Senate Standing Committee on Rural and Regional Affairs and Transport

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2009

Agriculture, Fisheries and Forestry

Question: MLA 01

Division/Agency: Meat and Livestock Australia
Topic: Live Exports
Hansard Page: Written

Senator Seiwert asked:

The Federal government co-funded with MLA a restraint device for the Amman abattoir in Jordan in 2006 at a cost of $112,000, and the device has now been replaced after having been deemed inhumane by animal protection experts and two of MLA's senior consultants.

1. On whose advice was this box installed?
2. Which company provided it?
3. What steps did the government take to ensure that this device was humane before approving the recommendation?

Answer:

1. The restraining box installed in 2006 was recommended by animal welfare experts engaged by Meat and Livestock Australia (MLA) and LiveCorp. These consultants reported on the unacceptable slaughter of cattle without a race, restraining device or stunning, at the Amman Municipal Abattoir. Industry recommended to Government that a basic restraint box, along with infrastructure improvements such as a curved race leading to the box, be jointly funded. The installation of this restraining device significantly improved the animal welfare for cattle slaughter at the abattoir.

2. Food Equipment Australia (FEA) prefabricated the box, put it in a container and shipped it to Jordan.

This response was provided by the Department of Agriculture, Fisheries and Forestry.

3. Installation of the restraining box was funded under the department's Infrastructure projects under the International Agricultural Cooperation program (IAC) and the Live Animal Trade Program (LATP). IAC and LATP projects are largely done in cooperation between the Government and the Australian industry, with industry providing expertise and advice on appropriate equipment. In the case of the restraining box in Jordan, industry (MLA and LiveCorp) provided advice to the Government on the design appropriate to meet the required functionality for the restraining device with the view to address animal welfare issues that were identified by industry consultants at the time. In this case, the device originally provided subsequently had maintenance and other difficulties that resulted in a decision to replace it with an alternative system that has recently been installed.

Question: MLA 02

Division/Agency: Meat and Livestock Australia
Topic: Retail Prices
Hansard Page: Written

Senator Williams asked:

MLA is mostly funded by producer levies ($5 per head sold). The supermarket share of the consumer dollar continues to rise and the producer share fall (now 25% when producers in the USA, UK and NZ are on over 45%).

1. Why does the MLA measure the result of its advertising expenditure on what consumers pay for beef rather than the price of cattle sold by those who fund it?

2. Why didn't MLA give evidence to support producers at the ACCC Grocery Inquiry in 2008 when they had given evidence at the ACCC inquiry into Livestock Prices in 2007?

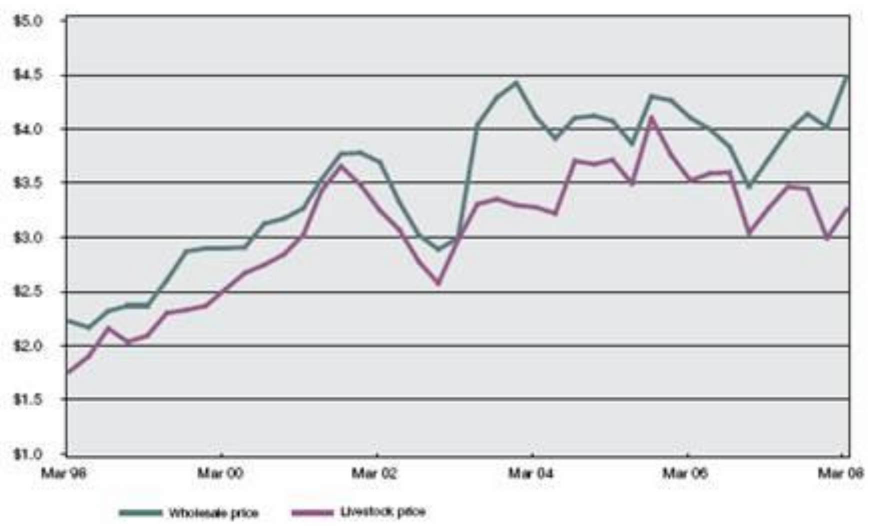
3. Are they too close to the supermarkets with their advertising payments?

Answer:

1. Meat and Livestock Australia's (MLA) marketing efforts are directed towards increasing the share of the consumer dollar for beef, lamb and goat meat. The value obtained from overall increases in consumer expenditure will flow to various sectors in the supply chain according to the prevailing supply and demand conditions at any one time.

   The tracking of retail prices and livestock prices show that while the two do not move in direct unison, they do trend together over time.

Chart 12.16 Beef livestock and wholesale price movements



Source: MLA

The above chart illustrates the average livestock prices for domestic steers and average wholesale prices for beef. The chart shows that the farm gate price has not been stagnant. The price is extremely volatile but has moved upwards in nominal terms by 85 per cent between March 1998 and March 2008. Using the CPI as a deflator to account for rising costs, the increase in real terms is slightly more than 35 per cent over the same period. (Chart and data was data provided to the ACCC inquiry into the competitiveness of retail prices for standard groceries, July 2008).

2. MLA provided background information to both the ACCC directly and to the NFF for their submission to the inquiry.

   MLA provided background data and information for both of the ACCC inquiries and this information is quoted throughout the relevant sections on meat in its final report on the grocery inquiry.

   MLA did not lodge a formal submission to the grocery inquiry, nor appeared before the ACCC as we viewed the most appropriate people to appear and lodge submissions were the commercial operators involved in the supermarket supply chain, and the agri-political lobby groups. MLA is neither, but is a statutory funded service provider and provided data collected to the ACCC.

3. MLA's expenditure with supermarkets is aimed at maintaining retailer focus on the importance of the beef and lamb categories for retailers and assisting in the preparation and presentation of beef and lamb to consumers in such a way as to drive demand for products.

   Coles and Woolworths, the largest domestic purchasers of beef, each purchase around 6 per cent of domestic production.

Question: MLA 03

Division/Agency: Meat and Livestock Australia
Topic: Director Remuneration
Hansard Page: Written

Senator Williams asked:

Why have the Directors of MLA sought, and with Cattle Council and ALFA support, achieved a large increase in their remuneration at a time when Australia cattle prices are the second lowest in the developed world and falling?

Answer:

In the year 2000 the Meat and Livestock Australia (MLA) Board put a resolution to the AGM to cap the total amount that could be paid in Director's fees and this capped amount totalled $500,000.

This resolution was the first time that a capped amount had been proposed and the resolution was passed by 98 per cent of votes in favour. What that cap did was to create a pool of fees that could be paid to the nine non-executive Directors plus the Chairman. It did not cover the Managing Director's salary.

In the eight years that the cap has been in existence, the fees paid to Directors have increased twice: once in 2002 with an increase of 11.43 per cent and once in 2004 with an increase of 4.75 per cent. Directors' fees have not been increased for the last four years.

The current cap has lasted eight years since it was introduced. Today, Directors are each paid $40,850 per annum excluding superannuation and the Chairman is paid $81,700 per annum again excluding superannuation. The combined Directors' fees for the ten existing non-executive Directors including the Chairman now almost total the existing cap so there is no room to apply any further increases in fee levels.

The Directors currently spend about 25 days a year on Board meetings and for many an average of about 30 days at MLA events totalling somewhere approaching 50 days and the Chairman spends about 200 days a year on MLA business.

An independent survey was commissioned by the Board to determine what the market pays Directors in similar organisations.

This found Directors' fees in similar organisations were about $60,000 per annum and the Directors in those organisations spent about 15-20 days on business.

To maintain a skills-based Board, MLA believes that it's important to be competitive with the rest of the marketplace or MLA may not be able to attract the Directors that are needed for the Board.

At the 2008 MLA AGM there was a resolution to increase the available amount, that's the cap, that can be paid to Directors. It was proposed that the cap be increased from $500,000 to $750,000 to create some space for gradual increases in fees. The previous cap allowed increases for eight years and the new cap is expected to allow the same. The resolution specified a proposal to increase the Directors fees on the 1st of January by 4.53 per cent.

The resolution was passed, however, as the resolution was clearly put together at a time prior to the current economic climate, the Board agreed to freeze the Directors' fees at their current level in view of the current economic climate and to review them in six months time.

Senate Standing Committee on Rural and Regional Affairs and Transport
ANSWERS TO QUESTIONS ON NOTICE
Additional Estimates February 2009
Agriculture, Fisheries and Forestry

Question: MLA 04

Division/Agency: Meat and Livestock Australia
Topic: Staff Management Issues
Hansard Page: Written

Senator Williams asked:

Can MLA members have the findings from the Ernst & Young Inquiry into NLIS farm online poll rort?

Answer:

Ernst & Young provided a series of factual findings and observations based on its investigations. This included transcripts from interviews with employees. The Ernst & Young investigation provided Meat and Livestock Australia (MLA) with a series of findings.

It is not appropriate for MLA to publicise HR matters involving its staff. MLA has an obligation to ensure that all staff are treated fairly and equally and in a manner that appropriately reflects MLA duties to its employees.