Question: MLA 01

Division/Agency: Meat and Livestock Australia
Topic: Brazilian Meat Inspection System
Hansard Page: Page 66 (25/05/2009)

Senator Back asked:

Senator BACK—And, finally, is there any impact on Australia in comparison to the Brazilian market?

Mr Palmer—I know a bit about Brazil but I am not sure how their meat inspection is provided and I am happy to take that question on notice. They do have some advantages over us. Their cost of processing generally is significantly cheaper than ours but I am not specifically familiar with the impost on meat inspection.

Answer:

Brazilian Slaughter Inspection Systems:

Meat inspection systems are similar for beef, poultry and pork. Three systems are currently in use:

• SIF = federal inspection system (Sistema de Inspeção Federal)
• SIE = state inspection systems
• SIM = municipal systems

The SIF system is required for all plants which sell product out of the state or to export markets. SIE sell product within the state and are also characterized by much smaller scales of operation, with very little added value derived from cuts and processed products, mostly carcasses and quarters, bone-in.

The key difference between SIF and SIE systems is the permanent presence of inspectors at SIF slaughterhouses, while inspection at SIE plants is periodic. These inspectors are employees of the Brazilian Ministry of Agriculture (MAPA).

The SIM works with operations generally located in rural areas and products are sold at the municipal markets, door-to-door, or in open-air farmer fairs.

Question: MLA01 (continued)

According to Agra FNP (a global agricultural consultant), 65 per cent of slaughter is performed at SIF plants, 16 per cent at SIE plants and 5 per cent at SIM plants (totalling 86 per cent of slaughter).

As of early 2008, there were 315 SIF slaughterhouses in Brazil, the majority in the state of Sao Paulo.

SIF inspection has increased as a result of consumer concerns about the quality of beef purchased and increased focus by government.

Meat and Livestock Australia has been unable to source information on the costs of the system at this time.

Question: MLA 02

Division/Agency: Meat and Livestock Australia
Topic: Meat Pricing Information
Hansard Page: Page 79 25/05/2009

Senator Heffernan asked:

Senator HEFFERNAN—I recently walked through a few butcher shops and supermarkets and I noticed in Melbourne—I had better not name the institution—in a food market in a well-known retail space, they were selling cutlets and loin chops by the chop, instead of by the kilo, with no mention of weight. They said, ‘No, that is all right. That is how we do business in Victoria’. So I went to Civic, here in Canberra, and I noticed they are selling it by the cutlet, and I asked them to weigh the cutlet to give me a kilo price and it came back at $44, or whatever it was, a kilo. The chops here were $2.50, and they were $2.50 in Melbourne. Then I went to a suburb in Sydney, and they were $2.80 in Sydney. My question is; are they breaking the law?

Mr Palmer—I am a bit familiar with New South Wales, and I can happily look into what the laws are in other states. I know that in New South Wales there is always a kilo price and then in supermarkets there is a pack price. I have seen in other places where cutlets or shanks are sold individually but there is a kilo price generally somewhere in the window. I know there have been lots of submissions over the years about changing from a kilo rate to perhaps a 100-gram rate, not dissimilar to the Asian markets. I know in New South Wales the kilo rate is mandatory, and a pack price can go with that, or a unit price. But I am happy to look into the other states and get a response to you.

HEFFERNAN—Having just come back from the United States and Canada—where they have it per 100 grams—do you have a view as to the best way for consumers to get a grip on just exactly how much they are paying for the meat they are buying?

Mr Palmer—Of course, 60 per cent of the meats retail through supermarkets and they have a pack price, so it is very clear; you pick up the pack and that is the price of it. We have not been overwhelmed by consumer criticism.

HEFFERNAN—No. I have a sympathy for the butcher, I have to say. But I did put it to him ‘were you breaking the law?’ and he said, ‘No. I am competing with the supermarket up the road.’ That was his answer.

Mr Palmer—I understand and accept that. At MLA we have not been inundated at all by consumers looking for a different pricing mechanism.

Senator HEFFERNAN—Just the same, it needs to be sorted. As I say, it was $44 a kilo.

Mr Palmer—You seem to know the consistencies, or lack of, between states, and I am happy to look into it.

Question: MLA 02 (continued)

Answer:

According to the Australian Meat Industry Council (AMIC) all state legislation mirrors each other on unit pricing. Retailers can sell by unit prices; however, they must also display the minimum weight and the price per kg on the product. There are also rules about the font sizes that are used and that the retailer weigh the product in front of the customer.

Question: MLA 03

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

Senator Heffernan asked:

1. What is the current total staffing for MLA - permanent and temporary since 1 July 2008?

2. Are there any plans for any staff reductions? If so, please advise details ie. reduction target, how this will be achieved, services/programs to be cut etc.

3. How much have you paid for consultants since 1 July 2008? Could we have a list of the consultations and what they were for?

4. Has your consultancy expenditure increased due to reduced staffing?

5. How much has MLA spent on the replacement of capital items in the first six months of 2008-09? With an Emissions Trading Scheme being proposed for 2011, and a decision on whether agriculture will be included by 2013, what effect would including agriculture in an ETS have on beef and lamb prices?

6. ABS Estimates in 2008 state that a $40 carbon permit would increase the cost of production for 25% to beef producers and 20% to lamb producers. How do you see this as impacting the industry? How many beef and lamb producers would no longer be viable?

7. We've recently had the scare of a 'swine flu' outbreak in Mexico causing a bit of a panic around the world about the safety of pork products. What is the Meat & Livestock Association doing to assure Australian consumers that there is no risk of contracting 'swine flu' from eating Australian pork? Do you see the publicity surrounding swine flu as a potential cause for concern for our pig farmers?

8. In terms of meat labelling, NSW is threatening to move ahead with its own "truth in labelling" scheme within 6 months if the Federal Government fails to take action. When can we expect a Federal scheme to be in place? What moves is the Government making to ensure a national scheme is put in place as soon as possible?

Question: MLA 03 (continued)

9. The Cattle Council has long supported stricter labelling for beef being sold on the domestic market, but what is the view of MLA towards the proposed "truth in labelling" laws in NSW and potentially at a Federal level?

10. The US has recently brought in laws which require meat products to have the country of origin clearly labelled on the packets, Canada claims that this has seen their pork exports to the US drop by 40%. Are you aware of similar problems being suffered by Australian meat producers? What moves are being taken to ensure that Australian farmers are protected from any potential backlash against imported meat into the US?

Answer:

1.

Employees (incl Temps, Contractors)	**July 2008**	**April 2009**
Australia - Permanent, P/T	176	178
- Fixed Term	25	16
International	30	30
Expatriates	7	7
Total Employees	238	231
Temps & Contractors	9	9
Total	247	240

2. The target for 09/10 is for all support costs, overheads, wages etc to be held at the same level as 07/08. Savings programs are implemented to reduce costs in order to offset costs increases in other areas. However during the last month MLA has embarked on a series of major research projects, with a major part of the funding coming from the Australian Government, on the reduction of greenhouse gases. This will require additional employees (fixed term contracts) to project manage and drive such a large number of projects.
3. MLA uses expert consultants in many of the R&D projects underway. These consultants cover a wide range of expertise from food safety, eating quality, electrical stimulation, gene markers, pasture growth etc. The use of these consultants varies significantly from year to year. They can be employed through a research provider, for example CSIRO, a university or they can act independently. Any consultants employed for the purpose of carrying out a role that could have been completed by staff are classified as a contractor and included in the numbers provided in the answer to question 1.

4. No

5. Part 1 – Capital expenditure for the 11 months to 31 May 2009 is $880,000.

Question: MLA 03 (continued)

Part 2 - All points in the red meat production chain, from farmer to processor, will potentially be affected by the introduction in 2011 of the proposed Carbon Pollution Reduction Scheme (CPRS). Farmers will initially be affected through increased energy (electricity) and other costs (fuel, fertiliser and transport) as a consequence of the CPRS.

Processors will be affected on commencement of the scheme as a number of them are above the inclusion threshold (emissions of more than 25 kilo tonnes of carbon dioxide equivalent) and so will be required to purchase permits. Processors will also face increased costs for their inputs. These emissions and input costs will be associated with electricity, transport and wastewater management.

It is likely that some of these increased costs faced by processors will be passed on to farmers in the form of lower prices paid for livestock. Farmers and processors will be affected significantly if agriculture is included in the CPRS in 2015 (a decision that will be made in 2013).

An ABARE report released on 1 June 2009, *Effects of the Carbon Pollution Reduction Scheme on the economic value of farm production*, estimates that the additional input costs in 2011 (electricity) would result in a 0.3 to 0.5 per cent decrease in the value of production for average livestock farms even with no pass back of costs from processors. The decrease in value of production with 100 per cent pass through from processors to farms would be 2.4 to 2.9 per cent on average for sheep and beef producers in 2011 and as much as 13.2 per cent for beef producers in 2015 even if agriculture remains uncovered in the CPRS and 21.7 per cent if agriculture was covered under the CPRS.

The initial CIE research (October 2008) indicated that the farm gate price (net of the emissions charge) of both beef and sheepmeat would fall by 2030. Beef prices could be 18 per cent lower than otherwise and sheepmeat prices nearly 15 per cent lower.

Question: MLA 03 (continued)

The updated CIE research (June 2009) explored a number of scenarios and estimated the following impacts of a CPRS:

Scenario 1: The impact on the red meat industry could be significant if both farming and processing are included in the CPRS and neither are eligible for free permits.

- By 2030 production may fall by 12 per cent relative to the business as usual (BAU) level for grass fed beef, by 7 per cent for grain fed beef and by 5 to 6 per cent for sheepmeat.
- By 2030 exports may fall by 12 to 14 per cent relative to the BAU level for beef, and by 8 per cent for sheepmeat.
- By 2030 the gross operating surplus (GOS, a measure of gross profits) of processors may fall by 62 per cent relative to the BAU level for grass fed beef, and by 27 to 32 per cent for grain fed beef, lamb and mutton.

Scenario 2: Where both farming and processing are included in the CPRS in 2015 and are eligible for free permits which are equivalent to 90 per cent of emissions in 2015 and declining by 1.3 per cent each year, the impacts on the red meat industry by 2030 are:

- Production may fall by 5.9 per cent relative to BAU level for grass fed beef, by 3.7 per cent for grain fed beef and by 1.9 to 2.3 per cent for sheepmeat.
- Exports may fall by 6.6 per cent relative to the BAU level for beef, by 1.8 per cent for lamb and by 3 per cent for mutton.
- The gross operating surplus of processors may fall by 31 per cent for grass fed beef, by 15 per cent for grain fed beef, by 11 per cent for lamb and by 16 per cent for mutton.

Scenario 3: The impacts on the red meat industry are the smallest where neither farming nor red meat processing are included in the CPRS:

- By 2030 production may fall by around 1 per cent relative to BAU level for beef, by 0.1 per cent for lamb and by 0.6 per cent for mutton.
- By 2030 exports may fall by 1 to 2 per cent for beef and mutton, and rise by 1.8 per cent for lamb (due to the assumption of an emissions trading system being implemented in New Zealand) relative to BAU.

By 2030 GOS may fall by 5 per cent for beef and by 3.7 per cent for mutton, and rise by 0.3 per cent for lamb (all relative to BAU).

Question: MLA 03 (continued)

6. The introduction of a CPRS must embody a strategy that enables greater opportunities to reduce greenhouse gas emissions - while at the same time securing the future profitability and international competitiveness of the red meat and livestock sector.

   MLA, in conjunction with the Australian Government and industry partners is undertaking a large volume of research in order to equip producers to contribute to a reduction in greenhouse gas emissions.

   A viable sector under any CPRS must be assured – especially if the industry is to continue to contribute to national economic growth and meet national and global food demand.

7. MLA is not involved in the pork industry.

8. *This question has been answered by the Department of Agriculture Fisheries and Forestry:*

   The costs and benefits of a nationally consistent meat-labelling scheme for processors, consumers and retailers are currently being considered by the Meat Marketing Working Group. This working group was formed through the Primary Industries Standing Committee and Primary Industries Ministerial Council in response to the interim report of the Senate Standing Committee for Rural and Regional Affairs and Transport's inquiry into Meat Marketing. The working group is also considering the recommendations of the Senate Committee's final report released on 30 June 2009.

   The working group is chaired by the department and consists of representatives of from Western Australia, New South Wales, Victoria, Queensland and South Australia (the Northern Territory, Australian Capital Territory and Tasmania declined representation).

   The working group will provide a report to the Primary Industries Ministerial Council at its November 2009 meeting.

Question: MLA 03 (continued)

9. Labelling should not make any claims that may contribute to confusion at point of purchase, misrepresent the product cut name or make statements of quality that are not supported by recognised industry standards. However, MLA is a service body for the red meat industry and it is not within MLA's jurisdiction to comment on policy matters such as the desirability of legislation – this is the role of industry peak councils and state farm organisations.

10. MLA, on behalf of the Australian red meat industry, has been monitoring the US Country of Origin Labelling (CoOL) provisions since their proposed inception. Industry has lodged several submissions with US authorities outlining the possible adverse impact on imported meat products of mandatory CoOL. The issue has also been discussed on a regular basis with the Australian Government (Department of Foreign Affairs and Trade, and of Agriculture Fisheries and Forestry).

    CoOL was introduced in the US on 16 March 2009. In response, MLA's Washington DC office is gathering quantitative evidence from US retailers and end users of the current / likely impact of CoOL particularly as it impacts ground beef. This is ongoing.

    Canada and Mexico are challenging the US CoOL provisions and have requested consultations with the US on this issue – under the WTO's dispute settlement mechanism.

Question: MLA04

Division/Agency: Meat and Livestock Australia
Topic: AQIS charges
Hansard Page: Written

Senator Heffernan asked:

1. Was there consultation with the MLA prior to the decision by Government of the proposed 40% increase in AQIS charges?

2. What is the value of this 40% increase to the Red Meat Industry?

3. What is the direct cost impact of this 40% increase on AQIS services to an export processing facility? Is it a 40% increase to current costs? If not what are the % costs increase? Is this figure closer to a 60-70% increase? Has MLA carried out a report or review, if so, can we see it please?

4. Along with this decision on 40% increase has MLA been consulting with its stakeholders re the impact of these costs on the industry? Who?

Answer:

1. There were no direct discussions with Meat and Livestock Australia (MLA).

2. MLA understands the additional costs to the processing sector are estimated at approx $40m pa.

3. MLA has not investigated the impact at a plant level.

4. MLA is not aware of discussions with stakeholders.

Question: MLA05

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

Has the MLA undertaken any research or economic modeling into the cost of the Government's proposed CPRS and emissions trading scheme on the Red meat sector?

Answer:

Meat and Livestock Australia in conjunction with the Australian red meat industry has commissioned the Centre for International Economics (CIE) and Price Waterhouse Coopers to independently review the impacts of a proposed Carbon Pollution Reduction Scheme / Emissions Trading Scheme (ETS) on the red meat sector.
The research has been used by the CIE in a report (May 2009) prepared for the Rural Industries Research and Development Corporation titled 'On farm impacts of an Australian ETS'.

The responses provided in following answers include direct extracts from the CIE research.

Question: MLA06

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

Has this been done at a farm gate level, and/or at the processing level?

Answer:

The Centre for International Economics (CIE) have completed two research reports:

- ‘Impact of an emissions trading scheme on the Australian meat and livestock industries’ (October 2008) - which quantitatively assesses the impact of an emissions trading scheme (ETS) on the competitiveness and profitability of the Australian meat and livestock industries; and

- ‘Possible impacts of the CPRS on the Australian meat and livestock industry’ (June 2009) - which updates the earlier study and provides an estimate of the impact of the carbon pollution reduction scheme on sectoral production, export, employment and farm gate prices.

The second CIE report has been made available to the Senate Select Committee on Climate Change (submitted by the Australian Meat Industry Council) on a confidential basis.

The Price Waterhouse Coopers report: ‘Opportunities and impacts of an emissions trading scheme’ (February 2009) focuses on the impacts of an ETS on the red meat processing sector.

Question: MLA07

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

Given agriculture will not be a covered industry until 2015 at the earliest will the CPRS impact financially on farmers at the farm gate level?

Answer:

All points in the red meat production chain, from farmer to processor, will potentially be affected by the introduction in 2011 of the proposed Carbon Pollution Reduction Scheme (CPRS).

Farmers will initially be affected through increased energy (electricity) and other costs (fuel, fertiliser and transport) as a consequence of the CPRS. These increased cost effects will adversely affect competitiveness.

Processors will be affected on commencement of the scheme as a number of them are above the inclusion threshold (emissions of more than 25 kilo tonnes of carbon dioxide equivalent) and so will have a requirement to purchase permits. Processors will also face increased costs for their inputs. These emissions and costs will be associated with electricity, transport and wastewater management.

It is likely that some of these increased costs faced by processors will be passed onto farmers in the form of lower prices paid for livestock.

Farmers and processors will significantly be affected if agriculture is included in the CPRS in 2015 (a decision that will be made in 2013).

An ABARE report released on 1 June 2009, *Effects of the Carbon Pollution Reduction Scheme on the economic value of farm production*, estimates that the additional input costs in 2011 (electricity) would result in a 0.3 to 0.5 per cent decrease in the value of production for average livestock farms even with no pass back of costs from processors. The decrease in value of production with 100 per cent pass through from processors to farms would be 2.4 to 2.9 per cent on average for sheep and beef producers in 2011 and as much as 13.2 per cent for beef producers in

Question: MLA 07 (continued)

2015 even if agriculture remains uncovered in the CPRS and 21.7 per cent if agriculture was covered under the CPRS.

The initial Centre for International Economics (CIE) research (October 2008) indicated that the farm gate price (net of the emissions charge) of both beef and sheepmeat would fall by 2030. Beef prices could be 18 per cent lower than otherwise and sheepmeat prices nearly 15 per cent lower.

The updated CIE research (June 2009) explored a number of scenarios and estimated the following impacts of a CPRS:

<u>Scenario 1:</u> The impact on the red meat industry could be significant if both farming and processing are included in the CPRS and neither are eligible for free permits.

- By 2030 production may fall by 12 per cent relative to the business as usual (BAU) level for grass fed beef, by 7 per cent for grain fed beef and by 5 to 6 per cent for sheepmeat.
- By 2030 exports may fall by 12 to 14 per cent relative to the BAU level for beef, and by 8 per cent for sheepmeat.
- By 2030 the gross operating surplus (GOS, a measure of gross profits) of processors may fall by 62 per cent relative to the BAU level for grass fed beef, and by 27 to 32 per cent for grain fed beef, lamb and mutton.

<u>Scenario 2:</u> Where both farming and processing are included in the CPRS in 2015 and are eligible for free permits which are equivalent to 90 per cent of emissions in 2015 and declining by 1.3 per cent each year, the impacts on the red meat industry by 2030 are:

- Production may fall by 5.9 per cent relative to the business as usual (BAU) level for grass fed beef, by 3.7 per cent for grain fed beef and by 1.9 to 2.3 per cent for sheepmeat.
- Exports may fall by 6.6 per cent relative to the BAU level for beef, by 1.8 per cent for lamb and by 3 per cent for mutton.
- The gross operating surplus of processors may fall by 31 per cent for grass fed beef, by 15 per cent for grain fed beef, by 11 per cent for lamb and by 16 per cent for mutton.

<u>Scenario 3:</u> The impacts on the red meat industry are the smallest where neither farming nor red meat processing are included in the CPRS:
By 2030 production may fall by around 1 per cent relative to the business as usual (BAU) level for beef, by 0.1 per cent for lamb and by 0.6 per cent for mutton.

Question: MLA 07 (continued)

- By 2030 exports may fall by 1 to 2 per cent for beef and mutton, and rise by 1.8 per cent for lamb (due to the assumption of an emissions trading system being implemented in New Zealand) relative to BAU.

By 2030 gross operating surplus (GOS, a measure of gross profits), may fall by 5 per cent for beef and by 3.7 per cent for mutton, and rise by 0.3 per cent for lamb (all relative to BAU).

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2009

Agriculture, Fisheries and Forestry

Question: MLA08

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

What will the impact of the Rudd Government's ETS on meat processors, exporters and food manufactures?

Answer:

See previous scenarios and response to questions MLA05, which detail impacts on gross operating surplus.

Question: MLA09

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

Will meat processors be able to afford to absorb the cost of the ETS or will it be passed back to meat producers?

Answer:

The Carbon Pollution Reduction Scheme (CPRS), by putting a price on carbon emissions, will increase costs in both red meat processing (a cost increase that will commence in 2011, when the scheme is scheduled to start) and in farming (possibly in 2015 when agriculture may be included in the CPRS - a decision yet to be made by Government).

This cost increase will be borne up and down the production chain. Some farm costs will be passed on to processors, some processor costs will be passed back to farmers, and some costs in either case will be passed on to consumers.

The Centre for International Economics research (2009) estimates the incidence of CPRS costs on farmers, processors and consumers under Scenario 1. Outlined in the answer to MLA05.

For example, by 2020 when the emissions price is $25.7/tCO2-e, grass fed beef farmers will have to absorb $329 per tonne (Hot Standard Carcase Weight), processors will have to absorb $82 / t HSCW and consumers will have to absorb $116/t HSCW.

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2009

Agriculture, Fisheries and Forestry

Question: MLA10

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

Are you concerned that the industry will not be able to compete internationally against countries which do not have an ETS?

Answer:

If Australia’s competitors do not introduce a scheme to reduce carbon, that is they do not impose a cost on their own producers, the cost of producing Australian beef and sheepmeat will tend to rise well above that of competitors. Export sales will fall, as would returns to producers. Producers in other countries will pick up sales vacated by Australia and expand production.

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2009

Agriculture, Fisheries and Forestry

Question: MLA11

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

Are you concerned about increased imports which do not have an ETS tax placed on them?

Answer:

Given the answer to previous questions, imported meat products will be relatively cheaper so imports could rise (subject to meeting strict quarantine, disease and sanitary conditions).

Question: MLA12

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

What practical, if any, measures can meat producers take to limit their exposure to the ETS?

Answer:

Many practices that producers can implement now to increase efficiency and productivity on farm will also have some greenhouse gas mitigation benefits. For example, efficient use of nitrogen fertilisers or herd management to maximise reproductive efficiency, increase feed quality or culling non-productive animals will decrease emissions per unit of product. These practical management practices are promoted through Meat and Livestock Australia (MLA) programs.

MLA in conjunction with the Australian Government and industry partners is undertaking a large volume of research in order to equip producers to contribute to a reduction in greenhouse gas emissions. This research includes:

- <u>Measurement of emissions</u>
  Working with the Department of Climate Change, MLA has funded research by the University of Melbourne where scientists are developing ways to measure greenhouse gas emissions from feedlots using laser technology. By finding links between certain practices in the beef industry and the amount of gas emitted, there are plans to eventually develop ways that emissions can be reduced.

- <u>Livestock feed efficiency</u>
  The adoption of feed conversion improvements and the identification of breeding traits to achieve feed conversion efficiencies have provided benefits in terms of faster growth rates and more meat per unit of feed which contributes to marginal reductions in greenhouse gases. Research is also being conducted into the rumen function to improve feed conversion efficiency. This ranges from markers for genetic selection to the introduction of novel bacteria or modifying agents to counteract some of the methane producing bacteria.

Question: MLA12 (continued)

- Converting processing waste into energy
  In a climate of rising petrol prices, environmental consciousness and 'energy insecurity' due to recent world events, locally produced biodiesel is becoming an attractive fuel option. Local trial production of biodiesel from tallow is expected to produce a far superior fuel while capitalising on this by-product of the red meat industry. Currently, about 600,000 tonnes a year of tallow is produced in Australia. It is normally used in the manufacture of soap, synthetic rubber and is a source of glycerine.

- Reducing emissions from livestock research program
  A large research program has commenced with joint Commonwealth and industry funding with the objective of delivering knowledge and technologies to enable producers to breed and/or manage livestock to reduce methane emissions while maintaining productivity.

  The *Reducing Emissions from Livestock Research Program* (with total funding of approximately $28 million including cash investment of $11.25 million from DAFF's Australia's Farming Future Climate Change Research Program and $3.4 million from MLA), is being coordinated by MLA.

  The research aims to develop cost-effective, practical strategies to significantly reduce greenhouse gas emissions from rumen fermentation and from manure management in feedlots. The 18 projects in the program cover areas such as more accurate and practical measurement techniques, breeding low methane producing cattle and sheep, managing waste in feedlots, understanding rumen function and how to manipulate methane production through feed quality and supplements or changing microbial activity, and whole of farm system management and practical demonstration for reduced greenhouse gas emissions.

Further details of MLA's climate change research program can be provided upon request.

Question: MLA13

Division/Agency: Meat and Livestock Australia
Topic: Carbon Pollution Reduction Scheme
Hansard Page: Written

Senator Nash asked:

Does the Rudd Government's CPRS increase your concerns about the future of the red meat industry, particularly beef?

Answer:

The introduction of a Carbon Pollution Reduction Scheme (CPRS) must embody a strategy that enables greater opportunities to reduce greenhouse gas emissions, while at the same time securing the future profitability and international competitiveness of the Australian red meat and livestock sector.

A viable sector under any CPRS must be assured – especially if the industry is to continue to contribute to national economic growth and meet national and global food demand.

Question: MLA14

Division/Agency: Meat and Livestock Australia
Topic: The benefit of promotions to retailers compared to producers.
Hansard Page: Written

Senator Nash asked:

Does MLA accept that the millions they have spent on domestic beef promotion has greatly benefited retailers - particularly the supermarket majors - but delivered nothing to producers?

Answer:

No. Our goal in the market is to get more consumers purchasing red meat more often and at a higher price. Given Meat and Livestock Australia (MLA) does not sell or serve red meat, MLA works closely with those who do – retailers and foodservice – to ensure our marketing partners their marketing and translates into sales.

In quantitative terms, in the three years since 2004-05:

- consumer expenditure on beef has increased by approximately $700M (from $6.0 billion to $6.7 billion) which is equivalent to a per annum increase of 3.7 per cent
- two-thirds of the increase in consumer expenditure can be attributed to a higher price and one-third to an increase in volume; and
- the average annual growth in volumes has been around 9kt carcase weight.

Question: MLA15

Division/Agency: Meat and Livestock Australia
Topic: MLA appearance at the ACCC Grocery Inquiry
Hansard Page: Written

Senator Nash asked:

Why did the MLA not appear at the ACCC Grocery Inquiry to defend its member position?

Answer:

Meat and Livestock Australia provided background information to the National Farmers' Federation for their submission to the inquiry, as well as providing factual data to the Australian Competition and Consumer Commission for their analysis and use.

This information was also provided to Senator Williams following a written request after the February 2009 Senate Estimates hearing.

Question: MLA16

Division/Agency: Meat and Livestock Australia
Topic: Research and Development Investment
Hansard Page: Written

Senator Nash asked:

How much money has MLA spent R & D in the past decade?

Answer:

Meat and Livestock Australia has invested $583m in R&D since 1999.

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2009

Agriculture, Fisheries and Forestry

Question: MLA17

Division/Agency: Meat and Livestock Australia
Topic: Audit of Research and Development Program
Hansard Page: Written

Senator Nash asked:

Would MLA accept a Federal Auditor General's audit of the administration and cost/benefit of the MLA's R&D program?

Answer:

Meat and Livestock Australia (MLA) entered into a new deed of agreement with the Commonwealth Government on the 13 April 2007, which came into effect on the 1 June 2007. The deed places a number of obligations on MLA covering Financial Reporting, Compliance and Review of Performance. The deed requires MLA to engage an independent organisation to complete a performance review, which is required to be submitted to the Minister by 30 June 2010.

Under the deed the review is defined as;

'Performance Review' means a review conducted in accordance with clause 16 of MLA's performance against its plans that takes into account:

(a) the performance of MLA in meeting its obligations under this deed: and
(b) the implementation of Annual Operation Plans and Corporate Plans and the effectiveness of MLA in meeting the targets and budgets set out in those plans: and
(c) the delivery of the benefits to the Industry foreshadowed by these plans.

This process is well underway.

Question: MLA18

Division/Agency: Meat and Livestock Australia
Topic: Remuneration of Board Members
Hansard Page: Written

Senator Nash asked:

Why does the MLA believe that an increase in the maximum aggregate amount of Directors' fees is needed to enable the Directors' fees to be increased on an annual basis to maintain competitiveness in the market?

Answer:

In the year 2000 the Meat and Livestock Australia (MLA) Board put a resolution to the annual general meeting (AGM) to cap the total amount that could be paid in Director 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 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. Director's 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 review was commissioned by the board to determine what the market pays directors in similar organisations.

Question: MLA18 (continued)

This found director 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 is 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 is 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 1 January 2009 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.

This information was also provided to Senator Williams following a written request after February's Senate Estimates hearing.

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2009

Agriculture, Fisheries and Forestry

Question: MLA19

Division/Agency: Meat and Livestock Australia
Topic: Remuneration of Board Members
Hansard Page: Written

Senator Nash asked:

Do board members consider they need to increase their remuneration in order to avoid themselves being headhunted by other boards?

Answer:

Please refer to the response to questions MLA16.

Question: MLA20

Division/Agency: Meat and Livestock Australia
Topic: Other Interests of Board Members
Hansard Page: Written

Senator Nash asked:

In November 2008, none of MLA's directors held directorships in other public companies. Since that time, have any of these directors joined any other company boards?

Answer:

As at November 2008, some of Meat and Livestock Australia's (MLA) directors held directorships with other public companies (including AUS-MEAT Limited and MLA Donor Company Limited). The MLA Board maintains a Standing Notice of Director Interests in accordance with the *Corporations Act 2001*.

Director interests are updated regularly and there have been a number of changes since November 2008. To the extent that any of the directorships result in a related party transaction, these interests are disclosed in the financial statements of MLA's Annual Report.

Question: MLA21

Division/Agency: Meat and Livestock Australia
Topic: Retention of Board Members
Hansard Page: Written

Senator Nash asked:

Given the sharp change in market condition for executives, has MLA engaged a remunerations consultant to consider adjusting Directors' fees and senior mangers' remunerations in line with current market conditions? If not, why not?

Answer:

For a number of years Meat and Livestock Australia (MLA) has engaged the services of Mercers, one of Australia's leading specialists in remuneration, to assist in the determination of salaries for all employees. This year will be no different with MLA using the very latest data from Mercers to conduct a thorough benchmark for salary determination. MLA has always had strong regard for market conditions particularly this year due to the very difficult economic environment.

In regards to directors' fees an independent review was conducted by Egon and Associates in 2008 which showed that MLA's fees were below the market. A resolution was submitted to the 2008 AGM. Given the market conditions the board has frozen the increase to fees.

Question: MLA 22

Division/Agency: Meat and Livestock Australia
Topic: National Livestock Identification Scheme
Hansard Page: Written

Senator Nash asked:

Were Australian producers told in 04/05 by MLA officers that they had to have RFID NLIS to retain market access to Japan and EU?

Is it true that Australia has lost ground to the US and South America in these two markets and that neither have RFID NLIS?

If so how do you explain the advice by MLA?

Answer:

Meat and livestock Australia (MLA) officers did not advise producers in 04/05 that they had to have radio frequency identification (RFID) to maintain market access in either Japan or the EU.

MLA does not set policy regarding the National Livestock Identification Scheme (NLIS). However, we believe that:

- Individual animal identification is becoming a global reality and Australia must be prepared.
- NLIS is our insurance policy. We may not need it now or next year but we need to be prepared.
- NLIS provides fast, accurate traceability which means that we are better able to deal with a disease or residue incident, which in turns helps us protect our international reputation as a supplier of safe, quality food.

There are a number of recent examples of Japanese companies promoting the safety of their produce, particularly beef, and the important role NLIS plays in promoting the integrity of Australian beef.

Recently McDonald's in Japan ran a nationwide television and print media campaign to reassure consumers of the quality assurance systems behind their hamburger patties. The ads informed Japanese consumers about the Australian industry's food safety management and NLIS system, and explained in detail how the system works from a tagged animal on-farm through to McDonald's restaurants in Japan.

Question: MLA 22 (continued)

McDonald's TV can be found at http://www.mla.com.au/McDonaldsJapan/
(Due to copyright issues, there is no sound in the movie.)

Another example of a Japanese company promoting the safety of their produce and the important role NLIS plays in produce integrity is the Zensho Group. Zensho has 3,610 outlets across Japan. Previously the company sourced 100 per cent of its beef from the US. Now 99 per cent of Zensho's beef is sourced from Australia due to Australia's strict quality assurance and safety systems.

In a recent media campaign in Japan, Zensho made the following statements: "1 cow feed over 2000 people. Zensho Group will not risk the lives of their customers. Therefore will not use US Beef. Australia has safety and traceability systems since 1960's"

There is no truth to the statement regarding loss of market share in Japan. In 2003 Australia's market share of the imported beef segment in Japan was 49 per cent compared to a US share of 46 per cent (Source: Japan Ministry of Finance). In 2008 Australia's market share of the imported beef segment in Japan was 78 per cent compared to a US share of 12 per cent (Source: Japan Ministry of Finance).

The EU is protected by a series of beef import quotas and high above-quota duties. Unfortunately Australia's beef access is extremely low – expansion of which is a key priority for the industry under the WTO Doha Round. More detail on the EU quota regime can be found at:

http://www.mla.com.au/TopicHierarchy/MarketInformation/OverseasMarkets/RedMeatMarkets/EuropeRussia/Beefandvealimports/default.htm

- In 2003 Australia's beef exports to the EU totalled 5,464 tonnes - representing beef shipments against Australia's then 7,000 tonne (fiscal year) high quality beef quota.
- In 2008 Australia's beef exports to the EU totalled 11,863 tonnes - representing chilled beef shipments against Australia's 7,150 tonne (fiscal year) high quality beef quota, plus frozen beef exports against other EU quotas as well as product paying full import (above quota) duty.
- South American high quality beef quotas to the EU include: 28,000 tonnes for Argentina; 6,300 tonnes for Uruguay and 5,000 tonnes for Brazil.

Question: MLA 22 (continued)

- In 2003 South American beef shipments to the EU totalled 269,865 tonnes - representing beef shipments against country specific quotas (fiscal year), plus beef exports against other EU quotas as well as product paying full import (above quota) duty.
- In 2008 South American beef shipments to the EU fell to 163,057 tonnes.

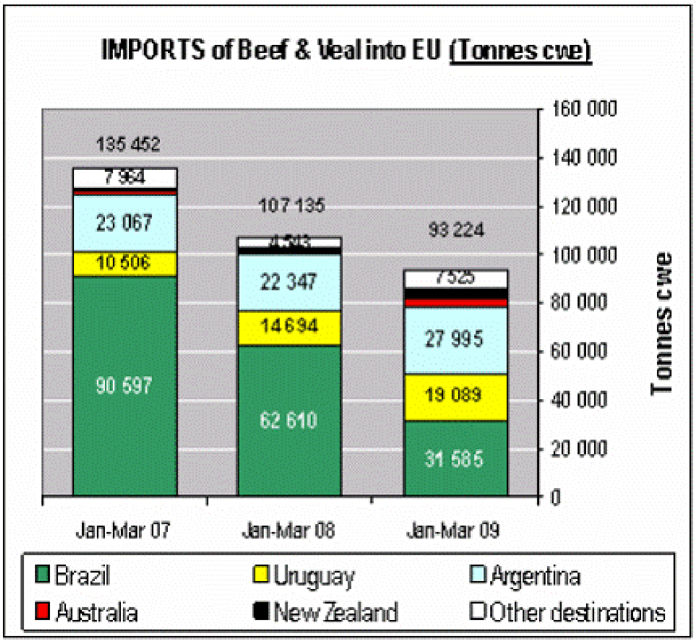
The reduction was due to shipments from Brazil falling (from 163,149 tonnes to 34,925 tonnes) due to changed EU import conditions (see following explanation). This reduction was partially offset by increased shipments from Uruguay and was also responsible for the increased demand for Australian product.

In early 2008 the European Commission announced (Commission Decision 2008/61/EC dated 17 January 2008): 'Since 2003, deficiencies with regards to Community import requirements for bovine meat have been identified during Commission missions to Brazil. Some of these deficiencies have been addressed by Brazil, but recent Commission missions have nonetheless identified serious instances of non-compliance with regard to holding registration, **animal identification and movement control** and a failure to respect their previous commitments to take the appropriate corrective measures.'

Further: 'It is only possible to allow imports to continue on a secure basis by strengthening the control and surveillance of holdings from which animals eligible for export to the Community are sourced and by establishing a provisional list of such approved holdings drawn up by Brazil, for which guarantees are provided that they fully meet requirements for imports..' Animals must come from holdings which 'are **identified and registered** in the national System of Identification and Certification of Origin for bovine animals'.

As a consequence of a lack of approved farms and animal identification deficiencies in Brazil, Brazilian beef exports to the EU (particularly product paying full duty) have fallen noticeably (see graph following).

Question: MLA 22 (continued)



Source: European Livestock and Meat Trading Union Report on the 15 May 2009 meeting of the Forecasting Committee of the EC Beef Advisory Group.

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2009

Agriculture, Fisheries and Forestry

Question: MLA23

Division/Agency: Meat and Livestock Australia
Topic: National Livestock Identification Scheme
Hansard Page: Written

Senator Nash asked:

What does NLIS cost the producer, lot feeders, the agency and saleyard industry, processors, retailer, state and federal governments?

Answer:

Several state governments conducted cost/benefit analyses as part of introducing National Livestock Identification Scheme (NLIS) legislation in 2003. All of these cost/benefit studies have shown a net benefit to industry from the introduction of NLIS. Producers are free to scrutinise these state government cost benefit studies.

An independent study in 2004 undertaken by Alliance Consulting across of a number of Queensland properties showed that under a number of different legislative scenarios costs were no more than $6 per head sold.

The range in costs under different scenarios means producers are far better estimating the cost impact on their own business based on the enterprise they run, the relevant state government legislation, and the cost of the inputs.