

Report to Stakeholders

This *Report to Stakeholders* provides a transparent overview of MLA's actual activities and outcomes for the 2014-15 financial year, reporting against the objectives and planned activities outlined in MLA's *Annual Operating Plan 2014-15*.

The figure on the next page shows the relationship between the peak industry councils, MLA Board and Leadership Team and the documents that guide and inform MLA's focus and reporting on its progress and performance.

MLA acknowledges the matching funds provided by the Australian Government to support the R&D detailed in this report.



MLA's strategic and operational planning process

Whole of industry consultation
(see page 73 for more information)
Industry taskforces

- International markets
- Domestic market
- Meat Standards Australia

National and Rural R&D Priorities
(established by the Australian Government)

Policy direction, budget and performance monitoring
(provided by the peak industry councils and through industry consultation)

Meat Industry Strategic Plan 2010-2015
(established by the Red Meat Advisory Council)

MLA Corporate Plan 2010-2015
(overseen by MLA Board, managed by MLA Leadership Team)

R&D and marketing business plans
(managed by MLA Leadership Team)

MLA Annual Operating Plan 2014-15
(managed by MLA Leadership Team)

- Maintaining and improving market access
- Growing demand
- Increasing productivity across the supply chain
- Supporting industry integrity and sustainability
 - Objectives
 - Planned activities
 - Key performance indicators

MLA Annual Report 2014-15
(report to stakeholders)

Whole of industry R&D consultation
(see pages 73-74 for more information)

- North Australia Beef Research Council
- Southern Australia Meat Research Council
- Western Australia Livestock Research Council
- 18 regional red meat and livestock committees (excluding WA)



Maintaining and improving market access

MLA assists in the maintenance and improvement of market access for Australian beef, sheepmeat and goatmeat by supporting industry and government to demonstrate product integrity, liberalise trade and support the provision of supply chain assurance for the livestock export sector.

Objectives under this strategic imperative include:

- 1.1 Develop and deliver industry systems that underpin product integrity
- 1.2 Support industry and government to maintain and liberalise world meat markets
- 1.3 Maximise market options for producers and exporters in the livestock export market

Australian Government National Research Priorities:

- Promoting and maintaining good health
- Safeguarding Australia

Australian Government Rural Research and Development Priorities:

- Productivity and adding value
- Supply chain and markets
- Biosecurity

Delivering MLA business units:

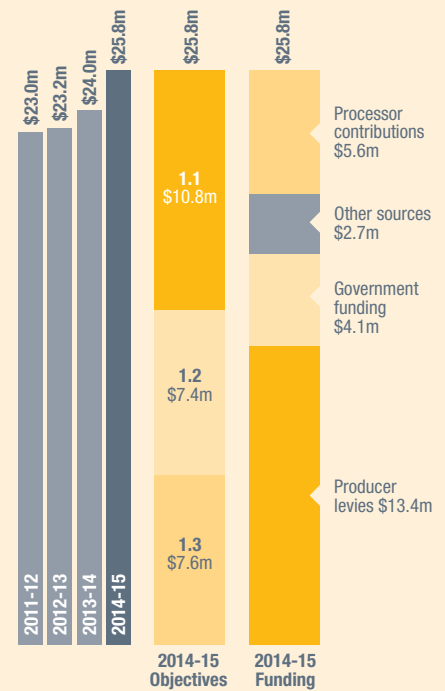
- Value Chain Innovation
- On-farm Innovation and Adoption
- International Markets



MILESTONE SCORECARD

Of 13 milestones: 8 achieved, 3 not achieved, 2 no longer applicable

INVESTMENT



An additional \$294,000 was attracted in voluntary contributions, matched with Government funding and invested via the MLA Donor Company.

KEY ACHIEVEMENTS



More open trade with Japan, Korea and China

Two free trade agreements entered into force, delivering both immediate and ongoing tariff reduction benefits in key export markets. An agreement was also signed with China (see page 19).

Enhanced animal welfare assurance

Planning commenced for a pilot of a new export welfare assurance system – Livestock Global Assurance Program – to enhance the long-term sustainability of the live export trade (page 21).



Vaccine addresses on-board mortality

A salmonella vaccine for sheep was developed and is now undergoing further efficacy trials. It will address one of the most common causes of mortality aboard live export vessels (page 21).

Meat safety R&D assists market access

MLA research found Australian cattle only have four of the seven types of *E. coli* bacteria the US market tests for, putting Australia in a position to negotiate for less stringent commercial testing (page 17).



↑↑ OPPORTUNITIES

- > The revamp and upgrade of the National Livestock Identification System (NLIS) will enable commercial software providers to develop compatible stock management software, including adaptations for smartphones and tablets, to simplify stock movement recording and reporting.
- > Industry, in close consultation with government, is working on strategies and action plans to tackle the 136 technical barriers to trade identified in an earlier review.

↘ CHALLENGES

- > Tackling non-tariff barriers to trade in the Middle East and China.
- > Beginning discussions with government on pursuing a free trade agreement with the European Union.
- > Encouraging more producers to embrace online National Vendor Declarations and facilitate the uptake of the paperless livestock traceability system across the entire supply chain.
- > For the Livestock Global Assurance Program to graduate from its pilot phase and become the accepted animal welfare standards guide for the livestock export industry worldwide.
- > The \$6 million NLIS upgrade project is a significant technological challenge requiring an enormous communication effort to engage all stakeholders.

🔗 OUTLOOK 2015-16

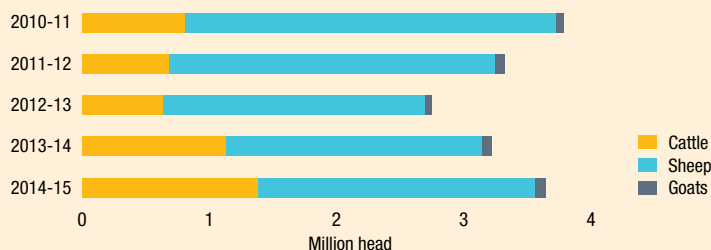
- > Supporting Trans-Pacific Partnership Agreement and EU Free Trade Agreement negotiations.
- > Encourage closer bilateral partnership discussions with Taiwan and continue positioning Australia as a preferred supplier to this market.
- > Leading Australian scientists in *E.coli* research to attend VTEC Boston, an international conference that leads the worldwide conversation on food safety.
- > Deliver an improved, modernised NLIS database with enhanced functions including expanded help sections.
- > Ratification of the China-Australia FTA.
- > China cattle health protocols signed.
- > Potential to export livestock to the US.

FAST FACTS 2014-15

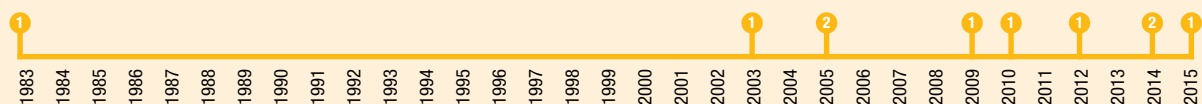
Live sheep exports
2.2 million head
up 9% on 2013-14

Live cattle exports
1.38 million head
up 22%

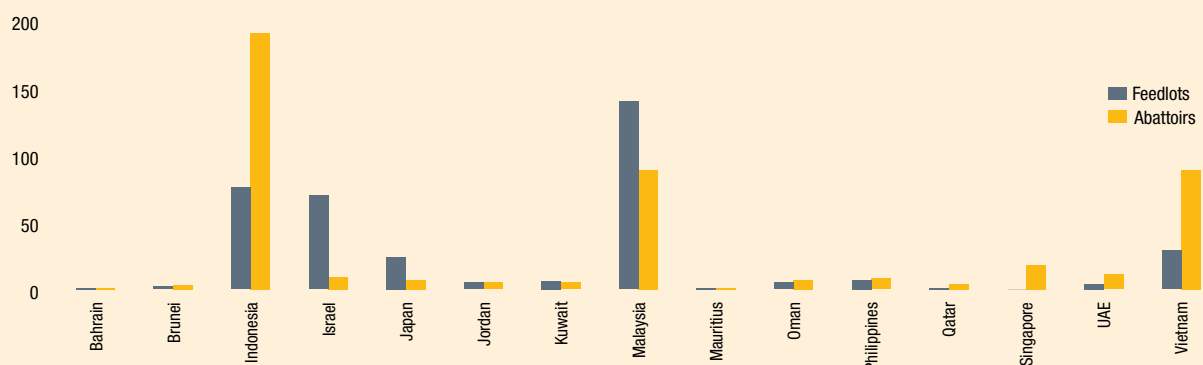
Live cattle, sheep and goat exports (million head)



10 free trade agreements signed by Australia since 1983, **3 of these** since April 2014



Number of facilities in ESCAS approved supply chains, by market



Maintaining and improving market access

OBJECTIVE 1.1

Develop and deliver industry systems that underpin product integrity

MLA supports industry to maintain its reputation for producing safe and wholesome beef and sheepmeat by managing food safety, traceability and integrity systems.



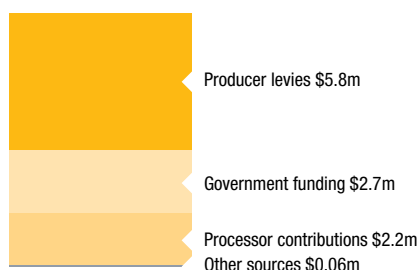
STRATEGIES

- 1.1.1 **Conduct** scientific research to ensure food safety systems are at the leading edge of knowledge and practice
- 1.1.2 **Develop and implement** appropriate meat and livestock traceability systems
- 1.1.3 **Support** the development and uptake of food safety and quality assurance systems by all sectors of the red meat supply chain



INVESTMENT

\$10.8 million



An additional \$294,000 was attracted in voluntary contributions (\$139,000), processor contributions (\$8,000) and matched Government funding (\$147,000) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > maintenance and refresh of the National Livestock Identification System database
- > management of the Livestock Production Assurance program
- > development of tools and systems for managing food safety based on innovative science
- > development of new integrity systems that respond to consumer preferences



KEY MILESTONES

Satisfaction rating of MLA's food safety activities by industry (processors and AMIC) at more than 85 per cent

Not achieved

RESULT: 78 per cent of surveyed stakeholders satisfied with MLA's food safety activities

All user and third party software interfaces completed as part of ongoing National Livestock Identification System (NLIS) database refresh project

Not achieved

RESULT: The NLIS refresh project plan was revised, delaying release to July 2015 and a final release, including all user and third-party software interfaces, to early 2016

Industry-wide rollout of the central web-based electronic National Vendor Declaration (eNVD) database completed by June 2015

Not applicable

RESULT: The model for the delivery of the eNVD was revised in late 2014 from a central web interface to licensed commercial software applications

Gap analysis of through chain assurance programs completed by September 2014

Achieved

RESULT: The gap analysis was completed, though not until November 2014

Future funding model for SAFEMEAT programs endorsed by industry by April 2015

Not achieved

RESULT: Future funding is being considered by the SAFEMEAT Initiatives Review Steering Group with recommendations due in August 2015

OBJECTIVE HIGHLIGHTS

Food safety update

Projects seeking better ways to identify pathogenic *E. coli* on carcasses and improve meat hygiene practices across the industry are essential for Australia's continued market access. Recent MLA research has found Australian cattle only have four of the seven types of *E. coli* bacteria the US market tests for, putting Australia in a position to negotiate for less stringent commercial testing. In another project, researchers hope to use research data to change the standards for the shelf life of vacuum-packed lamb and boost trade to the Middle East. In March, MLA hosted a food safety symposium at Charles Sturt University, Wagga Wagga NSW, where leading research on *E. coli* control and detection by Australian researchers was presented.

The net benefits of *E. coli* research is estimated to be **\$1.87 million** annually in reduced costs and product losses

Online NVD progress

The National Vendor Declaration (NVD) paper trail shortened during 2014-15 with 57.5 per cent more producers using the online NVD (eDEC) than the previous year.

To further increase the efficiency of this food safety and stock traceability system, MLA has finalised its framework for making the entire process paperless by developing consistent electronic NVD standards, data transfer and validation facilities as well as a central archive database for traceability and auditing. During the second half of 2015, MLA will conduct field trials with various software providers. For producers, accessing an online NVD will soon be as easy as clicking an icon on a smartphone, tablet or computer. Benefits include eradicating data double entry along the supply chain, improving response times to meet changing market requirements and cutting paperwork for producers, with NVDs personalised and partly pre-filled. It is estimated the system may result in industry savings of at least \$5.8 million per annum by removing the costs associated with the reprocessing of NVDs at saleyards, feedlots and abattoirs.

More than **30 million cattle** and **20 million sheep and goat movements** recorded by NLIS in 2014-15

32,762 producers registered to use the eDEC system, a **57.5% increase** this year

NLIS database refresh

The National Livestock Identification System (NLIS) database will soon be easier for producers to navigate online. During July, the website will be refreshed to offer an informative home page and more help options. The help section will be expanded to include 'five steps to using NLIS', frequently asked questions, links to state legislation, EUCAS (European Union Cattle Accreditation Scheme) requirements and tips on how to reconcile stock records on the database. A subsequent release is planned for early 2016 which will see movement recording and reporting simplified, including the addition of a dashboard view for producers, as well as enabling integration with smartphone and tablet technology.

More than **64,000 producers** have accounts on the NLIS database, up from 58,000 at the end of 2013-14



Food safety R&D helps market access

MLA research into food safety is paying global trade dividends with Australia's reputation as a safe and clean red meat supplier growing stronger each year. Australian scientists attend international conventions, such as VTEC 2015 in Boston, a symposium on Shiga Toxin (Verocytotoxin)-producing *E. coli*, to be part of the global conversation on food safety and to identify research directions that will boost red meat's international competitiveness while reducing unnecessary regulations and trade barriers.

In an MLA project concluded this year, researchers gathered and analysed data from Australian processors to ascertain why some are better at controlling bacteria than others. The project will release best practice guidelines which will further improve Australia's performance in food safety.

Maintaining and improving market access

OBJECTIVE 1.2

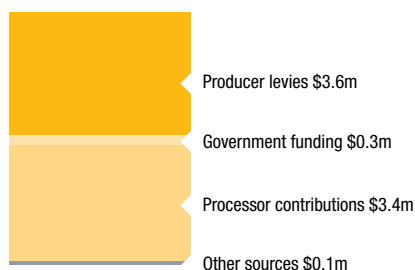
Support industry and government to maintain and liberalise world meat markets

MLA assists industry and government to defend or increase access to export markets by providing research and market intelligence services, undertaking trade liberalisation advocacy programs and building in-market alliances.

↑ STRATEGIES	🔑 KEY MILESTONES
1.2.1 Support industry and government to defend existing favourable market access conditions in overseas markets	<p>Action plans for key technical market access barriers are developed and endorsed by peak councils</p> <p>Not applicable → RESULT: Delivery of the milestone has changed to MLA now working jointly with AMPC on non-tariff barriers</p>
1.2.2 Assist in positioning the Australian red meat and livestock industry for the WTO Doha round	<p>Submissions prepared by MLA on economic market access barriers are endorsed by peak councils</p>
1.2.3 Assist in positioning the Australian red meat and livestock industry for FTA negotiations	<p>Achieved → RESULT: MLA prepared submissions reviewed and endorsed by peak councils</p>
1.2.4 Develop strategies to remove access barriers	<p>Demonstrable progress is made on implementing the Indonesia, China and EU market access and engagement strategies¹</p>
1.2.5 Provide issues management capability to assist in avoiding loss of market access due to meat safety concerns	<p>Achieved → RESULT: Demonstrable progress made in Indonesia (through the Indonesia-Australia Red Meat and Cattle Partnership), China and the EU (continuation of the EU High Quality Grainfed Beef quota)</p> <p>Trade perception of the safety of Australian red meat held at or above current levels in key markets</p> <p>Achieved → RESULT: Survey carried out biennially. Last survey indicated trade perception of safety at 93 per cent in Japan and 95 per cent in Korea</p>

💰 INVESTMENT

\$7.4 million



In 2014-15 this investment included:

- > assisting government to conclude free trade agreements with Korea, Japan and China
- > progressing priorities during Trans-Pacific Partnership trade talks
- > addressing technical trade barriers

¹ Milestone relates to beef focused strategies only.

OBJECTIVE HIGHLIGHTS

The past 12 months were a watershed year for market access, with gains estimated at \$20 billion secured for beef, sheepmeat, goatmeat, offal, skins and hides from a trifecta of free trade agreements negotiated by the Australian Government.

China-Australia FTA

The China-Australia Free Trade Agreement (ChAFTA), signed in June 2015, means:

- > the tariffs levied on Australian beef of 12–25 per cent will be eliminated over the next nine years
- > sheepmeat and goatmeat tariffs of 12–23 per cent will be eliminated over eight years
- > the 12–15 per cent tariffs on offals will be eliminated over four to nine years
- > the 5–14 per cent tariffs on hides and skins will be eliminated over four to eight years
- > the 10 per cent tariffs on live cattle and sheep will be eliminated over four years.

China takes
**25% of Australia's
sheepmeat
exports,**
90% of sheepskin exports
and is our fourth largest
sheepmeat offal customer

ChAFTA is scheduled to enter into force in late 2015, delivering the first tariff cuts, with the second tariff cuts due 1 January 2016. By 2024, removal of these tariffs will deliver an estimated \$830 million in annual benefits to the Australian red meat industry.

Japan-Australia Economic Partnership Agreement

The Japan-Australia Economic Partnership Agreement (JAEPA), which came into force in January 2015, saw an 8 per cent tariff reduction on frozen Australian beef to 30.5 per cent and a 6 per cent tariff reduction on chilled beef to 32.5 per cent. A second round of tariff cuts (2 per cent frozen and 1 per cent chilled) were delivered during April 2015. In the longer term, frozen beef will drop from 38.5 per cent to 19.5 per cent over 18 years and chilled beef will fall from 38.5 per cent to 23.5 per cent over 15 years. While not securing tariff elimination, the agreement does provide Australian beef with a preferential advantage over other imported beef suppliers in Japan. For sheepmeat, the JAEPA tariff will remain at 0 per cent.

Korea-Australia FTA

The Korea-Australia Free Trade Agreement (KAFTA) immediately delivered benefits to Australia's third largest volume beef export market when it came into force during December 2014, reducing the tariff on Australian beef from 40 per cent to 37.3 per cent. A second cut in January 2015 further reduced the tariff to 34.7 per cent. Most importantly, this agreement lowered the previous 8 per cent tariff difference between Australian and US beef to 5.3 per cent and ensured the difference would be no greater than 5.4 per cent during the phased 15-year tariff elimination period. Australian sheepmeat has also benefitted from two tariff cuts as has Australian offal and further processed meat products.

Other FTAs under negotiation

MLA, in partnership with industry, continues to position the red meat sector for favourable outcomes from a range of FTAs presently under negotiation. These include: the Trans-Pacific Partnership (involving Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, US and Vietnam); the Australia-India Comprehensive Economic Cooperation Agreement; the Australia-Gulf Co-operation Council FTA; the Indonesia-Australia Comprehensive Economic Partnership Agreement; and the Regional Comprehensive Economic Partnership involving the 10 ASEAN countries plus Australia, China, Japan, India, Korea and New Zealand.



China's Commerce Minister Gao Hucheng and Australia's Minister for Trade and Investment Andrew Robb with former Prime Minister Tony Abbott looking on. Image courtesy of the Office of the Australian Prime Minister.

The return on MLA's investment

When it comes to brokering trade agreements, MLA does not sit at the negotiating table but plays a vital role in helping secure advantageous results for the industry. MLA provides market insights and advice which, when combined with strong commercial involvement from producers, processors and exporters, helps assist Australian Government officials to achieve high quality trade reform outcomes.

A recent economic evaluation by the Centre for International Economics (CIE) of MLA's involvement in market access concluded that overall market access activities should generate benefits to the red meat industry valued at \$6.2 billion over a 24-year period (2006 to 2030). The analysis indicates the MLA Market Access Program can be credited with \$1.3 billion of the total projected value. The expected payoff to red meat producers, highlighted by the benefit-cost ratio, is high at 39.9 to 1.

Tariff eliminations under ChAFTA will add
\$830 million a year by 2024
across the beef and sheepmeat industries

Maintaining and improving market access

OBJECTIVE 1.3

Maximise market options for producers and exporters in the livestock export market

Operated in partnership with LiveCorp, the Livestock Export Program provides R&D and market support services to assist cattle, sheep and goat supply chains to meet their responsibilities, particularly under the Australian Government's Exporter Supply Chain Assurance System (ESCAS) that came into force for all livestock export markets on 1 January 2013.



STRATEGIES

- 1.3.1 **Assist** supply chains to deliver continuous improvement in animal health and welfare
- 1.3.2 **Provide** research and support to enable improvements in supply chain efficiency and performance
- 1.3.3 **Provide** communications support for the Industry Reform Strategy
- 1.3.4 **Assist** industry and government to defend and improve market access conditions and build demand for livestock



KEY MILESTONES

85 per cent of exporter/importer requests for gap analysis, risk analysis, training and technical advice are met

Achieved

RESULT: All exporter and importer requests were met for gap analysis risk analysis, training and technical advice across all markets

Deliver four programs to support improvements in supply chain efficiency and performance for each of the five supply chain efficiency key initiatives

Achieved

RESULT: Four programs delivered

MLA advice on live export issues rated as very valuable (four out of five) by peak councils

Achieved

RESULT: Stakeholder survey completed in August 2014 rated MLA's advice on live export issues an average of 4.2 out of 5

MLA advice and management of market access issues rated as very valuable (four out of five) by peak councils and government

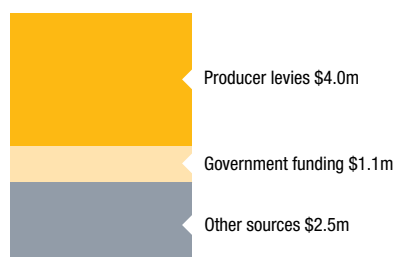
Achieved

RESULT: Stakeholder survey completed in August 2014 rated MLA's advice of market access issues an average of 4.2 out of 5



INVESTMENT

\$7.6 million



'Other sources' includes funding from LiveCorp.

In 2014-15 this investment included:

- > assisting supply chains to meet their obligations under ESCAS
- > monitoring outcomes and improving animal health and welfare through the supply chain
- > managing R&D projects including on heat stress, respiratory diseases and salmonella

OBJECTIVE HIGHLIGHTS

ESCAS support with supply chains

Livestock exports are the fastest growing sector of the Australian red meat industry, generating \$1 billion in income for 2014-15. Helping to facilitate this are MLA's livestock services managers who are positioned in key markets around the world. MLA provides support to exporters and their customers through delivering training and risk assessments that assist in the implementation and compliance to the Australian Government's Exporter Supply Chain Assurance System (ESCAS). MLA managers, through their diplomatic efforts, have effected considerable practice change (see 'Carcase ticketing adopted during Eid al-Adha', right).

In May 2015 MLA appointed a new manager to Vietnam, based in Ho Chi Minh City, to support exporters' ESCAS initiatives and the rapid escalation of live exports there, which have risen from 1,400 head in 2011 to 205,063 head from January to June 2015.

Animal welfare indicators

Australia continues to be a world leader in animal welfare research with MLA and LiveCorp managing a portfolio of key projects, such as the development and assessment of animal welfare indicators. This project aims to identify internationally accepted and currently used indicators of animal welfare for sheep, cattle and goats and to identify their relevant point along the livestock export supply chain. A list of key welfare indicators will be formed to determine the most practical, economical and quantifiable measures of livestock welfare.

A performance benchmark is also being developed to identify areas for improvement using an integrated welfare assessment that measures performance using environmental, physical, physiological and behavioural indicators. This benchmarking will enable data collection, provide continuous feedback and suggest remedial procedures that can be implemented immediately.

Salmonella sheep vaccine

A salmonella vaccine for sheep, developed by the MLA-supported Live Export Research and Development Program, is showing promise to address one of the most common causes of mortality on live export vessels. Delivered orally in water, the vaccine is undergoing further efficacy trials.

Livestock Global Assurance Program

The Livestock Export Research and Development Program is funding a major project that aims to further strengthen welfare assurance in overseas markets. The Livestock Global Assurance Program (LGAP) is being developed and piloted in 2015 to enhance the long-term sustainability of the livestock export trade. As a certified, independent conformance program, LGAP will improve audit robustness and apply more effective and direct accountability measures to assure animal welfare throughout the supply chain.

In 2014-15, the joint
MLA-LiveCorp Live Export
Program delivered
**366 days of
animal handling
and welfare
training in
15 countries**

(throughout South East
Asia and Middle East/North
Africa), attended by
1,912 people



Carcase ticketing adopted during Eid al-Adha

Encouraging and facilitating change on foreign soil is always challenging, however MLA's representatives based in Australia's major live export markets have assisted industry to make significant improvements to animal welfare through nationwide practice change.

A major achievement in 2014-15 was the adoption of a carcase ticketing system during the Muslim Eid al-Adha festival celebrations in Bahrain and Qatar. To minimise stress from individual selection and handling of sheep, importers embraced a ticket-based system whereby customers collected carcasses from an approved abattoir where high standards of welfare were delivered (see picture above).

This system benefited customers with reduced levels of congestion and waiting, and improved welfare outcomes for sheep. This system supports the ESCAS requirement of keeping Australian livestock within approved supply chains.

The MLA-supported Live Export Research and Development Program has funded the translation of animal handling and welfare training resources into
Russian, Vietnamese, Chinese, Indonesian, Khmer, Thai and Hebrew