Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2009

Agriculture, Fisheries and Forestry

Question: MLA 01

Division/Agency: Meat and Livestock Australia Ltd
Topic: AQIS Fees – industry progress
Hansard Page: 139 (19/10/2009)

Senator Back asked:
Obviously the question of the time is to do with the circumstances associated with AQIS fees as they relate to meat and livestock. In that context, can you give us some advice, please, on just where industry plans have progressed in recent weeks.
Dr Johnsson—Firstly, David Palmer, our managing director, sends his apologies; he could not join us tonight. I am not sure whether we should take that one on notice. I do not know if we have any information that we can give you tonight on that.

Answer:

MLA is the industry services body and not a representative or policy body. This question should be directed to the Australian Meat Industry Council (AMIC).

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2009

Agriculture, Fisheries and Forestry

Question: MLA 02

Division/Agency: Meat & Livestock Australia Ltd
Topic: Inspection Fees
Hansard Page: 140 (19/10/2009)

Senator Back asked:

—Could I also then ask: what is the fate of the fees that have been collected to date with regard to inspections, particularly as they relate to the meat industry, or, again, is that something that you will have to take on notice?

Mr Grant—I think that would be an issue for the government through AQIS. They would need to answer those—

Senator BACK—I am sorry, I just did not hear what you said.

Mr Grant—I think those questions should be taken by AQIS.

Mr Glyde—Biosecurity Services Group.

Mr Grant—Or Biosecurity Services Group, yes. It is a government issue. It is the collection of money from industry.

Dr Johnsson—The fees do not come to MLA. Is that what you are implying?

Senator BACK—I would have thought MLA might have had some interest or involvement in the process, but you are saying it is entirely an AQIS matter?

Dr Johnsson—We had some discussion at the last meeting on this and we gave you some information as a follow-up. My understanding is that we had no consultation on the setting of the fees; that is what we would expect. That is not our role.

Senator BACK—I think the last time you appeared before the committee we were discussing economic modelling that may have been conducted to assess the removal of the rebate and what effect it would have on the red meat and livestock industries. Could you comment on those effects.

Dr Johnsson—On the removal, sorry, of which rebate?

Senator BACK—AQIS, the 40 per cent rebate on inspections.

Dr Johnsson—Again, I am not sure that we have actually looked at that. I will take it on notice and get back to you.

Answer:

Please see response to MLA 01.

Senate Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2009

Agriculture, Fisheries and Forestry

Question: MLA 03

Division/Agency: Meat & Livestock Australia Ltd
Topic: Levies, NLIS and Meat Processor Costs
Hansard Page: Written

Senator Williams asked:

1. You invest $16 million into climate change research – what projects are underway now?
2. What markets were targeted?
3. What subsequent increase if any has there been in the consumption of beef as a result of this marketing?
4. How much this additional levy raise for the MLA?
5. What is the justification for continuing with this levy if consumption has dropped?
6. How much this additional levy raise for the MLA?
7. What is the justification for continuing with this levy if consumption has dropped?
8. When promoting the case for the $5 levy, did the MLA balance the argument by also promoting the NO case?
9. Has the MLA provided any funding to the major supermarket chains?
10. On a percentage basis, what is the efficiency of NLIS?
11. What sort of flaws are still being identified with the scheme?
12. I refer you to a report put out by the Kondinin Group which says that in NSW alone, between 30,000 and 40,000 NLIS-registered cattle are losing their lifetime traceability each month due to incorrect or incomplete transfers on the NLIS database. Are you aware of this?
13. What is the reason for this?
14. Is it being rectified?
15. The S.G. Heilbron report that the MLA commissioned in 2001 found amongst other things that Australian Livestock and Meat Producers generally have higher government influenced costs and charges than their international competitors, and receive less assistance from government ,it is also said the profit margin for the meat processing industry is only 2%. There were a number of recommendations from that report – could you tell me what were adopted?
16. Bindaree Beef estimates it costs them about $51 dollars a head to process a beast. How does that compare with overseas competitor costs?
17. Have you noted general concerns in the meat industry about costs?
18. Is there a concern meat processors are finding it difficult to remain viable?

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Question: MLA 03 (continued)

Answers:

1. The following projects are part of MLA's Reducing Emissions From Livestock Research Program:

   a) National Strategies and Coordination – Meat & Livestock Australia
   This project will ensure that the *Reducing Emissions from Livestock Research Program:* meets the priorities of the Climate Change Research Program; provides quantifiable short and long term methane emission reductions from livestock; informs stakeholders of the potential contribution of agriculture to national emissions reduction goals.

   b) Development of a methane measurement system for Australian livestock – CSIRO Livestock Industries
   Efforts to develop effective strategies to significantly reduce greenhouse gas emissions have been hampered by the lack of methods to accurately and reliably measure methane production from large numbers of grazing ruminants. This project will explore the use of electronic gas sensor technologies to accurately identify, develop and/or adapt a method for measuring emissions from ruminants. If this project is successful researchers will be better equipped to measure direct and indirect methane emissions from grazing ruminant livestock in a fast and reliable manner for developing and validating methane mitigation strategies in Australian grazing systems. Funded by program partners.

   c) Genetic Improvement of Beef Cattle for Greenhouse Gas Outcomes – New South Wales Department of Primary Industries
   This project will study the genetic variation between Angus research herds that differ in methane production to evaluate and demonstrate the potential for breeding cattle for reduced methane emissions without compromising animal performance.

   d) Breeding low methane emitting sheep and elucidating the underlying biology – University of Western Australia
   This project will measure methane emissions and net feed efficiency from sheep breeding flocks to investigate the relationship between the genetic parameters for methane production and productivity traits with the objective of generating selection lines of high and low methane emitting sheep.

Question: MLA 03 (continued)

e) Metagenomic analysis of feed utilization and hydrogen balance in Australian livestock for lower methane emissions – CSIRO Livestock Industries
This project aims to understand the structure and function of organisms in the rumen of north Australian cattle. This will form the basis of developing practical ways to redirect feed digestion and rumen fermentation to reduce enteric methane emissions. Funded by program partners.

f) Archaeaphage therapy to control rumen methanogens – University of Queensland and Queensland Department of Primary Industries & Fisheries
This project aims to establish a collection of viruses that can infect methanogens - microorganisms in the rumen which produce methane. This will establish "proof of concept" evidence that these viruses can reduce methane emissions from ruminal fermentation.

g) Rumen Microbial Profiling – A tool to investigate methane mitigation strategies – South Australian Research and Development Institute
The purpose of this project is to develop and provide molecular techniques based on DNA profiling of rumen bacterial populations to rapidly evaluate feeding, breeding and management strategies to reduce methane production in ruminant systems. Funded by program partners.

h) Novel strategies for enteric methane abatement – New South Wales Department of Primary Industries
This project will investigate (1) chemical techniques to eliminate microscopic organisms called protozoa from the rumen, a technique known to reduce methane production; and (2) the use and efficacy of dietary nitrate supplements to reduce methane production. The impacts on enteric methane emissions and animal productivity over time will be evaluated.

i) Use of peptide-phage display libraries to discover peptides that are bioactive against rumen methanogens – CSIRO Livestock Industries
This project will screen synthetic peptides (amino acid chains) to identify those that act in methane producing organisms (methanogens) to reduce the production of methane.

Question: MLA 03 (continued)

j) Understanding the mechanisms behind the anti-methanogenic bioactivity of Australian plants targeted for grazing systems – University of Western Australia
This project will assess the potential for Australian forage plants to contribute to feedbase management strategies to reduce methane from grazing livestock. It will identify the bioactive compounds within plants which, when introduced into the feeding regime, may result in lower levels of methane production. It will also analyse how the reduction occurs within rumen. This knowledge would then be used to reduce livestock methane emissions through feed base modification.

k) Methanotrophs in natural ecosystems and their role in ruminant methane mitigation – University of Queensland
This project will investigate the occurrence of methanotrophs – microorganisms in the stomach that can convert methane back to carbon dioxide and water – and evaluate the possible use of these microbes in reducing methane emitted by ruminants. Funded by program partners.

l) Reducing methane emissions by supplementing feed with dietary lipids – Queensland Department Primary Industries & Fisheries and University of Queensland
This project will investigate lipid-based feed additives (oils) that provide a mechanism to reduce methane emissions and increase productivity that can be made available to producers in the short term. It will concentrate on cattle breeds used in northern Australia.

m) Microbial ecology of hydrogenotrophic rumen microorganisms in response to methane inhibition – CSIRO Livestock Industries
This project will analyse bacteria in the digestive tract of ruminants to determine the feasibility and practicality of modifying methane emissions from livestock. Funded by program partners.

n) Manure management to reduce greenhouse gas emissions from cattle feedlots – University of Melbourne
The project will evaluate the effectiveness of manure management innovations in a beef cattle feedlot - specifically those reducing methane, ammonia and nitrous oxide emissions. Indirect nitrous oxide emissions downwind will also be quantified. The potential for achieving reductions in emissions from manure management will be quantified.

Question: MLA 03 (continued)

o) **Mitigation of methane emissions from the northern Australian beef herd – CSIRO Livestock Industries**
This project will investigate management factors affecting methane emissions from cattle grazing northern forages and detail their potential to reduce emissions. A technique for methane emission benchmarking under northern Australian grazing conditions will also be developed.

p) **Enteric methane abatement strategies for ruminant production systems in SE Australia – Victoria Department of Primary Industries**
This project will: evaluate a range of forages and dietary supplements for ruminant methane mitigation potential; quantify the net abatement achievable in a whole of farm context; and improve enteric methane measurement to quantify and verify emission abatement.

q) **Demonstration projects for on-farm practical methane management strategies – Meat & Livestock Australia**
Livestock production systems in Australia are highly varied with effective abatement measures likely to vary between production systems. Demonstration sites will engage with livestock producers to ensure that research is directed to practical on-farm measures.

r) **Information integration and delivery – Meat & Livestock Australia**
An Information management system for data and capacity will be provided to enable integration and sharing of information between projects, publish research results and effectively relay progress and outcomes farmers, government and industry.

2. MLA has focused its marketing efforts on established markets, such as Australia – our largest market – and protecting our share of the Korean and Japanese markets as the US returns and ramps up its beef promotional activities.

   Livestock exports in South East Asia and the Middle East have also been important markets that MLA has targeted. MLA has also worked to capitalising on opportunities in emerging markets like Russia, Indonesia and China.

3. In the domestic market in the last five years we have seen the value generated by the beef industry increase from $10.1bn in 2003-04 to $12.1bn in 2008-09. It is value (volume x price) generated from our customers, rather than per-capita consumption volume alone, that contributes to industry performance.

Question: MLA 03 (continued)

4. The total funding available for beef marketing is related directly to the number of eligible transactions where a commercial transaction has taken place between different owners of cattle. In 2005 the key assumption was for the number of transactions to increase to 14.5M over the program from a base of 13.9M in 2004-05.

   The Funding The Future program sought to raise an additional $21.3M annually by a $1.50 increase in the previous cattle transaction levy from $3.50 to $5.00 per head.
   The marketing levy component of the levy increased from $2.16 to $3.66 for grassfed cattle and from $1.51 to $3.01 for grain fed cattle. This component was then changed with Australian Lot Feeders Association allocations.

   The total number of transactions in 2004-05 was 13.9M, increasing to 14.7M in 2006-07 and declining to 13.9M transactions in 2007-08. The table below provides a summary of the amounts the $1.50 levy raised; $50.235M in aggregate over the three years 2005-06 to 2007-08.

Table 8 Summary levy income, 2004-05 to 2007-08

Year	$1.50 Levy funds raised ($M)
2004-05	Nil
2005-06	7.442
2006-07	21.897
2007-08	20.896
Total	**50.235**

Source: MLA

Question: MLA 03 (continued)

5. As per response 3 the levy has contributed to increasing the value to the Australia beef industry from $10.1bn in 2003-04 to $12.1bn in 2008-09.

   The current challenges facing the Australian beef industry, including issues of environmental integrity and increased competition in major markets – led to the Beef Marketing Funding Committee's recommendation that the $5 levy should be retained.

6. Please see Response 4.

7. Please see Response 5

8. The Beef Marketing Funding Committee's deliberations investigated a range of scenarios, including reducing, maintaining and increasing the levy and the impact each of these would have on beef marketing in the various target markets. Their final recommendation was to maintain the levy at $5 per head.

9. Australia's major supermarkets are the largest outlets for Australian beef and sheepmeat It is therefore critical that MLA has close relationships with them to ensure that their customers continue to make beef and lamb meal decisions when in their stores, and to raise overall retailing standards for the meat category.

   MLA undertakes programs and promotions in partnership with supermarket chains, including shopper behaviour studies, consumer promotional events, new product sampling, cooking information, recipe support and quality improvement programs. These activities and the allocation of costs (which can also include suppliers where appropriate) are agreed through joint work plans.

10. In 2007 the simulation of an animal disease event, Cowcatcher II exercise tested the NLIS (Cattle), and 98.7% of 300 cattle were promptly traced back to the properties of birth within the defined traceability performance standards (i.e. 48 hours). The Cowcatcher II report can be downloaded from the DAFF website.

11. A key issue is that all stakeholders have a responsibility to ensure that livestock are correctly identified and that movement information is supplied to the central NLIS database within the required timeframes. NLIS is underpinned by State based legislation, and compliance with this legislation is monitored by the relevant state authority.

    Tag retention has been highlighted as an issue with some producers.

    Tag manufacturers are required to trial new products over three years and achieve 97 per cent tag retention before the product will by accredited as an NLIS device.

Question: MLA 03 (continued)

MLA is currently working with Cattle Council of Australia and AgForce Queensland to undertake further tag retention trails.

12. MLA and NLIS Ltd are aware of an article published by the Kondinin Group regarding NLIS and life time traceability.

13. Loss of lifetime traceability only arises due to non-compliance with the program and as such is the responsibility of State Governments for follow-up and action. Non compliance is monitored and reported quarterly by the State Governments to DAFF. It shows loss of lifetime traceability is currently around 7-8%.

    Due to NLIS being phased in over a number of years, it is expected that a percentage of animals will lose lifetime traceability (LT) because it was permissible to move an animal between two properties without recording the movement on the NLIS database prior to 1 January 2006. Subsequent movements, post mandatory recording, may therefore result in these animals losing LT. For example, an animal may have its property of birth tag applied, miss a property to property movement being recorded (which was only required under legislation in most States since 2006), and then be recorded as transferred into a feedlot and finally recorded as slaughtered – yet while this animal could be traced, it would appear as having lost its LT status.

14. Compliance monitoring is undertaken by each of the States/Territories and is reported quarterly through a National Monitoring program. Monitoring results are provided to industry and Government for review. Areas that require greater attention are targeted to ensure the on-going effectiveness and compliance with the system.

    Advertising campaigns have also been run, at both a state and national level, to highlight the importance of compliance and ensure the on-going success of the system.

15. The SG Heilbron report was widely discussed and reported upon within industry and a presentation was made on behalf of industry to the Productivity Commission Enquiry at the time.

    The report recommendations focused on the cost pressures related to legitimate costs of Government. The industry has had a long standing and ongoing engagement both internally and in discussion with Government over the need to deliver key productivity gains and efficiencies in relation to these costs.

16. Without understanding the parameters used by Bindaree Beef to calculate their processing costs, it is difficult to establish benchmarks. However, the industry has implemented a range of initiatives to reduce per unit of cost, such as mechanical assistance devices to increase yield and reduce OH&S costs.

Question: MLA 03 (continued)

17. Yes, the margins within the processing sector vary between 1-2% over an operating year. It is a high volume, low margin business that has always been very sensitive to variations in costs.

18. With a tight livestock market, wide spread drought conditions and a currency in excess of 90¢ to the US$, it has been an extremely difficult trading environment to be operating a meat processing facility. As a consequence, many exporters have cut back on put-through, reduced the number of rosters and reduced the number of processing days in the week in order to reduce cost and accommodate the difficult trading environment at present.