

The US government at all levels is only lightly involved though cost and charges interventions in its beef and sheepmeat industries. In contrast, Australian and New Zealand governments intervene (negatively) much more – and thus damage the competitiveness of their industries. To make matters worse for Australia, the US government is much more generously involved in dispensing subsidies and assistance.

This is an important finding. This Study quantifies for the first time the long held feeling of the meat industries that the government “take” from the industry in Australia is excessive, and this retards our international competitiveness. In other words, the government “take” has a cost.

Strategies must be implemented by the Australian meat and livestock industries to “pull back” the level of government-influenced costs and charges in Australia to internationally competitive levels. Failure to halt, and reverse, the inexorable increase in these costs and charges must inevitably contribute to the long-term decline of Australia’s industries.

S G Heilbron Pty Ltd

Melbourne

SG Heilbron

Economic and Policy Consulting

- ***US processors pay significantly less as a proportion of revenue*** in Government-influenced charges/costs. Overall, the largest Australian processor pay over ***twice*** as much as US processors, and smaller Australian processors over ***four*** times as much as US processors. If Australian low cost processors were to experience the same level of government influenced costs and charges as their US counterparts it would mean ***a saving of over \$A400 million.***
  - Based on analysis of the major cost categories, the Australian ***livestock sector*** should focus its strategies in seeking reduction in Government-influenced costs / charges in the areas of ***on-costs; other costs (mainly rates); and utilities and fuel.***

# AQIS FEES - E.U. POLICY

**Europe's meat processors will suffer unless the European Commission meets extra costs resulting from a new regulation on improving animal welfare at slaughter, said an industry body.**

## **Subsidies Key**

Enrico Frabretti, Clitravi deputy secretary general, told FoodProductionDaily.com:

“We understand from an animal welfare and consumer point of view the necessity for this regulation. We want to provide consumers with what they want in terms of quality and welfare. But we have to remain competitive and it is therefore vital the commission comes up with the funding.

... the need to provide adequate EU funding for European producers in order to compensate for the competitive disadvantage they would suffer”.

# AQIS FEES - U.S. POLICY

“User fees for meat inspection have been consistently rejected by the U.S. Congress, likening these proposed fees to a food tax. Many companies would be forced to pass on the increased costs to consumers who are struggling to make ends meet in a very tough economy.”

- [www.Meatami.com](http://www.Meatami.com)

# RMAC Industry Reserves

2007

**\$50,120,002.00**

2008

**\$43,613,591.00**

2009

**\$38,100,168.00**

Source:

*2007 and 2008*

RMAC Report page 29, 30 June, 2008.

*2009*

RMAC Financial Statement Year ended 30 June 2009.

# **\$23,639,536**

## **The amount paid out to the bodies below since 1999!**

<b>RMAC</b>	<b>\$2,471,003</b>
<b>Cattle Council of Australia</b>	<b>\$5,642,799</b>
<b>Sheep Meat Council</b>	<b>\$2,981,085</b>
<b>National Meat</b>	<b>}</b>
<b>Association of Australia</b>	<b>}</b>
<b>Australian Meat</b>	<b>} \$8,282,626</b>
<b>Industry Council</b>	
<b>Australian Feeders</b>	<b>\$2,308,904</b>
<b>Association</b>	
<b>Australian Livestock</b>	<b>\$1,687,596</b>
<b>Exporters Council</b>	
<b>Goat Industry Council</b>	<b>\$265,523</b>

Source: [www.rmac.com.au](http://www.rmac.com.au)

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# **Red Meat Advisory Council (RMAC)**

**Director Nolan Meats**

**President Australian Livestock Exporters' Council**

**President Cattle Council of**

**CEO Northern Co-operative Meat Co., Casino, also Chairman of AMIC**

**President Australian Lot Feeders Association**

**President Sheep Meat Council**

- [www.rmac.com.au](http://www.rmac.com.au)

**2002 senate inquiry  
recommends RMAC  
be “gutted” and MLA  
“investigated”**

# Message from Joanne Sillince, CEO AMPC

As the processing industry hits domestic maturity it is clear that only those with a strong efficiency and innovation culture will survive. On current trends more than 20% of Australian processors will be gone within 10 years. Who will they be?



- *Joanne Sillince, CEO AMPC*

# MLA ORGANISATION STRUCTURE

The following peak councils provide policy driven direction, scrutinise budgets and monitor the performance of the MLA on behalf of the red meat industry.

- **ALFA – Australian Lot Feeders Association**
- **ALEC – Australian Live Exporters’ Council**
- **Cattle Council Australia**
- **AMIC – Australian Meat Industry Council**
- **Goat Industry Council of Australia**
- **Sheep Meat Council**
- **Red Meat Advisory Council**

# JR's 2004 forecast for the beef industry

(JR) McDonald argues the industry's prosperity is built on shaky ground. "By relying on exports we're relying on other countries' economies, the value of the dollar which fluctuates and things like (mad cow disease)", he says. "We're not relying on something that's solid enough."

A better option, he argues, would be to expand the domestic market.

- AFR, September 24, 2004

200,000 PRODUCERS  
WHICH PATH WOULD YOU  
CHOOSE?



**BINDAREE  
BEEF**

**70%**

**57%**

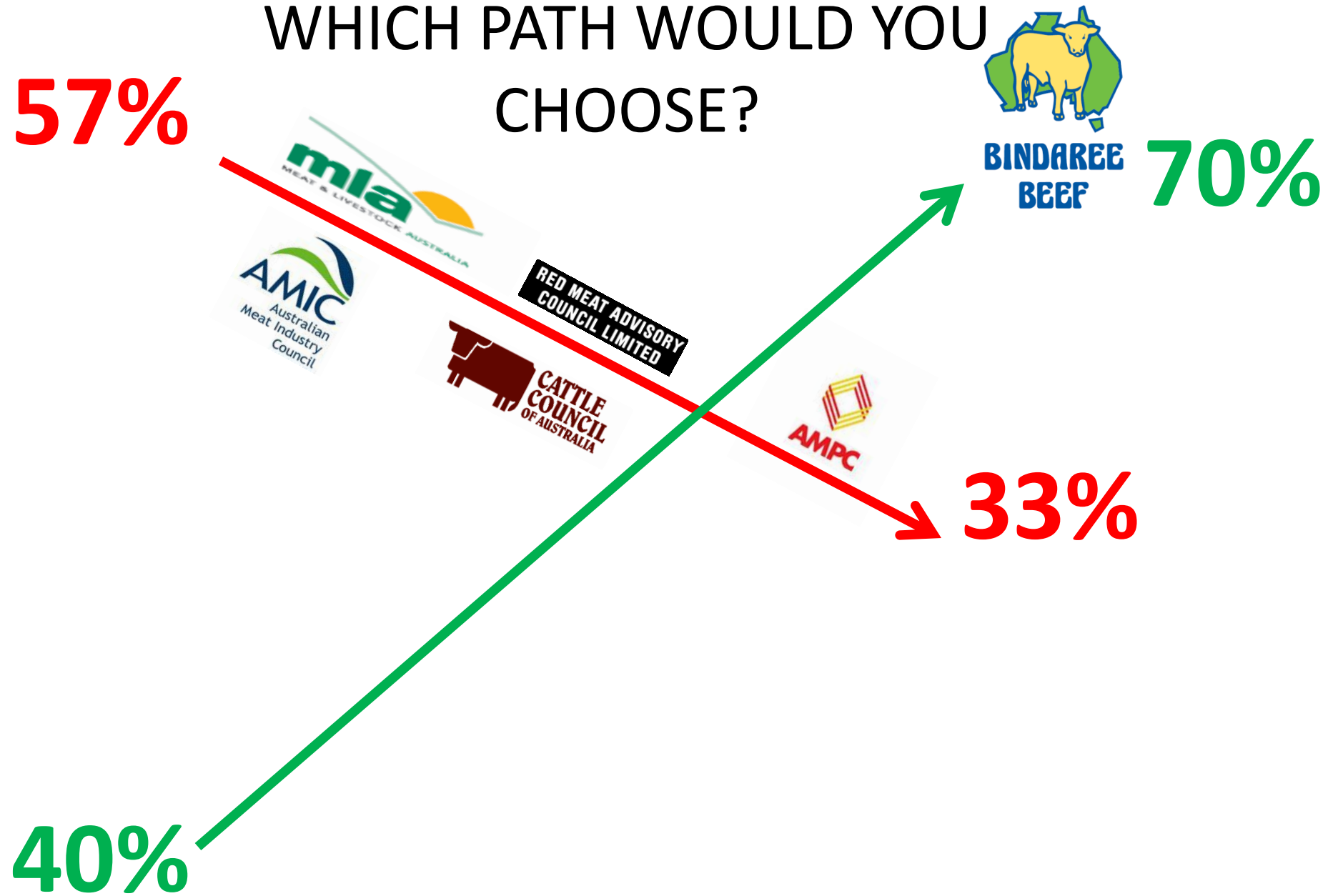


**RED MEAT ADVISORY  
COUNCIL LIMITED**



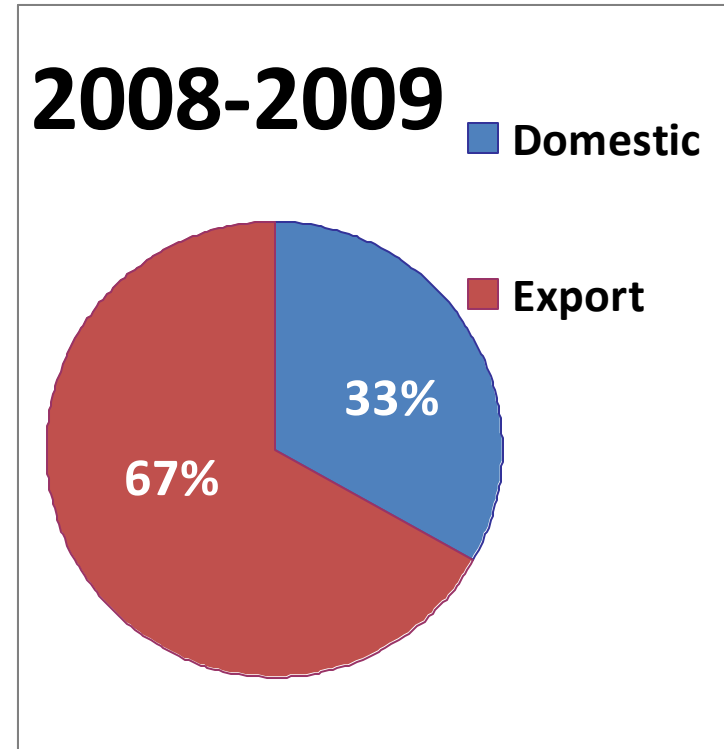
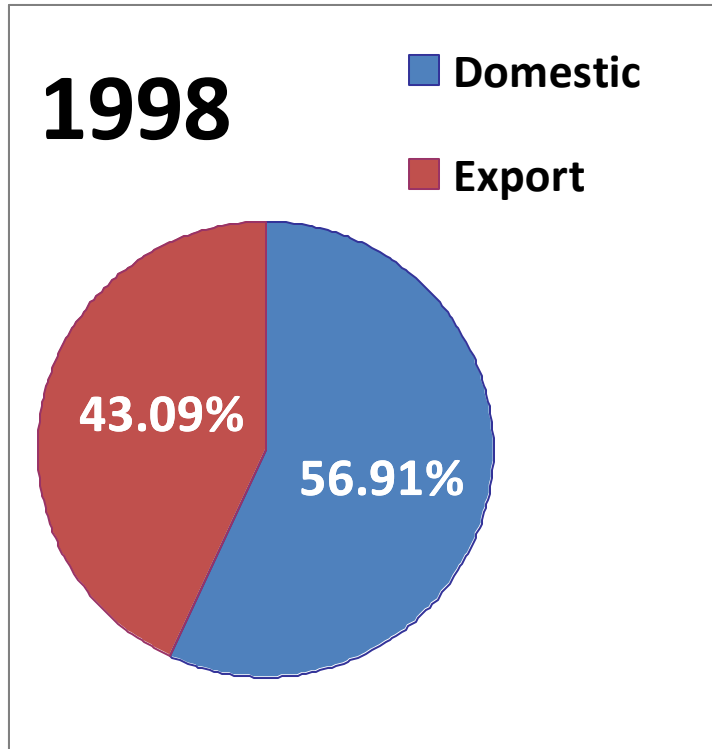
**33%**

**40%**



# MLA takeover from AMLC

## Export to Domestic market share



# Successful marketing strategies?

<b>Cattle</b>	<b>1998</b>	<b>2008</b>		<b>Difference</b>
Export	3,485m	5,330m	=	+1.845m
Domestic	4,620m	2,625m	=	<b>-1.995m</b>

## Successful Marketing Strategies?

	Total Revenue \$M	Producer levies allocated to domestic marketing \$M	Per Capita beef consumption Australia	2009 Beef Consumption elsewhere
		Million	Kilograms	
2004/2005	\$140.2	\$0.3	35.95	Argentina 68 kg
2005/2006	\$154.6	\$1.0	35.78	Brazil 37 kg
* 2006/2007	\$161.8	\$7.2	36.33	USA 40.2 kg
2007/2008	\$162.9	\$6.3	35.65	
2008/2009	\$163.4	\$5.2	32.50	
Total	\$782.9 m	\$20m	9.6% decrease	

“Mr Palmer said that Australians eat almost exactly the same amount of meat as other nations such as America.”

- The Land, Thursday 21 January 2010.



**Is this what we get for our all our levy money?**

**“Terry Nolan was on the original MSA steering committee established in 1996 as a response to the decline in the national beef consumption.”**

- *Queensland Country Life, 18 February 2010*

	<b>Beef Consumption</b>	<b>Chicken Consumption</b>	<b>Total MSA Expenditure</b>
1997	42.3 kilos	28.6 kilos	\$100,000,000
			???
1998	38.5 kilos	30.5 kilos	???
2009	32.5 kilos	38 kilos	???
	<b>23.2% decline</b>	<b>Approximately 25% increase</b>	

Source: [www.fas.usda.gov/default.htm](http://www.fas.usda.gov/default.htm)

# **Indonesia is expected to continue expanding both beef and live cattle imports.**

*- Don Heatley Chairman, Meat and Livestock Australia.  
Feedback, February 2010.*

**Indonesian Government's decision to offer domestic producers a loan subsidy as an incentive to increase the number of breeding units in that country. Indonesia is aiming to produce all its 'boxed beef' domestically by 2014.**

*-PPB Agribusiness Newsletter  
November/December, 2009.*

# Mr Palmer cites Australia's success in carving out markets in Korea and Japan ... as a prime example of levy money reinforcing broad industry efforts.

- *The Land* February 4, 2010.

	South Korean Livestock numbers	Domestic production (mt)	South Korean beef imports from Australia (mt)
2006	2,020,000	219,000	162,795
2007	2,201,000	246,000	165,064
2008	2,430,000	280,000	136,475
	<b>+17%</b>	<b>+22%</b>	

## Japanese retail Beef prices – Australian sirloin

2006	390 yen per 100g
2007	383 yen per 100g
2008	364 yen per 100g
2009	337 yen per 100g

- *MLA Statistical Review 08/09.*

## **Supermarket sales hit 21-year low in Japan**

# Don't fall for the name game

**W**ords matter. We don't like people telling us lies or half-truths. Businesses and agencies spend billions on advertising, presenting the advantages of their products or policies, disguising or ignoring the defects, the downside.

When politicians or public figures do this, we accuse them of spin. We brand the best as champion spinmerchants.

Sometimes the problem becomes deeper. When the public takes up these ways of thinking, the truth is distorted, or presented as so true it cannot be questioned or denied.

Let me give some examples. When public debate over the weather temperatures began 10 or 20 years ago, many spoke of the "greenhouse effect".

A friend used to grow his orchids in such a glasshouse, and we understood the extra heat generated inside and feared for the polar ice caps.

"Global warming" became the preferred term in the absence of dramatic deterioration, and as



global temperatures did not rise again in the past decade, "climate change" replaced global warming as the preferred term.

So today, those who doubt that human activity changes global weather are often labelled as "climate change deniers". In fact, no one denies the climate can, and does, change.

Because word is spreading that carbon dioxide is not a pollutant, we're urged to reduce our "carbon footprint". But carbon dioxide is different from that carcinogenic black stuff on burnt toast. It's easier to blackguard carbon than carbon dioxide.

Global warming provides the worst examples of propagandists capturing the language, but we find others.

The small but powerful homosexual lobby, which is battling to undermine the proper, privileged position of marriage, refers to homosexuals as gays. In fact, there is no evidence they are happier than the rest of the population.

So, too, it is often implied that all discrimination is unjust. But everyone discriminates regularly and discrimination is essential to every society, especially societies that cherish freedom.

We all choose our friends and society imprisons criminals. The best students are chosen for demanding university courses, and only our best athletes represent Australia.

The name game can have unfortunate consequences when we get it wrong.

Cardinal Pell is the Archbishop of Sydney and Australia's most senior Catholic cleric.

"Words matter. We don't like people telling us . . . or half-truths. Businesses and agencies spend billions on advertising, presenting the advantages of their products or policies, disguising or ignoring the defects, the downside.

**“MLA’s role is to keep people positive – and don’t knock them for that.”**

**Paul Troja, General Manager Rockdale Beef  
MLA Director**

Quote from [weeklytimesnow.com.au](http://weeklytimesnow.com.au)

Jenny Kelly

Kelly Country

# MLA

## R & D Expenditure

2001-02	\$45.6 m
2002-03	\$53.1 m
2003-04	\$65.4 m
2004-05	\$78 m
2005-06	\$80.6 m
2006-07	\$71.3 m
2007-08	\$69 m
2008-09	\$62.8 m

**\$525.8 m**

# **R & D PROGRAM OBJECTIVE**

To accelerate the adoption of commercially focussed innovation by the red meat industry and increase the innovation culture and capability of individual enterprises through investment in quality research partnerships.

## **KPIs FOR R & D**

Facilitate adoption and uptake by industry of partnership project outcomes through a variety of communication channels including case studies, forums and workshops and reports.

*- MLA Final Report 2007-08*

# R & D Primary Objectives

Innovation strategy development work with individual companies led to a more focussed approach to R & D investment and a significant number of new R & D projects were initiated at the enterprise level. It is anticipated that these projects will deliver .... benefits to the individual firms .... but ultimately the wider industry.

- *MLA final report 207-08*

**Refer to MLA  
Feedback Magazine,  
March, 2010, page 11**

# Page 11

A partnership between Teys Brothers and Meat and Livestock Australia (MLA) that aligns research and development with the commercial direction of the company has produced an invaluable innovation for the Australian meat processing sector...

(Mr Tom Maguire) said a key focus for MLA and Teys Brothers was to build the capability of the company and industry to be more innovative.

# Message from Joanne Sillince, CEO AMPC

As the processing industry hits domestic maturity it is clear that only those with a strong efficiency and innovation culture will survive. On current trends more than 20% of Australian processors will be gone within 10 years. Who will they be?



- *Joanne Sillince, CEO AMPC*

# FOOD SECURITY ACTION PLAN

Industry and Investment NSW has more than 700 scientists and technicians working on more than 900 projects at any one time. .... Including developing new ways to increase productivity and at the same time use resources more efficiently developing new crops, improved ways of feeding livestock, better breeding systems for plants and animals, finding alternative markets for agricultural products ..... and developing innovative strategies to achieve cost effective increases in production.

Ian MacDonald,  
Minister for Primary Industries

- *Food&Drink Business January/February 2010*

# **STOP THE PRESS! OBAMA DROPS NLIS!**

February 9, 2010 at 11:31 am ·

**The US has dropped its version of the NLIS called National Animal Identification Scheme (NAIS).**

There was tremendous opposition from US farmers and ranchers, particularly cattle producers.

[US Dept Agriculture Notification](#)  
[New York Times article](#)

# The level playing field

- “My primary task is to defend European interests... we in Europe have made a political choice to support our agriculture because it’s not just another economic activity... it plays a part in conserving the environment, in food safety and in animal welfare.” – *EU Trade*

*Commissioner Pascal Lamy.*

- Tax cut for Brazilian domestic supply chain benefits the whole production chain from farmers to processors to consumers, making beef and beef products more available.

– *AMIC, Tuesday, July 21, 2009*

- BNDES (Brazil’s national development bank), has a long history of supporting Brazilian companies in the agricultural and other sectors that wish to expand globally. - *Cattle Buyer’s Weekly, Friday, January 22, 2010*

# The level playing field (cont.)

- Indonesian Government's decision to offer domestic producers a loan subsidy as an incentive to increase the number of breeding units in that country. Indonesia is aiming to produce all its 'boxed beef' domestically by 2014. – *PPB Agribusiness*

*Newsletter November / December, 2009*

- The Russian beef industry is set to receive large government financial incentives in order to develop during the next three years... as a result, the number of beef cattle are expected to almost double by 2012.

*– QCL, January 7, 2010*

- According to official figures in 2009, Argentinean feed loters received compensation for a total of US \$176 million.

*– World Beef Report*

# Russian government to support meat production

The Russian government has approved a new plan to increase domestic food output and reduce the country's import dependence. The plan's objective is to increase domestic meat production by 85% by 2015.

In addition to the incentives, the Russian Meat Union has stated that the government will need to increase meat import barriers and provide producers with long term loans of no less than 10-15 years.

Brazil continued to be Russia's largest supplier, despite imports from this market declining 20% to 322,381 tonnes swt in 2009. Imports from Argentina jumped 97% to 136,972 due to increased production in 2009, but are expected to decline this year.

# The level playing field (cont.)

- To make matters worse for Australia, the US government is much more generously involved in dispensing subsidies and assistance.

– S G Heilbron, *Economic and Policy Consulting*

Average over two years

Grain Fed	17.739
Grass Fed	115.529
Processor	25.6
<b>Total</b>	<b>158.868</b>

Average over two years  
79.434

Actual cattle killed (not calves)  
approximately 8 million head.  
Approximately \$10 head  
USA \$1 head.

# The Irvine Index

By Jessica Irvine, economic writer

**\$9.4 billion**

Net Australian Government assistance to industry in 2007-2008 through tariffs, direct investment, tax breaks and other measures.

**\$20 billion**

Amount the Productivity Commission has calculated the Rudd Government has added to this between July 1, 2008 and last May.

**\$6.2 billion**

Size of Rudd Government assistance package for the car industry.