

# **National Livestock Reporting Service Study**

## **Current Position and Future Options**

### **Green Paper**

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This report was accepted by the Steering Committee of the National Livestock Reporting Service (NLRS) Study on Thursday, 20 September, 2001 in Sydney. It is being circulated by the Red Meat Advisory Committee (RMAC) as a “Green Paper” for industry discussion and comment.

Comments should be forwarded to Dr Gregor at the above address by 31 October, 2001. Comments will be noted in the preparation of a final report for the RMAC meeting in December, 2001.

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- 1 Examples of the NLRS reports (available separately in hard copy)

## Executive Summary

This report is the result of a study of the National Livestock Reporting Service (NLRS). The aim of the study was to analyse the current position of the NLRS and to identify options for the future ownership, management, funding and data distribution of the NLRS. The study was commissioned by the Red Meat Advisory Council. It was carried out from July to October, 2001, on a draft report basis by an independent analyst, with the guidance of a steering committee representing sectors of the meat and livestock industries.

The NLRS is a market intelligence agency servicing the meat and livestock industry. The service provides an independent source of livestock market data for cattle, sheep and pigs. The data is collected primarily from markets (saleyards) and processors (over-the-hooks). Additional data is collected for slaughter figures and skin prices. The data is collected by trained and accredited reporters in most states (Queensland and Tasmania are exceptions). The media is the main distributor of NLRS data, in weekly newspaper reports and ABC radio and TV.

The NLRS is currently a component of SafeFood NSW and receives a large portion of its funding from the Meat Industry Levy on livestock producers in NSW. This situation is inequitable, as producers in other states also benefit from the service, but do not contribute through levy funds. The location of the NLRS within SafeFood NSW is not ideal as the functions of the NLRS are quite different from that of the other components of SafeFood. In addition, the Victorian Government has declined to continue their contribution of \$110,000 per annum to the service after June, 2002. Thus, options for the future of the NLRS need to be addressed with some urgency.

This report gives a description of the NLRS, including its current status, history, ownership and management, personnel, finances and operation. The report also examines the industry context and the value of the services provided by the NLRS. Information for the report was gathered through interviews, site visits, and secondary sources including the Internet and published reports.

It was concluded from the study that the NLRS should continue to exist at a national level. Economic analysis indicates that such a service provides value to the industry as a whole, by lessening the transaction costs that accrue to individual organizations and by increasing market efficiency. A body is needed at the national level to provide uniformity in reporting. A national approach is important as trading occurs across state borders. All industry representatives consulted agreed that the service should continue and that it should be at a national level. The service is seen to provide considerable value to the livestock industries. Relatively few shortcomings are seen in the service as it currently exists.

It is unlikely that the NLRS is viable as a fully commercial operation and there are doubts about the desirability of doing this, as full commercial operation could jeopardize perceptions of independence and lack of bias, which are important attributes of the

service. Ownership by a commercial body may also not lead to the stability desired in such an important service and could put at risk the provision of the basic services required for “the industry good”.

As the NLRS provides services to the livestock industries overall, it is recommended that the option of support from both voluntary and mandatory transaction levies be pursued. At present, the NLRS is supported very largely by levy money. This in itself is not a source of dissatisfaction. The problem is that the main levy used comes from NSW producers, which is inequitable for a service that has national benefits. There is little argument for funding to come from general taxpayer money.

If support for the NLRS is to come from additional industry levy rates, as distinct from utilization of existing levy income, then the Government’s guidelines need to be followed. These guidelines require widespread industry consultation and support for any new levy, or any change in an existing levy. Given that alternative arrangements for the NLRS need to be in place by July, 2002, the process of consultation with industry should begin as soon as possible.

The total annual budget of the NLRS for a national, standardized service is estimated at approximately \$2 million. There is a shortfall of approximately \$1.3 million between this amount and what is raised from commercial income from clients. It is this \$1.3 million that would need to come from additional revenue, that is, either from levy funds or additional commercial income, or by reducing operating costs. This report concludes that there is very limited scope to reduce such costs. To put this amount in perspective, it is noted that the current levy totals are of the order of: \$45 million from the National Cattle Transaction Levy, \$15 million from sheep and lambs, and \$8 million from pig slaughters – a total of \$68 million.

The final recommendation is that the NLRS be relocated so that it operates as a separate entity, jointly owned and funded by industry sectors. In this way, perceptions of independence and lack of bias would be enhanced. The organization could operate under the stewardship of a Board of Directors that represented industry interests. This Board would ensure that the necessary base requirements for reporting for the good of the industry overall are met. Some reduction in costs would be possible if the central office for the service was to move away from central Sydney. It would be up to industry to decide the best ownership vehicle.

To summarize, the conclusions of this study are that the NLRS is a highly-regarded, valuable service for the Australian meat and livestock industries. The service should continue and offer a standardized service nationally. It is vital that the service be seen as independent and that the data gathered be as accurate as possible and free from bias. It does not appear to be feasible for the service to run as a fully commercial company. For these reasons, it is recommended that the NLRS be established as a separate entity, owned and funded by industry sectors, with some income continuing from sale of its products.

# 1 Introduction

A study of the National Livestock Reporting Service (NLRS) was commissioned in late July, 2001.

The NLRS is a market intelligence agency servicing the meat and livestock industry. The service provides an independent source of livestock market data for cattle, sheep and pigs. The data is collected primarily from markets (saleyards) and processors (over-the-hooks or OTH). Additional data is collected for slaughter figures and skin prices. The data is collected by trained and accredited reporters in most states (Queensland and Tasmania are exceptions). The media is the main distributor of NLRS data, in weekly newspaper reports and via the ABC.

The study is to be undertaken by Professor Shirley Gregor of the Australian National University, under the guidance of a steering committee consisting of:

Peter Milne (Chair RMAC, President CCA)  
Bob Coombs (RMAC)  
Geoff Jureidini (NMA)  
Rob Anderson (CCA member)  
Barry Shay (SafeFood NSW)  
Adrian Galea (NLRS, SafeFood NSW)  
Andrew McCarron (ACLA)  
Arthur Gates (SCA)  
Godfrey Aranda (APL).

The study is funded by Meat and Livestock Australia, with Michael Hartmann of Cattle Council Australia acting as the secretariat.

The purpose of the study is to analyse the current position of the NLRS and to identify options for the future ownership, management, funding and data distribution of the NLRS. The terms of reference for the study are given in Appendix A. The scope of the study is as described in this paragraph and the terms of reference. The scope does not include a detailed study of the management and internal operating efficiencies of the NLRS.

The criteria that will be used in assessing options for the future of NLRS are:

- Appropriate management focus (The preferred option must allow for long-term management and planning, a clear mission and growth. There should be a fit between the mission and core business of any potential owner or organizational “home” (if any) for the NLRS and the NLRS functions.)
- Viability (preferred option is viable in terms of financing, personnel, and infrastructure and is likely to be supported by industry sectors for some period.)
- Independence (the perception of independence and lack of bias is important).
- Efficiency (efficient use of funds and overlap with other services offering price discovery or market intelligence is minimized).

- Effectiveness (clients are given what they want and need, in a format and media that suits them, and there is an appropriate spread of clients).
- Information quality (accuracy, timeliness, relevance).
- Adaptability/flexibility – the service should be able to change with changes in the environment (eg legislation, technology) and changes in other schemes (eg NLIS).
- Equity and non-discrimination (that is, one particular sector, geographical location or state is not disadvantaged, one sector/body does not receive considerably more services in proportion to contributions/payments and so on).

The study began on 25 July. A report with the “current position” was prepared for a meeting of the committee on 15 August and a report with options for the future was considered at a meeting on 20 September. The study timeline is shown in Appendix B. The study methodology is shown in Appendix C.

## 2 Description of the NLRS<sup>1</sup>

### 2.1 Current status

The National Livestock Reporting Service (NLRS) is now a component of SafeFood NSW. This body was formed in late 1998, with the NLRS joining it in August 2000, as part of the NSW Meat Industry Authority (MIA). Thus, the NLRS has been in its present home for about 12 months.

Important features attributed to the NLRS are that it is national, and that it is seen as impartial and independent. That is, it does not represent or favor one sector in the meat industry more than another. Comments suggest that the NLRS does good work and is highly regarded.

The aim is to get the NLRS on a sound long-term footing. It is not regarded as a “good fit” with the other components of SafeFood. The core function of SafeFood is to “develop, implement and manage food safety schemes”. The primary function of the NLRS is to provide an independent source of national livestock market data collected from major prime and store markets, direct sales and wholesale meat markets (SafeFood, 1999/2000). The focus of the two groups is not congruent.

The “national” status of the NLRS is in question. The largest single contributor (33% in 2000/2001) to the funding of the NLRS is the NSW Meat Industry Levy (see Table 2). Some additional funding, however, comes from other state governments. In the first part of 2001, the Victorian Government declined to continue their contribution of \$110,000 p.a., which is approximately 11% of the operating budget of the NLRS. They have now agreed to continue funding half this amount for July, 2001 – June, 2002, with Meat and Livestock Australia (MLA) contributing the other half, but will not continue funding after June, 2002. If Victoria withdraws then the NLRS will not be a truly national system.

### 2.2 History

*The concept of a national, standardized livestock reporting service has been with industry since the early eighties, though no single body previously responsible for market reporting has ever been in a position to actually establish the service.*

*In 1995, representatives from the three eastern states met to discuss the future of market reporting. It was clear then that no state body could survive independently and it was deemed necessary that a national language and description, as well as a standardized reporting format, be developed to provide greater potential to recover costs. Australian Meat and Livestock Corporation (AMLC) helped facilitate the*

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<sup>1</sup> The information in this section relies primarily on data collected and presented by the staff at the Head Office of NLRS. The effort expended by Barry Shay, Adrian Galea and Aaron Iori is appreciated. Financial data cannot be obtained directly from annual reports as the figures for the NLRS group are aggregated with other groups within SafeFood. Some material (shown in italics) has been taken verbatim from promotional material and Galea (2001).

*move to a national system by assisting in the initial development of a software package.*

*In May 1997, NLRS commenced operations following a series of negotiations between Vic and NSW. In the three years to follow, NLRS was expanded to all the states with a common language, description and report format finally available (Galea, 2001).*

Other arrangements had existed in some states prior to the formation of the NLRS. A service had been operating in NSW since 1987, as part of the NSW MIA. It became the NLRS in May, 1997.

*Victoria joined in 1997 and was the first of the states to come on board. Natural Resources and Environment (NRE) were formerly responsible for offering the market reporting service in Victoria. NLRS expanded the service and introduced additional information such as over-the-hooks (OTH), slaughter statistics and weekly summaries. NLRS also reduced operating costs from \$450,000 to their present level and increased revenue from \$30,000 to \$151,000.*

*NLRS established a South Australia service in February, 1998. The Rural Press owned Stock Journal formerly offered the service to industry. There had always been a gap between income and expenditure. Rural Press covered this gap.*

*The Queensland service was incorporated into the NLRS in February 1999 following lengthy discussion with both representatives from industry and the Queensland Livestock and Meat Authority (QLMA), the body formerly responsible for reporting in Qld. Information on physical markets is supplied via a direct download from the saleyard computer system, with the person responsible for assessments being a saleyard/agent employee rather than an independent assessor. The system was inherited from QLMA and while it is regarded as far from ideal by NLRS, their funds do not permit any change in this situation to date. The problems with such a system range from the simple lack of independence in some centres through to gross inaccuracy of cattle assessments in others. NLRS has no control over these saleyard employees and can only withhold information from publication to overcome these issues. (Galea, 2001).*

The Tasmanian component of the service is funded by MLA and the Tasmanian Farmers and Graziers Association.

*Consequently, NLRS exercises no control over the Livestock Market Officer (LMO) and as such cannot verify accuracy and independence. No slaughter data is collected and OTH information has only recently been collated for cattle and sheep. MLA has recently allowed the Tasmanian LMO to travel to NSW to undertake a sheep assessment accreditation course.*

*In Western Australia, the WA Meat Industry Authority (WA MIA) has managed the WA arm of the service since August, 1999, under agreement with NLRS. In order to ensure accuracy, quality and consistency, the WA MIA have adopted NLRS's management and quality standards. NLRS also conducts audits of operational staff and procedure to ensure standards are met. (Galea, 2001).*

## **2.3 Ownership/management**

The NLRS is a commercial service offered by the Meat Branch of SafeFood Production NSW. The NLRS has a registered business name, hence its ability to trade in the commercial world as NLRS, with SafeFood as the 100% owner. NLRS does not have an ABN for the purposes of taxation and accounting and does not lodge financial statements to the ASC or to State treasury.

SafeFood Production NSW is a NSW State Government food regulatory agency. It (and NLRS) is entirely the property of the NSW State Government.

NLRS was managed by a management/operational board when part of the NSW MIA. It is now overseen by an interim advisory committee for the whole of the Meat Branch of SafeFood. There are three representatives on this board from different sectors relevant to the NLRS (stock and station agents, saleyard managers, producers). The board meets every two months.

## **2.4 Personnel**

Table 1 shows the organizational structure of the NLRS.

There are five full-time staff in the Head Office in Sydney and approximately 16 Livestock Market Officers (LMOs) – equivalent to 8.75 FTE for the LMOs.

Two of the Head Office staff are full time employees of SafeFood Production NSW. The other three are temporary full time employees until August, 2002. The reason that these three positions have been made temporary is due to the uncertainty of the future position of the NLRS in relation to SafeFood Production NSW.

LMO's are generally contracted employees. There are 6 companies contracted, 9 contracts with individuals, and one individual (the Victorian relief officer) with no formal agreement in place. All contracts are with SafeFood Production NSW and are for a period of 12 months. The contracts expire in December, 2001.

The LMOs employed in all states (except Queensland and Tasmania) must be nationally accredited livestock assessors.

*NSW Agriculture developed and now conducts the accreditation courses for NLRS. To be accredited, staff must reach a consistent standard of accuracy. In the case of cattle assessments, areas covered include the assessment of live weight, carcass weight, dressing percentage, fat scoring and muscle scoring. For sheep and lamb*

*assessments, areas include the assessment of carcass weight, fat score and skin value. Field staff must be consistently 95% accurate on their assessments to retain their accreditation.*

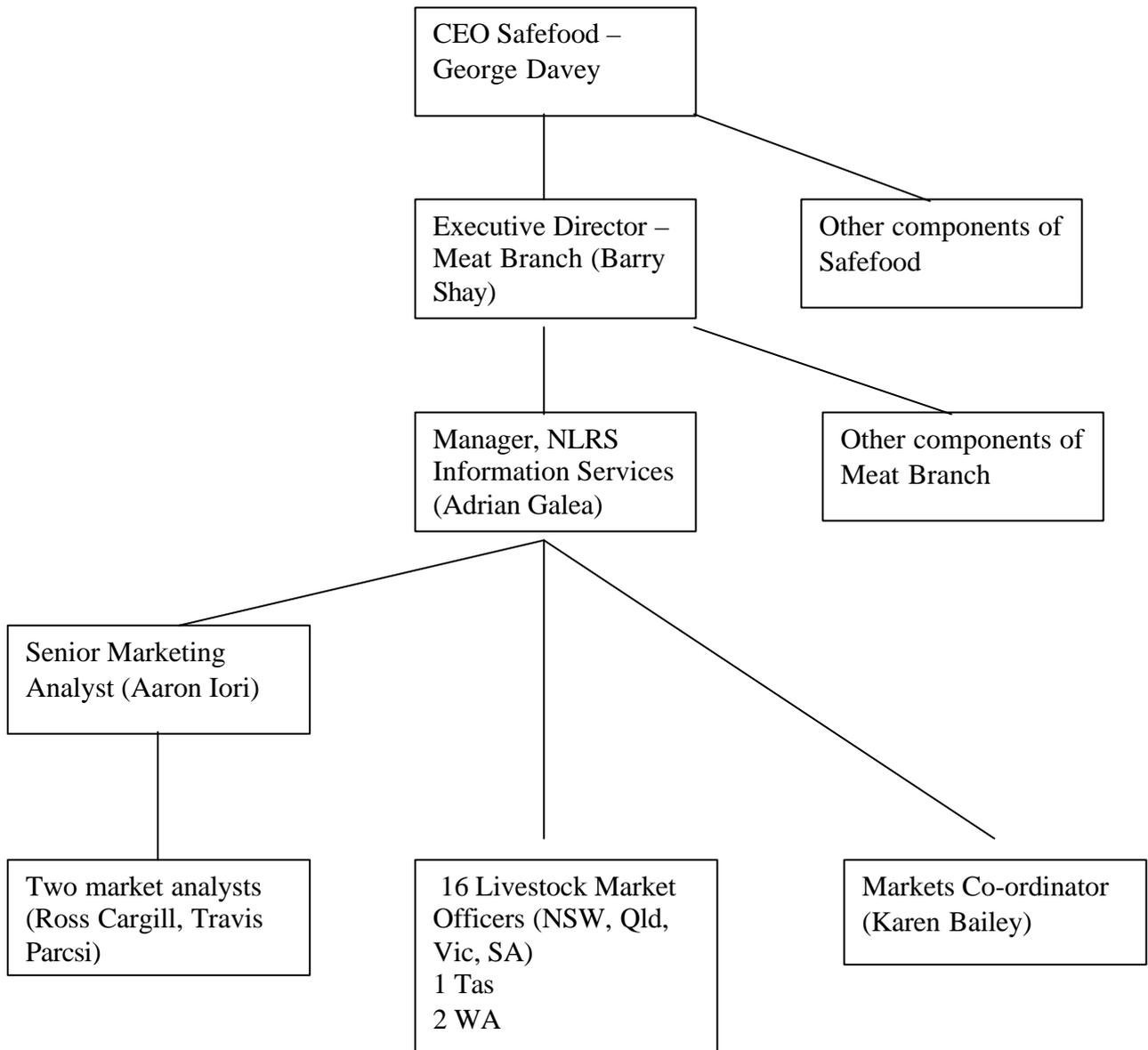
*In order to maintain their national accreditation, staff must regularly monitor their assessment skills at the abattoir with at least 4 visits expected per year. Each visit generally coincides with the change in the season so that adjustments can be made to dressing percentages and therefore estimation of carcass weight. (Galea, 2001).*

*Livestock Market Officers (LMO) are subject to regular assessments of their performance, particularly the accuracy and comprehensive nature of their assessments. They are required to collect data on no less than 70% of livestock offered in each market. This ensures a statistically accurate sample of data for each sale reported. The average across the board is closer to 90% and staff are in fact penalized as much as 20% of their daily remuneration when the minimum requirement is not met. Deadlines are guaranteed to ensure prompt delivery of reports to industry. Here again, similar penalties are imposed when deadlines are not met. (NLRS, 2001).*

*All NLRS staff participate in a structured Performance Appraisal System (PAS). The PAS was designed as a management tool to ensure that NLRS was able to realize its goal of providing independent, timely and accurate information to the meat and livestock industry. The PAS is used to regularly monitor the performance of staff and therefore ensure the accuracy and quality of the information supplied. (Galea, 2001)*

All staff (including LMO) are attached to the NLRS, the exception to this is the support received from Corporate Services for accounts etc. NLRS permanent staff could elect to stay within the public service and seek redeployment, should the NLRS be removed from Safefood.

*This is unlikely as all staff are passionate about the service. (Personal communication, August, 2001)*

**Table 1 Organizational structure of the NLRS**

## 2.5 Financial Analysis

### 2.5.1 Income and expenditure

Table 2 gives a summary of income and expenditure in total and by state for 2000/2001.

Note that substantial funding comes from the NSW Meat Industry Levy (approximately 25% of total national expenditure). This levy is paid by all livestock producers in NSW, based on their carrying capacity determined on a “dry sheep equivalent” (DSE) basis. It is collected by the Rural Lands Protection Board via a rates notice. This Board takes a 5% administration fee. The range in payments from individual properties is approximately \$5 to \$130 p.a. These amounts go towards SafeFood in total.

**Table 2. Income and Expenditure Summary (2000-2001)**  
(From Galea, 2001)

State	Income	Expenditure	Surplus/ shortfall	Shortfall coverage	Note
Head Office	181,000	555,000	-374,000	NSW Meat Industry Levy	1
NSW	233,425	288,500	-55,075	NSW Meat Industry Levy	
Vic	161,000	280,000	-119,000	NRE \$110,000 NSW levy \$9,000	2
SA	62,500	68,000	-5,500	NSW Meat Industry Levy	3
Qld	50,250	35,000	15,250	-	4
Tas	-	-	-	-	5
WA	90,000	150,000	-60,000	WA MIA	6
<b>Total</b>	<b>778,175</b>	<b>1,376,500</b>	<b>-598,325</b>		

Notes:

1. Rent, utilities, some IT not included (approximately \$300,000). Head Office does all processing for the states information
2. From July, 2001, 50% from MLA, 50% from NRE. NRE will not contribute after July, 2002.
3. In SA LMOs are paid less than other states. Some NSW LMOs are also on a lower rate
5. Saleyard data in Qld is not gathered by trained LMOs.
6. Tasmania is not the responsibility of the NLRS.
7. The WA service is managed separately under an agreement with NLRS.

Table 3 shows the details of expenditure in the Head Office. Table 4 shows the number of field staff by state, and the frequency of reports that are produced. Table 5 shows a breakdown by state of expenditure.

**Table 3 Operating costs in Head Office (2001-2002)**

(From Adrian Galea, 3 Sept, 2001)

<b>Item</b>	<b>Expenditure</b>	<b>Notes</b>
<i>Advertising &amp; Publicity</i>	41,000	National promotion of service including awards, print & industry liaison.
<i>FBT</i>	4,436	FBT
<i>IT, Equip. &amp; Software</i>	65,000	Modifications to database, Web Development and Software purchases.
<i>Meeting &amp; Conference</i>	8,500	Annual Meeting expenses (HO and LMO)
Membership and Sub.	1,600	National subscriptions and Memberships
<i>Motor Vehicle Exp.</i>	5,842	Head Office expenses.
<i>Salaries – Base</i>	259,405	Base Salaries of permanent and temporary staff.
<i>Salaries – Related Costs</i>	62,168	Annual & long service leave, payroll tax, higher duties, super, workers comp
<i>Telephone</i>	39,293	For Qld, NSW, Vic & SA. Includes subscription/distribution services.
<i>Training</i>	5,506	Development & implementation of national accreditation courses.
<i>Travel</i>	66,600	Airfares, meals, subsistence, mileage & vehicle hire for ops in all states.
<b>Expenditure</b>	559,350	
<b>Income</b>	133,750	
<b>Shortfall/Surplus</b>	-425,600	

**Table 4 Number of field staff by state and reports produced**  
(From Adrian Galea, 3 Sept., 2001)

	<i>QLD</i>	<i>NSW</i>	<i>Vic</i>	<i>SA</i>	<i>WA</i>	<i>Tas</i>
<b>Staff</b>						
<sup>2</sup> <i>No of LMO</i>	-	9	<sup>3</sup> 5	2	<sup>4</sup> 3	1
<i>FTE</i>	<sup>5</sup> -	4.15	3.4	1.2	2.2	0.4
<b><sup>6</sup>Physical Reports</b>						
<i>Cattle</i>	14	14	9	4	3	1
<i>Sheep</i>	-	10	4	3	3	1
<i>Pigs</i>	-	1	-	-	1	-
<b>Auxiliary Reports</b>						
<i>OTH Cattle</i>	✓	✓	◆	◆	◆	◆
<i>OTH Sheep</i>	✓	✓	◆	◆	◆	◆
<i>OTH Pigs</i>	✓	✓	◆	◆	◆	◆
<i>Slaughter</i>	✓	✓	◆	◆	◆	N/A
<b>Week Sum</b>	✓	✓	◆	◆	◆	N/A
<i>Key</i>	<i>Head Office</i>	✓	<i>Field</i>	◆	<i>Not Done</i>	<i>N/A</i>

<sup>2</sup> "No of LMO" refers to the number of field operators required to report in each state. The chart above shows 16 LMO (Qld, NSW, Vic, SA) however, there are positions for 15 contracted LMO. 16 are shown because the Wagga LMO (NSW) also reports at Wodonga (Vic).

<sup>3</sup> NLRS privately contracts the assistance of an individual based in Vic to provide relief as and when required. This individual is not included in the total number of personnel (15 LMO).

<sup>4</sup> The WA MIA contracts 2 LMO to cover all field operations. WA MIA is also responsible for state analysis, provision of relief, service management and administration (approximately 1 FTE) which does not appear in their overall NLRS budget.

<sup>5</sup> Qld differs from all other states in that reports are compiled and prepared remotely (i.e. from head office). No LMO are required and therefore no FTE has been calculated. We estimate that Qld is currently covered from HO using 0.5 FTE.

<sup>6</sup> The NLRS also reports store markets in NSW (weekly, monthly and seasonally) and Qld (weekly Roma market) as well as the seasonal, specialist weaner markets in NSW and Vic.

**Table 5 Expenditure by state (2001-2002)**  
(From Adrian Galea, 3 Sept., 2001)

	<i>QLD</i>	<i>NSW</i>	<i>Vic</i>	<i>SA</i>	<i>WA</i>	<i>Tas</i>
Remuneration	19,678	214,152	174,160	46,846	150,000	
- <i>Rec. Leave</i>	4,012	10,929	7,805	2,321		
- <i>Relief</i>		18,660	18,660	4,976		
- <i>Payroll Tax</i>		8,131	5,385	1,671		
- <i>Superannuation</i>		9,130	7,493	2,228		
- <i>Workers Comp.</i>		5,246	3,746	1,114		
<i>Motor Vehicle Exp.</i>			32,855	31,303		0
<i>Rent - Regional</i>		8,190	4,530	0		
<i>Training</i>		7,283	3,200	2,011		
<i>Travel</i>						
- <i>Mileage</i>		7,060	0	6,120		
- <i>Subsistence</i>		7,120	0	0		
<i>Telephone</i>	10,500	11,875	10,569	763		
<b>Expenditure</b>	\$34,190	\$340,631	\$266,851	\$68,050		\$150,000
<b>Income</b>	\$39,600	\$210,300	\$266,350	\$63,000	\$90,000	
<sup>7</sup> <b>Shortfall/Surplus</b>	+ \$5,410	- \$130,331	- \$501	-\$5,050	- \$60,000	

<sup>7</sup> The shortfall in NSW, Vic and SA is paid for by the Meat Industry Levy. WA MIA covers the WA shortfall.

A summary of the main sources of income for 2000/2001 is given in Tables 6 and 7. Tables 6 and 7 exclude data for WA, which is why the overall total for income is not identical with Table 2.

**Table 6 Primary sources of non-government income (2000-2001)**  
(From figures supplied by A. Iori, August, 2001. Excludes WA)

<b>Source of income</b>	<b>Amount</b>	<b>%</b>
MLA <sup>1</sup>	37,850	
Other corporate	10,575	
Sub-total corporate	48,425	9%
Subscription service	30,000	5%
Print Media	185,750	
Radio	12,250	
Sub-total media		35%
Saleyards	265,750	47%
1902 Service	17,000	3%
Special	9,000	1%
<b>Total</b>	<b>568,175</b>	<b>100%</b>

Note: <sup>1</sup> The MLA figure was increased to \$57,000 in Nov, 2000.

**Table 7 Primary sources of government/levy income (2000-2001)**  
(From figures supplied by A. Iori, August, 2001. Excludes WA.)

<b>Source of income</b>	<b>Amount</b>	<b>%</b>
QLD DPI	10,000	2%
NSW Producer levy	331,524	74%
VIC DNRE	110,000	24%
<b>Total</b>	<b>451,524</b>	<b>100%</b>

### 2.5.2 Assets

If the NLRS were to leave SafeFood, then the management of SafeFood would need to make a decision about the assets.

The assets of NLRS comprise both tangible and intangible assets.

The intangible assets include the intellectual capital represented in the expertise and training of the staff and the intellectual property held in the main database.

It is difficult to estimate the intellectual capital represented by staffing expertise but this is an important consideration (Australian Society of CPAs, 1999). The problems experienced in outsourcing initiatives by the Commonwealth Government recently illustrate the magnitude of potential negative effects that can result when numbers of staff with long periods of employment and considerable expertise leave a service (Seddon, 2001; ANAO, 2000).

All Head Office staff have tertiary qualifications in agriculture-related fields, and have periods of service ranging from 12 months to 10 years. Of the 16 LMOs in the field, 4 have more than 22 years experience, and most have about 10 years experience. One is 71, one is 63 and they have been in the industry all their lives.

The intellectual property represented in the information held in the main database is also difficult to estimate. Table 8 indicates the nature of the data held.

Table 9 shows tangible assets.

**Table 8 Intangible assets - information in the NLRS database**

Extent of the Data Series held within the NLRS Database							
State	Physical Cattle Markets	Physical Sheep Markets	Physical Pigs Markets	OTH Cattle	OTH Sheep	OTH Pigs	Slaughter
NSW	13	13	13	10	10	10	13
QLD	9			13	1	1	13
VIC	4	4		4	4	4	4
SA	3	3		3	3	3	3
WA	2	2		1	1	1	2
TAS	2	2		0.5	0.5	0.5	

**Notes:**

Information is expressed in years to June 2001

There is also information for NSW Skin prices, Sydney Wholesale Market (Beef, Lamb & Pork) and Hides for 13 years.

**Table 9 Tangible assets of NLRS**

<b>Location</b>	<b>Item</b>	<b>Number</b>	<b>Estimated Value/ each</b>	<b>Total</b>
Head Office	Servers		30,000	30,000
	PCs + Monitors	5	1,800	9,000
	Laptops	2	3,800	7,600
	Scanner	1	490	490
	Printers	1	1,200	1,200
	Car	1	19,855	19,855
Field	Laptops	15	3,300	49,500
	Printers	15	480	7,200
	DCD	7	4,500	31,500
	Cars	7		139,474
<b>Total</b>				<b>295,819</b>

Note: The above estimates are based on the purchase prices that are contained in the asset register. Written-down values would be less.

### 2.5.3 Liabilities

The liabilities represented by accumulated long-service leave, superannuation and other entitlements are shown in Table 10.

**Table 10 Liabilities**

<b>Liability Type</b>	<b>Total Amount</b>
Leave (including LSL, Annual, Annual Loading)	\$278,712
Redundancy	\$121,739
<i>Total</i>	<i>\$400,451</i>
No of Sick Days (Total Head Office Staff)	332

Note: The above is calculated to 30 June 2002, taking into consideration pay rises and increments that will occur during this period. The redundancy figure is shown as a liability, as it is likely it will apply if the NLRS leaves the NSW Public Service.

### 3 Industry context

#### 3.1 Industry organisation

The NLRS gathers data for cattle, sheep and pigs.

Cattle and sheep in Australia are categorized as part of the “red meat” industry and a number of industry organizations are concerned with the operation of this industry. The primary advisory body for the industry at the national level is the Red Meat Advisory Council (RMAC), with Peak Councils representing the interests of the different sectors in the industry. The web site for RMAC gives an overview of these organizations ([www.rmac.com.au](http://www.rmac.com.au)).

The Peak Councils represent:

- Cattle producers - Cattle Council of Australia (CCA)
- Sheep producers – Sheepmeat Council of Australia (SCA)
- Lot feeders – Australian Lot Feeders Association (ALFA)
- Live exporters – Australian Live Export Council (ALEC) (Livecorp)
- Domestic wholesalers/retailers – National Meat Association of Australia (NMAA)
- Export and domestic processors – Australian Meat Council (AMC).

The pork industry is not regarded as part of the red meat industries and has a separate organization. Australian Pork Ltd. was formed in July, 2001, to replace three bodies: the Australian Pork Corporation, the Pig Research and Development Corporation and the Pork Council of Australia. It is a producer-owned company.

Previously:

*The Pork Council of Australia (PCA) is the peak representative body of the Australian pork industry. Since its inception in 1992, it has grown to represent over 75% of pork producers across Australia. PCA was established by producers, for producers and is funded by voluntary membership. It is not funded by the statutory pig slaughter levy. The Producer Information sections (of PCA) provide Australian pork producers with up to date information on issues directly impacting on their operations. (PCA, 2001).*

Several other organizations are important for the cattle, sheep and pig industries.

*The Commonwealth Department of Agriculture, Fisheries and Forestry - Australia (AFFA) has the dual roles of providing customer services to the agricultural, food, fisheries and forest industries, and addressing the challenges of natural resource management. It also helps build and promote the whole food and fibre chain from paddock to plate for domestic and international markets. AFFA’s contribution to its customers is to help their industries become more competitive, profitable and sustainable.(AFFA, 2001)*

*The National Farmers' Federation (NFF) is made up of State farm organisations, commodity councils, associates and affiliates. NFF does not have individual farmer members. However, by joining a State farm organisation, farmers contribute to and support NFF. State farm organisations represent the interests of the agricultural sector in their respective States, national commodity councils represent individual commodities on national issues, and NFF is responsible for national issues which affect more than one State or more than one commodity. (NFF, 2001).*

The Cattle Council of Australia and the Sheepmeat Council of Australia are commodity councils in the NFF.

Meat and Livestock Australia (MLA) has an overriding objective “to add wealth to Australia’s meat and livestock industries” (MLA, 2001). It is primarily funded by livestock producers in the cattle, sheep and lamb, and goat industries. Some funding is also received from processors, live exporters and from the Australian Government for research and development.

AUS-MEAT is another relevant body:

*AUS-MEAT Ltd, incorporating AUS-MEAT Standards and AUS-MEAT Commercial Services, is responsible for establishing and maintaining National Industry Standards for Meat Production and Processing. AUS-MEAT offers a large range of services throughout Australia including management, auditing, training and consultancy to all sectors of the meat and livestock industries (AUS-MEAT, 2001).*

Other bodies also collect statistical information.

*The Australian Bureau of Statistics is Australia's official statistical organisation. We assist and encourage informed decision-making, research and discussion within governments and the community, by providing a high quality, objective and responsive national statistical service. (ABS, 2001)*

*ABARE is a professionally independent applied economic research agency. We work with industry and government to provide stakeholders in Australia's rural and resource industries with up to date public policy analysis and commodity forecasts. Our research prepares our clients for the emerging economic issues that will affect the competitiveness of these industries. (ABARE, 2001a)*

### **3.2 Industry statistics**

Industry statistics are given to show the relative size of the different industry sectors in the different states (Table 11) and the relative importance of different turnover methods (Table 12).

**Table 11 – Livestock slaughtering - Year ending 30 June, 1999**  
(From ABS, 1998-99)

State	Cattle & calves (‘000)		Sheep & lambs (‘000)		Pigs (‘000)	
	Nbr	%	Nbr	%	Nbr	%
NSW	2138	24	9496	31	1347	26
Vic	2465	27	9779	32	1573	30
Qld	3419	38	2091	7	1132	22
SA	298	3	4172	14	466	9
WA	445	5	4014	13	569	11
Tas	272	3	920	3	81	2
NT	59	-	-	-	8	-
ACT	-	-	-	-	-	-
Total	9 096	100	30 472	100	5176	100

**Table 12 – Beef cattle turnoff methods**  
(from ABARE, 2001b, p. 47)

	1996-99
Beef cattle turnoff rate	37%
Paddock sales	11%
Over the hooks sales	26%
Auction sales	48%
Over scales (excl auctions)	8%
Other sale methods	0%
Transfers off farms	7%

*The most common method of selling cattle in Australia is through the auction system generally on a dollars per head or cents per kilogram liveweight basis.*

*Changes in the relative importance of different selling methods have occurred with changes in the structure of beef cattle production in Australia and in response to changing markets. The proportion of beef cattle sold per farm through the auction system has declined over time – from around 63 per cent in the mid-1980s to a low as 43 per cent in 1997-1998... The proportion of such sales increased after that, however, to 48 per cent in 1999-2000. That increase may have reflected a temporary shift by producers to turning off cattle using the auction system during a period of higher beef cattle prices. (ABARE, 2001b, pp. 42-44).*

### 3.3 Funding for industry-supported bodies

This section gives details for transaction levies for cattle, sheep and pigs.

At present a number of bodies concerned with the red meat industry have support from the national Cattle Transaction Levy. This levy is currently \$3.50 per head and is paid on all transactions where an animal changes hands (eg at saleyards or processors).

Tables 13a and 13b show the current usage of the levy on cattle.

**Table 13 Overall usage of the Cattle Transaction Levy, 2000-01**  
(Toohey, 2001)

Recipient	Expenses	Reserves, as of June 01
MLA		
- R & D	\$8.2m	\$0.6m
- Marketing & promotion	\$24.7m	\$4.1
Total	\$32.9m	
National Residue Service	\$4.03m	\$7.1m
Animal Health Australia		
- Bovine JD	\$0.50m	\$3.0
- Other	\$0.51m	\$1.0
TFAP (NCDETA) (Levy payments now ceased, but payouts for TB still likely)	\$7.5	\$15.8m
Contingency Disease Control Fund (began 1/3/01)	0	\$0.5m
Total	\$45.44m	

**Table 13b Relative usage of the Cattle Transaction Levy**  
(Toohey, 2001)

Recipient	Rate \$
MLA	2.88
National Residue Service	0.32
Animal Health Australia	0.13
Contingency funds for disease control	0.17
Total	3.50

Table 14a shows the transaction levies for sheep and lambs. The total amount raised in 1998-99 was \$11.6 million for lambs and \$4.3 million for sheep (Scott Hansen, personal comm., 3 Oct., 2001). The levy amount in 2000-2001 for sheep and lambs was \$15 million (Alicia Glenn, AQIS, personal comm., 8 Oct., 2001).

**Table 14a Livestock transaction/export charge for sheep**

(Source: AFFA, URL: <http://www.affa.gov.au> on 2 October, 2001 and Scott Hansen, personal comm., 3 Oct., 2001)

Type	If defined sale price		If no defined sale price	
Sheep	2%	of sale price	\$0.20	per head
Lambs	1%	of sale price	\$0.40	per head

Notes: There is currently a rebate on the rate for lambs of 1%, and it will revert to 2% on 15 Nov., 2001. The maximum amount for lambs is \$1.50 and the maximum amount for sheep is \$0.20.

Table 14b shows the amount of the transaction levy for pigs directed towards the Australian Pork Ltd (Marketing Division). There is an additional levy amount of \$0.70 per pig slaughter that is directed towards APL (Research Division), which has less concern with the issue of price discovery and the NLRS.

**Table 14b Levy for pigs for APL (Marketing)**

(Source: Godfrey Aranda, personal comm., 2 Oct., 2001)

Amount per slaughter	Total (1999-2000)	Total (2000-2001)
\$1.65	\$8,183,765	\$8,284,471

### 3.4 Other market intelligence services in Australia

#### 3.4.1 Meat and Livestock Australia Market Information and Analysis group

The MLA Market Information and Analysis group is a “user” of NLRS information. The MLA group has a different role from the NLRS. They are a “user” of NLRS information, mainly in their weekly publications. MLA gets a report from NLRS on Friday afternoons. NLRS give them prices, and detailed analysis of the market trend and reasons behind these for the state and each species -- providing intelligence as well as raw data.

*MLA does secondary analysis, and some primary analysis, for example, for export prices in overseas markets. (Interview data, July, 2001).*

*MLA have a large database of information – the biggest in Australia. It could be the best in the world. Some data is self-collected, some from USDA, some from ABARE, some from NLRS. Data is added to the database immediately it is available. In addition, MLA fund many surveys, for example - feedlot data, lamb surveys, food service survey. (Interview data, July, 2001).*

*Meat the Market is a weekly publication from MLA. It is free to any members who ask. The press can use the information in it free of charge. Queensland Country Life regularly uses material, especially Japanese and US information. Stock and Land put in more effort for feature articles. (Interview data, July, 2001).*

There are 3 full-time people in the intelligence group at MLA, with room for a fourth. The market services people (who match buyers and sellers) also feed in information.

The group also engages in forecasting using a global meat industry model in conjunction with the Centre for International Economics in Canberra.

#### 3.4.2 Australian Pork Ltd (APL) and Queensland Pork Producers' Inc (QPPI)

Australian Pork Limited has a Market Analysis Unit.

*The Market Analysis unit is a user of QPPI information. APL gets a report from QPPI on Friday night. QPPI gives prices from 23 sources all over Australia (contract and auction prices for porkers and baconers). APL does secondary analysis and some primary analysis (for domestic prices in overseas markets). APL has a large database of information, data self-collected from ABS, USDA, Danmarks Statistik, Statistics Canada, ABARE, and NLRS. In addition, APL funds and conducts surveys of pig meat production (3 times a year) and abattoir slaughtering (once a year). Pig Stats is an annual publication and pig industry statistics are weekly updated in APL's web site. APL also prepares forecasts of pig*

*meat production in conjunction with Macquarie University's Statistical Laboratory. (Interview data, 15 August, 2001)*

### **3.4.3 Cattlefacts**

Cattlefacts is a market intelligence service in Queensland and northern NSW, established in 1991. The network of 300 members:

*produces market reports and market forecasts that help members make more money when they sell cattle and helps them to avoid underselling their livestock. Operation is simple. Members confidentially fax their quote or sale info into the network which daily turns it into detailed benchmark price reports for 'hooks' and live weight trading. Reports are accessed by fax or web. In addition Cattlefacts provides members with forward marketing projections ('Outlook' reports up to 3 years ahead), an over-the-hooks-sale risk analysis program ('Equalizer'), and a free listing service for web cattle trading." Members pay a once-only joining fee of \$379.50 and an annual fee depending on herd size - currently \$81.00 for 500-1000 head. (Cattlefacts, 2001).*

Visitors to the Cattlefacts web site have free access to auction sales reports for 10 auctions in Queensland and OTH summaries updated each Friday.

### **3.4.4 AuctionsPlus**

AuctionsPlus is the former CALM, running a cyber auction. They have diversified since CALM and upgraded the technology used. They do no market reporting except for their own sales. NLRS do assessment with them. NLRS is working closely with AuctionsPlus to assist in the future advancement of cyber auctions. (Interview data, July, 2001)

*AuctionsPlus allows commodity transaction, reserve price setting and legal change of ownership without the seller, buyer or product having to come together physically at the time of the sale.*

- *AuctionsPlus offers free weekly reports summarising their sales of both Cattle and Sheep and Lambs. The information is available on the web or emailed to subscribers. The content is basic and lists the number of sheep and cattle sold, the direction of the market and some individual sale results.*
- *Prior to sale, livestock are listed in groups from individual vendors with each group having a different lot number. Each lot has general information listed in tabulated form with more extensive details (including weights, breeds, sexes, fat scores etc) available by selected the particular lot number. Upon sale of livestock basic sale results are presented in a table form using the lot number and listing a description (eg 36 Cows), the price per head in dollars, the buyers terms (eg sold as \$/head or ¢/kg dressed weight), and the status (sold or not). More detailed information is only available if you are registered with AuctionPlus and accessed using a usercode and password.*

- *Prior to sale of livestock extensive reports describe the animals, listing them as different auction numbers. These auction numbers are then used to tabulate sale results.* (AuctionsPlus, 2001).

### **3.5 Other market intelligence services overseas**

The situation with regard to market intelligence services in the USA, Canada, the United Kingdom and Northern Ireland is explained in Appendix D.

Each of these countries has a body responsible at the national level for market intelligence for livestock. None of these national bodies appears to be run as a commercial operation. In Canada and the U.S.A. the bodies are part of government departments. In the UK the body is funded by a levy on producers and abattoirs.

### **3.6 Previous study of market intelligence**

In 1995 The Meat Research Corporation (MRC) commissioned a study into the market-related information needs of livestock producers. The aim was to assess how well these needs were being met, and whether there were intelligence products that would enhance the marketing ability of producers. The study was carried out by AACM International (AACM, 1995).

This study included qualitative research with six focus group discussions and 50 telephone interviews and quantitative research based on 600 returned surveys.

Findings from this study were:

- Overall ranking of information sources was (1) agent, (2) Rural Press, then (3) Radio.
- 68.5% of respondents said they were willing to pay for information. On average they were prepared to pay \$79/producer/annum. The focus groups reported a tolerance to paying over \$100 p.a. for 'high quality' information from a credible source.
- The sources of information producers could not do without were (1) newspapers, (2) AUSMEAT feedback, and (3) State saleyard summary,

The conclusions of the study were:

- The collection of primary livestock market data should continue to be funded out of industry levies.
- There is a need to stimulate the provision of a wide range of intelligence products and services. This can be done through acknowledgement of private sector intelligence services that display qualifying criteria eg, suitable products, tangible signs of progress and intent, sound client base.

Note that the study distinguished between primary and secondary data.

*The distinction between primary and secondary data is only relevant to the collection phase. Thus saleyard prices related to volumes and descriptions is primary data ie it is original information generated for the first time. The collection of primary data is necessarily expensive and demands a degree of independence and statistical vigour to insure its accuracy. Primary data becomes secondary data when it is obtained by a non-collection agency either to pass on or undertake some form of analysis. Lumped together, primary and secondary data can be referred to as 'raw data'. Analysts will manipulate raw data to develop conclusions which can be termed 'objective' if they stay within the data set boundaries or 'speculative' if they extrapolate beyond the data set. Interpretative services will use a combination of objective analysis of data and prior knowledge to draw intelligent conclusions.*

*The rule-of-thumb required by industry (Workshop 29 July 1995) and adopted by this study is that collection and presentation of useful raw data should be an industry responsibility (ie paid for out of levy funds) whilst the interpretation of these data to generate market intelligence products should be 'commercial'. This means intelligence products will be sold at commercial rates whether they are generated by private sector interests or the various livestock industry institutions. (AACM, 1995, p. 35).*

## 4 Operations

### 4.1 General

NLRS operates in 49 cattle markets, 20 sheep and lamb markets and two pig markets across the nation. The service reports on approximately 63% of cattle and 71% of sheep sold through saleyards nationally. This equates to approximately 49% of cattle and 40% of sheep slaughtered Australia wide.

In the case of cattle markets, information is collected on the age, sex, live weight, muscle score, fat score, dressing percentage, number of head and finally price of each pen sold. Similar information is required to compile a sheep and lamb report including age, sex, carcass weight, fat score, skin value, number of head and price. Much of the data require the LMO to have superior assessment skills that are frequently tested in the abattoir on both a formal and informal basis.

The above data is keyed into the custom built reporting program which then generates a sale report detailing price ranges and correctly weighted averages. Complete reports show data in all appropriate price denominations. Cattle reports show the live weight, carcass weight and dollars per head price ranges while sheep reports show the dollar per head and carcass weight prices as well as skin values.

“The NLRS has spent a considerable amount of money and time making modifications to the incomplete program and database that was produced by AMLC. When the program was commissioned there were considerable issues with the stability of the system. The NLRS sought the services of Michael May who was able to rewrite code to stabilize the program and allow certain functions to operate that were not included in the original package. One other area that is an issue with the program was that it did not have the flexibility to create ad hoc reports as was originally intended. This has meant that the NLRS has spent considerable amounts of money to create reports in Seagate Crystal Report Writer to meet these requirements. Over the past three years we have spent an estimated \$160,000 making the above modifications.” (NLRS personal communication, 2001).

Following the data entry process, the LMO prepares a detailed analysis on the market explaining price trends, the level of competition, quality of the yarding as well as any other factors impacting on the market. Such detail is critical for ensuring the provision of accurate market signals to industry.

The complete report is distributed via the ABC and through the rural media nationally. While these two avenues help to target most producers, there are also some 117 national subscribers, 11 media subscribers and 17 corporate subscribers taking a variety of either detailed market reports or report summaries.

The raw data collected from physical markets forms the basis of further analysis conducted by NLRS analysts and also by major agribusiness firms, Meat and Livestock Australia (MLA), financial institutions and pastoral houses.

NLRS also performs regional, state and national analysis. This analysis represents the third area that the NLRS operates in. The service offers:

- Custom designed reports and specialty analysis.
- Ad hoc reports.
- State market summaries for Qld, NSW, Vic, SA and WA (for cattle and sheep).
- National summaries (cattle, sheep and pigs).
- “Market Snippets” and media releases detailing the latest market trends.

The NLRS tailors report packages and custom designs reports to meet the specific needs of an organization or individual. Their analysts are often required to prepare price comparison between markets, historical reports on indicator grades of livestock or more personalized and specialized information.

Table 15 shows a summary of the reports produced by the NLRS. Appendix E gives details of each of these reports. A hard copy attachment is also available separately with examples of the reports

**Table 15      Reports from NLRS operations**

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Cattle market reports

Sheep market reports

Auxiliary reports:

- Over the hooks reports
  - Slaughter reports
  - Hide reports
  - Skin report
  - Feeder cattle report
  - Sydney wholesale market reports
- 

In order to eliminate all possibility of error and to ensure reports are distributed efficiently, NLRS uses the latest technology. Laptops are generally used to compile reports in the field and data is then transferred via email. Once in the head office database, the reports are edited and then rechecked before being distributed via either email or facsimile. NLRS regularly monitors the amount of outgoing faxes to ensure they have sufficient modems to facilitate prompt and efficient report delivery.

Data capture devices (DCD) are now being introduced into the field. These are improving the efficiency of the service considerably and comprehensive reports can be delivered well within an hour of the conclusion of the market where these devices are being used.

Guaranteeing the service's accuracy is not restricted to the preparation of physical market reports. All NLRS market analysts have tertiary qualifications in an appropriate discipline. Market analysts personally collect the data used to compile reports on direct sales, slaughter statistics and hide prices from reliable industry sources. The only way this can be accurately achieved is by constant contact and interaction with industry. Several sources are used to derive sufficient information to prepare one report. This ensures that data is true and accurate as extreme anomalies in price can be eliminated.

NLRS has a good relationship with the rural press, the Weekly Times, and most regional media outlets.

## 4.2 Data gathering

Most information from processors on OTH data is collected in Head Office:

- On Friday/Monday processors fax or email in all information for their grids for prices to be paid in the coming week. Alternatively, the NLRS analysts telephones the processors to collect the information.
- NLRS release data Monday afternoon via email/fax/subscription/.
- What is released is pooled data, by state (Qld, NSW, Vic, SA, WA, Tas). The original data sheets from the processors are destroyed. NLRS cross-check the data from the processors – using their LMOs or cross checking against rates received by agents and producers. . They have mechanisms to check the data.

Data gathering from saleyards:

- LMOs (except Qld) have a cut-down version of the main NLRS database. They enter data from actual livestock sales which they physically witness and use Exchange to transfer the data to the main database.
- In Qld, there are no specially trained LMOs. The data is obtained from the saleyard's computer system and includes details on price, weight, number of head. This data is objective. Other data (stock type, muscle/fat score) is added in by someone (either a saleyard or agent employee), not specially trained, and is subjective.
- There could be errors in the "type" (ie steers, heifers, cows etc). By changing this, a misleading impression can be given, and it could be manipulated to be in the stockyards and agents favor. This is normally done by placing an animal in the incorrect category such as a heifer into the cow grade or a vealer into the yearling grade etc.
- There are doubts about accuracy in Qld.

## 4.3 Information technology infrastructure

Aaron Iori manages the databases and day to day network administration.

Programmer (Michael May) in WA does programming (Part Time). There has been a major upgrade in 1998/1999 of both the program and the database since it was

developed in 1996, with several minor upgrades carried out since.. These changes were necessary to create a stable environment for the service to operate in

The website was developed in Sydney ([www.nlrs.com.au](http://www.nlrs.com.au)). Aaron Iori maintains the Web site with FrontPage, with the programmer doing applications work.

The original Sybase database was built by AMLC. However, considerable changes have been made since to incorporate the introduction of QLD and WA into the system, allow for editing facilities, create a stable report system, and include flexibility to email reports, and allow for the inclusion of information from other computers (such as the DCD)

#### **4.4 Online services**

Rural Press are online. They had “Farming Online” website. There were approximately 13,000 hits per month to the NLRS market reports.

At present there is a transition phase. They are starting “Farmshed”. Farmshed is a partnership with Rural Press, Wesfarmers Landmark, NAB and McKinsey. NLRS will take part in this, with users paying for access to reports.

## 5 Value of services

The assignment of value to the services provided by NLRS, which provides information products, is difficult. A major use of the NLRS products is for decision-making. Methods for placing a value on improved decision making are “extraordinarily difficult” (Keen, 1981, p. 59).

Given these difficulties, this section presents a number of indicators of the value of the services of the NLRS. These indicators include:

- economic theory of efficient markets and transaction costs
- the price people are willing to pay for the information
- the case in the USA where mistakes in the price discovery mechanism occurred
- interview data from individuals in different sectors
- anecdotal evidence
- specific needs for the data.

### 5.1 Market efficiencies and transaction costs

Bakos (1998) states that markets have three main functions, the first of which is matching buyers and sellers. This function requires the determination of product offerings, search and price discovery.

Price discovery can occur in several ways, such as auctions (saleyards) or negotiations (OTH). Price discovery can involve transaction costs, such as:

- the opportunity cost of time spent searching
- expenditures on driving, telephone calls, computer fees, magazine subscriptions
- market research
- advertising.

The NLRS provides value in that it provides a mechanism whereby the transaction costs to individuals are lessened. An individual or organization can obtain primary price data presented in a standard form by consulting a newspaper or listening to the radio.

The price data available is standardized across Australia and collected using quality assurance procedures so that accuracy and independence are enhanced. All sectors of the industry see that much of the value of the data depends on it being independent and free from bias. To gather data of this quality requires expenditure of approximately \$2 million p. a. if all states have a standard service. Taking commercial income into account, there is a shortfall of approximately \$1.3 million p.a. Thus, the provision of data collected using these methods and of this quality is difficult for any single organization, under current market arrangements.

If a service like NLRS did not exist to provide an efficient price discovery mechanism, it is unclear exactly what would happen. When price information is available, sellers are able to direct their products to those purchasers offering the best return. Purchasers are also able to gain efficiencies through good price discovery mechanisms.

Where transaction costs for price discovery are reduced, the efficiency of the industry is improved. There is a reduction in the costs borne by market participants in aggregate that benefits both sellers and buyers. This may also allow new markets to emerge, or allow more competitive access to existing down-stream markets.

Thus, from an economic efficiency perspective, it appears to be in the interest of the industry overall to have a service such as the NLRS. Increasing the effectiveness of the industry places it in a better position with regard to other industries that could supply substitute products. Improved efficiency in distributing products to the most efficient (profitable) users will also produce downstream benefits in competition against other markets.

## **5.2 How much would users pay?**

A difficulty in assessing the value of the NLRS is that a number of outlets use the basic data to provide a “free” or almost free service to some users. That is, information is provided free of charge by the ABC and in MLA publications, and at low cost in newspapers. Thus, there is little to indicate the price such secondary users (the customers of the ABC and newspapers) would pay if they did not have this “free” access.

The study in 1995 by the AACM reported that producers were willing to pay on average \$79 p.a. for similar services.

The fees quoted for CattleFacts on their web site are \$379.50 for joining and \$81.00 p.a. for a herd of 500-1000.

If the NLRS was funded at just over \$2 million to allow a standardized and enhanced service (see Section 6.2), there would be a shortfall in funding of approximately \$1.3 million, after commercial income of approximately \$700,000 was taken into account. ABS figures (1999) show 75,905 cattle and 52,934 sheep establishments (with a total of 128,839 of establishments). Dividing the shortfall figure of \$1.3 million by the total number of establishments gives an average figure of \$10.09 per establishment. This figure provides a very approximate lower bound to what would need to be paid on a commercial basis by producers in the cattle and beef industries for the services obtained from the NLRS, if there was full cost recovery.

### 5.3 U.S.A. system error cost

In 2001 the system used for mandatory price reporting by the USDA had errors which resulted in the under-reporting of boxed beef for about a month (see Appendix D). The value of losses attributed to these system errors gives an indication of how the quality (or lack of it) of data produced by a market intelligence body can affect an industry.

The Review Team for the price reporting system used econometric analysis to show how the under reporting of the boxed beef values resulted in lower prices for live animals. The value of sales of feeder cattle was estimated to be reduced by \$7.4 million and sales of fed cattle by about \$13 million. Losses of sales revenue of cattle producers was estimated to range from \$15 million to \$25 million.

### 5.4 Views from industry interviews

The interviews carried out for the current NLRS study were not designed for statistical analysis. Only a relatively small number of people could be interviewed within the timeframe for the study and interviewees were chosen to give representative views from different sectors and different states. Thus, generalizations from the interviews should be made with caution.

Within this limitation, the interview data gives an idea of how the NLRS is valued (see Appendix G).

All interviewees said the NLRS, or a body like it, should continue to exist and should operate on a national level.

In response to the question asking about the value of the NLRS to the Australian livestock industry, most responses were of the nature of “very valuable”, “significant”, “important”, “worth millions of dollars”.

In response to the question about what NLRS did well, the most frequently mentioned features were accuracy, independence/lack of bias/objectivity, reliability and ease of understanding.

In response to the question asking about what the NLRS could do better, there were relatively few criticisms. Some respondents said “nothing”. Some suggested improvements in the OTH reports.

There were several comments indicating that the respondents believed the NLRS was doing well with relatively low funding:

*It's probably pretty cheap, not overkill.*

*The \$2 million used to fund the NLRS is a small amount really for such a fundamental need.*

*It's running on a shoestring at present. That's wrong.*

There appeared to be some variation among sectors in the value of the NLRS products. The media, producers, saleyards and agents mostly indicated high value. The two representatives from the processing sector indicated that the services had little value to their sector. They did indicate, however, that they believed the NLRS should continue to exist and recognized that it had value to the industry overall.

Interviews with the NLRS staff indicated some processors make use of their reports:

*Processors value our information. They can use it (OTH data) as a tool. They see it as an independent report. Can benchmark against competitors. If the report is running late we can get 3 phone calls in an hour asking where the information is. Processors value the report we give them on saleyards data. They can compare like with like. Tells them where they can get stock. May go to other (not nearest) centre. Shows price differential. (Interview data).*

## 5.5 Anecdotal evidence

Some anecdotal evidence of the value of the NLRS given in interviews provides examples.

- A producer in Moss Vale has several choices as to where to send cattle. Price variation can mean an extra \$100 per head. He could ring around and get the information himself but this would take time and may not be accurate.
- Another producer thinks he can get an extra 10c/kg dress weight more because of price information
- A third producer believes the price data prevents over-reaction in the market. *2/3 times a year the market goes into free fall, the NLRS/MLA information counters aberrations, fewer people spooked, keeps prices 2c/kg higher for the 1 to 2 weeks when this happens. The whole market stays better.*

## 5.6 Specific needs

There are several specific uses of the NLRS data that should also be mentioned:

- MLA use the data provided by the NLRS in their weekly publications and also as a basis for some secondary analysis.
- MLA mentioned that futures trading is a possibility. They have been talking to the SFE for the last 4 years. The SFE is cautious about agricultural contracts. There has been no trading since the 1980s. It used to be the most traded. The basis for trading is cash settlement based on the NLRS index. This is a powerful reason for the NLRS continuing. The futures trading would not work without a standard reporting service, but would need a physical basis. Futures trading is needed for risk management. Feedlots want a guaranteed price in 6 months eg so they can contract with Japanese food outlets. (Interview data).
- Saleyard operators require the services of the NLRS for online auction systems (see letter from Ron Penny, Appendix H).

## 6 Options for the future

### 6.1 Need for the NLRS

In summary, there are strong arguments for the continued existence of the NLRS.

Economic analysis indicates that such a service provides value to the industry as a whole, by lessening the transaction costs that accrue to individual organizations and by increasing market efficiency.

A body is needed at the national level to provide uniformity in reporting. A national approach is important as trading occurs across state borders.

All industry representatives consulted agreed that the service should continue and that it should be at a national level. The service is seen to provide considerable value to the livestock industries. Relatively few shortcomings are seen in the service as it currently exists.

A similar conclusion, that primary data should be collected by a national body, was reached in a study by the AACM in 1995 of price discovery for livestock in Australia. It should be noted also that a number of other countries with livestock industries each have a national body responsible for price discovery and reporting.

### 6.2 Options for level and type of service

The criteria stated for assessing options for the future of the NLRS included principles of equity and non-discrimination and also that the information disseminated be seen as accurate, non-biased and independent.

This criteria is not satisfied at present, as the service operates differently in different states, and some field staff are paid at different rates.

Table 16 gives estimates of the budget required to bring about an equitable service across all states.

Table 17 shows further additional expenditure that is believed desirable to enhance the NLRS operation. During the current study it was noted that the NLRS staff have a very strong emphasis on cost minimization and commercial revenue raising, in part due to the uncertainty of funding. From on-site visits and after-hours emails and phone calls it was evident that staff were working long hours. Though efficiency is a desirable aim, there is a point at which cost-cutting is unfair to staff and counter-productive, in that basic services required could suffer. Several interviewees made comments in this respect - noting that the service was run "on a shoe-string", was "pretty cheap" and "they do a good job considering the amount of money they get". Some additional funding for specialist

staff in areas such as marketing would relieve the burden on the current staff and contribute to the continuation of a quality service.

**Table 16 Estimated total budget for standardized NLRS**  
(Based on estimated 2001-2002 figures, from Adrian Galea, 13 Sept, 2001)

Item	Amount
Expenditure (calc from 11 month figure, 2000-01)	1,268,563
Extra payments to LMO to standardize in NSW	1,500
Extra payments to LMO to standardize in SA	14,000
Standardization of service in Qld (net extra cost)	84,210
Inclusion of Tasmania	28,000
Additional analyst for WA (currently carried by WA MIA)	50,000
Corporate expenses (currently carried by SafeFood)	371,171
Total expenditure	1,817,444
Less commercial income (calc from 11 month figure, 2000-2001)	713,000
Deficit	1,104,444

Note: Setup costs for first year for Qld and Tas are estimated at \$60,000

**Table 17 Additional expenditure required**

Item	Amount
Advertising budget increase	29,000
IT budget increase	85,000
Increased training budget	2,000
Increased salaries budget for marketing, QA, R&D	100,000
Total	216,000

**Table 18 Suggested budget for standardized NLRS**

Item	Amount
Expenditure (based on 2001-2002 figures)	1,817,444
Plus desirable expenditure	216,000
Total	2,033,444
Less commercial income	713,000
Shortfall	1,320,444

In summary, it is argued that:

- The budget of the NLRS be increased to approximately \$2,000,000. A budget of this amount involves a shortfall between expenditure and income of approximately \$1,300,000.

Note that one interviewee argued that instead of enhancing the service in states such as Queensland, the service nationally should operate more on Queensland lines, with saleyard employees collecting data, and attention paid more to auditing this service by the national NLRS, to ensure quality assurance. In addition, as more data became available through electronic systems, this means of data gathering could be further utilized to reduce costs.

This argument is not accepted. A representative of cattle producers in Queensland believed that if there were any questions at all about accuracy or independence of the data in Queensland, then the service should be enhanced. It should also be noted that a representative of saleyard operators said he did not believe the data should be collected by saleyard employees, as the data collectors needed to have knowledge of a wider range of operations, not just one saleyard.

### **6.3 Option of full commercial operation**

The following is an opinion on the financial worth and viability of the NLRS as a commercial operation from a financial analyst at The Australian National University.

#### **Valuation of NLRS as a stand-alone business**

*A meaningful value range for NLRS cannot be determined without a positive evaluation of revenue growth plans. Valuations based on cash flow analysis require non-negative expected net cash flows and other accounting-based valuation techniques require profit expectations, neither of which are supported by the historical cash flows or earnings of NLRS.*

*Valuation techniques based on gross revenues also infer an expectation of future profitability. They are very unreliable in concept and practice and there is a strong caution against using such techniques. Recent experience with the listing of information-oriented companies is evidence of the difficulty in identifying objective values in the absence of reliable revenue expectations.*

*Without a specific plan for expanding revenues to establish the business as a going concern, the objective basis for valuation is the disposal value of assets less liabilities. The asset-based value is directly dependent on any value attached to the database. Given the absence of significance time-series products, the value of the database can be approximated by the direct costs of establishing a current price set. If the currency of information is one month, for example, then \$100,000 - \$150,000 is an indicative value. If information currency is less than one month the value declines proportionally.*

*The physical asset base is modest and disposal values for computing equipment are low - say 25% of book value (\$40,000). With vehicles at reported value of approximately \$140,000 and accrued liabilities (without redundancy) of approximately \$280,000, an asset-based value for sale of the business unit intact may be in the range \$0- \$50,000.*

*This approach assumes a purchaser will not discount the net asset value for the uncertainty of the future commercial prospects. This is illustrative only - it is not a recommended value range.*

*Other significant considerations in pricing NLRS include: whether any transferable goodwill has been established; whether a prospective purchaser is willing to pay a premium for the human capital (training costs for new staff may provide an indicator value for such a premium); and the complementarity between NLRS products and the existing operations of a prospective purchaser.*

### **Future profitability**

**Costs:** *There appears little capacity to significantly reduce costs for NLRS while maintaining independent data-sourcing. The substantial subsidy currently obtained through Head Office staffing and accommodation have to be met independently if the NLRS is relocated. These additional costs yield little likelihood of positive net earnings in the near future without a strategy for significant revenue enhancement. While the Queensland position indicates how costs can be reduced at the cost of data reliability, it remains unlikely that Queensland is profitable (despite their stronger relative revenues) given the costs currently born by Head Office.*

**Revenues:** *The Victorian results indicate potential capacity to significantly increase revenues nationally but evaluating such prospects requires significant market research. The opportunity for new products based on the database also requires appropriate market research.*

*Other market issues include whether providing detailed products to media subscribers may undermine opportunities to sell services to individual subscribers. If market research supports this contention, then either:*

- 1. Media subscriptions should be priced to compensate NLRS for the implied "free-rider" subsidy to the secondary information users who access the information from the media sources; or*
- 2. The nature of the media products should be modified to attract individual subscriptions to a more detailed product.*

*A more immediate opportunity is to review the pricing of existing products. Increasing revenues by raising prices for current sales to media and other corporate customers offers some potential given the absence of significant existing competition for most products.*

**State-based markets:** *Significant Head Office and central data-processing costs indicate significant benefits of scale. Independent state operations would not be economically viable given current overhead cost-structures. An independent state operation would require a different approach to data processing and report production to avoid current overheads.*

In summary, there are arguments against the conversion of the NLRS to a fully commercial operation:

- The financial analyst's opinion is that it is unlikely to be commercially viable.
- In the interviews, there did not appear to be any potential purchasers who were keen on acquiring the service. One respondent from the media said that his media organization could possibly be interested, but his preferred option would be for the NLRS to be a relatively independent body, with some support coming from industry levies. A saleyard representative also mentioned that a consortium involving saleyard people was a possibility, but he thought this was in the future and a fair way off yet. Of course, to fully test the attractiveness of the service, it would need to be offered for sale.
- There are concerns about perceptions of bias and lack of independence, if the service was owned by some sectors eg pastoral houses.
- If run commercially, there could be problems about the ownership of data eg the saleyards might claim they own some data.
- At present there is a certain amount of goodwill towards the service because it is seen as serving the livestock industries overall. If the service was commercialised, this goodwill could disappear, and some costs could increase. One interviewee gave an example where this had happened with another service.
- For the purpose of comparison, other countries with livestock industries do not have commercial services operating primary data collection.
- An important criteria is that any plan proposed for the NLRS should provide for stability. The service is of such importance that the industry needs to be assured that it will not suddenly cease operation, which could happen if it became a commercial operation and finances were not secure.

On balance, it appears unlikely that full commercial operation is viable.

In addition, there are concerns that full commercial operation would mean that the criteria of independence and lack of bias in reporting would not be satisfied.

#### **6.4 Options for relocation**

A criteria for the evaluation of options for the NLRS was that there needs to be a fit between the functions of the NLRS and the mission and core business of any potential owner or organizational 'home' for the NLRS. It is clear that the NLRS should not stay with SafeFood NSW. This is a state rather than a national body, and its core business is not related to market information collection.

It is desirable that if the NLRS is located with some other organization, that this organization has an interest in meat and livestock industries and also in the collection of market information.

Two possibilities for re-location are recommended for further consideration:

- 1) **Relatively independent body, funded in part from industry levy.** This option has much to recommend it. Perceptions of independence and lack of bias would be enhanced. The organization could operate under the stewardship of a Board of Directors that represented industry interests. This Board would ensure that the necessary base requirements for reporting for the good of the industry overall are met. One disadvantage is that overhead administrative costs could not be shared with another organization. Some reduction in costs would be possible if the central office for the service was to move away from central Sydney.
  
- 2) **Meat & Livestock Australia, as a separately managed entity.** This option also has much to recommend it. Administrative costs could be shared. The possibilities for collaboration or combination of the NLRS with the market intelligence section of the MLA could be explored. However, it is of great importance that concerns about the independence of the NLRS be recognized if any link with the MLA is established. Any perceptions of bias could mean that the value of the service was decreased or destroyed. The NLRS could be set up as a separate entity under the MLA banner. The separate entity could operate under the stewardship of a Board of Directors, with similar responsibilities to that in option (1).

Note that several other possibilities were considered but are not recommended.

The Department of Agriculture, Fisheries and Forestry Australia (AFFA) is funded by taxpayer money and the NLRS is not seen to be a responsibility of government. The NLRS is expected to be more responsive to industry needs if it is funded by industry and overseen by industry representatives.

The Australian Bureau of Statistics and ABARE were also considered but are not recommended, for reasons similar to those applying to AFFA.

Thus, the options recommended for further consideration are the two listed above – an independent entity or a relatively independent body linked with MLA. Both options would require further investigation if the steering committee agrees they are worth pursuing. Only very limited consultation has taken place with MLA to date and their views on any link with the NLRS must be sought. In addition, both options (1) and (2) would require the use of industry levies, and this matter would need considerably more investigation and discussion.

## 6.5 Options for funding/levies

As the NLRS provides services to the livestock industries overall, it is recommended that the option of support from both voluntary and mandatory transaction levies be pursued. The MLA Market Information and Analysis Group is dependent on the NLRS data for

some of its products. The MLA is funded in part by levies. There appears to be no good reason why the MLA group should receive support from levies and not the NLRS.

At present, the NLRS is supported very largely by levy money. This in itself is not a source of dissatisfaction. The problem is that the main levy used comes from NSW producers, which is inequitable for a service that has national benefits.

There is little argument for funding to come from general taxpayer money.

If support is to come from industry levies, then the Government's policies need to be followed. The reference document is the *Levy Guidelines Applying to the Application of the Government's 12 Levy Principles* (March 6, 2000). This document has as an attachment the 12 Levy Principles introduced in 1997.

These guidelines require widespread industry consultation and support for any new levy, or any change in an existing levy. It needs to be shown that there is industry support at about 75% or more for the new levy or the change to the levy.

If it decided to pursue the option of having the shortfall in funding come from an existing or new national industry levy, then the process of consultation with industry should begin as soon as possible. This study may be regarded as a first step in this process.

Though the service is valued highly across industry sectors, some sectors value it more highly than others. Also, there appears to be variation (some across states) within some sectors in the use of the service. For example, some producers in some states use it far less than others.

A proposal for the NLRS to be funded in part from industry levies would need to be carefully prepared. In addition, it would need to be ensured that beneficiaries from the service (eg saleyards and media), apart from the levy payers, contributed reasonable amounts in the form of fee-for-services.

Careful attention would also need to be paid to the composition of any management board, to see that the service was responsive to industry, but without any implication of lack of independence.

It is possible (likely) that producers would resist the imposition of any new levy, or increase in the current levy, and that they would believe the \$1.3m should be found in existing levies. Thus, the connection of the NLRS with MLA and other bodies already funded by industry levies needs to be explored and discussed further.

## 6.6 Miscellaneous recommendations

The question of whether reporting for pork should be retained was raised. It is recommended that reporting on pig prices by the NLRS should continue. The body representing pork producers, Australian Pork Ltd., supports this option.

Any new body should review operations continually so as to adapt to changes in technology and other systems, eg NLIS and electronic auctions. It is believed that the NLRS is currently responsive to changing conditions.

Concerns over possible overlap in the activities of the price reporting and marketing intelligence services (eg MLA, NLRS, and APL) should be addressed by discussion and co-operation among the relevant bodies.

One interviewee, Bill McKiernan, from NSW Agriculture has prepared a report *The potential to, and method of, providing market feedback on price variation in live cattle traits reported by the NLRS* (August, 2001). This report aims to contribute to the use of information from the NLRS for improved decision making on farm, and should be noted.

If a national body is established then those state governments that are currently contributing to their own state service may contribute to setup costs for a national service. The advantage to them is that they would no longer have the recurring costs of funding the state service each year.

A further recommendation is that a national, standardized body, once established with secure funding, should ensure equity in the provision of services and the prices paid by purchasers of products. That is, all commercial bodies should pay something for products, including the ABC, and the prices should be equitable across states. Geographic location should not be a factor in the prices paid by saleyards.

## 7 Conclusions

It is clear that the NLRS should continue and should be enhanced so that it offers standard services nationally and is not run on a “shoestring”.

It is unlikely that the NLRS is viable as a fully commercial operation and there are doubts about the desirability of doing this, as fully commercial operation could jeopardize perceptions of independence and lack of bias, which are important attributes of the service. Ownership by a commercial body may also not lead to the stability desired in such an important service and could put at risk the provision of the basic services required for “the industry good”.

Thus, the following options were proposed for consideration:

- 1) Operation of the NLRS as a separate entity, jointly owned and funded by industry sectors,

OR

- 2) Linking the NLRS with the MLA, but the NLRS to be a separately managed entity

AND

- 3) Support for the shortfall in funding for the NLRS to come from national industry levies.

Operation of the NLRS as a central, national body reduces transaction costs for price discovery and the efficiency of the industry as a whole is increased.

Funding the body through a mix of industry levies and sale of commercial products means that a “user-pays” principle is followed, which fits the criteria of equity.

Members of the industry would continue to have information supplied to them in a variety of ways, offering convenience and ease-of-use. Producers, who are the levy payers, can continue to receive information free of charge in MLA publications. Media outlets will continue to add value to their products by also publishing the data in forms that are easily accessible and convenient for their customers.

The Steering Committee for the NLRS study unanimously endorsed Options 1 and 3 as their preferred options at a meeting on 20 Sept., 2001.

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## Acronyms and glossary

ACLA	Australian Council of Livestock Agents
AFFA	Commonwealth Department of Agriculture, Fisheries and Forestry - Australia
ALEC	Australian Live Export Council (Livecorp)
ALFA	Australian Lot Feeders' Association
AMC	Australian Meat Council
AMPC	Australian Meat Processor Corporation
APL	Australian Pork Ltd.
AUS-MEAT	incorporating AUS-MEAT Standards and AUS-MEAT Commercial Services, is responsible for establishing and maintaining National Industry Standards for Meat Production and Processing.
CCA	Cattle Council of Australia
LMO	Livestock Market Officer
MLA	Meat and Livestock Australia
NFF	National Farmers' Federation
NLRS	National Livestock Reporting Service
NMA	National Meat Association
NRME	Natural Resources and Environment (Vic)
NSW MIA	New South Wales Meat Industry Authority
OTH	Over the hooks
PCA	Pork Council of Australia
RMAC	Red Meat Advisory Council
SCA	Sheepmeat Council of Australia

## **APPENDIX A**

### **Terms of Reference**

(From Bob Coombs, Red Meat Advisory Council, 2 July, 2001)

Draft terms of reference for the independent analyst would be as follows:

- Document the facts about NLRS encompassing key issues such as history, past and current ownership, income and expenditure, clients, data providers and end users. This analysis would also include information about the data currently collected, the processes by which this data is captured and the contractual status of the market reporters.
- Identify options for the future ownership, management, funding and data distribution of NLRS.
- Examine format of NLRS reporting and extent to which this meets client needs
- Through the steering committee, identify a preferred option for consideration by RMAC.
- The independent analyst to work under the guidance of a steering committee whose task is to ensure a good quality report is presented to RMAC
  - The report, however, would be that of the analyst.
- The steering committee to comprise RMAC Chairman (Chair); CCA, SCA, Livestock agents, saleyard operators, SAFEFOOD NSW. CCA to convene and administer the committee.
- RMAC would receive a final report in October for debate and for subsequent decision.
- MLA would be the client and will commission the analyst.

**APPENDIX B**  
**Schedule for NLRs study**

Date	Activities	People involved
25 July	Project commences	
26 - 27 July	Visit Safefood NSW (2 days) & MLA	Interview Barry Shay, Adrian Galea , Peter Weeks, Peter Barnard
	Gather documentation, search on other systems	
3 Aug	Secretariat meeting in Sydney	
3-31 Aug	Remainder of interviews, data gathering from reports, similar schemes elsewhere.  Gather ideas about options.	Interviews with: <ul style="list-style-type: none"> <li>● Pork industry</li> <li>● Sheepmeat industry</li> <li>● Media (Rural Press, ABC)</li> <li>● Processors</li> <li>● Producers</li> <li>● Major players</li> <li>● Competitors</li> <li>● Market reporters</li> </ul>
15 August	Meeting in Sydney. First part of Stage 1 report available to committee	
16 August	SG to visit Sydney	Data gathering (there in connection with another visit)
20 Sept	Stage 2 report (Position and Options) presented to committee	SG
8 Oct	Complete Stage 2 report (Preferred option) for distribution	SG
Early Dec	Final report including feedback	SG

Note: SG is Shirley Gregor

## **APPENDIX C**

### **Study Methodology**

Sections of this report, particularly the parts of sections 3 and 4 that concern the background and current status of the NLRS, rely heavily on data gathered in interviews with staff of the NLRS and material provided by them.

Interviews were also carried out with a number of representatives of different sectors of the livestock industry (see Appendix F). The names of people to be interviewed were suggested by the secretariat and members of the steering committee. Other names were suggested during interviews. The final list of those interviewed aimed at giving some balance across sectors and states. This list also depended in part on the availability of people contacted. The list was not constructed with the intention of providing a statistical sample. Rather, the aim was to get representative opinions, and to contact people who could supply information on particular aspects of the study.

Eleven of the 29 interviews were carried out in person and eighteen by phone. The majority of the interviews took from 15-30 minutes, using a structured set of interview questions (see Appendix G). The questions were open-ended and results have been recorded as qualitative data rather than frequency of responses.

Additional data has been gathered from secondary sources including the Internet and published reports.

Staff in the Faculty of Economics and Commerce at the Australian National University have also given advice on their particular areas of expertise where relevant.

The report overall, however, represents the independent views of the author, Dr Shirley Gregor, as specified in the Terms of Reference. Brief details of Dr Gregor's career are given as background.

Dr Gregor is Professor of Information Systems at the Australian National University, Canberra. Prior to taking up this position in 2001 she was Head of the School of Computing and Information Systems at Central Queensland University, Rockhampton, Australia, where she also headed the Electronic Commerce Research Group. Dr Gregor has over thirty years experience with computing and information systems. She has led several large projects concerned with the beef industry and information technology, funded by the Meat Research Corporation, the Department of Communications, Information Technology and the Arts, and the Australian Research Council. Professor Gregor spent a number of years in the computing industry in Australia and the United Kingdom before beginning an academic career.

## **APPENDIX D**

### **Livestock Market Intelligence in Other Countries**

#### **The United States**

In the United States (U.S.), there was a voluntary price reporting scheme until recently, when a mandatory reporting scheme was introduced. The information on these schemes given below was obtained from a report on the mandatory system commissioned after errors in the system were discovered (LMPR, 2001). This report is available from the USDA web site (USDA, 2001).

The now dis-continued Voluntary Market News Program for livestock was authorized under the Agricultural Marketing Act of 1946. The U.S. Department of Agriculture (USDA) provided for “the collection and dissemination of information to facilitate the orderly and efficient marketing of agricultural products” (LMPR, 2001). This program relied upon cooperation from the industry to obtain information. Market news reporters from the Agricultural Market Service (AMS) (a USDA agency) collected information daily by telephone from producers, packers, feedlots and other industry participants as regularly visiting industry outlets.

This year a mandatory scheme was instituted, though industry bodies not covered are still encouraged to engage in voluntary reporting. The Livestock Mandatory Reporting Act was enacted in October, 1999. The Act was intended to address deficiencies in the voluntary price reporting program. In contrast to the voluntary reporting system, the mandatory program requires that larger packers report not only negotiated sales, but also forward contract and formula arrangement transactions.

The change to the mandatory scheme followed significant changes in the livestock industry in the U.S. These changes were reflected in the structure of the industry and the marketing practices used. In 2000, four firms slaughtered about 80 per cent of all fed cattle, about 55 per cent of all hogs, and about 80 per cent of all lambs. Increasingly, animal sales were being transacted under marketing arrangements where neither the details of the arrangements or the final purchase prices were publicly disclosed. A gap emerged in publicly available information. The lack of market data made it difficult for livestock producers, particularly those who used cash markets or wished to consider alternative arrangements, to determine the actual purchase prices and other terms of trade for livestock.

The Livestock Mandatory Price Reporting System (LMPR) was implemented in April, 2001, to cater for the new regulations. Some problems were experienced with the system and errors in reporting occurred. Incorrect values were reported for “cutout values” for Choice and Select boxed beef carcasses and primals over a 29 day period. On average, the Choice grade cutout was under reported by \$2.85 per cwt. and the Select grade cutout was under reported by \$0.71 per cwt.

It is of interest to note the consequences attributed to these errors. The analysts in the LMPR team observed that the boxed beef cutout figure is used by a number of participants in the beef marketing chain. Producers use it to gauge the potential value of their cattle. Processors and retailers may use it as public price against which they may gauge their pricing strategies. In other cases, the boxed beef cutout value may be a component in price formulation or contract specification. The Review Team used econometric analysis to show how the under reporting of the boxed beef values resulted in lower prices for live animals. The value of sales of feeder cattle was estimated to be reduced by \$7.4 million and sales of fed cattle by about \$13 million. Losses of sales revenue of cattle producers was estimated to range from \$15 million to \$25 million.

Private schemes also operate in the U.S. Cattle-fax is one example.

Cattle-fax provides cattle and beef industry statistics and market and econometric analysis. Cattle-fax services include cattle market prices, forecasts and analysis, futures market quotes (live cattle futures and basis, feeder cattle futures and basis), and beef and meat prices and analysis. Cattle-fax a member-owned organization, formed in 1968. The one-on-one services of an analyst are available to members. Reports can be received by fax, email, or via the web site. The Cattle-fax web site has links also to the USDA market data (Cattle-fax, 2001).

Examples are given for the value of Cattle-fax (Cattle-fax, 2001):

- A member had 170 slaughter cows to sell. He contacted his analyst and was advised that the cow market would likely strengthen in the near term. The market improved by \$2/cwt over the next 10 days, and the member realized an additional \$3,000)
- A stocker operator was considering contracting calves three months before pasture was available. After consulting with his analyst, he went ahead as planned. He purchased hid cattle for \$2.50/cwt less than if he had waited for available pasture. His membership helped him save \$5,400.

## **Canada**

Canada has a market intelligence service operated by the government department of Agriculture and Agri-Food Canada (AAFC). One service offered is Market Information, which provides:

“livestock and red meat prices, market volumes, imports and exports on a regional and national basis through weekly, monthly and annual reports.” (AAFC, 2001)

The weekly reports offer information which is similar to that offered by the NLRS (except imports and exports are included).

## **United Kingdom**

The United Kingdom has a service operated by the Meat and Livestock Commission (MLC).

The MLC was set up under the Agriculture Act of 1967 to maintain and improve the competitiveness of the livestock industry while taking into account the needs of consumers. The income is from a levy on producers and abattoirs. (MLC, 2001).

The MLC publications include the UK market Survey, a weekly 12 page report with data including auction market prices and slaughterings.

### **Northern Ireland**

The Livestock and Meat Commission for Northern Ireland, which was established in 1967, has the general duty of assisting the development of the livestock (cattle and sheep) and livestock products sectors of the Northern Ireland agri-food industry. It provides a range of services to producers and meat traders including market intelligence and promotion and beef and lamb carcass classification. It also administers the Farm Quality Assurance Scheme and market support arrangements for beef and lamb in Northern Ireland (URL: <http://www.dardni.gov.uk/pr2000/pr000044.htm>)

The LMC produces a weekly bulletin providing market intelligence information for sheep and cattle, which is accessible through their website. The bulletin provides information on both dead weight sales and live animal sales. Dead weight prices are quoted for domestic sales as well as reporting information from the Republic of Ireland, Scotland, Wales, England. Auction sales are reported for all types of cattle and sheep giving average prices and an indication of the direction of the market. (URL: <http://www.lmcni.com/bulletin.htm>)

**APPENDIX E**

**NLRS Reports – ‘What’s on offer’**

Supplied by NLRS, 14 September, 2001

An attachment is available in hard copy which gives examples of each report.



# What's On Offer

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## **1.0 Introduction**

The National Livestock Reporting Service (NLRS) covers 69 weekly markets. A detailed report is prepared for each of these markets that provide relevant, detailed and accurate information. The NLRS prides itself on the timeliness, accuracy and the independence of its service and as a result enjoys a healthy working relationship with its clientele. These reports provide an up to date and historical database that allows analysis on markets across Australia to be provided to industry.

The NLRS also provides auxiliary reports for industry these include:

- Over the Hooks (all states)
- Slaughter Statistics
- Sydney Wholesale Report
- Skin Report
- Hide Report
- Feeder Cattle Report

The following document outlines these reports.

## 2.0 Physical Market Reports

### 2.1 Cattle Market Reports

The National Livestock Reporting Service (NLRS) covers 49 cattle markets on a weekly basis. A market report is compiled by our Livestock Market Officers (LMO) who are contracted to report on at least 70 percent of the yarding. The only exception is Queensland where the report is sourced directly from the scale house. The LMO is required to give each animal or pen a muscle, fat score and estimated weight as well as recording its price. When the sale is finished the LMO then enters the data into the NLRS database and writes comments before transferring the report to head office by the required deadline (the deadline varies depending on the market being covered). A summary of the report is uploaded to the internet daily. The markets covered by the NLRS are shown in Table 2.0

**Table 2.0 NLRS Reported Cattle Markets**

N.S.W	Victoria	Queensland	South Australia	Western Australia	Tasmania
Armidale	Ballarat	Charters Towers	Gepps Cross	Great Southern	Killafaddy
Bathurst	Bairnsdale	Churchill	Millicent	Saleyard	
Casino	Camperdown	Dalby	Mount Gambier	Midland	
Coonamble	Colac	Gracemere	Naracoorte	Mount Barker	
Dubbo	Korumburra	Longreach			
Finley	Pakenham	Mareeba			
Forbes	Shepparton	Monto			
Goulburn	Warrnambool	Moreton			
Gunnedah	Wodonga	Murgon			
Inverell		Oakey			
Scone		Roma Prime			
Singleton		Roma Store			
Tamworth		Toowoomba			
Wagga		Elders			
		Toowoomba			
		Wesfarmers			
		Wandoan			
		Warwick			

The NLRS also covers selected store cattle sales throughout the year. These sales are reported in a similar vein to prime markets, and provide information for agents, processors, feedlots, media and pastoral houses. Both Dubbo and Roma have regular store cattle markets, which are reported by the NLRS, however other sales are reported in different regions when the markets occur. The store markets are reported on a full cost recovery basis.

### 2.2 Sheep Market Reports

The NLRS covers 20 sheep and lamb markets a week in all states except Queensland. LMO's are contracted to provide a detailed report on no less than 70 percent of the total

yarding at each market. On each sale the LMO is required to record the price, an estimated carcass weight, skin value and fat score. The reports are electronically transferred into head office, where they are edited and then distributed to clients via e-mail and fax. Summaries of the report are also uploaded to the internet on a daily basis. The markets that are covered are shown in Table 2.1.

**Table 2.1 NLRS Reported Sheep Markets**

N.S.W	Victoria	South Australia	Western Australia	Tasmania
Armidale Bathurst Dubbo Forbes Goulburn Griffith Gunnedah Guyra Tamworth Wagga	Ballarat Bendigo Hamilton Shepparton	Gepps Cross Millicent Naracoorte	Katanning Midland	Killafaddy

The NLRS also covers selected store sheep sales throughout the year. These sales are reported in a similar vein to prime markets, and provide information for agents, processors, media and pastoral houses. Narromine store sheep market is reported monthly and other markets are reported on demand. Similar to the store cattle sales, the store sales are reported on a cost recovery basis.

### 2.3 What the Information Provides

A market report is the base product offered by the NLRS and once the data is in Head Office further analysis is carried out. Before the report is sent to Head Office the LMO is required to check the comments and data for mistakes. The report can be distributed as soon as it has been received in Head Office and checked by the Markets Coordinator.

The distribution of the market reports is primarily via an e-mail program, although some clients still receive it via fax. The NLRS is trying to get as many people onto e-mail as possible as it is quicker for the client and more cost effected for the service. Generally, the subscribers to a market report include producers, processors, agents and media clients. Media clients include local, regional and state papers and internet sites. The reports are also used in radio broadcasts by the LMO and Market Analysts.

Each market report cost \$150 per year for producers, processors and agents, while media clients are charged \$1,250 per year. Producers in NSW however, receive their local market for free as they contribute to NLRS via the Rural Lands Protection Board levy.

Both the cattle and sheep reports comments and data are used to further analyse the market and to build auxiliary reports.

### 3.0 Auxiliary Reports

The market reports provide an invaluable database of information that is utilised to provide auxiliary reports and complete analysis. These reports are sold to clients including, media (print and broadcast), agents, producers, processors, feedlots and pastoral houses.

The auxiliary reports that are generated from detailed market reports and consequent historical data are displayed in Table 3.

**Table 3.0 Auxiliary Reports**

<b>Report</b>	<b>Description</b>
Eastern States Daily Indicators	Average prices on major grades for sheep, cattle and pigs on a daily basis.
Eastern States Young Cattle Price	The ESYCP (Eastern States Young Cattle Price) is calculated daily and is the 7 day moving average price for vealers and yearlings at the major 20 cattle markets in NSW, Victoria & Queensland. This is mainly distributed with the Eastern States Daily Indicators.
Weekly Yarding	Number of stock penned at NLRS saleyard on a state basis.
Weekly Feeder Cattle Report	A summary report of prices for feeder cattle sold on state basis.
Weekly Saleyard Summary	A state bases summary report for cattle and sheep including comments and saleyard data.
Weekly State Indicators	A summary report of major indicator grades at all NLRS saleyard's in each state, combined with a state average.
National Saleyard Reports	These reports are tailored to specific needs of clients, providing the number of stock yarded and the price that was achieved for specific grades.
National Indicator Reports	These reports are provided for major clients and internal use.

Further to these reports the NLRS provides Auxiliary Reports that are compiled separately to physical sales. These reports are described below

### 3.1 Over The Hooks Reports

Each Monday the Market Analysts produce an Over the Hooks Cattle and an Over the Hooks Sheep report for Queensland and New South Wales, while field staff prepares the Victorian and South Australian report. All the information used in compiling this report is strictly confidential and is all provided freely and without legislation. The OTH reports consist of indicative prices that include a range and an average price and also include a brief comment on why the market has reacted in a certain way.

To produce this report processors, agents, producers and alliance groups are contacted not only to get prices but also comments in order to get a feel for how things are travelling. As many different sources as possible are utilised in order to have a cross checking system in place.

The distribution method for the completed report is via e-mail or fax on Monday afternoon. The NLRS is trying to get as many people onto e-mail as possible as it is quicker for the client and more cost effected for the service than sending out faxes. The report is also used in broadcast conducted by the Market Analyst for the NSW Cattle Report for the Country Hour Programme. The comments are also used as part of the states weekly summary while the data from the finished report is used in the National Weekly Livestock Roundup.

An OTH report costs \$150/year for most clients, while the media are charged \$1,000/year.

The OTH information is used in further NLRS publications including Weekly Summaries and the National Weekly Livestock Roundup. The historical data can be supplied in Excel format for special projects and Market Analysts also utilise this information in analysis.

### **3.2 Slaughter Reports**

On Monday morning QLD, NSW, VIC and SA weekly slaughter figures are collected by NLRS staff. We have close to all processors supplying information on a weekly basis for free and without legislation. Information is collected on cattle, calves, sheep, lambs, pigs, goats and deer.

The processors will either fax back a template with their kills for the week or the NLRS will give them a call on Monday morning if needed. The date on the report is the Friday from the previous week.

The NLRS has a confidentiality agreement with the processing plants that no information will be supplied to the public on a single works basis. The only figure that is realised is the states total figure, the only exception to this is for QLD cattle were it is broken down into male and female and also NSW were it is broken into domestic and export.

The information is distributed by either e-mail or fax on Monday afternoons. The NLRS is trying to get as many people onto e-mail as possible as it is quicker for the client and more cost effected for the service than sending out faxes. The clients who are supplied with this information include processors, Rural Press papers, export meat companies and MLA. It costs \$150 to receive a state slaughter report on an annual basis, while media clients are charged \$1,000/year.

From all the state reports that are collected, The National Slaughter Report is compiled, which is also released on Monday afternoon. This report is made up of each states total as well as the national total for each category. A growing number of clients that receive this information include government and industry bodies. The cost of the national slaughter report on an annual basis is \$600.

The slaughter information is used in further NLRS publications including weekly summaries and the National Weekly Livestock Roundup. The historical data can be supplied in Excel format for special projects and Market Analysts also utilise the information in analysis.

### **3.3 Hide Report**

The Eastern States Hide Report is produced on a Monday by one of the Market Analysts in Head Office. To compile the report, on Thursday a blank template is sent to tanners to get their quotes for the week. Similar to the slaughter report it is dated Friday of the previous week.

The report is broken into three sections which cover the different hide curing methods used on the East Coast. Green hides are mainly from NSW, VIC and SA, while Brine Cured Hides are mainly from QLD and Wet Blue hides are mainly from QLD, NSW and VIC. Both the Brine Cured and the Wet Blue Hides have prices for both Tick Free areas and Ticky areas.

Comments are also included on the bottom of the report. These are written by combining information that is received from the quote suppliers.

The information is distributed by either e-mail or fax on Monday afternoons. The clients who are supplied with this information include processors, Rural Press papers, export meat companies, MLA and it is also sent to an overseas tanner. The cost of the report is \$150 per year.

The report is also used in different sections of in house analysis and NLRS publications including cattle weekly summaries and the National Weekly Livestock Roundup. Hide information is sometimes included in special projects for clients. The historical data can be supplied in Excel format for special projects and the Market Analysts are able complete further analysis if required.

### **3.4 Skin Report**

The Skin Report is compiled on Thursday so that a summary can be placed in the National Livestock Weekly Roundup and a detailed reported can be published on Friday morning. The report is compiled separately to skin prices in a detailed report, skin prices have been collected since 1989. Both buyers and sellers of skins contribute to the skin report, through a detailed grid that is faxed or e-mailed to the NLRS where upon it is entered into a spreadsheet to provide an average price for each grade of skin. Those who

contribute to the report also provide some analysis on the market and as to why their prices have changed.

In comparison to other reports, the skin report is quite detailed with 200 individual grades published within a weekly report that are divided into lamb, Merino Sheep and Cross Bred Sheep prices. The skin report has a client list similar to other auxiliary reports and it is also distributed to LMO's to assist in the assessment of skin prices at physical markets.

The cost of the skin report ranges from \$150/year for general subscribers to \$1,000/year for media clients.

### **3.5 Feeder Cattle Report**

The Feeder Cattle Report is unique in that it combines saleyard prices and prices quoted from feedlots. Similar to many of the auxiliary reports it is compiled on Monday for the previous week. A detailed report is built from the previous weeks NLRS reported markets, which provides a price range, average and trend. These prices are quoted for indicator grades, which then become part of the report.

Feedlots supply quotes of their prices for the previous week that are then used to create a price range, average and trend. This becomes part of the report, which enables the clients to complete their own comparison on saleyard and direct to feedlot sales.

Since first developed in 1999, the report has changed although still maintaining a similar structure. At present the NLRS is looking at ways to improve the contribution list of the Feeder Cattle Report to provide an even more accurate assessment of the market. The cost of the report is \$150/year with media clients paying \$1,000/year.

### **3.6 Sydney Wholesale Market Reports**

These reports are compiled on Wednesdays by a contracted reporter who provides price ranges and averages along with a short written analysis. The reports are completed on the Beef, Lamb and Pork Markets, allowing the service to cover a wider range of the supply chain in livestock production and marketing.

Similar to other reports a wide array of clients receive either one species or all three species reports. Further to NLRS clientele already mentioned, some large food servicing organisations also receive the wholesale reports, creating a larger customer base to improve income and open up new information markets to the service.

The cost to receive a report for one species is \$150 per annum and for all three \$450 per annum.

#### **4.0 National Weekly Livestock Roundup**

This report is produced on a Friday, and as its name suggests it is a compellation of all the information that the NLRS collects throughout the week. “The Roundup” was first produced in May 2001 and has had a growing number of clients. The main strength of such a report is that it provides a snap shop of the markets over a week without delving into great detail. Some analysis is provided from a national view with a front page story that concentrates on a major issue in the market place. The second page is dedicated to sheep comments and data, while the third page is dedicated to cattle comments and data. The fourth page is a combination of Pigs, Feeder cattle, Skins and Hides.

The cost of the Roundup is \$25 per week or \$1,250 per annum, and although initially perceived as being too expensive, in actual terms the reports value for money is exceptional. The information in the Roundup is conservatively estimated to cost \$3,000 per annum if a client was to buy all the reports that are required to produce The Roundup.

**APPENDIX F****List of interviewees**

Aaron Iori  
Adrian Galea  
Allen William  
Andrew McCarron  
Barry Shay  
Bill McKiernan  
David Moffitt  
Don Steele  
Frank White  
Godfrey Aranda  
Ian O'Loan  
James Gosse  
Joe Lane  
John Carter  
John Crosby  
John Keir  
Justin Toohey  
Keith Adams  
Mark Barton  
Mike Donnelly  
Mike Norton  
Nigel Smith  
Peter Barnard  
Peter Flaherty  
Peter Weeks  
Rob Walker  
Ron Penny  
Scott Hansen  
Shane Mahoney

**APPENDIX G**  
**Summary of interview responses**

Figures in brackets indicate frequency of responses.

**1. Can you tell me about your business/association and what it does?**

<b>Sector</b>	<b>Number of interviewees</b>
Media	3
Cattle producers	3
Sheep & beef producers	3
Stock and station agents	3
Processors	2
Saleyards	3
Feedlots	0
Pork industry	3
NLRS	3 - Not included in this summary
MLA	2 - Not included in this summary
CCA	1 - Not included in this summary
Other	3
<b>Total</b>	<b>29</b>

**2. We are looking at the value of the NLRS to the Australian livestock industry.**

**Can you tell me:**

**(a) About the services and reports of the NLRS that you use?**

<b>Sector</b>	<b>Responses</b>
Media	Statistics from saleyards and commentaries (3). Specialized information (3) Electronic version of statistics (1)
Cattle producers	Use extensively. Keeps us in tune with local and national markets (1) Direct reports from saleyards, Weekly Roundup, Indicator reports on the Internet. Sometimes ABC (1) Not much, listen to ABC and use MLA reports (1)
Sheep & beef producers	Most use news and radio (2) I don't use them as it has no bearing on my business. Seasonal conditions dictate when we sell and we have only one saleyard that is viable. We sell 90% of cattle on the Internet (the old CALM system). Get bids from all over the country. 90% sheep sold on property. We don't use the service as a management tool (1)
S & S agents	Newspaper reports (3) ABC (1) Dial-up services (1) Some through WWW (1)
Processors	Don't use (1) Only one service – the aggregate of weekly numbers, number killed by state per week at plants – how many killed last week. We use it to manage processor's ability to deliver per week. (1)
Saleyards	Saleyards use them. Vital for Web site under construction. (1) A marketing tool for saleyards (1). Some use (1)
Feedlots	
Pork industry	Weekly Meat the Market from MLA that uses NLRS data. Commentary also valuable. (1) We don't use them (2)
Other	Not relevant – not an end-user (2) Feedback is needed to know outcomes of treatments done on-farm. (1)

**2(b) The value of these services to your business/association/members?**

<b>Sector</b>	<b>Responses</b>
Media	Extremely valuable (2) One of the most important parts of our output. We regard ourselves as providing a service to our audience (1) Not answered directly (1)
Cattle producers	Very high (1) \$8-10,000 p.a. (1) Not much (1)
Sheep & beef producers	Important (2) 65% Australian lamb is domestic, so domestic saleyard information is important. Far less reliance on overseas indicators (such as beef and corn) than in the beef industry (1) Personally none. Customers might use. Can't say for others (1)
S & S agents	Regularly used by every agent in the state (Qld).(1) Has fair bit of credibility. (1) Agents need this information. (1)
Processors	Very little (2)
Saleyards	We pay for their services – shows value. We would pay more for services in e-auctions. (1) Value as a marketing tool (2) One line of thought is that saleyards should be paid to supply the data. (1)
Feedlots	
Pork industry	Very important. Information is critical to business. (1) None (1) Not applicable (1)
Other	Not relevant – not an end-user (2) Potentially very high value. Not realized as much as it could be, by taking feedback into account on-farm (1)

**2(c) The value of the NLRS to the Australian livestock industry as a whole?**

<b>Sector</b>	<b>Responses</b>
Media	Extremely valuable (3) It (NLRS) is in everyone's interests. (1) It is a unique service that plays a vital role in the livestock sector. If NLRS was not there, we could not find the information (1).
Cattle producers	Very high (2) Multiply \$8-10,000 p.a. by number of producers. Other sectors want it as well. (1)
Sheep & beef producers	Important (2) Hard to say. Don't want to guess. If others say it is, then I guess it's of importance to industry. (1)
S & S agents	Of significant value to the production sector. (1) Moderate value. (1) A fundamental need. (1)
Processors	Good (1) Very valuable to producers. (1) From a parochial view, the value is limited. The language is a "live" language. This is not a language we use. Need to look at dressed weight basis (1)
Saleyards	Worth millions of dollars (1) Very important. They are only ones truly independent. Need their help if e-auctions to work. (1) A barometer for industry (1)
Feedlots	
Pork industry	Pig producers need to know what the red meat industry is doing. They are competitors. Assists decision making. (1) The service has a lot of value. (1) No comment (1)
Other	Independent source of free information that's needed for price discovery (1) Large (1) Critical, particularly because of its independence. (1) It is not quite so vital in WA because of limitations trading across the Nullabor plain. But producers in WA need to know if they have a fair price. It is good for transmitting market signals. (1)

**2(d) What does NLRs do well?**

<b>Sector</b>	<b>Responses</b>
Media	Accuracy, timeliness, easily readable (1) A great service. Providing quality information. (1) Independence. Comprehensive (1)
Cattle producers	It's very good/ In the last few years it has accurately described what the market is doing. Sometimes in the past parochial and political interests clouded judgements. (1) Most of its work (1) Do a good job considering the amount of money they get (1)
Sheep & beef producers	Objective (1) Routine collection of raw market data with no bias (1) Don't know (1)
S & S agents	Accuracy (1) Consistent and somewhat objective reporting of saleyards. (1) Not answered directly. (1)
Processors	Some reporters are very good (1) Extremely accurate, easy to understand. People doing the reporting do it often enough for it to be consistent (1) People are courteous, no problem with them (1)
Saleyards	Independence (1) Credibility, accuracy, independence (1)
Feedlots	
Pork industry	Gathering all price information. Commentary. (1) Covers fair range (1) Not answered directly. (1)
Other	Independence, reliable, quality control procedures (1) Reports price movements very well and accurately. Only system that does this well (1) It's independent and accurate. All one language across the country. It's probably pretty cheap, not overkill. (1)

**2(e) Could there be improvements on what NLRS does?**

<b>Sector</b>	<b>Responses</b>
Media	No (1) They do a really good job. Excellent. We are happy to work with them on improving minor points eg a little more analysis in reports. No response (1)
Cattle producers	Some discrepancy with OTH. Could be time lag (1) It could have more clout in direct sales reporting. Qld and Tas. could be improved. (1) No (1)
Sheep & beef producers	Perhaps report more widely on store sales (1) A more strategic approach to markets being reported eg in Victoria one market is sporadic but at times is the biggest market. In Victoria the reporting should not depend on where the LMOs are situated. Bairnsdale got a knockback and had to pay full cost recovery. (1) Don't know (1)
S & S agents	Not qualified to say. (1) A perfect barometer would be like the all ordinaries, based on a group of categories mutually agreed. (1) Not answered directly. (1)
Processors	ALL reporters need to be able to do accurate assessment. (1) They don't do the dressed weight accurately. If you looked at ABC Landline, then rang a processor, you would find inaccuracies. (1)
Saleyards	No (1)
Feedlots	
Pork industry	No. No gaps. (1) No comment (1) Not answered directly. (1)
Other	Possibly improvement in non-saleyard data (ie OTH) with more sources of data (1) Yes. Could get more feedback on traits that are being reported on. Does not say how more fat score over FS3. Three traits are weight, fat and muscle. (1) Need uniform management methods for all states, particularly now with the Internet and we can get information from many places (1)

**3. A number of options have been mentioned in connection with the future of the NLRS. Can you give your opinions on these options?**

**3(a) Should the NLRS continue to exist?**

<b>Sector</b>	<b>Responses</b>
Media	Yes (3)
Cattle producers	Yes (3)
Sheep & beef producers	Yes (2) Yes – if widely held opinion (1)
S & S agents	Yes (3) Cant do without them. The cost of gathering the information in other ways would be prohibitive. (1)
Processors	Yes (1) Yes – on user-pays basis (1)
Saleyards	Yes (3)
Feedlots	
Pork industry	Yes (2) No alternative for cattle and sheep. It has to be there. Such a system is needed to discover prices – an economist's view .(1) No comment (1)
Other	Yes (3)

**3(b) Should the NLRS be a national system?**

<b>Sector</b>	<b>Responses</b>
Media	Yes (3)
Cattle producers	Yes (3)
Sheep & beef producers	Yes (3)
S & S agents	Yes (3)
Processors	Yes (2)
Saleyards	Yes (3)
Feedlots	
Pork industry	Yes (2) No comment (1)
Other	Yes (3)

**3(c) Could the NLRS be purchased and run as a private company – that is, one that is fully commercial and has full cost recovery?**

Sector	Responses
Media	<p>Yes. Media or paper. However, there is goodwill now because it is an industry body. Hard to say what would happen with this. There would be questions of ownership of data. (1)</p> <p>Depends on what costs are. If they were at full cost recovery they would have to charge incredible amounts of money. If it got too expensive, we'd look elsewhere. (1)</p> <p>Don't know enough but gut feeling is no (1).</p>
Cattle producers	<p>No (1) Integrity would go. (1)</p> <p>Very difficult (1)</p> <p>Possibly in time (1)</p>
Sheep & beef producers	<p>Doubtful (1)</p> <p>Yes, depending on the purchaser and processes transparent. Could get more sponsorship eg Weekly Times has market reports sponsored by Pedigree Pal (1)</p> <p>Yes – if someone willing (1)</p>
S & S agents	<p>Doubtful (1)</p> <p>Qualified yes (2) If it still retained credibility. (1) If feasible commercially and not seen to be owned by a vested interest eg a pastoral house. (1)</p>
Processors	<p>We would not pay. We have our own network. (1)</p> <p>It should only exist on this basis. (1)</p>
Saleyards	<p>Possibility (3)</p> <p>Could move to save costs. May need help for 2 years more. (1)</p>
Feedlots	
Pork industry	<p>No (2) Unlikely, similar tried before and failed dismally. (1)</p> <p>It should be funded by industry, made free. The dairy industry has a basic service that is free. (1)</p> <p>Don't see why not, as long as there is transparency in where the figures come from (1)</p>
Other	<p>History shows that the NLRS can be close to cost recovery but it's a struggle to do this completely. Look at FarmShed – it can't cover costs. Australian farmers are used to high quality information at no cost. (1)</p> <p>It could but difficult (1)</p> <p>Don't believe so, not in next 5 years. (1)</p>

**3(d) If the NLRS was operating on full cost recovery, some services might no longer be available. How would you feel about that? (If an example is requested, use example of ABC not giving current service, possible just local market.)**

Sector	Responses
Media	<p>We're unhappy with the ABC getting for free. They're a competitor. It's important that all who get information should pay a reasonable amount (1)</p> <p>It would be a major blow to the ABC and a major blow to people who rely on the ABC (1)</p> <p>Not answered directly (1)</p>
Cattle producers	<p>Whole industry would suffer if some services not available (1)</p> <p>Not too good (1)</p> <p>Bit of a disaster, ABC is useful (1)</p>
Sheep & beef producers	<p>Not happy (1)</p> <p>ABC could take a reduced service. They are paying a token at present (1)</p> <p>If people value this, then maybe not a good idea. If it was privately owned and run, then they should keep a base service. (1)</p>
S & S agents	<p>Some degree of obligation to keep it going as a public service. (1)</p> <p>People should understand – need user-pays. (1)</p> <p>Not answered directly (1)</p>
Processors	<p>This would be absolutely wrong. Some services, eg ABC, must remain. (1)</p> <p>OK (1)</p>
Saleyards	<p>Disappointing but not catastrophic. Web site could be used instead. (1) Commercial services could do it instead of ABC (1)</p> <p>A retrograde step (1)</p>
Feedlots	
Pork industry	<p>Reduces usefulness (1) A concern (1)</p>
Other	<p>As a farmer I would find this quite difficult. The two main sources of information are the Stock Journal and Rural Radio on a day-to-day basis. (1)</p> <p>Its use would be seriously negated (1)</p> <p>There would be a very strong negative reaction. Producers and rural lobby groups insist on this. (1)</p>

**3(e) If the NLRS was to find a “home” with some other body, what could it be?  
Some possibilities have been mentioned:**

**AFFA?**

<b>Sector</b>	<b>Responses</b>
Media	Qualified yes (1) “Worried about how much support it might get in the long run”. Possibility (1) No (1)
Cattle producers	Preferred solution (1). Independent and gives stature. No (1) Not a government role (1) B. hopeless (1)
Sheep & beef producers	Yes (1) But then there would be argument for other commodities as well (1) Don’t know (1)
S & S agents	Preferred solution (1). They would not want it. (1) Low rating (1)
Processors	Qualified yes (1). “As long as not building bureaucracy.” Possibility (1)
Saleyards	No (2) Preferred solution (1).
Feedlots	
Pork industry	Yes (1) Possibility (2)
Other	Probably better under ABARE (1) Don’t know (1) Low rating (1)

**MLA?**

<b>Sector</b>	<b>Responses</b>
Media	Preferred solution (2) Qualified yes. (1) “Would have different motives. NLRS is seen as independent at present.” (1) Most logical body. They both do similar things. They use NLRS figures. NLRS has great support from producers and MLA has great support.
Cattle producers	No (1) Not with a barge pole. (1) Preferred solution (1) Could be a separate company under MLA (1)
Sheep & beef producers	No (2) used to be seen to ‘talk up’ or ‘talk down’. Question marks about integrity (1) First preference (1)
S & S agents	Preferred solution (2) Medium rating (1)

	Possibility – not preferred solution. (1) There is a perception that MLA produce information the way they want it seen. They channel money into individual projects with little gain for the people funding eg MSA – only 10% of the market. The Peak Councils have a vested interest in MLA. It is not truly impartial. (1).
Processors	Yes (1). Close to producers. Possibility (1)
Saleyards	Preferred solution (1) Possibly (1) But, MLA on a big junket from funds that go into it. Levies should be used more for things like NLRs (1) Second choice (1)
Feedlots	
Pork industry	Yes (1) They use the data. Some people could be suspicious of this. Yet QPPI is a producer body that collects information, and people trust the information and use it. Possibly (1)
Other	Preferred option is to have it under MLA, but independent (like AUS-MEAT – using Section 16). Need to look at cost structure of MLA section. Think it costs about \$3 million. (1) Concern over independence. If it was a separate body it would be ok. (1) Maybe (1)

**ABS?**

<b>Sector</b>	<b>Responses</b>
Media	No (2) Not answered directly (1)
Cattle producers	No (2) Don't know enough (1)
Sheep & beef producers	No (2) Don't know (1)
S & S agents	OK, but still need some funding from industry. (1) High rating. (1) Not answered directly. (1)
Processors	No (1) Possibility (1)
Saleyards	No (3) No industry focus (1)
Feedlots	
Pork industry	No (3) Notoriously very ordinary in that area.(1)
Other	Yes (1) Suspect not – they have a different charter (1) No (1)

**ABARE?**

<b>Sector</b>	<b>Responses</b>
Media	No (1) Possibility – not a natural fit (1) Not answered directly (1)
Cattle producers	No (2) Don't know enough (1)
Sheep & beef producers	No (1) No comment (1) Don't know (1)
S & S agents	OK, but still need some funding from industry. (1) High rating. (1) Not answered directly. (1)
Processors	No (1) Possibility (1)
Saleyards	No (3) No industry focus (1)
Feedlots	
Pork industry	No (1) Cautious (1)
Other	Yes (1) Suspect not – they have a different charter (1) No (1)

**Others:****AUS-MEAT?**

Saleyards Yes (1)

**3(f) NLRS to be a relatively independent body, funded in part from existing transaction/voluntary levies.**

<b>Sector</b>	<b>Responses</b>
Media	Good idea (1) Preferred solution (1) 'Not a problem if base service offered to industry, but commercial people must pay' (1) Possibility. Concern is that it should have a 'home' where administrative costs can be devolved. (1)
Cattle producers	Possibly yes (2) Not answered directly (1)
Sheep & beef producers	Yes (2) But then there would be a problem with duplication of administrative costs. Better if it could have a home with someone. It could have a board without bias if it was seen as industry stewardship rather than sectoral interests. (1) Don't want another levy. If funded by industry and industry wants it, then the current levy must be used to fund it. Another component is a nuisance (1)
S & S agents	Most definitely (1). With a representative management board. Should be funded through the existing livestock levies (ie voluntary ones as well). Neutral (1) Good – keep some free access to basic services. (1)
Processors	Yes (1) No – not fully funded (1)
Saleyards	Yes (3). But shift out of Sydney (2)
Feedlots	
Pork industry	Yes (2) At least everyone pays (1) Removes any question of government or industry bias (1) Possibility (1)
Other	Not a problem. But it could end up as a fiefdom out of control (1) First preference (2) Think there would be strong support for this from industry if they realized that an alternative would be to lose it (1).

**3(g) Should reporting on pork be retained in the NLRS, as well as beef and sheep?**

<b>Sector</b>	<b>Responses</b>
Media	Yes (2) But not as critical (1) Not answered directly (1)
Cattle producers	Yes (1) No comment (2)
Sheep & cattle producers	If pork people want it (1)
S & S agents	Yes (3)
Processors	Yes (1) No comment (2)
Saleyards	Yes (3)
Feedlots	
Pork industry	Yes (3) Should not have overlap – collecting information twice from same person (2)
Other	Not a problem but not a priority. The pig industry is more centralized. They should think themselves about the independence of their data. (1) No comment (1) Yes (1)

#### 4. Anything else you care to comment on?

##### **Media**

It should be industry funded at a national level, so it's not ad hoc. Lots of people use, so it's hard to say what each should pay. At some point, all get value. Commercial people should have to pay a reasonable value, especially the ABC. They are killing information in papers. We looked at what it would cost to do the same and decided we could not afford it. I've been a keen supporter, but if they charged more we would have to think again. (1)

A basic tenet is that this is a very valuable and important service to the ABC and its audience. (1)

##### **Cattle producers**

The personnel should be retained as they are, as a unit. It's necessary that they move from SafeFoods. Should be paid for from the transaction levy. There should be mandatory reporting, but maybe it is still a bit premature. OTH reports need to be improved. The Qld service needs lifting. Tas is also a problem. A separate user-pays analysis group could exist (not for base reporting, for extra interpretation). (1)

On situation in Qld – Have to maintain integrity. If the accuracy in Qld is questioned then it is not satisfactory. Integrity needs to be beyond question. Even if it is not as good as other states, it is still quite good (1)

##### **Sheep & beef producers**

Funding is inequitable at present – most comes from NSW.

It should be national, independent and have integrity. There is an argument for user-pays, but no argument for the taxpayer paying. If it is a new body, then should look at everything again. No reason to discriminate against Bairnsdale.

Need to decide it is commercial or 'public good' – if it both, it won't work.

Need to decide on level of service. Is the "Roll's Royce" treatment really needed? Are people happy with the Qld service. Could have this system everywhere, with auditing to ensure quality.

##### **Agents**

Commercial bodies who might have an interest are FarmShed, eAuctions, Auctions Plus. (1)

The \$2 million used to fund the NLRS is a small amount really, for such a fundamental need. Should find out more about where the levies go. Animal Health Council, National Residue Service, MLA, Peak Industries Council. NLRS could be in regional area.

**Saleyards**

It's running on a shoestring at present. That's wrong. We should still have basic services funded by levies. I don't think there would be a rural producer who would complain about money used for that role. (1)

NLRS is a very important part of the industry. Feedback must be available to maintain standards. (1)

If everyone is paying their share, then saleyards would continue to pay.

When the saleyards are automated, the LMO is still needed to do the grading, because it needs to be consistent. The classification of animals (C2, C3 etc) needs to be consistent and credible. For credibility on Internet catalogues, the grading must be done by someone doing it all the time. If it is a person working at the saleyards, then they don't see the broad spectrum, just the stock at that saleyard. (1)

**Other**

Be aware that there are two languages and they are not synchronized – one for live animals and one for dead. Especially to do with muscle score and butt profile. (1)

Principles of the service need to be maintained. We've invested a lot. It should not be wasted (1) In the states where there is not a standardized service, there may be some support for the set-up costs of a national service, given those governments would then be freed of recurring costs (1)

**APPENDIX H**  
**Statement from NSW SOA**



**SALEYARDS OPERATORS ASSOCIATION  
of New South Wales Inc**

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12 September, 2001

Attention: Ms Shirley Gregor  
Professor of Information Systems  
Australian National University ACT

Statement by Saleyard Operators Association of NSW Inc (SOA)  
Contact: Ron Penny, Executive Officer

**Comment for inclusion in NLRS study report.**

As a result of discussions with members of the SOA executive, this Association would like to re-affirm total support for the NLRS and their current operational role within the red meat industry. SOA strongly believe the NLRS should be a stand-alone organisation, correctly audited and made industry accountable, with industry funding and support.

SOA on behalf of its members wish to clearly state the importance of the role of NLRS in market reporting. We are concerned that this review may denigrate the desired level and accuracy of service by forcing the NLRS to be reliant on selling of commercial services or information simply to remain viable.

This is very important to all and in particular rural producers and our sector of the livestock marketing chain. SOA have embarked on a progressive reform package with the development of new concepts in marketing in our Livestock Saleyards Exchange centre. In this we will feature for example the appropriate linkages between the NLIS database and our Cyber Auctions program that incorporates AuctionsPlus and the establishment of a saleyards industry information website.

In this SOA require on behalf of all participants in the red meat industry an independent organisation to operate the proposed systems. SOA require the services of the NLRS to collate information, assess livestock etc plus additional information that will be collected from all operative saleyards within NSW (about 63) and subsequently covering all Australia.

This will be in market reports, plus actual stock movements, descriptions and numbers in relation to quality within individual markets, regions and states on a daily basis. The services of the NLRS are needed for this initiative and other similar information type services that can make use of the Internet. We seek to improve and add to the logistics and reporting details without denigrating the high standards or quality set by the NLRS.

Within this program the operational activities of the AuctionsPlus system in saleyards, will eventually cause an additional revenue stream to the NLRS while they will add creditability to the operations of our Cyber Auctions program.

It should also be clearly stated that the SOA is a non-profit organisation, who will be offering information on this website free-of-charge to all within the red meat industry. If NLRS has to sell all information commercially, and not make primary data available freely, then we get into the questions of ownership of the data. The saleyards could rightfully make a claim that they have 'ownership' of this data as the transaction is carried out and collected within their premises and operation. In addition to this a fee is paid within NSW by the individual saleyards to the NLRS to collect this information in reporting their markets. This potential scenario or possible position would clearly be unacceptable and should be avoided.

With development of the Internet it is therefore better for the industry as a whole if this data is available freely via NLRS and SOA We want a service that is in keeping with the times and that is of value to the community. We can't stay or stick with 'old' ways of doing things, as change is inevitable.

R. S. (Ron) Penny  
Executive Officer  
SOA of NSW Inc