

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2010

Agriculture, Fisheries and Forestry

Question: MLA 01

Division/Agency: Meat & Livestock Australia Ltd

Topic: Research bodies

Hansard Page: 42 (08/02/2010)

Senator Nash asked:

Senator NASH—Unfortunately, we have run out of time. At a recent press club speech, Minister Burke indicated that he thought some holding positions in the research bodies were being paid too much, so perhaps you could give a response to the committee as to whether or not you agree with that.

Mr Palmer—Do you want to find out if I have an opinion?

Senator NASH—Now you know why we have run out of time.

Mr Palmer—You are asking for an opinion. I am happy to prolong it if you want to go down this line.

Senator NASH—I am sure you will be able to provide us with a very informative answer.

Answer:

MLA benchmarks its executive salaries with independent specialists Mercer Australia and Hewitt Associates.

MLA currently has a wage freeze in place for its Managing Director and the Senior Management team. There have been no increases in the remuneration packages for the senior management team since July 2008. MLA has also had a freeze on staff head count since March 2006.

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Agriculture, Fisheries and Forestry

Question: MLA 02

Division/Agency: Meat & Livestock Australia Ltd

Topic: Productivity Commission

Hansard Page: 42 (08/02/2010)

Senator Nash asked:

Senator NASH—I am sure you will be able to provide us with a very informative answer. Have you seen the terms of reference for the Productivity Commission inquiry? Are they available yet? Also, do you think the current levy system is working? I do want to go into that if you could come back to the committee.

Senator Sherry—The Productivity Commission is an issue that would go to Economics, which I coincidentally have administrative responsibility for.

Senator NASH—Thank you for your advice, Senator Sherry.

Senator COLBECK—But this goes to the subject of the inquiry that we are having now.

Senator NASH—Exactly, so if they could perhaps respond.

Mr Palmer—Yes, the first part of the question—

Senator NASH—No, not now, Mr Palmer. It is to take on notice, because the chair is going to yell at me

CHAIR—It is on notice, Mr Palmer. Sorry to cut you off.

Answer:

Terms of reference for the Productivity Commission inquiry were released on 15 February 2010.

With reference to research and development MLA believes the current levy system delivers benefits to all stakeholders. For every \$1.00 contributed by the Australian Government, industry levies and contributions add a further \$1.50, on average. This serves to leverage the total investment and create far greater benefits for Australia than would otherwise be the case.

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Question: MLA 03

Division/Agency: Meat & Livestock Australia Ltd

Topic: Market trade

Hansard Page: Written

Senator Back asked:

1. Has Australian meat and livestock gained access to any new markets (in the last year)?
2. Have any new markets been identified and are there any barriers to access?
3. Have we lost market trade and if so, who have we lost it to?
4. What reasons can you provide to account for this loss?
5. Who are our major markets?
6. Who are our new / emerging major competitors? (Brazil / Indonesia??)

Answer:

1. In 2009 Australia exported red meat and livestock to 127 markets around the world.
As this market penetration is substantial, MLA's focus is on constantly seeking to improve access to these markets and developing new market segments.
For Australia's red meat industries, which are dependent on exports for sustained prosperity, getting past trade barriers has been the work of decades.

The first new quota provided by the EU for many years has opened up a market for 20,000 tonnes a year of premium grain-fed beef that carries no import duties. Only the United States and Australia have to date qualified to supply this quota, which will grow to 45,000 tonnes after three years.

Russia, a vigorous emerging market for red meat, has recently provided Australia with access to a multi-country frozen beef quota of 448,300 tonnes. For the Russian quota, Australia will be competing against other eligible suppliers - including the big South American beef producers - but Russia is a market worth fighting for.

The first shipment of Australian cattle to Egypt since the reopening of the trade departed from Fremantle Port on 24 February this year. The shipment is estimated to be worth around \$17 million. The cattle were shipped directly to Sokhna Livestock Company's high quality facility, which has been in operation for over two years.

The trade was reopened as a result of considerable combined effort between the Australian and Egyptian Governments and the Australian livestock export industry, as well as significant investment by the Sokhna Livestock Company.

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Question: MLA 03 (continued)

The re-commencement represents opportunities for Australian cattle producers and exporters.

ASEAN (Association of South-East Asian Nations) is an important trading region for Australian red meat and livestock, and the signing of the ASEAN-Australia-New Zealand FTA in February 2009 will improve the competitiveness of the industry in the region. The Australia-ASEAN FTA entered into force on 1 January 2010.

The Australia-Chile FTA came into effect on 6 March 2009 removing the six per cent tariff previously applicable to livestock and red meat. In 2008-09 Australia exported 8,529 tonnes (shipped weight) of chilled beef to Chile.

2. Please see answer to Question 1.
3. Australian beef's share of the imported beef market in Japan and Korea has been reduced since the re-entry of US beef into both markets following the lifting of their ban due to BSE. However, Australia has managed to retain much of the gains made since the US exclusion in 2003 as a result of loyalty built on our platform of food safety, quality and service. Australia currently has 78% share of the imported beef market, up significantly from 48% in 2001.

In Korea, Australian market share has decreased slightly from 65% in December 2008 to 58% in December 2009 since the return of US beef, but remains well above the 21% share held in 2003.

4. As mentioned for question 3, this includes several factors:
 - Strong A\$
 - Competition from other exports – including US, South America, including Brazil, Argentina
 - Export market economic and financial conditions
 - Domestic beef production

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Question: MLA 03 (continued)

5. The main markets for Australian beef in 2009, was (ranked in order of exports for 2009):

Tonnes

Japan	356,567	38%
USA	251,479	27%
Korea	115,481	12%
Indonesia	51,815	6%
Taiwan	31,289	3%
Philippines	16,959	2%
CIS	14,733	2%
Canada	12,319	1%
EU	9,193	1%
Hong Kong	7,491	1%
Singapore	7,472	1%
China	5,286	1%
other	47,193	5%

The main markets for Australian sheepmeat (lamb and mutton) in 2009 were (ranked in order of exports for 2009):

Tonnes

USA	49128	16%
Saudi Arabia	23813	8%
China	22373	7%
Dubai	20738	7%
PNG	14551	5%
Japan	13939	5%
UK	13826	5%
Jordan	13456	5%
Hong Kong	11378	4%
Malaysia	10157	3%
Kuwait	9880	3%
Taiwan	9172	3%
Singapore	8926	3%
South Africa	7314	2%
Mexico	7283	2%
Qatar	5903	2%
Russia	5798	2%
Other	51379	17%

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Question: MLA 03 (continued)

6. MLA believes that there have been no “new” competitors/exporters in the global beef market in recent years. What has occurred is that the “flow or trade” of beef (including from Australia) changes every year depending on the viability, market access conditions and economics of exporting beef to selected markets.

However the world’s major beef exporters, who are competitors for Australia in many markets include: Brazil, US, New Zealand, Argentina, India and Canada.

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Question: MLA 04

Division/Agency: Meat & Livestock Australia Ltd

Topic: Research and Development

Hansard Page: Written

Senator Back asked:

1. MLA provides research and development and marketing services to the red meat industry.
2. Though primarily funded by transaction levies paid on livestock sales by producers and industry levies – the Federal Government also contributes a dollar for each dollar spent in R&D.
3. Can you provide me with details on the research projects currently being undertaken?
4. Identify some priority emerging issues for producers, industry and exporters?
5. Is MLA conducting any ‘blue-sky’ research? (ie. genetic modification of species / scenarios in the event of a disease outbreak?)
6. Are there any restrictions on research projects undertaken by MLA? If so, what are they?
7. Has MLA experienced any interference by Government or Departmental officials preventing them from carrying out environmental or socio-economic research?

Answer:

1. N/A – No question asked.
2. N/A – No question asked.
3. MLA currently has some 400 R&D contracts underway addressing key issues within MLA’s strategic plan including:
 - Enhancing product integrity
 - Maintaining and liberalising access to world markets
 - Maximising market options for producers and exporters in the livestock export trade
 - Achieving (ensuring) eating quality
 - Enhancing the nutritional value of red meat
 - Developing new products
 - Increasing productivity on-farm
 - Increasing productivity off-farm
 - Improving supply chain and market information
 - Improving animal health and biosecurity
 - Ensuring sustainability and demonstrating environmental stewardship
 - Responding to climate change (mitigation and adaptation)
 - Continued improvement on animal welfare

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Question: MLA 04 (continued)

- Increasing adoption of innovation
 - Working with industry to attract, develop and retain world-class people
 - Building innovation capability
 - Supporting industry with policy research
4. Increasing productivity to maintain viable businesses in the face of rising input costs continues to be the major priority for all sectors of the red meat industry. Emerging issues include concerns about physical climate variability, in particular long term declines in rainfall, increasing land and labour costs and declining labour availability.
 5. MLA has a large investment in genomics research to increase our understanding of genetics and how we can increase rates of improvement in livestock and pasture species. MLA is not conducting any research into the genetic modification of livestock.
 6. MLA is directed by the national rural R&D priorities, the MLA Strategic Plan and industry priorities as dictated by the peak councils and producer advisory groups.
 7. No

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Question: MLA 05

Division/Agency: Meat & Livestock Australia Ltd

Topic: Reserve Bank

Hansard Page: Written

Senator Back asked:

1. Australia may have escaped a fourth interest rate rise last week by the Reserve Bank but what impact has the high value of the \$A together with the three rate rises since October 2009 had on the market for Australian meat and livestock?
2. Although many market economists got it wrong this time, they are confident that there are more on their way – what impact do you anticipate this will have?
3. Have you done any research to investigate these concerns?

Answer:

1. A combination of a high A\$ and continued pressure on markets following a decade of drought has had a significant impact on the value of exports and profitability in the export sector. The value of red meat and livestock exports in 2009 fell \$500 million or 7%. In real terms (after deflating by the CPI) the 2009 export value of \$6.75 billion was 17% lower than in 2001, when the A\$ averaged 52US¢, and 10% lower than 2006 when the A\$ was at 75US¢.
2. The Department can not comment on speculation.
3. MLA has done considerable research on the A\$ impacts, most notably in the Centre for International Economics (CIE) *Drivers of Australian Cattle Prices* report March 2009, and the *Cattle Industry Projections 2010* (February) and *Sheep Industry Projections 2010* (February). MLA also funds the Australian Bureau of Agriculture and Resource Economics (ABARE) to survey beef and sheep farms annually and to analyse livestock farm profitability, costs and debt – see ABARE *Australian beef 09.1* June 2009 and *Australian sheep 09.1* June 2009.

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Question: MLA 06

Division/Agency: Meat & Livestock Australia Ltd

Topic: Cattle producers

Hansard Page: Written

Senator Williams asked:

Figures I saw when the vote was held on the \$5 Levy indicated that only 2.6 percent of cattle producers took part in the vote- that's 5,082 producers from around 200,000 that pay the levy. Are my figures correct?

Answer:

An awareness campaign ran for 6 months before the vote to encourage producers to participate. Over 40,000 voting papers were distributed to levy payers (all MLA members and non-member levy payers who requested papers). Of these 5,085 voting papers were received representing about 25 percent of cattle production.

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Question: MLA 07

Division/Agency: Meat & Livestock Australia Ltd

Topic: Cattle producers

Hansard Page: Written

Senator Williams asked:

Would you not consider that a very disappointing result from the rank and file, that they just don't care?

Answer:

While MLA would have liked greater participation in this important industry issue, the vote was not compulsory.

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Question: MLA 08

Division/Agency: Meat & Livestock Australia Ltd

Topic: Cattle producers

Hansard Page: Written

Senator Williams asked:

Would you look on it as a protest vote?

Answer:

No.

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Question: MLA 09

Division/Agency: Meat & Livestock Australia Ltd

Topic: Cattle producers

Hansard Page: Written

Senator Williams asked:

Did the MLA put as much energy into promoting the NO case for the increase as it did the YES case?

Answer:

The Beef Marketing Funding Committee review included a consideration of how the Australian beef industry would face current and future challenges and opportunities under a range of funding levels.

Their findings, launched at Beef Australia in May 2009, were mailed to all MLA members and distributed to the broader levy paying community during a 28-week campaign – outlining the MLA program scenarios under a range of funding levels – reduced, maintained and increased.

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Question: MLA 10

Division/Agency: Meat & Livestock Australia Ltd

Topic: Executive Salaries

Hansard Page: Written

Senator Williams asked:

1. Last April, Agriculture Minister Tony Burke wrote to peak councils asking them to justify the salaries of executives. I presume Mr Palmer your organization received that letter.
2. What was the MLA's response to Mr. Burke, did you review salaries and did any take a pay cut?

Answer:

1. N/A. No question asked.
2. MLA currently has a wage freeze in place for Senior Management team. There have been no increases in the remuneration packages for the senior management team since July 2008. MLA also has a freeze on staff head count since March 2006.

Salary increases for all staff in 2009 annual salary review totalled 2.2% which is under the expected increase in the market place and in line with the Government Remuneration Tribunal's determination of 2.25%. A greater proportion of this increase was targeted towards staff who are paid less than \$80,000. MLA has had high turnover in recent years and remuneration was given as a major reason for leaving in exit interviews.

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Question: MLA 11

Division/Agency: Meat & Livestock Australia Ltd

Topic: Saleyard prices

Hansard Page: Written

Senator Williams asked:

1. Bindaree Beef owner John McDonald claims saleyard prices are 21 percent down on 1988-89 and 27 percent down on 83-84. Consumption for 2009 was that each person in Australia would eat 31.3 kilos of beef, down from 43 kilos in 1998. This is despite levies increasing.
2. Would you concede he has a good point?

Answer:

1. N/A. No question asked.
2. Per capita consumption is not a good measure for the health of the domestic market. In 1975 during the cattle slump Australians ate 65kg per capita but the closure of export markets meant that cattle prices were only at around 30 cents per kg carcase weight – record lows in real terms to this day.

Value is the key measure of demand, not volume – as this is what generates revenue for the industry to be shared amongst sectors according to prevailing supply and demand conditions.

Following a downturn in 2008, the value of beef production rose by \$250m in 2009 to a new record of \$6.8bn as consumer confidence returned late in the year. The high Australian dollar, seasonal conditions and falls in export demand prevented this being reflected in livestock prices however in recent weeks cattle prices have risen as rain has fallen across much of Australia.

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Agriculture, Fisheries and Forestry

Question: MLA 12

Division/Agency: Meat & Livestock Australia Ltd

Topic: Saleyard prices

Hansard Page: Written

Senator Williams asked:

What is MLA's defence?

Answer:

Please refer to information in the response to MLA 11.