



final report

Project code: V.SMA.1512
Prepared by: Mick Keogh
Australian Farm Institute
Date published: 19 August 2015

PUBLISHED BY
Meat and Livestock Australia Limited
Locked Bag 991
NORTH SYDNEY NSW 2059

A structural review of the red meat integrity systems

Meat & Livestock Australia acknowledges the matching funds provided by the Australian Government to support the research and development detailed in this publication.

This publication is published by Meat & Livestock Australia Limited ABN 39 081 678 364 (MLA). Care is taken to ensure the accuracy of the information contained in this publication. However MLA cannot accept responsibility for the accuracy or completeness of the information or opinions contained in the publication. You should make your own enquiries before making decisions concerning your interests. Reproduction in whole or in part of this publication is prohibited without prior written consent of MLA.

Australian Farm Institute Limited

Suite 73, 61 Marlborough Street

Surry Hills NSW 2010

AUSTRALIA

ABN 29 107 483 661

T: 61 2 9690 1388

F: 61 2 9699 7270

E: info@farminstitute.org.au

W: www.farminstitute.org.au

All rights reserved

The views and opinions expressed in this publication are those of the authors and do not necessarily reflect those of the Board of the Australian Farm Institute or the Institute's members or corporate sponsors.

Publication Data

Keogh, M., Goucher, G and de Vos, R. *A structural review of the red meat integrity systems.*

Report prepared for the SAFEMEAT Initiatives Review. July 2015. Australian Farm Institute, Sydney.

Foreword

As the Australian agriculture sector has transitioned from being solely a supplier of bulk undifferentiated agricultural commodities to a supplier of both undifferentiated commodities and specialised premium products, the market demand for enhanced quality and integrity has escalated. The demand for higher levels of integrity and safety are ultimately driven by consumers, but are often more directly expressed by supply chain participants who impose increasingly stringent requirements on their suppliers as a means of protecting brand reputation and meeting corporate social responsibility expectations.

The Australian livestock industries have been at the forefront of developing product safety and integrity systems over the last twenty years, in order to ensure that Australian livestock producers retain market access, and have a point-of-difference relative to livestock products sourced from other nations. These systems impose a cost on the livestock sector, so it is important to ensure they remain efficient and effective, and their management and operational structures remain relevant to the changing demands of the marketplace.

The research reported here involved a review of the structures associated with the integrity systems currently operating in Australia's livestock industries, with the aim of ensuring that they are as efficient and effective as possible, while continuing to meet the contemporary demands of both domestic and international consumers.

Executive Summary

Over the past twenty years, the red meat industries in Australia have developed a range of interrelated initiatives to provide greater certainty to Australian and international customers about the food safety and biosecurity standards of Australian meat products. These, which together constitute the red meat integrity systems, consist of the Property Identification Code (PIC) databases maintained by state governments, the National Vendor Declaration (NVD) system, the National Livestock Identification System (NLIS), and the Livestock Production Assurance (LPA) program.

Overall policy responsibility for the integrity systems resides with SAFEMEAT, a partnership organisation involving government and industry. Individual components are administered by a number of different organisations, including AUS-MEAT Limited (AUS-MEAT), NLIS Limited (NLIS Ltd), Meat and Livestock Australia (MLA) and individual state and territory governments, with these advised by at least thirty different committees. Funding for the integrity systems is derived from a range of different sources, including industry levy funds, matching government research and development funding, state government funding and in-kind support and some user-pays revenue.

Elements of the integrity systems were initially developed in response to specific incidents, however over time the systems have evolved to a point where they are now a major factor in securing market access for Australian meat products. The importance of the integrity systems is projected to increase in the future, as nations and wealthier consumers place a greater emphasis on food quality and safety, and as food credence and provenance characteristics grow in significance.

Against this background, it is considered timely to review the structural arrangements associated with the integrity systems, to consider whether the efficiency and effectiveness of the systems can be improved, and whether current structural arrangements will continue to be suited to the future market environment for Australian meat.

The objective of the research reported here was to identify optimal future structural arrangements for the integrity systems associated with the red-meat industry in Australia, in order to ensure that the systems are managed and delivered in a sustainable manner, and one which maximises the value these systems deliver for livestock producers and the sector more generally.

The project consisted of desk-top research to identify preferred structural arrangements for industry integrity systems and to describe in detail the current structural arrangements for the integrity systems. This was followed by consultation with the full range of stakeholders involved in the current systems. Information arising from the research and consultations was used to develop a preferred future structural model for the integrity systems, and possible transitional issues associated with a change to a new structure were also canvassed.

The stakeholder consultation elicited a clear consensus that the current structural arrangements for the integrity systems were cumbersome and becoming increasingly dysfunctional; with

decision-making processes poorly defined and understood, a byzantine system of committees, a lack of strong governance, and a lack of strong accountability to stakeholders for the performance of the systems.

The research identified four generic characteristics or principles that are considered important in ensuring that an industry integrity system operates in a way that optimizes benefits for stakeholders. These were;

1. a sound strategic foundation,
2. strong governance and integrity,
3. secure and adequate resourcing, and
4. empowered management.

The current integrity systems, while having achieved a great deal for the industry over a considerable period of time, were found to be deficient in relation to all four of these, and to a large degree the identified deficiencies are related to the structural arrangements associated with the systems.

A fundamental issue in relation to future structural arrangements is whether the current multi-organisation arrangements should be maintained, or whether a single organisation should be given overall management responsibility for industry integrity systems. Based on the views of stakeholders and on analysis of current arrangements, a clear recommendation is that the management of meat industry integrity systems should be the responsibility of a single organisation.

Four alternative structural models were considered for the organisation, and these alternative models were assessed against the principles identified earlier in the research. Each of the four structural models considered had differing strengths and weaknesses, but ultimately a model which established direct stakeholder membership was considered the preferred structural model.

The stakeholder model proposed involves the establishment of a new corporate entity, which would be a company limited by guarantee. The owners or members of the company would be the current registered users of the NLIS database who own or trade livestock. The company would be governed by a skills-based board, with board members chosen by a selection-committee appointment process, subject to endorsement by members.

The company constitution should create a separate standards committee, with the processes associated with the endorsement of standards detailed in the constitution. The company would have the role of owning industry standards, and managing the associated industry systems including the NLIS database. The new company would also manage the audit program associated with the LPA. Initially it is proposed that AUS-MEAT would be contracted to carry out that role, with the audit program becoming contestable over time.

There are a range of transitional issues that have been identified in relation to the proposal. These include the need for support from the Australian, and state and territory governments,

given their roles in relation to export market access, biosecurity, food safety, and the PIC database which underpins the NLIS database.

The support of industry peak councils would also be desirable, although the inertia inherent in securing unanimous agreement (as required by the Meat Industry Memorandum of Understanding (MOU)) could be a stumbling block in progressing the proposal. Acknowledging this, the report identifies a process whereby MLA and the Australian Meat Processors Council (AMPC) could bring about the proposed changes in the absence of unanimous agreement, utilizing their positions as parent companies of AUS-MEAT and NLIS Ltd to create a transitional structure that could be converted to a stakeholder-owned model over time.

The research canvassed a range of alternative funding mechanisms, based on the principle that to the greatest extent possible, the beneficiaries of the integrity systems should bear the cost of the system. A user-pays system could be feasible in the longer term, although may be difficult to implement within a short timeframe. An alternative proposal for at least an interim period is that the integrity systems should be funded from current transaction levies paid by livestock producers, and from slaughter levies paid by meat processors. It is also proposed that the current system of charging for NVD forms or electronic NVDs should be discontinued, and instead an annual registration fee should be imposed on LPA registration, and user-charges implemented for some uses of the industry databases.

The report concludes by noting that the current integrity systems is not facing an imminent crisis, but stakeholders are of the view that it is becoming increasingly cumbersome and unwieldy under current structural arrangements, and substantial reforms are required. It would seem preferable to implement reforms at the current time, rather than face the possibility that the system will fail or become dysfunctional and lose stakeholder support at some time in the near future.

Table of Contents

1	Introduction	9
1.1	Objective.....	10
1.2	Scope	10
1.3	Methodology.....	11
2	The red meat integrity systems	13
2.1	Identifying the benefits and the beneficiaries	14
2.1.1	Infectious disease preparedness and control.....	14
2.1.2	Market access.....	15
2.1.3	Food safety	16
2.1.4	Distribution of benefits within industry	16
2.2	Current structural arrangements of the systems	17
2.2.1	NLIS	17
2.2.2	PIC databases	20
2.2.3	LPA.....	21
2.2.4	NVD /Waybill.....	24
3	Outcomes of Stakeholder consultations	26
3.1	Importance of red meat integrity systems.....	26
3.2	Administrative structures.....	27
3.3	System integrity.....	31
3.4	System ownership.....	32
3.5	Scope of integrity systems	33
4	Assessment of the current integrity systems	35
5	Key features of a reformed integrity systems structure	41
6	Options for a preferred future structural model.....	43
6.1.1	The statutory model	44
6.1.2	The subsidiary model.....	45
6.1.3	The joint-venture model.....	45
6.1.4	The stakeholder-owned model.	46
7	The preferred structure.....	48
8	Funding the integrity systems.....	53

9	Transition to the preferred model	55
9.1.1	Institutional issues.....	56
9.1.2	Structural issues	58
9.1.3	Operational issues	59
10	Discussion and conclusions	61
11	References.....	62
12	Appendices.	63
12.1	Appendix 1: Integrity system key principles.....	63
12.1.1	Strategic Foundation.....	63
12.1.2	Governance and Integrity	65
12.1.3	Resourcing.....	65
12.1.4	Management	66
12.1.5	Accreditation of Product Integrity Systems	69
12.2	Appendix 2 – SAFEMEAT.....	71
12.3	Appendix 3: AUS-MEAT.....	74
12.4	Appendix 4: NVD /waybill forms.....	75

1 Introduction

Australia's red meat industries have in the past experienced incidents, as a consequence of which the integrity of the consumable product has been brought into serious question, especially in international markets. Causative factors have included disease, and both bacterial and chemical contamination. Notable incidents include the organochlorine contamination of Australian beef exported to the USA in 1987, the chlorfluazuron contamination incidents of 1994, and the endosulfan contamination incidents of 1996 and 1999.

In response to these and other related risks, the beef industry in particular initiated a number of different schemes to better manage product integrity. These have included on-farm quality assurance schemes such as Cattlecare, as well as accreditation and certification schemes for saleyards, livestock transporters, feedlots, meat processing facilities and exporters. The National Livestock Identification System (NLIS) has also been implemented for individual animals in the beef industry to facilitate the rapid trace-back of integrity breaches, and has been implemented at a flock or mob level in the sheep industry.

In a number of instances, these systems have been developed in partnership with government, and form part of government policy approaches to food safety and international agricultural trade, often extending beyond the red meat industry. For example, the National Vendor Declaration (NVD) system meets state requirements for waybills that are required for the transport of all livestock and the meat safety standards that underpin the Livestock Production Assurance (LPA) are linked to Primary Production and Processing standards applying to all red meat as well as poultry, pork and game meat, and to imported meats.

While the initial impetus for integrity systems in the red meat industries was to minimise the risk of biosecurity or food safety breaches, over recent years there has also been an increased focus on the development of quality, provenance and credence assurance systems, which have the objective of better informing consumers about some of the less tangible characteristics of meat products, including geographical origins, eating quality, animal welfare status and details of the farm production system from which the product originated.

The impetus for the development of these programs is the growing recognition that Australian agricultural exports have a comparative advantage in higher-value and premium markets, where exporters that can deliver higher levels of quality and product integrity have an advantage over exporters that do not have the same capability, and instead rely entirely on price.

The growing significance of the integrity systems associated with red meat production and processing as part of the total value of the industry has led to stresses in both policy frameworks and delivery systems, and some serious questions about the suitability of the current fragmented structural arrangements that exist for each of the different systems.

Responsibility for policy and delivery of the systems currently resides with SAFEMEAT, AUS-MEAT, NLIS Ltd, MLA, as well as a range of different committees which include representatives of industry and governments, both state and national. In particular, the responsibility for the NLIS, the NVD system, and the LPA program is spread between a range of different policy

committees and delivery agencies, despite the linkages and interdependencies of these systems and programs. As a consequence, livestock producers have at different times been critical of the costs and the apparent lack of coordination of delivery of these systems, and questions are also frequently raised about the appropriateness of policy settings.

There are currently proposals for a number of changes to be made to responsibilities for both the policy settings and the delivery of the integrity systems, and the discussion surrounding these decisions has led to recognition of the need for a more comprehensive review of the current structural arrangements for these systems. This is given added impetus by the general belief that integrity systems are going to play an increasingly important role in the red-meat industry in future, and are likely to be broadened to incorporate a wider range of issues than is currently the case.

Against this background, the research reported here had the broad aim of providing the industry with a cohesive and comprehensive future strategy for the delivery of industry integrity systems, with a particular initial focus on industry structural arrangements.

1.1 Objective

To identify optimal future structural arrangements for the integrity systems associated with the red-meat industry in Australia, in order to ensure that the systems are managed and delivered in a sustainable manner, and one which maximises the value these systems deliver for livestock producers and the sector more generally.

1.2 Scope

The research was focused on the integrity systems associated with the red meat industries of Australia, in particular the LPA, NLIS and NVD systems. It is recognised that these systems interact with, or operate in conjunction with integrity systems in the livestock saleyards, livestock transport, feedlot, meat processing and meat exporting sectors, and to that extent the research considered these systems, but not to the extent of considering the structural arrangements associated with those other systems.

The red meat sectors include farm and post-farm businesses and systems associated with the beef, sheepmeat and goat industries in Australia.

The focus of the research was on the structural arrangements associated with Australia's domestic integrity systems for the red meat sectors, however these were considered in the wider context of their role in facilitating international trade and the domestic marketing of red meat, and hence included consideration of the role of Australian governments as stakeholders in some parts of the current systems.

It has been assumed that integrity systems will increase in importance in the future, and will likely broaden in scope to encompass other credence issues that may include land and environmental management, livestock management, chemical use, feed systems and even human resource management associated with specific red meat products. It is not possible to foreshadow the future importance of these issues or the timing of a potential future focus on

these, but it was considered prudent to include the possibility of a future broadening of scope of the red meat integrity systems as part of developing a preferred model for their future management and delivery in Australia.

While the bulk of the research activities focused on the future needs of the Australian red meat industries, the research also involved an analysis of some of the principles and lessons available from the experiences of other food industry sectors that have established what are considered to be successful integrity systems.

1.3 Methodology

The research primarily involved interviews and discussions with key personnel currently involved in the management and delivery of existing integrity systems, combined with a limited desk-top review of published information, and relevant corporate and other documents detailing current integrity systems in the red meat and other case-study industries.

The research was divided into a number of stages, as detailed below;

Stage 1: Literature and desk-top review

Over the past decade there has been some growth in academic analysis and research into quality systems, and some of this was relevant to the research conducted as part of this project. A brief review of this literature was conducted, with the main focus being on two areas.

The first was on understanding the benefits that have been identified arising from the successful implementation of integrity systems, which assisted in helping to gain greater clarity around the need for such systems in the red meat industry. One of the key challenges associated with integrity systems in a sector such as the red meat industry lies in ensuring that there is a comprehensive understanding throughout the industry about the importance of such systems. The second was on analysis of structural arrangements for integrity or quality systems, and the significance of these arrangements in attaining desired outcomes.

Stage 2: Development of preferred integrity-system structural model

This stage of the research involved the development of some high-level principles governing the successful and sustainable development of integrity systems, specifically considering the preferred structural arrangements that ideally should be in place.

The principles were utilised to assess the current systems, and to consider the merits of alternative future structural models for integrity systems in the red meat industries, with a focus on how responsibilities for policies, standards, operations and reporting associated with the systems should be organised.

Stage 3: Stakeholder interviews and discussion

There are a range of different stakeholders with varying responsibilities for the current red-meat integrity systems. These include committees which have responsibilities for providing policy advice, organisations involved in delivery of programs, service-providers contracted to deliver

specific support functions, and governments which partner in the systems and have an oversight role in relation to food safety and export accreditation.

The research involved structured interviews with the full range of these stakeholders, seeking to fully understand current operational arrangements and issues, to obtain views on the strengths and weaknesses of the current integrity systems, to identify opportunities to enhance future performance, and to seek input on the future strategic direction for such systems.

Stage 4: Analysis and structural model refinement

At the completion of the interview stage of the research, analysis was conducted to refine the preferred structural model in the light of interview responses and other information. This enabled the development of a series of final recommendations about the preferred future structural model for the red meat integrity systems.

The preferred structural model also involved the development of a basic business model for the system, identifying likely costs and sources of funding. The business model was limited to identification of likely gross costs and preferred sources of revenue, but did not involve detailed costings or multi-year financial scenarios.

Stage 5: Analysis of transitional issues

There are a range of transitional issues associated with any change from current arrangements to a preferred future structure. These will include legal, political and possible legislative issues, as well as issues associated with the need for restructuring of some organisations. One of the risks associated with a transfer of responsibilities is that staff expertise and system knowledge may be lost, and stakeholders may consequently lose confidence in the ability of a new structure to deliver the systems and programs in an efficient, effective and responsive manner.

2 The red meat integrity systems

The red meat industry has developed a number of integrity systems which operate to provide a high level of assurance that Australian red meat is safe, clean and compliant with the regulatory requirements of the markets into which it is sold. The principal component parts comprise:

- Property Identification Code database (PIC database)
- National Vendor Declaration (NVD) and waybills
- Livestock Production Assurance program (LPA), and
- National Livestock Identification System (NLIS)

Each of these components has evolved over significantly differing periods of time, was driven by different stakeholders and interests, and aimed to achieve different objectives.

The PIC originated to facilitate the brucellosis and tuberculosis eradication campaign (BTEC) in the Australian beef industry in the 1960s. Vendor declarations accompanying cattle offered for sale commenced in the early 1990s to satisfy the European Union (EU) requirement for beef imports to be free of hormonal growth promotants (HGP). The NLIS electronic database was developed in the 1990s substantially to facilitate a rapid response to an outbreak of infectious diseases such as foot and mouth disease but also to facilitate responses to food safety and meat contamination risks. The LPA was introduced in 2004 to provide an efficient means of satisfying the supply chain requirement that livestock producers have addressed any food safety matters that arise during livestock production, and it now plays an important role in maintaining market access.

The components are now viewed as strongly interdependent with the NLIS database as the centerpiece. While the components of the system have evolved and been integrated into a coordinated set of integrity systems, the systems face significant operational challenges for a range of structural and operational reasons. In addition, the integrity systems are expected to satisfy the multiple and divergent objectives that are a legacy of the principal components including;

- infectious disease preparedness and control
- food safety, and
- satisfying various market access criteria

The integrity systems have also provided some ancillary benefit to livestock producers such as enhanced identification of livestock, and the tracking of livestock movements by the integrity systems has increased protection against stock theft. Various interests have also explored the potential of the integrity systems to be extended to address matters such as animal welfare assurance and support for appellation claims based on region, breed or production system. The integrity systems have also been used as the basis of proprietary quality assurance systems that have been developed in support of branded meat products by Australian meat processors.

2.1 Identifying the benefits and the beneficiaries

In this section we discuss the benefits produced by the integrity systems and identify those who receive the benefits. Understanding the nature of benefits—whether they are public goods or private goods; whether there is a functioning market for those benefits; as well as identifying the beneficiaries - is relevant to assessing the current integrity systems structure and the effectiveness of options for revising the structure in future.

As a generalization, where the benefits in question are private goods (see box A for an explanation of the public and private goods) and there are functioning competitive markets for the goods, the market can be reasonably relied upon to price the goods and distribute them according to individual preferences and resolve issues of ownership and governance. However where public goods exist and an effective market does not operate, matters of regulation, governance, ownership and funding need to be resolved by specific external design decision in order to achieve an outcome in which the goods produced are of the right type and quantity and there is an alignment between who bears the costs and who receives the benefits.

2.1.1 Infectious disease preparedness and control

A database containing information about the origin and movement of livestock provides a substantial advantage in responding to outbreaks of infectious diseases such as foot and mouth disease, brucellosis, tuberculosis and Johne's disease. It enables an outbreak of exotic disease to be more quickly controlled and eliminated by identifying and tracing animals that have been exposed to the infection. The exposed animals can be quarantined and treated and regions where infected animals are kept can be quarantined. It may also identify regions that are disease-free and by restricting livestock movements enable the disease-free status to be maintained. For an industry as a whole, such a database contributes to faster disease control, a smaller impact on output and quicker return to full production.

In relation to disease preparedness and control the current integrity systems (a key component of which is the NLIS database) operates as an insurance policy. In return for the annual cost of the system, the cost impact of a future disease outbreak would be greatly reduced should that catastrophic event occur. The initial beneficiaries would be those producers who would otherwise suffer substantially greater losses due to the forced disposal of livestock, being placed in quarantine or being prevented from selling livestock. These benefits have a significant public good element in them since individual livestock producers cannot be excluded from receiving the benefits and there may be an incentive to free-ride by not contributing to the cost of the database.

While the benefits initially accrue to producers, market forces normally re-distribute a portion of those benefits to others along the supply chain including to consumers in Australia and overseas. These benefits are in the form of product that might otherwise not be available and prices that would be lower than would otherwise exist in the event of a disease outbreak. While the quantum of this re-distribution can be debated, it is sufficient to note that the final impact of the costs and the benefits is not the same as the initial incidence.

BOX A - Public and Private Goods

All outputs from human activity (including from the integrity systems) are either ‘private’ or ‘public’ goods (or a mixture of the two types of goods).

Private goods are ‘excludable’, that is the benefits accrue to an individual and access to the benefits can be controlled. This gives the owners the power to control the output of the good and to charge for access to it. As a result, buyer and seller are motivated to negotiate the terms for access to the goods and private goods can usually be valued by reference to market values.

Public goods are ‘non-exclusive’, meaning that it is impossible to limit who receives the benefits. Public goods may also be ‘non-rival’, that is, consumption by one person does not diminish availability of the good or the benefit to others. National defense is a commonly quoted example of a public good and maintenance of quarantine barriers against exotic agricultural pests and diseases is another example. It is impossible to exclude an individual within Australia from enjoying the benefits of the government’s investment in the defense of Australia, and the enjoyment of that benefit by one individual does not diminish the benefit available to his neighbors.

The production of public goods is hindered by the problem of ‘free-riders’. A rational person will not contribute to the cost of production of a public good because they know they can enjoy the benefits without paying for them. A consequence of the free-rider problem is that typically, market economies under-produce both non-rival and non-excludable goods unless there is intervention by government either to directly invest in producing those goods, or by regulations or other mechanisms that address the non-rival or non-excludable nature of the goods.

Some outputs are a mixture of both public and private goods. For example it may be possible to exclude some individuals from access to a good but not others. This is the case with some of the benefits of the integrity systems.

Public goods are not always universally available to the public at large. Some public goods are only available to segments of the community, but still characterized by being non-exclusive or non-rival and prone to free-riders. These conditions apply to some of the benefits of the integrity systems such as market access and biosecurity. These public goods that are accessible only to a specific industry or commercial segment are often referred to as ‘industry goods’ or industry benefits.

2.1.2 Market access

The ability to demonstrate that the industry has an effective system for recording the origin and management of animals from birth to slaughter is a pre-requisite for selling into some export

markets. The LPA system underpins the declarations made by producers in NVDs and in turn product descriptions and undertakings by meat exporters and export certification by the Department of Agriculture Biosecurity. In this respect, the LPA and its associated audit process are not a certification of individual producers, but a validation of the industry-wide systems that are a 'gate opener' for access to many markets. The system is audited, not to test individual compliance, but to demonstrate overall reliability of the LPA-NVD system. This parallels the purpose of an accounting audit which doesn't verify every financial transaction recorded by a company, but does reassure that its accounts present a true and fair picture of the business.

The beneficiaries of the LPA-NVD system are in the first instance meat exporting companies which gain and maintain access to a range of higher value markets than would otherwise be the case. As with the biosecurity benefits discussed above, some of these benefits are redistributed to others further up the supply chain, including producers, because there is stronger demand for livestock than would be the case if those markets were not available.

The LPA–NVD system delivers benefits that have both public and private good elements. When access to a market is established, the ability to sell to that market is open to a range of licensed exporters. When exporters source livestock to produce meat for export to those markets, they are generally limited to purchasing from those producers who are LPA accredited and bear the costs of the accreditation process. The benefits that flow to livestock producers therefore have a substantial private good element.

2.1.3 Food safety

The integrity systems including LPA and NVDs provides a level of assurance that livestock are produced in a manner consistent with minimizing on-farm risks to food safety arising from animal diseases, medications, fodder ingredients, and herbicides and pesticides applied to pastures. The benefits that flow from this can be measured as both a reduction in the cost to government of surveillance for farm practices or testing of meat products (a reduced cost to taxpayers), and a reduction in the cost to consumers of ensuring that the food they consume is safe. Thus the food safety benefits derived from the integrity systems produce both public and private goods that are realized, initially by consumers and taxpayers. An understanding of these benefits and who are the recipients of these benefits will contribute to the analysis and subsequent consideration of the structure of the integrity systems. Because some of the benefits contain significant public good elements, there are opportunities for free riders or, in the absence of intervention, under-investment in the systems that produce the benefits. It is therefore important that the interventions by government and collectively by industry to address market failures ensure that the interests of the principal stakeholders are properly represented and that the allocation of costs reflects the benefits that flow to those stakeholder groups.

2.1.4 Distribution of benefits within industry

A challenge facing the integrity systems is that it has varying relevance and importance to various geographic or production segments of the red meat industry.

In effect, the direct economic and commercial benefits of the systems are not evenly distributed across the industry, even though the entire industry benefits from the level of market access the systems make available. Live cattle exporters, livestock producers who sell to the domestic market and exporters of beef to the EU, for example, receive widely differing benefits from the systems that may be considered disproportionate to the costs they bear. As a result, the level of support for, compliance with and participation in the integrity systems and its components also varies across the industry.

Some elements of the integrity systems are mandated by regulation (PIC and waybills) while the status of others are less clear. While not mandated by legislation, NVDs and the LPA are effectively mandatory in many markets. In addition, some elements of the integrity systems have application beyond the red meat industry. PICs for example are required for all farms (or by farm business owners in Western Australia) where livestock species other than cattle, sheep and goats are kept.

2.2 Current structural arrangements of the systems

This section describes the structures associated with each of the current systems, and the functions of each of those systems.

2.2.1 NLIS

The National Livestock Identification System was developed as the livestock identification system to enable the movement of livestock in Australia to be traced from the property of origin to the final market destination, for biosecurity, food safety and product integrity purposes, and to facilitate market access.

State regulations also require owners of cattle, sheep and goats to ensure that an NLIS approved permanent identification device is affixed to each animal of these species. Livestock producers may purchase a supply of approved identification devices from a retailer, who records the numbers of those devices on the NLIS database.

At calf or lamb marking (or when the livestock are sold and leave the property) the devices must be attached to the animals. Typically the agent involved in a direct sale (or the operator of the saleyards through which the animals were sold or the processor or feedlot) scans the NLIS numbers of the animals being sold, and uses this and the information on the vendor's NVD to transfer the livestock from the seller to the purchaser on the NLIS database at the time of the sale.

Under NLIS rules, in the case of direct sales to another livestock producer (or to a feedlot), it is the responsibility of the purchaser to transfer the relevant NLIS numbers within seven days. In the case of cattle sold for slaughter, it is the responsibility of the processor to electronically record the NLIS numbers of slaughtered cattle on the NLIS database within 24 hours, and in some jurisdiction also to record at least minimal feedback information such as weight at slaughter. More detailed feedback information may also be uploaded by the processor at

slaughter, and can be retrieved from the NLIS database by the seller of the slaughtered cattle. Substantial fines apply in each jurisdiction for failure to attach identification devices to animals.

Structure and governance

Under the meat industry MOU, responsibility for industry policy settings associated with biosecurity and food safety rests with SAFEMEAT. The NLIS database is used to record and report livestock movements and was initially developed and maintained for SAFEMEAT by MLA. In December 2008 NLIS Ltd was incorporated and was formally appointed by SAFEMEAT as the administrator of the NLIS database. NLIS Ltd administers the NLIS database for SAFEMEAT in accordance with the terms set out in the 'Terms of Use for the National Livestock Identification System Database'.

NLIS Ltd is a company limited by guarantee, operating under the trading name of NLIS and is a wholly owned subsidiary of the grower owned company MLA. Board members of NLIS Ltd are appointed by MLA.

The responsibility for recording livestock movements on the NLIS database generally rests with the purchaser of livestock, including feedlots and meat processors, but also applies to the operators of livestock saleyards, to livestock agents in many cases, and to individual livestock owners. Livestock movements are recorded via the use of a paper-based NVD form which is required to be completed by the seller of livestock prior to their movement from the originating property, with the information on that form subsequently being recorded electronically on the NLIS database. Recently, an electronic NVD form has also been developed.

The Australian Government and state and territory governments established the regulatory policy framework for the NLIS through the Primary Industries Ministerial Council (PIMC), and this role continues to be exercised by the successor to that organisation, the Agricultural Ministers Forum (AGMIN).

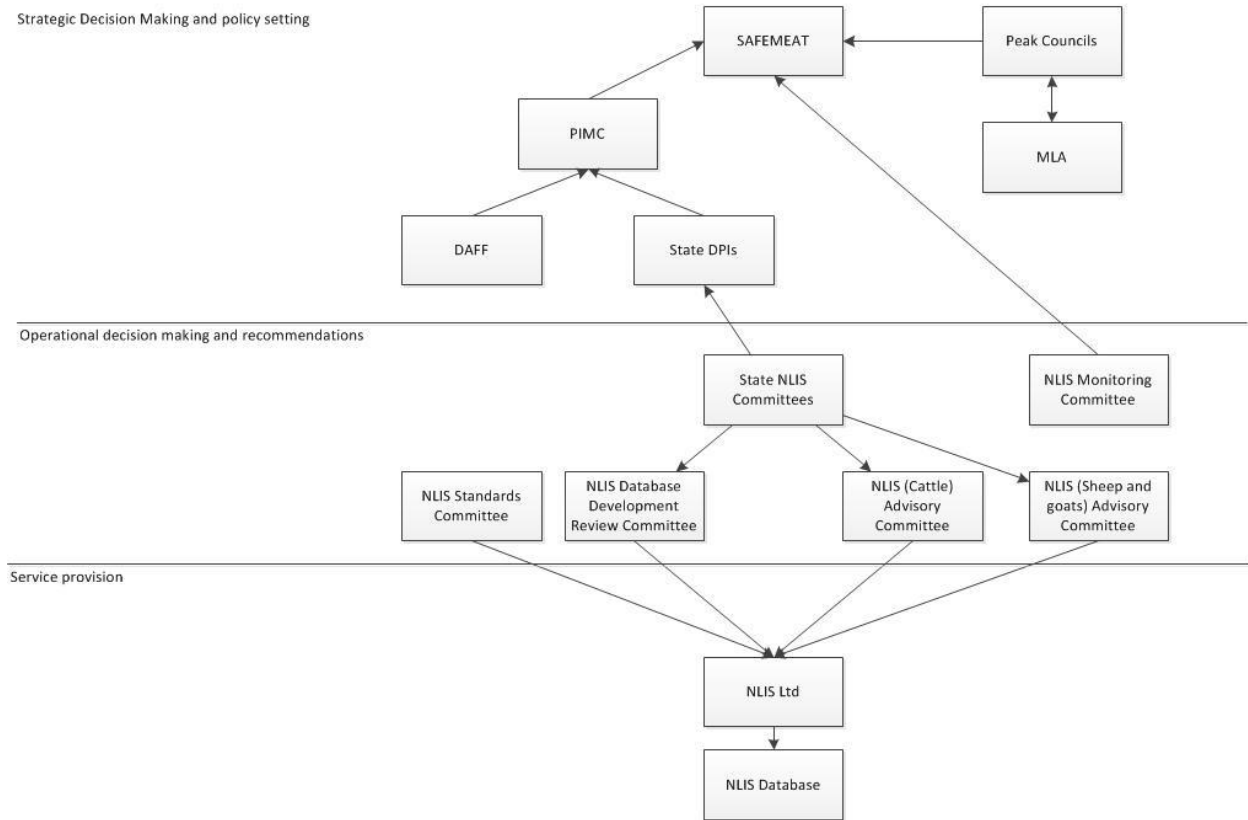
State and territory governments establish and enforce the regulatory requirements for livestock movements to be reported to the NLIS. The Australia Government establishes and enforces the regulatory requirements in relation to exports and export markets, aspects of which are also reflected in state and territory regulations.

SAFEMEAT has a right to audit the NLIS database. NLIS Ltd's administration of the database is reviewed annually by SAFEMEAT or its authorized third party reviewer and may be audited by SAFEMEAT at the request of the Australia Government or a state or territory government.

Various committees exist to advise Australia Government, state and territory governments, NLIS Ltd and SAFEMEAT about the NLIS, its framework and administration of the database.

The committee structure is outlined in the diagram below.

NLIS Decision Framework



The NLIS has a number of committees that are involved in providing advice and oversight of the system. These include;

- **State and territory NLIS Implementation Committees**, which have the role of advising the relevant Minister about implementation of NLIS in its jurisdiction.
- **NLIS Monitoring Committee** which provide for the exchange of information between State and Territory Implementation Committees in order to maintain a consistent national livestock identification and tracing system across all states and territories, and to provide advice and recommendations about operational and policy matters associated with NLIS.
- **Database Development Review Committee** which considers and responds to requests for change and functional development of the database.
- **NLIS Standards Committee** which makes recommendations to NLIS Ltd regarding the suitability of submitted devices for accreditation under the NLIS Permanent Identification Device Standard, and recommends changes and modifications to that standard.
- **NLIS Advisory Committees** (separate for cattle and sheep) which act as a consultative forum for stakeholder groups including the NLIS Cattle Advisory Group and the NLIS Sheep and Goats Advisory Group.

SAFEMEAT appoints the chairmen of the NLIS Advisory Committees and NLIS Standards Committee.

NLIS Ltd licenses the sale of identification devices (radio frequency identification devices - RFIDs) for cattle and ear tags for sheep and goats that comply with the NLIS Permanent Identification Device Standards.

NLIS Ltd is also required to maintain the extended residue program (ERP) database which lists PICs with a known source or risk of contamination from organochlorine, antibiotics or other restricted animal treatments. The ERP database is used by meat processors, saleyards, feedlots and other supply chain participants as an early warning system for identifying livestock that have a higher risk of chemical residues.

Costs

The management of the NLIS database is a major undertaking. There was an average of 353,570 transactions per month processed on the NLIS database in 2013-14 (MLA, 2014, p 10) (an increase of 29% over previous years) and NLIS Ltd had 64,490 account holders, who are authorized to have electronic access to the database including government agencies and producers

The current total budget for maintaining the NLIS database, and associated support and communications, help desk operations, and industry support services is approximately \$5.5 million (MLA, pers. com.) although in 2015-16 this is projected to increase to \$5.8 million as it includes initiatives to upgrade the NLIS system. This funding is largely derived from MLA livestock levies. Development of the database and its functionality is funded through investment by MLA supported in part (approximately \$1.7 million of the above \$5.5 million) by matching research funds provided by the Australia Government.

2.2.2 PIC databases

A Property Identification Code (PIC) is a unique code allocated by state and territory governments to each parcel of land which is used to raise designated species of livestock, in order to enable the land on which each animal has been raised to be identified. Each state and territory government maintains a PIC database, which contains details of the owners of each PIC, as well as other information relevant to that area of land.

Structure and governance

Each state and territory has passed legislation to require the owner or manager of designated livestock or the owner or occupier of land on which the designated livestock are kept to obtain a PIC for each property on which the livestock are kept. An exception to this requirement applies in Western Australia, where the PIC is allocated to the owner of livestock, rather than the property on which livestock are being held. The WA PIC database also contains details of the properties owned by persons holding a PIC, and stock brands used by that person.

Designated livestock include cattle, sheep, goats as well as buffalo camelids, deer, equines, pigs and poultry. Properties that are required to obtain and maintain a PIC include farms and feedlots, as well as saleyards, abattoirs, live export facilities, stock routes, commons, sporting facilities and show facilities. It is to be noted that the PIC register in each state serves multiple purposes and is not dedicated solely to supporting the NLIS.

As a minimum, application may be made for a PIC for each rateable land lot (noting the variation applicable in WA). However, one PIC can be applied to multiple lots provided they are used for a common purpose (eg to graze the same livestock) and are proximate (adjoining or nearby). The cost for registration is nil in some jurisdictions (Vic, Qld, NT, WA) and nominal in others (eg. \$22 in NSW, \$35.25 in SA.)

Each state government maintains a register of PICs in a searchable database that is transmitted to NLIS. The PIC databases are also generally able to be searched by the public.

Plans have been made for a national PIC database to be developed on behalf of all state jurisdictions. At the time of writing this has not yet occurred.

Costs

The costs associated with the maintenance of the PIC databases are not separately identified by state governments and generally form part of the cost of administration of the department of primary industries (or equivalent). In any case, the PIC database is used by state governments for delivery of a variety of other programs and services. It has been estimated that the cost to state governments of administration associated with NLIS and PICs totals \$15.9 million p.a. in 2013-14 values (Dwyer and Clarke, 2015)

2.2.3 LPA

The LPA is an on-farm food safety program, to which livestock owners may voluntarily elect to become accredited. Accreditation requires the owners of livestock to ensure livestock are managed in ways that minimise food safety risks. Its function is to provide buyers of LPA-accredited livestock with greater assurance about the food safety status of livestock being purchased, and to meet international market access requirements.

Livestock producers who maintain LPA-accreditation commit to carrying out specific on-farm practices and to adhere to the LPA standards and rules. LPA food safety standards have been developed to satisfy basic on-farm food safety guidelines.

The LPA standard covers producers' responsibility for on-farm practices in five key areas:

1. Property chemical contamination risk assessments
2. Safe and responsible use of animal medicines and animal health products
3. The use of uncontaminated stock foods, fodder crops, and grain and pasture
4. Preparation of livestock for transport to minimise stress and reduce risk

5. Livestock transactions and movements documentation

LPA accreditation entitles a producer to use an LPA NVD. The LPA NVD is the principle document by which information regarding the food safety and residue history of livestock is transferred from one property to another and from a seller to a buyer; through agents, saleyards, feedlots, exporters and end users including processors and retailers. Each element of LPA enables producers to verify the declarations made on LPA NVDs which provide the supply chain with assurance that meat from livestock produced in accordance with LPA meets the minimum food safety standards for domestic and export markets.

Accredited producers are required to participate in random audits, to verify the effectiveness of the systems implemented on their property and to ensure the LPA Standards are met.

LPA accreditation is linked to PICs. Currently, approximately 210,000 PICs are LPA accredited. In order to use LPA NVDs producers must ensure that their PICs are accredited in the program and must reaffirm their accreditation every 12 months in order to maintain currency. There is no charge for LPA accreditation or for LPA audits.

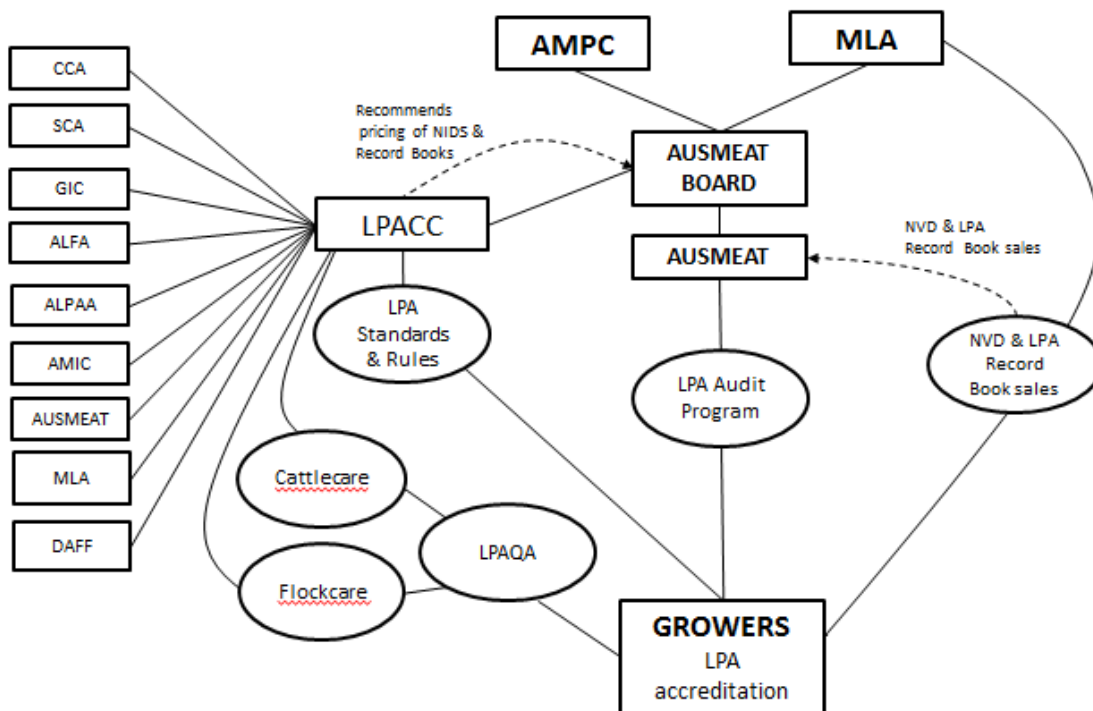
While LPA is a voluntary industry program, the majority of meat processors require livestock to be sourced from LPA-accredited properties

Structure and governance

LPA is owned by the red meat industry through AUS-MEAT, which owns and maintains the LPA standard, and which also carries out the audit program associated with LPA. (see Appendix 3).

The LPA program, including the associated audit program, is managed by the LPA Advisory Committee (LPAAC), which comprises representatives from key industry sectors including cattle, sheep, goat and dairy producers, processors and livestock agents. The diagram below outlines the structure of LPA and its control.

Livestock Production Assurance - Governance and Control



The LPA audit program operated by AUS-MEAT was developed primarily with the objective of ensuring the program meets market access requirements, rather than as a means of assuring compliance with LPA by individual livestock producers. Statistical analysis is used to identify the number of audits that are required, and these are stratified by region and species. AUS-MEAT then manages audits in order to achieve efficiencies – for example by grouping audits within a region to minimise travel and time costs. Approximately 2,000 LPA audits are conducted each year on a random selection of LPA registered PICs.

AUS-MEAT is also the auditor for the National Residue Survey (NRS) program, and conducted approximately 4,000 property audits associated with that program, at the direction of the Australian Government Department of Agriculture. AUS-MEAT also conducts audits for the Certified Pasture-fed (PCAS) and Organic standards. AUS-MEAT has stated that it attempts whenever possible to integrate these audit programs to minimise their costs, for example by attempting to ensure that an auditor does not need to repeatedly travel to the same region for audits associated with separate programs, but instead integrates travel and visits associated with multiple audit programs.

In addition to the basic level LPA accreditation, AUS-MEAT also offers the Livestock Production Assurance On-Farm Quality Assurance (LPA QA) program. LPA QA incorporates the Cattlecare and Flockcare programs as a second tier of the LPA framework. Producers must be accredited to LPA (level 1 or Food Safety Management) to participate in LPA QA. The

Cattlecare and Flockcare programs were initially developed by the Cattle Council of Australia and the Sheepmeat Council of Australia respectively, but following the introduction of the LPA food safety program, the administration of these industry programs was transferred to AUS-MEAT. The LPA QA program is managed by the LPAAC. Participation in LPA QA requires an annual individual property audit.

Costs

LPA audits are undertaken by AUS-MEAT auditors. The cost of the LPA audit program was approximately \$1.2 million in 2013-14 (MLA., pers. com). This cost is largely funded using revenue from the sale of NVDs.

MLA funds and manages other components of the LPA program including

- LPA Help Desk
- LPA communications, education and training materials
- Research and development and provision of the electronic NVD system.

MLA advises that the budget for these activities in 2014-15 was approximately \$1.3 million, although this is projected to increase to \$2.55 million in 2015-16 in order to support the introduction of the electronic NVD.

2.2.4 NVD /Waybill

NVDs or Waybills are the documents that are completed and signed by the sellers of livestock, and which provide information which is subsequently used to record the movement of livestock on the NLIS database. Their function is to document the transfer of livestock from one owner to another, or the slaughter of livestock.

Structure and governance.

State and territory governments are responsible for maintaining legislation requiring the use of approved forms of NVD or livestock waybills for the purpose of notifying the NLIS of the birth, death, sale or movement of an animal.

The content and use of NVDs or livestock waybills was developed by SAFEMEAT and implemented through state and territory legislation and the LPA program. The National Vendor Declaration Working Group of SAFEMEAT comprising representatives of Australia Government, state and territory governments and industry is the forum in which matters of the content and related regulatory requirements are considered, with decisions ultimately confirmed by the SAFEMEAT Executive.

The LPA NVD (see appendix 4) is a proprietary document which PIC owners are encouraged to use to inform NLIS of livestock movements. The completed LPA NVD contains the details of the owner of stock, the PIC from which the movement commenced, the destination address, details of the number of stock that are being moved as well as declarations relating to the

feeding, origin, residue status, and withholding periods. LPA NVDs are available to PIC owners either as printed forms or electronic tokens which are individually numbered and can only be purchased from AUS-MEAT which manages distribution of LPA NVDs on behalf of LPA.

A livestock waybill or transported stock statement (TSS) (see appendix 4) is a generic, uncontrolled form specifying the PIC of the property from which the stock commenced movement, the address to which the stock were consigned (and the PIC if known) the number of animals moved and the details of the owner or person responsible for the animals. The waybill or TSS is an alternative form by which NLIS can be notified of movement or sale of stock. The waybill does not contain the declarations relating to feeding, medication or withholding periods that are contained in a NVD. Buyers of stock for slaughter may require the owner to complete declarations of this type as a condition of purchase which would require the vendor to use an NVD or an equivalent format.

Cost.

AUS-MEAT is responsible for the sale and distribution of LPA NVDs on behalf of LPA. There are different LPA NVDs for cattle, cattle destined for the EU market, sheep, goats and bobby calves. LPA NVDs can be purchased in paper format or in an electronic format called an e-DEC. Paper NVDs can be purchased in books of 20 from AUS-MEAT at the price of \$40 per book. Alternatively PIC owners can register to use e-DEC and purchase electronic tokens at the price of \$20.90 for 20 tokens. These prices are determined by AUS-MEAT and the revenue generated by NVD sales is used by AUS-MEAT to partly-fund the cost of LPA audits.

The total cost to industry of processing NVDs is estimated to be approximately \$13 million p.a. (MLA, loc. cit.) This is understood to include direct costs incurred by supply chain participants in the re-processing of paper based NVDs.

3 Outcomes of Stakeholder consultations

Throughout the course of the research, a number of stakeholders were consulted in order to ascertain their views about the value of the current red meat integrity systems for the industry, the efficiency and effectiveness of the current systems, and potential options for the future of these systems. The responses obtained included both the personal views of those involved in the consultations, and also where relevant, the more formal policy positions of the organisations that the individuals were associated with. The responses of those involved in the consultations are summarised in the following sections of the report.

3.1 Importance of red meat integrity systems

A fundamental question for all involved in the Australian red meat industries is whether the integrity systems that have been developed are of value to the industry. While cattle brands and sheep earmarks have been used as a system of identifying livestock ownership in Australia for the past 100 years, the current integrity systems (including PICs, NLIS, NVDs and LPA) have only been implemented within the industry over the past twenty years, often in response to specific incidents. Given that these systems impose additional costs on the livestock industries, it is sensible to make some assessment of the extent to which these systems deliver value, before proceeding to consider alternative structural arrangements.

One of the challenges in trying to assess the extent to which these systems deliver added value to the industry involves projecting what the industry situation would be in the absence of these systems. This is not a simple task, as it involves analysis of what might happen in response to a biosecurity or food safety incident, and projections about the extent to which the presence of specific integrity systems would either prevent that incident from occurring, or moderate the negative impact of that incident. It is also necessary to consider the extent to which the presence of the integrity systems provides access to specific markets that otherwise would not be available.

The experience of the US beef industry in the wake of a detection of Bovine Spongiform Encephalitis (BSE or mad cow disease) in a single animal in late 2003 provides a relevant case study of the potential impact of a specific biosecurity or food safety incident. As a consequence of that detection, fifty three countries immediately banned all imports of US beef, and the value of US beef exports dropped from \$US 3 billion in 2003 to \$US 0.5 billion in 2004. It was ten years before Japan finally removed its trade restrictions on US beef imports.

The fact that no BSE cases were detected in Australian cattle and that the sector had in place the means to trace all livestock back to the farm of origin meant that Australia retained access to the Japanese and Korean beef markets for an extended period during which the USA and Canada were excluded. However, it was not just the fact that Australia had in place a livestock tracing system (mandatory from 2000) that prevented the negative impact of this incident, as Australian authorities had also banned the feeding of meat meal (the infection pathway for BSE) to ruminants in 1997, whereas similar restrictions were not imposed by the USA and Canada until much later.

Consequently, it was the combination of Australian biosecurity standards and integrity systems that meant the Australian beef industry avoided the potentially devastating impacts of a BSE incident, rather than integrity systems in isolation. Nevertheless, the presence of integrity systems was obviously a significant factor.

In discussions with stakeholders involved in the consultations associated with this research, all held the view that the red meat integrity systems were of considerable value to the industry, and needed to be maintained and improved. None of the persons consulted were of the view that current industry-wide systems should be dismantled, or that private sector integrity systems could negate the need for industry-wide systems.

The perceived value of the integrity systems included its role in disease control and response, reduction of chemical contamination risk, maintenance of market access, maintenance of industry reputation, and the potential to use the system as part of livestock management systems and quality assurance and product branding initiatives.

It was noted by many of those involved in the consultations that private sector quality systems that are being developed by processors or in support of a brand in fact rely on and build on the industry integrity systems including the PIC, NLIS, NVD and LPA, reinforcing the importance of the industry systems.

Frequent mention was made of the linkages between these red meat integrity systems and the ability of Australian livestock industries to meet increasingly stringent export compliance and biosecurity protocols. It was noted, for example, that access for Australian beef to the EU market relies on the ability of Australian cattle to comply with the lifetime traceability requirements of that market.

In reporting a unanimous view about the value of the integrity systems to the industry, it is important to note that the stakeholders included in the consultation process were all closely involved with the systems and in industry leadership roles, and therefore could be considered to have predetermined views about the value of the integrity systems.

There have been contrary views expressed by livestock producers about the value of the integrity systems, and especially the extra costs they incur as a consequence.

A number of those consulted noted that producers, at least in some regions, did not have a sufficient understanding of the importance of the integrity system or of their responsibilities within the system.

While those involved in consultations associated with this research were firmly convinced about the value of the integrity systems to the industry, there was also almost unanimous agreement that major changes are needed to the integrity systems in order to improve its efficiency and effectiveness, and to position it to meet future requirements.

3.2 Administrative structures

One of the most frequently cited concerns expressed about the current integrity systems is the complexity of administrative structures associated with various elements of the systems, and the subsequent difficulty in achieving integration and co-ordination.

The various structures involved in the systems are detailed elsewhere in this report, and a summary of those structures and their roles in the integrity systems is provided in the following table. This highlights the number of different organisations involved. However, the integrity systems are considerably more complex than the table suggests, due to the plethora of different committees that operate within many of these organisations.

SAFEMEAT, for example, has a total of twelve partner members, plus an Executive Group that also consists of twelve members who represent the same group of organisations but which involves different personnel. The SAFEMEAT Executive also has at least twelve sub-committees, with additional groups created in response to specific issues, but rarely disbanded.

It was noted by a number of persons involved in the consultation for this work that often the same people are involved in considering an issue at the SAFEMEAT committee level, the SAFEMEAT Executive level and the SAFEMEAT Partner level.

Additionally, it was the opinion of some involved in the consultation that some of the organisations involved in the SAFEMEAT Partnership no longer sent senior decision-makers to the meetings, meaning that those present at the meetings may not have sufficient authority to make decisions, which further stalls decision-making. It was also noted that the personnel present at the SAFEMEAT Executive change regularly, leading to a loss of corporate knowledge and slower decision-making. Adding to the challenges, items on the various SAFEMEAT agendas are considered to progress towards decisions in an inordinately slow manner, to the great frustration of many of those involved.

A comment was made that many people within the structure are not conversant with the details of the system. A relatively small number of people have a deep understanding of its operations and do most of the work in developing policy and implementing operational change and improvement.

The unincorporated nature of SAFEMEAT, and the lack of any overarching governance structure in combination with a need to achieve consensus on decisions appears to have created an unwieldy and unresponsive structure, according to some of those involved. A symptom of the unwieldy structure highlighted by some of those consulted is that the 'cycle time' for turning policy proposals into decisions and implementing changes to system functionality can be measured in years, rather than months.

This is recognised by many of those directly involved, and proposals have been developed to reform the structure and operations, but these do not appear to have been progressed to any great extent, and in fact SAFEMEAT does not appear to have well-defined decision-making processes available by which these proposals can be progressed to a definite conclusion. As a consequence, issues can be the subject of discussion for extended periods.

Those involved in consultations also highlighted, however, that SAFEMEAT performs a difficult role in that it relies on the cooperation of the Australian and state and territory governments in order to have the decisions that it makes given effect in state legislation or regulations. There is no doubt the red meat integrity systems would be less nationally consistent, in the absence of SAFEMEAT.

That noted, the result is a lack of uniformity across state boundaries, and claims that there is a significant variation in the standards of enforcement exercised by responsible state government personnel. Examples given included the tagging exemption for bobby calves in Tasmania, the different PIC arrangements in Western Australia, variable levels of enforcement of NLIS rules by state governments, and the lack of legislation requiring the use of NVDs in the Northern Territory.

Some involved in the consultation process were also of the view that a similar problem exists within the AUS-MEAT structure, although the Board structure of that organisation and its focus on service delivery appears to have resulted in a more commercial and outcomes-driven orientation.

That notwithstanding, there are a number of committees and representatives involved at an advisory level within the AUS-MEAT structure associated with the development and maintenance of industry standards, and the relative power and responsibilities of those committees vis-à-vis the Board of AUS-MEAT is not clear to many involved in the system.

The fact that the implementation of these standards relies on cooperative action being taken by other parts of the integrity systems structure including state agencies undoubtedly complicates the ability of AUS-MEAT to implement changes, and has in the past led to a lack of coordination between announced policy changes, and the implementation of those changes.

Some of those consulted felt that disaggregated structure of the integrity systems and divided responsibility for implementation has been a significant contributor to the low level of understanding and support for the system within some segments of industry.

Table 1 Summary of the organisations involved in the integrity systems, and their roles and funding sources.

Organisation	Nature of entity	Role	Funding source
Meat and Livestock Australia (MLA)	MLA is a livestock producer-owned limited-by-guarantee company which has two membership classes – producers and Peak Councils.	Meat & Livestock Australia Limited (MLA) delivers marketing and research and development services for Australia's cattle, sheep and goat producers. MLA funds a number of components of the integrity systems from producer levies and some matching government funding for related R&D.	Principle funding source is transaction levies paid by livestock producers. Matching Australian Government funding is obtained for the amount of this funding expended on research and development, capped at 0.5% of the gross value of livestock production. MLA also receives some funding from co-investors in specific projects.

Organisation	Nature of entity	Role	Funding source
SAFEMEAT	SAFEMEAT is an unincorporated entity, established by the Meat Industry Memorandum of Understanding. Its members include Australian and State Governments and agencies, MLA, and various industry Peak Councils.	Stated role is to establish world's best practice standards of meat safety, to ensure each sector has sound management systems to deliver safe and hygienic products, to ensure nationally consistent government meat safety standards, to ensure effective crisis management, and to monitor industry meat safety performance.	Funding of approximately \$480,000 per annum for SAFEMEAT is provided by MLA and the Australian Meat Processors Corporation (AMPC). The SAFEMEAT secretariat is based in the Department of Agriculture in Canberra. Trial and project funding is sourced from members.
AUS-MEAT	AUS-MEAT Limited is a company limited by guarantee, 50% owned by MLA and 50% owned by the AMPC.	Stated role is to own and maintain meat industry standards, to provide quality assurance auditing and consultancy services to the food industry, and to produce meat industry publications. Owns LPA standard and derives revenue from audit services and sale of NVDs.	Total revenue in 2014 was \$14.4 million, of which \$1.1 million was contract income from parent entities (MLA and AMPC), \$12.6 million was from industry services, and approximately \$420,000 was from product sales and other income.
NLIS Ltd	A wholly-owned subsidiary of MLA. It is a company limited-by-guarantee.	To maintain and operate the NLIS database which records PICs, NLIS details and the movement of livestock.	Now funded by MLA from livestock transaction levies (approximately \$5.4m pa). Some R&D jointly funded by industry and government.
Red Meat Advisory Council (RMAC)	Has four key functions: cross-sector policy advice to the Australia Government, a forum for cross-sector policy development, asset management and custody of the MOU and Meat Industry Strategic Plan (MISP)	A company limited by guarantees, members of which are; Australian Meat Industry Council, Cattle Council of Australia, Sheepmeats Council of Australia, Australian Lot Feeders' Association and Australian Livestock Exporters' Council.	Holds the Red Meat Reserve Fund valued at approximately \$40 million. Income from this fund (approx. \$2.3m in 2010) is distributed to the five peak industry councils each year.
Prescribed industry bodies (Cattle Council, Sheepmeats Council, Lot Feeders, Meat Processors, Goat Council)	Meat industry national peak councils, usually either unincorporated associations or companies limited by guarantee.	To represent and advocate for the interests of members. These councils have positions on many of the organisations and committees involved in the integrity systems.	A mixture of membership subscriptions, consultative funding from MLA, and funding allocated by the Red Meat Advisory Council from the Red Meat Reserve Fund.

Organisation	Nature of entity	Role	Funding source
State Government agriculture and food safety departments	State Government agencies	To enact legislation to give effect to SAFEMEAT agreements, to monitor meat industry compliance with relevant standards and codes, and to maintain state-based PIC databases.	State Government funding, supplemented in some cases via cost-recovery agreements and user-fees.
Australian Government Department of Agriculture	Australian Government Department	To deliver Australian Government policies and programs in support of the meat industry, including legislation, national coordination, market access negotiations and agreements and border quarantine and biosecurity services.	Australian Government funding, supplemented in some cases via cost-recovery agreements and user-fees.

3.3 System integrity

While it is not the task of this research to audit the integrity of the integrity systems, it was noteworthy that many stakeholders involved in the consultation associated with the research expressed concerns about the integrity of the system. In using the term 'integrity', the reference was to the completeness and robustness of the integrity systems, rather than any inference that there is fraud or corruption associated with the scheme.

Integrity concerns raised by stakeholders included;

- unrecorded livestock movements between properties owned by a single owner,
- the procedures associated with lost or missing tags,
- some industry uncertainty about responsibility for recording the movement of livestock from one owner to another (either farmer to farmer or farmer to feedlot/processor)
- failure of agents or saleyards to transfer livestock records when livestock sold,
- failure of processors to delete slaughtered livestock from the NLIS system,
- apparent breakdowns in the system in the event livestock are purchased by domestic processors,
- highly variable monitoring and surveillance by responsible state government authorities, and
- a failure of some states and territories to require and/or enforce requirements for NVDs.

These contributed to the views expressed by some involved in the consultations that they have doubts about the ability of the system to adequately deal with a serious integrity incident. The structural arrangements of the integrity systems are obviously a contributing factor to this lack of confidence in the integrity of the system.

3.4 System ownership

A common point of discussion during consultations was the fact that no-one actually ‘owns’ the integrity systems, and while this is understandable for an industry system, it is also a major limitation when it comes to strategic direction, governance and ultimately management and accountability.

It is very apparent that the integrity systems are not a single system operated by a single organisation, but as one of those involved in the consultations observed, “a ramshackle collection of organisations and systems that manage somehow to work”, but that are effectively owned by no single entity or organisation, and are therefore very difficult and cumbersome to manage.

To some degree, this situation has arisen as a consequence of the history of the system, which is comprised of different components that were developed at different times in response to specific incidents or market requirements. In addition, it is reasonable to recognise that in earlier times there was not the same level of scrutiny on these issues as has now developed, and hence these systems were considered to be less important, therefore subject to less scrutiny.

The PIC system is owned by each individual State or Territory Government, and while there is reasonable uniformity there are variations in relation to the definitions used, and the way the system is operated.

The NLIS database and operations are the responsibility of NLIS Ltd, a company wholly owned by MLA. NLIS Ltd has a number of different advisory committees involving wide industry representation (as discussed earlier), however the fact that MLA is the legal owner of NLIS Ltd means that MLA appoints the Board Members, who are ultimately accountable to the MLA Board.

The LPA standard is maintained and managed by AUS-MEAT (as advised by the LPA Advisory Committee), and some are of the view that AUS-MEAT actually ‘owns’ the intellectual property associated with that standard. However, AUS-MEAT is 50% owned by MLA and 50% owned by AMPC, and these two organisations each appoint two of the five Board members, and agree on the appointment of an independent chair person. From a legal perspective AUS-MEAT is owned by these two organisations, and is answerable to these, so the ownership of LPA also ultimately rests with those two organisations.

The fact that the integrity systems do not sit within a common ownership structure appears to be a major reason for the frustration that many stakeholders expressed about the decision-making processes. Instead of having a single forum where decisions can be made, stakeholders are often involved in considering the same issue in multiple different meetings, with little progress seemingly made in getting each of the different ownership structures to reach a common decision.

3.5 Scope of integrity systems

A number of individuals and organisations consulted as part of this research identified the current and possible future scope of the integrity systems as a challenge, which necessitates consideration in any future structural arrangements for the integrity systems.

This observation arises from the scope of several current industry accreditation schemes (not necessarily the core elements of integrity systems, but closely connected with the scheme) such as the National Feedlot Accreditation Scheme (NFAS), and the Australian Animal Welfare Certification System (AAWCS). These standards are part of the system designed to manage biosecurity and food safety risks in the Australian meat industry, but they also incorporate animal welfare and environmental elements. Similarly, the Pasture fed cattle assurance scheme (PCAS) provides assurance that cattle have been fed on pasture, but also incorporates optional elements relating to claims about cattle having been grown without the use of either hormonal growth promotants or antibiotics.

This highlights that the increasing range of product characteristics that consumers are demanding information about extend well beyond the traditional biosecurity and food safety issues, yet many of the accreditation standards developed to provide information about these issues are dependent on elements of the integrity systems. It is also reasonable to assume that demand for accreditation dealing with additional characteristics, such as organic production, freedom from the use of genetically-modified feedstuffs, or provenance (region of production) is likely to continue to increase.

Responsibility for the management of accreditation relating to these product characteristics logically should rest with private industry and not be considered part of the potential scope of the integrity systems. However, the owners of the standards associated with these accreditation systems often see benefits in having these systems managed by an independent party that adds to the credibility of the system, and as is the case with the NFAS, some of these standards are closely dependent of the integrity systems, and it is therefore more efficient to have them administered by a single entity.

The likely future scope of accreditation systems that will be operating in the meat industry lead to the conclusion that in considering future structural arrangements for the integrity systems, it will be important to develop a structure that can accommodate both primary (compulsory) standards dealing with public-benefit issues (such as food safety and biosecurity), and secondary (non-compulsory industry-owned) standards dealing with characteristics such as the environment, production system, animal welfare, and labour standards.

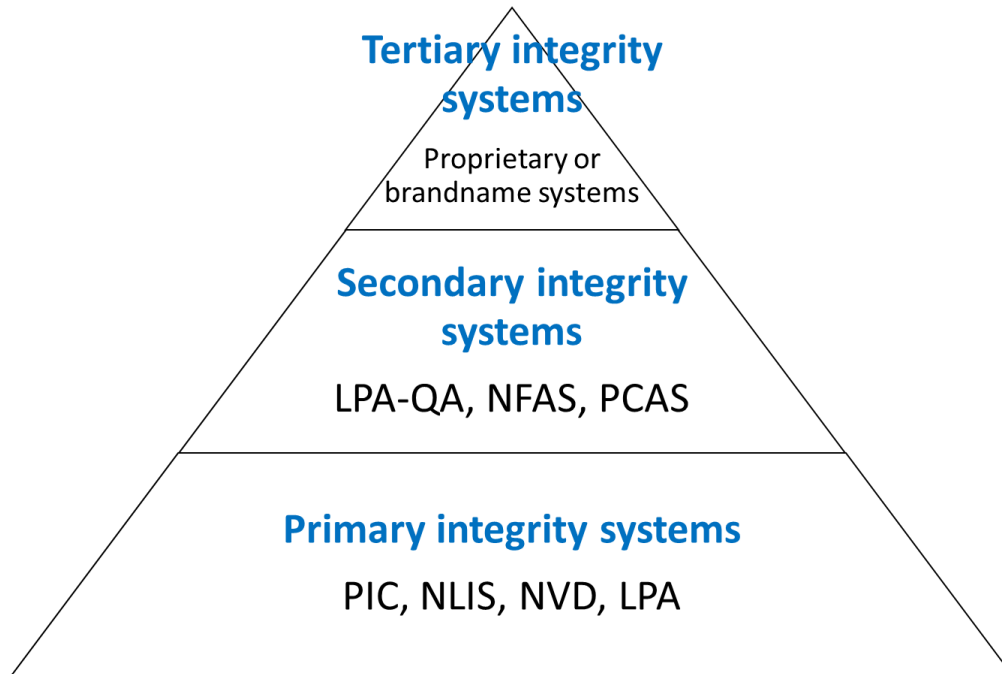


Figure 1. The hierarchy of integrity systems within the meat industry

These two types of systems are likely to be funded from different sources (as is the case with the NFAS), but may be able to be more efficiently managed by a single organisation.

It is also apparent that proprietary (tertiary) systems operated by meat processors, exporters or marketing groups will rely heavily on the primary systems that are the core elements of the integrity systems, and accreditation services associated with these may also be able to be accommodated within the integrity systems structural arrangements (although funded by the organisations owning those accreditation systems).

4 Assessment of the current integrity systems

Experience and observation arising from the development of these schemes in the food and other industries has identified four critical areas which need to be adequately addressed in the 'design' of an integrity system in order for the system to continue to be effective and meet the needs of the industry or organisation it is designed to serve. These four critical areas or principles are briefly outlined below, and discussed in more detail in Appendix 1.

The four principles that need to be addressed in the design of a successful integrity system are as follows;

1. A sound strategic foundation

Successful integrity systems should not be 'tacked on' to sectors or organisations as an afterthought or a hastily added element purely for compliance purposes. A successful integrity system should be an integral part of strategic plans, and considered to be an essential contributor to the overall objectives of the industry or organisation. The reason the integrity system is important should be clearly articulated and understood by stakeholders, the system should have clear ownership, and be subject to strategic review and development in the same way that any other business system is.

2. Strong Governance and Integrity

Governance of the integrity system should be, and should be seen to be clearly focused on maintaining the integrity of the system so as to ensure its value is maximized. A critical issue is the avoidance of conflicts of interest, especially in the formulation of standards that underpin the system, and in administration of system audits.

3. Secure and adequate resourcing

Integrity systems involve both setup and ongoing operational costs, and any system will quickly falter in the absence of adequate funding, particularly over the longer term. A key step in developing appropriate resourcing is to develop an understanding of the full and real cost, and to ensure this is understood by stakeholders.

4. Empowered management

Ultimately, the system owner must be responsible for the management of the system – either directly or under contract management arrangements. Appropriate management 'separation' needs to be implemented to ensure those setting standards are separate from those approving system changes, those auditing are separate from those managing audit complaints, and that auditor cycling occurs. The system should operate under a 3-5 year business plan, with an appropriate IT and risk management plan incorporated into that plan.

These four principles were utilized as a yardstick, both to analyse the merits of the current red meat integrity systems, but also to consider the relative merits of alternative structural arrangements.

1. A sound strategic foundation

The current structural arrangements associated with the elements that make up the integrity systems make it difficult to determine which of the entities or organisations is responsible for the strategic foundation of the integrity systems.

This is a result of the fact that the different systems are managed or 'owned' by different organisations, but none have overriding responsibility to ensure that the systems work in a coordinated and effective manner. A brief examination of the main meat industry strategic plans and related documents confirms this.

For example, the current Meat Industry Strategic Plan (RMAC, 2010) refers to the setting of standards associated with the environment and animal welfare, and to the need to ensure export certification is effective and efficient, but makes no reference to any of the systems that might be the vehicle to achieve those outcomes.

The Meat and Livestock Australia 2010 – 2015 Strategic Plan identifies "enhancing product integrity" as a key strategy, and states;

Over the life of this plan, MLA will research, deliver and promote systems that further enhance Australia's reputation for product integrity. This work will be undertaken with SAFEMEAT (the red meat industry and Government partnership) and other industry organisations.

However, it is not clear from the plan how this work should be resourced or delivered, and which organisation has responsibility for any initiatives implemented as a result of these activities. It is also unclear the extent to which such activities are considered to be part of the role of MLA as defined by the MLA-Australian Government Statutory Funding Agreement and the relevant clauses of the Australian Meat and Live-stock Industry Act (1997).

SAFEMEAT is the structure that logically provides the strategic and policy direction for the system, although SAFEMEAT has no legal or formal structure, and was created under the provisions of the Meat Industry MOU. SAFEMEAT also does not have formally defined processes by which decisions can be made, and in the absence of unanimous agreement it appears that SAFEMEAT is unable to impose compliance on industry or government stakeholders. SAFEMEAT also lacks real resources beyond its secretariat, so is not able to carry out research or analysis associated with issues that are being considered.

Having said that, the SAFEMEAT structure has brought about some important industry changes and initiatives since its inception in 1998. Whether the structure remains suitable for the current situation when integrity systems are becoming more important and broader in scope remains an open question.

SAFEMEAT and AUS-MEAT are both organisations that were formally created as a consequence of the Meat Industry MOU, of which the Red Meat Advisory Council (RMAC) is the custodian, and which can be modified at the instigation of the RMAC board, subject to unanimous agreement by the signatories of the MOU. This suggests that technically, the RMAC

has the power to set strategic direction for the integrity systems through its role as the custodian of the MOU and the Meat Industry Strategic Plan (MISP). However, the integrity systems are not mentioned in either of these documents, and the current MISP (MISP 2010-2015) makes no mention of the relative importance of product integrity for the future of the red meat industries.

MLA potentially could play an important role in setting the strategic direction for the integrity systems, as it provides the majority of the funding for the integrity systems, and appoints board members to AUS-MEAT and NLIS Ltd. Despite this, it is not evident that the MLA board provides strategic direction to these organisations (and it is not clear the extent to which it should, given the role of MLA as defined by its statutory funding agreement with the Australian Government).

The conclusion arising from this analysis is that the current structural arrangements for the integrity systems are not ones that provide the system with a sound strategic foundation.

2. Strong Governance and Integrity

Governance of the various elements of the current red meat integrity systems are shared between three organisations and (as best can be estimated) almost thirty committees, which are frequently referred to as 'byzantine' by even those involved in the system. As a consequence, it is not only difficult to obtain a complete understanding of the total cost of the systems and the sources of funding, but it is also difficult to determine which organisation has the responsibility of ensuring that the system operates in an efficient manner, so as to ensure stakeholder costs are minimised, commensurate with meeting required food safety, biosecurity and market access requirements.

The issue of governance is particularly important in the case of the integrity systems, as there is not an arrangement whereby the system is required to be transparently accountable to stakeholders, or to generate a profit.

It is presumed that the board of NLIS Ltd develops multi-year forecasts of future funding requirements and submits these for approval to the MLA board, so to that extent there is accountability to the MLA board for the costs associated with parts of the system. The MLA board effectively needs to make a decision on the adequacy or otherwise of the funding for NLIS Ltd, bearing in mind that in exercising this decision the MLA board is reducing the amount of funding that it has available for marketing and to some extent R&D programs.

Levy-payers, whom the MLA is ultimately accountable to, may not necessarily understand that their funds are being used for this purpose, raising the potential that the MLA board may be tempted to underfund NLIS Ltd., especially potential future development costs.

Other parts of the integrity systems appear to also have potential governance deficiencies. The LPA audit activities carried out by AUS-MEAT are not subject to a competitive tender process and are funded by the proceeds of sales of NVDs. The LPA Advisory Committee endorses the LPA audit program and budget annually before it is submitted to the AUS-MEAT board for approval. This provides industry representatives with an opportunity to scrutinize costs. However, the AUS-MEAT board obviously has a potential conflict of interest in this regard, given

its normal corporate governance responsibility of ensuring that AUS-MEAT is financially sound, while at the same time needing to be cognizant of the costs incurred by industry that are associated with the services delivered by AUS-MEAT.

This is not to say there is any evidence that the AUS-MEAT board or Executives act in any way that is contrary to the interests of industry stakeholders, but it is important to highlight that this arrangement does create the potential for, or the perception of, a weakness in the governance of the integrity systems.

On the issue of integrity, the value of integrity systems ultimately depends upon their ability to satisfy the requirements of market, by providing traders and buyers with a high level of confidence about the safety and quality of the products they are purchasing. This applies both in relation to routine market access requirements, and also in the case of recovery of market access in the aftermath of a biosecurity or food safety breach.

While the integrity of the system has not been subject to significant challenge over the past decade, the current structural arrangements have some fundamental flaws that create the potential for the integrity of the systems to come under question. The claim could be made that AUS-MEAT in effect marks its own homework, given the arrangement whereby AUS-MEAT has responsibility for management of the LPA standard, and also has responsibility for auditing the compliance of livestock farms against that standard. This arrangement leaves AUS-MEAT open to claims that either the standard is 'watered down' to make it easier to pass audits, or that the audit process is 'doctored' in order to ensure that there is a high level of compliance, notwithstanding that AUS-MEAT is accredited to the ISO 9001 standard.

There has been absolutely no evidence provided to suggest that either of these situations have arisen, but the structural arrangements – and the apparent absence of transparent processes associated with the development or modification of the standard – create a perception that such a situation could be a possibility.

Similarly, there could be a perception that the MLA board has a conflict of interest in both funding and controlling parts of the integrity systems, as well as having responsibility for conducting marketing activities on behalf of Australian livestock producers.

For example, if MLA is marketing Australian meat on the basis of the high level of integrity of its production systems, it has a vested interest in minimizing the release of information about any system breakdowns, especially if such information could potentially result in loss of access to critical markets.

The fact that the MLA board does not have a direct governance responsibility in the operations of NLIS Ltd or AUS-MEAT, despite being a parent company of both organisations, lessens the risk of perceived conflicts of interest, but nonetheless the risk remains due to the current integrity systems structure.

2. Secure and adequate resourcing

As noted earlier, the different components of the integrity systems were developed at different stages, and originally funded via different mechanisms. This has remained the case until recently, with parts of the system funded via National Residue Survey and Cattle Disease Contingency Fund reserves prior to 2013/14. The main source of funds for the integrity systems at present are the marketing and R&D levy funding received by MLA, and some government funding associated with related research and development activities.

MLA currently contributes approximately \$5.5 million in annual funding for NLIS Ltd, another \$1.5 - \$2.5 million in funding for support associated with NVDs and LPA, and approximately \$0.5 million in funding for SAFEMEAT. AUS-MEAT also generates revenue from the sale of NVDs that is understood to cover the cost of LPA audits, although the amount involved is not separately identified in the AUS-MEAT financial statements. State governments fund the cost associated with state PIC databases from their own resources.

These funding arrangements are relatively secure, but it is questionable whether they provide an adequate source of funding over the longer term. The arrangements essentially rely on the board of MLA continuing to believe that this item of expenditure generates better returns for the industry than any alternative, despite it arguably not being a core responsibility of MLA.

A more fundamental issue is that the costs of the integrity systems are not generally understood by levy payers or other stakeholders who are the principal beneficiaries of the systems. Obviously industry representatives involved in specific committees are made aware of system costs as part of budgetary processes, but even these may only be aware of costs associated with specific systems, rather than the total costs.

A funding system under which the costs are borne by the beneficiaries of the system, and which transparently exposes the true costs to system beneficiaries is much more likely to be sustainable and adequate over the longer term than current arrangements.

4. Empowered management

There are two questions requiring consideration in making a judgement about the extent to which the current integrity systems can be considered to have empowered management. The first is whether those in management roles have the ability to make decisions, and the second is whether those empowered to make management decisions have access to the resources necessary to give effect to those decisions.

The earlier discussion in this report has identified that the disparate nature of the organisations and committees involved in the integrity systems is a major source of frustration for many stakeholders, and there is ample evidence that decision-making is significantly impeded as a result.

The lack of centralized ownership and strategic direction means that even if managers of current systems have the autonomy to manage operations efficiently, they are constrained from implementing changes by the potential effects of those changes on other parts of the system,

over which they have no control. Similar challenges confront managers in large corporations, however the critical difference is that in a corporation there is ultimately a single point of authority (the Chief Executive) who has the ability to direct all management to comply with a particular change. No such single point of management authority exists in the meat industry integrity systems.

On the second issue, resources are available for the systems, but as the previous discussion has identified, these resources are made available principally as a consequence of decision-making by the MLA board, and not the board or management of the organisations responsible for the integrity systems. This arrangement obviously limits the extent to which management can be considered to be empowered, under current structural arrangements.

5 Key features of a reformed integrity systems structure

This section briefly sets out the key features that it is considered a reformed integrity systems structure should possess. These features are a distillation of the integrity system principles set out in earlier, observations of the deficiencies of the current structure and the comments received in the course of consultations with stakeholders. The order in which the points are discussed does not imply their relative importance, and the achievement of some may have as much to do with strategy as structure, although the ability to develop and pursue a sound strategy often flows from getting the structure of an organisation right. Some comments also address funding which is considered to be vital to achieving an efficient and effective integrity systems, but involves decisions that are separate from the decisions that directly determine the future structure of the integrity systems.

Clear strategic foundations – It is essential that the integrity systems have clearly stated objectives that reflects the multiple purposes of the systems (biosecurity, market access and food safety). The integrity systems should be embedded in the Meat Industry Strategic Plan (MISP) as well as forming the basis of the objectives of an organisation that is responsible for administration of the integrity systems. To be effective, the strategic and operating plans of the integrity systems organisation should also set out clear, measurable, time-bound objectives against which performance can be assessed.

Ownership by those who bear the costs – The integrity systems deliver benefits that are principally public goods for the livestock and meat production and marketing industries and are a cost-centre rather than a profit-centre. Because market forces and profit motives do not drive efficiency in the integrity systems the ownership structure should involve those who bear the costs and receive the benefits. These are the stakeholders who have the greatest interest in the success of the integrity systems and ensuring that they operates efficiently.

Strong Governance – To succeed the integrity systems need governance that is tightly focused on achieving specific objectives, that is directly responsible to the stakeholders for its achievements and that has the independence to make decisions in the best interests of the system as a whole. The integrity systems are a complex undertaking involving large volumes of data, a broad geographic footprint, a diversity of users and a large number of stakeholder/owners that makes it unlike any other information system. It is vital that the integrity systems have a skills-based board of directors with the flexibility to make timely strategic decisions and management with the ability to implement those decisions promptly.

Ensure the operating parts of the integrity systems are well integrated - To function efficiently the integrity systems have to knit together information from the PIC database, from NLIS, LPA, NVDs and make parts of the information accessible to various types of users for a

range of purposes. These components of the system need to be integrated as closely as possible and operate cohesively.

Ability to engage with stakeholders – For the integrity systems to be sustainable over the long term, there needs to be a single point of communication with stakeholders about the strategic purpose of the systems, and the resources employed. The capacity of the integrity systems to develop and continue to meet the demands of the industry and various markets they serve will be significantly eased if they operates in an environment in which industry understands their importance. While some proponents rightly laud past successes there is no room to be complacent. The systems need to continue to develop as other nations and competing meat industries have already, or are developing integrity systems that may surpass the current red meat integrity systems in meeting market requirements.

Ability to be dynamic and responsive – In order for the integrity systems to continue to develop and ensure they provides best practice in supporting food safety, biosecurity and market access, the systems need to be dynamic, responsive and focused on improving performance. This can usually only be achieved after structure, governance and sound strategy have been put in place, but these are not sufficient in themselves to achieving success. It is not always easy to identify the origins of the attributes of dynamism and responsiveness in an organisation, but in relation to the integrity systems they are likely to stem from giving the managing organisation independence from industry political forces and government intervention, making sure it is adequately resourced and is free to openly communicate with its stakeholder owners.

Clear, adequate and appropriate funding – For the integrity systems to meet their expenses and continue to develop they must have adequate and reliable funding sources. Funding arrangements are not necessarily directly related to structure, but must be established by industry and the Australian Government before any new structure is launched. In broad terms the cost of the integrity systems should be met by those who receive the benefits. They are principally livestock producers, processors and exporters.

6 Options for a preferred future structural model

It is difficult to avoid the conclusion that many of the concerns stakeholders have identified in relation to current meat industry integrity systems relate to the fact that there are multiple organisations managing different systems, rather than a single organisation with overall control. Consequently, the first question that needs to be addressed in canvassing future structural options is whether it would be preferable to have the systems managed by a single entity, rather than spread across a number of organisations.

The current arrangements, whereby multiple organisations have responsibilities for different systems, probably results in some apparent financial savings, because those organisations are relatively small and can access some needed resources from parent companies or government. Examples include human resources services, office facilities, secretariat resources, and communications and media relations services. A single, larger organisation would be more likely to require dedicated or in-house resources in each of these areas, which would add to the total overhead costs of the organisation. While this might be an argument against a single larger organisation, it is important to bear in mind that the resources currently being utilised in these areas have a cost to the parent companies or governments supplying them, so the overall cost difference may not be as significant as it seems.

There would also be some efficiencies available in operating a single, larger organisation, with a single set of board members, who would have the ability to rationalize committee structures and impose more efficient decision-making processes.

An aspect of the current structural arrangements for the integrity systems is that they feature a very high level of industry engagement within committee structures, which should mean that any decisions that are taken are firmly grounded in strong industry knowledge and experience. In contrast, a single larger organisation may be more remote from, and inaccessible to stakeholders, and face a greater risk of losing industry support.

This is similar to the risk that faces any organisation that has grown from being run by volunteers to a more corporatized structure, and the successful ones manage this transition in a way that retains stakeholder support but results in a more professional and efficient entity.

The flip side of strong levels of industry engagement is the decision-making inertia that participants in the current system perceive as a major problem. The observation that key stakeholders including governments are increasingly less likely to have senior decision-makers participate is a strong indicator that the current system is no longer effective for decision-making. The establishment of a single entity with decision-making power and defined decision-making processes is more likely to result in stronger engagement by key decision-makers.

A structural model involving a single large organisation having overall control does not necessarily mean that that organisation would need to conduct all the activities associated with the integrity systems. In fact, it would be preferable that some activities – such as system audits – are outsourced, both for efficiency and integrity reasons.

Taking all these matters into consideration, however, it is hard to escape the fact that a major weakness of the current structural arrangements is that there is no single entity with overall strategic responsibility for the integrity systems, and the result has been that decisions take an interminable time to be made and are not implemented in an efficient manner. Consequently, the following analysis of preferred future structural models is based on the assumption that the future structural arrangements for the integrity systems will involve a single entity that has the capacity to make both strategic and operational decisions about future meat industry integrity systems.

Even assuming a single entity is preferred, there are a number of different models that are worthy of consideration as part of the process of developing a preferred structural model to deliver appropriate strategic foundation and governance. These are summarised in the following table. In each instance it is assumed that service delivery for system users can be provided by a contracted third party, should that be necessary, and it is also assumed a relatively independent standards committee or process could be developed as part of each of the structures, providing there are appropriate strategic foundation and governance arrangements in place.

Key issues to consider in relation to the models briefly detailed in the following table are the extent to which they are likely to result in appropriate strategic and governance outcomes, while remaining accountable to stakeholders and maintaining desirable integrity standards.

As is evident from the summary table, there are advantages and disadvantages associated with any of the possible structures, and all apart from the status quo would require both government and industry support in order for a change to be made and successfully implemented.

6.1.1 The statutory model

The **Statutory Model** is one that effectively applies in other nations, for example in the USA. The USDA's Food Safety and Inspection Service (FSIS) has a very dominant role in maintaining the safety of meat in the USA, and the USDA is also the organisation responsible for maintaining meat quality grades. That system is a product of the US federal system, under which the US Federal Government has more wide-ranging powers than is the case in Australia, where state governments retain direct responsibility for issues such as food safety.

While a statutory model may be feasible in Australia, it would require agreement between the Australian and state and territory governments, and would reduce the influence of industry in decision-making processes. It is also likely that governments would judge that a significant share of the benefits from the system flow to industry, and therefore that a user-pays model would be applied to fund the system (as is the case with quarantine). While this model would have the potential for closer integration of government policy and the integrity systems, it is likely that governments would only agree to it in the event that industry agrees to substantial cost recovery arrangements, and it is also likely that the influence of industry in relation to both policy and operational arrangements would be significantly reduced. It is also possible that this model would result in higher costs for the industry, given the reduced influence the industry would have on the system.

When viewed against the integrity system principles described in Appendix 1, the statutory model has a number of limitations. A strong strategic foundation would be difficult to establish within a government owned and operated organisation. While a government organisation may espouse a strategic direction on behalf of industry, its prime motivation is likely to be focused on good administration more than the long-term competitive advantage of the industry. While government organisations can generally be relied upon to maintain high levels of integrity, the establishment of an effective governance relationship with industry in which the organisation is responsive and answerable to industry would be more difficult to attain.

Funding of a government owned organisation would most likely be very 'secure', through charges on industry that were backed by regulation, but there would be less certainty that the organisation would be efficient in its use of the funds. Government organisations are often fastidious about developing business plans, but when an organisation is not directly responsible to stakeholders for its performance these plans are less likely to contain measurable performance criteria against which management is assessed.

6.1.2 The subsidiary model.

Models that involve a structure that is a **subsidiary** of an existing entity have advantages in terms of potential administrative efficiency (for example by using parent company premises and a range of corporate services) and during their start-up phase, but face limitations from the perspective of their accountability to stakeholders. Under a subsidiary model, the board of the organisation is effectively appointed by the board of the parent company, and ultimately is answerable to that parent-company board, rather than stakeholders who may be the group that effectively funds the organisation.

The parent and the subsidiary companies' fortunes are also effectively tied together, with turmoil or change in the parent company directly affecting the subsidiary. As a result, from a strategic direction and governance perspective, a structure that is a subsidiary of one or more existing organisations may be less desirable than an organisation that is more directly accountable to stakeholders.

6.1.3 The joint-venture model.

A variant of the subsidiary model is a **joint venture** (JV) in which multiple organisations undertake to form and support an entity, usually to undertake a specific business in which there is a common interest. The JV may benefit from input, direction and cooperation from the various sectors represented by the parent companies. It may also enjoy a greater degree of independence from the narrow interests of any one individual parent.

However, JVs can also suffer many of the same problems outlined above in relation to subsidiaries. Boards are generally appointed by the parents, funding may be limited by willingness or ability of the least well-off parent to contribute funds, and flexibility and entrepreneurial initiative will usually be subject to not impinging on areas of interest to each of the parents.

A subsidiary or JV is more likely to have a sound strategic foundation as it will usually have been formed for a specific purpose, although the strategy is one that is developed externally and imposed by the parents. Without independent control of its strategic direction the organisation may find it difficult to respond to changing strategic priorities and threats.

Governance can be a weakness of subsidiaries and JVs, due to the inability of stakeholders to have a direct say in the appointment of directors, the development of plans and strategic direction. In addition, the involvement of stakeholders in assessment of performance is very limited since these functions are controlled by the parent(s). Unless the organisation is granted independent funding sources by the parents, there are risks that funding will be subject more to the financial priorities of the parents than the direct and immediate needs of the business. Management within subsidiaries and JVs rarely have sufficient freedom and independence to pursue strategic goals that dynamic businesses need. Management is usually subject to the scrutiny of the management of one or more of the parents and the potential for intervention by the parent boards.

6.1.4 The stakeholder-owned model.

Structures that involve **stakeholder ownership**, whereby the member or shareholders are the group that directly accesses the services provided by the organisation have advantages in terms of the accountability of these organisations to the industry, but face challenges in their establishment, in the potential for these organisations to involve extra overhead costs given their stand-alone structure, and in developing a balanced structure that adequately reflects the interests of all stakeholders. There is also a risk that a direct ownership structure that only involves one group of stakeholders (for example livestock producers but not processors) will favour some stakeholders' interests over others and eventually be destabilised by political pressures.

The stakeholder-owned model has a number of clear advantages, although the detail of the structure of the organisation will determine how adequately these advantages are captured. Organisations that are directly owned by the stakeholders are best placed to form a clear strategy that suits the business objectives and the needs of the stakeholders. To be most effective in this regard there needs to be open active communication with stakeholders. Organisations that are directly owned by the stakeholders have better prospects of engaging a professional, skills-based board to implement strategy and be responsible for overall performance. .

While ordinarily an independently owned business will have autonomous control of its finances, in the case of an industry service organisation such as is required for managing the integrity systems funding decisions are likely to be controlled or influenced by other parties. An organisation directly owned by its stakeholders should generally be free to engage skilled management and provide them with the power and freedom to manage the business and execute the strategy in the best interests of the owners.

Table 2. Advantages and disadvantages of alternative structural models.

Model	Description and possible example.	Issues to consider
Statutory model.	The entire integrity system, including governance, operational control, funding and future system development entirely controlled by the Australian Government, through the establishment of a statutory body to manage and run the entire system, including standards, operations and auditing.	<p>Advantages</p> <ul style="list-style-type: none"> • Strong linkages with export accreditation requirements. • Possible that greater national uniformity may be achieved under such a model <p>Disadvantages</p> <ul style="list-style-type: none"> • Limited incentive to improve efficiency or innovate • Governments are likely to seek substantial cost recovery, on the basis of the 'industry good' nature of some of the services. • Stakeholder input may be limited. • Likelihood that decision-making will be cumbersome and politicized • Linkages with proprietary systems may be more difficult.
Australian-State Government joint-venture	As above although a joint-venture between the States and the Australian Government.	
Subsidiary model.	Meat and Livestock Australia (MLA) would assume full ownership and control over the integrity systems, funding it out of current levy funds. Effectively an expansion of the role of NLIS Ltd to include owning and managing integrity systems standards, operations and auditing.	<p>Advantages</p> <ul style="list-style-type: none"> • Clearer accountability and governance, although stakeholders removed from direct involvement • Wholly accountable to MLA board • Some potential for administrative efficiency. <p>Disadvantages</p> <ul style="list-style-type: none"> • Likely to require legislative change • May disengage other sub-sectors – processors etc. • May tie integrity systems to the future of MLA
Joint venture model.	Meat and Livestock Australia (MLA) and the Australian Meat Processors Council (AMPC) establish a new corporate entity, with each organisation holding 50% of total shares. Effectively the creation of a new organisation identical in structure to AUS-MEAT to own and manage industry standards and systems.	<p>Advantages</p> <ul style="list-style-type: none"> • Clearer accountability and governance, although stakeholders removed from direct involvement • Engages both main stakeholder groups – albeit indirectly • May tie integrity systems to the future of these two organisations. <p>Disadvantages</p> <ul style="list-style-type: none"> • Duplicates existing structure of AUS-MEAT Ltd. • Accountability to two separate boards with potentially divergent interests • Only indirect pressure to achieve greater efficiency and to implement innovations. • Subject ultimately to parent company control
Stakeholder owned model	Establish a new corporate structure to hold and administer all industry standards, owned by the individual users of the integrity systems. Structure would oversee management of NLIS database, own and manage industry standards, and accredit and contract system auditors.	<p>Advantages</p> <ul style="list-style-type: none"> • Strong accountability and governance • Increased transparency • Structure would enable stakeholders to scrutinize performance and impose efficiency and innovation pressure • Direct engagement of all key stakeholder groups • Ability to pursue independent and unambiguous objectives <p>Disadvantages</p> <ul style="list-style-type: none"> • Would impose stand-alone overhead and operating costs on the organisation. • Would require agreement on voting arrangements. • Direct accountability to stakeholders brings possible politicization risk.

7 The preferred structure

Taking all the above into consideration, it is concluded that the preferred model is one that is most directly accountable to the full range of stakeholders to which it provides its services, while incorporating sufficiently robust governance structures and being largely independent of existing industry organisations. This model is the **stakeholder-owned corporation**, briefly outlined in the above table. For convenience, this structure has tentatively been termed “Australian Agricultural Assurance” (AAA), which would leave open the potential for the organisation to have a role wider than just the livestock industries.

The preferred structure for AAA would be a company limited by guarantee, governed by a skills-based board, with the roles and functions of the organisation detailed in its constitution. In broad terms, these would be to own and maintain industry standards relating to food safety, biosecurity and other credence or provenance characteristics, and to manage industry infrastructure, such as databases and computer systems, essential to the implementation of assurance systems associated with those standards. The proposed structure is summarised in the following figure.

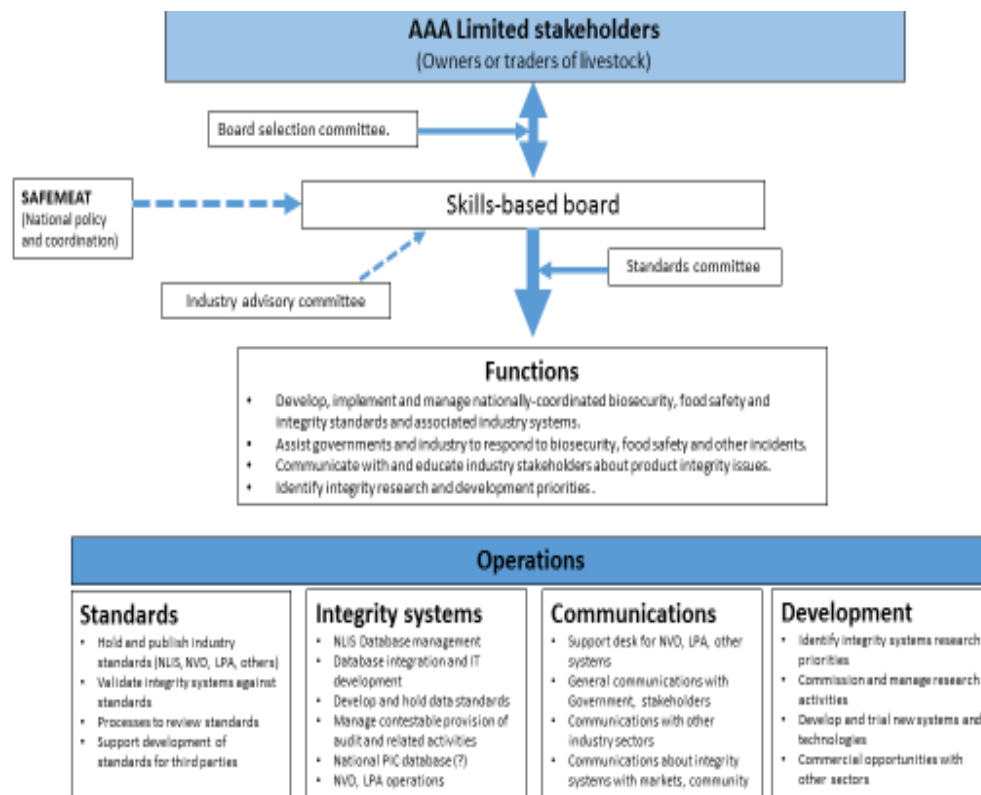


Figure 2. Proposed stakeholder-owned structure to manage industry integrity systems.

Under the AAA model, the members of the organisation would be the current registered users of the NLIS database who own or trade livestock. In this way, the membership would consist of current registered NLIS system users who are livestock producers, feedlot operators, meat processors and exporters. The existence of the NLIS database should greatly simplify the process of identifying and communicating with these AAA members, and creates the potential for efficient and effective member communications, without the costs that might normally be associated with a direct membership structure.

It is recognised that a large proportion of livestock producers are not currently registered users of the NLIS database, and instead rely on agents or others to record livestock movements, as identified on NVDs or Stock Waybills. It might be argued that this group is effectively disenfranchised by not being considered to be members of the new organisation. A counter-argument is that this group is likely to disproportionately consist of the owners of farms with smaller numbers of livestock, who may not have a high level of interest in participating in industry decision-making. A further counter-argument is that there is nothing to prevent this group from becoming registered users of the NLIS database, and hence members of AAA. In fact incentivizing livestock producers to become registered users of the NLIS database (through offering AAA membership) may assist the industry to transition to electronic NVDs, and bring about significant industry cost-savings.

The membership of AAA should hold two specific powers that could be exercised by voting at general meetings. The first would be the power to either endorse or reject nominees for board positions put forward by a selection committee, which would be guided by the skills requirements for board members specified in the AAA constitution.

The likely use of compulsory industry levies to fund AAA (at least for an interim period) will necessitate that the structure be supported by the Australian Government, and it may be considered appropriate that one of the skills required around the board table would be extensive senior experience within relevant government agencies. Other skills required would include livestock production, livestock processing and exporting, database and information technology management, corporate management and corporate governance. The AAA board (ideally the board should consist of no more than nine members) would be nominated by a selection committee, based on the need to ensure that the full range of identified skill requirements was reflected around the board table. These nominees would need to be endorsed by a vote of AAA members, prior to taking office, a system that also currently operates for other industry organisations.

The second power available to AAA members should be the power to either accept or reject a triennial budget proposed by the AAA Board, which would include revenue projections based on proposed user-fees, or industry levies, or a combination of both. In the event a proposed triennial budget was rejected by members, the default would be a continuation of existing user-charges and/or levies.

The power to approve or reject the budget of an organisation is not usually conferred upon members, as this is normally a matter for board decision and approval. However, in the case of an organisation such as AAA where the members are also those who are required to pay the

fees or levies and do not have a choice of alternative service providers, giving this power to members would put pressure on the board and management to ensure the organisation operates as efficiently as possible, and takes advantage of any opportunities to minimise costs while still meeting industry integrity requirements. It would also require the board to fully justify any proposed cost increases, and gain the support of the membership for a change to be made.

The issue of the voting rights available to be exercised by members is one which may require some consideration. Given the information contained on the NLIS database, it would be feasible to confer voting rights on the basis of the number of livestock held or transacted, and it would also be feasible to establish different classes of members, each with different voting rights. While this will obviously be an issue for further consideration, the simplest approach, which would be one vote for each member, is one which has some appeal. While it might be argued that those individuals or organisations that undertake a large number of transactions on the system each year should have greater voting rights, the relative impact of the benefits and costs associated with the system on those using it are proportionally similar, irrespective of the number of transactions undertaken.

A transaction number based voting system would also mean that large meat processors and feedlots would hold a large proportion of total votes, while it is likely the cost impact of the system would largely be on livestock producers. In the event a transaction number based voting system was adopted, it would also be necessary to establish different membership classes, which would complicate administrative arrangements and may contribute to disunity and politicization within the membership.

Incorporated into the constitution of the AAA should be clear vision and mission statement that provide all involved with a concise and widely understood purpose for the organisation. The constitution would also need to clearly describe the functions that the organisation is expected to carry out. It is proposed that these functions would include the following;

- *To develop, implement and manage nationally-coordinated biosecurity, food safety and integrity standards and systems for Australian agricultural industries.*
- *To assist governments and industry to respond to biosecurity, food safety and other agricultural product integrity incidents.*
- *To communicate with and educate industry stakeholders about agricultural product integrity, food safety and biosecurity issues.*
- *To identify research and development priorities to enhance systems associated with the safety and biosecurity of Australian agricultural products.*

These would require consideration and refinement by stakeholders.

It would be important that, in addition to the board structure, the AAA constitution would specify the establishment of two standing committees, one being an industry advisory committee, and the second being a standards committee.

The Industry Advisory Committee could be structured as a scaled-down SAFEMEAT Partners committee, consisting of representatives of each of the major livestock groupings (essentially

the current Peak Industry Councils) plus state and territory governments, and the Australian Government. This group would be an advisory group to the AAA board, and would only have the power to make recommendations to the AAA board, but no decision-making powers.

The Standards Committee would have a very specific role in the development and ratification of industry standards. It would have the role of developing industry standards (either independently or in conjunction with industry groups) to the point where the standard complied with relevant international standards protocols. The draft standard should then be circulated to industry and publicly for comment for a defined period, and those comments considered by the Standards Committee in finalising the standard (or revisions to a standard). The Standards Committee should be the only group with the power to ratify an industry standard, effectively by making such a recommendation to the AAA Board. The AAA Board would then have a governance role in the adoption of systems associated with that standard by AAA, but should not have the power to modify standards.

It is preferable that the process of formally adopting an industry standard be specified in the AAA constitution, so that the process is transparent and time-limited (and can only be changed via a supportive vote by AAA members). It is also important that the members of the Standards Committee are technically qualified and experienced persons appointed for fixed terms by the AAA Board, and not representatives of specific sectors of industry. Having this process in place would be important to ensure the integrity of industry standards, and should provide governments with greater confidence in recognising those standards as part of international trade agreements and protocols, or as part of the livestock industry food safety and biosecurity framework.

Inevitably, questions about the need for species-specific or state-related committees to provide advice to the AAA board will arise. There would be nothing to prevent current Peak Councils and other state or industry groups establishing their own committees to focus specifically on standards-related issues, and for these to express their views to the AAA board, and indeed this would be a responsible approach for those groups to take to ensure the interests of their members were being fully considered. However, any decisions about the need for extra committees supported by AAA (either task-related or standing) should be solely the responsibility of the AAA board, which would consider such decisions on the basis of perceived need and available resources.

An important component of the proposed AAA structure is the board selection committee, which would have the role of vetting potential candidates for board positions against a set of skills criteria, and recommending preferred candidates to AAA members for endorsement. There are a number of different systems currently in place within Australian rural industry organisations to appoint persons to board selection committees. Some of these involve a mix of elected and representative members, and others involve governments nominating committee members. A simple approach in relation to the AAA board selection committee would be to have one nominee of each of the relevant industry Peak Councils and one government-nominated representative make up the selection committee. This would help to ensure that the selection committee members had some familiarity with the skills required of a board member. This group

would vet potential board candidates (ideally from a short-list compiled by a human resources consultant) against the required skills arising from a board vacancy, and make a recommendation to the members at a general meeting. The members would have the power to either accept or reject a nominee. In the event of a rejection by the membership, the selection committee would need to repeat the selection process, and again seek member support.

It is conceivable to identify a range of additional issues that would need to be considered in developing a future preferred structure for the integrity systems. There is a risk, however, in being too prescriptive about strategic and operational details. An essential feature of any proposal is that it be capable of securing wide industry and government support, and therefore sufficient details are required to address some of the major concerns of those involved. However, many issues of detail, such as the location of the organisation and the staffing structure, should be the responsibility of the board of the proposed organisation.

8 Funding the integrity systems

An important issue from the perspective of the structure of the proposed organisation is the funding mechanism that would be used. For a number of reasons, including accountability and efficiency, a preferred funding mechanism is one that transparently reflects the true costs of the services provided by the organisation to the beneficiaries of that service.

A user-pays funding system based on a set cost for each transaction recorded on the NLIS database (or the cost equivalent for those using NVDs to record livestock movements) would be a simple way of ensuring full cost transparency, but is probably not feasible in the short term, at least for livestock producer users. This is because many are not registered users of the NLIS system at present (and therefore would not have an 'account' with the NLIS database), and even if they were registered users, many of the transactions recorded by livestock producers may only involve quite small numbers of animals, and it would be inefficient to create an invoice for relatively minor transactions.

An added complication arises from the relative value of different types of livestock, which would presumably mean that different charges would need to be applied to transactions involving different livestock species. Modern computerized billing systems (such as those utilized for toll road) make differential charging and billing for relatively small transactions feasible, but would necessitate each livestock producer establishing an account with AAA, which may take some time to achieve.

The funding for the integrity systems under a revised structure could rely on the existing mix of funding channels which include marketing levy funds from MLA, R&D levy funds from MLA (supplemented by matching taxpayer funds) revenue from sales of NVDs and occasional ad-hoc contributions from other sources.

While the existing funding arrangements could be transferred to AAA on an interim basis, such an arrangement would be flawed and would not satisfy the integrity system principles set out earlier. The current funding arrangements are not transparent to stakeholders. Establishing funding for AAA that was sourced initially from producers but passed through third parties would be unnecessarily complicated and may compromise the organisation's independence. The current funding arrangements do not acknowledge the full range of stakeholders in the integrity systems nor who receives the benefits from its operation.

The industry should use the restructuring of the integrity systems as an opportunity to also create a more transparent, sustainable and justifiable funding base to support its future development. Ideally, the future funding of integrity systems should be:

- contributed directly by the stakeholder owners of AAA,
- contributed on a basis determined by reference to the proportion of benefits received,
- paid directly to AAA, and

- transparent and subject to reporting by AAA to its stakeholder/owners.

It is therefore proposed that the following arrangements be established as an initial funding provisions for AAA.

- AAA should be provided with a defined amount of livestock transaction levies in the same way that funds are provided to MLA, AHA and NRS to represent a contribution by livestock producers.
- AAA should be provided with a defined amount of the cattle, sheep, lamb and goat export and slaughter levies currently paid to AMPC and Livecorp to represent a contribution by meat processors and exporters.
- Charges for the sale of NVDs should be abolished.
- AAA should establish an LPA annual registration fee.
- No charge should be made for those parties supplying information to AAA about livestock or checking its accuracy but a charge should be applied to those extracting information from the database for commercial purposes.
- AAA should continue to be provided with access to all state jurisdictions' PIC registers free of charge.

The reliance on transaction levies to fund the maintenance of the integrity systems recognizes that a large share of the operation is generated by livestock transactions by both livestock owners and processors.

The ratio of AAA's revenue to be received from transaction levies and export/ slaughter levies (effectively from livestock producers and from livestock processors or exporters) is an issue requiring further consideration. Independent economic analysis (Marsden Jacob Associates 2015) has projected that the final economic impact of these types of industry systems on margins in livestock production is approximately four times the impact on margins in the processing and export sector.

In saying this, it is widely recognised that the economic impact of developments that shift the supply and demand for meat are difficult to estimate, and the economic literature provides a wide range of estimates of the relative impact on the livestock production sector compared to the processing and export sector. The differences reflect differing assumptions about the market fundamentals, differences between meat species, and differences in the nature of the shift in supply and demand.

It is acknowledged that there can be no perfect relationship between the contributions by various stakeholders and the benefits received. It is more important to ensure that all stakeholders make a real and significant financial commitment to the integrity systems, which will reinforce their status as owners of the system. For this reason, a pragmatic approach may be that initially, the contributions from the livestock production sector and the processing sector

be approximately equal, with the proviso that the AAA board actively pursue the development of a user-pays funding system over the longer term.

The purchase of NVDs has become a 'bone of contention' with producers and there is little logic in funding the LPA audit program from a transaction based fee. The LPA random audit program is an overhead cost in the same way that a company financial audit is treated as an overhead cost. It is more relevant for this overhead cost of the integrity systems to be funded by a charge that has a similar characteristic. An annual fee for LPA registration also reinforces to livestock producers that LPA registration is not automatic, nor perpetual. A fee that covers the cost of the LPA random audit program, printing and distribution of NVDs and some other overhead costs of the integrity systems would not need to be more than a nominal amount.

A data download or commercial access fee should be a component of the integrity systems operation. This would encourage efficient utilization of the database by commercial users and provide a degree of proportionality between the costs that users bear and the costs they impose on the system. It will also be important to AAA that it has available to it sources of revenue that can be adjusted to the varying needs of the business without needing to repeatedly resort to the complex process of changes to levy arrangements.

The maintenance of PIC registers by states is crucial to the integrity systems, but also serves other policy objectives of state governments. The cost of maintaining the PIC registers is managed within state finances and is funded to varying degrees by registration fees and from state consolidated revenue. On-going free access to PIC registration data should be codified as a firm undertaking by all state governments in perpetuity as a contribution by the states to arrangements that provide a food safety assurance to consumers, in the absence of which states would be required to separately make alternative regulatory interventions.

The above funding arrangements would only apply to the costs associated with the compulsory elements of the services delivered by AAA (presently the management of industry-wide standards, the management of the NLIS database, administration of NVDs and possibly the LPA). Other standards maintained and managed by AAA (such as the NFAS) would need to be managed on the basis of full cost recovery, reflected in the fees charged the users of each system.

9 Transition to the preferred model

There are several ways in which a transition from the current structural arrangements for the integrity systems to a new structure could be brought about. One is via seeking widespread industry and government agreement, and then establishing an empowered task force to instigate the required changes. Achieving this level of agreement and securing a mandate to instigate reform is likely to be a tortuous and time-consuming process, given the current processes and pace of decision-making.

A second is via the current principle stakeholders (MLA and AMPC) using their current roles to initiate changes and establish an interim structure that has the capacity to be transitioned to the

preferred model over a defined period of time. Such an approach would overcome the current inertia, although face the risk of political resistance if not appropriately managed.

In transitioning to the preferred model, there are a number of issues that would require some consideration. These fall into three broad categories – institutional, structural and operational.

9.1.1 Institutional issues

Institutional issues refer mainly to legal or legislative matters that need to be addressed in achieving a transition from the current set of structures to a new structure.

At the heart of existing meat industry structural arrangements is the meat industry MOU, a legal agreement which all the various Peak Industry Councils and the Australian Government signed in 1998 to confirm their commitment to respect certain meat industry arrangements. This MOU creates AUS-MEAT and the SAFEMEAT partnership structure, amongst other things. Interestingly, while state and territory governments are represented within the SAFEMEAT structure and have important responsibilities that arise from decisions made by SAFEMEAT, they are not signatories to the MOU.

SAFEMEAT, the partnership created by the MOU, has responsibility for making policy decisions in relation to the integrity systems, and currently has a legal agreement in force which appoints NLIS Ltd as the administrator of the NLIS database.

The proposal detailed in this report would bring about changes in the role of various organisations including SAFEMEAT, NLIS Ltd and AUS-MEAT, which may necessitate changes in the wording of the industry MOU, if this document is retained as the foundation document detailing the interaction between various red meat industry organisations and functions.

There are several reasons to qualify the above discussion about the need to change the MOU in order to bring about the changes proposed to the integrity systems that have been detailed here.

The first is that a close reading of the MOU reveals that the integrity systems are not mentioned, nor are the functions that are currently a part of that system specifically allocated to a particular organisation. Certainly Clause 4.2 of Schedule 4 specifies that SAFEMEAT is to work with the objective of establishing world's best practice standards of meat safety and to ensure each sector implements sound standards and systems and that effective crisis management strategies are in place, but there is no specification of roles to specific organisations. In effect, the current integrity systems structure and systems have developed despite the lack of specific reference to these in the MOU or indeed the MISP, which means that it is feasible to bring about changes to current arrangements without modification of the MOU.

A second reason that specific changes to the MOU may not be required is that the recent recommendations arising from the Senate inquiry into levy-funded rural research, development and marketing organisations, and the recommendations arising from the senate inquiry into industry structures and systems governing levies on grass-fed cattle may mean that the current red meat industry structural arrangements and organisational responsibilities will be subject to

substantial change, and it may be unwise to assume that the current arrangements will persist, or to assume they will be a future basis for the integrity systems.

Leaving aside the issue of whether or not it would be advisable to modify the MOU for other reasons, it is entirely feasible that the board of MLA could simply decide to use its ownership of NLIS Ltd, and (in conjunction with AMPC) its ownership of AUS-MEAT, to instruct the boards of those organisations to change their respective integrity systems roles, or to transfer their roles to another organisation. That organisation could either be one structured in a way that confers ownership on identified stakeholders, or one that is a transitional structure owned entirely by MLA, with the intension of transferring ownership to stakeholders at some time in the future.

Given that the MLA board currently determines the available budget for significant elements of the integrity systems, it could be argued that bringing about such a change would be entirely consistent with the governance responsibilities of the MLA board, which are (in part) to ensure that levy payers funds are used in an efficient and effective manner to optimize benefits for the industry. The MLA board could argue that it is bringing about the proposed changes in order to improve the efficiency and effectiveness of the integrity systems for levy payers.

While the above actions appear to be feasible from a legal standpoint, a qualification is required in relation to the likely attitudes of the Australian and state and territory governments in response to such a change. Critical elements of the current integrity systems include the support provided by state governments in relation to the PIC and LPA systems via various agencies and legislation, and recognition by the Australian government of NLIS and LPA as the basis for market access arrangements, along with agreement that it is appropriate to use the levies paid by livestock producers for those purposes. A proposed change to the integrity systems, such as is envisaged by this report, would need to have the support of both the Australian and state and territory governments in order to be successfully implemented. It would also seem likely that SAFEMEAT would need to agree to the appointment of a new body (or a restructured NLIS Ltd) as the administrator of the NLIS database.

The future funding of the integrity systems, assuming that at least part of that funding is derived from existing levies, is also an issue that may require consideration in relation to the meat industry MOU. Under the MOU, Peak Councils (Cattle Council, Sheepmeat Council, Australian Lot Feeders Association and Goat Industry Council) are the organisations that have the sole right to put a resolution to the General Meeting of MLA members concerning any changes proposed to livestock levies.

In the event that the integrity systems continues to be largely funded from existing levies, then it is arguable that no change is required, and therefore no resolution needs to be put to a general meeting of MLA in order for a transition of the integrity systems to a new structure to occur. In the event it was decided that the integrity systems should be funded via a separately identified levy component, or via some addition to the amount collected by current levies, then the provisions of the MOU require that such levy changes need to be recommended by the respective peak councils. The levy principles that have been developed by the Australian Government also require wide industry consultation in proposing a new levy. This would

probably require that the Peak Councils support proposed changes to the integrity systems, although would not require any changes to the current MOU.

In the event that it was preferred that changes to the integrity systems (specifically the role of SAFEMEAT) should be implemented via changes to the MOU, then a means is available to bring this about. The likelihood that roles and structures in the red meat industry would need to change over time was anticipated in the original drafting of the MOU, and the process to bring about changes is specified in Section 10, and specifically Clauses 10.1, 10.2 and 10.3.

The MOU identifies the Red Meat Advisory Council (RMAC) as the custodian of the MOU, meaning that that body is the appropriate one to facilitate changes to the MOU if it is judged these are necessary in order to bring about the proposed restructure recommended here. Schedule 1 of the MOU provides some structure and process to RMAC which should enable decisions to be made in order to transition from current arrangements to the proposed new arrangements, should that be agreed. It should be noted, however, that the agreement specifically requires that all parties to the MOU must be in unanimous agreement in order to bring about any change.

A further institutional issue requiring consideration is the role of the Australian Government in relation to legislation that establishes MLA and the levy system which creates its funding base. While it is feasible for the MLA board to bring about the proposed changes to the integrity systems unilaterally, doing so without general industry support carries the risk of aggravating sections of the industry and triggering calls for political action to prevent or reverse proposed changes via legislation. It is obviously preferable that any changes implemented have industry support, even if the implementation process is managed in a way that overcomes the inertia that is inherent in the current structural arrangements for the integrity systems.

9.1.2 Structural issues

Structural issues are those associated with the nature of any future structure that will be utilized to govern and manage the integrity systems, and the transition from current arrangements to that future structure.

It is proposed that the integrity systems be owned and governed by a company limited by guarantee, the members of which would be the registered users of the NLIS database who own or trade livestock. The necessary first step in this process would be the drafting of a constitution for the new company, spelling out the vision and mission, and also creating the structures including the board, advisory committee and standards committee.

Responsibility for the initial drafting of the constitution would perhaps best be managed by MLA, which has available legal and commercial skills that could be utilized to oversee this process. Ideally, the process of finalising the constitution should involve opportunities for input from industry stakeholders.

The constitution should define the processes associated with the development and modification of industry standards, including the skills that are required to be represented on the standards committee, and the process whereby changes can be adopted. It would be envisaged that the

standards process would incorporate a defined opportunity for industry comment on a draft standard, and would also specify that the standards committee would have sole responsibility for the content of a standard, with the board only being able to adopt or reject a standard on the basis of adherence to or failure to adhere to process.

The creation of a new corporate structure with approximately 60,000 members would, of necessity, involve communications with those stakeholders and verification of membership details, and even though this information should already be available from the NLIS database, this exercise will undoubtedly consume some time and require resources.

Given this, a preferred approach would be to establish the company structure with a single foundation member (MLA), and a process defined within the constitution whereby that foundation member would relinquish voting and/or ownership rights and transfer these to members after a set period, or once triggered by a specific action such as an initial Annual General Meeting. In this way an initial board could be appointed, and the organisation could appoint a CEO and staff within a relatively short period of time, while transitioning to a stakeholder-owned model over a period of one or two years.

9.1.3 Operational issues

There are a number of operational issues that would require careful management in the transition from existing arrangements to a new structure. These would include negotiating contractual arrangements with AUS-MEAT for the provision of LPA audit services for at least an initial period, and obtaining agreement from SAFEMEAT to transfer responsibility for the administration of the NLIS database from NLIS Ltd to the new company.

It would also be important to establish well-defined relationship between SAFEMEAT and the new organisation. SAFEMEAT has the specific responsibility of overseeing standards and management systems to ensure that biosecurity and food safety standards are maintained, and also to ensure that the industry has in place effective crisis management and communications resources. Under the proposed new structural arrangements, SAFEMEAT could continue in its role as an industry-government partnership, setting broad policy directions for the industry and coordinating Australian and state and territory government actions, especially in response to major industry incidents requiring a national response.

The new organisation would have the role of giving effect to the broad policy decisions agreed by SAFEMEAT through the incorporation of the intent of those in industry standards, where necessary. It would also then have responsibility for incorporating compliance with those standards into industry quality systems, and ensuring that industry audits assessed the performance of industry participants against those standards.

There would be some risks associated with transferring management of the NLIS database to a new entity, and a preference would be that current NLIS operational staff and systems were transferred in their entirety to the new structure, to ensure the risk of system interruptions is minimised.

The staff and systems currently in place whereby MLA and AUS-MEAT manage the distribution of NVDs and provide communications and support for the current integrity systems system should also be transferred to the new entity, to ensure that there is no loss of corporate knowledge and expertise in transitioning to a new structure, and that the support of industry stakeholders is maintained.

AUS-MEAT currently plays a very important role in the integrity systems, as the provider of audit services. These are managed by AUS-MEAT in conjunction with a range of other audit services, and AUS-MEAT identified that this creates efficiencies that would not otherwise be available. Recognising this, it seems preferable that for an initial period at least, AUS-MEAT be contracted by the new entity to continue to provide audit services for the LPA. The longer-term objective would be to move to a situation whereby audit services were contestable, and AUS-MEAT could tender on a commercial basis to provide those auditing services.

It would be preferable if ownership of existing non-compulsory industry standards such as NFAS, PCAS, EUCAS and LPA-QA were transferred to the new entity. While there might be some concerns amongst the existing 'owners' of those standards about a loss of control, the transfer of these to an organisation with a well-defined and transparent standards management process should assist in increasing the credibility and integrity of these standards, and as a consequence deliver enhanced value to the industry. It would also be entirely feasible for the board of the new structure to establish working or advisory groups to assist with the management of these standards, noting that this would be a board decision based on their assessment of the need and the available resources, and the board would subsequently be able to disband that group if it was no longer deemed necessary.

There would undoubtedly be a range of other issues that would emerge in the process of transitioning the integrity systems to a new structure, and these would be best managed by establishing a taskforce to manage the process. Senior operational staff who are currently involved in managing various elements of the current system in SAFEMEAT, AUS-MEAT and MLA could be co-opted to the taskforce for a defined period to optimize the transition process and ensure that the new structure operates optimally from a very early stage.

10 Discussion and conclusions

The current integrity systems has served the industry well, and continues to do so. It is generally considered to be at the forefront of national livestock integrity systems globally, and is the reason that Australian livestock industries have maintained market access to virtually all international markets, while competitors such as the USA and Canada have at times been excluded. In no sense should it be considered that the current system is in crisis, or in imminent danger of failure.

There is almost universal agreement amongst those who are currently closely involved with the system, however, that the current structures are cumbersome and unwieldy, lack clear strategic direction and strong governance, and do not enable the system to continue to respond to the needs of markets in a timely and efficient manner.

In many respects, the integrity systems resemble a reliable family car that has served its owners well for many years and could conceivably continue to do so into the future with continued maintenance and repairs, but newer models are available promising much enhanced performance and economy.

At some point, and preferably before a major breakdown occurs, there is a need to replace the current vehicle with a new model, and it is apparent that the livestock industries currently face that decision in relation to the integrity systems.

This research has defined a preferred future structural model for the integrity systems, and identified a transitional process that could enable the reform to occur over a relatively short period of time. It is in the interests of all involved in Australian livestock industries to ensure that the integrity systems remains at the forefront of international livestock integrity systems, and to that end the reforms proposed here provide an enhanced opportunity for that to occur.

11 References

Dwyer, G. and Clarke, M. 2015, Ex-post benefit cost analysis of the MLA's Product Integrity Systems, draft report to MLA by Marsden Jacob Associates, Melbourne.

MLA 2014, *Meat & Livestock Australia Annual Report 2013-14*, MLA, Sydney

SAFEMEAT 2013, SAFEMEAT Initiatives Review Recommendations, Revised 2013, SAFEMEAT , Canberra.

12 Appendices.

12.1 Appendix 1: Integrity system key principles.

This section then deals with options for the accreditation of product integrity systems or schemes.

12.1.1 Strategic Foundation

It is vital that any product or service integrity system have a clearly defined place within the strategic plan for the organisation or industry that owns the system. Like any other major stream of business activity, the system must be shown to be contributing to the overall objectives of the organisation or industry.

Detailed within the strategic plan for the system should be:

- Realistic, measurable and time-bound objectives (which may link to the overall objectives for the owner organisation/corporation).
- Clear identification of executive/departamental responsibility for oversight and management of the system.
- Some description of who benefits from the system and how.
- Linkages the system has with other programs or business operations of the owner organisation/corporation.

Clearly articulated raison d'être

Every system exists (or started life) for a defined purpose. Over time that purpose may become less clear or may be interpreted in different ways by different administrators or stakeholder groups.

It is important that the core purpose and role of a system be clearly and strongly articulated in the system owner's strategic plan and in the business plan for the system. If well and succinctly expressed this 'mission' plus the specific objectives for the system serve as a yardstick against which any changes, improvements or extensions to the system should be measured.

Ownership = responsibility

It must be clear (and clearly expressed) who has legal and functional ownership of a system. In some cases, over time and with the involvement of numerous bodies and interested parties, the true legal ownership of a system may become unclear. Various groups may want to claim or assume ownership or responsibility, for their own interests.

Ownership of an integrity system will very likely mean some commitment in law, particularly if the system has involvement in areas such as public health, food safety, environmental or animal welfare responsibility. In addition, the owner of a system which provides formal certification (or

authority to use a ‘certification mark’) has legal responsibilities under intellectual property (i.e. trade mark) law.

Beyond these legal obligations, stakeholders in a system; and observers (such as government, the media and special interest groups), expect an owner of a system to be responsible for it and manage it appropriately.

This does not mean that a system owner must undertake all aspects of management and operation. Of course certain identified functions can (and some should) be formally contracted to other groups or independent bodies.

Strategic development

Like any other major business support activity, integrity systems call for planned strategic development. This is not development in the mechanics and implementation of the system, but rather, where changes in the core elements of the system are called-for. This may be, for example, in the scope and coverage of the system; the specific criteria used; how and under what contracts the system is managed etc.

Such development is solely the responsibility of the system owner. The owner may invite input or consult others but in the end, decisions about changes to the system rest with the owner.

Recognise what the system is not

It is important that all involved are clear about the scope of a system and also what it does not cover and does not do. For example:

- A system which audits and accredits plant nursery production operations in all aspects of their production processes may be a very valuable marketing tool and promoter of industry image. But makes no claims that the plants themselves meet any particular quality standard.
- Or a system that facilitates the tracking of primary produce through the supply chain may be very useful in management of food safety threats or disease outbreaks. But it makes no claims to oversee the environmental or animal welfare credentials of those businesses in the supply chain.

The point here is to be very clear about the scope and limits of any system; and to ensure other relevant parties are too.

Clarity on the role of ‘stakeholders’

Systems can sometimes become confusing and complex when numerous stakeholders are involved. Indeed some stakeholders may feel they have, or deserve, some responsibility in the management of a system, beyond say being consulted for comment or input.

Clarity about all stakeholder groups and their specific role(s), widely communicated by the system owner, will overcome some grey areas or ‘territory’ claims. Of course, it may also lead to

some discontent among those that feel they have a greater right to manage than is actually the case.

12.1.2 Governance and Integrity

Avoiding conflict of interest (COI) – real, potential or perceived

Because product integrity systems often provide advantage to those that participate and/or meet a standard, over those that do not, there is the potential for conflict of interest – real or perceived. COI can call into question the worth and integrity of the system; and lessen its value

Owners of systems must take all reasonable steps to avoid or manage COI; and be seen to do so.

Just some of the instances where COI may arise are:

- Participants in the system being also members of the committee or board that sets criteria and standards.
- Those performing audits of participating businesses also have other business relationships with the relevant business.
- Those adjudicating on complaints or objections to audit results having some other involvement in the system, as either participants or administrators.
- Composition of advisory committees seen to be not well-balanced or skills-based and therefore open to accusations of bias or lack of depth.
- Overall, those that own and manage a system should not also be those responsible for audits and inspections.

As part of standard risk analysis process, all areas where COI may arise should be identified and the steps for minimising or management be developed and formally documented.

12.1.3 Resourcing

Adequate and assured line of funding

The development and operation of an integrity system can be a considerable expense for an organisation or product, particularly if the system has a high labour content (e.g. annual audits of production facilities). Once established, there is almost always an expectation that the system will continue – meaning that the system owner needs to be prepared to make a long-term financial commitment to it.

Some systems do structure resourcing to include some element of ‘user-pays’ (e.g. license fees, royalties, membership fees) but these are rarely enough to cover the full cost of operation.

Public and government funding

In Australian rural industries some systems are owned, run or funded by Research and Development Corporations (RDCs) using statutory levy and Australia matching funds as part or

all or part of the income stream. In this case, the RDC must be able to show that using its funds in this way:

- Is consistent with its Statutory Funding Agreement with the Australia;
- Is consistent with the Constitution of the RDC;
- Can be shown to be contributing to the Australia's Rural R&D Priorities; and
- Where matching funds are used, there is demonstrable broader public benefit from the system.

Care must be taken when R&D Levy (and matching) funds are used as these are generally not intended for use in ongoing, routine management of programs or activities.

Understanding the full and real cost

It is sometimes not easy to look at the total cost of a system as various elements of it may be funded from different budgets or by different parties.

Such analysis is important in understanding the full and real cost of the system and therefore properly evaluating its total cost/benefit to the industry.

12.1.4 Management

Who should manage?

The question of who should manage a system is not a difficult one. The system owner is responsible for its management – either directly or via a detailed management contract. The owner can also contract others to undertake specific support services, like auditing or database management for example.

But always, the owner of the system remains liable for its efficient management

Independence and separation = Integrity

No matter what administrative and management structure is established, a system owner must ensure certain 'separations' exist between particular elements of the management process. This is essential for transparency and the integrity of the system. For example:

- Personnel involved in developing recommendations on standards or criteria must not also be on the committee which approves criteria change.
- Those auditing production facilities or processes should not also be involved in adjudicating complaints about audits.
- There should be an established program of cycling auditors so one does not consecutively audit the same business more than a certain number of times.
- A regular program of check-audits should be in place.

These and many other structural separations are increasingly being required by those that buy the produce, such as retail chains and major foodservice providers. Best practice in this area is covered in both the international Global Food Safety Initiative (GFSI) and also to some extent

under the international standard ISO 17065 ('Conformity Assessment – Requirements for bodies certifying products, processes and services').

3-5 year Business Plan

As with any major business activity, an integrity system should have its own, approved, 3-5 year business plan. The plan (which would normally be approved by the Board or a Board sub-committee) should be linked directly to the strategic plan of the system owning organisation and include:

- An outline of management, operational and any advisory structures
- Well-defined, measurable and time-limited objectives.
- Details of activities to be undertaken, by whom and in what time-frame.
- A detailed budget and resourcing plan.
- How progress in the plan will be monitored and measured; and any process for review and adjustment of the plan.

Criteria creep and criteria resistance

Over time, two abnormalities can occur and can impact the operations of an integrity system. Managers of systems should be wary of them and have strategies to address them if they occur.

'Criteria Creep' occurs where the additional or more stringent criteria or participation requirements of a system are added, but not as part of a formal strategic review. This might occur where an advisory or other committee thinks that certain aspect should be added and the system managers adopt that change, without adequate consideration or risk analysis. In recent times this has been the case in other primary industry systems, particularly in relation to environmental care or animal welfare. The main risk arises when such changes are not adequately communicated throughout the system (to participants, auditors and stakeholders); and the additional requirements are harsh or unreasonable.

'Criteria Resistance', occurs when system owners or managers seek to introduce additional or more stringent requirements, in the interests of the system or the industry overall. However sometimes pressure can be bought to bear from those that resist the changes, for whatever reason. Decision-making transparency; and the separation of functions (dealt with later), are important.

Systems and IT adequacy

Most systems have a degree of IT incorporated within their operation. This may be for example, in tracking produce; monitoring the health and welfare of stock; identifying producers and others in the supply chain; or managing data input in relation to regular audits, issuing certificates, following-up audit failures etc.

IT is and will increasingly be, an important tool in the implementation of integrity systems. Some considerations here are:

- Are the IT systems and requirements regularly evaluated and upgraded if appropriate? This should be part of the structured Business Plan mentioned earlier.
- Has an adequate budget been provided for IT maintenance and upgrading?
- Are the IT requirements placed on system participants reasonable? For example, do they have sufficient IT capability, time available and internet connectivity?

Risk analysis

All major business programs and units should undergo a regular, formal risk assessment process. This is particularly relevant for food product integrity systems as these often provide assurance in areas such as food safety, biosecurity, environmental stewardship and animal welfare.

Risks to a product integrity system may be many. Just some examples are:

Financial

- The current funding stream to run the system is removed or reduced.
- Costs increase to a level at which current and prospective participants question their participation.
- The system owner organisation no-longer considers the system of sufficient priority to warrant the current or projected expenditure.

Operational

- Key system management executives leave the team.
- Insufficient qualified auditors are available.
- One or more auditors have a separate business relationship with the businesses they audit.
- Personnel on key advisory or operational committees are also system participants and might be perceived to be advantaged or disadvantaged; or able to influence decisions and recommendations.
- A key part of the IT infrastructure servicing the system fails.
- Standards introduced (for example in environmental or animal welfare practices) are loose, open to flexible interpretation or do not meet community expectations.

Reputational

- A breakdown in product integrity leads to a public, community or human health risk – and the attendant scrutiny by special interest groups or media can lead to damage to business and the industry's reputation.

System managers should adopt a formal and structured process which not only identifies risks, but also ranks them according to 'impact' and 'likelihood'; and identifies the risk management actions that must be taken.

Layers and duplication of input

Over time, integrity systems can become complex and multi-faceted in their mechanisms of consultation and input. Different groups may lay claim to being consulted and, particularly with industry-wide systems, are often hard to resist.

Yet the design (and Business Plan) of the system should clearly articulate who must be consulted, about what, how often and how. As always, it comes back to:

- What are the objectives of the system? And therefore,
- Exactly who needs to be consulted about what.

In this area sometimes the owners of the system have to hold a firm line.

12.1.5 Accreditation of Product Integrity Systems

There are two main avenues for accreditation of product integrity systems. As mentioned earlier such accreditation is increasingly required by 'customer' stakeholders such as major retail chains and foodservice operators.

Global Food Safety Initiative (GFSI)

A food safety management system is 'recognised' by GFSI when it meets internationally recognised minimum food safety requirements, developed by multiple stakeholders, which are set out in the GFSI Guidance Document.

Certification to a GFSI recognised system is achieved through a successful third party audit against any of the systems listed as being recognised by GFSI.

ISO/IEC 17065 – Conformity assessment: Requirements for bodies certifying products processes and services

As described in the introduction to ISO/IEC 17065:

“The overall aim of certifying products, processes or services is to give confidence to all interested parties that a product, process or service fulfils specified requirements. The value of certification is the degree of confidence and trust that is established by an impartial and competent demonstration of fulfilment of specified requirements by a third party. Parties that have an interest in certification include, but are not limited to:

- a) The clients of the certification bodies;
- b) The customers of the organisations whose products, processes or services are certified;
- c) Governmental authorities;
- d) Non-governmental organisations; and
- e) Consumers and other members of the public.

Interested parties can expect or require the certification body to meet all the requirements of this International Standard as well as when relevant, those of the certification scheme”

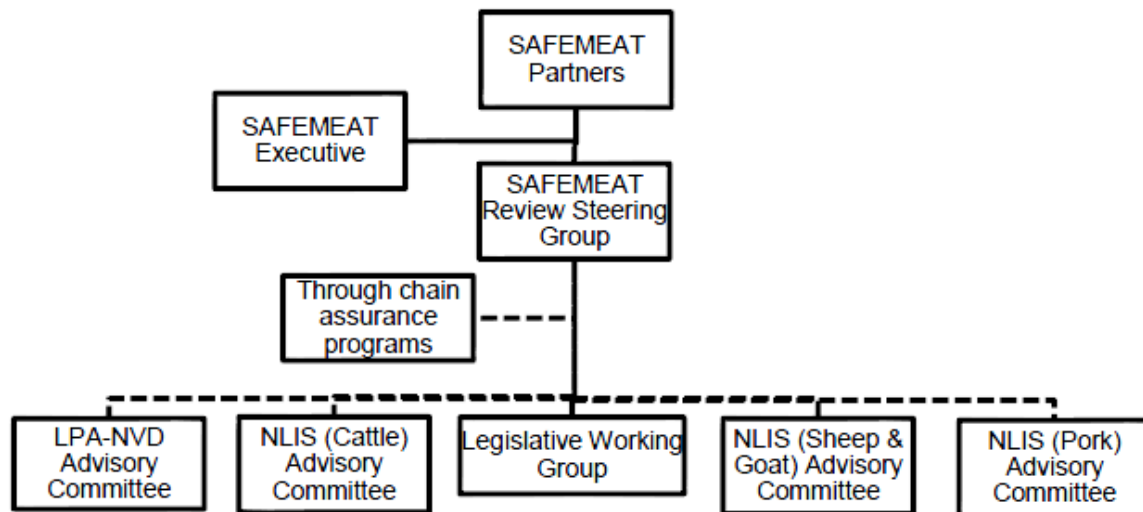
While there may well be commercial considerations, it is entirely a system owner's decision whether to seek accreditation for their system. There are costs and administrative requirements in the system accreditation process.

Accreditation does not indicate or imply that the system is inherently valuable and important for its stakeholders. It simply verifies that the system has certain protocols, procedures and systems in place and operating efficiently.

12.2 Appendix 2 – SAFEMEAT

SAFEMEAT is a partnership between the Australian red meat and livestock industry and state and federal governments.

The role of SAFEMEAT specified in the Meat Industry Memorandum of Understanding (MOU), is to oversee and promote sound management systems to deliver safe and hygienic product to the market place. SAFEMEAT promotes rationalisation of regulation and standards within the industry, drives the implementation of strategies to ensure meat safety and hygiene and monitors industry performance in against these strategies. The diagram below outlines the structure of SAFEMEAT.



SAFEMEAT's Terms of Reference are

- a) To work with the objective of establishing world best practice in ensuring the safety of red meat and pork products.
- b) To ensure each meat industry sector implements sound management systems to ensure safe and hygienic product is delivered to the market place.
- c) To ensure adequate and nationally consistent government standards and regulations relating to meat safety and hygiene.
- d) To ensure that effective crisis management strategies are put in place by the appropriate meat industry sectors and, to this end, ensure that there is a fully integrated and effective communications network.
- e) To develop and provide relevant information about current and emerging meat safety and hygiene issues.

SAFEMEAT consists of a number of members, committees and working groups who work together to ensure safe and hygienic product is delivered to the market place.

Partnership members

Partnership members generally meet twice a year and currently include:

- Cattle Council of Australia
- Australian Meat Industry Council
- Australian Lot Feeders' Association
- Sheepmeat Council of Australia
- Australian Dairy Farmers Ltd
- Australian Livestock Exporters' Council Ltd
- Australian Government Department of Agriculture, Forestry and Fisheries
- The Office of the Chief Veterinary Officer
- State/Territory meat industry authorities
- State/Territory departments of agriculture
- Observers include:
 - Animal Health Australia
 - Australian Livestock and Property Agents Association
 - Livestock Saleyards Association of Australia
 - Red Meat Advisory Council
 - Meat & Livestock Australia
 - Australian Pork Limited

Executive group

The SAFEMEAT partnership is supported by the Executive Group. The Executive Group meets regularly to drive the business plan work program and as required for other purposes.

Executive Group members include:

- Cattle Council of Australia
- Australian Meat Industry Council
- Australian Lot Feeders' Association
- Sheepmeat Council of Australia
- Australian Dairy Farmers Ltd
- Dairy Australia
- Australian Livestock Exporters' Council Ltd
- State/Territory meat industry authorities
- State/Territory departments of agriculture
- Australian Government Department of Agriculture, Forestry and Fisheries
- Australian Quarantine and Inspection Service
- Observers include:
 - Animal Health Australia

- Australian Livestock and Property Agents Association
- Livestock Saleyards Association of Australia
- Red Meat Advisory Council
- Meat & Livestock Australia
- Australian Pork Limited
- Australian Renderers Association
- Australian Pesticides and Veterinary Medicines Authority
- Wool Producers Australia

SAFEMEAT Secretariat

The SAFEMEAT Secretariat is located within the Australian Government Department of Agriculture.

SAFEMEAT Funding

Funding to attend meetings and undertake projects is provided by the individual SAFEMEAT members. Funding for the SAFEMEAT Secretariat is provided through Meat & Livestock Australia Ltd and the Australian Meat Processor Corporation. The cost of running the Secretariat was \$200,000 for the 2013-14 financial year. SAFEMEAT also received approximately \$280,000 for other industry communication activities it conducted.

12.3 Appendix 3: AUS-MEAT

AUS-MEAT Limited is an industry owned company operating as a joint venture between Meat & Livestock Australia (MLA) and the Australian Meat Processor Corporation (AMPC). AUS-MEAT was incorporated in 1998 as a part of a major restructure of meat industry organisations. It is a non-profit company limited by guarantee that is wholly owned MLA and AMPC. AUS-MEAT's charter is to provide services to the Meat and Livestock Industry.

AUS-MEAT is the national organisation responsible for quality standards and accurate descriptions of red meat. AUS-MEAT manages the Industry Standards for trade description through the Australian Meat Industry Classification System (AUS-MEAT Language) and the AUS-MEAT National Accreditation Standards for AUS-MEAT Accredited Enterprises. These standards are designed to protect the industry's reputation and integrity in selling meat into domestic and export markets.

AUS-MEAT Limited is cited as the 'Standards Body' responsible for establishing standards for meat for export under Regulation 3 (1) of the Australian Meat and Livestock Industry (Export Licensing) Regulations 1998.

A Memorandum of Understanding (MOU) confirms arrangements between AQIS (now the Department Of Agriculture) and AUS-MEAT for the verification of trade description requirements under the *Export Control Act 1982* and the *Export Control (Meat and Meat Products) Orders 2005 (Orders)*.

AUS-MEAT manages the Livestock Production Assurance program as the on-farm food safety program for the red meat industry and the LPA QA program for on-farm quality assurance for cattle sheep and goat producers.

AUS-MEAT also manages the Australian Livestock Processing Industry Animal Welfare Certification System on behalf of the Australian Meat Industry Council, and also manages the National Feedlot Accreditation Scheme for the Australian Lotfeeders Association.

AUS-MEAT has also diversified its business by forming AUS-QUAL Pty Ltd, a subsidiary company providing Certification and Conformity Assessment services to the Agriculture, Horticulture, Plant production and processing industries.

AUS-MEAT's operations are funded by contract income from the two parent entities, sales of materials related to its standards and the quality systems it administers and income from auditing services.

12.4 Appendix 4: NVD /waybill forms

Cattle LPA NVD

NATIONAL VENDOR DECLARATION (CATTLE) AND WAYBILL C 0 4 1 3

This form cannot be used where eligibility for the EU market is required.

Part A To be completed by the owner or person who is responsible for the husbandry of the cattle.

Owner of cattle _____ (FULL TRADING NAME)

Property/place where the journey commenced _____ (ADDRESS)

(ADDRESS CONTINUED) _____ (TOWN/VILLAGE) (STATE)

Property Identification Code (PIC) of this property
This MUST be the PIC of the property that the stock is being moved from _____

Description of cattle

Number	Description (BREED, SEX, E.G. HERFORD CROSS STEERS)	Brands or Earmarks (if present or required)
Total	Use the Attachment Forms for consignments that require more than to describe the stock. (See Explanatory Notes)	

Consigned to _____ (NAME OF PERSON OR BUSINESS)

(ADDRESS) _____ (TOWN/VILLAGE) (STATE)

Destination (if different) of cattle _____ (LOCATION ADDRESS)

NLIS devices used on these cattle Number of ear tags _____ Number of rumen devices _____

Details of other statutory documents relating to this movement e.g. health statement

DOCUMENT TYPE	NUMBER	OFFICE OF ISSUE	EXPIRY DATE

1. Have any of the cattle in this consignment ever in their lives been treated with a hormonal growth promotant (HGP)? (Use a second document for mixed consignments.)
Yes No +

2. Have the cattle in this consignment ever in their lives been fed feed containing animal fats?
Yes No (See Explanatory Notes)

3. Has the owner stated above owned these cattle since their birth?
Yes No If No, how long ago were the cattle obtained or purchased?
(If purchased at different times, tick the box corresponding to the time of the most recent purchase.)
A. Less than 2 months B. 2-6 months C. 6-12 months D. more than 12 months

4. In the past 60 days, have any of these cattle been fed by-product stockfeeds?
Yes No If Yes, attach a list of the by-product stockfeeds, date when last fed and a copy of an analyst's report if available.

5. In the past 6 months have any of these animals been on a property listed on the ERP database or placed under any restrictions because of chemical residues?
Yes No If Yes, give details: _____

6. Are any of the cattle in this consignment still within a Withholding Period (WHP) or Export Slaughter Interval (ESI) as set by APVMA or SAFE MEAT, following treatment with any veterinary drug or chemical?
Yes No If Yes, give details: (Record additional details in question 9) _____

CHEMICAL PRODUCT _____ /20 TREATMENT DATE _____ MAP _____ (SI) (F SI)

7. In the past 60 days, have any of the cattle in this consignment consumed any material that was still within a withholding period when harvested, collected or first grazed?
Yes No If Yes, give details: _____

CHEMICAL PRODUCT _____ /20 DATE APPLIED _____ GRASSING MAP _____ /20 DATE FIRST FED/GRAZED _____ /20 DATE FEEDING/GRAZING CEASED _____

8. In the past 42 days, were any of these cattle:
a) grazed in a spray risk area; or
b) fed fodders cut from a spray drift risk area? (See Explanatory Notes for definition of spray drift risk area.)
Yes No If Yes Date sprayed: _____ /20
DAY MONTH YEAR

9. Additional information: see requirements in Explanatory Notes for completing this document.

Declaration

I _____ FULL NAME FULL ADDRESS _____
ADDRESS CONT. _____ L P A

declare that, I am the owner or the person responsible for the husbandry of the cattle and that all the information in part A of this document is true and correct. I also declare that I have read and understood all the questions that I have answered, that I have read and understood the explanatory notes, and that, while under my control, the cattle were not fed restricted animal material (including meat and bone meal) in breach of State or Territory legislation.

Signature * _____ Date * _____ /20
*Only the person whose name appears above may sign this declaration, or make amendments which must be initialled.

Tel no. _____ Fax no. _____

Part B To be completed by the person in charge of the cattle while they are being moved. Completion of this part is optional in SA and VIC.

Movement commenced: _____ /20 _____ : _____ (am/pm)

Vehicle registration number(s) * : _____

I _____ am the person in charge of the cattle during the movement and declare all the information in Part B is true and correct.

Signature _____ Date _____ /20 Tel no. _____
*When more than one truck is carrying the cattle, other vehicle registration numbers are to be recorded.

Part C Agents declaration for cattle sold at auction. (Completion of Part C is optional.)

Agents completing Part C should retain the original or a scanned copy of the original declaration or a summary for a minimum of two (2) years, or three (3) years in WA and supply a copy or summary to any buyer on request.

Vendor code / No.'s _____ Agent's code _____

Stock agent company _____

Buyer's name _____ Destination PIC _____

No. of cattle purchased _____ Saleyard arrival time (am/pm) _____ : _____

Agent's signature _____ Date _____ /20
DAY MONTH YEAR

The LPA NVD is a vital part of your business - make sure it is complete and correct



Who is responsible for completing the LPA NVD?
Part A: The cattle owner or the person responsible for the husbandry of the cattle.
Part B: The livestock carrier.
Part C: The livestock agent (optional).

Who keeps the copies?
Top sheet: (White) goes with the cattle to the purchaser.
Middle sheet: (Green) goes to the carrier.
Bottom sheet: (Pink) stays in the book and should be kept for auditing purposes.

How do I order copies of the LPA NVD?
 1 Got to www.mla.com.au/nvd or
 2 Phone 1800 683 111
Where do I go for more information?
 Go to www.mla.com.au/nvd

NATIONAL VENDOR DECLARATION (CATTLE) AND WAYBILL CD413

This form cannot be used where eligibility for the EU market is required.

Part A: To be completed by the owner or person who is responsible for the husbandry of the cattle.

Owner of cattle: Bruce Watergrove Pastoral Co.

Property/place where the journey commenced: Warren NSW

Describe the breed, sex, tail tag number and brand or earmark.

Properly Identification Code (PIC) of this product: WA 1 2 3 4 5 6

Describe the cattle

Ranking	Sex	Color	Markings	Brands or Earmarks
12	Angus Steers			

Write the name of the person or business (and their address) that the cattle have been transferred to.

Consignee: John Barren, Barren Livestock Agent

Destination (if different): Warren Saleyards

NLS (used on these cattle): Number of ear tags: 1 2 Number of human devices:

Write the address of where the cattle will be delivered (if different).

1. Have any of the cattle in this consignment ever in their lives been treated with a hormonal growth promotant (HGP)? (Use a second document for mixed consignments.)
 Yes No (See Explanatory Notes)

2. Have the cattle in this consignment ever in their lives been fed feed containing animal fats?
 Yes No (See Explanatory Notes)

3. Has the owner stated above owned these cattle since their birth?
 Yes No If NO, how long ago were the cattle obtained or purchased?
 (If purchased at different times, tick the box corresponding to the time of the most recent purchase.)
 A. Less than 2 months B. 2-6 months C. 6-12 months D. more than 12 months

4. In the past 60 days, have any of these cattle been fed by-product clootfeeds?
 Yes No If Yes, attach a list of the by-product clootfeeds, date when last fed and a copy of an analyst's report if available.

5. In the past 6 months have any of these animals been on a property listed on the ERP database or placed under any restrictions because of chemical residues?
 Yes No If Yes, give details:

8. Are any of the cattle in this consignment still within a Withholding Period (WHP) or Export Slaughter -1 Interval (ESI) as set by AUS-MEAT or AUS-FAVAC, following treatment with any veterinary drug or chemical?
 Yes No If Yes, give details: (Record additional details in question 9)

9. In the past 60 days, have any of the cattle in this consignment consumed any material that was still within a withholding period when harvested, outleaved or first grazed?
 Yes No If Yes, give details:

10. In the past 42 days, were any of those cattle:
 a) grazed in a spray risk area; or
 b) fed feedstuffs cut from a spray drift risk area? (See Explanatory Notes for definition of spray drift risk area.)
 Yes No If Yes Date sprayed: / /

11. Additional information: see requirements in Explanatory Notes for completing this document.

Declaration:
 I, Bruce Watergrove, Warren NSW
 declare that, I am the owner or the person responsible for the husbandry of the cattle and that all the information in part A of this document is true and correct. I also declare that I have read and understood all the questions that I have answered, that I have read and understood the explanatory notes, and that, while under my control, the cattle were not fed restricted animal material (including meat and bone meal) in breach of State or Territory legislation.

Signature: Bruce Watergrove Date: 04 / 04 / 2012
*Only the person whose name appears above may sign this document when it is issued.

Tel no: 02 9468 9000 Fax no: 02 9468 9111

Part B: To be completed by the person in charge of the consignment that is being moved. Completion of this part is optional in SA and VIC.

Vehicle registration number(s):

I, John Barren am the person in charge of the cattle during the movement and declare all the information in Part B is true and correct.
 Signature: John Barren Date: / / Tel no:
*When more than one truck is carrying the cattle, other vehicle registration numbers are to be recorded.

Agents completing Part C should retain the original or a scanned copy of the original declaration or a summary for a minimum of two (2) years, or three (3) years in WA and supply a copy or summary to any buyer on request.

Vendor code / No.'s: _____ Agent's code: _____
 Stock agent company: _____
 Buyer's name: _____ Destination PIC: _____
 No. of cattle purchased: _____ Saleyard arrival time (am/pm): _____
 Agent's signature: _____ Date: / /

The LPA NVD is your guarantee to buyers - get it right.

© Copyright Meat and Livestock, Australia 2011. The Meat and Livestock Australia logo is a registered trade mark of Meat and Livestock Australia Limited. The Livestock Production Assurance logo is a registered trademark of AUS-MEAT Limited. * The LPA NVD is for cattle, sheep and lambs, EU cattle, goats, and Bobby Calves. Travel documents (such as waybills and traveling stock statements) are required by State Governments in Western Australia, New South Wales, Tasmania and Queensland. They are optional in South Australia and Victoria. The LPA NVD is not recognised as a legal document for stock movements in the Northern Territory.

Do not send cattle to slaughter if they are still within the withholding period or export slaughter interval.

Once you have correctly completed and signed this form you have met the requirement to have a livestock travel document* and declared that all livestock covered by the LPA NVD have met the LPA program requirements and animal material feeding restrictions.

The carrier should fill in Part B.

The agent may fill in Part C.

EXPLANATORY NOTES – NATIONAL VENDOR DECLARATION (CATTLE) AND WAYBILL

Background

The LPA National Vendor Declaration (LPA NVD) is part of the Cattle Industry's commitment to food safety and product integrity.

Waybills are required when Cattle (and other stock) are moved in the Australian Capital Territory (ACT), Northern Territory (NT), New South Wales (NSW), Queensland (QLD), Western Australia (WA), South Australia (SA) and Tasmania (TAS). Only this combined LPA NVD/waybill need be completed in these States/Territories when Cattle are being moved. The completion of Part B of this combined LPA NVD/waybill is optional in South Australia (SA) and those States where waybills are not required, the Northern Territory (NT) only accepts an NT waybill as its mandatory movement document; it does not accept the LPA NVD/waybill. The Northern Territory (NT) only accepts an NT waybill as its mandatory movement document; it does not accept the LPA NVD/waybill.

Standalone waybills will continue to be available from relevant regulatory authorities, and their use is preferable if only a waybill is required.

Producers must provide a copy of this document for all Cattle they move to another property or offer for sale or slaughter, and to request a correctly completed copy or post sale summary when buying Cattle.

General

Answer all items accurately. Any false, misleading or unverifiable statements may result in prosecution and/or civil action. If you rely on the document to verify future claims about purchased stock, then the stock should be identifiable against their accompanying document.

The cost of any residue testing required or undertaken in response to information given on the document is a commercial matter between the vendor and buyer (except where industry funds such testing).

The document is in triplicate.

- **Top sheet:** (White) goes with the cattle to the purchaser.
- **Middle sheet:** (Green) goes to the carrier.
- **Bottom sheet:** (Pink) stays in the book and should be kept for auditing purposes.

PART A

Part A is only to be completed by the owner of the Cattle or person responsible for the husbandry of the Cattle.

Address and PIC (Property Identification Code) of property/place where the journey commenced

This LPA NVD can only be used when the cattle are being moved from the property to which the pre-printed PIC is assigned. If the stock are being moved from a different property (e.g. adjustment), you should obtain an LPA NVD from the owner of the property.

If the cattle were walked to yards on another property exclusively for the purpose of loading at the commencement of this journey, do not record the PIC of the property on which the cattle were loaded.

A new LPA Cattle NVD/waybill must be completed if the cattle have been purchased and/or moved to a new property, and then despatched to a saleyard, abattoir or other destination.

Description of Cattle

For consignments that require more lines to describe the stock, go to the website www.sma.com.au/lpa and select Vendor declarations and select the link: Attachment to the NVD/Waybill

Ensure that the total number of Cattle being sold is put in the "Total" box.

Consigned to / Destination (If different)

Include in "Consigned to" the name of the person and/or company the cattle are being consigned to including full location address of person and/or company e.g. Mr Smith ABC Stock Agents, Town, and State.

Include in "Destination (If different)" the full location address of the destination of the cattle if they are not being sent to the location address of who the cattle are being consigned to e.g. ABC Saleyards, Town, State.

NLIS device

Where cattle carry National Livestock Identification System (NLIS) approved Breeder or Post-breeder devices, record the number of identified animals and device type(s) in the spaces provided.

Under State/Territory law, NLIS Breeder and Post-breeder devices must not be removed until cattle are processed in an abattoir or knacker. Cattle only need one NLIS device.

Never attach a second NLIS device if a NLIS device is already present. Attach NLIS devices in the right (off-side) ear.

Details of other statutory documents

Other documents relating to this movement e.g. cattle health statement, permit, including additional sheets of descriptions of cattle. The words "Attachment to LPA NVD/Waybill" serial number. It must be on every additional document with the serial number recorded. Additional document(s) must be attached to the original and both copies.

Hormonal Growth Promotant (HGP) Status (Question 1) (if you DON'T KNOW, you must tick YES)

Only declare cattle HGP free if: (a) they were bred on your property and you know they have never been treated with HGPs or; (b) you have evidence showing that these particular cattle have never in their lives been treated with HGPs. Acceptable evidence includes an agent's post-sale summary identifying the seller and endorsed with the words 'HGP free' or a signed statement or LPA NVD from the previous owner declaring the cattle to be 'HGP free'. Otherwise, you must declare the cattle as HGP treated.

Use a separate document for the HGP free cattle.

Animal Fats (Question 2) (if you DON'T KNOW, you must tick YES)

Only declare cattle No if: (a) they were bred on your property and you know they have only been fed grass or supplementary feed with hay, silage, straw or grain, or; if a commercial or home mixed feed has been used and the label advises no animal fats (such as tallow, and used cooking oils) have been used in the feed mix. (b) you have evidence showing that these particular cattle have never in their lives been fed feed containing animal fats. Acceptable evidence includes an agent's post-sale summary identifying the seller and endorsed with the words 'Gaudi Eligible' or a signed statement or LPA NVD endorsed with the words 'Gaudi Eligible' from the previous owner or the

relevant question on the LPA NVD is answered in a way, that declares Gaudi Eligible. Otherwise, you must declare the cattle as being fed feeds containing animal fats.

Ownership (Question 3) (if you DON'T KNOW, you must tick NO) When sending in stock in one lot that are both vendor bred and non vendor bred, you must either tick "No" and answer the subsequent question on how long they have been owned for or use a separate document for the vendor bred stock and the non vendor bred stock.

By-product stockfeed (Question 4) (if you DON'T KNOW, you must tick YES)

Includes any plant material not produced primarily for livestock consumption, such as waste fruit, vegetables and fibre crops including pees, pulp, pressings, stem and leaf material. (It does not include grain and grain by-products, cotton seed, oilseed meals, tallow or molasses).

Extended Residue Program (ERP) status and grazing restrictions (Question 6) (if you DON'T KNOW, you must tick YES)

Answer "Yes" if, in the past 6 months:

- The cattle have been on a property that currently has a "T" status, other than TS, allocated by a state/territory authority under the NORM program. (Note: Properties with a C (clear), R, M or TS classification do not have an ERP status for the purposes of this question.) OR

- The cattle have been placed under restrictions, such as quarantine or detention, by a state/territory authority due to chemical residues that exceeded the maximum residue limit (MRL) for agvet chemicals or the maximum level (ML) for contaminants such as lead or cadmium.

Attach any relevant analysts report or letter of clearance from state authority to the original and all copies of the declaration.

Veterinary drugs and ochemials (Question 8) as set by APVMA or SAFEMEAT (if you DON'T KNOW, you must tick YES)

The APVMA website should be checked for the current requirements for Export Slaughter Intervals (ESIs) and Withholding Periods (WHPs). www.apvma.gov.au/ESI

Veterinary drugs include chemicals administered orally, by injection or to the skin such as antibiotics, vaccines, worm and externally applied insecticides but exclude vitamin and mineral treatments.

ESIs are the period following treatment when Cattle are unsuitable for export processing. ESIs are Industry standards to ensure export requirements are met. For example SAFEMEAT has implemented a 90 day Provisional Russian ESI for prescribed veterinary medicines and feed additives containing oxytetracycline or chlortetracycline to meet country specific export requirements.

WHPs are the period following treatment when Cattle are unsuitable for processing for consumption in Australia.

Agriofuroral ochemials (Question 7) (if you DON'T KNOW, you must tick YES)

This question is important to ensure that cattle do not have unacceptable residues after consuming conventional stockfeeds, such as pasture, crop, stubble, grain or a prepared stockfeed, previously treated with agricultural chemicals. If the answer is "yes" record all requested details in the space provided. If the cattle have consumed purchased feeds within 60 days prior to sale the vendor should answer "Yes" to this

question unless they hold SAFEMEAT endorsed vendor declarations for that feed and those declarations confirm that all required WHPs have been met and/or that the feed complies with all requirements relating to chemical residues through a QA testing program. If any of the cattle consumed pasture, stubbles or failed crops previously treated with a chemical that had no grazing/ fodder WHP on the label the question should be answered "Yes" and details provided.

Spray Drift (Question 8) (if you DON'T KNOW, you must tick YES)

A spray drift risk area can exist for up to 10 weeks after any application. For endosulfan it includes all grazing land and all fodder and forage crops that at the time of application were within 750m downwind of a site treated by aerial application and 200m downwind of a site treated by ground rig. Answer yes to this question if livestock have grazed in that area following endosulfan application or for other pesticides in any downwind mandatory no-spray zone for protection of international trade specified on the pesticide product label.

Additional information (Question 9)

List any required attached documents, and attach copies of the documents to the original and all copies of the declaration. Examples of documents that could be attached include a cattle health statement, list of by-product stockfeeds and date when last fed, analysts' reports of residue tests done on by-product stockfeeds (Question 3), or biopsy testing of cattle (Questions 4, 5, 6, and 7), letters from State authorities detailing the residue status of the cattle, details of treatments within the withholding period or Export Slaughter Interval (Question 5). Use this section to provide other information on chemical use, animal health status, or commercial matters that are not covered specifically on the form including specific market eligibility.

Declaration

Signing this declaration has legal significance. Regulatory authorities may take legal action, and purchasers may seek damages if any information in part A is incorrect. Before signing you must be absolutely satisfied you understand all elements of the document, and these explanatory notes.

Restricted Animal Material includes any tissue, blood or other material taken from an animal and any meals derived from animals. Examples are meat and bone meals, blood meal, fish meal, feather meal etc. It does not include tallow, gelatine or milk products. Contact your State Agriculture or Primary Industries Department for more details on these feeding restrictions.

PART B

The carrier (or driver where applicable) must complete this part and sign it. When more than one truck is carrying the cattle all vehicle registration numbers are to be recorded.

If there is insufficient space to record all the vehicle registration numbers an additional document must be attached to the original and all copies. Some state regulatory authorities will require a copy of the LPA NVD/waybill to travel with each individual vehicle. If any information is incorrect regulatory authorities may take legal action. Completion of this part is optional within South Australia and Victoria. This NVD/waybill is valid for one journey only, e.g. from vendor's property to saleyard. A separate waybill must be completed for any subsequent journey, e.g. from saleyard to buyer's property.

Export Slaughter Interval (ESI) and Withholding Periods (WHP) for Cattle - currency as at February 2013

The Australian Pesticides and Veterinary Medicines Authority (APVMA) and SAFEMEAT have compiled a list of ESIs and WHPs for products used in cattle. Many of these ESIs were established previously by a third party and the accuracy and validity of the values are under review. ESIs are subject to change due to alterations in overseas requirements, and ongoing review and consultation with industry. If you are uncertain of a ESI or WHP for a product that you have used, the information is maintained and available via the APVMA website. To review the latest ESI and WHP information go to www.apvma.gov.au/ESI or contact APVMA: Ph: 02 6210 4837 or Email: residues@apvma.gov.au

The Export Slaughter Interval (ESI) is the minimum time interval that should elapse between the last treatment of an animal and slaughter for export. ESIs are an industry standard to ensure export requirements are met. The Withholding Period (WHP) for meat is the minimum period that must elapse between the last treatment of an animal and slaughter for human consumption in Australia. The WHP is a statutory requirement. WHPs listed in this table are for meat.

Chemical Product	WHP (days)	ESI (days)	Chemical Product	WHP (days)	ESI (days)	Chemical Product	WHP (days)	ESI (days)	Chemical Product	WHP (days)	ESI (days)
ACATAK		42§	DEMIZE POUR-ON	14	28	NEGUON	5	5T	SUFONA BF (backspray)	0	0
ALAMYCIN 300 INJECTABLE	35	35	DUOTIN INJECTION	30	42	NILVERM INJECTION	3	7	SYSTEMEX ORAL CONCENTRATE	8	14
ALBENDAZOLE CATTLE MINI DRENCH	10	10	FARNAM WORMA DRENCH	8	14T	NILVERM LV	3	7	SYSTEMEX ORAL/DRENCH	8	14
ALTERNATE	21	21	FASICARE 120 FLUKICIDE	21	56	NILVERM ORAL	3	7	SYSTEMEX RUMEN INJECTION	8	14
AMITK EC	0	0	FASIMEC CATTLE	21	56	NILVERM POUR-ON	3	7	TAKTIC EC	0	0
AMITK	0	0	FASIMEC POUR-ON	49	140	NILZAN LV	14	14	TAKTIC WP	0	0
AMITRAZ EC SPRAY	0	0	FASINEX 100	21	56	NOROMECTIN ANTIPARASITIC INJECTION	42	42	TERMINATOR EAR TAGS	0	0*
ARREST EASY-DOSE	0	21	FASINEX 120	21	56	NOROMECTIN PLUS BROADSPECTRUM			TIGUVON SPOT-ON	10	21
AVOMEK ANTIPARASITIC INJECTION	30	42	FASINEX 240	21	56	ANTIPARASITIC INJECTION	28	42	TIXARLY	0	21
BARRICADE 15'	8	21	FASINEX 50	21	56	NOROMECTIN POUR-ON FOR CATTLE	42	42	TREMACIDE 120	21	56
BAYMEC POUR-ON	42	42	FENBENDAZOLE	14	14	NUCIDOL 200 EC (backspray)	3	3	TREMACIDE 50	21	56
BAYTICOL CATTLE DIP AND SPRAY	0	0	FENBENDAZOLE 100	14	14	NUCIDOL 200 EC (backrubber)	3	10	TRODAX	28	28T
BEEFMEC POUR-ON	42	42	FENCARE 100	21	21	NULV (ind LV)	3	7	VALBAZEN MINI-DOSE	10	10
BOMBARD	0	21	FENCARE 25	21	21	NULWHITE CC BROAD SPECTRUM	10	10	VETMEC	30	42
BOMECTIN ANTIPARASITIC INJECTION	28	42	FLUKAR GOLD	0	0	OPTICLOX EYE OINTMENT	0	0	VIRBAC DELTAMETHRIN POUR-ON	0	21
BOVICARE	0	0	FLUKARE C	21	56	OXAZOLE	8	14	VIRBAMAX POUR-ON	21	21
CEVAMEK ANTIPARASITIC INJECTION	28	42	FLUKARE 8	21	56	OXFEN C	8	14	VIRBAMEK ANTIPARASITIC INJECTION	30	42
CHLORTET 200	10	42	FLUTIK POUR-ON	42	42	OXFEN LV	10	14	VIRBAMEK LV POUR-ON	21	21
CITARIN POUR-ON	3	7	GENESIS INJECTION	42	42	OXTK POUR-ON	42§	42	VIRBAMEK PLUS INJECTION	28	42
COOPAFLY POUR-ON	0	21	GENESIS POUR-ON	21	21	PANACUR 100	14	14	VIRBAMEC POUR-ON	35	42
COOPERS BLOCKADE 15' CATTLE DIP	8	21	GENESIS ULTRA INJECTION	28	42	PANACUR 25	14	14	VIRBAMEC POUR-ON FOR CATTLE	35	42
COOPERS DIAZINON FLY STRIKE POWDER	3	3	GENESIS ULTRA POUR-ON	49	140	PARAMAX POUR-ON	28	28	WARBEX	14	14
COOPERS DI-JET (backrubber)	3	10	IMAX CD POUR-ON	42	42	PARAMECTIN INJECTION	30	42	WSD DIAZINON (backrubber)	3	10
COOPERS DI-JET (backspray)	3	3	IVOMEK ANTIPARASITIC INJECTION	28	42	PARAMECTIN POUR-ON	35	42	WSD DIAZINON (backspray)	3	3
COOPERS EASY-DOSE POUR-ON	0	21	IVOMEK EPRINEX	0	0	PATRIOT INSECTICIDE EAR TAGS	0	0*	WSD FLY STRIKE POWDER	3	3
COOPERS SOVEREIGN POUR-ON	28	70	IVOMEK PLUS INJECTION	28	42	PORON LICE CONTROL	0	10	WSD LEVAMISOLE	3	7
CYDECTIN INJECTION	14	28	IVOMEK POUR-ON	42	42	RYCOMECTIN INJECTION	30	42	YOUNG'S FLUTIK POUR-ON	42	42
CYDECTIN INJECTION (multiple treatments)	14	40	KLEEN-DOK	14	21	RYCOZOLE	3	7	YOUNG'S TRICLAMEC CATTLE POUR-ON	49	140
CYDECTIN POUR-ON	0	0	LEVAMISOLE GOLD	3	7	RYCOZOLE RV PLUS SE	3	7	Y-TEX BRUTE POUR-ON	7	14
CYPARLY	3	3	LEVAMISOLE GOLD LV	3	7	SPIKE EAR TAGS	0	0*	Y-TEX OPTIMIZER CATTLE EAR TAGS	0	0*
DAIRYMEK IVERMECTIN POUR-ON	21	21	LEVAMISOLE GOLD ORAL	3	7	STAMPEDE POUR ON	21	21	Y-TEX PYTHON CATTLE EAR TAGS	0	0*
DECTOMAX INJECTABLE	42	42	LEVIPOR	3	7	STRATEGIK MINI-DOSE	10	10	Y-TEX PYTHON MAXIMA CATTLE EAR TAGS	0	0*
DECTOMAX POUR-ON	42	42	MINERALISED FENCARE	21	21	SUMFLY INSECTICIDE	0	0	Y-TEX WARRIOR CATTLE EAR TAGS	0	0*
DEFIANCE 8	3	14	MINERALISED LEVAMISOLE	3	7	SUFONA BF (backrubber)	0	10			

Notes:

- T: ESI is under review and final ESI may be longer.
- §: Calves which have suckled on treated cows must not be slaughtered less than 4 months after the last treatment of these cows.
- *: Removal of the ear tag prior to slaughter is recommended to prevent possible contamination.
- (-): Producers may notice many of the antibiotics have been removed from the ESI list. Industry stakeholders decided to remove products without ESIs from the list, this included many antibiotics. Producers using antibiotics, or other products listed without ESIs, are advised to consult the chemical company or their veterinarian concerning trade advice.

IMPORTANT INFORMATION

- * The label WHP is the minimum legal requirement at all times.
- * Label directions for use must be strictly adhered to for the ESI to apply.

DISCLAIMER: MLA does not accept responsibility for the accuracy or completeness of the ESIs and the WHPs. The ESIs are advisory only and are subject to change. The ESIs and WHPs have been provided to MLA by third parties and have not been verified by MLA.



SA Cattle & Buffalo Movement Waybill

(refer explanatory notes at bottom of form)

Section 1 – Property of Origin

Owner of animals (full name):

Address:

Property Identification Code (PIC):

Date of movement:

Section 2 – Description of cattle/buffalo

Number	Year Born (drop)	Breed, Sex & Type (e.g. Hereford cross steers)	Brands or Earmarks (if present or required)

Section 3 – Destination Property

Consignee (full name):

Address:

Property Identification Code (if known): or

Property location:

Section 4 – Declaration

As the seller and/or the person responsible for the husbandry of the cattle/buffalo in this consignment I declare that this waybill is complete and correct.

Signature: Date:

Name (Print):

Contact phone number:

Original must accompany cattle/buffalo during movement.

- Under the Livestock Act 1997 all movements of cattle & buffalo between properties not covered by the same PIC must be accompanied by an approved movement document. Duplicate copies must be kept by both the consignor and consignee for seven years.
- This Movement Waybill may be used as an alternative to a National Vendor Declaration (NVD) for the purpose of meeting NUIS legislation in South Australia. Note where the movement involves change of ownership an NVD is the preferred document and will usually be a specified requirement of the purchaser.