

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 202

Division/Agency: Meat and Livestock Australia

Topic: Meat and Livestock Australia projects and initiatives

Proof Hansard page: 7-8

Senator CAMERON asked:

Mr Norton: In terms of recovery and getting those cattle numbers back up as fast as we possibly can in the north, there are a number of projects that I am happy to take on notice and forward to you what MLA is doing around addressing productivity and the recovery of the Australian cattle herd.

Senator CAMERON: Why do you need to take it on notice?

Mr Norton: Because they are long and lengthy. They range from genetics to things we are investigating, given that we want to get an animal on the ground alive and off the property into the processing plant a lot quicker than we did in the past. Genetics is one pathway to doing that, and we have made significant ground—

Answer:

Meat & Livestock Australia (MLA) has invested in a suite of projects and tools addressing productivity in northern Australia that will contribute to the recovery and productivity of the northern herd.

Projects and resources cover areas such as cost of production and financial management (Business EDGE, beef cost of production calculator, Breedcow and Dynama software), lowering mortality (Breeder mortality calculator) and improving productivity (*Heifer management manual; Weaner management manual; Managing the breeder herd; Tips and tools – the accuracy and success of EBVs*; Breeding EDGE course; Nutrition EDGE course; Grazing Land and Management course). For more information: Improving the performance of northern beef enterprises (<http://www.mla.com.au/News-and-resources/Publication-details?pubid=6436>).

It should be noted that as well as increasing cattle numbers, increasing the amount of beef produced and making the best use of the natural resources is key to achieving northern productivity. Another critical step is implementing value-based pricing and driving efficiencies to ensure that every animal hits market targets.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 203

Division/Agency: Meat and Livestock Australia

Topic: Meat and Livestock Australia projects and initiatives

Proof Hansard page: 9

Senator CAMERON asked:

Senator CAMERON: So why did we do that project in the southern area when we should have been looking at Queensland?

Mr Norton: Well, the project started in 2012 when, I suspect, the whole of Australia was in a significantly dry period. I am sure the learnings from it can be adapted to the northern beef industry with some further research. But industry and MLA is working—and I can give you detail on notice—on projects around climate variability and how to adapt to climate variability.

Senator CAMERON: If you could take that on notice, that is fine.

Mr Norton: We will provide that.

Answer:

Meat and Livestock Australia (MLA) has completed a range of work on climate adaptation strategies to climate variability to improve the resilience of production systems, investing \$5.7m from 2010-11 to 2014-15. The following projects specifically relate to northern Australia:

1. ***Evaluating transformative adaptation options for Australian extensive farming*** (MLA, Australian Wool Innovation and the Australian Government 'Filling the Research Gap' programme, final report due June 2016)

This project models climate change over a range of transects in Australia, including northern Australia, for the grazing industry at a range of property levels to deal with predicted climate scenarios. Changes on-farm have been shown to increase profitability above the baseline for the historical climate. Greatest increases in profit have been associated with adaptations that improved the overall feedbase with leucaena a type of legume (systemic adaptation) and irrigated improved tropical grass (transformational adaptation) producing the largest financial improvements.

Question: 203 (continued)

2. ***Developing improved industry strategies and policies to assist beef enterprises across northern Australia adapt to a changing and more variable climate. Component 2 of 'Beef Production Adaptation in Northern Australia'*** (final report: June 2012)

This project assists the northern beef industry to prepare for the future by evaluating vulnerability to climate change and identifying ways of enhancing adaptive capacity. It provided a broad cross-regional analysis for northern Australia that included agro-ecological, economic, and social dimensions of vulnerability and adaptation.

3. ***Climate Clever Beef*** (final report: June 2013)

This project established on-farm demonstration sites and case studies covering mitigation and adaptation options within six regions. It demonstrated the impact of changed practices and technologies on productivity, economic returns, adaptability and net emissions.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 204

Division/Agency: Meat and Livestock Australia

Topic: Carcase weight

Proof Hansard page: 9

Senator CAMERON asked:

Senator CAMERON: What is the difference? I am talking about increased carcass weight, whether for export or domestic.

Mr Norton: Our carcass slaughter weights have been increasing over the last decade and have risen something like—and I will clarify the number—15 kilograms carcass weight over, if you suggest the rolling five-year average is about 7.5 million cattle slaughtered in Australia. So that is a lot of productivity gained over that period of time. But industry has a lot of research projects. The industry is addressing the beef language with a view of assisting exporters in the process of using that language to help market our product. But that also goes back to how we are going to get more data—

Answer:

Over the past fifteen years the average Australian carcass weight has increased 15 kilograms.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 205

Division/Agency: Meat and Livestock Australia

Topic: Research and development priorities for new research

Proof Hansard page: 9-10

Senator CAMERON asked:

Senator CAMERON: What sort of research and development priority are you giving to new research on sustainability in the industry?

Mr Norton: MLA is assisting a newly formed sustainability model, which industry is going to control and develop. MLA is providing secretarial support. So it is an industry-led sustainability forum, under RMAC, for the whole of the beef industry.

Senator CAMERON: What is the expenditure from you on this?

Mr Norton: I can take on notice and give you a full budget on exactly what we are doing in sustainability. But industry is working to a sustainability framework to communicate the Australian beef industry's commitment to sustainability in the community.

Answer:

From 2010–11 to 2014–15, Meat and Livestock Australia (MLA) invested \$83 million in on-farm and off-farm environmental sustainability research. MLA has worked with a number of partners to leverage funding including across research organisations, regional natural resource management bodies and the Australian Government funding initiatives.

MLA is acting as the secretariat for the Red Meat Advisory Council Steering Group, which will lead the development of the beef industry sustainability framework. \$132 000 has been budgeted for 2015-16.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 206

Division/Agency: Meat and Livestock Australia

Topic: Consumers on committee

Proof Hansard page: 10

Senator CAMERON asked:

Senator CAMERON: I have two questions and then I am finished. Are there any consumers on this committee?

Mr Norton: I can give you the exact breakup of everyone that is on the committee. At this point in time, I cannot tell you exactly whether there is or is not. I thought I had a list of all the committee members. I must have it in other briefing notes. But I can give that to you on notice.

Answer:

The Red Meat Advisory Council has appointed a ten member Steering Group to lead the development of a sustainability framework for Australia's beef industry.

The Industry Steering Group comprises:

- **Prue Bondfield** (Chair), is a Queensland cattle producer and seedstock operator with a background in law and project management.
- **Tom Stockwell**, is a Northern Territory cattle producer and previous DPI manager from Katherine with over 20 years' experience with research and extension in northern cattle operations.
- **Tony Hegarty**, is a New South Wales cattle producer with a focus on natural resource management and almost 30 years involvement in the Landcare movement.
- **Pip Job**, has a background in cattle production and an executive member of Landcare NSW with a focus on establishing regenerative agricultural systems to create sustainable food production and environmental outcomes for many generations to come.
- **Richard Rains**, has over 40 years' experience promoting and selling Australian beef to the world with a strong understanding of the Australian beef supply chain and what our major customers are requiring.

Question: 206 (continued)

- **Tess Herbert**, is a sixth generation cattle producer with a successful feedlot in Central NSW and a commitment to animal welfare and innovation in the feedlot sector.
- **Jim Cudmore**, led the review of how the Australian beef industry should promote its sustainability credentials, which was the precursor to this group being formed, and a former feedlot manager and well respected industry veteran.
- **Mark Inglis**, has a background in animal husbandry and animal production in a broad range of properties including in Western Australia's Kimberley. In his current role, he has developed a detailed understanding of emerging customer requirements around production practices.
- **Tom McGuire**, has been involved in the Australian meat industry since 1997 and has a deep understanding of the Australian beef supply chain and what international customers are requesting the Australian industry to demonstrate in the areas of sustainability.
- **Dr Peter Barnard**, has over 30 years' experience providing market information to the Australian beef industry and assisting the industry during Free Trade Agreement negotiations.

Meat & Livestock Australia is acting as the Secretariat for the steering group.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 207

Division/Agency: Meat and Livestock Australia

Topic: Domestic beef prices

Proof Hansard page: 10

Senator CAMERON asked:

Senator CAMERON: In terms of the declining herd and the increased demand, the herd is declining and you are trying to increase and maintain demand for a number of reasons. Will domestic beef prices continue to rise?

Mr Norton: Our analysis for 2016 is that, given the way global economies have opened up, we think it will be stable for beef in 2016, to the consumer at current price levels.

Senator CAMERON: Can you provide that analysis?

Mr Norton: Yes. I would take that on notice.

Answer:

There was a significant rise in retail beef prices during 2015 due to high global beef prices in the wake of low availability. However, as has been the case in the past, a significant rise is usually followed by a period of stabilisation.

During 2016, some of the pressure that caused global beef prices to rise in 2015 will be alleviated by a three per cent year-on-year rise in Brazilian beef production (to 9.6 million tonnes carcass weight equivalent) and nine per cent jump in exports by Brazil (to 1.8 million tonnes carcass weight equivalent).

Additionally, a five per cent rise in US beef production (to 11.4 million tonnes carcass weight equivalent) will further alleviate some of the global supply constraints.

Refer also to response to QoN 217 from Additional Estimates February 2016 for the impacts of government policy on prices.

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ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 208

Division/Agency: Meat and Livestock Australia

Topic: Details of analysis about prices on lamb

Proof Hansard page: 11

Senator CAMERON asked:

Senator CAMERON: Well, I am talking to the expert. What is the price per kilo for a leg of lamb?

Mr Norton: Over the Australia Day period it was being discounted down to about \$8 per kilo. But you will find prices anywhere between \$8 and \$20 per kilo, in my best estimate. I can give you the exact price at a point in time on any given day, if required.

Senator CAMERON: Can you give us details of your analysis about prices on lamb as well?

Mr Norton: Yes, absolutely.

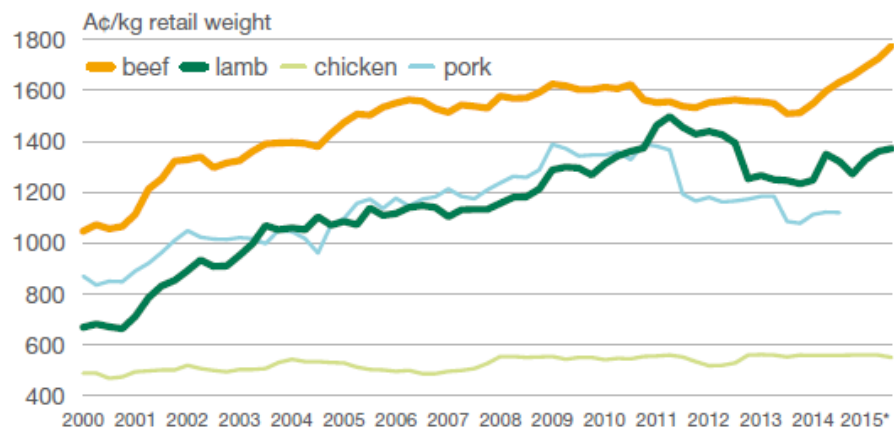
Answer:

Lamb consumption in the Australian market was expected to fall three per cent year-on-year in 2015, to 214 000 tonnes carcass weight. Despite lamb's strong niche position in the Australian market, the major challenges in 2016 are the expected decline in supply and continued strong demand from export markets – forecast to take 44 per cent of total production. Consequently MLA expects continued high lamb retail prices.

Figure 18 from the Australian sheep industry projections 2016 (www.mla.com.au/Prices-markets/Trends-analysis/Sheep-projections), illustrates this commentary:

Question: 208 (Continued)

Figure 18 Australian retail meat prices*



Source: ABS

* = subject to revision

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 209

Division/Agency: Meat and Livestock Australia

Topic: Update on establishment of a cost-effective automated cattle transaction levy system

Proof Hansard page: 11

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: You might be surprised to know that this committee worked very well together on a very significant inquiry only recently. My question relates to recommendation 2. The inquiry was on industry structures and systems governing levies on grass-fed cattle. We obviously have a couple on levies. Recommendation 2 was for the establishment of a cost-effective automated cattle transaction levy system. I know we have discussed updates in estimates following that. Could you give us an update on how you are going with that—or how you are not going with that?

Mr Norton: As instructed by industry, we went out with a paper around the alternatives. Three alternatives were given back to industry. I can give you that on notice or I can read out now what those alternatives were, if so desired. But it is with the industry.

Answer:

At peak council request, Meat & Livestock Australia (MLA) commissioned a review into the best method of registering and determining voting entitlements, 'Review of MLA process for registering and determining voting entitlements'. The report is available online at www.mla.com.au/Research-and-development/Industry-issues.

MLA's peak industry councils have subsequently advised MLA that they support legislative changes requiring levy collection agents to pass levy data to a nominated commercial data and registry provider.

Legislation to amend the *Primary Industries Levies and Charges Collection Act 1991* to facilitate levy-payer registers has been introduced to parliament. A levy-payer register is a necessary precursor to consideration of automated cattle transaction levy systems.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 210

Division/Agency: Meat and Livestock Australia

Topic: Producers potential for MLA membership

Proof Hansard page: 11-12

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: That was one of my questions. You have 49 000 people registered as members of the MLA. How many producers have you identified as being potentially eligible for membership?

Mr Norton: We rely on ABARES data around who is a primary producer and then who is a red meat primary producer. I would have to take on notice the exact number, because we have been given extreme variances in what that number is—whether it is an enterprise level or an individual, et cetera. Identifying exactly who is a levy payer versus the company, versus an individual et cetera. Anywhere between 70 000 and 100 000 is our guess. But I will take it on notice and come back to you.

Answer:

At present Meat and Livestock Australia (MLA) relies on Australian Bureau of Statistics (ABS) data to indicate the number of red meat producers in Australia, all of whom would be eligible for MLA membership.

The ABS *Australian Farming in Brief*, 2013 identifies:

- Sheep farming (specialised): 11 944
- Beef cattle farming plus beef cattle feedlots (specialised): 38 752
- Sheep-beef cattle farming: 6 526
- Grain-sheep or grain-beef cattle farming: 11 552
- Total: 68 774

Source: www.abs.gov.au/ausstats/abs@.nsf/Lookup/7106.0Main+Features22013

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 211

Division/Agency: Meat and Livestock Australia

Topic: Voting entitlements

Proof Hansard page: 12

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: How many members submitted a notice for increased voting entitlements based on levies paid at the last MLA AGM?

Mr Norton: I will have to take that on notice.

Senator WHISH-WILSON: Okay. How many voting entitlements were there in the last AGM? How many votes could potentially be cast?

Mr Norton: It is 3.74 per cent—and I will clarify that on notice—of available members of MLA.

Senator WHISH-WILSON: So only 3.74 per cent?

Mr Norton: To equate that to actual numbers, in 2015 it was 7,628 of a potential 49,756. That is 3.74 per cent of members. That is higher than 2014, which was 2.86 per cent.

Answer:

In 2015, 7 628 out of 49 756 members registered for their full voting entitlement. At the 2015 Meat and Livestock Australia (MLA) Annual General Meeting 1 865 members cast a vote (by proxy or in person). This represents 3.74 per cent of members. By comparison, 1 413 out of 49 260 cast a vote in 2014, which represented 2.86 per cent of members.

In the absence of a full information about the amount of levy paid by individual levy payers, MLA is unable to provide detail of total voting entitlements and number of votes that could potentially be cast. The sliding scale of voting entitlements also prevents a reliable estimate of total potential votes.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 212

Division/Agency: Meat and Livestock Australia

Topic: Number of voting entitlements exercised

Proof Hansard page: 12

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: Thank you for that, Minister. How many of these voting entitlements were exercised? How many votes were actually cast?

Mr Norton: 1 865 voted. I can give you, on notice, all of that detail. The numbers have been rising slightly. We benchmark it against other ASX listed companies and other RDCs. They are mostly consistent with annual general meetings, which are becoming very procedural-based AGMs

Answer:

See QoN 211

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 213

Division/Agency: Meat and Livestock Australia

Topic: Voting entitlements

Proof Hansard page: 12-13

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: What is the average entitlement holding of those who voted at the last AGM?

Mr Norton: I will have to take that on notice. But MLA has a sliding scale of voting entitlements, which I can provide to you verbally now or in written format.

Answer:

Meat and Livestock Australia (MLA) is unable to provide the average voting entitlement of members (see QoN 211).

All MLA members automatically receive one vote at the MLA Annual General Meeting and are allocated additional voting entitlements, dependent on the amount of levies paid.

Voting rights are calculated on a sliding scale, giving smaller producers a greater say proportionate to how much they have paid in levies.

MLA voting entitlements are calculated via the following transaction levy scale:

1. \$0 to \$29 088 (one vote for each \$1 received by MLA)
2. \$29 089 to \$87 263 (29 088 votes + 0.75 votes for each \$1 received in excess of \$29 088)
3. \$87 264 or more (72 719 votes + 0.5 votes for each \$1 received in excess of \$87 263)

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 214

Division/Agency: Meat and Livestock Australia

Topic: Top 10 levy payers

Proof Hansard page: 13

Senator HEFFERNAN asked: CHAIR: Who is the top levy payer?

Mr Norton: A vertically integrated Australian—

CHAIR: Swifts?

Mr Norton: I think it is still the Australian Agricultural Company. I will take it on notice and give you the top 10, Senator

Answer:

Neither Meat & Livestock Australia nor the Department have access to payments made by all individual levy payers. Levy payers who are MLA members nominate the amount of levy they pay when they register for their voting entitlements before each annual general meeting. These amounts, and subsequent voting entitlements, can fluctuate from year to year depending on seasonal turnoff and production decisions making the determination of a “top ten” less than definitive. Further, not all members provide MLA with information about the levies they pay in any given year.

Based on information MLA received from members who did register for their full voting entitlement for the 2015 MLA annual general meeting, the top ten voting entitlements (in alphabetical order) were held by:

- A A Company Limited
- Allied Beef Cattle Pty Ltd
- Australian Country Choice Pty Ltd
- Ceres Agricultural Company Pty Ltd
- JBS Australia Pty Ltd
- Morgan Pastoral Pty Ltd

Question: 214 (Continued)

- N H Foods Australia Pty Ltd
- Nolan Meats Pty Ltd
- Teys Australia Pty Ltd
- S Kidman & Co Limited

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 215

Division/Agency: Meat and Livestock Australia

Topic: Average allocation of voting entitlement of MLA members

Proof Hansard page: 13

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: Is it possible to work out the average allocation of voting entitlements of MLA members? You can take that on notice, if you want.

Mr Norton: I will take that on notice. We should, because it is all done by a third party. We audit variances on the previous year, so if someone has enormous variances the third party will audit that levy payer.

Answer:

It is not possible to determine an average allocation of voting entitlements of all Meat and Livestock Australia members. See QoN 211.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 216

Division/Agency: Meat and Livestock Australia

Topic: Service agreement with Cattle Council

Proof Hansard page: 13

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: What form does that take? When you say 'service agreement', is that a fee-for-service?

Mr Norton: That is under a service agreement to provide services for MLA. We have deemed the peak industry council to be in a better position to carry out those services. They have milestones and guidelines under that service agreement around what is required under that service agreement. It is not just a cheque for \$750,000. In this particular service agreement, they are to build industry leadership and capacity within the grass-fed beef sector and report back to MLA on that. They will obviously incur costs to do that, which is why we formalised it in that service agreement. I am more than happy to provide that service agreement.

Answer:

Cattle Council of Australia is the prescribed industry body for the purpose of s.59 *Australian Meat and Live-stock Industry Act 1997*.

Accordingly, Cattle Council is contracted to deliver key industry services for the grassfed beef industry through the project "Building capacity in the grassfed beef industry" on behalf of Meat and Livestock Australia (MLA).

MLA consulted the Department of Agriculture and Water Resources to ensure this project is consistent with the Deed of Agreement between the department and MLA.

The project aims to provide long term benefit to all grassfed beef levy payers by:

1. Developing the capacity of the grassfed beef industry in order to provide skilled leadership into the future; and
2. Acquiring expert knowledge from industry, including thought-leaders, to inform MLA programs and activities.

The service agreement is attached.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 217

Division/Agency: Meat and Livestock Australia

Topic: Contribution of government policy to gate price of beef and lamb.

Proof Hansard page: 15

Senator CAMERON asked:

Senator CAMERON: Yes, we have been through all of this. I'm asking a simple question: how much does government policy contribute to the gate price of beef and lamb in this country?

Mr Norton: I would have to take it on notice if to give you exact numbers.

Mr Quinlivan: Can you be a bit more specific about which policies you—

Senator CAMERON: I am asking about any policy. It is a simple question, Secretary. I thought Mr Norton understood quite clearly.

Mr Norton: If it is government policy to match levy funds for research and development, which obviously it is, with a five dollar levy imposed on a grass-fed animal, 92 cents of that must be spent on R&D for the grass-fed sector. Where it is spent it is matched by government funding.

Senator CAMERON: You have taken it on notice. You are going to come back and you are going to tell me and the committee how much you can say government policy contributes to the gate price?

Mr Norton: Yes.

Answer:

There are a number of Australian Government policy areas that have a direct impact on the prices received at the farm gate, including market access gains through trade liberalisation and successive governments' policy to provide matching dollars for research and development investment.

Australian Government trade reform initiatives have a direct impact on the farm gate prices of Australian beef cattle and sheepmeat producers. Market access gains - incorporating the recently concluded free trade agreements with Japan, Korea and China- will see the red meat industry realise significant gains. The successful negotiation of access to additional livestock export markets, including Egypt, Bahrain, Iran, Cambodia, Thailand, Lebanon and China, also plays a direct role in creating market opportunities and building demand for Australian livestock.

Question: 217 (continued)

Meat and Livestock Australia's (MLA's) investment in market access was instrumental in ensuring the potential opportunities from trade reform were realised to the maximum extent possible by the red meat industry.

For example, under the China-Australia Free Trade Agreement (ChAFTA) the Centre for International Economics (CIE) has estimated that tariff reductions have the potential to boost the gross value of beef production by \$270 million annually by 2024. Out to 2030, the total benefits for beef will approach \$3.3 billion. Analysis by CIE suggests that beef cattle prices (producer returns) could increase by 8c/kg (dressed weight) above pre-ChAFTA levels.

For the sheepmeat sector, the potential benefits are more than \$150 million each year by 2024 – with the value over the next 16 years being in excess of \$1.8 billion. Similarly, economic modelling by the CIE indicates that the elimination of these tariffs under ChAFTA could result in sheepmeat prices paid to producers increasing by 13-26c/kg (dressed weight).

As China is a destination for nearly 90 per cent of Australia's sheepskin exports and 80 per cent of cattle hides, elimination of these tariffs, as well as those on offal, will add \$436 million a year by 2024 across both beef and sheepmeat – and out to 2030, these benefits could total \$6 billion. The benefits of ChAFTA, which in total around \$11 billion (to 2030), will add significant value to the Australian red meat and livestock industry.

With regard to the Australian Government policy to provide matching dollars for research and development investment, in 2014-15 MLA invested \$92.9 million in red meat research and development projects, covering a number of areas including genetics, environmental sustainability, feeding and finishing, human nutrition and meat safety.

Across this diverse portfolio MLA has invested in programmes such as Meat Standards Australia (MSA), which is used globally to underpin beef and lamb brands. The MSA program returned on average an additional 33c/kg above non-MSA prices to cattle producers in 2014-15, with more than 3.22 million cattle and 3.47 million sheep being graded through the MSA program in the 2014-15 financial year.

Other areas of research and development investment include the development of psyllid-resistant "Redlands" variety leucaena. Leucaena pastures are suited to more than 13 million hectares of Queensland. Only 250 000 hectares of Queensland is currently planted to leucaena, yet its high nutritional value has improved production and profitability from this area by adding an estimated 50 000 tonnes of live-weight gain per year. This is worth an extra \$100 million to the state's beef production.

MLA recently commissioned an update on the 2012 report "Regulatory costs and assistance to the red meat and livestock industry" (ProAnd Associates, September, 2012) which will identify areas of government policy that impose red-tape and associated cost at the farm gate.

Additionally, Government fiscal and monetary policy has the potential to affect farm gate returns.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 218

Division/Agency: Meat and Livestock Australia

Topic: Governance of MLA

Proof Hansard page: Written

Senator WHISH-WILSON asked: Confirming commitments given by the MLA during their appearance to answer questions on notice during Additional Estimates. In particular, the MLA suggested that 7 628 out of a potential 49,756 members voted, but that this equated to 3.74 per cent:

Senator WHISH-WILSON: Okay. How many voting entitlements were there in the last AGM? How many votes could potentially be cast?

Mr Norton: It is 3.74 per cent—and I will clarify that on notice—of available members of MLA.

Senator WHISH-WILSON: So only 3.74 per cent?

Mr Norton: To equate that to actual numbers, in 2015 it was 7 628 of a potential 49 756. That is 3.74 per cent of members. That is higher than 2014, which was 2.86 per cent.

Answer:

See QoN 211.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 219

Division/Agency: Meat and Livestock Australia

Topic: Independence of CCA

Proof Hansard page: Written

Senator WHISH-WILSON asked: The MoU between the CCA and MLA states that peak councils must assess the performance of industry service companies in service delivery in goal achievement. If the CCA is dependent on the MLA for 50% of its funding, do you have confidence that the CCA can provide independent oversight of the MLA?

Answer:

Meat & Livestock Australia is confident that there is sufficient governance around the funding it provides to Cattle Council of Australia to ensure it is able to perform its functions as a peak industry body.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Budget Estimates February 2016

Agriculture and Water Resources

Question: 220

Division/Agency: Meat and Livestock Australia

Topic: Cattle Industry

Proof Hansard page: written

Senator Sterle asked:

1. MLA has indicated that the cattle industry will be influenced by a number of extreme forces in 2016 – provide detail as to what these forces are?
2. The next two years will see the lowest levels of cattle supply in more than 20 years. What impact will this decline have on our cattle supply both domestically and in the export market?
3. In July 2015 Minister Joyce signed off on health protocols for the export of live cattle into China. The Minister stated “The first exports would take place next year and initially about 40,000 to 50,000 head will be able to be exported”. Will this be a reality in 2016?
4. MLA has stated that there is an expectation that the average carcass weight will increase significantly, how confident is MLA that this expectation will come to fruition?
5. Is long term sustainable cattle production an R&D priority for the MLA?
6. What will be the greatest risk to rebuilding Australia’s cattle herd?
7. With the declining herd and increased demand could we see domestic beef prices rising significantly?
8. Could we see a leg of lamb selling for \$100?

Answer:

1. On the supply side—limited cattle availability, with the national herd estimated to fall to 26.2 million head by 30 June 2016, before gradually declining again in 2017, to 25.9 million head. Meat and Livestock Australia (MLA) predicts that Australia is going to have a downturn in numbers of cattle sold for the processing sector and availability for the live export sector. On international markets there is growing competition with Brazil in markets such as China and the Middle East, and increased beef production in the US which will place downward pressure on global prices.
2. Beef and veal exports are expected to fall as a result of lower production, not reduced demand. The prediction of the Australian dollar to average between 66-69US¢ is a

Question: 220 (Continued)

significant positive, but needs to be balanced against the heightened competition from Brazil in many markets; the expectation of high US poultry and pork production; higher year-on-year US beef production; and significantly weaker US beef markets compared to 12 months ago.

3. The Australian and Chinese Governments have opened up the opportunity for trade to occur. The negotiation of protocol for the export of slaughter/feeder cattle destined for China was finalised in October 2015 and an initial shipment of 150 cattle has been sent. There continues to be significant commercial interest both in Australia and China to trade in Australian feeder and slaughter cattle. The commercial environment is dynamic and the trade volume will ultimately be determined by commercial factors the most important being supply and price. It is difficult to predict the exact numbers of cattle that may eventually be sent to each export market, given there is a greater number of markets now available for exporters.
4. See QoN 204
5. See QoN 205
6. It is impossible to identify any single greatest risk to rebuilding the Australian cattle herd. Rebuilding the herd will be influenced by a range of factors including seasonal conditions, market conditions and productivity gains through adoption of research and development in areas such as genetics, pasture improvement and global market conditions.
7. See QoN 207
8. Average prices for legs of lamb are highly unlikely to sell for \$100 in the foreseeable future. See QoN 208.