 2000/01 the Meat Division of Safe Food will be funded through licenses, audit fees and a levy on producers.

Other divisions of Safe Food including Seafood and Plant Products and specific establishment and program development costs for 2000/01 will be funded by contributions from NSW Treasury.

## 24. CONTINGENT LIABILITIES

### 24A Safe Food Production NSW

Safe Food Production NSW is currently involved in two legal matters with contingent liabilities. The maximum potential loss in these matters is estimated to be \$100,000. In addition to this Safe Food has a maximum potential contingent liability for payments to redundant and potentially redundant employees of \$96,394 under a job assistance scheme in operation at 30 June 2000.

### 24B Milk Marketing (NSW) Pty Limited

Milk Marketing has a contingent liability of \$17,295 for upskilling and training costs as part of its Redundancy Plan.

**End of Audited Financial Statements**

# Supplementary Financial Information

## 1. SAFE FOOD PRODUCTION NSW PERFORMANCE AGAINST BUDGET

	<b>Budget</b>	<b>Actual</b>	<b>Draft Budget</b>
	<b>1999/00</b>	<b>1999/00</b>	<b>2000/01</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>SAFE FOOD PRODUCTION OPERATING INCOME</b>			
Dairy Branch margin	6,647	6,306	-
Grants and contributions	2,475	2,475	3,953
Levies, licences & audit fees	270	237	8,076
Interest	616	636	250
Provision for superannuation	-	2,554	-
Superannuation deposit drawings	-	-	3,000
Miscellaneous	496	761	20
<b>Total Safe Food Production Income</b>	<b>10,504</b>	<b>12,969</b>	<b>15,299</b>
<b>SAFE FOOD PRODUCTION OPERATING EXPENDITURE</b>			
Salaries, salary overheads and allowances	5,471	4,451	5,341
Employee entitlements	1,991	1,240	1,374
Staff training	323	170	221
Audit costs	104	51	115
Bad debts	-	38	40
Consultancy	796	390	468
Contracting and survey costs	164	392	1,021
Contributions, grants and subscriptions	148	142	156
Legal fees	150	164	200
FBT, financial duty and charges	152	147	200
Insurance	50	23	60
NSW Dairy Industry Conference	270	222	-
Grants to Pacific Industry Services Corporation Pty Limited	-	120	-
Laboratory services	422	439	80
HACCP initiative	354	462	30
Public relations and promotion	2,908	2,950	25
Computer costs	1,344	1,304	542
Rent, rates and electricity	598	583	989
Repairs and maintenance	21	24	30
Services, cleaning and couriers	127	39	45
Stores, stationery and printing	277	133	146
Telephone and postal costs	233	319	351
Travelling, entertainment and industry functions	399	547	647
Motor vehicles	198	188	337
Research costs	6	43	50
Producer levy administration fee	-	-	84
Relocation expenses	15	0	400
Sundry costs	55	147	175
Depreciation	2,180	2,037	550
<b>Total Safe Food Production Expenditure</b>	<b>18,756</b>	<b>16,765</b>	<b>13,677</b>
<b>Operating (Deficit)/Surplus</b>	<b>(8,252)</b>	<b>(3,796)</b>	<b>1,622</b>

## Supplementary Financial Information

### 2. 1999/2000 OPERATING BUDGET

The 1999/2000 budget information represented the final revised operating budget for Safe Food Production NSW for the period, depicting an anticipated deficit of \$8,252,785. This was in accordance with the Dairy Branch's plan to reduce its reserves and also reflected additional expenditure on public relations and advertising, particularly contributions towards the "Milk. Legendary stuff." campaign.

The original budgeted operating result for Safe Food was a deficit of \$5,616,785. Subsequently significant revisions were made to reduce budgeted interest income by \$350,000 and to postpone the receipt of \$662,000 in grants and contributions from the Department of Agriculture until 2000/2001. Depreciation was also increased by \$1,611,000 to reflect accelerated depreciation of the Supply Management System, which became necessary as a result of farm gate deregulation on 1 July 2000.

### 3. DRAFT 2000/2001 OPERATING BUDGET

On 4 August 2000 the NSW Meat Industry Authority will be dissolved and all of its assets, liabilities, reserves and regulatory responsibilities will transfer to Safe Food at this date. As a result of this administrative restructure, the budget for Safe Food Production NSW for 2000/2001 had not been formalised at the time of preparation of this report. The budget presented above for the year 2000/2001 is included as a guide only and will be subject to amendment before it is formally adopted.

### 4. ACCOUNTS PAYABLE

Safe Food Production NSW payment performance indicators

	1st Quarter 30 Sept 99 \$	2nd Quarter 31 Dec 99 \$	3rd Quarter 31 Mar 00 \$	4th Quarter 30 Jun 00 \$
Current ie. within due date	85,877,401	84,912,833	82,822,275	84,145,157
Less than 30 days overdue	42,960	25,481	16,567	16,304
Between 30 and 60 days overdue	-	-	-	10,598
<b>Total dollar amount of accounts paid</b>	<b>85,920,361</b>	<b>84,938,314</b>	<b>82,838,842</b>	<b>84,172,059</b>
<b>Percentage of accounts paid on time</b>	<b>99.95%</b>	<b>99.97%</b>	<b>99.98%</b>	<b>99.97%</b>

### 5. MAJOR ASSETS

Property held by Safe Food Production NSW

	At Cost 2000 \$000	At Valuation 2000 \$000	WDV 2000 \$000	WDV 1999 \$000
Taree office	-	375	359	367
Leasehold improvements	869	-	277	417
<b>Total property held</b>	<b>869</b>	<b>375</b>	<b>636</b>	<b>784</b>

# Appendices



## List of appendices

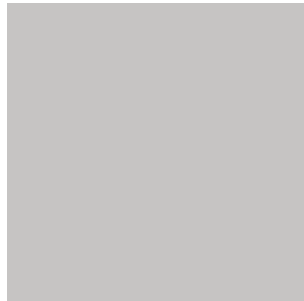
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## 1. Executive performance

### **Performance Statement: George Davey, Chief Executive Officer, Level 6**

As the CEO of Safe Food Production NSW during 1999/2000 George Davey was responsible for:

- Co-ordination of regulatory reform and industry adjustment arrangements in the lead up to dairy industry deregulation and management of associated internal rearrangement issues. This included the integration of a new structure for the Dairy Branch and the closure of operations of Milk Marketing (NSW) Pty Limited and winding up of the Conference of Australian Milk Authorities.
- Establishment of an executive and management structure to provide for the integration of the NSW Meat Industry Authority into Safe Food as its Meat Branch, the transfer to Safe Food of SQAP from NSW Fisheries and assumption of responsibility for oyster depuration plants from NSW Health.
- Implementation of through-chain certified HACCP-based food safety programs in the dairy industry known as the Quality Plus 2000 Program.
- Introduction of management policies to improve the efficiency of corporate service delivery across the agency, including a recommended framework for a new IT system to support the functions of Safe Food.
- Development and implementation of the first strategic plan for Safe Food with planned goals for December 2000 and 2001.
- Establishment of an innovative framework for industry by industry risk analysis based on internationally recognised methodology.
- Formation of stakeholder consultative advisory committees in the seafood, dairy goat and sheep milk industries, as well as the establishment of a Safe Food Production Advisory Committee, comprising experts in specified areas including consumer advocacy.
- Representing the State and Australia on a number of food safety and promotion related committees and organisations including the International Dairy Federation and the Australian Dairy Industry Council.



## 2. Service delivery standards and performance report

Generally, inquiries or applications lodged with Safe Food by the public, industry or government, were processed up to 30 June 2000 within the following times from receipt:

- customer complaints: food safety issues about milk - investigated by Safe Food; quality complaints received by Safe Food referred to factories within 24 hours;
- applications for certificates of registration as a dairy farmer, vehicle vendor or milk processing, receive or dairy produce factory - within 15 working days;
- written inquiries from the public or organisations will be answered, or an interim response issued - within 10 working days;
- preparation of ministerial correspondence - within 15 days of receipt;
- media inquiries - on the day of inquiry;
- appeals against decisions or actions of Safe Food - within six weeks;
- Freedom of Information - within a maximum 21 days.

The following report compares Safe Food's performance against service standards in a number of activities contained in its Customer Service Information document.

### Report on performance to service standards

From 1 July 1999 to 30 June 2000, and 1 July 1998 to 30 June 1999

Services and standards	Dairy farmers	Dairy factories	Vehicle vendors
<b>Registration</b>			
Process applications within 15 working days of receipt.	100% (114)	100% (39)	100% (94)
	100% (189)	100% (33)	97% (287)
<b>Inspections</b>			
Inspect for compliance on a risk management basis. Proceeded according to schedule			
<b>Quality</b>			
Provide advice immediately or within two working days.	100% 100%	100% 100%	100% 100%
<b>Quotas</b>			
Provide exchange results within two working days of close of exchange.	100% 100%	na na	na na
<b>Milk supply and payment</b>			
Minimise annual acceptance variations between receive factories to less than 0.5% of the State average.	na na	100% 93% (27/27) (28/30)	na na
Make correct payments and post statements within eight working days of close of the period.	100% 100%	na na	na na
Provide invoices for milk supplied on Wednesday following close of the week.	na na	100% 100%	na na
Reconcile and audit factory and agent systems at least every two years	na na	100% 100% (20/20) (29/29)	na na
<b>HACCP</b>			
Provide initial audit of the food safety system on request	100% (1,149)	97% (411/424)	100% (915)
	100% (97)	98% (387/394)	100% (8)
Audit accredited systems and provide report within 10 working days	100% (1,149)	97% (411/424)	na
	100% (97)	98% (387/394)	
<b>Pricing</b>			
Conduct reviews half yearly	Two reviews conducted		
<b>Training</b>			
Forward course material within 10 working days of request, and mark assignments within 15 working days of receipt. (Courses conducted in conjunction with the University of Melbourne-Gilbert Chandler Institute.)	na na	100% 100% (90) (75)	na na

1999/2000 figures - 1998/99 figures  
na = not applicable

### 3. Program performance by NSW Shellfish Quality Assurance Program in 1999/2000

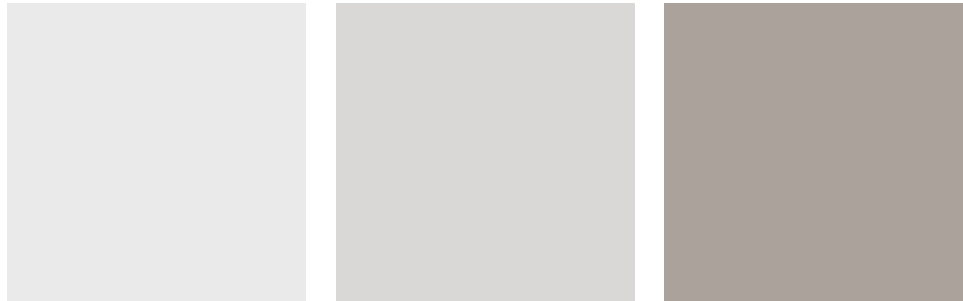
Achievement of the work timetable specified in the 1999/2000 Aquaculture Industry Development Plan

#### Policy development

<b>Desired outcome</b>	<b>Commence</b>	<b>Complete</b>	<b>Status 30 June 2000</b>
Management review NSW SQAP	13 May 1999	March 2000	Report presented to Safe Food 30 June 2000
NSW SQAC procedure manual	5 August 1999	June 2000	First draft complete. Revise on basis of review
Develop strategy to expedite comprehensive sanitary surveys	August 1999	June 2000	Complete 30 June 2000
Pursue risk based classification of oyster harvest areas	June 1998	Ongoing	Protocol and priority list complete
Integration with Safe Food Seafood Branch	May 1999	Ongoing	Full integration scheduled December 2000
Application of QA principles post farm gate	July 1999	July 2000	Seafood Safety Scheme development underway

#### Administration

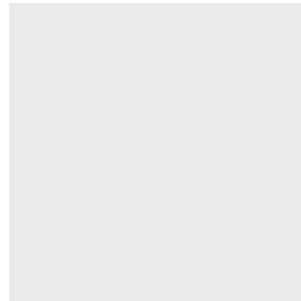
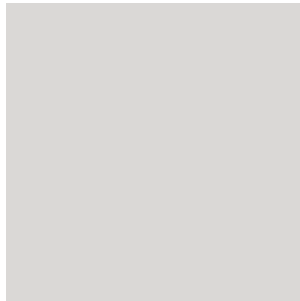
<b>Task</b>	<b>Commence</b>	<b>Complete</b>	<b>Status 30 June 2000</b>
Issue of depuration plant permits	1 July 1999	January 2000	Complete
Development of integrated NSW SQAP information system	5 July 1999	January 2000	Complete
Inaugural offer of local levy billing service	July 1999	December 1999	Complete. Service to be offered in 2000/01
NSW SQAP Budget	May 1999	September 1999	Complete
NSW SQAP Annual Report 1998/99	May 1999	October 1999	Complete
Local committee appointments	June 1999	September 1999	Complete
Audit NSW SQAP finances	July 1999	September 1999	Complete
Education programs for shellfish producers (sample collection)	December 1998	February 2000	Complete. New programs planned for 2000/01
Integrated log book system covering oyster harvest and purification	August 1999	June 2000	Complete
Depuration plant audit	July 1999	December 1999	Complete
Depuration training program	July 1999	November 1999	Complete
Sewage contamination event notification protocol	August 1998	Ongoing	Well developed in most areas
Advise sewage management authorities of local committee contacts	September 1999	Annual task	Complete for 1999/2000
Amendment of sewerage treatment plant licence conditions to ensure NSW SQAP is notified in event of plant failure	1997	2001	Environment Protection Authority agreed and advise completion by 2001



### Technical development

<b>Task</b>	<b>Commence</b>	<b>Complete</b>	<b>Status 30 June 2000</b>
Review of NSW SQAP operational standards, methodologies and area assessment strategies	April 1999	October 2000	Underway. Consultant appointed
Heavy Metal and Chemical Residue Monitoring Program	December 1998	October 1999. Annual update	First survey completed March 2000
Improved management of animal effluent in oyster growing areas	January 1999	Ongoing	Dairy effluent survey complete
Update shoreline surveys of oyster growing areas	July 1999	Subject to resources	Priority list developed
* Sanitary survey and assessment of depuration plant location	November 1998	November 1999	Not done
Review of local programs	July 1999	July 2000	Continuing
Harvest area classification – Corrie Island trial Port Stephens	January 1999	June 2000	Sanitary survey report write up in final stages
Training of sample collectors	December 1998	December 1999	126 collectors trained by February 2000
Training of depuration plant operators	March 1999	December 1999	390 operators trained by January 2000

\* Task was to be undertaken by a data acquisition officer to be employed by NSW Fisheries and funded by a successful Coast and Clean Seas Project application lodged by NSW Fisheries and the NSW SQAC.



## 4. Representation on committees

### SAFE FOOD COMMITTEES

#### Executive Committee

George Davey, *Chief Executive Officer*; Terry Outtrim, *Executive Director, Dairy Branch*; Dr Peter Ayres, *Executive Director, Seafood Branch*; Craig Sahlin, *Director, Development and Strategy*; Barry Baillie, *Chief Executive Officer and Chairman, NSW Meat Industry Authority (ex-officio member)*.

#### Information Technology Steering Committee

Chris Chan (Chair), Warren Matthew, Andrew Harding and Deborah Van Oorschot, *Dairy*; Neil Benjamin and Aaron Iori, *Meat*; Troy Workman, *Seafood*; Samara Lever, *Corporate*.

#### Seafood Risk Analysis Reference Group

George Davey (Chair), Chris Chan (Program Manager), Craig Sahlin, Dr Peter Ayres.

#### Sheep and Goat Milk Risk Analysis Reference Group

Terry Outtrim (Chair), Chris Chan (Program Manager), David Miles, Sophie Van Den Hout.

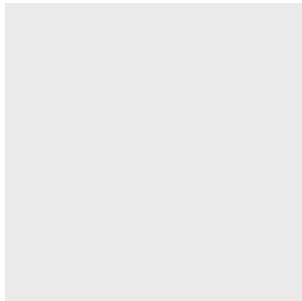
#### Transition Task Force

*Management representatives:* Chris Clark, John Hannaford, Ron Hicks, Edwina Mulhearn and Lois Ruprecht; *staff representatives:* John Carr, Barbara Cross, Ross Kurtz and Doriel Wailes, and Alice Murphy (Public Service Association).

### GOVERNMENT AND INDUSTRY COMMITTEES

Safe Food officers participate in a number of industry committees and industry and government bodies, including:

- Agriculture, Fisheries and Forestry Australia, National Safe Food Working Group – Chris Chan.
- Australian Dairy Authorities' Standards Committee - Chris Chan.
- Australian Dairy Products Federation Working Group, Review of Dairy Standards - Chris Chan.
- Australian Dairy Products Standards Organisation - Chris Chan.
- Australian Institute of Food Science and Technology, NSW Branch Food Microbiology Group - Peter Sutherland.
- Australian Institute of Food Science, NSW Branch - Samara Lever.
- Australian National Committee of the International Dairy Federation - George Davey.
- Australian Shellfish Quality Assurance Advisory Committee – Dr Kerry Jackson.
- Conference of Australian Milk Authorities - Chairperson, George Davey; Secretary, Andrew Harding.
- Dairy Industry Association of Australia – Federal President, George Davey.
- Dairy Industry Association of Australia, NSW Division – President, Peter Sutherland; George Davey, Edwina Mulhearn, Ray de la Motte.
- Dairy Research Foundation, University of NSW - George Davey.
- Department of State and Regional Development Food Focus Group – Andy Derwent.
- Expert Committee on *Listeriosis*, NSW Health – Peter Sutherland.
- Food Safety Auditor Accreditation Committee - Edwina Mulhearn, Ray de la Motte.
- Food Safety Campaign Group - member, Samara Lever.
- Interdepartmental Committee on Intensive Agriculture – Associate Member representing NSW SQAP – Dr Kerry Jackson.
- International Dairy Federation, International Milk Promotion Group – George Davey (Vice Chairman).
- International Dairy Federation (IDF) Standing Committees on:
  - Marketing (including nutrmarketing)– George Davey (Rapporteur);



Additive and Risk Management of Residues and Chemical Contaminant – Chris Chan;

Analytical Methods for Additive and Contaminants – Chris Chan;

Animal Health, Food Labelling and Terminology – Chris Chan;

Manufacturing Procedures – Ray de la Motte;

Microbiological Methods of Analysis – Peter Sutherland;

Microbiological Quality and Hygiene of Milk and Milk Products – Peter Sutherland;

Microbiological Risk Management – George Davey, Peter Sutherland;

Physico-chemical Methods of Analysis; Quality Assurance, Statistics of Analytical Data, Sampling Risk Assessment of Residues and Contaminants – Chris Chan.

- International Union of Food Science and Technology, 1999 World Conference Organising Committee - Treasurer, George Davey.
- National Association of Testing Authorities Australia, Biological Accreditation Advisory Committee - Chairperson, George Davey.

- NSW Dairy Industry Conference - ex officio member, George Davey.

- NSW Government Food Related Reforms Agency Reference Group – Craig Sahlin.

- NSW Meat Chemical Residue Consultative Committee - Chris Chan.

- NSW Milk and Dairy Products Association Technical Committee - Chairperson, Chris Chan; Edwina Mulhearn.

- NSW Shellfish Quality Assurance Committee – Safe Food representative, Andy Derwent.

- On-site Sewage Management Program, Technical Advisory Panel – Safe Food representative - Dr Kerry Jackson.

- Regional Algal Co-ordinating Committee, (Department of Land and Water Conservation) - Dr Kerry Jackson.

- Special Monitoring Committee for Raymond Terrace Waste Water Treatment Works - Dr Kerry Jackson.

- Standards Australia, Committee FT/4, Food Microbiology - Chairperson, George Davey; Peter Sutherland.

- Standards Australia, Committee FT/9, Dairy Detergents and Sanitisers - Edwina Mulhearn.

- Standards Australia, Committee FT/10, Chemical Analysis of Dairy Products - Chris Chan.

- Standards Australia, Committee FT/11, Milk Coagulating Enzymes for Cheese Manufacture - Edwina Mulhearn.

- Standards Australia, Committee FT/12, Dairy Factory Equipment - Chairperson, Edwina Mulhearn.

- Standards Australia, Committee FT/15, Wrapping Materials for Dairy Products - Edwina Mulhearn.

- Standards Australia, Committee FT/17, Salt for Food Manufacture - Edwina Mulhearn.

- State Algal Co-ordinating Committee (Department of Land and Water Conservation) – Safe Food representative, Dr Peter Ayres.

Safe Food officers are directors of the following companies:

- Coamas Pty Limited - Director/Secretary/Principal Executive Officer, Andrew Harding.

- Milk Marketing (NSW) Pty Limited - Chairperson, George Davey.

- Pacific Industry Services Corporation Pty Limited - Director, Edwina Mulhearn.



## 5. Papers and presentations

### **Peter Ayres,**

Executive Director, Seafood.

**Paper:** The Roles and Functions of Safe Food Production NSW

Opening address at the launch of the food safety training kit by the NSW Food Industry Training Council

Parramatta 15 June 2000

**Paper:** Safe Food NSW; An Introduction to Good Manufacturing and Good Hygiene Practices in the Seafood Industry

Aquaculture 2000 Conference, Port Stephens Research Centre 18 June 2000

### **Chris Chan,**

Director Science and Risk Management, Safe Food

**Paper:** Chemical Residues - Issues and Control Programs in the Australian Dairy Industry

International Workshop on Primary Industry Food Safety (Crawford Fund) University of NSW

August 1999

**Paper:** The National Dairy Crisis Management Plan

Managing Issues and Crises in the Dairy and Food Industries

International Symposium presented by International Dairy Federation, Dairy Industry Association of Australia, and Safe Food

16 March 2000

### **George Davey,**

Chief Executive Officer, Safe Food

**Paper:** Risk Analysis and the Meat Industry – a Tool for the Future?

Australian Beef Association Yearbook 2000

**Presentation:** Federal President's Address

Dairy Industry Association of Australia, Queensland Division, Annual Conference

13 July 1999

**Presentation:** Practical Application of Risk Analysis

International Workshop on Primary Industry Food Safety (Crawford Fund), University of NSW

August 1999

**Presentation:** Conference of Australian Milk Authorities – IMP Trophy Presentation 'Milk. Legendary stuff.'

International Dairy Federation Annual Sessions, Athens, Greece

September 1999

**Presentation:** Food Safety Regulation - A National and NSW Overview

10th World Congress of Food Science and Technology

Darling Harbour, October 1999

**Presentation:** Safe Food and Safety

Dairy Industry Association of Australia, Septimus Birrell Award Presentation, Guest Speaker

Sydney, November 1999

**Presentation:** Generic Promotion of Milk in Australia

International Milk Promotion Group Annual Meeting

Queensland, March 2000

**Presentation:** The Evolution of Safe Food Production NSW

Australian Dairy Farmers Federation/Conference of Australian Milk Authorities combined meeting

Western Australia, April 2000

### **Dr Kerry Jackson,**

State Co-ordinator, NSW SQAP and **Andrew Derwent,** Seafood Development Manager, Safe Food Seafood Branch

**Paper:** Industry Leading Government? The Development of Shellfish Quality Assurance in NSW, Australia

3rd International Conference on Molluscan Shellfish Safety. University of Long Island, Southampton, New York, USA

19-23 June 2000

### **David Miles,**

Scientific Officer, Safe Food Dairy Branch

**Paper:** Use of Predictive Microbiology in the Dairy Industry

Dairy Industry Association of Australia, NSW Division, Annual Conference, Sydney

29-30 May 2000

### **Craig Sahlin,**

Director, Development and Strategy, Safe Food

**Presentation:** Update on the Safe Food NSW initiative

Food Surveillance Update Forum

Australian Institute of Environmental Health 1999 Annual State Conference

Sydney, 9 September 1999

**Presentation:** The NSW Seafood Safety Scheme: Safe Food's approach and progress to date

NSW Commercial Fishing Industry Summit

Sydney, 4 November 1999

**Presentation:** Safe Food One Year On and Risk Analysis Case Study

NSW Food Advisory Committee, Sydney

6 December 1999

**Craig Sahlin,** Director, Development and Strategy and **Samara Lever,** Executive Officer

**Paper:** Safe Food Production NSW

Food Australia, July 1999



**Peter Sutherland,**

Technical and Operations  
Director, Safe Food Dairy  
Branch

**Paper:** The Safe Food NSW  
Initiative

Quality Assurance Services  
Breakfast, Sydney, July 1999

**Paper:** Keeping milk and dairy  
products safe from farm to  
processing and distribution

International Workshop on  
Primary Industry Food Safety  
(Crawford Fund), University of  
NSW, August 1999

**Paper:** Introduction to Food  
Microbiology

Department of Human  
Nutrition, University of  
Sydney

Series of three lectures to  
Masters of Dietetics and  
Nutrition students –  
April-May 2000

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## 6. Overseas visits

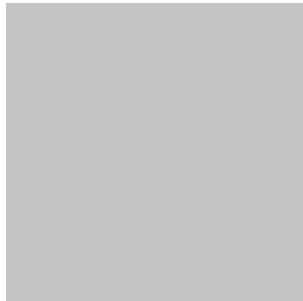
The Chief Executive Officer, George Davey, attended the 83rd annual sessions of the International Dairy Federation (IDF) in Athens, Greece, from 14-18 September 1999. Mr Davey led the Australian delegation on Commission C (Economics, Marketing and Management) and represented Australia on Commission A (Production, Hygiene and Quality of Milk) and Commission E (Analytical Standards and Laboratory Techniques). He represented the Conference of Australian Milk Authorities (CAMA) on the International Marketing and Promotions Group (IMP) and made a presentation of the 'Milk. Legendary stuff.' campaign which won an IMP trophy for the world's best generic promotion campaign. The costs of the visit were shared by Milk Marketing (NSW) Pty Limited and Safe Food's Dairy Branch.

Before the IDF meeting, Mr Davey attended meetings at the Food and Agriculture Organisation of the United Nations in Rome from 10-13 September.

Director, Policy, Dairy Branch, Ron Hicks visited South Korea between 11-19 September 1999 at the invitation of the Korea Food Research Institute (KFRI) under an agreement initiated between the former NSW Dairy Corporation and the KFRI. The purpose of the agreement is to promote co-operation between the KFRI and Safe Food by the exchange of information, experiences and personnel in the scientific and technical fields. Most aspects of the dairy industry in South Korea were examined by Mr Hicks, and he visited several dairy farms, the Seoul Dairy Co-operative and the offices of the National Veterinary Research and Quarantine Service. A study was also made of the work and projects being undertaken at the KFRI. All costs associated with the visit were met by KFRI.

The State Co-ordinator of the NSW Shellfish Quality Assurance Program (SQAP), Dr Kerry Jackson, and SQAP's Development Manager, Andrew Derwent, visited Long Island, New York, from 19-23 June 2000 to present to the 3rd International Molluscan Shellfish Safety Conference a paper they co-authored entitled 'Industry leading government? – The development of shellfish quality assurance in NSW Australia'. They were part of a joint government and industry delegation whose aim was to raise the profile of the NSW oyster industry nationally and internationally and to highlight improvements in quality assurance since the implementation of the compulsory SQAP. The delegation visited industry operations on the east coast of the United States.

The delegation also visited France from 26 June to 1 July 2000 to meet government and industry representatives and gain first hand knowledge of shellfish safety arrangements in the European Union. Funding was by Safe Food with contributions from industry associations, SQAP and seven local estuary SQAPs.



## 7. Freedom of Information

Applications for information under the Freedom of Information Act 1989 are processed by Safe Food's Freedom of Information (FOI) co-ordinator who may be contacted on (02) 9295 5717. In the spirit of the legislation, Safe Food has a policy of open access to information where possible. FOI applications are few and therefore of limited impact on resources.

### FOI requests 1999/2000

New	5
Brought forward	0
<b>Total to be processed</b>	<b>5</b>

Unfinished (carried forward) 1

### Completed applications

Granted in full	3
Access granted in part	0
Refused	1

**Total** 4

### Formal consultations 0

### Amendment/notation of personal records 0

### Requests granted in part or refused

Basis for disallowing or restricting access:

Exempt	1
<b>Total</b>	<b>1</b>

### Costs

Assessed	\$120
Received	\$120

### Days to process

0-21 days	3
22-35 days	1

**Total** 4

### Hours to process

0-10 hours	3
11-20 hours	1

**Total** 4

### Reviews and appeals finalised

Internal	0
Ombudsman	0
Admin Decisions Tribunal	0

### Grounds for request for internal review

Access refused	0
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### Internal review results

Upheld	0
Varied	0

## 8. Consultancies

Details of consultants engaged costing \$30,000 or more:

<b>Project:</b>	Scoping Study on the Risk of Plant Products
<b>Consultant:</b>	Food Science Australia
<b>Cost:</b>	\$77,424

<b>Project:</b>	Seafood - Facilitation of Sector Working Groups to Develop Risk Management Measures and Model HACCP-Based Food Safety Systems
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**Consultant:** Ruello & Associates Pty Ltd

**Cost:** \$40,000

<b>Project:</b>	Development of Safe Food IT Strategic Plan and Client Management System Economic Appraisal
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**Consultant:** Milliways Consultants

**Cost:** \$38,000

<b>Project:</b>	Career Transition Management Services
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**Consultant:** Morgan & Banks

**Cost:** \$36,500

<b>Project:</b>	Commercial Services Project for Safe Food
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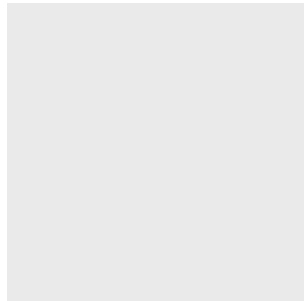
**Consultant:** OSS Management Services

**Cost:** \$35,075

Details of consultants engaged below \$30,000 in cost:

Total number of consultancies: 26

**Total cost:** \$229,231



## 9. Publications

*A Guide to Food Safety for all Seafood Handlers*, November 1999. Booklet summarising good seafood handling practices. Available free.

*Annual Report of Safe Food Production NSW*. Available free in hard copy and at the Safe Food website <http://www.safefood.nsw.gov.au>

*Statement of Affairs*. This Annual Report represents the Statement of Affairs of Safe Food.

*Dairy Industry Leader*. A journal issued five times a year reporting on developments in Safe Food and the dairy industry. Available free. The publication will be replaced by a new production, *SafeFood News*.

*\*NSW Dairy Industry Statistics Handbook*, 13th edition. Covers a wide range of subjects including milk production, livestock, farm quotas, sales, registrants and pricing. Available free.

*Code of Conduct*. This sets out a standard of conduct for employees. Available free.

*Code of Practice for Depuration Plants*, revised by the Expert Committee to Review Oyster Depuration Standards in NSW. Available free.

*\* Individual Quota Policy*. This annual publication contains the general rules applied in relation to quota matters and is distributed to all registered dairy farmers. Available free.

*Dairy Manual*. Details sample handling procedures, test requirements and chemical and microbiological test methodology. Available from head office at a cost of \$200.

*Code of Practice for the Collection of Milk from Dairy Farms* - March 1997. Describes bulk farm milk sampling procedures and testing requirements, and storage and collection requirements. Available free.

*Code of Practice for Dairy Buildings* - September 1995. Details the structural and site requirements for dairy buildings. Available free.

*Code of Practice for Milk Distribution Depots* - January 1995. Details the structural and site requirements for milk distribution depots. Available free.

*Australian Manual for Control of Listeria in the Dairy Industry\*\** - July 1996.

*Australian Manual for the Control of Salmonella in the Dairy Industry\*\** - January 1994.

\* These publications will not continue to be produced by Safe Food.

\*\*These publications are national manuals produced to provide the Australian dairy industry with a greater understanding of *Listeria* and *Salmonella* and the various programs designed to detect and minimise contamination. They are available from Safe Food at a cost of \$20 each.

## 10. Senior Executive Service

	1999/2000
CEO/SES positions	3
Level/Band	1 CEO Level 6
	2 SES Level 3
Positions filled by women	0



The remuneration package for CEO, George Davey, totals \$210,895 per annum including employment benefits of \$80,551.

Mr Davey also received a performance-related incentive payment of \$14,000 following assessment against criteria outlined in his performance agreement.

## 11. Risk management and insurance

Safe Food's insurance policies are reviewed annually to ensure the level of insurance is adequate to cover potential risk. They are:

- Industrial Special Risks Insurance (covers buildings, plant and contents)
- General Property Insurance
- Comprehensive Motor Vehicle Fleet Insurance
- Combined Public and Products Liability Insurance
- Professional Indemnity Insurance
- Corporate Travel Insurance
- Fidelity Guarantee Insurance

A number of risk management programs are designed to further protect Safe Food's assets, business, staff and the public:

- Deeds of Guarantee covering milk purchased by milk processing factories
- Building emergency evacuation drills
- Fraud and corruption prevention policy
- Computing systems disaster recovery plan.



## 12. Statement of responsibility

Safe Food has effected internal control processes designed to provide reasonable assurance regarding the achievement of its objectives. The internal audit function conducts a program of review to assess these controls.



Chief Executive Officer  
Safe Food Production NSW  
25 August 2000

## 13. Offices of Safe Food

### HEAD OFFICE

Dairy, Meat and Seafood Branches

Level 7 Tattersall's Building  
179 Elizabeth Street  
Sydney NSW 2000  
PO Box A2613  
Sydney South NSW 1235

**Telephone** (02) 9295 5777

**Facsimiles: General** including  
**Dairy Branch** (02) 9261 2434  
**Seafood Branch** (02) 9261 5614  
**Meat Branch** (02) 9283 9499

### Internet Web site

<http://www.safefood.nsw.gov.au>

### Email

[info@safefood.nsw.gov.au](mailto:info@safefood.nsw.gov.au)

Office hours 8.30 a.m. to 5.00 p.m. weekdays

### REGIONAL OFFICE

1 Macquarie Street  
Taree NSW 2430

**Telephone** (02) 6552 3000

**Facsimile** (02) 6552 7239

### Email

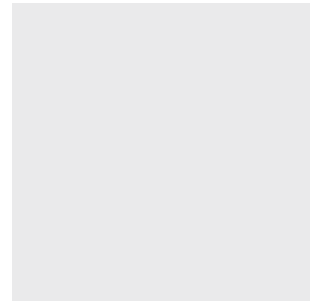
[taree@safefood.nsw.gov.au](mailto:taree@safefood.nsw.gov.au)

Office hours 8.30 a.m. to 4.30 p.m. weekdays

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